



New Markets Tax Credit Program CY 2021 Round Webinar Native CDFIs & Native CDEs

PREPARED ON
November 17, 2021

Workshop Roadmap



- Welcome and Introductions
- NMTC 101 – The Basics, Program IRS Regulations;
NMTC Investments in Native Areas
- NMTC Transaction Participants
- Break
- Intro to the NMTC Allocation Application –
Review Process; Application Materials
- NMTC Application Topics

Welcome and Introduction



- Facilitators:
 - Rosa Martinez
 - Associate Program Manager, NMTC Program
 - Clint Hastings
 - Associate Program Manager, NACA Program
 - Karen Leung
 - Senior Policy and Program Officer, NMTC Program
 - Adrian Russell
 - Senior Policy and Program Officer, NMTC Program
 - Richard Yu
 - Policy and Program Officer, NMTC Program

CDFI Fund Overview



- The CDFI Fund achieves its mission by directly investing in and supporting *Community Development Financial Institutions (CDFIs)*, *Community Development Entities (CDEs)*, and other financial institutions through the following programs and initiatives:
 - Bank Enterprise Award Program (BEA Program)
 - CDFI Bond Guarantee Program (BG Program)
 - Capital Magnet Fund (CMF)
 - Community Development Financial Institutions Program (CDFI Program)
 - Native American CDFI Assistance Program (NACA Program)
 - New Markets Tax Credit Program (NMTC Program)
 - Small Dollar Loan Program (SDL Program)
 - CDFI Rapid Response Program
 - Economic Mobility Corps

NMTC Application Webinar – Native CDEs



NMTC 101 – The Basics

New Markets Tax Credit (NMTC) Key Terms



- *Low-Income Community (LIC)*
- *Community Development Entity (CDE)*
- *Qualified Equity Investment (QEI)*
- *Qualified Low-Income Community Investment (QLICI)*
- *Qualified Active Low-Income Community Business (QALICB)*
- *Financial Counseling and Other Services (FCOS)*

How NMTCs Work



- NMTCs provide a **credit** against Federal income taxes for **investors** that make **Qualified Equity Investments (QEIs)** in certified financial intermediaries called **Community Development Entities (CDEs)**.
- **CDEs**, in turn, use the proceeds of these QEIs to make **Qualified Low-Income Community Investments (QLICIs)**, in **Low-Income Communities**.

Qualified Equity Investment (QEI)



- In order to claim the NMTCs, an investor must make an equity investment into a *CDE* – provide cash for either stock in a corporation or a capital interest in a partnership – in exchange for the credits.
- The equity investment must be acquired by the investor at its original issue, solely in exchange for cash.
- The equity investment must be designated by the *CDE* as a *Qualified Equity Investment (QEI)*.
- The *QEI* must remain invested in the *CDE* during the 7-year tax credit period from the date the investment was initially made.

Use of QEI Proceeds



- “Substantially all” of QEI proceeds must be invested in *Qualified Low-Income Community Investments (QLICs)* within 12 months:
 - Years 1 – 6: Substantially All = 85% of amount paid by investor at original issue. Generally, returns of equity, capital or principal must be reinvested within 12 months.
 - Year 7: Substantially All = 75%. Reinvestment is not required in the final year of the 7-year credit period.

