5 Ways to Strengthen Your NMTC Allocation Application

The Community Development Financial Institutions (CDFI) Fund is authorized to award up to $5 billion in new markets tax credit (NMTC) allocation authority under the calendar year 2022 round. Michael Novogradac, CPA, and Nicolo Pinoli, CPA, discuss five ways community development entities can strengthen their allocation applications in preparation for the Jan. 26, 2023, deadline for the calendar year 2022 round. They discuss how the NMTC application is structured, scored and reviewed. They also review tips on which application sections to prioritize in terms of scoring and how to avoid common errors.

Summaries of each topic:

1. Introduction (00:00-8:18)
2. Application Structure and Review (8:19-18:14)
3. Tip 1: Create a Game Plan (18:15-21:35)
4. Tip 2: Start with Section Two in Mind (21:36-25:47)
5. Tip 3: Question 26 on Community Outcomes (25:48-30:53)
6. Tip 4: Establishing a Track Record (30:54-34:07)
7. Tip 5: Work with an Experienced NMTC Accountant and Consultant (34:08-37:56)
8. Exit (37:57-40:05)
9. Off-Mike (40:06-46:52)

Transcript

Introduction

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac and this is Tax Credit Tuesday. This is our December 13th, 2022, podcast. Our topic today is designed to help community development entities compete for up to $5 billion in aggregate new markets tax credit allocation authority under the calendar year 2022 round.

The $5 billion that is authorized for this round is available through a highly competitive application process administered by the Community Development Financial Institutions Fund or CDFI Fund for short. Now applications are due Thursday, January 26th, 2023, a little more than six weeks from when this episode airs.

By the way, the application due date of Thursday, January 26th is one week after Novogradac's 23rd -- it's hard to believe we're at 23 -- 23rd Annual New Markets Tax Credit Conference in San Diego. That conference is being held on Thursday, January 19th and Friday, January 20th. I do want to note the day before our conference on Wednesday, January 18th, we're very excited to be hosting Novogradac's first Diversity, Equity and Inclusion Summit.

New markets tax credits and DEI have many complement purposes. For example, many community development entities have projects that target diversity, equity, and inclusion goals .In the new markets tax credit application itself, there are different areas that speak to financing minority businesses, financing transactions in areas in native lands across the continental U.S. And Hawaiian homelands. Some investors are even willing to pay a premium for tax credit equity that'll be used to finance businesses advancing DEI. If you're a community development entity attending the DEI Summit, it can give you ideas to make your investments even more impactful as you learn from the experiences of your peers. If you're a prospective qualified business, you can learn about the DEI outcomes that best-in-class businesses deliver to attract new markets tax credit allocation, and ultimately, generate the greatest possible new markets tax credit benefits for the communities that their businesses serve.

Now, Congress has authorized the next four new markets tax credit allocation rounds at $5 billion. Now I put in a little bit of emphasis on authorized the next four allocation rounds at $5 billion each. To note that the New Markets Tax Credit Working Group, along with the New Markets Tax Credit Coalition, have actually asked the CDFI Fund to award the remaining $20 billion, the four rounds of $5 billion each, over three rounds instead.

That way, each allocation round would be a larger amount, larger than the $5 billion. Now, if the recommended proposal is adopted, then the CDFI Fund would make available $6.5 billion for the next two rounds, starting with this calendar 2022 round. Then the remaining $7 billion would be available for the third round.

And one of the reasons that we're suggesting -- we, being the New Markets Tax Credit Coalition and the New Markets Tax Credit Working Group-- that we're suggesting combining the rounds is it would allow community development entities to provide more subsidies to borrowers that have seen their funding gaps widen. We've seen these funding gaps grow from many developments and businesses as a result of the combination of inflation and higher interest rates.

Providing more subsidy through combined allocation rounds would ultimately mean more capital sooner to benefit low-income community businesses and their, the people and residents they serve, which is of course, what the new markets tax credit was created to accomplish.

But before a CDE can make these new markets tax credits-subsidized investments, of course a CDE has to win an allocation, and that is the topic for today: helping you as a CDE applicant or as a new markets tax credit allocation applicant that is a CDE, help you submit a stronger allocation application. While our discussion's geared towards first-time applicants, we'll also share insights that will be useful, both those who are businesses that have previously received new markets tax credit-subsidized financing, looking for more subsidized financing, as well as helping CDEs that have applied for and been awarded new markets tax credit allocation in prior rounds. Now, I've had many people come up to me in the past and say that they'd unsuccessfully applied for new markets tax credits in the past, and they're unsure as to whether or not to apply for credits in the future.

