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FULL COMMITTEE FIELD HEARING ON THE IMPACT OF NEW MARKET TAX CREDITS, THE SBIC PROGRAM, AND 504 PROGRAM ON URBAN COMMUNITIES

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UNITED STATES HOUSE OF
REPRESENTATIVES

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CONTENTS

OPENING STATEMENTS

	Page
Velázquez, Hon. Nydia M.	1
Chabot, Hon. Steve	2

WITNESSES

Muniz, Chad, 3CDC	4
Main, David K., Hamilton County Development Co., Inc.	7
Brown, Tony T., Uptown Consortium, Inc.	9
Oliver, Elizabeth, Shekinah Beauty Centers, Inc.	13
Kirk, Guinette, DNK Architects	14

APPENDIX

Prepared Statements:

Velázquez, Hon. Nydia M.	28
Chabot, Hon. Steve	30
Main, David K., Hamilton County Development Co., Inc.	32
Brown, Tony T., Uptown Consortium, Inc.	36
Oliver, Elizabeth, Shekinah Beauty Centers, Inc.	39

FULL COMMITTEE FIELD HEARING ON THE IMPACT OF NEW MARKET TAX CREDITS, THE SBIC PROGRAM, AND 504 PROGRAM ON URBAN COMMUNITIES

WEDNESDAY, APRIL 11, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Cincinnati, OH

The Committee met, pursuant to call, at 10:12 a.m., at the Avondale Pride Center, 3520 Burnet Avenue, Cincinnati, Ohio, Hon. Nydia M. Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez and Chabot.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Chairwoman VELÁZQUEZ. The House Small Business Committee is called to order. First, I'm Congresswoman Nydia Velázquez, Chair of the Small Business Committee.

First, I want to thank each of you for being here today on a rainy day. For me, it has been quite a rewarding experience. This is the first time in four years that we do a Congressional field hearing. And I am very grateful to the ranking minority, Mr. Chabot, Congressman Steve Chabot, and his staff for putting this Congressional field hearing together.

It is important for members of Congress to get out of the Beltway and come here and see how the legislation and the actions that we take in Washington have a direct impact in the lives of the community that we represent.

And I am very impressed with what I have seen so far. There's no question that it provides a different perspective. And as I said, I want to thank Mr. Chabot for this opportunity.

Being from New York, I can certainly understand the challenges facing entrepreneurs in urban areas, like Cincinnati. Such obstacles, like the high cost of labor and advertising, skyrocketing energy costs, and competition, can all make it difficult for entrepreneurs to be successful.

That being said, urban areas need a system when it comes to the growth and prosperity of small businesses. Creating incentives for people to invest in urban communities and enabling entrepreneurs to thrive is critical.

While many areas may flourish when the country is experiencing economic growth, the truth is, not all communities benefit. For those places, the New Markets Tax Credit can be very helpful.

The New Markets Tax Credit was created to make loans and capital investment opportunities in under-served areas. Most importantly, it provides an incentive for people to invest in urban markets, like Cincinnati, where urban revitalization is a top priority. This is not only benefit to small firms, but the community as a whole.

While creating incentives for people to do business in urban markets is important, it is equally essential to ensure small businesses are receiving the financing tools they need. Entrepreneurs are the country's economic drivers and job creators. However, accessing the capital they need to successfully grow a business is always challenging.

This is where the Small Business Administration's loan programs, such as the SBIC and the 504, step in to help small businesses and, therefore, communities. The Small Business Investment Company program was created to give small businesses access to the long-term capital required for growth. SBICs provide equity capital, long-term loans, debt equity investment, and management assistance to small businesses, particularly during their growth stage.

The SBIC 504 program was also intended to spur economic growth in under-served areas. It provides long-term fixed rate financing to small businesses for land, buildings and machinery equipment. It has been known to stimulate small businesses, create jobs, and encourage investment in the community.

With small firms creating three out of every four new jobs, and comprising over half of the nation's gross domestic product, they can play a critical role in revitalizing urban communities. Clearly, the New Markets Tax Credit, SBIC, and the 504 Program can work to help in urban revitalization by stimulating job growth, investing in the community and entrepreneurs.

Today we will hear from small business owners who have utilized this program, as well as local stakeholders. Again, I want to thank each one of you for coming to share your experiences with all these federal programs, and to Mr. Chabot and his staff for all the work that you put in putting this event together. So, thank you. And I now recognize Mr. Chabot for his opening statement and the introduction of the witnesses.

OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you, Madam Chairwoman. I want to, first of all, thank you—excuse me—for taking time out of your busy schedule in coming all the way from your district in New York to Cincinnati here to hold a field hearing of the Small Business Committee. I really do appreciate it.

And I think we're going to learn a lot this morning from some of the local folks that have been involved in small business programs and the loan programs with the New Markets Tax Credit and the 504 Program. So, the fact that you came all the way from your district here is most appreciated, not only by myself, but I think all the people of the First Congressional District in Cincinnati.

I appreciate the opportunity, I think we all do, to show you at least a small part of how our community and how the New Mar-

kets Tax Credits and the Certified Development Company, the 504 loan program that I referred to before, are helping these communities like Avondale and Over the Rhine, where we were just at earlier, and many other communities in Cincinnati.

I also want to thank all our witnesses, not only for their testimony that they will be giving shortly, but for the important work that they are doing in our community, particularly in the Uptown and Over The Rhine areas. The New Markets Tax Credit, enacted as part of the community renewal Tax Relief Act of 2000, takes an innovative approach to address poverty by using the tax code to enlist the support of both, the public and private sector, making the program unique among federal economic development initiatives.

The New Markets Tax Credit, a 39 percent credit against federal taxes over a seven-year period, has helped spur investment and economic development in under-served communities all over the country, and Cincinnati, as well.

For example, the New Markets Tax Credit program is attracting a significant amount of private capital to the Uptown and Over The Rhine neighborhoods.

All told, the New Markets Tax Credit is responsible for more than $100 million in private investments within the First Congressional District, and is providing momentum to spur redevelopment and job creation in some of Cincinnati's most distressed neighbors.

The New Markets program was extended for two more years last year, meaning the program will expire at the end of 2008, unless Congress takes action to renew it. And us being here is part of Congress seeing why we should renew that, because we're seeing it here firsthand, how it's helped Cincinnati.

I happened to be a cosponsor of the legislation during the last Congress to renew the program for five more years. It's my understanding that Representatives Ron Lewis of Kentucky and Charles Rangel from your area in New York, the chairman of the Ways and Means Committee, plan to introduce similar legislation in the near future. And I look forward to, once again, lending my support, and I'm sure that the chairwoman does, as well, to a bill to continue the New Markets program. And I'm hopeful that such a bill will become law.

The New Markets Tax Credits are an important part of the community redevelopment and reinvestment, as is the Small Business Administration's Certified Development Company program, also known as the 504 loan program. Certified Development Companies, or CDCs, such as David Main's Horizon CDC, are invaluable resources for America's small businesses. Every time a business owner receives a loan from a CDC, they are not only making a commitment to better their business, but also to improve their community by creating jobs and helping revitalize neighborhoods.

This type of community investment is important, and it's one of the reasons that renewing the CDC program is critical. As many of you may know, a number of us also co-authored legislation, along with the chairwoman and myself and Representative Melissa Bean, called the Small Business Lending Improvement Act of 2007.

This important bipartisan bill would reauthorize and strengthen the CDC program to ensure that small business owners and communities around the country will continue to benefit from the abil-

ity of small businesses to reinvest and grow their businesses. The Small Business Committee unanimously passed the Small Business Lending Improvement Act. I'm hopeful that the full House will consider it in the very near future.

It's important that small businesses take root in communities such as Avondale and Over The Rhine, and that small businesses—after all, they've created 60 to 80 percent of American jobs over the last ten years. Think of that. 60 to 80 percent of the jobs created over the last ten years have been created by small businesses. And that's something I think we should always recognize. They're the backbone of our economy.

We need to provide small business owners the opportunity to thrive in Avondale and Over The Rhine and throughout the country as a means to create jobs and strengthen communities and improve the local economy.

I, again, want to thank the witnesses for taking their time that we're going to be hearing from in the very near future here, and I want to thank you all for coming this morning. And, again, I want to thank the chairwoman for coming to Cincinnati and having this hearing this morning. I yield back my time. Thank you. With the chairwoman's permission, I will now introduce—will introduce the panel, just the witness. And then he or she will testify. And then we'll introduce the next one after they've testified. We'll do them individually.

We'll start with Mr. Chad Munitz. Mr. Munitz joined the Cincinnati Center City Development Corporation, the 3CDC, in August 2006, as the executive vice president for development, and manages 3CDC's development activities. Chad had previously led the City of Cincinnati's Economic Development Department, serving as the primary point of contact with the city for developers and businesses promoting economic development projects.

Prior to this role, Chad served as the assistant deputy director and the governor's regional economic development representative at the Ohio Department of Development in Columbus, where he facilitated private sector expansion, retention, and relocation projects within Ohio.

And before coming to Avondale for this hearing, the chairwoman and I had an opportunity, and some of our staff people, to meet with Chad and some of his people down in Over The Rhine, where he showed us some of the work that's being done by 3CDC in the Over The Rhine area. And they are certainly doing some much-needed work down there. So, Mr. Munitz, you're recognized for five minutes, or approximately that.

STATEMENT OF CHAD MUNITZ, EXECUTIVE VICE PRESIDENT FOR DEVELOPMENT, 3CDC

Mr. MUNITZ. Thank you, Chairwoman and Congressman Chabot. Bear with us one second here.

Mr. BROWN. I'll blind you by the light.

Mr. MUNITZ. While Tony is being gracious, thank you for helping me here get this focused a little bit, I'll just start real quick with this first, just real quick to show you the background of 3CDC.

3CDC, as the Congressman said, is the Cincinnati Center City Development Corporation. We're a downtown development corpora-

tion in Cincinnati that focuses on the neighborhoods: Over The Rhine, our central business district, and then also our riverfront. And we are truly led by our chairman, who is the President and CEO of Procter & Gamble, A.G. Lafley, but also the rest of the corporate community in the City of Cincinnati.