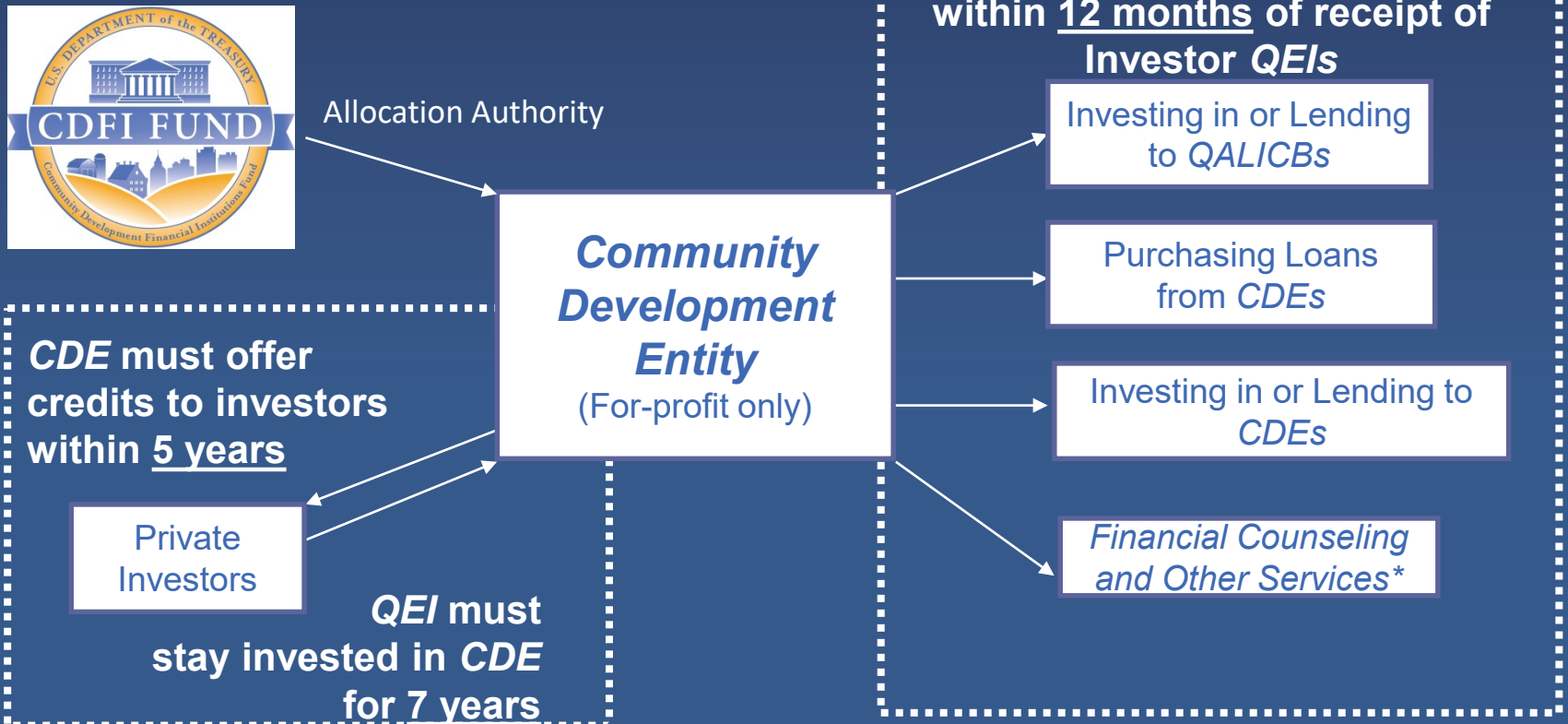
Qualified Low-Income Community Investments (QLICs)



QLICs include:

- Any capital or equity investment in, or loan to, a “*Qualified Active Low-Income Community Business*” (*QALICB*).
- Purchase of a loan from another *CDE* if the loan is a *QLICI*.
- Any equity investment in, or loan to, a *CDE*.
- “*Financial Counseling and Other Services*” (*FCOS*) to businesses located in, or residents of, *Low-Income Communities* (*LICs*).

Summary Graphic



* **FCOS** is advice provided by a **CDE** relating to the organization or operation of a trade or business. See 26 CFR 1.45D-1(d) (7) for additional guidance

Restricted NMTC Activities



- Residential rental property
 - Buildings or structures that derive 80% or more of their gross rental income from renting dwelling units.
- Certain types of businesses:
 - Golf courses
 - Race tracks
 - Gambling facilities
 - Certain farming businesses
 - Country clubs
 - Massage Parlors
 - Hot tub facilities
 - Suntan facilities
 - Stores where the principal business is the sale of alcoholic beverages for consumption off premises
- Refer to IRS regulations for additional details.

Tax Credit Recapture



- NMTCs may be recaptured from investors during the 7-year credit period under certain circumstances.
- Events triggering recapture include:
 - The *QEI* fails the “substantially-all” requirement.
 - Failure to invest 85% of original *QEI*; or
 - Failure to meet “*Qualified Active Low-Income Business*” (*QALICB*) requirements; or
 - Failure to meet one-year investment/ reinvestment requirement
 - The *CDE* redeems the investment.
 - The *CDE* ceases to qualify as a *CDE*.

**It is not an event of recapture if a CDE files for bankruptcy. An investor may continue to claim NMTCs.*

CDE Certification and Accountability to LIC/Service Area



- To receive *CDE* certification, a domestic corporation or partnership must:
 - Demonstrate a primary mission of serving or providing investment capital for low-income communities or people; and
 - Maintain accountability to Low-Income Communities through representation on the organization's Governing Board or Advisory
 - If not certified as a CDE, Native CDFIs must submit a CDE Certification Application.

