



LEVERAGING CAPITAL FOR CHANGE

NCIF NMTC Strategy
Using New Markets Tax Credits (“NMTC”) to Catalyze Community and Economic Development

- A. **Background:** The National Community Investment Fund (“NCIF”) has created its **3-Way Strategy** to generate long term, sustainable change in low-and moderate-income markets nationally. In this strategy, NCIF partners with the **NCIF Network** – which is a national network of CDFI and Minority Banks, Minority CDEs, other CDFIs, and major **Investors**. Together, we foster job creation, increase access to financial products and services, and enable an environment that creates greater opportunity for the underserved.

To date, NCIF has received a total of \$326 million of NMTC allocations. Using the above strategy, NCIF has catalyzed over \$800 million worth of transactions supporting various community and economic development projects that have created 9,600 jobs. Many of the transactions are located in some of the most distressed neighborhoods of the country (poverty rates ranging from 7% to 70%, and a median unemployment of 14.5% at the time of investment). NCIF is embarking on an ambitious three -part strategy to deploy the allocations over the next two years as follows:

1. **National Deployment with NCIF Network Partners:** NCIF will deploy its NMTC allocations to fund the highest impact projects nationwide with total project costs of approximately \$400 million over the next two years;
2. **Local oneCity Strategy:** NCIF will focus a part of its available NMTC allocation to focus on one or more cities with the goal of reducing the persistence of a *Tale of Two Cities*¹. Initial focus will be on the City of Chicago.
3. **Catalyze small business lending:** NCIF will bring the program to small businesses that typically need \$1-2 million of funding but have hitherto been neglected due to transaction costs. NCIF will work with customers of NCIF Network partners to support such customers.

We are inviting NCIF Network partners to take advantage of available allocations to support their customers and to increase fee revenues. Other financial institutions that want to partner with NCIF Network may also apply. Key requirements for projects to be eligible in this program are:

1. Projects must be located in eligible (preference for “severely distressed”) census tracts;
2. Project sponsors must be current or future customers of NCIF Network partners;
3. Total project cost must be between 3-4 times the requested NCIF NMTC allocation;
4. Capital stack must contemplate market rate debt; NCIF and its Network partners must participate in a portion of this debt;
5. Projects must create measurable social (and environmental) impact in low- and moderate- income communities and must commit to reporting data to support this impact; and,
6. Must be willing to be recognized as NCIF Partners in internal and external communications.

B. Potential Roles of and Expectations from the Network Partner

NCIF Network Partners participate in NCIF NMTC transactions in the following primary ways:

- As a tax credit equity investor, leveraged lender, direct lender to the sponsor, or as a co-allocattee to the project.
- Commits to partnership with NCIF: Throughout the 7-year compliance period:
 - Helps in underwriting and serving the QALICB
 - Helps in analyzing the impact of the QALICB
 - Has a strong working relationship with the sponsor/QALICB
- Commits to being recognized as an active member of The NCIF Network.

For more information please contact NMTC@ncif.org

¹ While gains have been made due to community development investments, many cities in the country continue to have significant disparities of income and wealth within the city boundaries – we call it the (unfortunate) *Tale of Two Cities*. We would like to invest our NMTC allocations in a focused manner to contribute to the reduction in persistence of these trends.



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Project Intake Form

Part I: Project Type and Description, Census Tract & Targeted Distressed Community Qualification

Project name:

Project type (check one):

Real Estate

or

Operating Business

Project description (please provide a narrative description of the project):

Narrative

Estimated total Project Costs:

Total NMTC allocation requested:

NMTC allocation requested of NCIF:

Project Timeline:

Targeted Closing Date:

Targeted Placed in Service Date:

Borrowing Entity:

Developer/Sponsor:

Property street address including ZIP code:

Census Tract Number (look up the census tract number at <http://www.ffiec.gov/geocode/>):

Contact information:

Name:

Role/Title:

E-mail:

Phone:

Name:

Role/Title:

E-mail:

Phone:

In addition to being in a qualified tract, is the project in a “Targeted Distressed Community” based on one or more of the criteria listed below? Please check as many that apply.