Today I really want to talk about the effects that the New Markets Tax Credits have had on our development that we've been doing. Over The Rhine has been a historically disinvested community in the City of Cincinnati. It is only six blocks from the heart of our city, which is Fountain Square, in our central business district, where we have over 80,000 employees that work downtown every day.

Over the last decade, there's been disinvestment and the loss of over 40,000 residents in Over The Rhine. And over the last three years, since 3CDC has been formed, we've been acquiring parcels and property in Over The Rhine to look at doing reinvestment on a scale that actually has some momentum and starts to change the makeup of that community.

We've only been able to do that thanks to the New Markets allocation that we received about four years ago.

3CDC was the recipient of a $50 million New Markets allocation. We have taken that directly to invest in property in Over The Rhine, but also to invest in our development efforts.

What we toured this morning, I'm going to go through this real quickly here, we have about 93, just less than a hundred commercial—or condominium units that we have created in Over The Rhine in a four-block area, right at 12th and Vine, 22,000 square feet of commercial property.

It's really transformed that corner of 12th and Vine, something it hasn't seen in decades.

Just two years ago, before 3CDC started those efforts, there were over 270 police calls to that corner. And last year, since we have started construction, before the units had actually gone on-line, there's only been four police calls to that neighborhood. So we've really turned this around, and it's with the help of New Markets Tax Credits and small businesses.

The four development teams that are developing this are all small business, and the actual contractors have all been small businesses who are doing these developments of the 93 units and the 22,000 square feet of retail. But then, also, all the businesses that we've brought so far, we've sold about 40 percent of our commercial space, have also been young, small business entrepreneurs who are moving back into Over The Rhine.

I really want to talk about, in a little bit more detail, the New Markets Tax Credit itself. We are one of the poorest rates of poverty—or highest rates of poverty anywhere in the country that has received the New Markets allocation. We have 68 percent poverty level in the census tracks that make up our allocation district, in the central business district and Over The Rhine. The median family income in that district is only 12 percent of the median family income of the entire City of Cincinnati, the metropolitan statistic area of Cincinnati.

And Over The Rhine, for the last decade, has had less than a five percent home ownership rate, which is pretty hard to achieve. So

we're slowly doing that, and that's why the bulk of our redevelopment has been focused on for-sale units.

We really have, we feel, a unique New Markets program that we have set up here for the 3CDC. And what we've been able to do is, because of the investors in the program, we provide low-interest loans, we provide interest-free and interest-only periods. We really take most of the risk through our fund by having nonrecourse debt to our lenders, to the developers who are doing this. We do not require them to have any recourse. The only collateral on these buildings are the value of the buildings themselves, which are actually much less than the money we have loaned into them.

That which—again, getting into that, a lower loan-to-value ratio that we lend out, and then being subordinated debt behind other debt that has come into this is really the flexibility of the New Markets program, and has allowed us to get out there and reinvest these at a much greater rate. And it's also been an advantage for us to bring in the small businesses into the commercial section, but providing the tenant improvement allowance to them, and charging very low interest rates.

3CDC is also taking advantage of the New Markets program by combining what we have of our staff of 3CDC and the Cincinnati Equity Fund to lower the administrative and overhead costs. So we pass very little cost on to the fund itself or to any of our borrowers. It also allows us to charge much lower than standard loan origination fees and consulting fees.

And then, really quickly, which the Congress members saw this morning, but to show the rest of the audience here what we're doing right at 12th and Vine with these new developments that we're having, it's about a $27 million development that's had the $12.5 million in New Markets Tax Credits infused into that, the rest of the money coming from another loan fund that Cincinnati Center City Development Corporation has, and then also some grant funds from the City.

As you can see, we've really taken some troubled properties and reformed them. This is right there on the corner where we have above it residential units for the art academy. There are dorm rooms above there. And below, which used to be the Bay Cafe, which was a very troubled carry-out, is now our sales center for the entire development. This is an actual unit that we walked through this morning.

Most of these buildings that we have taken were vacant and really had squatters living in them. So we've taken these buildings, have had to clean them out and have had to remove all the lead and asbestos that was in those, and provide units for sale.

Here, again, is just some more pictures of some of the dramatic changes from before and after that we've had in our units.

That really concludes the bulk of our testimony. I just want to, once more, emphasize how important it is. People have been trying to redevelop Over The Rhine for decades in this city, and have really not been able to get the scale of development happening that changes communities and changes neighborhoods at a time.

And if it was not for infusion of the New Markets Tax Credit, we would not be able to move forward with that, and, truly, the flexible terms of that, the generousness of the investors in the pro-

gram, that really just take the federal tax credit as a return on that investment.

And, then, since I have the honor of being here in front of the committee, I would like to let you know, also, that we have a new allocation request in and we're applying for another $75 million in tax-free allocations for this next round. So, thank you very much for allowing me to be here.

Mr. CHABOT. Madam Chairwoman, I will introduce the next witness, if that's okay.

Chairwoman VELÁZQUEZ. Fine.

Mr. CHABOT. Thank you. Our next witness will be David Main, who is the President of Hamilton County Development Company, or Horizon Development. He actually started in 1983 at Hamilton County Development Company.

While the SBA 504 loan program is HCDC's flagship economic development lending activity, HCDC also administers the Ohio Regional 166 loan program, the Community Reinvestment Fund, the U.S.A. Loan Program, the Hamilton County Economic Development Office, and the Hamilton County Business Center, a 70,000-square-foot incubator.

Prior to joining HCDC, David served as a loan officer, staff attorney for Citywide Development Corporation in Dayton, Ohio; legal adviser for the Department of Community Development in Rockford, Illinois; and commenced his economic small business development career as the first economic development coordinator for the City of Xenia, Ohio.

Earlier this year, David Main testified before the Small Business Committee in Washington, D.C., as he's done, I believe, a few times prior to that. So, Mr. Main, you're recognized for five minutes, also.

STATEMENT OF DAVID K. MAIN, PRESIDENT/CEO, HAMILTON COUNTY DEVELOPMENT CO., INC.

Mr. MAIN. Thank you. I would like to thank Chairperson Velázquez and Ranking Member Chabot for providing me the opportunity to give remarks concerning the effects, role and positive benefits that the SBA 504 loan program plays in revitalizing urban communities.

The 504 loan program is an economic development financing tool with the purpose of promoting small business capital investment as well as the creation of jobs and retention of jobs and employment opportunities. As such, it finances fixed assets, primarily real estate, though occasionally machinery and equipment, to facilitate the expansion of growing small businesses.

One additional virtue of the 504 program is that it generates owner-occupied commercial real estate. Just as residential home ownership creates stakeholders who foster stability and commitment to local communities, business owner-occupied real estate also promotes, and perhaps on a greater role, stakeholder commitment and stability in such communities.

HCDC has funded numerous projects located in urban core areas and inner-ring communities where small business concerns have acquired real estate through the 504 program, sometimes using our private lending partners and including New Markets Tax Credits, and investing, not only in the acquisition of real property, but more

importantly in constructing improvements and renovations to this real estate, as well. In addition, these companies have added jobs and typically employed local residents from the community. The end result is an improved property with new commerce and business activity.

There are some noteworthy examples within the City of Cincinnati and Hamilton County urban communities where small businesses, some formerly renters, have acquired and improved real estate through the 504 program. As a result, not only have their businesses flourished, but the surrounding areas have benefited, as well.

One such example is Baba Budan Coffee House, owned by Tony Hamburg. Due to an urban renewal project that acquired the building he rented for his shop near the University of Cincinnati, Mr. Hamburg needed to find a new location for his business. HCDC, through the SBA 504 loan program, together with a local community-based private lender, helped Mr. Hamburg acquire and renovate a vacant former bar near the UC campus. As a result, not only has his business flourished with increased revenues, but also his investment has helped spawn additional redevelopment of and new private investment in the city block where Baba Budan is now located.

In addition, HCDC, through the 504 loan program, also assisted the redevelopment of two brownfield sites, financed through the Clean Ohio Fund, within the inner-ring community of Lockland. These sites have not only been environmentally remediated, but more importantly returned to active productive commercial use as two more HCDC-financed 504 projects. Premier Food Management and Frederick's Landscaping acquired these properties, constructed new buildings, and as a result, jobs and commerce have supplanted vacant brownfields.

I would like to commend the committee leadership for getting HR 1332, the Small Business Lending Improvement Act, approved and unanimously voted out of the Small Business Committee, particularly since there has not been a full program reauthorization for several years. I also look forward to working closely with the Senate to complete passage of this important legislation.

HR 1332 represents one of the most far-reaching improvements for the SBA 504 loan program. However, there are certain changes which could improve 504's impact on urban communities. One such change would be to reduce the required small business owner occupancy percentage requirement from 51 percent for existing buildings to 35 percent, and from 65 percent for new construction to 51 percent within urban core communities.

Within these urban areas, real estate frequently involves multistory facilities that may be too large a structure for many small business borrowers to occupy the 51 percent. Nevertheless, with ownership requirements reduced to at least 35 percent of the building, the balance could be rented out to other productive uses while the small business borrower would still serve as the owner-occupant anchor of the facility.

From fiscal year 2001 through fiscal year 2006, HCDC increased its 504 loan approvals by 97 percent, going from 31 loans in 2001 to 61 loans in 2006. Meanwhile, during the same period, the 504

program nationally increased its loan approvals by 91 percent, going from 5,195 loans approved in 2001 to 9,942 loans approved during fiscal year 2006. Notwithstanding these increases, the SBA agency staff appears to have been cut to the point where its capacity to continue to effectively process 504 loans in future years, as the program continues to expand, is in jeopardy.

One solution, in addition to adding additional personnel, would be for the SBA to establish a second 504 processing center, preferably in the eastern half of the United States, to handle this growing 504 loan processing activity.

In addition to the HCDC 504 loan clients who are appearing today and the other above-mentioned 504 urban successes, there's no doubt other examples of 504 loan activity throughout the country that provide tangible and lasting value regarding how the 504 loan program assists small businesses to expand, invest, create jobs, and improve the overall quality of life in urban communities.

