

The New Markets Tax Credit: Opportunities for Investment in Healthy Foods and Physical Activity

Prepared for the Campaign to End Obesity

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Executive summary

The Campaign to End Obesity asked Ernst & Young (EY) to analyze the impact of the New Markets Tax Credit (NMTC) on health outcomes associated with access to healthy foods and opportunities for physical activity. The NMTC, which is administered by the US Department of the Treasury, was established in 2000 to encourage new and increased investment in low-income communities.

Since the program's inception it has distributed \$39.5 billion in federal tax credit authority matched by private sector investments in qualifying locations. By statute, NMTC investments are targeted at low-income areas, which are often characterized by limited access to healthy food, limited opportunities for safe physical activity, and poor health outcomes.

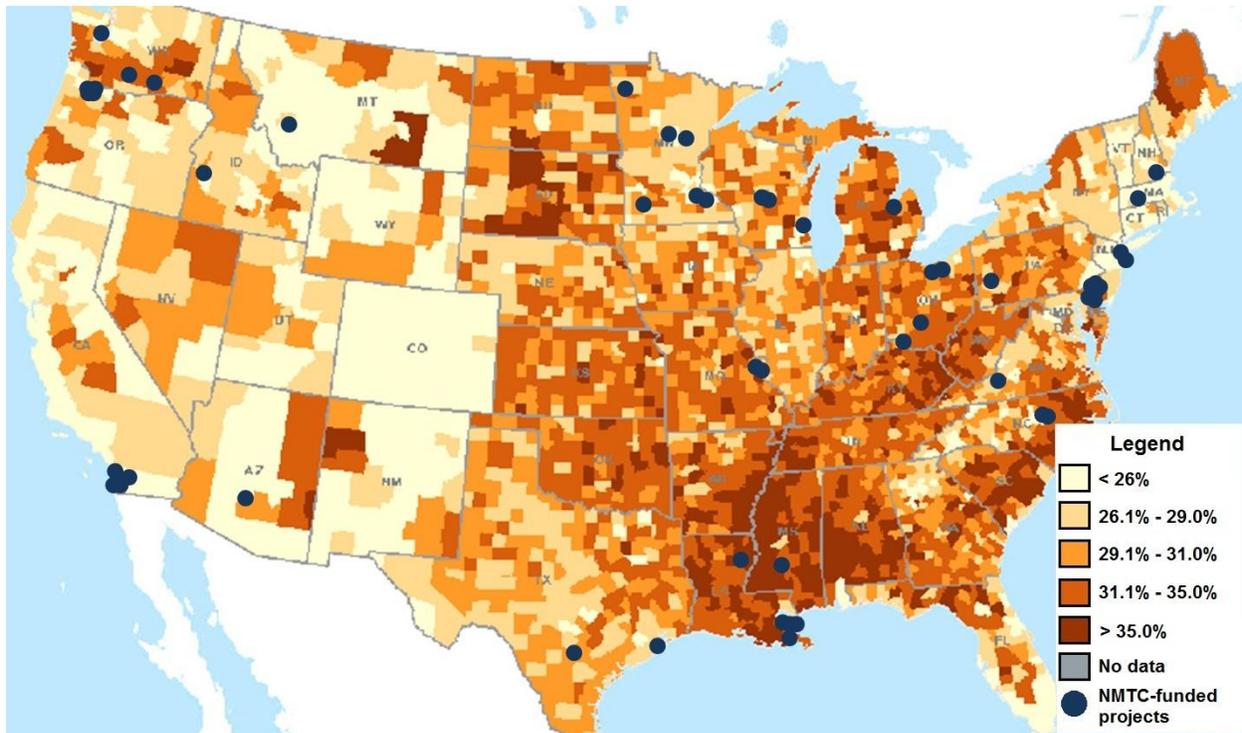
Supermarkets and recreation and fitness facilities are examples of NMTC projects that may provide positive health impacts in low-income communities. Changing the community environment to add more supermarkets, grocery stores and recreation and fitness facilities cannot make anyone eat healthy foods or become physically active. However, it can remove significant obstacles for people in lower-income communities who wish to make healthy choices. There is evidence that this type of intervention is effective at improving health outcomes. For example, living closer to a supermarket or grocery store is associated with increased consumption of fresh fruits and vegetables. Similarly, counties with more recreation and fitness facilities have lower rates of obesity and diabetes.ⁱ

By providing low-cost financing, the NMTC allows businesses to be built in low-income communities that otherwise would not provide a large enough market to support one. For example, one detailed case study shows that a NMTC-funded supermarket could support itself financially on only 89% of the sales needed to support a typical supermarket. This allows supermarkets and other businesses to offer their services in low-income neighborhoods that they otherwise might have passed over as unprofitable.

While the NMTC has potential to improve access to healthy foods and provide opportunities for physical activity outcomes in targeted communities, supermarkets, grocery stores and recreation and fitness facilities are often not directly supported by NMTC-funded projects. The NMTC helped finance 49 supermarket and grocery store projects between 2003 and 2010 that improved healthy food access in low-income communities for more than 345,000 people, including 197,000 children. However, these projects represented less than 2% of total NMTC allocations during that time period. The NMTC's contribution to improving physical activity was even more limited during this time period, funding only seven projects primarily focused on recreation and fitness facilities.

For NMTC projects funded from 2003 to 2010, 57% of supermarket and grocery projects and 69% of total NMTC funding for such projects went to counties with adult obesity rates higher than the national average (Figure 1). Similarly, four of the seven recreation and fitness projects funded by NMTC were in counties with obesity rates higher than the national average.

Figure 1. Obesity rates with NMTC-funded grocery and recreation and fitness projects



Note: Blue markers indicate the locations of NMTC-funded supermarket, grocery, and recreation and fitness projects funded from 2006 to 2010. County-level obesity rates are from 2009.

Source: US Department of Agriculture (USDA) Food Environmental Atlas, Community Development Financial Institutions (CDFI) Fund, EY analysis.

This report draws the following conclusions about the current NMTC program:

- ▶ **The NMTC has the potential to increase food and recreation facility access in low-income communities.** Access to healthy foods and recreation facilities within communities can influence diet, body weight, and other health outcomes. Low-income people are less likely to have access to recreation and fitness facilities, and more than 38% of low-income people have limited access to healthy food. The NMTC can be used to help alleviate barriers to healthy food and physical recreation.
- ▶ **Program take up is limited for projects that promote healthy choices.** Until recently, the application process for NMTC allocations included no criteria related to healthy food access and still include no criteria related to recreation and fitness access.
- ▶ **Small projects benefit less.** NMTC transactions are complex and costly, which limits the benefit to smaller projects like supermarkets and community centers.

Opportunity exists for projects that promote healthy choices. The NMTC's low-cost financing can help businesses expand into underserved areas by allowing them to support themselves on less revenue in smaller markets. A NMTC-funded supermarket could support itself financially on only 89% of the revenue required by a typical supermarket of the same size.

ⁱ Economic Research Service (ERS), US Department of Agriculture (USDA), Food Environment Atlas.
<http://www.ers.usda.gov/data-products/food-environment-atlas.aspx>.