Need at least **ONE** of the following:

- Census tracts with poverty rates greater than 30%
- Census tracts that:
 - (a) if located within a non-Metropolitan Area, have a median family income that does not exceed 60 percent of statewide median family income; or
 - (b) if located within a Metropolitan Area, have a median family income that does not exceed 60 percent of the greater of statewide median family income or the Metropolitan Area median family income
- Census tracts with unemployment rates at least 1.5 times the national average (8.3% for 2011-2015 ACS Survey, 7.9% for 2006-2010 ACS Survey).
- Census tracts that are located in counties not contained within a Metropolitan Statistical Area (MSA) (i.e. non-metropolitan counties), as defined pursuant to 44 U.S.C. 3504(e) and 31 U.S.C. 104(d) and Executive order 10253 (3 C.F.R. Part 1949-1953 Comp., p.758), as amended, with respect to the 2010 Census and as made available by the CDFI Fund
- As permitted by IRS and related CDFI Fund guidance materials, projects serving Targeted Populations to the extent that:
 - (a) such projects are 60% owned by low-income persons (LIPs); or
 - (b) at least 60% of the projects’ employees are LIPs; or
 - (c) at least 60% of the projects’ gross income is derived from sales, rentals, services, or other transactions to customers who are LIP

OR Need at least **TWO** of the following:

- Census tracts with one of the following:
 - (a) poverty rates greater than 25%; or
 - (b) if located within a non-Metropolitan Area, median family income that does not exceed 70% of statewide median family income, or, if located within a Metropolitan Area, median family income that does not exceed 70% of the greater of the statewide median family income or the Metropolitan Area median family income; or
 - (c) unemployment rates at least 1.25 times the national average
- U.S. Small Business Administration (SBA) designated HUB Zones, to the extent that the QLICs will support businesses that obtain HUB Zone certification from the SBA
- Brownfield sites as defined under 42 U.S.C. 9601(39)
- Areas encompassed by a HOPE VI redevelopment plan
- Federally designated as Indian Reservations, Off-Reservation Trust Lands or Alaskan Native Village Statistical Areas, or Hawaiian Home Lands
- Areas designated as distressed by the Appalachian Regional Commission or Delta Regional Authority
- Colonias areas as designated by the U.S. Department of Housing and Urban Development
- Federally designated medically underserved areas, to the extent that QLICI activities will support health related services
- Federally designated Promise Zones, Impacted Coal Counties, base realignment and closure areas, State enterprise zone programs, or other similar state/local programs targeted towards particularly economically distressed communities
- Counties for which the Federal Emergency Management Agency (FEMA) has
 - (a) issued a “major disaster declaration” and
 - (b) made a determination that such County is eligible for both “individual and public assistance;” provided that the initial project investment was made within 36 months of the disaster declaration
- A Census tract identified as a Food Desert, which must either:
 - (a) be a census tract determined to be a Food Desert by the U.S. Department of Agriculture (USDA), as identified in USDA’s Food Desert Locator Tool; or
 - (b) a census tract that qualifies as a Low-Income Community and has been identified as having low access to a supermarket or grocery store through a methodology that has been adopted for use by another governmental agency, to the extent QLICI activities will increase access to healthy food.

Part II: Borrowing Entity Qualification

1. Are any of the following businesses conducted by the borrower or at the subject real estate:

<u>Yes</u>	<u>No</u>	
<input type="checkbox"/>	<input type="checkbox"/>	Massage parlor
<input type="checkbox"/>	<input type="checkbox"/>	Hot tub facility
<input type="checkbox"/>	<input type="checkbox"/>	Suntan facility
<input type="checkbox"/>	<input type="checkbox"/>	Country club
<input type="checkbox"/>	<input type="checkbox"/>	Racetrack or other facility used for gambling
<input type="checkbox"/>	<input type="checkbox"/>	Store whose principal purpose is the sale of alcoholic beverages for consumption off premises
<input type="checkbox"/>	<input type="checkbox"/>	Development or holding of intangibles for sale
<input type="checkbox"/>	<input type="checkbox"/>	Private or commercial golf course

Note: If you answered “Yes”, the project is ineligible for NMTC.

2. Do any of the revenues of the borrowing entity come from the rental of residential property (apartments or live/work units)?

No Yes

If yes, estimate the percentage for each building from the borrower’s pro-forma or underwritten revenues:

Note: Revenues from residential rental real estate can be no more than 80% of each building’s total revenues to qualify for NMTC.

3. Does the project create or rehabilitate affordable housing units?

No Yes

If yes, estimate the percentage of affordable housing units to total housing units:

Note: If the percentage of affordable housing units is greater than 20%, then the project is ineligible for NMTC.