Thank you for your support, and I would be willing to answer any questions.

[The prepared statement of Mr. Main may be found in the Appendix, on page 32.]

Mr. CHABOT. Thank you very much, David. Our third witness here this morning will be Tony Brown. Tony has served as President and CEO of the Uptown Consortium since March of 2004, so about three years now.

The Uptown Consortium is a nonprofit organization made up of uptown's five largest employers: Cincinnati Children's Hospital Medical Center, Cincinnati Zoo and Botanical Gardens, the Health Alliance of Greater Cincinnati, TriHealth, Inc., and the University of Cincinnati.

Mr. Brown began his career in banking in 1982. From 2001 to March 2004, Mr. Brown served as the director of the Community Development Financial Institutions Fund, a government-owned corporation at the United States Department of Treasury, to which he was nominated by President Bush.

Under his direction, the CDFI Fund made a significant contribution to creating jobs and stimulating economic growth in the nation's low-income communities. Mr. Brown also successfully implemented the $15 billion New Markets Tax Credits program. And we welcome you here this morning, Mr. Brown.

STATEMENT OF TONY T. BROWN, PRESIDENT/CEO, UPTOWN CONSORTIUM, INC.

Mr. BROWN. Excuse me. I'm also coordinator of the AV equipment, too.

Chairwoman Velázquez, I would like to say welcome to Uptown Cincinnati. We are the premier cluster of neighborhoods in the First Congressional District of Ohio, and I'm sure Congressman Chabot would not challenge that. We'll let him debate that on the west side.

Mr. CHABOT. We love all the neighborhoods in our district.

Mr. BROWN. Congressman Chabot, welcome home, and thank you for conducting an official U.S. Housing Small Business Committee field hearing to review economic development programs. As the in-

troduction stated, I am Tony Brown. I'm president of the Uptown Consortium, and we appreciate the opportunity to testify before you today.

Our organization is founded by four of the region's top seven employers and the Cincinnati Zoo, which represents our region's number one tourist attraction. The members of the Uptown Consortium employ over 50,000 people and provide an annual economic impact of $3 billion.

The House Small Business Committee has chosen the perfect city to explore local efforts to revitalize neighborhoods using small business investment programs. As you have witnessed, our city, in just the First District of Ohio, have received over $100 million in New Markets Tax Credits that have provided the incentive for us to attract private capital to help revitalize economically distressed neighborhoods, as seen in Avondale and Over The Rhine.

Similar to Chad, I would like to focus my comments around the New Markets Tax Credit program, as it has been the primary tool that we're using to raise private capital. And, besides, it's an economic development program that I know a little something about.

As the Congressman indicated, in 2001, I was appointed by the president to direct the CDFI fund, and I served as director through February of 2003. During my tenure at the Fund, I personally supervised the regulations for the first $6 billion in New Markets Tax Credits allocated.

The New Markets Tax Credits program was designed to stimulate investment and economic growth in low-income urban neighborhoods and rural communities by offering, as the Congressman highlighted, a seven-year 39 percent federal tax credit into investment vehicles known as Community Development Entities. These CDEs use capital derived from the tax credit to make loans to, or investments in, businesses and projects in low-income areas. So, for instance, a $1 million investment into a CDE would yield for that investor a federal tax credit of $390,000 over a seven-year period.

The New Markets Tax Credit program was enacted in December of 2000 as part of the Community Renewal Tax Relief Act. The original authorizing legislation provided $15 billion in New Markets Tax Credits authority. As you know, 2008 is the last year that Congress has authorized New Markets Tax Credit authority. And legislation to reauthorize the program through 2013, I have been told, will actually be introduced next week in both, the House and the Senate. The House bill will be sponsored by Congressman Neal from Massachusetts, with additional support, as Congress Chabot said, from Ron Lewis from Kentucky.

In Cincinnati alone, we know firsthand that this program works. We have been able to attract below-market sources of private capital as the patient source of funding we need to implement, in just the uptown area, a half a billion, $500 million redevelopment pipeline. If you simply look at the list of investors in the Uptown Partners Fund, we can attest that New Markets have met the purpose that Congress has intended it to be. It has attracted private capital in low-income communities.

As you can also see from your tour, we have—we are just getting started. And to end this program now would have a devastating

impact on our ability to raise capital in order to continue our efforts.

Madam Chairwoman, Congressman Chabot, your field visit to conduct a bipartisan review of this program is commendable, and your efforts are to be applauded. Your presence here today clearly signals the importance of this program for the areas you represent.

In Ohio, for instance, on a per capita basis, Ohio has truly benefited from this program as 14 Community Development Entities have been awarded in excess of $647 million. And in New York, 17 Community Development Entities have been awarded well over $1.7 billion. The U.S. Department of Treasury reports that the New Markets Tax Credits program has accounted for an investment of nearly $8 billion in low-income communities to date.

I'm going to take a moment here, again, similar to what Chad has done, to talk about how we're using the New Markets Tax Credits program to stimulate the type of economic revitalization of Burnet Avenue. Again, we thank you for the tour. Our focus has been on Burnet Avenue, as well as a number of other communities, but we're going to illustrate how we're using New Markets Tax Credits to stimulate the revitalization of what has been an historic African-American business district.

We started two and a half years ago working with the Avondale Community Council to come up with a vision for the new Burnet Avenue north of Erkenbrecher. And from that plan, the vision resulted in stimulating 330 new workforce housing units and being a catalyst to invest in over 300,000 square feet of office retail space. Clearly, that is not how Burnet Avenue looked today, but we welcome you back in five years, and we're sure to show you that that's what it will look like in the next decade.

The New Markets Tax Credits program and the investors in the Uptown Partners Fund have allowed us to take $25 million to become the single-largest property owner on Burnet Avenue north of Erkenbrecher between Forest and Harvey Avenue. But for New Markets Tax Credits, we could not have assembled this land, which makes us, if you combine the efforts of 3CDC, clearly, the largest privately-funded urban renewal effort focusing on neighborhood development in the country.

We are investing in the transformation of Burnet Avenue. Our first project is allowing an African-American-owned business to build and construct a 45,000 square-foot office building. The Cincinnati Herald is our region's premier publication of African-American news and culture. Through the efforts of The Cincinnati Herald, several years ago, they went to Children's Hospital and said, we need to clean up Burnet Avenue. Will you help us do a 5,000-square-foot office building? Well, that 5,000-square-foot office building has turned into a 45,000-square-foot office building.

Through the New Markets Tax Credits program, we are in partnership with the owners of Sesh Communications to construct and build the Cincinnati Herald building. The Uptown Cincinnati Development Fund is providing a mezzanine loan that has allowed the developer to get the senior loan in order to construct the $7 million facility.

Cincinnati Children's Hospital is committed to expand and to bring more employees and pedestrians on the streets, and will

build a parking garage to support the additional office space that's needed to make this activity happen. The leadership of the Avondale community was quite clear. The revitalization of Burnet Avenue has to be more than providing expansion for the hospitals. The residents must benefit.

Along with this plan and this whole new design of urbanism is to wrap the parking garage with new workforce housing. We have assembled the entire site to start the first phase of 60 units of new workforce housing, and equally proud, you will hear from another witness, from Guin, that the design team is an African-American-owned business.

And then, as we jump the blocks, the second phase is where you are now. As the community has indicated, this has to be about transformation and empowerment, that we need to restore the vitality of a business district that benefits African-American businesses.

Steve Love, president of the African-American Chamber of Commerce, he and I just recently returned from a conference on small-business incubators to learn more about how we can utilize small-business incubators to be a catalyst to attract small businesses, minority businesses in this section of Burnet Avenue.

If you look through those doors, you will see a red ribbon on the bus stop where a lady, innocently standing waiting for a bus, was shot by an errant bullet. The Cincinnati Police Department would consider this block to be one of its hot spots. We know that any revitalization must transform and create a vision for community accountability and wealth creation.

As we look at the acquisition of the real estate, we know we have to come back with programs working in partnership with the Avondale Community Council, with the African-American Chamber of Commerce, with the Cincinnati Empowerment Corporation, to find ways to create small businesses, look at small-business incubators, increase the level of goods and services to the residents in this area, create an environment where the employees in our billion dollar institutions are welcome to stop and shop. And we're going to do that in partnership with the Avondale Community Council, and then we're going to do it in a way in working with our communities so that individuals who are now renters, can also be homeowners.

Again, I would like to thank you for the opportunity to testify. The Uptown Consortium expresses our deepest appreciation for the leadership of the House Small Business Committee in making a bipartisan effort and exploring local efforts to revitalize neighborhoods using small-business investments.

All indications are that the New Markets Tax Credits program is working. The program has been the catalyst to date of nearly $8 billion in low-income communities. And over 200 CDEs across the country are using the credit to support a wide variety of community and economic development initiatives. We thank you for taking a firsthand look at this program and in aiding Cincinnati's redevelopment.

We know that you both are champions in supporting the growth of small and minority-owned businesses and ensuring economic opportunity for the working class and poor. As leaders in Congress, we hope you will succeed in getting other members to join you in

passing a five-year extension of the New Markets Tax Credits program. Thank you.

[The prepared statement of Mr. Brown may be found in the Appendix, on page 36.]

Mr. CHABOT. Thank you very much, Mr. Brown.

Chairwoman VELÁZQUEZ. Thank you.

Mr. CHABOT. Thank you. Our next witness, our fourth witness, will be Elizabeth Oliver, who is the owner of the—is it pronounced Shekinah.

Ms. OLIVER. Shekinah.

Mr. CHABOT. Shekinah. Shekinah Beauty Center, Inc. She's a graduate of Moore University with a certificate in cosmetology in 1982. She spent 15 years cultivating her skill sets so that she could catapult into a career as a salon owner. She opened her own salon in 1997, leasing space in Sycamore Township.

Understanding the importance of real estate ownership, Elizabeth Oliver purchased her existing property in 2002.