If you yourself are in a similar situation and you're not sure about applying again, I wanted to share some statistics that might lead you to choose to apply in this next round. Now, in this most recent allocation round, there was a pool of 199 applications. Now, you might wonder how many of those got awards.

One-hundred and seven community development entities did receive an award. So to save you from doing the mental math, that means slightly more than 50%, 53.8% exact of those applicants for new markets tax credit allocation Authority did actually receive awards. And of the successful applicants six were first time awardees Now, I don't know how many CDEs applied that have never before received awards because that information's not available.

So we don't know what percentage of first time-awardees or first-time applicants I should say, or I shouldn't say first-time applicants, because some of them have applied multiple times before. But it's hard to know what percentage of those who keep applying and haven't gotten awards yet were successful in this last round.

If I had to guess, I'd say the success ratio was somewhere between 20 and 40%. Probably less than, 53.8% total, but certainly very high percentage. Now, the overall winner percentage this last round was a record high. In the prior rounds, it was slightly over 50%, say 50.4 was the prior record. But if the calendar year 2022 round sees a comparable successor amongst applicants, then it basically means you have a 50-50 chance of getting an allocation.

Obviously if we're successful in getting the awards to be not $5 billion in allocations, but even larger, say $6.5 billion, then the success rate might be even higher than this last round. Also, if you're weighing whether or it's worth the time, effort and cost to apply for an allocation, then I would also suggest that you consider the award sizes this last round. Award sizes under the calendar year 2022 round range from $20 million to $60 million with an average award size of $46.7 million. Just think of yourself of all the energy it takes to apply, but then think of what you can do with that size allocation. for low-income community businesses in your pipeline, I think you'll likely conclude it's well worth applying.

So I would close it up by saying apply. Even if you're not completely confident you'll have a competitive application this year, because even if you don't win an award this time, you do get valuable feedback on your application. They give you a debriefing letter that can help you with the next year's application.

So all that said, let's now let's talk about how to get your application to stand out from the rest. Today's podcast, once again, is designed to help you understand what's new with the calendar year 2022 application. We'll share with you how the applications are scored and reviewed, and most importantly, how to best allocate your time and efforts so that you're focusing on sections of the application that matter the most in terms of scoring and receiving an award.

Now, we are very fortunate to have, as our guest today my partner, Nicolo Pinoli He's based in Novogradac's Portland, Oregon office, and one of Nicolo's areas of expertise is helping clients with their new markets tax credit applications In fact, you may already know this. He and Novogradac senior public policy manager, Bob Ibanez, they co-hosted a webinar last week on new markets tax credit application tips.

So I'm very much looking forward to hearing Nicolo's insights today. And by the way, Bob also wrote an article on new markets tax credit application tips for the January issue of the Novogradac Journal of Tax Credits. So make sure and subscribe to the Journal if you don't. already And as I say, each week, if you're ready, let's get started.

Application Structure and Review

[00:08:19] **Michael Novogradac, CPA:** Nicolo, welcome back to Tax Credit Tuesday.

[00:08:23] **Nicolo Pinoli, CPA:** Thanks for having me along, Mike. It's great to be back.

[00:08:26] **Michael Novogradac, CPA:** Now, before we dive into application scoring tips, it's obviously important for our listeners to know how the application is structured, scored and reviewed, so I thought it'd be helpful if you just started off at a very high level describing the five sections of the application and how scoring works.

[00:08:43] **Nicolo Pinoli, CPA:** Certainly there are, as you noted, five sections of the application. Part One is all about business strategy. Part Two discusses community outcomes. Part Three, you discuss management capacity. Part Four outlines capitalization strategy, and then Part Five is information regarding previous awards and obviously part five only applies to CDEs who have been successful in prior rounds as they've applied for awards.

So certainly if you're a first-time organization, that means you have four sections that will apply to your application. And even if you've applied before but haven't won, obviously you're also in the same boat with just four sections of the application that will apply to you. When you look at those four sections, I think part of , part of the reaction and, it's almost a fun game where many CDEs, their inclination is to focus on Parts Three and Four, Management Capacity and Capitalization Strategy. I think in large part, because everybody loves to talk about themselves, which is Part Three, talking about management. And many of the people who complete applications tend to be very focused on finance. So Part Four Capitalization Strategy also tends to be one of their favorite sections of the application.