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Part III: Product Characteristics

Describe the flexible or non-traditional products, rates or terms that can be offered by financing this project using the New Markets Tax Credit program. Please check the applicable rates and terms listed below (check all that apply):

- Debt with equity features (e.g., debt with royalties; debt with warrants; convertible debt)
- Subordinated debt
- Below market interest rates
- Lower than standard origination fees
- Longer than standard period of interest-only loan payments
- Higher than standard loan to value ratio
- Longer than standard amortization period
- More flexible borrower credit standards
- Non-traditional forms of collateral
- Lower than standard debt service coverage ratio
- Loan loss reserve requirements that are less than standard

Part IV: Identification of Financing Sources

A. Financial Structure

1. What are the proposed sources and uses of capital for the project and brief financing summary? Provide specific information on all sources, including source name and dollar amounts.

<i>Sources:</i>	<i>(USD)</i>	<i>Uses:</i>	<i>(USD)</i>
_____	_____	_____	_____
_____	_____	_____	_____
Sponsor Equity	_____	Hard Costs	_____
NMTC Equity	_____	Soft Costs	_____
Leveraged Loans	_____	Other	_____
_____	_____	Reserves	_____
Total:	_____	Total:	_____

Narrative:

B. Project Need for New Market Tax Credits

NMTC program guidance includes a provision that projects financed would not otherwise occur without the benefit of the NMTC financing subsidy. Please detail the following.

2. How is the NMTC subsidy essential to the project's success? **(detail how the project would not move forward or could not provide the degree of services/community impacts without the benefits of the credits) – this is sometimes called the 'but for' test.**

Narrative:

Part V: Description of Community Impact

A. Community Impact

A major component of the NMTC Program is to provide financing that will generate significant impacts to benefit Low-Income Communities and low-income persons. Please address the following questions and provide any supplemental information that would be helpful in evaluating the community impact of the project.

1. What community benefits is the project likely to generate?

Narrative (attach additional pages, if necessary):

2. What is the developer's track record history / involvement in this community or similar types of communities?

Narrative:

3. Is this project part of a larger, comprehensive redevelopment effort sponsored by local government planners and/or local economic development groups?

Narrative:

- a. What is the public commitment to / support of the project? Please provide letters or other documentation detailing this support.

Narrative:

- b. Does the project have explicit government subsidies as a part of its capital or operating plan (i.e., grants or tax abatements) that demonstrate the commitment of a governmental unit?

Narrative:

4. Is the project likely to catalyze additional investment in the community?

Narrative:



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Part VI: Description of Social Impact, Services Provided, and Job Creation

Please provide a brief summary of the social impact, services provided, and jobs retained/created by your project. As support, please answer the questionnaire below for all that apply to your project.

Narrative

A. Questionnaire:

Definitions:

Number of permanent full-time jobs likely to be retained – Permanent full-time jobs are defined as a job that is at least 24 months in duration and involves at least a 35-hour workweek; where part-time jobs make up a component of the workforce, the number of part-time hours worked should be divided by 1,820 hours to determine the approximate number for full-time equivalent positions these jobs represent

Number of temporary (construction or other) jobs likely to be created – Defined as a job that is under 24 months in duration and results from the development of the Project or the financing of the NMTC Loans based on the number of construction hours required divided by 1,820 hours as a determinant for full-time equivalency

Living Wages – Defined as [\$__] per hour as calculated by the MIT Living Wage calculator for a family of one adult and one child with only one wage earner in your county. (Please use www.livingwage.mit.edu to calculate living wage for your project's address)

Low-Income Community – Defined as any population census tract satisfying the definition of Low-Income Community under the New Market Tax Credit Program as set forth in the Internal Revenue Code Section 45D(e), including any population census tract if:

- (1) The poverty rate for such tract is at least 20%, or
- (2) (a) In the case of a tract not located within a metropolitan area, the median family income of such tract does not exceed 80% of statewide median family income, or
- (b) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income

Low-Income Person – Defined as any individual having an income, adjust for family size, of not more than:

- (1) for metropolitan areas, 80% of the area median family income; and
- (2) for non-metropolitan areas, the greater of
 - a. 80% of the area median family income or
 - b. 80% of the statewide non-metropolitan area median family income

a. Job Creation

JOB CREATION	
The number of <u>direct permanent jobs</u> projected to be <u>retained</u> as a result of the financing.	N/A if not applicable
The number of <u>direct construction jobs</u> projected to be <u>created</u> as a result of the financing.	N/A if not applicable
The number of <u>direct permanent jobs</u> projected to be <u>created</u> as a result of the financing.	N/A if not applicable
The number of <u>direct temporary jobs</u> projected to be <u>created</u> as a result of the financing.	N/A if not applicable
The number of indirect jobs projected to be created as a result of the financing.	N/A if not applicable