NMTC Program: Statutory Priorities



- Direct Service to Disadvantaged Businesses and Communities:
 - Competitive applicants must demonstrate a record of having successfully provided capital or technical assistance to disadvantaged businesses or communities (DBC's)
- Investments in Unrelated Entities:
 - IRS Code 45D: "...making QLICs in 1 or more businesses in which persons unrelated to such entity within the meaning of section 267(b) or 707(b)(1) hold the majority equity interest."

NMTC Program: Statutory Priorities



- Investments in Non-Metropolitan Counties:
 - Section 102(b)(6) of the Tax Relief and Health Care Act of 2006 (Pub. L. 109-432), the CDFI Fund shall ensure that Non-Metropolitan counties receive a proportional allocation of QEIs under the NMTC Program.
 - CY 2021 Allocations will endeavor to ensure:
 - i. a proportionate number of Rural CDEs (as defined in the NOAA) receive allocation awards; and
 - ii. 20 percent of all QLICs made by Allocatees under this Round are invested in Non-Metropolitan Counties.

NMTC Program: Statutory Priorities



- *Rural CDEs & Investment in Non-Metropolitan Counties.*
 - The number of *Rural CDEs* in the Awardee pool are proportional to the number of *Rural CDEs* that meet minimum scoring thresholds.
- To be a *Rural CDE*, an organization must:
 - Have a track record of at least 3 years of direct financing experience;
 - Have dedicated at least 50% of its direct financing activities in the last 5 years to *Non-Metropolitan Counties*; and
 - Commit that at least 50% of *QLICs* will be directed to *Non-Metropolitan Counties*.

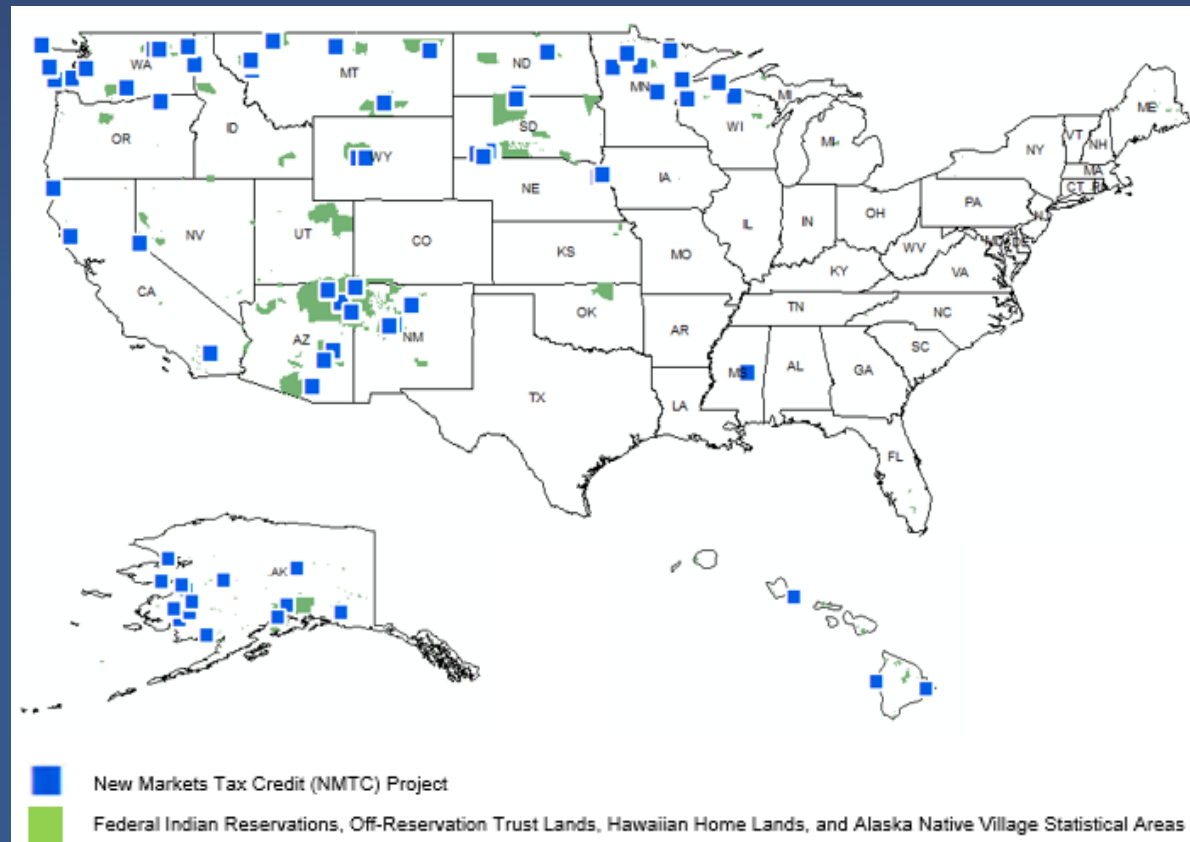
NMTC Investments in *Native Areas**



**Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas*

2003- 2021:

**\$1.56 billion in
200 businesses**



NMTC Investments in *Native Areas*



- Types of Projects:
 - **Community Facilities**: Health Care, Childcare, Tribal Administration, Education (charter school); Community College
 - **Commercial Facilities**: Hotels, Restaurants, Grocery Stores, Convenience Stores; Travel Plaza
 - **Industrial/Manufacturing**: Marine Vessel Repair & Refurbishment; Steel & nickel alloy tube manufacturing; Seafood Processing
 - **Infrastructure**: Wastewater Treatment Facility, Internet Communication & Broadband; Solar Energy
 - **Mixed-Use Real Estate**: Residential & Retail

NMTC Application Webinar – Native CDEs



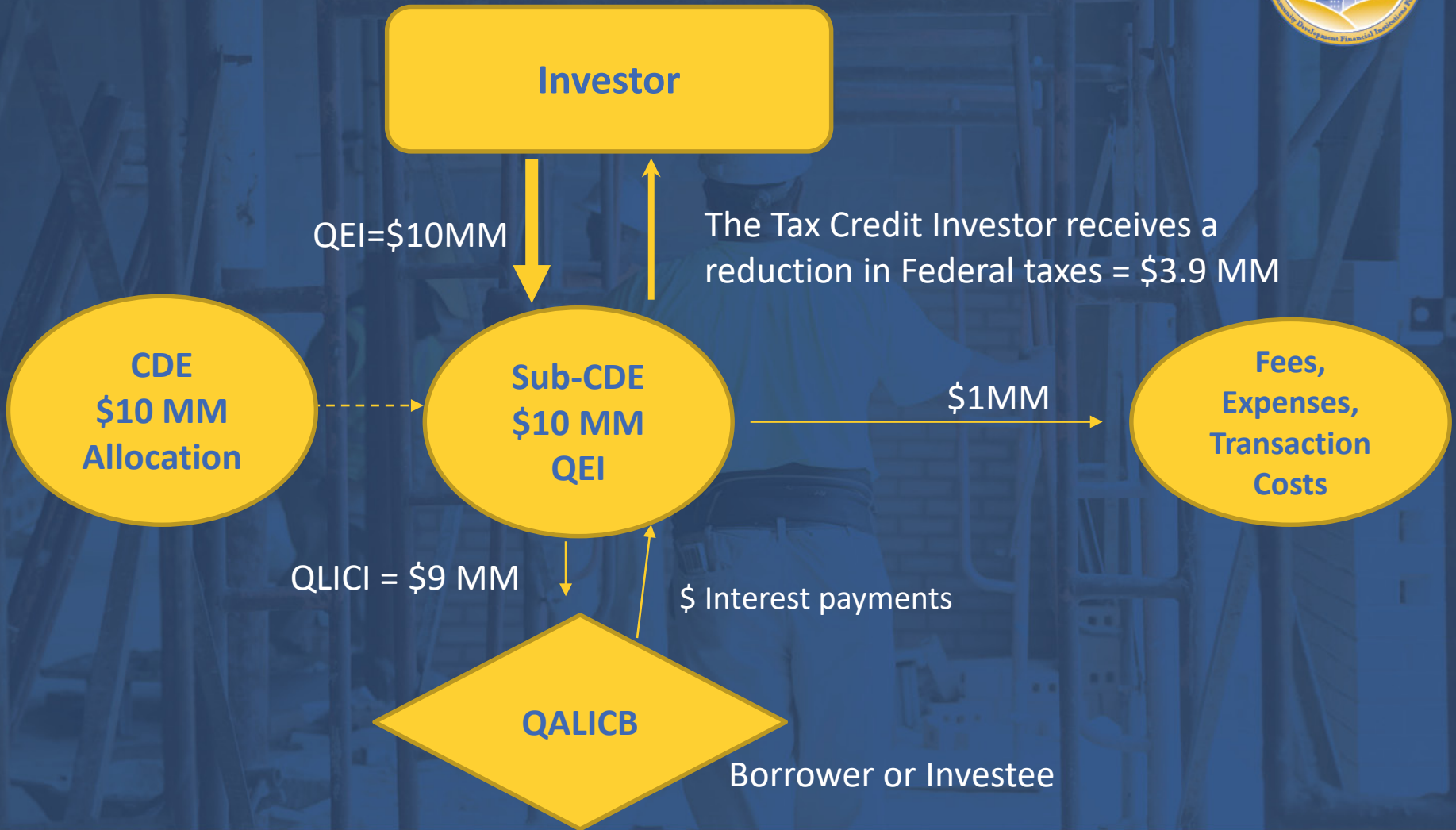
Questions?