The only problem is these two sections of the application aren't actually scored as part of Phase One of the reviewing process, whereas the first two sections of the application are scored and said another way, maybe just sort of as a very big-picture approach to the application, you can't win an award in Sections Three and Four. You might lose one if you wrote it badly enough. Instead, Sections One and Two are really where you are going to win an award. And Three and Four is really just your opportunity to make sure that you meet minimum standards necessary to actually be able to administer an award.

And I think that is really what I would. From the outset for all applicants, they should really be focused on Sections One and Two because those are the two sections that are scored in the application.

[00:11:04] **Michael Novogradac, CPA:** So thank you for that. It's always worth emphasizing that one and two are the scored portions of the application.

Now, it didn't used to be the case, as you know, it used to be, all four sections were scored and then the bonus points, and then the CDFI Fund moved away from scoring the management capacity and capitalization strategy. You know, that ended up being enough differentiation right in those two areas. So they became more baseline requirements.

Now, the CDFI Fund opened the current round a bit surprisingly to many of us on November 18th, and they released the application materials as well as an updated FAQ, frequently asked questions, document. Now, the application's very, very similar to the prior year's application.

So I was wondering if there are any differences you think are worth discussing before we get started with the application tips.

[00:11:59] **Nicolo Pinoli, CPA:** You know, the changes are so small as to really not even be noteworthy and, and in most years we get at least a few minor changes where they tweak character counts. To my knowledge, none of the character counts have changed, or maybe some of the identified states, when we get to some of the innovative transactions, those states will have changed and it turns out even the identified states haven't changed.

So all in all, the application is almost virtually identical to the prior year application. In fact, you would have to look very, very closely to notice any differences at all.

[00:12:36] **Michael Novogradac, CPA:** Great. Thank you for that. I guess the answer is no, there's nothing really worth discussing.

[00:12:43] **Nicolo Pinoli, CPA:** There really isn't.

[00:12:46] **Michael Novogradac, CPA:** We should also probably talk about, before we get to the tips, the review process.

[00:12:50] **Nicolo Pinoli, CPA:** Yeah.

[00:12:50] **Michael Novogradac, CPA:** So once applications submit their applications on January 26th, the CDFI Fund reviews them in two phases. And what do you think listeners, the most important parts for them to know about the review cycle or the review phases to help them help inform them when they're filling out their application?

[00:13:09] **Nicolo Pinoli, CPA:** Yeah, and a lot of this really relates back to the earlier comment about focusing on Sections One and Two of the application. As you noted, there really are two phases in the application review process. Phase One, they bring in outside reviewers and each application receives two outside reviewers that will review your application and score it.

They're only scoring Sections One and Two, and even in Sections One and Two, there are a handful, in Section One specifically, there are a handful of questions in that section that are not even scored as well. So those reviewers are looking at a very narrow subset of your application during Phase One.

They score those sections, add up your score, including those priority points that you mentioned earlier, Mike. The priority points relate to whether or not you have a track record of making investments and whether or not you are willing to doing transactions with unrelated entities. At the end of the day, when they total up your score and average it out, you end up with a score out of 110 points possible.

And if you meet a certain minimum base score, then your application moves to Round Two. And generally speaking, that minimum base score, I think for, certainly for applicants that have won in prior rounds, continue to score highly, the odds are good that they'll make it to round two. And the whole point is let's use Phase One as an opportunity to weed out weak applicants so that during Phase Two, the CDFI Fund staff then evaluates your application based on the scores from Phase One and they make certain adjustments.

And those adjustments can be everything from considering and evaluating Sections Three, Four and Five of your application, as well as looking at other elements of your application and your organization, such as do you have any, say, late reports from previous awards or from other programs that you work with the CDFI Fund on? And they use that information then to come up with a final ranking so that every applicant who's applied ends up being ranked as part of that Phase Two review process.

Another aspect of Phase One is the reviewers will actually make a recommendation. Those outside reviewers make a recommendation as to the size of the award that they think you should receive. And as a CDFI Fund, as they complete their review during Phase Two, they will take that into consideration and once you get ranked, they will start marching down the list of winners until they run out of allocation to handout. In this case, we're talking about $5 billion. Once they reach the end of the list, then they're done. Obviously they do have certain other adjustments they can make for exciting elements like commitment to nonmetro and rural CDEs that if you read the NOI, you'll get all the details on how that works.

But I think at the end of the day, when you think about it from an applicant's perspective, why does all this matter? First and foremost, Sections One and Two. That's where you've got to spend all your time. And I think when, in a minute when we start getting to some of these other application tips, we'll dig into some of the weeds around how you score well in those two sections.

