



LEVERAGING CAPITAL FOR CHANGE

## NCIF NMTC Program Features and Impact

### Background

NCIF calls its NMTC strategy – Impact-Plus. The strategy is to rapidly deploy NMTC allocations in the highest impact operating businesses and real-estate developments, and, in some of the most distressed census tracts around the country. There are two main interrelated components to the strategy. First, NCIF creates a **3-Way Partnership** between itself, the tax credit investor bank and a CDFI Bank that serves the community in which the project or business is located. Second, by partnering with high-impact CDFI Banks in each transaction, NCIF is able to uniquely increase the leverage of its NMTC allocation in low-income communities by creating two distinct types of Impact; Transactional and Permanent.

Transactional impact refers to the specific impact generated by the project itself. This is typically measured by job creation and services offered to the community. Permanent Impact refers to the impact that is generated through the creation of a long-term, stable business within the community. NCIF's CDFI Partner is a permanent, stable resident and corporate citizen in the community served, and by supporting them in the transaction, NCIF and the other project partners support a permanent presence that will continue in the community long after the compliance period is over. Following are expectations from NCIF partners in the 3-Way Partnership.

#### **A. Potential Roles of and Expectations from the CDFI Bank Partner**

CDFI Banks partner 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-allocatee 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.

#### **B. Expectations of the Borrower Partner:**

- Borrower will remain an active member of the 3-Way Partnership, exploring ways to leverage the relationship between itself and the CDFI Bank partner.
- Commits to building a relationship with the CDFI Bank Partner
- Executes and provides reporting subject to a Community Benefits Agreement.

#### **C. Expectations of the Tax Credit Equity Investor Partner:**

- Performs underwriting and impact evaluation of the QALICB
- Supports The NCIF Network and the mission of NCIF



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## Project Intake Form

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

Project name:

Project description (attach additional information):

Dollar Amount of Financing Requested:

Project Timeline:

Borrowing Entity:

Sponsor:

Property street address including ZIP code:

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. **WE ARE LOOKING FOR MAXIMUM IMPACT TO TARGETED AREAS.**

*(Note: NCIF requires each project to qualify as Highly Distressed. Please provide documentation with form submission.)*

**Need at least 1 of the following:**

- Poverty rate greater than 30%
- Median income less than 60% of area median income
- Unemployment rate at least 1.5x national average

**OR Need at least 2 of the following:**

- Census tracts with one of the following: (i) poverty rates greater than 25 percent; or (ii) if located within a non-Metropolitan Area, median family income that does not exceed 70 percent of statewide median family income, or, if located within a Metropolitan Area, median family income that does not exceed 70 percent of the greater of the statewide median family income or the Metropolitan Area median family income; or (iii) unemployment rates at least 1.25 times the national average.
- Located in Non-Metropolitan County
- SBA designated HUB Zone (Note: QALICB must be certified)
- Federally designated Empowerment Zone
- Federally designated Native American/Alaskan Native/Hawaiian Homelands area
- Federally designated Brownfields redevelopment area
- Encompassed by a HOPE VI redevelopment plan
- Areas designated distressed by Appalachian or Delta authority
- Colonias areas designated by HUD
- Federally designated medically underserved areas
- State or local TIF district, enterprise zone programs, other state/local programs
- High migration rural county
- County declared "major disaster" area recently by FEMA

**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>	
___	___	Massage parlor
___	___	Hot tub facility
___	___	Suntan facility
___	___	Country club
___	___	Racetrack or other facility used for gambling
___	___	Store whose principal purpose is the sale of alcoholic beverages for consumption off premises
___	___	Development or holding of intangibles for sale
___	___	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. Please Provide the Following Documents

- Board Resolutions approving the NMTC Transaction
- Articles of Incorporation
- By-Laws
- Documented EIN
- NMTC Business Tests Documentation
  - Gross Income Sources
  - Tangible Property Outside of LIC
  - Services Offered both inside and outside of LIC
  - Collectables/financial assets – identify if any
  - Non-qualified financial property (debt with over 18 months maturity date, partnership interests, stocks)

**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**

**Financial Structure**

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

**Narrative:**

2. What level of commitment has the project received for each source of capital? (e.g., term sheets/commitment letters, committee or board approvals, public approval processes). Please describe the projected timeline for coordinating all other sources of funds.

**Narrative:**

### Project Proforma Details

In order to better understand the project level financing, please provide the basic proforma or underwriting details for each of the sources of capital detailed above, or attach a proforma analysis.

Financing assumptions:

Net Operating Income: \_\_\_\_\_  
Loan amount: \_\_\_\_\_  
Interest Rate: \_\_\_\_\_  
Amortization: \_\_\_\_\_  
DSCR: \_\_\_\_\_  
Cap. Rate: \_\_\_\_\_

Project assumptions:

Lease term (years): \_\_\_\_\_  
Lease status (LOI's, executed leases). Please describe:

### 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.

3. 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:**

4. What value will the tax credits bring to the project? **(include specifics for increased community impacts, project enhancements or improved credit underwriting)**

**Narrative:**

**Part V: Description of Community Impact**

**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 revitalization plan 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 the governmental unit?

**Narrative:**



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

**Narrative:**

5. Is the project creating net new jobs in the area that can be filled by local residents?

**Narrative:**

**Number of permanent jobs likely to be created:**

- a. To the extent there are new jobs likely to be created at the facility; what percentage of these jobs are likely to be available to local residents and/or low-income residents? \_\_\_\_ Describe the nature of these jobs.

**Narrative:**

- b. Is the project likely to purchase from local suppliers or generate increased economic activity among local businesses? If so, describe the impact.

**Narrative:**

6. Will the project provide vital community services to residents of the low-income community (grocery store where one doesn't exist, day care for workers in the area, cultural venue, etc.)?

**Narrative:**

- a. What enhanced or additional goods or services will be available to the community? (daycare slots, patients served, etc):



7. What sort of niche will the project fill for the community?
  
  
  
  
  
  
  
  
  
  
8. Does the project provide space for locally owned, minority or women-owned businesses or non-profit tenants? Is there an explicit set-aside for such tenants?
  
  
  
  
  
  
  
  
  
  
9. Does the project create environmentally sustainable outcomes through green building concepts, location near mass transit, adaptive reuse of existing building or materials, etc.? Will the building be LEED certified?





**Contacts:**

Please send completed questionnaire to:

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