



# 2023 NMTC Allocation Application Roadmap

## New Markets Tax Credit Program

PREPARED ON  
October 5, 2023

# Roadmap Overview:



- The purpose of this presentation is to direct *Applicants* to important information and resources for the 2023 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.

# List of 2023 NMTC Allocation Application Materials



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](#):

- CY 2023 NMTC Program Application Frequently Asked Questions (FAQs)
- CY 2023 NMTC Program *Application*
- CY 2023 NMTC Program *Notice of Allocation Availability (NOAA)*
- CY 2023 NMTC *Allocation Application* – AMIS Navigation Guide

# Presentation Roadmap



- **How to Apply for a 2023 NMTC Allocation**
- *NMTC Allocation Application Overview*
- *NMTC Allocation Application Evaluation Process*
- **Contact Information**

# How to Apply for a NMTC Allocation – CY 2023 NOAA



- **Eligibility for an NMTC Allocation**
  - *Applicants* must meet **all** eligibility requirements in the 2023 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 2023 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).
- **Key Dates and Deadlines**
  - See Table 1: CY 2023 Allocation Round NMTC Program Critical Deadlines for Applicants for key dates and deadlines.

# How to Apply for a 2023 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
    - 2023 NMTC *Allocation Application* – AMIS Navigation Guide

# Presentation Roadmap



- How to Apply for a 2023 NMTC Allocation
- **NMTC *Allocation Application* Overview**
- NMTC *Allocation Application* Evaluation Process
- Contact Information

# 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.
- 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:* Key Changes for CY 2023 Round



## CY 2023 New Markets Tax Credit Program Application Instructions Updates:

- In an effort to align the CY 2023 NMTC Application Instructions with other CDFI Fund administered program applications and provide clear guidance to NMTC Applicants, this document has been reformatted and is now in tabular format.
  - This document is meant to be a companion to the Electronic Application in AMIS.
  - There are no substantive changes to the questions or guidance.
- The areas of higher distress listed in Question 25 of the Community Outcomes section have been revised as follows for CY 2023:
  - Native Areas and U.S. Territories are now primary areas of higher distress.
  - Secondary areas of higher distress have been revised and streamlined.

# 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 #27 through #30.

# NMTC Allocation Application: Business Strategy Section



- 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 Section



- For notes on how to score highly in this section, please consult the following Application materials:
  - 2023 NMTC Allocation Application FAQs Document: Section IV. D
  - 2023 NMTC Allocation Application Questions 13 – 24
    - Pay special attention to the NOTES and Question Notes in the Application! (Example of NOTE 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 for each financial product, on the *Applicant's* intended strategy and planned use. For Applicants that plan to offer more than one financial product, the expected percentages of Allocation should add up to 100%. 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 Section



- **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 *QLICs*.
  - 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 #59 thru #64.

# NMTC Allocation Application: Business Strategy Section



- **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 *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, please see the *NOAA* (Section V, Subsection D) and/or Section V in the Application FAQs document.

# NMTC Allocation Application: Priority Points



- 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: #75 and #76.

# NMTC *Allocation Application:* Community Outcomes Section



- 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 Section



- 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 #84 and #85.
  - For examples quantifying community outcomes, please review FAQs #81 - #83, #86, #89, and #93.

# 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
  - 2023 *NMTC Allocation Application* Questions 25 - 27
    - Pay special attention to the NOTES and Question Notes in the PDF application! (Example of NOTE 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:* Management Capacity Section



- 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 *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 Section



- Please review the following Application resources for information on how to score well within this section:
  - Application FAQs Document: Section F
  - 2023 NMTC Application Instructions Questions 28 – 34
    - Pay special attention to the NOTES and Question Notes in the pdf Application! (Example of NOTE 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.

# NMTC Allocation Application: Capitalization Strategy Section



- 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 QELs or investor interest/commitments (if applicable);
  - The appropriate sharing of NMTC benefits between the *Applicant*, investors, and borrowers/investees.

# NMTC *Allocation Application*: Capitalization Strategy Section



- Please consult the following Application resources for information on how to score well within this section:
  - Application FAQs Document: Section G
  - 2023 NMTC *Allocation Application* Notes: Q. 35 – 41
    - Pay special attention to the NOTES 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*.

# NMTC Allocation Application: Information Regarding Previous Awards



- **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: #129- #131

# Presentation Roadmap



- How to Apply for a 2023 NMTC Allocation
- NMTC *Allocation Application* Overview
- **NMTC *Allocation Application* Evaluation Process**
- Contact Information



# 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](http://www.cdfifund.gov/nmtc)). Details on the current Application evaluation process can be found in the *NOAA* (Section V – Application Review Information).

# NMTC Allocation Application Evaluation Process: Phase 1 – Peer Review



- 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).

# NMTC *Allocation Application* Evaluation Process: Phase 1 – Peer Review



- 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.

# NMTC Allocation Application Evaluation Process: Phase 1 – Peer Review



- 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.

# NMTC Allocation Application Evaluation Process: Phase 2 – Panel Review



- *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.

# NMTC Allocation Application Evaluation Process: Phase 2 – Panel Review



- 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.

# NMTC Allocation Application Evaluation Process: Selection of Allocatees



- 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.

# Presentation Roadmap



- How to Apply for a 2023 NMTC Allocation
- NMTC *Allocation Application* Overview
- NMTC *Allocation Application* Evaluation Process
- **Contact Information**



# Contact Information



- Visit the CDFI Fund's NMTC Program website at [www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)
- Contact the CDFI Fund directly:

Program Support	IT Support
Phone: (202) 653-0421 (option 3)	Phone: (202) 653-0422
Please submit a service request for technical issues	Please submit a service request for technical issues

- 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. These are not toll free numbers. Applicants wishing for a formal ruling request should see IRS Internal Revenue Bulletin 2021-1, issued January 4, 2021.