



June 29, 2001

Mr. Jeffrey Berg, Acting Director
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th St., N.W., Suite 200 South
Washington, DC 20005

Dear Jeff:

As a member of the New Markets Tax Credit Coalition, we endorse the Coalition's response to the CDFI Fund's Guidance on the New Markets Tax Credit (NMTC). Following are comments prepared by the Community Development Venture Capital Alliance (CDVCA), the trade association of community development venture capital (CDVC) funds to supplement those of the Coalition:

- **Coordination with New Markets Venture Capital**

NMTC and New Markets Venture Capital (NMVC) were initially conceived as complementary programs. It was anticipated that some CDFIs would create NMVC companies and understood that NMTC allocations could be used to raise the NMVC private equity match. This year's expedited NMVC timeline poses a challenge to such coordination, however. NMVC applications were due in May, conditional designations will be announced in July, and private equity matches must be raised by September 14, 2001. *Recommendation:* We recommend that conditionally-designated NMVC companies automatically be deemed CDEs, and that NMTC allocations in the amount of the private capital matches required for NMVC companies for that year be set aside for NMVC companies each year. CDVCA is making every effort to extend this year's NMVC timeline in order to allow for coordination between NMVC and NMTC this year. We recommend that CDFI work with IRS and SBA to coordinate the two programs, even if this involves an expedited NMTC allocation process specifically for conditionally-designated NMVC companies.

- **Request for Clarification**

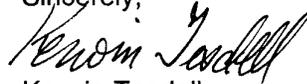
If a CDE wishes to accept equity investments from both taxable and non-taxable investments, must it apply for an allocation for the total amount of investments or may it apply for an allocation for the amount of investments expected to come from taxable entities only? Please provide an example for an anticipated \$10 million CDE, with \$5 million expected from taxable investors and \$5 million expected from non-taxable investors that invests \$7.5 million in qualified low-income community investments: must the CDE apply for a \$10 million NMTC allocation (and then

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allocate NMTCs proportionally to all investors -- \$3.75 million each, even if the non-taxable investors are unable to take advantage of those credits due to their tax exempt status), or may it apply for a \$5 million NMTC allocation (and then allocate all \$5 million in NMTCs to those taxable investors only, even if other CDE financial benefits -- for instance, income -- are allocated proportionally among all investors). Please note that the latter option would ensure that NMTC allocations are not "wasted" on non-taxable investors in CDEs, and that maximum public benefit is derived from the NMTC program.

Thank you for consideration of these comments. We hope you will be able to integrate these in any further guidance or regulations that the CDFI Fund may issue. Should you have any questions, do not hesitate to contact me at (212) 980-6790, ext. 18.

Sincerely,



Kerwin Tesdell
President

Encl.