2021 NMTC Allocation Application Roadmap

New Markets Tax Credit Program
The purpose of this presentation is to direct Applicants to important information and resources for the 2021 NMTC Allocation Application round.

If you are unfamiliar with the NMTC Program, please review the “Introduction to the New Markets Tax Credit Program” presentation available on the CDFI Fund’s website before continuing with this presentation.
Please review each of these materials in detail, which can be found under the “Application Materials’ section of “Step 2: Apply” on the NMTC Program Webpage:

- 2021 NMTC Allocation Application (pdf)
- 2021 NMTC Allocation Application Frequently Asked Questions (FAQs)
- 2021 NMTC Notice of Allocation Availability (NOAA)
- 2021 NMTC Allocation Application – AMIS Navigation Guide
Presentation Roadmap

- How to Apply for a 2021 NMTC Allocation
- NMTC Allocation Application Overview
- NMTC Allocation Application Evaluation Process
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## How to Apply for a 2021 NMTC Allocation – Round Deadlines

**CY 2021 Allocation Round NMTC Program Critical Deadlines for Applicants**

<table>
<thead>
<tr>
<th>Description</th>
<th>Deadline/Date</th>
<th>Time (Eastern Time)</th>
<th>Submission Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development Entity (CDE) Certification Application</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via the Awards Management Information System (AMIS)</td>
</tr>
<tr>
<td>Request to modify CDE certification service area</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
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<tr>
<td>Subsidiary CDE Certification Application for meeting Qualified Equity Investment (QEI) issuance thresholds</td>
<td>November 18, 2021</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>CY 2021 Application Registration</td>
<td>December 6, 2021</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Last date to contact CDFI Fund staff</td>
<td>January 11, 2022</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>CY 2021 Allocation Application (including required Attachments)</td>
<td>January 13, 2022</td>
<td>5:00 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Amendment request to add Subsidiary CDEs to Allocation Agreements for meeting QEI issuance thresholds</td>
<td>January 20, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>QEI Issuance and making Qualified Low Income Community Investments (QLICIs) by:</td>
<td>March 21, 2022</td>
<td>11:59 p.m. ET</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Amendment request to remove a Controlling Entity from Allocation Agreement(s)</td>
<td>March 21, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
<tr>
<td>Reporting QEIs and QLICIs by</td>
<td>March 28, 2022</td>
<td>11:59 p.m. ET</td>
<td>Electronically via AMIS</td>
</tr>
</tbody>
</table>
How to Apply for a 2021 NMTC Allocation - Eligibility

- **CY 2021 NOAA: Eligibility for an NMTC Allocation**
  - Applicants must meet **all** eligibility requirements in the 2021 NOAA, including the “QLICI Uses and Activities” commitment outlined in Application Q. 13(a)
  - QEIs issuance and QLICI requirements must be met by CDEs that have previously received NMTC Allocations in order to receive an NMTC Allocation in the 2021 Round (Section III.A.5.a)
  - Reporting and Compliance with previous award and Allocation Agreements: CDEs and Affiliates that have received CDFI Fund awards or NMTC Allocations may be deemed ineligible if they fail to meet reporting requirements or otherwise fail to maintain compliance with previous awards/Allocation Agreements (Section III.A.5.c)
How to Apply for a 2021 NMTC Allocation – Application Materials

• Submitting an NMTC Allocation Application and required materials:
  – The NMTC Allocation Application can only be submitted online through the Awards Management Information System (AMIS).
  – For more information on submitting application materials:
    • Application FAQs Document
      – FAQ #13 – How to apply for NMTC Allocations
      – FAQ #14 – Application Registration
      – FAQ #16 – Application attachments required to submit an Allocation Application and how to submit them
    • 2021 NMTC Allocation Application – AMIS Navigation Guide
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The NMTC Allocation Application has five main sections:

- Part I: Business Strategy (Exhibit A & Exhibit B)
- Part II: Community Outcomes
- Part III: Management Capacity (Exhibit C & Exhibit D)
- Part IV: Capitalization Strategy (Exhibit E)
- Part V: Information Regarding Previous Awards

Applicants are also required to complete the Application Registration, Applicant Information, and Assurances/Certification sections.