JOB QUALITY	
The number of jobs <u>created or retained that: pay at least \$[]/hour, and/or have a career path that leads to a position that pays at least \$[]/hour</u> <i>(Please use MIT Living Wage calculator for your project to fill in per hour wage data)</i>	N/A if not applicable
The number of jobs projected to include training for management/higher skilled jobs.	N/A if not applicable
The number of jobs projected to offer employment benefits, including healthcare.	N/A if not applicable

JOB ACCESSIBILITY	
The number of jobs created or retained that <u>do not require a 4-year college degree</u> . This should include training programs that enable workers without a 4-year college degree to be considered for positions that are otherwise reserved for those with at least a 4-year college degree.	N/A if not applicable
The number of jobs projected to be accessible to Low-Income Person.	N/A if not applicable

b. Goods and Services

GOODS AND SERVICES	
Provide detail on the extent to which financing of the Project will <u>increase goods and services delivered to Low-Income Persons</u> (e.g., access to retail, restaurants, etc.).	N/A if not applicable

c. Minority / Woman Ownership

MINORITY / WOMAN OWNERSHIP	
Provide description of the extent to which the Project will <u>assist minority-owned or minority-controlled businesses</u> including developers, sponsors and contractors.	N/A if not applicable
Provide description of the extent to which the Project will <u>assist woman-owned or woman-controlled businesses</u> including developers, sponsors and contractors	N/A if not applicable

d. Below Market Rents

BELOW MARKET RENTS	
Quantify and describe the number of tenant businesses that will receive <u>rent reductions</u> or the ability to purchase their properties.	N/A if not applicable

e. Housing Units

HOUSING UNITS	
How many total housing units (rental and for-sale)? How many <u>housing</u> units will be offered as <u>affordable</u> to those earning 80% or less of the HUD Area Median Income (adjusted for family size).	N/A if not applicable

f. Community Facility

COMMUNITY FACILITY	
<u>Describe any community facilities</u> that will be included in the Project (education, childcare, healthcare, arts, etc.).	N/A if not applicable
What is the <u>projected capacity of any community facilities</u> (number of patients, student seats, etc.).	N/A if not applicable

g. Health Foods

HEALTHY FOODS	
Describe the extent to which the Project will increase <u>access to fresh and healthy food</u> for Low-Income Persons or residents of Low-Income Communities or in Food Deserts.	N/A if not applicable

h. Environmental Impact

ENVIRONMENTALLY SUSTAINABLE OUTCOMES	
Describe the extent to which the Project will remediate environmental contamination, meet LEED certification standards or otherwise <u>decrease US energy demand</u> relative to traditional offerings	N/A if not applicable
Environmentally Sustainable Features (check, if projected to be a feature of the project):	<input type="checkbox"/> Biodiversity conservation <input type="checkbox"/> Energy and fuel efficiency <input type="checkbox"/> Natural resources conservation <input type="checkbox"/> Pollution prevention & waste management <input type="checkbox"/> Sustainable energy <input type="checkbox"/> Sustainable land use <input type="checkbox"/> Water resources management <input type="checkbox"/> Other:

i. Additional Impacts

ADDITIONAL IMPACTS	
Discuss the extent to which the Project is expected to result in <u>additional public or private investment</u> beyond the initial Loan.	N/A if not applicable
Discuss <u>additional expansion</u> or creation of new businesses expected to be <u>spurred</u> by the initial Loan.	N/A if not applicable
Discuss the extent to which the Project is part of a <u>broader neighborhood revitalization</u> strategy or initiative.	N/A if not applicable

Provide detail on the taxes projected to be paid by the Project to the <u>local tax</u> authority (property tax or other taxes imposed by the local jurisdiction)	N/A if not applicable
Provide detail on the taxes projected to be paid by the Project to any <u>state tax</u> authority (sales taxes, income taxes or other taxes imposed by the state)	N/A if not applicable
Provide detail on the taxes projected to be paid by the Project to any <u>Federal tax</u> authority (Income taxes, Soc Security, Medicaid, or other taxes imposed by the Federal Government)	N/A if not applicable

j. Other

OTHER	
Describe any other community impacts the Borrower hopes to achieve as a result of the financing.	N/A if not applicable