NMTC Application Webinar – Native CDEs

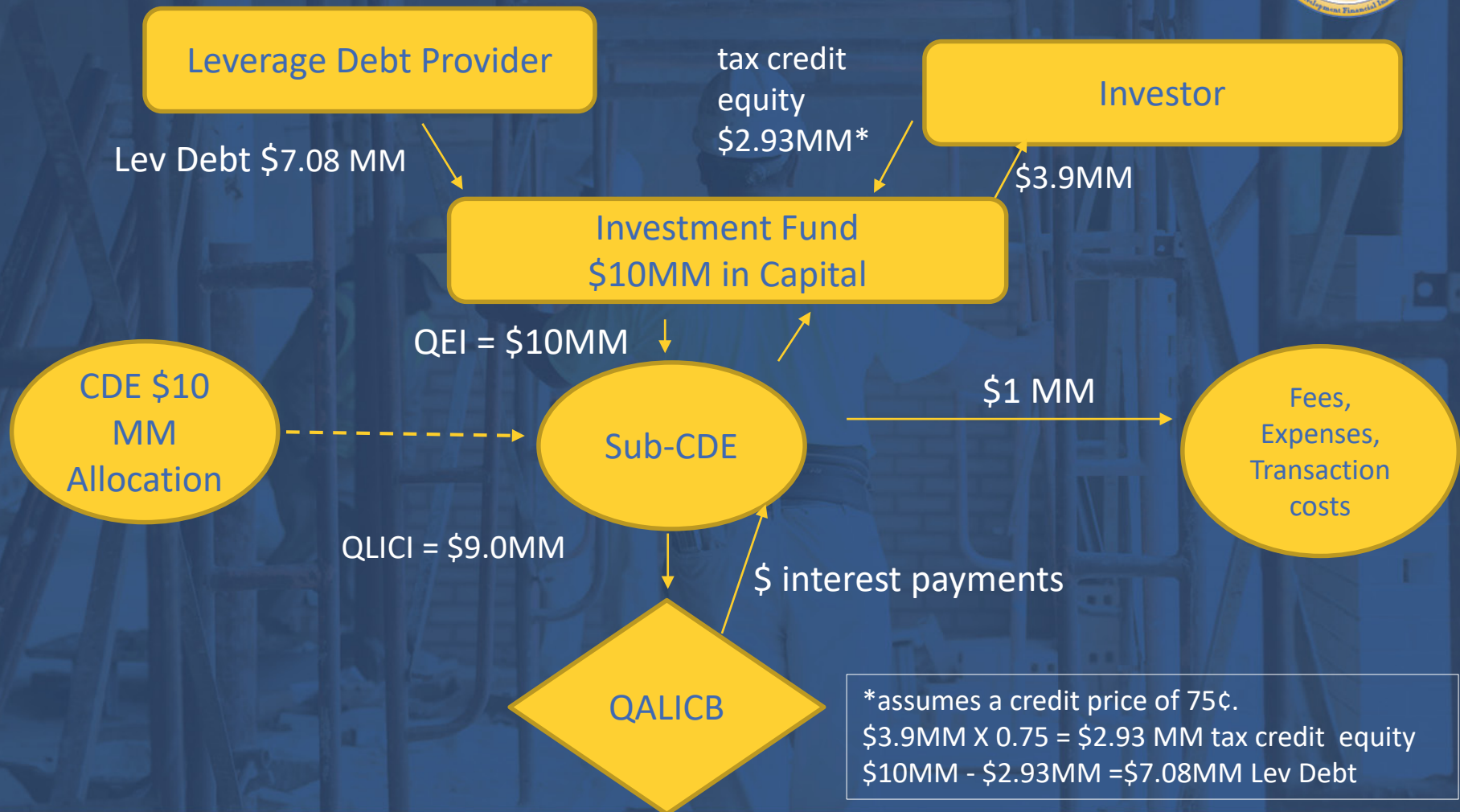


NMTC Transaction Participants

NMTC Investment Structures - Unleveraged Structure Example



NMTC Investment Structures - Leveraged Structure Example



NMTC Leveraged Transactions – Participants



- Tax Credit Investor
- Leverage Lender
- Qualified Active Low Income Community Business (QALICB)
- Community Development Entity (CDE)
 - *LIC representation on Advisory Board or Governing Board*