A glossary of terms is included in the Application for reference. Any italicized word in the Application is defined in the glossary.
Business Strategy
- New question on planned due diligence conducted prior to making a QLICI (Q.18)
- New Innovative Investment option to invest in Unrelated Minority-owned or controlled or Native American-owned or controlled CDEs (Q.19)

Community Outcomes
- Healthy Food Financing and Flexible Lease Rates community outcomes have been incorporated into Commercial and Community Goods or Services (Q.26)
- New Community Outcome added: Financing Native American Businesses (Q.26)
- Applicants are no longer asked to address additional private investment as a result of their proposed QLICIs

New/Revised Glossary Terms: Controlling Entity, Low-Income Owned or Controlled, Minority Owned or Controlled, Native American Owned or Controlled

There are a number of other changes to the Application. Please review each question and the relevant guidance.
NMTC Allocation Application: General notes

- Read the questions and notes carefully and provide the information requested.
- Your responses only need to be long enough to provide the information requested in the question.
- Your responses should clearly explain and reference data from applicable tables/exhibits as requested.
- Your response should only provide information specifically related to the topic of the question.
- Respond only to the questions that are relevant to your planned NMTC activities. Applicants gain no advantage by responding to all optional questions.
- Review the Application FAQs Document for additional guidance on specific questions.
At the beginning of the Allocation Application, Applicants are required to answer several informational questions. Q. 1-12 in the Application Information Section are for information purposes only – they are not scored.

An Applicant may wish to designate a Controlling Entity for the purpose of completing the Allocation Application.

- More guidance on designating a Controlling Entity can be found in the NMTC Allocation Application NOTE related to Q. 3 and Application FAQs #27 thru #30
The Business Strategy section is scored during Phase 1 of the Application review process.

It will be evaluated by two independent reviewers.

Each reviewer may provide a maximum of 25 points.

An Applicant will score well in this section to the extent it can articulate, with specificity:

- its strategy to use an NMTC Allocation, and
- a strong, relevant track record, including a track record of serving Low Income Communities.
For notes on how to score highly in this section, please consult the following application materials:

- 2021 NMTC Allocation Application FAQs Document: Section IV. D
- 2021 NMTC Allocation Application NOTEs: Q. 13 – 24
  - Pay special attention to the NOTEs embedded in the application! (Example below)

**NOTE:** If an Applicant intends to utilize its requested NMTC Allocation to engage solely in either the purchase of loans from other CDEs or in the provision of FCOS, and not in the origination of loans or equity, it should skip Questions 14 and 15.

**NOTE:** The Applicant should base the expected percentage of Allocation on the Applicant’s intended strategy. Expected percentages of Allocation will not be subject to reporting or be considered in measuring compliance with the Allocation Agreement.
• **Innovative Activities (Q. 19)**
  
  – This question will not be evaluated or scored in Phase 1 of the *Allocation Application* review.
  
  – Responses will be considered in Phase 2 of the *Allocation Application* review and may affect the size of the *Applicant’s NMTC Allocation*.
  
  – Commitments to these activities must be clearly stated as a percent of total *QLICIs*.
  
  – Commitments may be reflected in the *Allocation Agreement*, if an *Applicant* is selected to receive an *NMTC Allocation*.
  
  – For more information on Innovative Activities, please review Application FAQs #45, and #57 thru #62.
Activities in Non-Metropolitan Counties

- This question will not be evaluated or scored in Phase 1 of the Allocation Application review.
- The response to this question will be considered in Phase 2 of the Allocation Application review and may affect the size of the Applicant’s NMTC Allocation.
- Applicants are required to provide two target estimates: (1) a minimum percentage and (2) the maximum percentage of QLICIs that the Applicant is willing to commit to invest in Non-Metropolitan Counties.
- A final commitment within the proposed minimum and maximum will be reflected in the Allocation Agreement, if an Applicant is selected to receive an NMTC Allocation.
- For more information on activities in Non-Metropolitan Counties, please see the NOAA (Section V, Subsection D) and/or Section V in the Application FAQs document.
• A maximum of 10 priority points are awarded based on the Applicant’s responses to questions in the Business Strategy section and Exhibit B.

