New Markets Tax Credits

2026

Iowa growth. Community impact.

Iowa Business Growth Company | Iowa Community Development

Who/What is Iowa Business Growth Company?

5409 NW 88th Street, Suite 100 • Johnston, IA 50131
PHONE 515.421.4843 • FAX 515.223.5017
EMAIL steve@iowabusinessgrowth.com
IowaBusinessGrowth.com

- Certified Development Company
  - Established in 1981
  - Only CDC that is a member of Iowa Bankers Association
- Market, package, and service SBA 504 program
- Outstanding SBA 504 Portfolio $135MM
- Staff of 8
- Office Location –Johnston, Iowa
- Territory: Statewide
- For profit — stock corporation
- Resource for Iowa Banks — SBA & Economic Development Programs
- Market, structure, and service New Markets Tax Credit projects
  - $365 million in allocation to date through **Iowa Community Development**

Three Ways We Finance Iowa Businesses

Matching an Iowa client to the right program: project size, eligibility, and community impact.

504 LOAN PROGRAM

$500K–$15MM

typical project size

BEST FOR

Owner-occupied real estate & equipment

BORROWER BENEFIT

Low down payment - Preserves working capital

STRUCTURE

Bank 50% first lien / IBG 40% / borrower 10%

TERMS

10, 20, 25-year fixed-rate financing

ELIGIBILITY

Owner-operated, for-profit; net worth <$15M

COMMUNITY LENDING FUND

$500K–$3MM

typical project size

BEST FOR

Sound deals that fall outside SBA 504 rules

BORROWER BENEFIT

504-equivalent rates without SBA eligibility

STRUCTURE

Direct IBG loan; client's Iowa bank stays in

TERMS

10-year term, amortized up to 25 years

ELIGIBILITY

Non-credit disqualifiers only; 90% LTC max

NEW MARKETS TAX CREDIT

$8MM+

typical project size

BEST FOR

Job-creating projects in distressed tracts

BORROWER BENEFIT

Below-market debt, partly forgiven at year 7

STRUCTURE

CDE lends investor equity to the QALICB

TERMS

7-year compliance period, interest-only

ELIGIBILITY

Eligible tract + measurable community impact

Bankable and SBA-eligible → 504 | **Bankable, but outside SBA rules** → Community Lending Fund | **Large, job-creating, eligible tract** → NMTC

NMTC: Turning Tax Credits into Project Capital

A federal incentive that attracts private investment into eligible low-income communities through certified Community Development Entities.

39%	7 YEARS	$365MM	LIC
Federal tax credit of QEI	Credit period 5% / 5% / 5% / 6%×4	ICD allocation to date	Eligible community required

How the capital flows

1. **Investor** makes Qualified Equity Investment
2. **CDE / ICD** deploys capital as QLICI
3. **Project** receives flexible financing

Result: tax-credit equity can translate into net project benefit and help close financing gaps.

Best-fit projects

- Manufacturing / expansion
- Commercial or industrial real estate
- Community facilities
- Severe or deep distress focus

Capital gap + impact

Eligibility checkpoint — Project must be in an eligible low-income community and meet NMTC compliance requirements.

Simple takeaway — NMTC can reduce net project cost and help make transformative projects feasible.

Source: CDFI Fund / IRC §45D. Program details subject to eligibility, underwriting and NMTC compliance.