Tax Credit Investor



- **The tax credit investor is looking to reduce its taxes.**
 - Buys the tax credit at a discount based on current market pricing for the tax credits
- **It wants to ensure that the tax credit is not recaptured.**
 - The QLICI and QALICB must meet IRS requirements
 - CDE & QALICB must remain compliant for full 7 years of the compliance period
- **Other motivations– Community Reinvestment Act (CRA), social impact**

CDE-Allocatee



- **Incurs the time and expense of applying for an allocation**
- **If awarded, Allocatee CDEs are responsible for**
 - Finding tax credit investors
 - Finding borrowers/investees consistent with the business strategy in the Application
 - Underwriting QLICs, including conducting due diligence to determine a *QALICB's* ability to remain financially viable and operational during the term of the *QLICI* and through a successful exit of the *QLICI*.
 - Financing projects/business that will result meaningful economic and community development outcomes for the communities they serve.
- **This is why each Allocatee CDE must have:**
 - Low-Income community representatives participating meaningfully in its Advisory Board or Governing board;
 - A business plan likely to bring about significant, and measurable community outcomes; and
 - A demonstrable track record of success with similar business types.

NMTC Application Webinar – Native CDEs



Questions?

NMTC Application Webinar – Native CDEs



Break

NMTC Application Webinar – Native CDEs



Introduction to the NMTC Application

NMTC Application Round Opening



- Notice of Allocation Availability
- The Application (pdf)
- Application FAQ – provides additional details
- Application Roadmap – slide presentation
- Electronic Application
- NMTC AMIS Navigation Guide
- Link to NMTC Application Resources:
[New Markets Tax Credit Program - Step 2: Application Process | Community Development Financial Institutions Fund \(cdfifund.gov\)](#)

2021 NMTC Allocation Round Deadlines*

*All deadlines are strictly adhered to.



CY 2021 ALLOCATION ROUND NMTC PROGRAM CRITICAL DEADLINES FOR APPLICANTS

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

NMTC Allocation Application Evaluation Process: Flowchart



Phase 1: Peer Review

External reviewers evaluate and score Part I and Part II of Applications.

Selection of Applicants:

Selecting Official makes final determinations based upon panel recommendations.



Phase 2: Panel Review

Applications that meet minimum scoring thresholds are evaluated, based on rank score, by a CDFI Fund panel.

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).

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)
 - *QEI* 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 agreements 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)

NMTC Application Webinar – Native CDEs



Application Topics

NMTC *Allocation Application*: Contents



- 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 (Application FAQ#14).
- A glossary of terms is included in the *Application* for reference. Any italicized word in the *Application* is defined in the glossary.

NMTC *Allocation Application*: Applicant Information



- 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 #28, #29, and #30

NMTC Allocation Application: General Notes



- Read the questions and notes carefully and provide the information requested.
- Each question has a character limit. Your responses only needs 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 responses 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 for additional guidance on specific questions.

NMTC Allocation Application: Business Strategy



- 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*.

NMTC Allocation Application: Business Strategy



- For notes on how to score highly in this section, please consult the following application materials:
 - 2021 NMTC Allocation Application FAQs: 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*.

NMTC Allocation Application: Business Strategy



- **Q. 14 – Proposed Financial Product to be Offered with NMTCs**
 - Up to 3 financial products can be entered into this section
 - Ex. A/B Senior/Subordinate Debt, Equity, Loan Funds, etc.
 - Note: If the Applicant indicates it will be providing more than one financial product in Question 14(a), the Applicant should provide a distinct and unique narrative description for each financial product. Applicants that use the same narrative text for different financial products will not be scored as favorably.
 - See Application FAQs # 36-40
- **Q. 15 – Commitments Regarding Proposed Financial Products**
 - If your application is awarded, commitments concerning the rates and terms you proposed are incorporated into your allocation agreement.

NMTC Allocation Application: Business Strategy



- **Q. 17 – Proposed NMTC Investments**
 - Provide a narrative describing the Applicant’s planned investments. This narrative should be consistent with Table A5.
 - Note: Projected activities should be consistent with an Applicant’s request for an NMTC Allocation and the QLICI activities selected in Question 13(b). An Applicant that has a set of clearly-defined potential business activities and that can demonstrate an effective strategy for locating qualifying loans/investments in businesses and/or other eligible QLICI activities will score well under this subsection.
 - For more information on proposed NMTC investments, please review Application FAQs #41-44; 46-55.