• Priority points are based on two distinct categories outlined in the NMTC authorizing statute:
  – Track record of providing capital or technical assistance to disadvantaged businesses or communities (up to 5 pts).
  – Commitment to use NMTC proceeds to invest in Unrelated Entities (5 pts).

• Additional guidance on Priority Points can be found in the following application resources:
  – NOAA: Section V, Subsection B.1.b
  – Application FAQs: #72 and #73
The Community Outcomes section is scored during Phase 1 of the Application review process.

It will be evaluated by two independent reviewers.

Each reviewer may provide a maximum of 25 pts.

An Applicant will score well under this section to the extent it can articulate, with specificity:

- it is working in particularly economically distressed or otherwise underserved communities;
- it demonstrates that its projected financing activities will generate quantifiable and demonstrable community outcomes; and
- it demonstrates meaningful engagement with community stakeholders when vetting potential NMTC investments.
Methods and Metrics (NMTC Application Q. 26)

- These two concepts are critically important for Applicants as they quantify and estimate projected community outcomes.

- Each projected community outcome should be supported by clear and sound methods and metrics.

- For definitions and examples of methods and metrics, please review FAQs #81 and #82.

- For examples quantifying community outcomes, please review FAQs #78, #79, #80, #83, #86, and #89.
NMTC Allocation Application:
Community Outcomes Section

- Please consult the following application resources for information on how to score well within this section:
  - Application FAQs Document: Section E
  - 2021 NMTC Allocation Application NOTEs: Q. 25 - 27
    - Pay special attention to the NOTEs embedded in the application!
      (Example below)

**NOTE:** An Applicant that checks “Yes” to Question 25(a) above will generally score more favorably. If the Applicant receives an NMTC Allocation, it will be required to meet the percentage figure identified above, and such requirement will be a term of its Allocation Agreement.
The Management Capacity section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.

An Applicant will be evaluated more favorably under this sub-section if it can demonstrate that:

- It has experienced personnel and appropriate procedures and systems in place to successfully manage a loan and/or investment portfolio;
- Its personnel have experience identifying borrowers, evaluating businesses, and structuring QLICIs; and
- It has experience with similar regulatory compliance requirements and can articulate a specific strategy for ensuring NMTC compliance.
NMTC Allocation Application: Management Capacity Section

• Please review the following application resources for information on how to score well within this section:
  – Application FAQs Document: Section F
  – 2021 NMTC Application Notes: Q. 28 – 34
• Pay special attention to the NOTEs embedded in the application! (Example below)

NOTE: Table E1 must only contain the data of the Applicant (or its Controlling Entity). Also the Applicant should only discuss its track (or its Controlling Entity) in Question 35. The Applicant may also refer to the qualifications and five-year capital-raising track record of individuals (e.g., staff, Principals, consultants) listed in Table C1 for organizations other than the Applicant (or its Controlling Entity) in Question 35.
The Capitalization Strategy section is not scored during Phase 1 of the Application review process. It will be evaluated by CDFI Fund staff as part of Phase 2.

To receive an award, an Applicant must demonstrate the ability to raise capital for an NMTC Allocation, including:

- A track record of raising capital from investors;
- A sound strategy for raising QEIs or investor interest/commitments (if applicable);
- The appropriate sharing of NMTC benefits between the Applicant, investors, and borrowers/investees.
Please consult the following application resources for information on how to score well within this section:

- Application FAQs Document: Section G
- 2021 NMTC Allocation Application Notes: Q. 35 – 41

Pay special attention to the NOTES embedded in the application! (Example below)

**NOTE:** An Applicant that indicates in Question 40 “yes” and provides a percentage greater than 85 percent will be required to meet the percentage identified above, and such requirement will be a term of its Allocation Agreement.
Notes for completing Information Regarding Previous Awards:

- Must be completed by all Applicants
  - If the Applicant (and any Affiliates) has never received an award from the CDFI Fund or an NMTC Allocation, answer “yes” to confirm the pre-populated information for Q. 42 and 43, and answer “no” to Q.44 and Q. 45. You will not be required to complete the remainder of Q. 44 and Q.45.

