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CEF & CNMF

## The Cincinnati New Markets Fund (CNMF) and Cincinnati Equity Fund (CEF)

### Background

In July 2003, 3CDC was created as part of the overall system to increase the effectiveness and efficiency of development activities in the City as recommended by The Cincinnati Economic Development Task Force. 3CDC is a private, non-profit corporation and is not legally affiliated with the City or any other public entity

The following year, 3CDC's staff accepted the daily operating responsibilities for the Cincinnati New Markets Fund and The Cincinnati Equity Fund. The separate governing Board of these two private equity funds consolidated financing programs geared toward downtown redevelopment in order to accomplish the common goal shared by all three organizations. The success achieved to date is due to the dedication and endurance of these three strategic partners, City officials and staff, community organizations and residents.

### The Cincinnati Equity Fund, Ltd.

The Cincinnati Equity Fund (CEF) was created in 1995 to support real estate development and compliment the low-income housing market by providing market-rate housing units to create mixed-income neighborhoods. To date, CEF has financed over \$45 million to several downtown projects, including The McAlpin, Gateway Quarter, Backstage (Nicholson's), Palomino and TJMaxx.

CEF provides gap financing for downtown real estate development projects that would not otherwise happen but for the debt facility provided by CEF. Currently, there are two main offerings: a mezzanine loan product and mixed-use construction loan product. Both products offer components such as interest rates that are lower than those typically found in the local marketplace.

CEF is a private partnership similar to a traditional venture capital organization, but does not generate the kinds of investment returns normally associated with venture capitalists

For more information on CEF, product offerings or investment opportunities, please contact Chad Munitz ([cmunitz@3CDC.org](mailto:cmunitz@3CDC.org)) or Stephanie Gaither ([sgaither@3CDC.org](mailto:sgaither@3CDC.org)).

### Cincinnati New Markets Fund, LLC

The Cincinnati New Markets Fund is a private organization comprised of 13 leading Cincinnati corporations. CNMF focuses on making loans and equity investments that help to revitalize and strengthen the center city of Cincinnati, including both the central business district (CBD) and the adjacent Over-the-Rhine (OTR) neighborhood.

### **NMTC Program Basics:**

The New Market Tax Credit Program (NMTC) was established by Congress in December of 2000 as part of the Community Renewal Tax Relief Act. It provides a credit against federal income taxes to privately managed investment institutions. In turn, these investment institutions, or community development entities (CDE), make loans and capital investments to stimulate investments to drive economic and community development in distressed communities. Each CDE defines its unique "service area" where it will invest the resources it obtains through CDE certification.

Consistent with its comprehensive business strategy, CNMF's main focus is on the three census tracts comprised of Downtown and OTR bounded by Fifth Street to the south, Central Parkway to the west, Liberty Street to the North and Broadway Street to the East. These census tracts are severely distressed neighborhoods and qualified investment communities for NMTC investments.

By making an investment in a CDE, an individual or corporate investor can receive a tax credit worth 39% of the initial investment, distributed over seven years, along with any anticipated return on their investment in the CDE.

The program is administered by the CDFI Fund; an arm of the U.S. Treasury.

#### **Formation of CNMF:**

The managing members of CEF committed over \$90 million to compete for a NMTC allocation award in Round 2 (2003-2004). During this round, the Federal government received applications from 271 entities requesting a total allocation of \$30.4 billion. CNMF's \$50 million award was one of only 62 applications accepted nationally in a process that awarded a total of \$3.5 billion. Subsequent to CNMF receiving an NMTC award two Cincinnati based organizations had also received NMTC awards: Uptown Consortium and Fifth Third Bank.

In October 2008, 3CDC received notice that it would receive another NMTC award. Its application on behalf of CNMF was awarded \$35 million in New Market Tax Credits from the CDFI. This was the sixth round for the NMTC. In all, 239 organizations nationwide requested funding totaling over \$21 billion. CNMF received one of only 70 awards granted this round by CDFI. The award will allow CNMF and its strategic partners to continue its redevelopment downtown north of Fifth Street as well as its revitalization efforts in Over-the-Rhine, specifically moving north on Vine Street and the renovation of Washington Park.

The goal of CNMF is to support 3CDC's efforts to revitalize low-income communities by making below market-rate loans to commercial, residential and community real estate projects. Currently, there are two main offerings: a mezzanine loan product and mixed-use construction loan product. Both products offer components such as interest rates that are lower than those typically found in the local marketplace. Revitalization is resulting in the creation of new home ownership opportunities and jobs, repopulation of the neighborhoods and reduction in crime. Without CNMF's low-cost capital, such efforts would not be financially feasible.

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