And I think the other key aspect here is to understand that this is not a quick process, that you're going to be waiting for probably the better part of a year before you get the awards announced, which means that you'll need to be very patient. And while it's difficult to be patient for that long, it's a feature, not a bug, where you get to, along with the rest of the industry, you get to have an opportunity to wait on pins and needles, be organizing your deals and getting ready for when you do get an allocation to then go out and get them done.

[00:17:15] **Michael Novogradac, CPA:** So thank you for that, Nicolo. I think, you know, when you mentioned even some parts of the, parts one aren't even scored themselves, it's definitely seeing clients where they spend a lot of energy on a question that's not even being scored, and I try to redirect them. "Let's look at the ones that are going to get scored." And those are the ones you want to really spend time wordsmithing.

[00:17:36] **Nicolo Pinoli, CPA:** Yep.

[00:17:36] **Michael Novogradac, CPA:** You mentioned how it takes a while for the awards to ultimately be determined. That's one of the reasons why the New Markets Tax Credit Working Group and the New Markets Tax Credit Coalition is suggesting combining the four years left under the current pace, it would be four years, four rounds.

Take those four rounds into three to try to get back on pace such that 2022 won't be awarded in 2022. And it'd be nice if we could get to 2024 being awarded in 2024. And then really 2025 not being rewarded a year later. But anyways, let's move on to the application tips.

Tip 1: Create a Game Plan

[00:18:15] **Nicolo Pinoli, CPA:** Yeah.

[00:18:16] **Michael Novogradac, CPA:** That's the core of the podcast today, the heart of the discussion. So you've been helping clients, I don't know, for how many years.

[00:18:24] **Nicolo Pinoli, CPA:** I think we're going on not quite 20, but getting close.

[00:18:27] **Michael Novogradac, CPA:** Yeah, I was going to say that's a lot of years. You've seen the application change quite a bit over the years, and obviously this last year you didn't see it change very much.

But what are some of the strategies and approaches that you find most effective or maybe, you know, said differently what are the top list of scoring tips?

[00:18:47] **Nicolo Pinoli, CPA:** Absolutely. And today I think there's five main tips that I'll be sharing with everyone. Certainly we've chatted about one, which is figuring out the areas that are scored and then focusing on those and creating a game plan for how to proceed.

And I think in a lot of ways, many applicants make the mistake of just sitting down and starting to write. And they think, you know what? I'm just going to start answering questions and I'll kind of figure it out as I go. And I think by doing that, you do yourself a disservice because in many ways this is almost a situation where you need to sit down, take a good long and hard. Look at what you want to accomplish with the new markets tax credit allocation. Think long and hard about the types of projects you want to do, community outcomes you hope to trigger as a result and generate as a result of your projects. And then the types of products that you're going to offer that are really focused on those specific types of businesses that you want to finance.

And I think for many CDEs, once you've made those important decisions, it becomes a lot easier to write Sections One or Two of the application. But if you just sit down and start writing, next thing you know you're done and you haven't really said that the important key aspects of your programs and your heart and soul of your application.

So having a plan going in is key. And thinking long and hard about what you want to accomplish before you sit down to write, I think, is an other key aspect of completing an application.

[00:20:22] **Michael Novogradac, CPA:** That's really good advice about, you know, kind of starting at the larger picture, the larger view, you know, better understanding your business strategy and then thinking about how you're going to describe it amidst all the various questions.

So that's a super tip, and you mentioned that establishing a game plan or a timeline, if you will, in terms of how to proceed. And as I previously mentioned, the application round opened November 18th and applications are due Thursday, January 26th. So that's slightly more than two months from now or two months from the release of the podcast to complete an application.

I would note that most applications, most applicants will probably aim to have their application essentially completed a week or two before the deadline. That way they can spend the final week or so making minor adjustments, freshening it up, giving it, setting it aside for a few days and then rereading it.

Anytime you write something and you set it aside and you come back in a couple of days, you always have ways to enhance what you've written. But that's a kind of a first tip here getting your game plan on how to proceed. What would be your second tip?

Tip 2: Start with Section Two in Mind

[00:21:36] **Nicolo Pinoli, CPA:** So my second tip is because the application is so intense and there's so many sections and so many questions and sub-questions, often for many applicants, especially if you're new at this, you can really struggle with where do I start?

