

MEMORANDUM

Date: October 23, 2015

Staff Summary No. 5

To: Members, California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Presentation on New Market Tax Credits

Per Members' request to better understand New Market Tax Credit, staff of the California School Finance Authority (in collaboration with borrowers and financing team members) present for your information, the attached presentation on New Market Tax Credits.

Securing a permanent, affordable school facility is the number one obstacle to the growth of high-achieving charter schools. New Markets Tax Credit (NMTC) programs throughout California have been used to finance charter school facilities in qualified census tracts. Certain community development financial institutions (CDFI) have received NMTC allocation from the United States Treasury Department.

Charter schools receive the NMTC allocations to finance pre-development, development and construction costs. These 7-year NMTC loans are typically taken out with long-term tax-exempt bond financing.

Attached is an overview of the mechanics of NMTC loans, and details about NMTC deals in California.