



2019 NMTC Allocation Application Roadmap

New Markets Tax Credit Program

PREPARED ON
August 8th, 2019

The CDFI Fund is an equal opportunity provider.

Roadmap Overview:



- The purpose of this presentation is to direct *Applicants* to important information and resources for the 2019 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 2019 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](#):

- 2019 NMTC *Allocation Application* (pdf)
- 2019 NMTC *Allocation Application* Frequently Asked Questions (FAQs)
- 2019 NMTC *Notice of Allocation Availability (NOAA)*
- 2019 NMTC *Allocation Application* – AMIS Navigation Guide

Presentation Roadmap



- **How to Apply for a 2019 NMTC Allocation**
- *NMTC Allocation Application Overview*
- *NMTC Allocation Application Evaluation Process*
- **Contact Information**

How to Apply for a 2019 NMTC Allocation – Round Deadlines



Deadline	Deadline Date
Allocation Application Release Date: Investments closed after the release date of the 2019 NMTC Allocation Application may not be included in certain Allocation Application Questions (see FAQs #36, 60, 109 and 113).	September 4, 2019
CDE Certification: If the Applicant has not yet been certified as a CDE (see FAQs #3), its CDE Certification Application must be submitted by...	5:00 pm, ET, on September 23, 2019.
Request to modify CDE Certification service area (see FAQs #27): Requests must be <u>received</u> by...	5:00 pm, ET, on September 23, 2019.
Subsidiary CDE Certification: Allocatees that require the CDFI Fund to certify Subsidiary CDEs in order to meet the QEI issuance thresholds must submit their Certification Application for Subsidiary CDEs by...	5:00 pm, ET, on October 7, 2019 .
Questions Regarding Allocation Application: The last date to contact the CDFI Fund with any questions regarding completion or submission of the Allocation Application is...	5:00 pm, ET, on October 24, 2019.
Allocation Application and Attachments: Online Allocation Applications must be <u>submitted electronically</u> by...	5:00 pm, ET, on October 28, 2019.
Enjoin Subsidiary CDEs: Allocatees that require the CDFI Fund to enjoin certified Subsidiary CDEs to an existing Allocation Agreement in order to meet the QEI issuance & QLICI requirements must submit their Allocation Agreement amendment requests to the CDFI Fund by . . .	5:00 pm, ET, on December 30, 2019.
QEI Issuance & QLICI requirements: Previous Allocatees must meet the necessary QEI issuance & QLICI threshold requirements by...	11:59 pm, ET, on January 31, 2020.
Final Award Decisions expected to be announced...	Summer 2020

How to Apply for a 2019 NMTC Allocation - Eligibility



- **CY 2019 NOAA: Eligibility for an NMTC Allocation**
 - Applicants must meet all eligibility requirements in the 2019 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 2019 Round (Section III.A.3.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.3.c)

How to Apply for a 2019 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
 - #12 – How to apply for *NMTC Allocations*
 - #13 – Application attachments required to submit an *Allocation Application* and how to submit them
 - 2019 NMTC *Allocation Application* – AMIS Navigation Guide

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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 Applicant Information and Assurances/Certification sections.
- A glossary of terms is included in the back of the *Application* for reference. Any italicized word in the *Application* is defined in the glossary.

NMTC Allocation Application: Changes for This Round



Listed below are changes to the NMTC *Allocation Application* this year:

- Applicants or *Affiliate(s)* who are Federally Regulated
 - The information requested has not changed but it has been moved from Application Information Q. 2 to Part III Management Capacity Q. 32. The information will now be provided in a table.
- Q. 17(d) Description of Planned Investments
 - The maximum response length has been reduced to 8,000 characters.
 - Applicants are expected to discuss individual proposed transactions in Table A5.
- Table A5 – Proposed Transactions
 - The character limit for Table A5 field (a) “Business Name and Description” has been increased to 500.

NMTC Allocation Application: General Tips



- Read the questions and tips 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.

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 TIP* related to Q. 3 and Application FAQs #25-#26

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 tips on how to score highly in this section, please consult the following application materials:
 - 2019 NMTC Allocation Application FAQs Document: Section IV. D
 - 2019 NMTC Allocation Application TIPS: Q. 13 – 23
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: 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.

NMTC Allocation Application: Business Strategy Section



- **Innovative Activities (Q. 18)**
 - 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 #36, #47, and #49-51.

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 (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: # 61-62

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 shows 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. 25)
 - 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 #71.
 - For examples quantifying community outcomes, please review FAQs #69-70

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
 - 2019 NMTC Allocation *Application* TIPs: Q. 24 - 27
 - Pay special attention to the TIPs embedded in the application!
(Example below)

TIP: An *Applicant* that describes a thorough track record of establishing and documenting past community outcomes and a methodology for tracking future community outcomes will score more highly on this question.

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
 - 2019 *NMTC Application* Tips: Q. 28 – 33
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: Be sure to refer to the *Applicant* Instructions (page ii) for information regarding the submission of these documents. All attachments must be submitted **electronic** through the *Applicant's* AMIS account.

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 QEs 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
 - 2019 NMTC *Allocation Application Tips*: Q. 34 – 40
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: The CDFI Fund expects *Applicants* to quantify this information and to be able to demonstrate that there is appropriate sharing between the investor, *CDE*, and borrowers/investees.

NMTC Allocation Application: Information Regarding Previous Awards



- **Tips for completing Information Regarding Previous Awards:**
 - Must be completed by all *Applicants*
 - If the *Applicant* (nor any *Affiliates*) has never received an award from the CDFI Fund or an NMTC Allocation, confirm the pre-populated information for Q. 41 and 42, and answer “no” to Q.43 and Q. 44. You will not be required to complete the remainder of Q. 43 and Q.44.
 - 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: #108

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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.

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).

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:
 - 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.

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Contact Information



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

Program Support	IT Support
Phone: (202) 653-0421 (option 3)	Phone: (202) 653-0300
Please file a service request via AMIS for technical issues	Please file a service request via AMIS for technical issues

- Contact the IRS via Jian Grant and James Holmes, 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.