How should I really approach my application? One thing I've noticed many applicants struggling with often is they will go out and they will populate their pipeline. They think, "You know what? I've got to figure out what deals I'm going to do first, and then I'm going to write an application around those deals." And that's certainly one way to do it.

However, my experience is many applicants really struggle with the Community Outcomes section of the application. I would say my experience is almost universally most applicants score a lot stronger in Section One than they do in Section Two. And so if you're building a game plan around how do I score well in Section Two? I really think you have to start with Section Two in mind as you then build your pipeline.

So what do I mean by that specifically? Question 26 is really the game when it comes to Section Two and Community Outcomes section. Question 26 really deals with what are the community outcomes that your projected projects will deliver, and based on your selections in Question 26, then you can go back and think about your pipeline and which of your pipeline projects will best accomplish those outcomes. You think about it when applicants do the reverse, if they go out and find a pipeline first, select their deals, often it is a bit of a grab bag where they've got manufacturing and childcare and health care and renewable energy, and a whole host of different projects that are delivering everything under the sun, but not really focused on a short list of community outcomes. And I think that's usually where applicants get into trouble with community outcomes is their inability to write very persuasively, very specifically about discreet community outcomes that will be produced by their projects. So by starting with Question 26, making a real strong game plan around 26, your outcomes that you plan to deliver, it makes it that much easier to go back and reverse engineer your pipeline to meet those outcomes because for most CDEs you have a lot of options when it comes to pipeline.

Most of the CDEs I work with have 50 or 100 or more potential pipeline projects to choose from, and then it's just a question of picking which ones make the most sense to come up with the strongest possible application. And obviously part of the game theory here for, would be potential businesses or qualified businesses is to be going out and talking to these CDEs, get on their radar now so that when they write their application, yours can be one of the projects that they select from.

So that gives you just sort of where I would start. Start with Question 26 and then use it, right? The entire application around your responses to Question 26, including how you populate your pipeline.

[00:24:58] **Michael Novogradac, CPA:** So thank you for that tip. I totally agree with that approach. I think that makes a lot of sense. And you did mention qualified businesses.

I know you've worked with a lot of qualified businesses in the past where you helped them identify their community outcomes that those that align up with some of those targeted by the new market tax allocation application. So I definitely would encourage potential businesses out there to reach out to an adviser, someone like Nicolo.

If you're looking at reaching out to CDEs, reach out to an adviser familiar with new markets tax credits so that they can help you put together a brag sheet that will really emphasize the community outcomes that your business, your project, your development will generate. So let's move on to your third tip. What would that be?

Tip 3: Question 26 on Community Outcomes

[00:25:48] **Nicolo Pinoli, CPA:** Okay. Well, I'm staying on Question 26. It's so critical to your application that I'm not ready to put it down yet. And I think this element deals with how Question 26 is scored, which may be a little bit different than what you might be used to on other applications.

And I think the game theory here is, this relates a little bit back to, at least when I was a kid and I took the SAT test. If you got an answer wrong, then they actually docked your score for getting an answer wrong. So the game theory then was, if you're not sure, then leave it blank and let -- I should say, if you're not really sure, then leave it blank.

In Question 26, there are nine different community outcomes that you can select from, and I think in the past, many applicants have taken a "more is more" approach and all of the above. I want to check boxes. I love checking boxes. Let's check them all, and try to be all things to all people. Obviously, when you do that, if some of those answers are weak or really weak, you end up with potential negative points.

And I think for a lot of applicants I mentioned before, starting at Question 26, being very thoughtful about those outcomes you want to deliver. I would really target two to three to four outcomes that I was going to focus on. As little as two. I wouldn't go below two. And if you really had five that were incredibly strong, I suppose you could stretch to five.

But I really, I haven't seen many applicants that have more than five boxes checked that are really doing an amazing job at all five boxes. So really there you've got to be very thoughtful about what, which community outcomes are, the community outcomes where I have the strongest possible answers where I can check those boxes with conviction.

And the readers, when they get done reading these outcomes, they can't help themselves. They want to see those outcomes so badly that they have to give me an award. And so again, being very strategic with Question 26 is really my core third tip in terms of how you go about strategizing for completing the application.

[00:28:07] **Michael Novogradac, CPA:** So thank you for that, Nicolo, and I really appreciate you emphasizing and noting that you know the checking all as many boxes as you can possibly imagine checking isn't the best strategy. And I would emphasize to our listeners that the CDFI Fund itself does note that their assessment of community outcomes is not simply based on the number of outcomes checked off.