She is the owner/operator of the Shekinah Beauty Center, a full-service salon and spa. She provides individualized consultation and spa services to individuals of all socioeconomic levels, and we're happy to have you testify on how this has influenced your business and made it possible for you to prosper. You're recognized.

Ms. OLIVER. Good morning.

Mr. CHABOT. Good morning. If you could speak up. I'm not sure if that mic is on. Yes, it is.

STATEMENT OF ELIZABETH OLIVER, PRESIDENT, SHEKINAH BEAUTY CENTERS, INC.

Ms. OLIVER. Good morning. My name is Elizabeth Oliver. I am the President of Shekinah Beauty Centers, Inc. I am here today to speak on behalf of the SBA 504 program. Being a small-business owner and being considered, at the time, as self-employed, most traditional lenders did not extend the opportunity with ease for ownership. I am very grateful for the program because it has proven to be designed for small businesses that are trying to build wealth in real estate.

With the beauty industry being a multibillion dollar industry, 90 percent of the business owners lease the space that their businesses are functioning out of. But I am pleased to be amongst the 10 percent that have ownership.

The SBA program has been excellent for me from the start to the finish. The loan officer, Angela Howard, was very knowledgeable with the program and assisted me with the SBA process, as well as getting a local bank to collaborate with us for the main portion of the loan.

With lower down payments and fixed interest rates, that I could not have found in traditional lending, the alternative funding of the SBA 504 program has enabled me to expand my business and create a vineyard for other small businesses to operate within our business while maintaining their own business identity. I don't think this would have been possible without the assistance of the SBA program.

My husband and I have another business venture operating within the same building, and we hope to expand both businesses,

and pray that we'll have the opportunity to use the SBA program once again. Thank you.

[The prepared statement of Ms. Oliver may be found in the Appendix, on page 39.]

Mr. CHABOT. Thank you very much. I appreciate your testimony here this morning. And our fifth and final witness here this morning on the panel is Guinette Kirk, Vice President of Business Development, DNK Architects. Guinette Kirk received her undergraduate degree from Howard University in 1978, majoring in psychology. She received her M.B.A. in 1980 from Ohio State University. She has worked previously for Shillito's, Federated, as an assistant buyer from 1981 to '82; the Drackett Company, as assistant product manager, from '84 to '90; and Totes, as product manager, in 1994.

Guinette assumed the position of vice president and business development officer with DNK Architects in 1994.

DNK was formed by Ms. Kirk's husband, David, in 1986. The company provides architectural and building code consulting services to clients and design professionals, and we welcome you here this morning, Ms. Kirk, and thank you for your testimony.

STATEMENT OF GUINETTE KIRK, VICE PRESIDENT OF BUSINESS DEVELOPMENT, DNK ARCHITECTS

Ms. KIRK. Thank you. Good morning. As was stated previously, I'm Guinette Kirk, and I'm Vice President of Business Development for DNK Architects. As you already know, we are a Cincinnati-based firm specializing in architecture, interior urban and landscape design. We've been practicing since 1986, and we have 18 employees servicing the Tri-State area.

We provide services to the public and private sectors, and our clients include such companies as the Health Alliance, Procter & Gamble, the Uptown Consortium, Children's Hospital—Cincinnati Children's Hospital Medical Center, Cincinnati Public Schools, the Dayton Public Schools, and the General Services Administration.

A few of our completed local projects include the Lincoln Court Senior Citizens building, which was part of the Hope 6 project; the new Lindner YMCA in the West End; Gateway Condominiums in downtown. This was one of the projects that was previously shared with you through the PowerPoint with Mr. Munitz. Woodlawn Elementary School in the Princeton School District; the Hamilton County Community Action Agency headquarters; and we also provided all the modifications to the old Cinergy stadium that were required before the new Reds ballpark was built. In addition, we were the master architects in association with URS for the Cincinnati Public Schools $1 billion rebuilding program.

Currently, we are working with the Uptown Consortium here in the Avondale area, and you recently toured that site. We're working on revitalizing the Burnet Avenue area. Our work with the Consortium, Tony Brown and his staff includes improvements in the right-of-ways, site developments, housing, offices, and new retail.

Approximately six years ago, we were introduced to the SBA 504 loan program by Angela Howard, a loan officer of Horizon Certified Development Company, which was formerly the HCDC. She knew

that we were looking to—for a new office space for our business. By using the 504 program, we were able to purchase a 6,400-square-foot building, renovate it, and relocate our business to the Clifton Heights area in 2001.

The 504 loan program afforded us a fixed rate of interest, lower capital outlay, and a longer loan term. All of these factors contributed to us being able to control both, our initial capital outlay and our ongoing expenses.

We were also able to increase staff and thus add to the City of Cincinnati's tax base.

In summary, we would highly recommend this loan program to other, not just minority, but other business owners here in Cincinnati. And I would like to thank you, Congressman Chabot and Congresswoman Velázquez, for this opportunity to provide our testimony.

Mr. CHABOT. Thank you very much.

Chairwoman VELÁZQUEZ. All right. Thank you very much. This has been quite—not only informative, but for me to come here and see, firsthand, the impact. And I wish that I was here many years ago, but I know that from this point on, I could come here, back here five years from now, and see the positive impact that these federal programs are having in our communities.

The fact of the matter is that the ranking member and myself, and the Small Business Committee members, the Small Business Committee, will be working on revamping and retooling some of the programs on their SBA. And we're going to be working on the revitalization of the statute of the Small Business Administration. So, this provides a great wealth of information that we can use.

Let me address my first question to Mr. Brown and Mr. Munitz. One of the obstacles to getting more investment as part of the New Markets Tax Credit program has been the complexity of the program. In a recent General Accounting Office report, it discussed how investors are concerned about the structure in which the tax credit is awarded. The investor also wants more flexibility in the ways they can make investments in these CDEs. Has this complexity discouraged you or other potential investors from using the New Markets Tax Credit program?

Mr. BROWN. As I look back at our banking community, clearly, this is a very complicated program. It's a tax credit program, and there are conflicting regulations. There is the community development impact that Congress intended for the program to have, and yet there are 45D rules under the IRS statute that governs tax shelter types of rules to make sure that the benefit of the program benefits the public, they have a public policy benefit, and that it just doesn't enrich the investors.

We have found, in the way in which we've used our New Markets Tax Credit program, that we've had to get legal opinions and get our bank partners comfortable in utilizing New Markets Tax Credits to do land banking. And when you're doing land banking in a manner that doesn't provide an immediate source of repayment, then you can't just accrue that interest and repayment for year in/year out.

And I could go into a lot more examples, but in summary, the New Markets Tax Credit Coalition, as well as other industry asso-

ciations, are working with the IRS and members of Congress to try to simplify in instances where conflicting tax codes impact how the program is used and its appetite for the investment community.

Chairwoman VELÁZQUEZ. Thank you. Mr. Munitz.

Mr. MUNITZ. Madam Chairwoman, I really echo a lot of what Tony has said. We were blessed a little bit differently than most, the majority of our investors in our fund, or for-profit corporations, but our banking investors are experiencing a lot of the similar problems with the complexity of the codes for the actual New Markets Tax Credits and then the IRS codes to claim the credits themselves. So, from that standpoint, it does get very complex.

I think on the other side that you mentioned briefly, what kind of projects you can invest the funds in, I think those are doing very well for us. And from 3CDC's standpoint, we wouldn't want to see much change in that. It helps, we feel, keep us competitive, that we're truly investing these funds in the neighborhoods and the projects that need them the most in this country, and not some other things that could just benefit from additional return from the federal government.

Chairwoman VELÁZQUEZ. Thank you. Mr. Brown, some critics of the program point out that the New Markets Tax Credit doesn't do enough to attract new investment. They argue that it simply shifts investment. I was wondering if anyone could speak to the issue of how the program has encouraged investors to put money into these CDEs, that they may not have invested if the New Markets Tax Credit did not exist.

Mr. BROWN. And I think that's an excellent question.

The Uptown Partners Fund is a tremendous example. I mean, you have five nonprofit employers who are investing in the New Markets Tax Credit program: The University of Cincinnati, Cincinnati Children's Hospital, Health Alliance, and the Cincinnati Zoo, I better not forget TriHealth. And it is uncommon for 3CDC, Procter & Gamble, Federated, it is sort of uncommon for these corporate entities to invest in community development programs.

Because of the Community Reinvestment Act, it is not uncommon for our financial institutions to do it. I think that the program has attracted new investors. It has attracted investment bankers who do not have to comply with the New Markets Tax Credit program. It has attracted insurance companies who don't have to comply with the Community Reinvestment Act. I'm sorry. And so it has attracted other nontraditional community development investors.

At the Fund, before I left, the administration allowed me to invest in what's called the Community Investment Impact System, CIIS. So now the CFI Fund has the ability to attract and to report to members of Congress: Who are the investors? Are they uncommon? And even heretofore, the inquiry I used to get when I testified before members of Congress, the Fund could not tell you in which census tracts investments were being made.

Now with CIIS, and the GAO has reported they have the capability to slice and dice the information the way in which the members of Congress want to see it. So I think you will find, if you pose this question to the U.S. Department of Treasury, they have the capability to answer it.

Chairwoman VELÁZQUEZ. Thank you. Mr. Main, the 504 program is unique in its focus on local economic development and relies on CDCs to carry out this mission. How does the program focus on the local community, and in particular the CDC's role benefit business.

Mr. MAIN. As economic development agencies, and I can speak primarily to HCDC, we do more than just package loans. We try to give back to the community. We took—we developed a business incubator. When we lost a General Motors assembly plant back in the mid-'80s, rather than—we felt that the rational response was through developing entrepreneurs, and we developed the business incubator.

What the 504 program has provided us, though, is somewhat of a culture, where we have to get projects completed. We have to get loans approved, we have to get them funded, and they have to repay. So that's kind of developed a culture, as such.

We've also been able to take that as economic development, financiers, and put it in other projects. We, in addition to the 504s, as I mentioned, we have the state Regional 166, but what's more importantly, we also have a program through what's called CRF USA, which has New Markets Tax Credits, and it goes beyond 504. We cannot do non-profits with CRF USA. We can finance non-profits. We have financed some condominiums in Over The Rhine with non-profits, primarily commercial. We are just one example. There's other CDCs, Certified Development Companies, throughout the country that provide other types of community benefits and support.

