



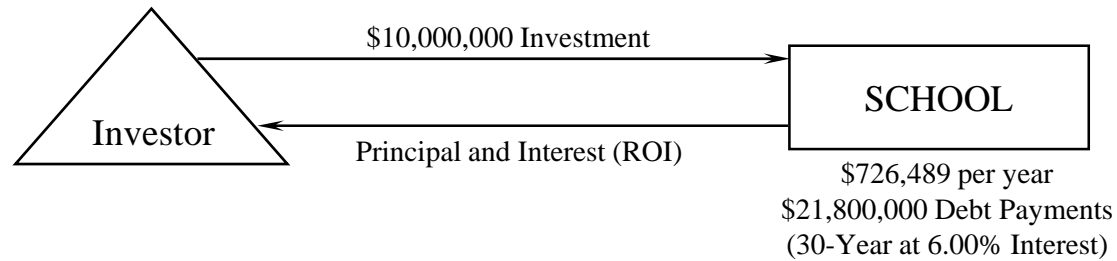
# Tax Credit Subsidies

- Tax credits can effectively create cash equity
- **Qualified Zone Academy Bonds, New Markets Tax Credits, Historic Tax Credits**
- Eligibility requirements must be met (low income students or census tract, etc.)
- Federal income tax credits are provided to investor in-lieu of (partially or fully) cash which is normally paid by Borrower
- Usually require competitive application

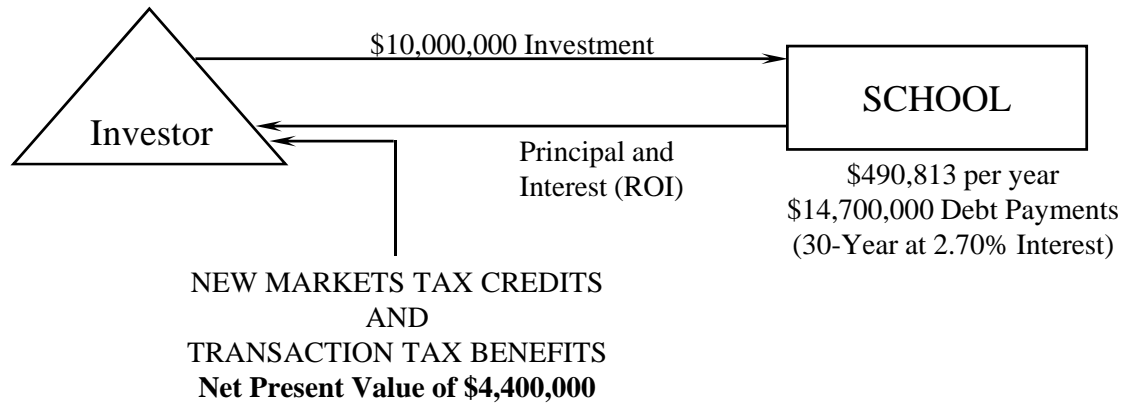


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### MARKET-RATE FINANCING BORROWER PAYS 100% WITH NO SUBSIDY



### TAX CREDIT SUBSIDY BORROWER DEBT PAYMENTS SUBSIDIZED BY TAX CREDITS





# New Markets Tax Credit “NMTC” Eligibility

- Use funds for refinancing, new construction, renovation, working capital, almost anything
- Primary eligibility—facility located in a “low-income” census tract (e-mail your street address to [dwight@dwightberg.com](mailto:dwight@dwightberg.com) and I can check your specific location for eligibility)
- Also might be able to qualify based on 60% or more student population from “low-income” families
- Authority to use NMTCs is allocated by Dept. of Treasury to independent “CDEs” that have discretion on what projects to support (NCBCI, LISC, and many more)



# Qualified Zone Academy Bond “QZAB” Eligibility

- Use funds for renovation, equipment, teacher training, curriculum development (not new construction)
- Two ways to qualify:
  1. Facility located in Empowerment Zone or Enterprise Community (see [http://egis.hud.gov/egis/cpd/rcezec/ezec\\_open.htm](http://egis.hud.gov/egis/cpd/rcezec/ezec_open.htm))
  2. At least 35% of students eligible for federal free or reduced-cost lunch program
- Authority to use QZABs is allocated by each State Department of Education, at its discretion (some don't allocate to charters)

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# Advantage

## **SUBSTANTIAL SUBSIDY**

- Qualified Zone Academy Bonds  
30%-40% subsidy
- New Markets Tax Credits  
20%-60% subsidy

Dwight E. Berg  
(888) 236-6757  
dwight@dwightberg.com



# Disadvantages

- Limited supply of tax credits creates significant competition; all Schools will not be able to access Tax Credits
- Process for obtaining financing is significantly more complicated and takes additional time relative to traditional financing
- NMTC demand is roughly 10X the supply of tax credits
- QZAB funding requires private donations equal to 10% of the QZAB funding used