You need to make sure that the outcomes you select are clearly supported by your illustrative proposed business investments. And that's the outcomes can be sufficiently diverse, that it's pretty challenging to have proposed business investments. I got to address all of them in such a targeted and deep way as you'll want to do, which is why Nicolo's kind of emphasizing picking the ones that you're targeted business investments are going to really drive home and build on those and make a strong case for those.

And I would note that at our New Markets Tax Credit Conference in January, we are going to have a panel dedicated to measuring community impact. So I do suggest that you consider attending that panel to get additional insights in terms of how you quantify the benefits your new markets tax credit investments will provide.

And that is one of the greater challenges of these various questions is dealing with both the qualitative answer and dealing with some quantitative responses. And if you have any more thoughts on that, Nicolo, in terms of the qualitative versus quantitative when you're addressing those questions.

[00:29:42] **Nicolo Pinoli, CPA:** You know, when you get into 26, there's a whole host of exciting moving pieces around methods and metrics for how you come up with your estimates about the outcomes that you expect your projects to generate. I do think one of the real secrets to a really compelling application, you can go through and identify the stats and you can write a whole paragraph on a project that just focuses on the stats about what your project's going to do. But I think for an applicant to really make a compelling case, you've got to take those stats and really convert them into the heart and soul about what it means for the end users in your, in this community. What it means to have a quality job, to have an accessible job, to have a job at all in terms of the people in this community, all the challenges they've faced, all the disinvestment all those sorts of things. And really sell it from a qualitative perspective, not merely by giving me the facts and figures.

[00:30:48] **Michael Novogradac, CPA:** All right. Thank you for that additional discussion. So let's move on to your fourth tip.

Tip 4: Establishing a Track Record

[00:30:54] **Nicolo Pinoli, CPA:** Okay. Tip number four. So I've been, we've been talking a lot about community outcomes and I mentioned Sections One and Two are both scored during Phase One of the review process. So let's flip over to the Business Strategy section.

And when I think about business strategy, it is a bit longer than this, but the real meat, the core elements of business strategy tend to be your products, including the rates and terms, nontraditional rates and terms and below-market rates. In addition, you talk about your pipeline and your track record, and then there's a few other elements, but when I think about the track record piece, in order to score strong on this section of the application, you really need to have an excellent track record, including an excellent track record of serving disadvantaged businesses and communities. And you might be thinking, I've never done a new markets deal before. I don't have a track record. The good news is if you've been fundamentally undertaking activities that are similar to those you plan to do. So for example, if you're a lender and you've been making loans to businesses that are qualifying new markets businesses, so basically not what we call sin businesses, then you probably have a track record.

You have a track record of making loans to charter schools and renewable energy facilities and manufacturing facilities and everything we've been talking about, that counts as a track record, even though it wasn't on a new markets deal. For those of you that are startup businesses and or maybe don't have a strong track record, there's another wrinkle here, which is without a track record, you're probably going to struggle to score well on the application.

So there is another avenue, which is to designate a controlling entity. Now there's a whole host of exciting details around how you designate a controlling entity, what the criteria are for that controlling entity to actually be your controlling entity. But by designating a controlling entity, it gives you an opportunity to include that controlling entity's track record when discussing track record for purposes of your application.

And so I do see many applicants who maybe don't have a track record, but have expertise, have a pipeline, have lots of great hopes and dreams, and the ability to get things done will partner with another organization that does have a track record such that by marrying their strengths, they're able to produce a really excellent application.

So that's my fourth tip, which is, If you don't have a track record, consider designating a controlling entity so that you can use that controlling entity's track record in completing your application.

[00:33:48] **Michael Novogradac, CPA:** Great. Thank you, Nicolo. Let's move on to your fifth tip. I know you have a lot more tips than we're doing five today.

[00:33:58] **Nicolo Pinoli, CPA:** We could be here all week.

[00:34:00] **Michael Novogradac, CPA:** Yeah, that's right. They can list, they can go back and watch the webinar or give you a call to get more tips. But let's go with tip number five.

Tip 5: Work with an Experienced NMTC Accountant and Consultant

[00:34:08] **Nicolo Pinoli, CPA:** All right, this is Tax Credit Tuesday, and not Tax Credit Tuesday through Monday. So the last tip is actually perhaps the most important one, which is to work with an experienced NMTC accountant or consultant, someone who can help shepherd you through the process. You're climbing Mount Everest. This is a marathon, not a sprint. And there are, especially if you're a newer applicant, there are a lot of elements here in terms of understanding the program, understanding the application. You need a Sherpa to help take you to the top of Mount Everest, someone who knows what they're doing, and can help strengthen your application and position it in the best possible way to maximize your probability of getting an award.