How Allocation converts to Projects Benefit

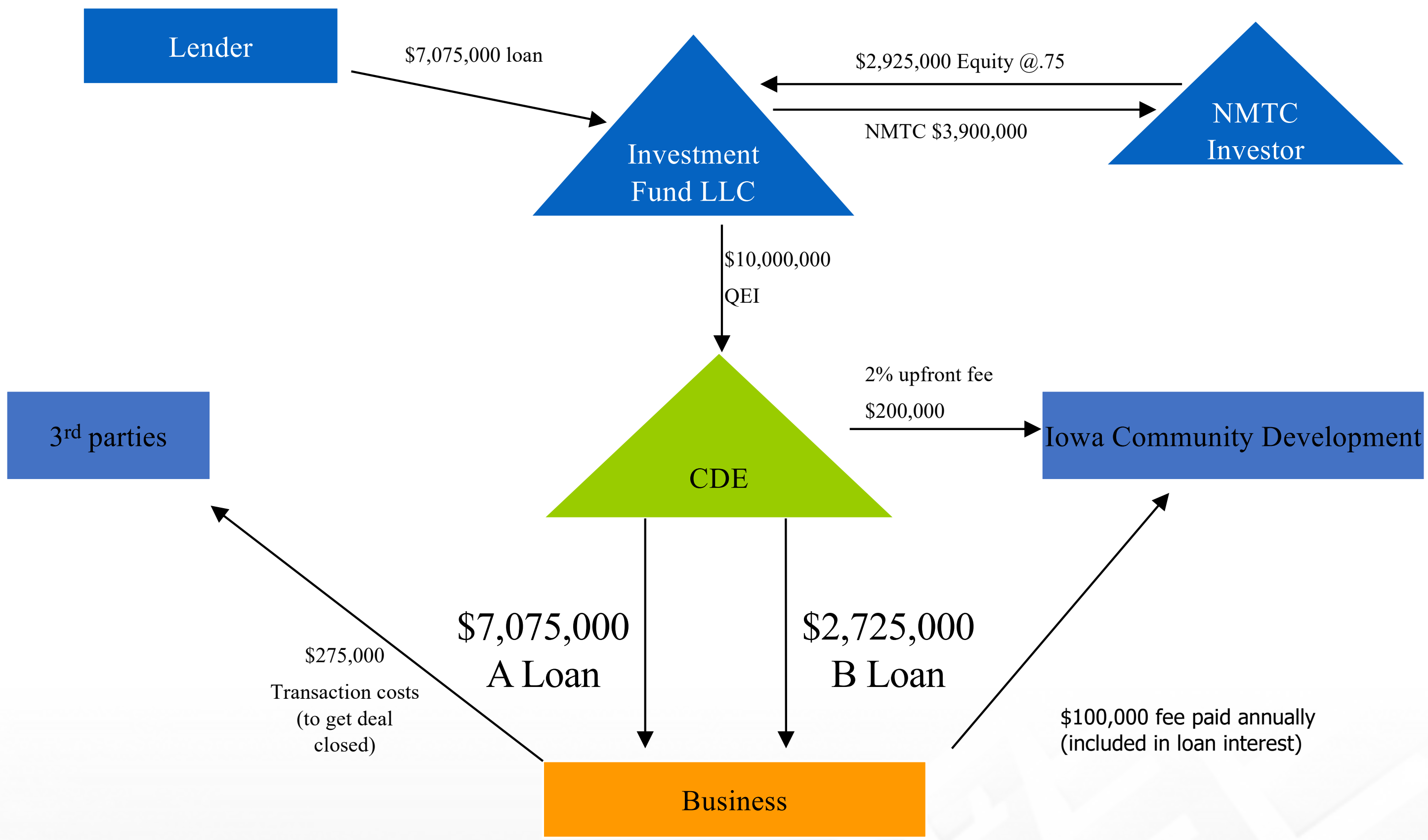
- **$15 million in Allocation Produces $5.85MM in Tax Credits**
  - ($15,000,000 * 39% ←(Fixed) = $5,850,000)
- **$5.85 million dollar tax credit converts into cash at 75¢**
  - ($5,850,000 * $0.75 = $4,387,500)
- **Transaction costs**
  - Structuring Fee - $300,000 (2% of Allocation Amount)
  - Third-Party Legal/Accounting (Estimate - $275,000)

Economic Benefit = $3,812,500 (@ Project Closing)

NMTC Investor Benefits

- The **New Markets Tax Credit (NMTC)** provides a federal tax credit equal to **39%** of a Qualified Equity Investment (QEI), claimed over **7 years** (5% in years 1–3, 6% in years 4–7).
- **Investors typically show annual net losses** during the 7-year compliance period.
- Credit is fixed, offering low-risk return
- Credits are not tied to project performance
- Banks often receive Community Reinvestment Act (CRA) Credit

NMTC - Leveraged Structure



B Loan -Transaction Costs
$2,725,000 - $275,000 = $2,450,000

Where NMTCs Can Be Deployed

New Markets Tax Credits must be deployed in low-income communities.

HOW ELIGIBLE AREAS ARE CLASSIFIED

Eligible

Standard low-income census tracts. These qualify for NMTC financing.

Severely distressed

Deeper poverty and lower incomes than standard eligibility requires.