- Part V is not scored in Phase 1 of the review process. It will only be considered in Phase 2 of the review process.

- Please consult the following Application resource for more information on this section:
  - Application FAQs Document: #122- #124
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NMTC Allocation Application Evaluation Process: Flowchart

Phase 1: Peer Review
External reviewers evaluate and score Part I and Part II of applications.

Phase 2: Panel Review
Applications that meet minimum scoring thresholds are evaluated, based on rank score, by a CDFI Fund panel.

Selection of Applicants:
Selecting Official makes final determinations based upon panel recommendations.

Details on the previous round Application Evaluation process can be found on the CDFI Fund’s website (www.cdfifund.gov/nmtc). Details on the current Application Evaluation process can be found in the NOAA (Section V – Application Review Information).
Each Reviewer may award an application a maximum of 60 points.

Two sections of 25 points each:
- Part I: Business Strategy
- Part II: Community Outcomes

Applicants may also earn 10 “priority points.”

Not Scored in Phase 1:
- Q.19, Q.22, and Q.24 in Business Strategy
- Part III (Management Capacity),
- Part IV (Capitalization Strategy), and
- Part V (Previous Awards).
In Phase 1, each eligible Applicant is reviewed by two independent reviewers.

- Reviewers consist of public and private sector professionals with strong credentials in community and economic development finance.

To ensure consistency with scoring guidelines, each reviewer evaluation form is reviewed by a team leader before it is accepted.

- Team leaders consist of CDFI Fund staff and other Federal employees.
After the Business Strategy & Community Outcomes sections of each application are reviewed by the two independent reviewers, an analysis is conducted to identify if there is an anomalous score.

An anomalous score may be deemed to occur when the two reviewers’ scores vary significantly.

When an anomalous reviewer score will impact the ability of any Applicant to receive an award, a third independent reviewer will be used to determine whether the anomalous score should be replaced.
• Applicants with Phase 1 review scores within the “Highly Qualified” benchmarks will be ranked in descending order based on their Phase 1 Rank Score.
  – Phase 1 Rank Score is calculated by adding the Applicant’s scores in the Business Strategy and Community Outcomes sections along with half of the total priority points.

• Highly Qualified Applicants will be forwarded for a Phase 2 Panel Review in descending order of the Phase 1 Rank Score.
The Panel will review the Application contents, Phase 1 reviewer comments, as well as any other relevant compliance, eligibility, due diligence, and regulatory information.

The Panel will review Section III (Management Capacity), Section IV (Capitalization Strategy), and Section V (Information Regarding Previous Allocations).

Additionally, the Panel will review past transactions from Applicants who are prior Allocatees.

At the conclusion of Phase 2, the Panel’s allocation award recommendations are forwarded to the Selecting Official.
The Selecting Official makes “preliminary determinations” based on Panel recommendations, review of Phase 1 and application materials, and any additional due diligence undertaken.

– Adjustments may be made to the final pool of Allocatees based on relevant regulatory agency information (in the case of regulated depository institutions), compliance with award or Allocation Agreement(s), eligibility, and due diligence checks (e.g. omission of required information, common enterprise), including review of past transactions from Applicants who are prior Allocatees.

– Adjustments may be made to the final pool to ensure proportional investments in Non-Metropolitan Counties and/or representation of Rural CDEs.

– Adjustments may be made to ensure that the NMTC Allocation awards do not exceed the allocation authority for this Round.
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- Visit the CDFI Fund’s NMTC Program website at [www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)
- Contact the CDFI Fund directly:

<table>
<thead>
<tr>
<th>Program Support</th>
<th>IT Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone: (202) 653-0421 (option 3)</td>
<td>Phone: (202) 653-0422</td>
</tr>
<tr>
<td>Please submit a service request for</td>
<td>Please submit a service request for</td>
</tr>
<tr>
<td>technical issues</td>
<td>technical issues</td>
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</tbody>
</table>

- Contact the IRS via James Holmes and Dillon Taylor, Office of the Chief Counsel (Passthroughs and Special Industries), IRS, by telephone at (202) 317-4137, by facsimile at (855) 591-7867, for questions about IRS regulations, eligibility of possible QLICI activities and other tax implications of the program.