

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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New Markets Tax Credit Program

2017 NMTC Allocation Application Roadmap

PREPARED ON
March 7, 2017

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 2017 NMTC 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 2017 NMTC Application Materials



Please review each of these materials in detail:

- [NMTC Program Webpage](#)
- [2017 NMTC Program Application](#)
- [2017 NMTC Program Application Questions and Answers \(Q&A\)](#)
- [2017 NMTC Notice of Allocation Availability \(NOAA\)](#)
- [2017 NMTC Program Online Application Instructions](#)

Presentation Roadmap



- **How to Apply for a 2017 NMTC Allocation**
- NMTC Application Overview
- NMTC Application Evaluation Process
- Contact Information

How to Apply for a 2017 NMTC Allocation – 2017 Round Deadlines



- **2017 Round Deadlines:**
 - Please consult the following document/website(s) for information on important dates and deadlines for the 2017 Application Round:
 - 2017 Notice of Allocation Availability (NOAA), [Section III. - Eligibility](#)

How to Apply for a 2017 NMTC Allocation – Round Deadlines



Deadline	Deadline Date
Application Release Date: Investments closed after the release date of the 2017 NMTC Allocation Application may not be included in certain Application Questions (see Q&A #37, 90 and 96).	May 2, 2017
CDE Certification: If the Applicant has not yet been certified as a CDE (see Q&A #4), its CDE Certification Application must be submitted by...	5:00 pm, ET, on May 17, 2017.
Request to modify CDE Certification service area (see Q&A #29): Requests must be <u>received</u> by...	5:00 pm, ET, on May 17, 2017.
<i>Allocatees</i> that require the CDFI Fund to certify <i>Subsidiary CDEs</i> in order to meet the <i>QEI</i> issuance thresholds must submit their Certification Application for <i>Subsidiary CDEs</i> by...	5:00 pm, ET, on May 17, 2017.
Questions Regarding 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 June 19, 2017.
Application: Online Allocation Applications must be <u>submitted electronically</u> by...	5:00 pm, ET, on June 21, 2017.
Application Attachments: Supporting documents must be <u>submitted electronically</u> by...	5:00 pm, ET, on June 26, 2017.
<i>Allocatees</i> that require the CDFI Fund to add certified <i>Subsidiary CDEs</i> to an Allocation Agreement in order to meet the <i>QEI</i> issuance thresholds must submit their Allocation Agreement Amendment requests to the CDFI Fund by . . .	5:00 pm, ET, on July 9, 2017.
QEI Issuance thresholds: Previous <i>Allocatees</i> must meet the necessary <i>QEI</i> issuance thresholds by...	11:59 pm, ET, on August 18, 2017.
Final Award Decisions expected to be announced. . .	Winter 2017-2018

How to Apply for a 2017 NMTC Allocation - Certification



- **CDE Certification:**
 - Please consult the following documents for more information
CDE Certification Deadlines:
 - [NOAA, Section III. – Eligibility](#)

Deadline	Deadline Date
CDE Certification: If the <i>Applicant</i> has not yet been certified as a <i>CDE</i> (see Q&A #4), its <i>CDE Certification Application</i> must be submitted by...	5:00 pm, ET, on May 17, 2017.
Request to modify CDE Certification service area (see Q&A #29): Requests must be received by...	5:00 pm, ET, on May 17, 2017.
Allocatees that require the CDFI Fund to certify <i>Subsidiary CDEs</i> in order to meet the <i>QEI</i> issuance thresholds must submit their Certification Application for <i>Subsidiary CDEs</i> by...	5:00 pm, ET, on May 17, 2017.

How to Apply for a 2017 NMTC Allocation - Eligibility



- **Eligibility to apply for an NMTC allocation:**
 - Applicants must meet all eligibility requirements in the 2017 NOAA, including the “*QLICI Uses and Activities*” commitment outlined in Application Question 13(a).
 - CDEs that have previously received NMTC allocations must meet certain QEI issuance benchmarks as outlined in the 2017 NOAA (Section III.A.3.a) in order to receive an NMTC allocation in the 2017 Round.
 - CDEs that are prior awardees and/or Allocatees under any CDFI Fund program (or who have Affiliates that meet this criteria) may be deemed ineligible if they fail to meet reporting requirements or otherwise fail to maintain compliance with previous award/allocation agreements. See the [2017 NOAA](#) (Section III.A.3.b) for more information.