Deep distress

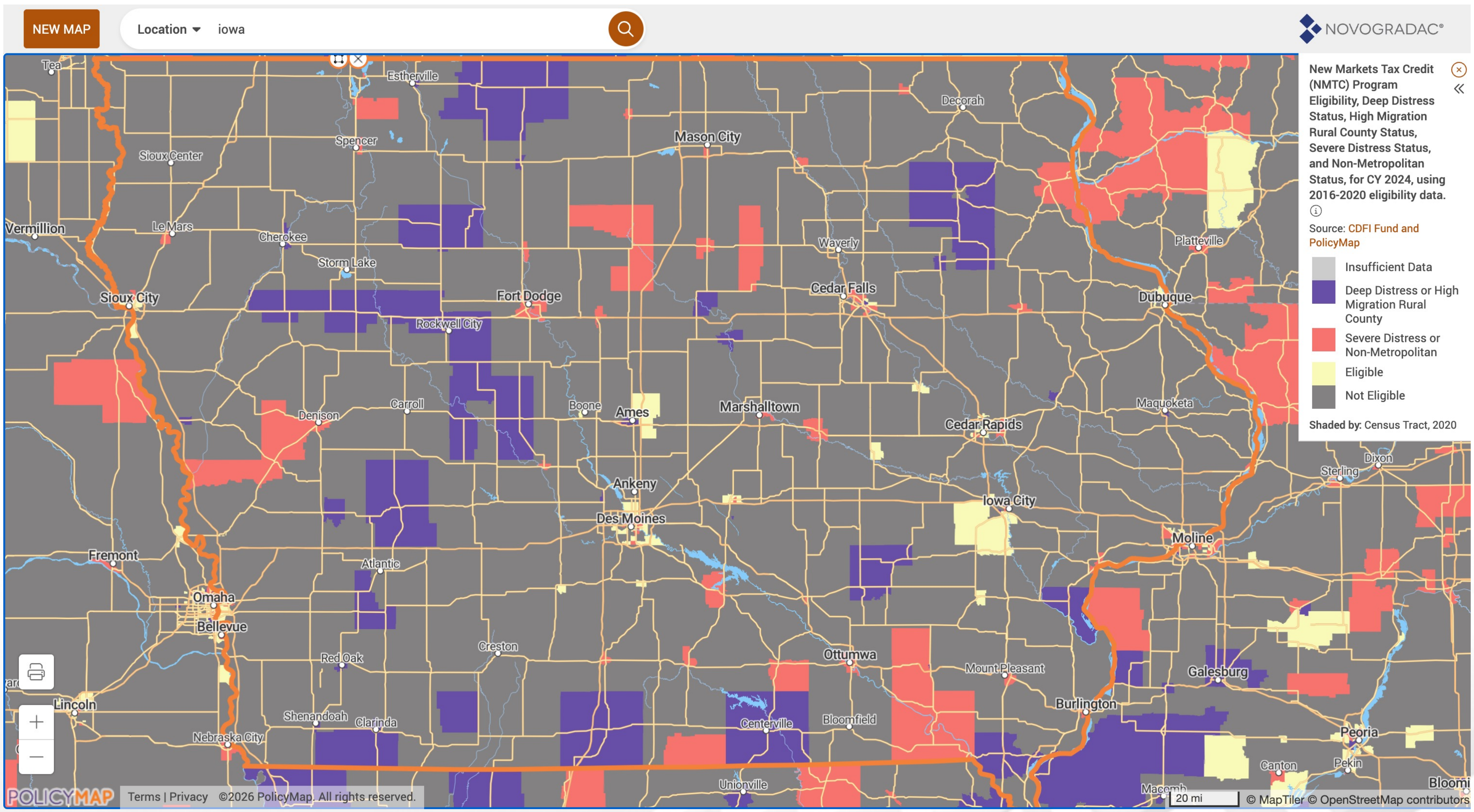
The greatest concern of need, and the strongest case for investment.