NMTC Allocation Application: Business Strategy



- **Q. 18 – Due Diligence, Prior to Making a QLICI, to determine a QALICB’s ability to remain financially viable and operational during the term of the QLICI and through a successful exit of the QLICI.**
 - Describe any documents that will be required from borrowers/investees.
 - Describe the types of analysis that will be performed on projected NMTC investments to make this determination
- For more information on QLICI Due Diligence, please review Application FAQ #56.

NMTC Allocation Application: Business Strategy



- **Innovative Investments (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 *QLICs*.
 - Commitments may be reflected in the *Allocation Agreement*, if an *Applicant* is selected to receive an *NMTC Allocation*.
 - See Application FAQs #45; #58 - #62.

NMTC Allocation Application: Business Strategy



Innovative Investments (Q. 19) Includes investing in:

- Unrelated CDEs that do not have allocations
- Unrelated *Minority-owned or controlled or Native American-owned or controlled CDEs* that do not have *NMTC Allocations*
- Investing in states identified by the CDFI Fund as having received fewer dollars of QLICs historically;
- Small dollar QLICs: total QLICs must be \$4 million or less (small dollar funds)
- *QLICs* with an original term less than or equal to 60 months (i.e. revolving loan funds)
- *non-Real Estate Activities*, such as working capital, inventory or equipment purchase
- *Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas*

NMTC Allocation Application: Business Strategy



Q. 20: Track Record of Financing Activities similar to those selected in Q. 13:

- The track record described in Q. 20 should reflect the track record within Exhibits B1 thru B3.
- May include direct financing and indirect financing (excluding restricted NMTC Activities)
- “Financing activities” consist solely of the provision of loans or *Equity Investments*.

Note: The provision of grants to entities, including businesses and/or *CDEs*, by the *Applicant* (or *Controlling Entity*) cannot be reported in Exhibit B and should not be referenced in the narrative responses to Questions 20 or 21.

- For more info, see FAQ #63, #66 - #68

NMTC Allocation Application: Business Strategy



- **Q. 21: Track Record of Financing Activities NOT similar to those selected in Q. 13:**
- **For examples:** loans or equity investments in
 - NMTC investment funds; non-*CDE* financial institutions, personal or consumer loans, and residential mortgages; *Restricted NMTC Activities*. See slide #12 for examples.
 - Track record described in this section should † reflect the Track Record within Exhibit B4
 - May include direct financing and indirect financing

NMTC Allocation Application: Business Strategy – Priority Points



- A maximum of 10 priority points are awarded by each reviewer 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:
 - Q. 20-21, Exhibit B: Track record of providing capital or technical assistance to disadvantaged businesses or communities (up to 5 pts).
 - Q. 23 - Commitment to use NMTC proceeds to invest in *Unrelated Entities* (5 pts).
- Additional guidance provided in:
 - NOAA: Section V, Subsection B.1.b
 - Application FAQs: # 72 and 73

NMTC Allocation Application:

Business Strategy- Non-Metropolitan Counties



- Q. 22 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 *QLICs* 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:
 - See the *NOAA* (Section V, Subsection D) and/or Section V.
 - Application FAQs #125 - #131

NMTC *Allocation Application:* Business Strategy



Questions?

NMTC Allocation Application: Community Outcomes



- 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.

NMTC Allocation Application: Community Outcomes



- Please consult the following application resources for information on how to score well within this section:
 - Application FAQs: Section E (#75-#93)
 - 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.

NMTC Allocation Application: Community Outcomes



- Areas of Higher Economic Distress (Q. 25)
 - The Applicant selects the areas that it will target;
 - Discusses how it will target these areas, including the criteria used to prioritize these areas in making QLICIs; and
 - Respond whether the Applicant commits to make at least 85% of its QLICIs in these areas. This commitment will be part of the Allocation Agreement, if selected to receive an award.

NMTC Allocation Application: Community Outcomes



Q. 26

An *Applicant* will score well in this sub-section to the extent that:

(a) It (or its *Controlling Entity*) has a track record of producing quantitative community outcomes similar to those expected to be achieved

Note: A community outcome is a benefit to LIC residents or Low Income Persons, as a direct result of an Applicant's loans or investments referenced in Exhibit A (Projected Activities) and Exhibit B (Track Record) of this Application.

- For additional guidance and examples on quantifying outcomes see FAQs #78- #80; #83; #86; #89.