Chairwoman VELÁZQUEZ. The 504 loans are fixed rate and tend to be longer term than other financing alternatives. Is it these characteristics that have made the 504 program more attractive to local communities or local businesses.

Mr. MAIN. I think it's a couple things. One is the fixed rate. Currently, we have rates at 6.29 percent, so it is below market. It's the fixed rate, it's the low down payment. As a rule, it can be as little as 10 percent down.

I think the other thing, and it was mentioned by several of the witnesses, it's also the loan officers will work with entrepreneurs in, not only the 504 piece, but also putting them in touch with a bank and working them through the process. So I think, in addition to the fixed rate, the low down payment, I think it's also the—and not just here, but other CDCs, they work with the businesses in getting the financing through.

Chairwoman VELÁZQUEZ. Okay. Mr. Munitz, Mr. Brown, can you talk to me about how—or have you had any type of mechanisms that will prevent commercial gentrification or tenant gentrification? And so far, have you seen any of these trends happening.

Mr. MUNITZ. Madam Chairwoman, it's something that we've taken very seriously at 3CDC as we're working in Over The Rhine. What we have been doing is partnering with some of the social service agencies, the community agencies in Over The Rhine, to ensure that that doesn't happen.

One of the things that has been nice about what we've been doing is there have been such an enormous amount of vacant buildings and properties, that we are not actually pushing anybody out of buildings as we go in to redevelop them.

The other thing, as we're moving along and trying to do this, is we showed our goal is to put 100 for-sale condominiums on the market each year for the next five years. We're also working with some of the low-income housing providers and the social service agencies to make sure that they keep pace with this, because this year we developed 93 for-sale condominiums. There's also been 80 affordable units that have come on-line that are new to the community.

So, we want to try to bring both up together. And the only way that these investments are going to make it in the long run is to keep the heritage in Over The Rhine, which is a true mixed-use, mixed-income neighborhood.

Mr. BROWN. Madam Chair, you hit on what is a critical issue for us in our town. I think the issue of commercial gentrification—I'll address it from the standpoint, in the Uptown area, as you witnessed, you have four of the region's—actually three of the region's top employers sharing the same headquarter blocks. The issues that we've had historically in the Uptown area has been how our institutions have expanded into the neighborhoods. And, historically, they have not done it very smart.

And so the Uptown Consortium was formed by them to do land-use planning in a better way. I think the Burnet Avenue revitalization plan is a way in which we can be transparent about the need to expand the campus for Children's Hospital, for instance, to provide parking and to provide offices, but to utilize new urbanism techniques that it can also be the catalyst for neighborhood revitalization.

The University of Cincinnati, if we were doing this hearing in Clifton Heights, would be an example of how they were able to transform the campus and create Varsity Village and give their nonprofit partners air rights on top of their parking garage in order to stimulate the Clifton Heights business district.

So, commercial gentrification, particularly in the Uptown area, and I probably shouldn't use the word ″gentrification,″ but I would say land-use planning in the Uptown area, how this city balances its job base and the need to grow that job base without having an adverse impact in the neighborhoods, is something that we have to balance, it has to be comprehensive, and we have to plan for it.

The issue of the residential impact is the same thing. I think our planning has to be done in a way that provides a balanced mix of housing. This city, second to Detroit, has lost more population than any other city in America. And so what we do together to provide the housing stock, the quality of life in our neighborhoods in a way that make it attractive for folks to want to live and play.

I mentioned the consortium has 50,000 employees. Less than five percent live in the uptown neighborhood. So, though we have a captive audience, as we've surveyed those employees, we know what the negative attributes are as it deals with safety and the quality of public education. So, those are other factors that deal with, how do we create a quality of life that makes our neighborhoods communities of choice, and not areas where you avoid.

Chairwoman VELÁZQUEZ. Thank you. I will now recognize Ranking Member, Mr. Steve Chabot, for his questions.

Mr. CHABOT. Thank you, Madam Chair. Let me, again, thank you for holding this hearing here. And I want to thank all the witnesses for their excellent testimony.

And because of time constraints, we obviously have to limit our number of witnesses in a hearing such as this, we would do the same thing if we were in Washington now, to a relatively small number of people.

But we have quite a few people here who have an interest in small business or who have an expertise, a whole range of people. And I recognize an awful lot of people out there that really could very easily have been one of the people who would be testifying here, and might have things to contribute.

So, what I would suggest is, if there are things which we didn't have an opportunity to cover this morning, or ideas that people might have, if you want to contact our office, if you can do it in writing, that would be the best thing, or e-mail us or something, I can make sure that I provide a copy to the chairwoman and to other members of the committee when we get back to Washington. We have staff, as well.

So, if you have questions or comments or suggestions, please feel free to contact us. We can follow up with you and have a back-and-forth, and maybe—or perhaps we have some small-business folks here who are thinking about, you know, applying for a particular loan. If you get in touch with us, we can get in touch with the SBA local folks here, as well. They are also ably represented today. So, I just wanted to start off by saying that.

My first question is: Back in February of 2007, there was a GAO, General—the Government Accounting Office report that came out, and it was released, and it said that substantial investments were made in low-income communities that would not have occurred without the New Markets Tax Credits. And, in fact, 88 percent of investors said that they would not have made their investment without the New Markets Tax Credit.

I wanted to ask these three gentlemen, first of all, and especially with respect to Over The Rhine and Avondale, is that what you have found to be the case here? Is this, the improvements that we either have already seen, for example, in Over The Rhine, or the ones that we see on the horizon, especially here in Avondale, are these things that wouldn't have happened without the New Markets Tax Credits.

And, obviously, the information that we take back are things that we're talking about reauthorizing this program for years to come, but it's something that we will take into consideration. So, what's been your experience here?

Mr. MUNITZ. Madam Chairwoman, Congressman Chabot, I couldn't agree with you more. It's been, really, from 3CDC's standpoint, the single most important thing to allow us to move forward in redeveloping Over The Rhine. It's a neighborhood that people have had many starts and stops over the last several decades to try to get redevelopment to occur.

And the way that the New Markets Tax Credit program is set up, and our investors, who would never invest that money were it not for the credit that the government is giving them, and allowing them to keep their equity invested for seven years during that

term, until the product can perform on its own, to come out with a conventional lender to finance that, it's been—I can't even begin to state how valuable that has been.

Also, allowing us to be flexible to create terms that bring those investments in, where we're really taking, as I said, low loan-to-value ratios of our loans, very low collateral that we take, allowing the developers to go in without any risk, no direct security from the developers.

So, if it were not for this program, we would not be able to move forward in the scale that you need to to make true urban redevelopment in this day in these communities.

Mr. BROWN. And I just would echo what Chad has said. I think, simply put, what the New Markets Tax Credit Program has done is, it has allowed your corporate partner that would have looked at making a contribution for a community development activity, and to know that it's limited because it has an impact on the income statement, to take a look at its balance sheet.

Because the tax credit, you know, 39 percent over five years sounds like it's a huge tax credit, but what it does for the investor, it's about a five percent return. So, it allows Chad to talk to Procter & Gamble or it allows us to talk to our investors to say, instead of putting that money into a U.S. Treasury or money market, invest in this tax credit program and then we can give you community impact.

So, whether or not there is an economic return on the investment, the tax credit return itself, and the social impact provides a tremendous opportunity to bring private capital to work in low-income communities. So, if you look at it from that standpoint, that is what's been the stimulus of being able to attract this, these private dollars.

Mr. CHABOT. Thank you. Could you discuss briefly, when you have investments like we've been talking about here this morning, the types of jobs that can be available to folks that actually live in the communities.

What types of jobs are we talking about? What impact on the community? That's my first question.

And the second question, you mentioned, in the one slide, that there was a random shooting relatively close to here. And as we all know, Cincinnati had its highest homicide rate last year in the city's history. What type—you know, if we're successful in redeveloping some of Cincinnati's most disadvantaged communities over the next number of years, what impact should that have on crime, you know, connected with the job development? And to some degree, it's a chicken-and-egg thing because, you know, if you're able to have more development and more jobs for people, one would think it reasonable that crime would come down.

Now, the other side of that is, if it's a high-crime area, people don't necessarily want to invest in that neighborhood, because they're afraid that they won't get a return on their dollar. It may not be safe for their customers or their employees or themselves. So, if you could address that relationship, as well.

Mr. BROWN. The allocatee for the Uptown Partners Fund is the Cincinnati Development Fund, and one of the nation's best community development financial institutions. And I can say that with au-

thority, having managed them or invested in them all. And, quite frankly, but for the Cincinnati Development Fund, I don't think we would have been successful in the uptown area, because we wrote their track record.

As a result, they have an obligation to report to the U.S. Department of Treasury the types of jobs that are created from their investments. And we know, through the allocation agreement, that we'll have to report the types of jobs created from the construction activity, and in this case, the types of real estate.

In our case, we're investing in office and retail types of jobs. You have seen on Burnet Avenue, if you had been here just six months ago, a lot of vacant commercial space.

If we're successful in constructing 300,000 square foot of office retail, we estimate that that should create and retain nearly 2,000 jobs.

The issue of—now, how does tax credits get allocated in areas that need it most? In our allocation, we said we're only going to focus in low-income areas that, by federal definition, meets the criteria of being economically distressed. And so there are low-income communities, as you know, across the country that are in vibrant central business districts that qualify for the program.

But, as you can see, in the uptown area and in Over The Rhine, low rates of home ownership, high rates of poverty, and we are trying very hard to make sure that our program has a neighborhood benefit, that it benefits our neighborhood business districts, and that our focus is that it increase the rate of home ownership. Cincinnati has a very low home ownership rate. In the uptown area alone, we only have a 20 percent home ownership rate.