How to Apply for a 2017 NMTC Allocation - Eligibility



- **NMTC Eligibility Requirements:**
 - Please consult the following documents for more information on NMTC Eligibility Criteria:
 - [NOAA, Section III. – Eligibility](#)

Deadline	Deadline Date
Allocatees that require the CDFI Fund to certify <i>Subsidiary CDEs</i> in order to meet the <i>QEI</i> issuance thresholds must submit their Certification Application for <i>Subsidiary CDEs</i> by...	5:00 pm, ET, on May 17, 2017.
Allocatees that require the CDFI Fund to add certified <i>Subsidiary CDEs</i> to an <i>Allocation Agreement</i> in order to meet the <i>QEI</i> issuance thresholds must submit their <i>Allocation Agreement Amendment</i> requests to the CDFI Fund by . . .	5:00 pm, ET, on July 9, 2017.
QEI Issuance thresholds: Previous <i>Allocatees</i> must meet the necessary <i>QEI</i> issuance thresholds by...	11:59 pm, ET, on August 18, 2017.

How to Apply for a 2017 NMTC Allocation – Application Materials



- **Submit an NMTC Application and required materials:**
 - The NMTC Application can only be submitted online. Please consult the following resources for more information on submitting application materials:
 - Application Q&A Document
 - Q. 12 – How to apply for NMTC Allocations
 - Q. 13 – Process and tips for submitting an online Allocation Application
 - Q. 14 – Application attachments required to submit an Allocation Application and how to submit them
 - 2017 NMTC Application Online Instructions

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NMTC Application: Contents



- The NMTC Application has five main sections:
 - Part I: Business Strategy
 - Part II: Community Outcomes
 - Part III: Management Capacity
 - Part IV: Capitalization Strategy
 - Part V: Information Regarding Previous Awards
- Applicants are also required to complete an Applicant Information section and the tables included in Exhibits A – E.
- 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 Application: General Tips



- **General Tips on the NMTC Application:**
 - 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 if prompted.
 - In your response to each question, provide information only 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 Q&A Document for additional guidance on specific questions.

NMTC Application: Applicant Information



- At the beginning of the Application, Applicants are required to answer several informational questions. These questions are for information purposes only – they are not scored.
- An Applicant may wish to designate a Controlling Entity for the purpose of completing the Application.
 - Controlling Entities: Applicants may only have **one** Controlling Entity, and individuals cannot be treated as a Controlling Entity.
 - Applicants are required to identify the same Controlling Entity from year to year, with limited exceptions.
 - More guidance on designating a Controlling Entity can be found in the NMTC Application TIP related to Question #3 and in the Application Q&A document (Q. 27, Q. 28).

NMTC Application: Business Strategy Section



- The Business Strategy section is scored during Phase 1 of the Application review process.
- It will be evaluated by three 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
 - its financial products and features, and
 - a strong, relevant track record, including a track record of serving Low Income Communities.

NMTC Application: Business Strategy Section



- **For tips on how to score highly in this section, please consult the following application materials:**
 - 2017 NMTC Application Q&A Document: Section D
 - 2017 NMTC Application TIPs: Q. 13 – 23
 - Pay special attention to the TIPs embedded in the application! (Example below)

TIP: An *Applicant* will score well under the Products, Services, and Investment Criteria sub-section to the extent that it clearly describes its financial products and will deploy debt or equity capital, or offer products and services that feature more favorable rates, terms, structuring and non-traditional features when compared with market offerings. Please note, these criteria do not apply for an *Applicant* who intends to use its *NMTC Allocation* to pursue *Financial Counseling and Other Services (FCOS)* as their sole line of business.

NMTC Application: Business Strategy Section



- **Innovative Activities (Q. 18)**

- This question will not be evaluated or scored in Phase 1 of Allocation Application reviews.
- 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 will be reflected in the allocation agreement, if applicant is selected to receive an allocation.
- For more information on Innovative Activities, please review Q. 42 – Q. 47 of the Application Q&A document.

NMTC Application: Business Strategy Section



- **Non-Metropolitan Activities**

- This question will not be evaluated or scored in Phase 1 of *Allocation Application* reviews.
- The response to this question will be considered in Phase 2 of the *Allocation Application* reviews 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*.
- For more information on Non-Metro Activities, please see the NOAA (Section V, Subsection D) and/or the Application Q&A document (Q. 97 – Q. 102)

NMTC 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
 - Application Q&A: Q. 25(d), Q. 55, Q. 56,

NMTC Application: Community Outcomes Section



- The Community Outcomes section is scored during Phase 1 of the Application review process.
- It will be evaluated by three 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 demonstrable community outcomes; and
 - it demonstrates meaningful engagement with community stakeholders when vetting potential NMTC investments.