OUR FOCUS

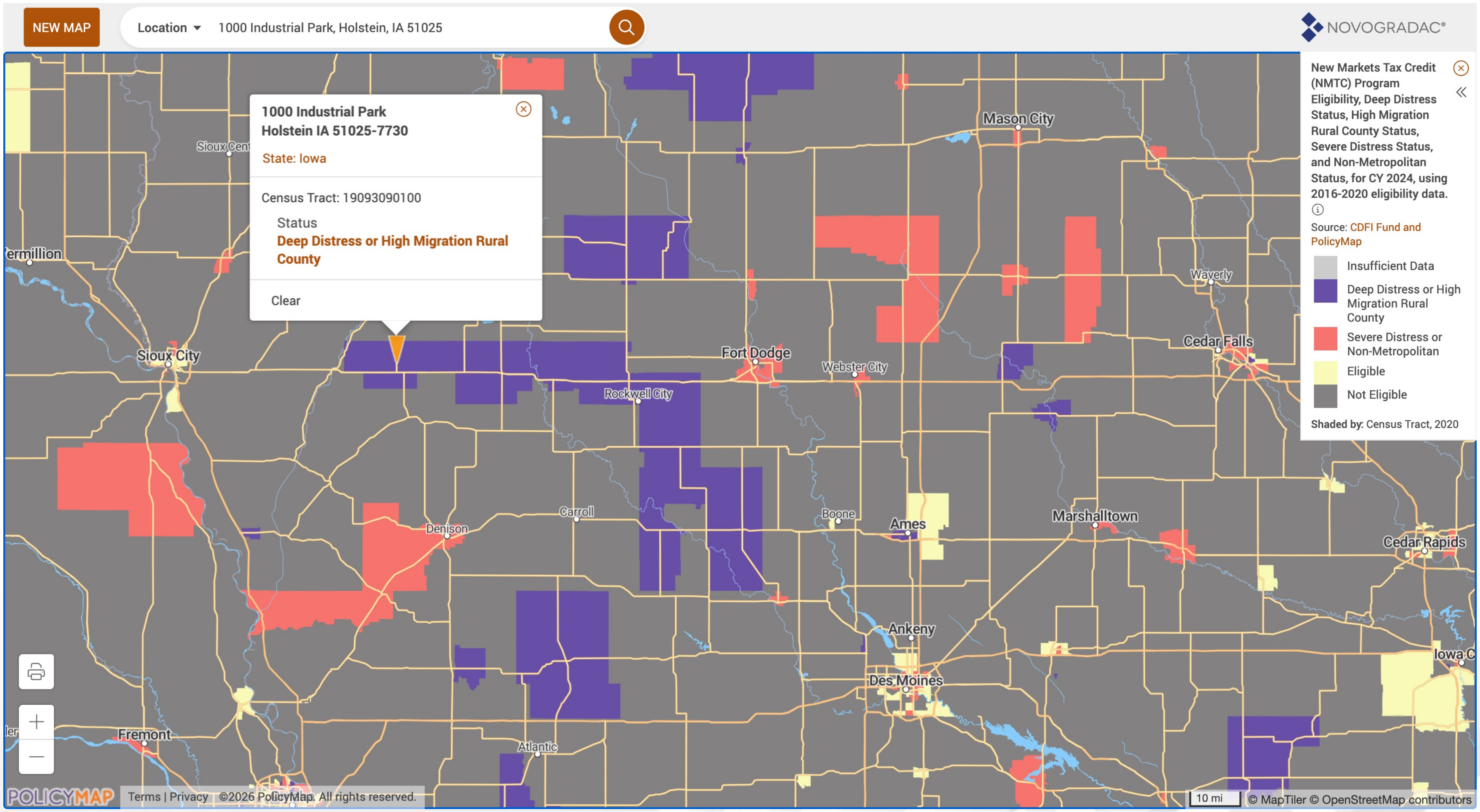
Manufacturers in severely and deeply distressed areas — where the need is greatest and the impact of investment is highest.

Eligibility is set by census tract, not by city or county | Two sides of the same town can differ — ask us to check an address

Eligible NMTC Tracts – Iowa



Eligible NMTC Tracts – Iowa



VT INDUSTRIES • PROJECT HIGHLIGHT

175K SF of new capacity

VT's largest expansion increases finished-goods capacity, improves manufacturing flow and creates room for future growth in Holstein.

$16M	$15M	120	12
TOTAL PROJECT	NMTC FINANCING	CONSTRUCTION JOBS	NEW FULL-TIME JOBS

175,000 sq. ft. expansion of the architectural wood door manufacturing facility.
Largest addition in VT history.