So, as we use the programs to buy real estate—and as I said on the walking tour, it can't be a small plan. It has to be bold, and that we know that we have to deal with the perception of our market, whether crime is real or perceived in their mind. A lot of it is perceived. And we're doing everything we can in working with the Cincinnati Police Department, in the types of investments we make and the way that we deploy the New Markets Tax Credits, to create a new environment that then makes it attractive for folks who want to live and buy. And it's a challenge, but it's one in which we prioritize how we deploy our dollars.

Mr. CHABOT. Does that pretty much cover it, Chad.

Mr. MUNITZ. It does. Just to add, it's a very important thing, and I think both of our organizations are committed to this. It starts from the beginning of using—it's not just at the end. Once the development happens, in having those new residents and the people working there be from low and moderate income, but also the work to create the development, we're both very committed to using small minority businesses to get that. So, from the very beginning, the investment occurs, we're helping out those areas.

Mr. CHABOT. Thank you. Madam Chair, do I have time for one more question.

Chairwoman VELÁZQUEZ. Oh, sure.

Mr. CHABOT. Okay. Thank you. If I could address the question to Ms. Oliver and Ms. Kirk and David, you, as well. Now, you all have benefited from the loan program in order to either start up

or expand your business thus far. And, David, you kind of oversee that type of thing.

Are there any things that you've seen in the program that would make it more user-friendly or easier for those that are starting up a small business or trying to grow it, any kind of roadblocks or things that you think should be a bit easier than it is, that makes it difficult, any changes that you would suggest in the program.

Ms. KIRK. I'll go first. We started in 2001, as I said. And, honestly, our process went so smooth, and I credit a lot of that to Angela Howard.

Mr. CHABOT. Good job, Ms. Howard.

Ms. KIRK. Because she—we developed a relationship with Angela from the previous banking relationship, and then she knew us, and knew that this was something that would help us. So, I would say just that relationship building, but honestly, we didn't have one hiccup, not one.

Mr. CHABOT. Ms. Oliver.

Ms. OLIVER. Yes, I'll echo that, because Angela, she was so—she was just excellent. She was very knowledgeable of the program. And anything that I had a question about, she was readily available. And she—the process was just complete. So, there's nothing that I can think of.

Mr. CHABOT. Excellent. Thank you. David, having dealt with probably many different—I'm very happy that these two are very satisfied. I'm glad it went well.

Mr. MAIN. So am I.

Mr. CHABOT. Are there—you know, we've discussed this in the past. Are there any suggestions that you would make or that could improve or make it a little easier or more user-friendly.

Mr. MAIN. I think I mentioned it in the testimony. One of the issues has been, the agency has been pretty much cut to the bone, to the point where I don't know how much more they can cut as far as staffing. They need to update the SOP.

We were quite satisfied when we ran local processing through the Cincinnati office and Ron Carlson in Columbus. While I understand the need for improvement in that, there are times where we have found that Sacramento has not been as user-friendly. There have been issues as far as appraisals, there's been—one of the biggest issues is land contracts.

Now, it's not an issue out in the western part of the country. But for years in the Midwest, in Ohio, in Michigan, in Minnesota, if you have a land contract, someone comes in, they're not creditworthy for whatever reason, they cannot get conventional financing, they purchase property on a land contract. Equity title doesn't transfer. And we have taken out land contracts with 504 programs.

Well, as it turns out, for some reason, Sacramento is telling us no. There is no real rationale behind it other than saying, well, we don't think it should apply. I think, with additional staffing, they could update the SOP. If we know the rules of the game, we can play them, but that's just one example.

And as I mentioned, perhaps an eastern processing center for 504 loans. I'm concerned that the next great quake comes out in California, or they lose power, what happens to the process? Because this is one area. Whereas if we had a second one—Cincinnati

would be a great place for an eastern 504 processing center, I'm sure New York would be, just as well—that we could balance things. But I—and I think, with updating the SOP and looking at some issues on appraisals and that, that could improve the program.

Mr. CHABOT. Thank you very much. I yield back my time.

Chairwoman VELÁZQUEZ. Thank you. Mr. Main, if the 504 program did not serve the Cincinnati community, where would local businesses turn for long-term financing, low-cost financing?

Mr. MAIN. It doesn't exist.

Chairwoman VELÁZQUEZ. And can you tell me if there are more and more businesses turning to the 504 program.

Mr. MAIN. We've seen our volume increase over the last six years. We approved 31 loans back in 2001. We approved 61 last year. Hopefully, we're on track to do more this year. And it's a matter—the economy has somewhat slowed down in Ohio, and I noticed in Michigan, as well, but we seem to be pretty much holding our own.

There is really no other alternative. The banks, typically, they may take a longer-term amortization, maybe about 20 or 25 years, but they are going to have maybe a five-year balloon or they're going to have—they're going to want to adjust the interest rate after five years. The 504 program, as far as I'm aware of, is the only commercial loan program that will have a fixed rate which provides predictability for going out 20 years with a reasonable down payment.

Chairwoman VELÁZQUEZ. Mr. Brown, you mentioned in your testimony some changes and recommendations that you would make to the New Markets Tax Credit. Would you mind repeating them or adding to what you just said in your testimony.

Mr. BROWN. Yes. Madam Chairwoman, what I indicated is that there's an association, the New Markets Tax Credit Coalition, documented the issues and the complexity of the program and some of the other changes of where there needs to be regulatory fixes versus statutory fixes. As a board member on the New Markets Tax Credit Coalition, we were faced with the challenge of, do we focus on trying to keep the program simple without addressing meeting major reforms, and just ask members of Congress to go forward with the simple bill to extend the program?

And those of us in the industry have concluded that we should go and ask members of Congress to do a very simple extension, because if you look at the time frame of when allocations have been awarded, it usually takes six months to a year to do the allocation agreement, and then another period of time before the dollars are actually deployed.

As Congressman Chabot shared the GAO report, the allocations, those dollars are just now getting in the streets. So, out of the total amount allocated, about 59 percent is now deployed in low-income communities. And the issue is, it's not been deployed or percolated long enough so that we can report to you the quantitative impact that the program has had.

So, we have documented the statutory issues, things that the IRS—because of the tax shelter regulations, dealing with true debt analysis and making sure that a loan is a loan and it's not a grant,

because those are things that, because of supporters like you and Mr. Chabot, we felt that it was best to go forward with a simple extension of the program and work with the IRS, members of Congress, to then come back later with the statutory reforms that would deal with all the technical glitches.

Chairwoman VELÁZQUEZ. I'm seeing the incredible and positive impact that the New Markets Tax Credit is producing here in Cincinnati. We should be committed, not only to extending the date of 2008, but to fully fund the program, because as we can see, the impact that it is having here, we have so many other communities across the country that would benefit from such a program.

So, I hope that when you talk to other members of Congress, that you share the positive experience and encourage them to not only extend the program, but to fully fund the program, to make it really workable. And, Mr. Chabot, if you have any other questions.

Mr. CHABOT. I have one question and one comment. A question for Ms. Oliver and Ms. Kirk. This is a little beyond the scope of this immediate hearing, but being small-business owners, when I talk to small-business people, they seem to bring up, when I ask them what their greatest challenge is—and we've heard this in hearings in Washington for years now. One of the greatest challenges that small-business owners have is providing health care for their employees. And I'm just wondering, is that something that you all, as small-business owners, are concerned about? And do you find that a challenging issue to deal with?

Ms. KIRK. I'll go first. Insurance, insurance, insurance. That's all I will say. It's not only health care, but it's just insurance rates, period. Roughly 25 percent of our monthly overhead goes to insurance premiums, which is outrageous, totally outrageous.

Fortunately, for health care, we are able to participate in a relatively good insurance program, but we look at increases annually, and more out-of-pocket expenses, as well, which makes it difficult to attract good employees. You know, it's requiring for the nation a new mind-set of what health care coverage is—should be for us, and that we, as individuals, have to participate.

But it does make it extremely difficult because, you know, you're an employee, you want to look at your total compensation package. And the more out of pocket that you have to participate in your own coverage impacts what you have available to cover your expenses and your lifestyle.

Mr. CHABOT. Thank you.

Ms. KIRK. One other thing that I would like to add, which you didn't ask me, but I would just like to state, that the fact that we purchased our building and were able to participate in a 504 program, I don't want it to go by that a true trickle-down effect is possible, because we're able, now that we own our building and we've—not only just the renovation, the types of businesses, African-American and minority businesses, that we used to help with that, but in terms of our ongoing maintenance, helps to provide, you know, a source of income for businesses that, say, a traditional large corporation would not ordinarily hire.

And thus, those businesses, you know, are employing people that live in this targeted area. So, there is a true line item effect and

a true trace that you can have as to the benefits of the tax credits and 504 program and minority businesses and on and on.

Mr. CHABOT. Thank you. Ms. Oliver.

Ms. OLIVER. Basically, because of the health insurance issues, I tend to get independent contractors that I do not have to provide health care for. And I just thank God that I have it through my husband, because when I was doing it myself, it was, like, very expensive, just per month, for one person, up to like $600. So, for that reason, I do have independent contractors in my business.

Mr. CHABOT. Your insurance, then, is provided through your husband's employment with another company, job.

Ms. OLIVER. Correct.

Mr. CHABOT. It's one of the—as the chairwoman knows, it's an issue that we, as a nation, are struggling with. And, certainly, we've been dealing with this in the Small Business Committee, and there are various proposals that have been put forward. And we are considering those things now.

We had a bill that we proposed in the past couple of Congresses, called the Health Care Affordability Act, which would allow every individual and every small-business owner to fully deduct all the health care premiums from their taxes, which large companies can do now, but a lot of small companies can't. Individuals certainly can't.

We're looking at the high cost of lawsuits and, you know, medical malpractice lawsuits, and things of that nature, looking at what's the best way to handle that, because that causes premiums to go up.

And also allowing small-business owners to pool their resources, association health plans, where a number of barbers, for example, or a number of beauticians, or other businesses, could join together and have greater ability to negotiate with the insurance company for lower rates for their employees, various things that we're looking at. But I didn't want to get too far afield of the hearing.

