



Vital Healthcare Capital (V-Cap)

A nonprofit community development financial institution (CDFI)
supporting quality healthcare in low-income communities

HEALTHY SHARE NORTH CAROLINA

Increasing the share of New Markets Tax Credits (NMTC) invested in North
Carolina health centers

Healthy Share North Carolina

A new initiative to increase New Markets Tax Credit (NMTC) funding for North Carolina health centers

THE OPPORTUNITY

- **North Carolina has been historically underrepresented in NMTC investments**, and while healthcare-related projects make up nearly one-third of all NMTC transactions, there have only been a handful of North Carolina FQHC NMTC projects over the last decade
- **\$5 billion of NMTC will be awarded in 2022**, creating ~\$1 billion of grant-like subsidy for low-income community capital projects. In addition to typically-sized NMTC projects (\$5+ million), we are interested in supporting smaller qualifying projects (\$1+ million)
- There is an opportunity to channel more of this funding stream to:
 - Critically needed community health projects in North Carolina
 - Projects requiring special effort to attract NMTC funding, such as projects with capital gaps or that need credit enhancements

OUR INITIATIVE

The goals of **V-Cap's Healthy Share North Carolina** program are to (1) increase access of individual health centers to NMTCs for capital projects this year and next and (2) increase the share of NMTCs invested in health centers across the state over time

V-Cap is **documenting potential community health projects that could benefit from NMTCs** in 2022 and beyond in order to obtain commitments for:

- Community health centers across North Carolina
- Organizations led by or predominantly serving historically disadvantaged communities
- Other projects impacting health equity and health improvement for low-income North Carolinians

New Markets Tax Credits (NMTC) for Health Centers

An overview of the benefits of NMTCs for community health capital projects

NMTC BASICS

- NMTC is a Federal program that incentivizes community development and economic growth in low-income communities by providing a tax credit to private investors and a real benefit to community organizations ([see below](#))
- Eligibility for NMTC is location-based, using Census Tract data from the location of the proposed project



BENEFITS OF NMTC FINANCING TO HEALTH CENTERS

- ✓ NMTCs are an increasingly important form of Federal subsidy for community-based capital projects – in 2022 **there will be \$5 billion of tax credits awarded**, creating roughly \$1 billion of grant-like subsidy
- ✓ Financing under NMTC typically includes flexible features such as **lower interest rates** and higher loan-to-value (LTV) maximums
- ✓ Part of the NMTC loan is forgivable, resulting in **grant-like funds for 20% of more of the total project cost**

Considering a project that might benefit from NMTCs?

NMTCs are awarded through a process with a long lead time – it's timely now to discuss possible projects that could benefit from NMTCs in 2022-2023

New Markets Tax Credits (NMTC) Core Concepts

There are multiple ways NMTC transactions can be structured for a health center project – this simplified diagram shows some of the core concepts



**Tax Credits:
NMTC Allocation**

The CDFI Fund awards New Market Tax Credit authority to **Community Development Entities (CDEs)**, special purpose entities formed by CDFIs and other financial institutions

Tax Credits



**Investor
(Banks)**

The investor provides cash and receives tax credits worth 39% of the Qualified Equity Investment (QEI) over 7 years

The **Qualified Equity Investment (QEI)** is the total project investment covered by the tax credits

Leverage



Funds pooled with the investor's equity to make up the QEI – in "standard" NMTC transactions, leverage can include health center cash, grants, or loans



Health Center Project

In most health center NMTC transactions, the main **benefit** is that 20% or more of the QEI is forgiven after 7 years