One expansion strengthens a rural economy

NMTC CAPITAL AT WORK

$15M

within a $16M total project

OPERATIONAL IMPACT

- ✓ Largest addition in VT history
- ✓ Increased finished-goods capacity
- ✓ Improved manufacturing flow
- ✓ Opened space for future growth and value-added opportunities

RURAL COMMUNITY IMPACT

- ✓ 120 construction jobs
- ✓ 12 new full-time jobs
- ✓ Contractor spending supported local hotels, retailers and restaurants
- ✓ Supported housing demand and a 20+ room local hotel expansion
- ✓ Daycare and transportation partnerships support workforce access

Sustains a major rural employer and long-term manufacturing growth in Holstein.

At the 2024 groundbreaking, VT's Holstein headquarters employed 700+ people, including approximately 460 in production.

24K SF

of new processing space

New meat-processing space expands production capacity, improves energy efficiency and supports long-term food manufacturing growth in Webster City, Iowa.

$15M
NMTC FINANCING

31
PERMANENT JOBS

75
CONSTRUCTION JOBS

80%+
WORKFORCE LIVES LOCALLY

24,000 sq. ft. new meat-processing facility • Expanded production capacity

Energy-efficient lighting & refrigeration • Supports growing customer demand and Webster City's economy

MARSHALLTOWN CO. • PROJECT HIGHLIGHT

180K SF of new construction space

Marshalltown Co.'s Marshalltown, Iowa expansion adds construction space, production capacity, and employee improvements to support long-term growth.

$26.6M	$15M	110	60
TOTAL PROJECT	NMTC FINANCING	CONSTRUCTION JOBS	PERMANENT JOBS

Expansion of 180,000 sq. ft. facility space with new equipment, improved locker room facilities, and strong local workforce impact.

Over 80% of workforce lives locally • Full benefits include 401(k), health, dental, vision, PTO

SBA 504: Own, Build or Expand with Less Cash Down

Long-term financing for owner-occupied real estate, construction, expansion, renovation and major equipment.

Typical project structure

50% Bank / Lender	40% SBA / CDC	10% Borrower

A $2,000,000 project can look like: **$1.0MM Bank • $800K SBA/CDC • $200K Borrower**

10%
Typical equity contribution

10 / 20 / 25
Year terms available

$5M / $5.5M
SBA/CDC maximum portion

Fixed
Rate on SBA/CDC portion

Best for **Real Estate • Construction • Expansion • Major Equipment**
Not a working-capital or inventory loan.

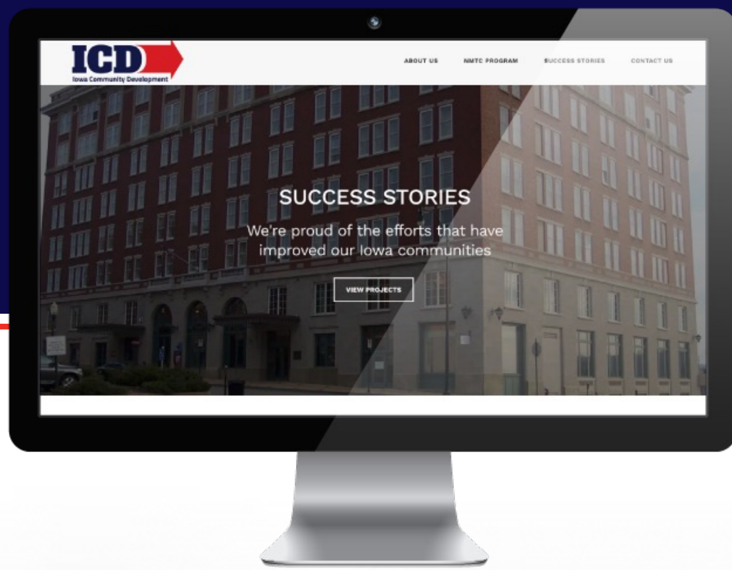
Key rule **Owner-occupied: 51% existing / 60% new construction**
15–20% equity may apply for new businesses or special-purpose properties.

Simple takeaway: SBA 504 helps a business preserve cash while locking in long-term financing for fixed assets.

Please visit our websites:

IowaBusinessGrowth.com

IowaCommunityDevelopment.com



THANK YOU!

Contact us:

- Steve Cruse
  - steve@iowabusinessgrowth.com
  - (515) 421-4843
- Justus Robeson
  - justus@iowabusinessgrowth.com
  - (515) 421-4225