Chairwoman VELÁZQUEZ. That would be a topic for another hearing, but let me add to that. First, that I was one of the lead sponsors of the association health plans with all the members. It was bipartisan legislation to allow for small businesses to band together and leverage to provide insurance.

On the Democratic leadership, I have to tell you that I've been telling the democratic leadership that this is an important issue, and that we cannot address the issue of lack of health insurance in our nation without addressing the issue of lack of insurance for small businesses.

Out of 44 million Americans who do not have any access to health insurance, 60 percent of them are either small business or their employees. It is an important issue for this committee, we've already held hearings.

We, the Democrats, also—I took—I put together a round table. So, it is a priority for our work committee. And, hopefully, we will be able to come up with a bipartisan legislation that we can all afford to have. But this is a real challenge. And it is the right thing to do on behalf of small business. Mr. Brown, you wanted to add something.

Mr. BROWN. I was just going to clarify an answer to a question that you posed, and it was a very important one, about how we approach Congress in extending the program versus regulatory changes versus statutory. And I really wanted to just, because of our bank investors in the community, to really present the program from their risk.

And the whole issue, and the clarity of the program, from our standpoint, is that the investors are trying to manage against recapture risk, and so they have to rely on the tax opinion from the counsel to note that the investment or the loan would meet the IRS definition and guidelines.

And so what happens, the community development mission and our ability to use the tax credit to subsidize projects, which will allow us to forgive a loan or forgive an investment, we can't structure the deal that way, because it could not meet the—get the legal opinion and thus be a tax credit shelter definition and cause recapture to the investor.

So, those are the issues for champions like you who know we need this private capital to be done in a flexible way to close the gap, that there are other public policy objectives. You have to make sure that investors aren't enriching their pockets. And that, in the most simple way I can put it, is the difficulty of the complexity of this program.

Chairwoman VELÁZQUEZ. Mr. Main.

Mr. MAIN. I just wanted to mention briefly on the health insurance issue, HCDC is a small business. We have experienced between 12 and 20 percent increases in our health insurance we provide to our 20 employees. As far as the association, we have roughly 47 companies in our incubator. There's about 200 employees, that if we could pool that into an association, we could—I understand we would see lower premiums because we would have that critical mass of the 180 to 200 employees as opposed to having right now a unit of 20.

Mr. CHABOT. Madam Chair, just one brief concluding comment, if I could. You know, oftentimes I think that the image or the view that people get from what goes on in Washington is Democrats and Republicans are always fighting with each other and trying to take political advantage and taking shots.

Chairwoman VELÁZQUEZ. We're friends.

Mr. CHABOT. And I think that's one thing that is—it's true, and that there are those that do work in a bipartisan fashion. And I think that's the way the committees ought to work, and some do. And the Small Business Committee, I think especially now—that did have problems in the past, there's no question about that, but the Chair—as the Chair and myself, as a ranking member, have worked very hard, and our staffs have, to work as much as possible in a bipartisan fashion. We're not going to agree on everything. There are philosophical disagreements that we have, but you can disagree and not necessarily be disagreeable. And when you work together, I think you can accomplish great things for communities, and you can also accomplish great things for our country.

So, I want to thank you, again, for coming to our district, and thank you for continuing to work in a bipartisan fashion, even though your party is in the majority and mine in the minority. I

would like to see that change someday. That's one of the things we disagree on, probably. But, let's continue to work together. Thank you for—

Chairwoman VELÁZQUEZ. Well, let me just say thank you, Steve. First, this is the first field hearing that we have conducted in four years. And as I said, there is no way that we can know if the things that we are doing in Washington really are working back in our communities if we don't come and listen to you here, and if we don't come into your district and see the positive developments that are taking place.

But, when it comes to the Small Business Committee, and I've been serving on this committee for 15 years now, and given the political climate in Washington, my comment and my opinion have always been that this is the committee that should be run in a bipartisan way, because there should not be a Republican or Democratic approach when it comes to small businesses.

And as Chair now, I will recognize the right of the minority to deliberate, to participate, to fully participate in the legislative process. If I deny that right, I will then call for a partisan reaction and response, and I would understand that. But, hopefully, we will continue to work in a bipartisan way so that small businesses in this country will benefit from the work that we do in the capitol and in DC, in the House of Representatives.

It has been a great pleasure for me. Thank you very much for all the witnesses. And we will take all this wealth of information back to the capitol, to the House of Representatives, to our committee, and we will review and see how can we improve the 504, the New Markets Tax Credit, to make sure that they are, not only reauthorized, but fully funded.

Thank you very much, And this committee is adjourned.

[Whereupon, at 11:40 a.m., the committee was adjourned.]

STATEMENT
of the
Honorable Nydia M. Velázquez, Chair
House Committee on Small Business
Field Hearing, Cincinnati, OH
Wednesday, April 11th, 2007

First, I want thank each of you for being here today.

It is so important to get out of Washington, DC and have a hearing like this directly in the community. There is no question that it provides a different perspective and I want to thank Mr. Chabot for this opportunity.

Being from New York, I can certainly understand the challenges facing entrepreneurs in urban areas like Cincinnati. Such obstacles like, the high costs of labor and advertising, sky rocketing energy costs and competition can all make it difficult for entrepreneurs to be successful. That being said, urban areas need assistance when it comes to the growth and prosperity of small businesses. Creating incentives for people to invest in urban communities and enabling entrepreneurs to thrive is critical.

While many areas may flourish when the country is experiencing economic growth, the truth is, not all communities benefit. For those places, the New Markets Tax Credit can be very helpful. The NMTC was created to make loans and capital investment opportunities in underserved areas. Most importantly, it provides an incentive for people to invest in urban markets, like Cincinnati, where urban revitalization is a top priority. This not only benefits small firms but the community as a whole.

While creating incentives for people to do business in urban markets is important, it is equally essential to ensure small businesses are receiving the financing tools they need. Entrepreneurs are the country's economic drivers and job creators, however, accessing the capital they need to successfully grow a business is always challenging. This is where the Small Business Administration's loan programs, such as the SBIC and the 504 step in to help small businesses and therefore communities.

The Small Business Investment Company Program (SBIC) was created to give small businesses access to the long-term capital required for growth. SBICs provide equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stage. With the large impact that small firms can have on local economies, this program is beneficial by allowing for access to capital and helping to create jobs and spur economic growth in places such as Cincinnati.

The SBA's 504 program was also intended to spur economic growth in underserved areas. It provides long term fixed rate financing to small businesses for land, buildings and machinery equipment. It has been known to stimulate small businesses, create jobs and encourage investment in the community.

With small firms creating three out of every four new jobs and comprising over half of the nation's gross domestic product, they can play a critical role in revitalizing urban communities. Clearly, the NMTC, SBIC and the 504 program can work to help in urban revitalization by stimulating job growth, investing in the community and entrepreneurs.

Today we will hear from small business owners who have utilized these programs as well as local stakeholders. Again, I want to thank Mr. Chabot and his staff for all the work put into this hearing today and I look forward to the witnesses' testimony.

Thank you.

Opening Statement

Hearing Name	Small Business Field Hearing in Cincinnati: New Market Tax Credits
Committee	Full Committee
Date	4/11/2007

Opening Statement of Ranking Member Chabot

First off, I want to thank Chairwoman Velazquez for taking time out of her busy schedule to come to Cincinnati for this important field hearing. I appreciate the opportunity to show you at least a small part of my district – and how New Market Tax Credits and the Certified Development Company (504 Loan) Program are helping these communities.

I also want to thank our witnesses – not only for their testimony that we'll hear shortly, but for the important work that they are doing in our community – particularly in the Uptown and Over-the-Rhine neighborhoods.

The New Markets Tax Credit, enacted as part of the *Community Renewal Tax Relief Act of 2000*, takes an innovative approach to address poverty by using the tax code to enlist the support of both the public and private sector – making the program unique among federal economic development initiatives. The New Market Tax Credit – a 39 percent credit against federal taxes over a seven year period – has helped spur investment and economic development in under-served communities in Cincinnati and throughout the country.

For example, the New Markets Tax Credit Program is attracting a significant amount of private capital to the Uptown and Over-the-Rhone neighborhoods. All told, the New Markets Tax Credit is responsible for more than $100 million in private investments within the First Congressional District and is providing momentum to spur redevelopment and job creation in some of Cincinnati's most distressed neighborhoods.

The New Markets program was extended for two more years last year, meaning that the program will expire at the end of 2008 unless Congress takes action to renew it. I was a cosponsor of legislation during the last Congress to renew the program for five more years. It's my understanding that Representatives Lewis (of Kentucky) and Rangel plan to introduce similar legislation in the near future. And I look forward to once again lending my support to a bill to continue the New Markets program and am hopeful that such a bill will be made law.

New Markets Tax Credits are an important part of community redevelopment and reinvestment – as is the Small Business Administration's (SBA) Certified Development Company program (also known as the 504 loan program).

Certified Development Companies (CDCs), such as David Main's Horizon CDC, are invaluable resources for America's small businesses. Every time a business owner receives a loan from a CDC, they are not only making a commitment to better their business, but also to improve their community by creating jobs and helping revitalize neighborhoods. This type of community investment is important and it's one of the reasons that renewing the CDC Program is critical.

As many of you may know, I co-authored legislation – along with Chairwoman Velazquez and Representative Melissa Bean – called the *Small Business Lending Improvement Act of 2007*. This important, bipartisan bill would reauthorize and strengthen the CDC Program to ensure that small business owners and communities around the country will continue to benefit from the ability of small businesses to reinvest and grow their businesses. The Committee unanimously passed the *Small Business Lending Improvement Act* and I am hopeful that the full House will consider it in the

near future.

It's important that small businesses take root in communities such as Avondale and Over-the-Rhine. Small businesses have created between 60 and 80 percent of American jobs annually over the last ten years. They are the backbone of our economy. We need to provide small business owners the opportunity to thrive in Avondale, Over-the-Rhine and throughout the country as a means to create jobs, strengthen communities, and improve the local economy.

I want to thank our witnesses for taking the time to share their stories with us today and again thank Chairwoman Velazquez for coming to Cincinnati today.

