



April 23, 2024

Mr. Christopher Allison
Program Director, NMTC Program, Community Development Financial Institutions Fund
U.S. Department of the Treasury
Washington, DC 20220

Re: Comments NMTC Program draft Calendar Year (CY) 2024 Allocation Application

Dear Mr. Allison,

Thank you for the opportunity to comment on the changes proposed to the calendar year (CY) 2024 Allocation Application.

Evernorth, as the parent of the Controlling Entity of Evernorth Rural Ventures, a designated Rural Community Development Entity (CDE) and seven-time New Markets Tax Credit (NMTC) allocatee serving Northern New England, appreciates the opportunity to comment.

We request the CDFI Fund release a revised draft after this initial public comment period that includes changes it accepts from commenters to allow for further public comments, similar to the process when it submitted the CY 2021 application for public comment.

We look forward to working with you to maintain the NMTC as one of the most efficient and effective federal economic development initiatives. Our comments follow.

PART 1: BUSINESS STRATEGY

INNOVATIVE INVESTMENTS (QUESTION 19)

We request that the CDFI Fund consider alternative approaches for directing more capital to Deep Distress census tracts, other than the use of Question 25b as proposed. These could include moving Question 25b to Question 19, creating a carve-out to increase allocation size for CDEs who target Deep Distress census tracts, and/or designing a program specifically to serve these exceptionally high poverty areas. Alternative approaches provide CDEs flexibility to tailor their business strategies to the specific needs of their service areas.

With this comment we express strong support for directing more capital to Deep Distress, High Migration Rural Counties and U.S. Territories, and Federal Native Areas.

We commend the CDFI Fund's efforts to boost NMTC activity in areas historically underserved, including Native communities and U.S. territories, and applaud the CDFI Fund's continued efforts to drive NMTC investment into communities with levels of economic distress exceeding the statutory requirements. According to NMTC survey data, in 2022, more than 80% of NMTC projects were located in areas of

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severe distress, as defined by the NMTC application. However, we strongly oppose directing more NMTC investment to Deep Distress census tracts by means of the proposed Question 25b.

The Deep Distress priority area will dramatically narrow the geographic focus for the NMTC Program, contrary to its intent. Only 24% of all Low-Income Communities meet the proposed Question 25(b) distress criteria based on 2016-2020 ACS Data. These Deep Distress tracts are home to only 21% of the population that resides in NMTC-eligible tracts nationally. **Deep Distress tracts are disproportionately located in metropolitan areas.** Nationally, nearly twenty percent (19.6%) of NMTC-eligible tracts are in non-metropolitan counties, but only 12.4% of Deep Distress tracts are in non-metropolitan counties. Just 15% of all non-metro NMTC-eligible tracts meet the Deep Distress standard.

Due to the intensely competitive nature of the NMTC application process, if the proposed Question 25b were implemented, CDEs must behave as if committing to a high percentage of investments in Deep Distress tracts is a requirement for scoring highly enough to receive an NMTC award. This will necessarily result in a dramatic contraction in regions served; many projects that would change the life trajectory for people living in poverty or with very low incomes will no longer be able to attract the NMTC capital that they need to move forward.

While increasing investment in areas of Deep Distress as an anti-poverty strategy is important, given the competitive nature of NMTC awards referenced above, this focus will be accomplished at the expense of census tracts also containing large numbers of people in poverty, but a slightly lower percentage (25% - 39%). It is likely to drive poor location decisions, i.e., a community health center that cannot expand without NMTC subsidy and so locates a new facility away from public transportation and the community's retail/service district to an industrial area that happens to meet the 40% criteria. **It also promises to drive investment away from many low-income non-metropolitan counties, areas that the Fund modified the program to better serve early on (in order to achieve 20% parity).**

Likewise, within Evernorth's Rural CDE service area, only 14% of the eligible NMTC census tracts meet the proposed Deep Distress criteria -- 83% of which are in metropolitan tracts. Only 6% of non-metropolitan counties in our service area would qualify under Deep Distress, yet we know the needs are great, including many areas with high rates of opioid overdose, addiction, domestic violence and family disruption; widespread loss of manufacturing jobs in the farm and forest products industry; a high proportion of low-wage jobs combined with the high cost of transportation and a lack of affordable child care that drive low labor force participation; low educational attainment; high rates of chronic illness; and intergenerational poverty. These are areas that the NMTC program was designed to serve, but because the census tract in which they are located does not meet the Deep Distress criterion, they will de facto no longer be served if the proposed Question 25b is implemented.

The Fund's distress criteria and the structure of Question 25 already does a good job of directing investment to areas with large populations experiencing severe distress. The proposed change would dramatically shrink the number of census tracts and, in all likelihood, the number of people living in poverty served program-wide and the number of quality, high-impact projects available for NMTC investment, as CDEs search for projects in a very limited geographic area.

Alternatively, if the Fund wishes to provide applicants with incentives to direct more NMTC capital to Deep Distress census tracts, we believe that doing so through Question 19 and/or creating a carve-out that increases allocation size for CDEs committing to higher percentages of Deep Distress would strike a

better balance across all program priorities and enable CDEs to continue to direct capital to high impact activities in a greater number of high-need geographies, in keeping with the program’s original intent. We believe these comments will keep the targeting of QLICs simple without losing the chance for underserved low-income communities to attract NMTC investments that create the conditions and the opportunities for Low-Income Persons to thrive.

GLOSSARY OF TERMS:

DISADVANTAGED BUSINESSES

We ask that the CDFI Fund reconsider the proposed definition change to Disadvantaged Business and strongly request the continued use of the definition in place since program inception:

A business that is (a) located in a Low-Income Community; (b) Low- Income Person-owned or - controlled; or (c) a business that has inadequate access to investment capital.