Certainly there are many options out there. I would be remiss if I didn't say that I felt that Novogradac & Company was the world-class option in terms of helping our clients to complete applications, but we're not alone. Certainly there are many others in the industry as well.

[00:35:11] **Michael Novogradac, CPA:** Great. Thank you for that. And while it is a daunting task, it is something that lots of clients obviously get through, and I wouldn't be overly scared by the process. I would look at it and say it's very manageable. And the more experienced professional that you work with on it, the more manageable it and it's certainly something worth tackling.

As I mentioned earlier, given the average award sizes and the probabilities for success and the like, it's definitely an effort well worth undertaking. So it's not quite Mount Everest, but it's definitely something that is challenging and you want your Sherpa with you to get you to the top. So all great tips, Nicolo. As I mentioned, there's so many more tips you could share, but we only have so much time on the podcast today. But I will give you one last chance to give any more advice you do want to cover in today's podcast.

[00:36:18] **Nicolo Pinoli, CPA:** Yeah, one thing we haven't covered but is a gating issue, which is the registration requirement, and that's due this Thursday. So if you're listening to this on Tuesday, you've got a couple of days. If you haven't registered yet, make sure you go into the AMIS system, the Awards Management Information System on the CDFI Fund website.

Make sure you're registered, double and triple check it, get your email that confirms that you're registered because if you don't register by the deadline, you're out and you can't apply. So get it done. Get it done today if you think you're done, but double check and make sure you're really done. I think on top of that, well, you can go back and watch the webinar that Bob and I did last week where we went through the application in great detail, talked about strategies for individual questions in the application. You can also go back a few months ago, Bob and I did a previous webinar talking about the top 10 tips for getting ready for this round. Now many of those things are long lead time items, but if you haven't done them yet, it doesn't hurt to do them now because until the applications due, there's always going to be some time.

You mentioned at the outset that Bob had an article in the Journal of Tax Credits recently, and that'll be a great article to go back and review. We've got our conference coming up in January along with the DEI Summit. These are all great and incredible resources, and guess what? When in doubt, pick up the phone, give us a call.

There are so many professionals here at Novogradac & Company that stand ready to help. We are here to serve our clients. We know you've got questions and you need help, so don't be shy about giving us a call and asking how we can be of assistance because we stand ready to help you work through it.

Exit

[00:37:57] **Michael Novogradac, CPA:** So thank you, Nicolo. I appreciate you sharing the five tips along with other bonus pointers. II think our listeners got more than five tips, five categories of tips. And I'll include your email in today's show notes so listeners who have any follow-up questions can reach you directly. Please stick around for the end of the podcast for our Off-Mike section where I get to ask you some fun off-topic advice and get some of your recommendations on non-directly, tax credit-related.

And to our listeners be sure to tune into next week. My partner, Thomas Stagg, will be our guest to talk about HUD's recent decision to use American Community Survey data from 2021 to determine low-income housing tax credit rent and income limits for 2023. There's a lot packed into that long sentence. The bottom line is HUD normally uses three-year-old American Community Survey data to determine income and rent limits.

But HUD had determined that the 2020 data that normally would be used for 2023, the 2021 wasn't reliable, and that's in part because of COVID-19 pandemic and inability to access data at a statistically significant level. So the Department of Housing and Urban Development has announced they're going to use the following year's ACS data, the 2021 data, what they believe is statistically reliable for most areas. Thomas and I have discussed this issue on previous episodes and we've also discussed possible solutions. And now that we know what data HUD's going to use, Thomas and I are going to talk about the implications of that decision, both with respect to the implications on 2023, and what are some of the variables now that we're thinking about, as well as what the implication of that could be for 2024 and beyond.

So if you work in the affordable rental housing area, you certainly won't want to miss next week's episode.

Off-Mike Section

[00:40:06] **Michael Novogradac, CPA:** And now we reach our Off-Mike section where I get to ask our guests for some off-topic advice and some get their words of wisdom. And it's also a fun way for our listeners to get to know our guests a little bit better.

So Nicolo, my first question, is it really a question? It's a two-parter, so it's question one A and one B. What's a talent skill that you have that few people know about and how did you acquire that talent or skill?

[00:40:36] **Nicolo Pinoli, CPA:** All right, well, everybody knows that I speak four languages, so I suppose that one's off limits here.