I yield back

Witness Testimony

Hearing Name	Small Business Field Hearing in Cincinnati: New Market Tax Credits
Committee	Full Committee
Date	Wednesday, April 11, 2007

Prepared Remarks of Mr. David Main
President Hamilton County Development Company

My name is David K. Main, President of Hamilton County Development Company (HCDC) located in Cincinnati, Ohio and also a member of the Board of Directors of the National Association of Development Companies (NADCO). Nevertheless, I am here to represent HCDC regarding the role and positive effects the U.S. Small Business Administration (SBA) 504 loan program plays in revitalizing urban communities, particularly within HCDC's jurisdiction.

I would like to thank Chairperson Velázquez and Ranking Member Chabot for giving me the opportunity to provide remarks concerning the effects, role and benefits that the SBA 504 loan program plays in revitalizing urban communities.

The 504 program is an economic development financing tool with the purpose of promoting small business capital investment as well as the creation and retention of jobs and employment opportunities. As such, it finances fixed assets, primarily real estate, though occasionally machinery and equipment, to facilitate the expansion of growing small businesses. One additional virtue of the 504 program is that it generates owner-occupied commercial real estate. Just as residential home ownership creates stakeholders who foster stability and commitment to local communities, business owner-occupied real estate also promotes, perhaps on an even a greater scale, stakeholder commitment and stability in local

communities. HCDC has funded numerous projects located in urban core areas and inner-ring communities where small business concerns have acquired real estate through the 504 loan program, investing not only in the acquisition of the property, but more importantly in constructing renovations and improvements to the real estate as well. In addition, these companies add new jobs and typically employ residents from the community. The end result is an improved property with new commerce and business activity.

There are some noteworthy examples in the City of Cincinnati and Hamilton County urban communities where small business persons, some formerly renters, have acquired and improved real estate through the 504 loan program. As a result not only have their businesses flourished but also the surrounding areas have been improved.

The one such example is Baba Budan Coffee House, owned by Tony Hamburg. Due to an urban renewal project that acquired the building he rented for his shop near the University of Cincinnati, Mr. Hamburg needed to find a new location for his business. HCDC, through the SBA 504 loan program together with a community-based private lender, helped Mr. Hamburg acquire and renovate a vacant building near the UC campus. As a result, not only has his business flourished with increased revenues, but also his investment has helped spawn redevelopment of and new private investment in the city block where Baba Budan is now located.

In addition, HCDC, through the 504 program, has assisted the redevelopment of local brownfield sites, including two Clean Ohio Fund sites in the inner-ring community of Lockland, Ohio. These sites have not only been environmentally remediated, but more importantly returned to active productive commercial uses as two more HCDC financed 504 loan program borrowers, Premier Food Management and Frederick's Landscaping, acquired

these properties and constructed new buildings. As a result, jobs and commerce have supplanted vacant brownfields.

I would like to commend Committee Leadership for getting HR 1332 approved and unanimously voted out of Committee, particularly since there has not been a full program reauthorization for several years. I also look forward to working closely with the Senate to complete passage of this important legislation.

HR 1332 represents one of the most far-reaching improvements for the SBA 504 loan program. However, there are certain changes, which could improve the 504 program impact on urban communities. One such change would be reducing the required small business borrower occupancy percentage from 51% for existing buildings to 35% and from 65% for new construction to 51% within urban areas. In urban communities, real property frequently involves multi-story facilities which may be too large a structure for many small business borrowers to occupy the requisite 51%. Nevertheless, with owner-occupancy requirement reduced to at least 35% of the building, the balance could be rented out to other productive use, while the small business borrower still serves as the owner-occupant of the facility.

From FY 2001 through FY 2006, HCDC increased its 504 loan approvals by 97%, from 31 loans in 2001 to 61 loans in 2006. Meanwhile, during the same period, the 504 loan program nationally increased its loan approvals by 91%, going from 5,195 loans approved in 2001 to 9,942 loans approved in 2006. Notwithstanding these increases, the SBA agency staff appears to have been cut to the point where its capacity to continue to effectively process 504 loans in future years as the program continues to grow is in jeopardy. One solution, in addition to adding personnel, would be for SBA to establish a second 504 loan processing center in the eastern half of the United States to handle this growing SBA 504 loan processing activity.

In addition to the HCDC 504 loan clients who appeared today and the other above-mentioned local 504 loan program urban area successes, there are no doubt other examples of 504 loan activity that provide tangible and lasting value regarding how the SBA 504 loan program assists small businesses to expand, invest, create jobs, and improve the overall quality of life in urban communities.

Thank you for your support and I would be willing to answer any questions.

Witness Testimony

Hearing Name	Small Business Field Hearing in Cincinnati: New Market Tax Credits
Committee	Full Committee
Date	Wednesday, April 11, 2007

Prepared Remarks of Mr. Tony T. Brown
President and CEO Uptown Consortium

Chairwoman Velazquez, welcome to Uptown Cincinnati – we are the premier cluster of neighborhoods in the 1st District of Ohio where we are well represented by your colleague and Vice Chairman Steve Chabot. Congressman Chabot, welcome home and thank you for conducting an official U.S. House Small Business Committee field hearing to review economic development programs.

I am Tony Brown, president of the Uptown Consortium, and I appreciate the opportunity to testify before you today. Our organization is founded by four of this region's top seven employers and the region's number one tourist attraction. The members of the Uptown Consortium employ over 50,000 people and provide an annual economic impact of over $3 billion.

The House Small Business Committee has chosen the perfect city to explore local efforts to revitalize neighborhoods using small business investment programs. As you have witnessed, just our city alone in the 1st District of Ohio has received over $100 million in NMTC allocations, which have provided the incentive for us to attract private capital to help revitalize economically-distressed neighborhoods such as Avondale and Over-the-Rhine.

I would like to focus my comments around the NMTC Program as this is the primary tool we are using to raise private capital and, besides, it's an economic development program that I know a little about.

- In August 2001, I was appointed by President George W. Bush as Director of the CDFI Fund. I served as director through February 2003.
- During my tenure at the CDFI Fund, I supervised regulations for the first $6 billion in NMTCs allocated.

The NMTC program was designed to stimulate investment and economic growth in low-income urban neighborhoods and rural communities by offering a seven-year, 39 percent

federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from the tax credits to make loans to or investments in businesses and projects in low-income areas. (For instance an investment of $1 million into a CDE, would provide the investor a federal tax credit of $390,000 over a seven year period.)

The NMTC was enacted in December 2000 as part of the Community Renewal Tax Relief Act. The original authorizing legislation provided $15 billion in New Markets Tax Credit authority between 2000 and 2007. As you know, this is the last year that Congress has authorized NMTC authority and legislation to reauthorize the NMTC program through 2013 will be introduced in the House and Senate next week. The House bill will be sponsored by Congressman Richard Neal (D-MA) with Congressman Ron Lewis (R-KY) as the lead Republican Co-sponsor.

In Cincinnati alone, we know first hand that this program works. We have been able to attract below market sources of private capital ($150 million) as the patient source of funding we need to implement a $500 million redevelopment pipeline.

A simple look at the list of investors in the Uptown Partners Fund attests to the fact that New Markets have met the purpose that Congress intended – attract private capital in low income communities. As you can also see from your tour, we are just getting started and to end this program now would have a devastating impact on our ability to raise capital to continue our efforts.

Madame chairwoman and Congressman Chabot, your field visit to conduct a bipartisan review of this program is commendable and your efforts are to be applauded. Your presence here today clearly signals the importance of this program for the areas you represent. To date, in Ohio, 14 CDEs have been awarded Credit allocations in excess of $647 million. In New York, 17 New York based CDEs have been awarded Credit allocations in excess of $1.75 billion. The US Treasury Department reports that NMTC investments in low income communities across the nation total over $7.7 billion.

More than 200 Community Development Entities (CDEs) are currently using the Credit to support a wide variety of qualified community and economic development initiatives including the financing of charter schools, health care facilities, manufacturing businesses, grocery stores, retail centers and mixed-use real estate developments all benefiting low income individuals and communities. We are using this program in Uptown to revitalize Burnet Avenue an historic African-American Business District.

In closing, the Uptown Consortium expresses our deepest appreciation for the leadership of the House's Small Business Committee in making a bipartisan effort at exploring local efforts to revitalize neighborhoods using small business investment programs.

All indications are that the NMTC Program is working. NMTC investments in low income communities total over $7.7 billion, and over 200 CDEs are using the Credit to support a wide variety of community and economic development initiatives. We thank you for taking a first hand look at how this program is aiding Cincinnati's redevelopment.

We know that you both are champions in supporting the growth of small and minority-owned businesses and ensuring economic opportunity for the working class and poor. As leaders in Congress, we hope you will succeed in getting other members to join you in passing a five-year extension of the NMTC Program. Thank you.

Witness Testimony

Hearing Name	Small Business Field Hearing in Cincinnati: New Market Tax Credits
Committee	Full Committee
Date	Wednesday, April 11, 2007

Prepared Remarks of Elizabeth Oliver
Owner Shekinah Beauty Centers

Good Morning.

My name is Elizabeth Oliver, President of Shekinah Beauty Centers, Inc. I am here to speak on behalf of the SBA 504 Program.

Being a Small Business owner and being consider self-employed most traditional lender do not extend an opportunity with ease.

I am grateful for this program because it has proved to be designed for Small Businesses that are trying to build wealth through real-estate

In the beauty Industry approximately 10% of the business owners have ownership in the locations their businesses operate out of. My experience was excellent from start to finish with the 504 program. My Loan Officer Angie Howard was very knowledgeable with the program and assisted me with the SBA process, as well as getting a local bank to collaborate with us for the remaining portion of the loan.

With a lower down payment and fixed interest rate that I could not find in traditional lending the alterative financing with the SBA 504 program has enabled me to expanded my business and create a vineyard for other small businesses to operate within our building while maintaining their own business identity. I do not think this would have been possible without the assistant of the SBA 504 program.

My husband and I have another business venture operating within the building of Shekinah , we hope to expand both business and pray that