

New Markets Tax Credit Coalition

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The CDFI Fund released the 2010 Notice of Allocation Availability (NOAA) and the 2010 NMTC Allocation Application this week. Both documents can be found on the NMTC Coalition website (www.nmtccoalition.org). The CDFI Fund is expected to release an updated Q&A document next week which will offer additional insights and advice on the application.

The 2010 NMTC Allocation Application contains a number of changes, in response to the CDFI Fund's request for public comments on the NMTC application. It appears that a number of the NMTC Coalition's suggestions were adopted in spirit, if not in the specific form we suggested.

Here are some of the changes you will find in the 2010 Allocation Application:

Business Strategy Section: The Fund has reorganized the financial products section, allowing an applicant to choose among 4 product types, with the rates and terms for each spelled out in a separate sub question. The Fund also asks, in Question 26, about 5 possible relationships between the applicant, or its affiliates, that create potential financial benefits between them and the QALICB.

Community Impact Section: There are significant changes to this section. First, there are no charts to record historic and projected impacts. The first question, which still relates to the types of distressed areas to which applicants will commit, has been reorganized, however, the Fund continues to ask an applicant to commit that at least 75% of its QLICs will meet similar benchmarks as found in the 2009 application.

A new Question 28 asks not only how the applicant will identify transactions in these distressed areas, but also about partnerships with low income community stakeholders, whether the projects are identified as part of a planning process, and whether the basis for approving the investments includes an analysis of the tangible benefits to the community. These points were addressed elsewhere in past applications.

The questions formerly found in the Economic Impacts subsection have been re-styled into a Community Development Outcomes subsection. It is not clear from the paper application how many characters per outcome the Fund will allow. There is also a new question. Question 29, which asks the applicant to state what percentage of the NMTC investments are expected to achieve one or more of 6 outcomes, which includes jobs for low income residents, construction jobs that pay Davis-Bacon wages, goods and services to primarily low income persons or low income communities, minority-owned or controlled businesses, or businesses that remediate environmental contamination, meet LEED certification standards or support renewable energy production.

Management Capacity Section: It appears that the CDFI Fund accepted some of the Coalition's recommendations regarding the management charts and consolidating information about the roles of staff. There is also a new D Chart on Investment Portfolio which asks about delinquencies and charge-offs. There is a new sub-question about defaults, delinquencies, and charge off's (Question 33c) and a new sub-question that asks for information on the 3 largest investments an applicant with prior allocations has made (Question 40b), and a request to discuss any delinquencies in prior NMTC investments (Question 40d). There is also a question about whether an applicant has assumed control of a CDE that received NMTC funding in a prior round.

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Capitalization Section: The capitalization charts are the same, however the chart regarding compensation and fees has been re-worked, but seems to request the same information on fees. There is now a direct question on raising leveraged debt (Question 44b). The Fund has reworked the question on covering costs of operations and how the fees will relate to those costs. The fees and compensation question (Question 48b) has been reworked to ask whether the applicant's borrowers will pay transaction costs.

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