[00:40:41] **Michael Novogradac, CPA:** Yes, it is.

[00:40:42] **Nicolo Pinoli, CPA:** So, probably one that not many people will know about is I'm a juggler. And I remember when I first entered the junior core at BYU, there are about 400 of us that start together. And we have a first few days of bootcamp where they yell at us about how they're going to tear us down before they build us back up.

And they get us all into this gigantic auditorium. And we had to fill out a questionnaire beforehand. One of the things I wrote down was that I know how to juggle. So they actually had me come up on the stage and I juggled a basketball, a tennis ball and an egg. And this was intended to be an object lesson for them to demonstrate the importance of having balance in your life.

And obviously that's something all professionals have good fun with. And I think the idea was, it was supposed to be difficult for me to juggle these three items just due to their disparate size and weight. They're not easy to do. I kept it going for a few minutes though, so I think I kind of ruined the object lesson a little.

How did I acquire this talent or skill? You know, as a young lad, I think my mother had always dreamed of her family being a family of performers. We're sort of like the Von Trapp family singers or something. And the only problem was my father could not hold a tune. He couldn't carry a tune to save his life.

So my mother decided my brother and I were going to go into clowning. And the two of us were both very tall, very skinny. I mean, my brother, my little brother, now he's 6'8" so he's not a wee lad. And as kids, she would put us in all the local parades and fairs and and we would go out and we'd ride around on our little bikes with our big old shoes and we'd juggle, and we had a grand old time. So there you go. I suppose if public accounting doesn't work out for me, I've got a second career to fall back on as a clown.

[00:42:42] **Michael Novogradac, CPA:** Well, that is, when you mentioned juggling, I was thinking, okay, golf balls, tennis balls, things of that nature. When you say an egg and a basketball, is that something you had ever practiced juggling a basketball along with smaller size objects?

[00:42:59] **Nicolo Pinoli, CPA:** I'm not sure I spent a lot of time at it. You think about my misspent youth as a young lad, I mean me and my younger brother, we spent a lot of time playing around together and having a lot of energy, a lot of nervous energy. We were pretty fidgety kids. I think that was part of the reason why my mother got us into juggling was to help direct that nervous energy.

But it was common for us to throw things at each other and just start juggling random stuff. And so while maybe not those specific items, in the past, certainly I've had a lot of experience juggling lots of random items.

[00:43:34] **Michael Novogradac, CPA:** Wow. Well, I did not know that. I know you juggled a lot of stuff, but figuratively I didn't realize it was literally you were juggling as well.

[00:43:46] **Nicolo Pinoli, CPA:** Absolutely.

[00:43:47] **Michael Novogradac, CPA:** So you are the chair of our annual New Markets Tax Credit Conference in San Diego, and as I noted earlier, it's coming up January 19th and 20th early next year. Now outside of attending the conference itself, do you have any recommendations for things attendees should see, do or eat while in San Diego?

[00:44:05] **Nicolo Pinoli, CPA:** Well, this is kind of a loaded question. San Diego is quite the paradise in terms of, well, literally a paradise, but certainly also a figurative paradise in terms of there's lots to do, lots to see. Many of you may know, my wife is actually from the San Diego area. We were married down in the San Diego Temple, so I spend a lot of time down in San Diego. It's always been fun on Christmas Day when I'm down there with my in-laws and the Santa Ana winds kick up and it's 100 degrees on Christmas Day, and you're like, this isn't Christmas. So just being able to walk outside in January seems like it is quite the treat for our attendees.

I'd say if I had a list, certainly among other things, you're in the Gaslamp District. That's where our hotel is located and that is just a, there's a plethora of different places to go, things to see, things to eat. I think if you're looking to branch outside of that, you can go on a cruise down in the harbor, cruise around San Diego Harbor, go out and see Coronado Island.

You can also go to the world famous San Diego Zoo. There's nothing like it in the world, and if nothing else, you can go to Balboa Park, which is a great place to go see the gardens, hang out and get, see a lot of different and exciting presentations and exhibits. So that'll be on my shortlist of things to do in San Diego itself.

[00:45:31] **Michael Novogradac, CPA:** Great. Thank you for that, Nicolo. Appreciate it very much. And thank you again for joining me on Tax Credit Tuesday. And to our listeners, I'm Mike Novogradac. Thanks for listening.

Additional Resources

Email

Nicolo Pinoli

Conference

Novogradac 23rd Annual New Markets Tax Credit Conference

DEI Summit

Journal

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