NMTC Allocation Application: Community Outcomes



Q. 26:

An *Applicant* will score well in this sub-section to the extent that:

- (b) Its projected community outcomes are supported by clear and sound methods and metrics for each outcome selected;
- (c) The projected community outcomes are highly likely to result from the proposed financing activities described in Question 17;
- See FAQ # 80 - #90

NMTC Allocation Application: Community Outcomes



Q. 26: New Outcome: Financing Native American owned or controlled businesses

Glossary:

Native American	For the purpose of the NMTC Program this term shall include, members of Tribal entities recognized by the U.S. Department of the Interior, Bureau of Indian Affairs (BIA) ; and individuals having origins in any of the original peoples of Hawaii.
Native American-owned or Native American-controlled	<p>For-profit entity: A for-profit entity, including an MDI, that has at least 51 percent of its equity ownership (or the equivalent in limited liability companies) interest being owned by individuals who are Native American.</p> <p>Not-for-profit entity: A not-for-profit entity with at least 51 percent of its Board of Directors (i.e. Governing Board) comprised of individuals who are Native American.</p>

See FAQ # 79; #81; #88

NMTC Allocation Application: Community Outcomes



- Q. 27: Community Accountability and Involvement
 - The *Applicant's* process for determining if a proposed investment aligns with *Low-Income Community* priorities and how this process affects investment decisions.
 - The number and percentage of *Low-Income Community* representatives on the *Applicant's* Advisory and/or Governing Board. Information about specific LIC representatives in Advisory Board or Governing Board is provided in Table C1.
 - Application FAQs Document: #92, 93

NMTC Allocation Application: Community Outcomes



Q. 27: Community Accountability and Involvement

- The role, formal or otherwise, LIC reps in Advisory Board or Governing Board play in
 - setting investments parameters, formulating the Applicant's pipeline of investments, and approving the Applicant's investment decisions.
- Applicant's (or Controlling Entity's) track record of project-specific community engagement related to past investment decisions.
 - Application FAQs Document: #92; #93

NMTC Allocation Application: Community Outcomes



Questions?

NMTC Allocation Application: Management Capacity



- 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 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 *QLICs*; and
 - It has experience with similar regulatory compliance requirements and can articulate a specific strategy for ensuring NMTC compliance.

NMTC Allocation Application: Management Capacity



Q. 28 - Provide an Organizational Chart

- The Applicant's organizational chart should provide the following:
 - The *Applicant's* relationship to its *Controlling Entity, if applicable*
 - The *Applicant's* staffing structure
 - The names of *Controlling Entity* Governing Board members, and names of staff members shared with *Affiliates*, including *Controlling Entity*

NMTC Allocation Application: Management Capacity



Q. 28-31: Personnel

- Clearly describe the roles and responsibilities of personnel responsible for managing an allocation, including
 - finding borrowers,
 - underwriting,
 - structuring NMTC transactions,
 - asset management and
 - loan monitoring,
 - compliance
- See FAQ #94-#98

NMTC Allocation Application: Management Capacity



- Q. 30-31: Procedures and systems for asset management and compliance with *NMTC Program Income Tax Regulations*.
 - See FAQs #95-#96

- Q. 30(d): Portfolio Quality, including delinquencies and write-offs.
 - See FAQ #99 for more info.

NMTC Allocation Application: Management Capacity



- Q. 33: Financial Health of Applicant (or Controlling Entity, if the Applicant is newly established).
- Q. 34: Fee Structure(Table D2)
 - See FAQs #99- #105; #108
- Q. 35: NMTC Income and Expenses.
 - See FAQs #106 - #115

NMTC *Allocation Application:* Management Capacity



Questions?

NMTC Allocation Application: Capitalization Strategy



- 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.

NMTC Allocation Application: Capitalization Strategy



- Q. 35: Capital raising track record (Table E1).
 - See FAQs #116 and #117.
- Q. 36-37: Strategy for raising QEIs, including leverage debt and equity if using the leveraged structure.
 - Table E2 if previously raised QEIs equal to or greater than the Allocation request
 - Table E3 if haven't previously raised QEIs & requires Investor Letters
 - See FAQs #118-120 for more details.

NMTC Allocation Application: Capitalization Strategy



- Q. 38: Additional questions related to tax credit investors, if applicable.
 - See FAQ #121
- Q. 39: Distribution of benefits among NMTC transaction participants: CDE/Applicant; investors; QALICB investees/borrowers
 - (d) new sub-question: co-investments with other *CDEs*.

NMTC Allocation Application: Capitalization Strategy



Questions?



Closing Remarks

- **Keep in mind:**
 - All deadlines are strictly adhered to.
 - If you have questions, submit a service request.
 - Last date to contact the CDFI Fund is 5:00 p.m. ET January 11, 2022.
 - Application and Attachments submitted in AMIS by 5:00 p.m. ET January 13, 2022.
 - Be sure to subscribe to GovDelivery to receive updates (e.g. Supplemental Application FAQ).