NMTC 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.
 - An applicant's projected community outcomes should be supported by clear and sound methods and metrics.
 - For definitions and examples of methods and metrics, please review Q. 65 of the Application Q&A.

NMTC Application: Community Outcomes Section



- **Please consult the following application resources for information on how to score well within this section:**
 - Application Q&A Document: Section E
 - 2017 NMTC Application TIPs: Q. 24 - Q. 27
 - Pay special attention to the TIPs embedded in the application! (Example below)

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

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

NMTC Application: Management Capacity Section



- **Please review the following application resources for information on how to score well within this section:**
 - Application Q&A Document: Section F
 - 2017 NMTC Application Tips: Q. 28 – Q. 33
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: Each *Allocatee* must have the capacity to remain in compliance with NMTC Program requirements. An *Applicant* will be evaluated favorably in this sub-section to the extent that it can: 1) demonstrate experience with similar regulatory compliance requirements, including compliance under other tax credit programs; and 2) articulate a specific strategy for ensuring that its NMTC-related investments will qualify at the time of investment and throughout the seven-year credit period.

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

NMTC Application: Capitalization Strategy Section



- **Please consult the following application resources for information on how to score well within this section:**
 - Application Q&A Document: Section G
 - 2017 NMTC Application Tips: Q. 34 – Q. 40
 - Pay special attention to the TIPS embedded in the application! (Example below)

TIP: An *Applicant* that demonstrates a track record of raising capital from investors (including market rate capital) consistent with the Allocation request and, if applicable, a high level of investor *Commitment* will be evaluated favorably under this sub-section.

If an *Applicant* is seeking investments from investors that have not yet provided capital, the *Applicant* may be evaluated favorably if it presents a strong strategy for raising capital from such investors.

NMTC Application: Information Regarding Previous Awards



- **Information Regarding Previous Awards Tips:**
 - Must be completed by all Applicants
 - If the Applicant (or any Affiliates) has never received an award from the CDFI Fund or an NMTC Allocation, the answer to Questions 41 and 42 will be “No” and Questions 43 and 44 can be skipped.
 - 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 Q&A Document: Q. 96

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NMTC Application Evaluation Process: Flowchart

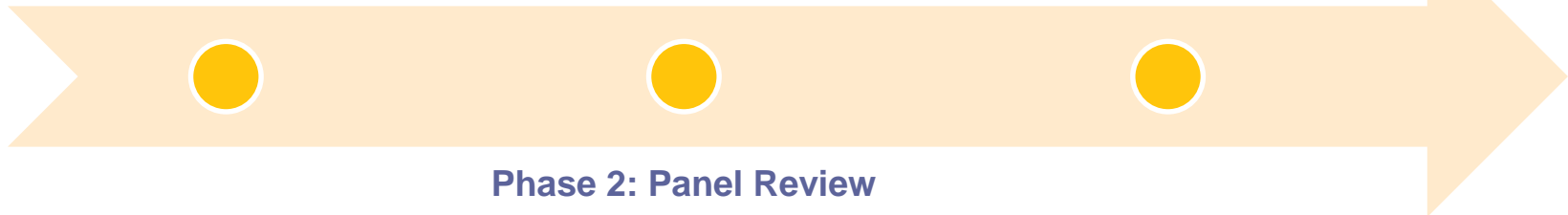


Phase 1: Peer Review

- 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 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 Application Evaluation Process: Phase 1 – Peer Review



- In Phase 1, each eligible Applicant is reviewed by three 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's accepted.
 - Team leaders consist of CDFI Fund staff and other Federal employees.

NMTC Application Evaluation Process: Phase 1 – Peer Review



- After the Business Strategy & Community Outcomes sections of each application are reviewed by the three independent reviewers, an analysis is conducted to identify if there is an anomalous score.
- An anomalous score may be deemed to occur when one of the three reviewers' scores varies significantly from the scores of the other two.
- When an anomalous reviewer score will impact the ability of any Applicant to receive an award, a fourth independent reviewer will be used to determine whether the anomalous score should be replaced.

NMTC 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 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 matters.
- 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 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 Allocation awards do not exceed the Allocation Authority for this Round.

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

Program Support	IT Support
Phone: (202) 653-0421 (option 3)	Phone: (202) 653-0300
E-mail: cdfihelp@cdfi.treas.gov	Please file a service request via AMIS for technical issues

- Contact the IRS via Jian Grant and James Holmes, Office of the Associate Chief Counsel (Passthroughs and Special Industries), by telephone at (202) 317-4137, by facsimile at (202) 317-6731, for questions about IRS regulations, eligibility of possible QLICI activities and other tax implications of the program.