We support the inclusion of nonprofit organizations in the above definition. If so, we request specific clarification of the ‘primarily serving Low-Income Community residents or Low-Income Persons’ reference within the new definition in order to interpret eligibility, should the word ‘primarily’ carry through in the defined term.

However, removing “a business that has inadequate access to investment capital” would significantly restrict the scope of what constitutes a Disadvantaged Business, adversely affecting most CDEs/CDFIs committed to supplying capital to businesses lacking sufficient access to financing.

If the CDFI Fund believes the old definition is too broad, we suggest the following revision: “a business that has inadequate access to **conventional** investment capital.”

Changing the definition as you have proposed in #1 (a), (b), and (c) specifying a Persistent Poverty County, NMTC Native Area, or U.S. Territory will disrupt **19 years** of CDEs’ work, negatively impacting CDEs with long track records of serving Disadvantaged Businesses and diluting the accuracy of information collected and reported by CDEs to the Fund as data will no longer be apples-to-apples, thus weakening the quality, utility, and clarity of the information collected by the Fund and burdening respondents with the shift. Narrowing the definition will also exclude high impact job creation projects in severely distressed Low-Income Communities that do not fall into the proposed very specific location categories, counter to the original intent of the NMTC program.

If the intent of the CDFI Fund is to encourage investment in areas of Persistent Poverty County, a NMTC Native Area, or a U.S. Territory, the criteria could be incorporated into the list in Question 25a.

Additionally we do not find the use of defining Disadvantaged Businesses as those with annual revenues not exceeding \$100,000 at the time the loan or investment was closed applicable to the types of businesses predominantly served by the NMTC Program and CDEs. Very few NMTC-financed businesses have revenue under \$100,000. Even through a loan pool structure, the NMTC program is not suited to support businesses of that size. This definition is not realistic or desirable for NMTC projects, especially considering that businesses of this size cannot generate the high impact, significant number of quality jobs that the CDFI Fund desires as outcomes from this program. Moreover, numerous federal and state

programs already focus on the support of very small businesses. We ask for removal of this qualifier within the definition of Disadvantaged Business.

Should the CDFI Fund wish to make a change to this definition, we urge the Fund to delay implementation of the definition change to the CY 2025 allocation application (and to grandfather the previous definition for data through the CY 2024 allocation application) to give sufficient time for CDEs to modify their business strategies to remain competitive.

TABLE A5

We suggest adding “Childcare” as a business type with the others in the list within Table A5 Proposed Transactions.

PART 2: COMMUNITY OUTCOMES

AREAS TO BE SERVED BY THE APPLICANT (QUESTION 25)

In addition to the comments on proposed Question 25b in the first three pages above , we would like to offer the following further comments with respect to Question 25.

Distress Factor 10: Medically Underserved Areas

We support the proposed change in the Medically Underserved distress criterion (#10 in the list) to add the concept of Healthcare Professional Shortage Areas (HPSAs). We would recommend clarifying that the project in question must increase the availability of the type of care for which the HPSA designation is relevant (HPSAs are specifically for Primary Care, Dental Care, and Mental Health).

We suggest adding one more path to qualify as distressed under this factor: if a project falls into a geography that has been designated as having a Medically Underserved Population (MUP) by HRSA, and the project will provide meaningful new or expanded health services to that specific population. For example, if the tract is designated as falling into an MUP zone for the homeless population, a homeless-focused healthcare project could qualify as distressed.

Distress Factor 12: Healthy Foods Access

We recommend against the apparent narrowing of the definition of this distress criterion to just include census tracts designated as LI/LA areas under the USDA-ERS mapping system. We are also aware that the USDA-ERS mapping tool for LI/LA areas uses an outdated dataset (2019), dating to before the COVID-19 pandemic.

The previous wording mirrored the Healthy Food Financing Initiative (HFFI) definition, which provided more ability to address context-specific factors and created consistency across CDFI Fund programs; we therefore request that the NMTC program adopt this definition for Food Deserts: *Distressed geographic areas where either a substantial number or share of residents has low access to a supermarket or large grocery store. For the purpose of satisfying this requirement, a Food Desert must either: (1) be a census tract determined to be a Food Desert by the U.S. Department of Agriculture (USDA), in its USDA Food Access Research Atlas; (2) be a census tract adjacent to a census tract determined to be a Food Desert by the USDA, in its USDA Food Access Research Atlas; which has a median family income less than or equal to 120 percent of the applicable Area Median Family Income; or (3) be a Geographic Unit as defined in 12 CFR part 1805.201(b)(3)(ii)(B), which (i) individually meets at least one of the criteria in 12 CFR part 1805.201(b)(3)(ii)(D), and (ii) 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 or philanthropic healthy food initiative.

Healthy Foods access-related projects are, on average, some of the most difficult business to finance given their low margins and the competitiveness/consolidation of the grocery industry. Additional flexibility to address localized food deserts would be helpful to bring NMTC financing to support access to healthy food in Low-Income Communities.

Distress Factor, Other: Suggested Addition: Persistent Poverty County

We recommend adding Persistent Poverty County (PPC) to the distress criteria list in Question 25. The CDFI Fund's proposal to include PPCs in the definition of Disadvantaged Business demonstrates awareness of the need for investments in these areas. Adding PPCs as one of the options in Question 25 would direct more NMTC investment in PPCs in the future.

OUTCOMES (QUESTION 26)

We request that applicants not be required to discuss Quality Jobs for temporary/construction jobs. In a given project, many construction jobs are very short term by their nature; it is neither realistic nor worthwhile yet it is highly burdensome to apply the Quality Job standard, track it and gather the relevant data. It also disadvantages smaller construction projects and equipment and working capital-oriented QLICs.

We request that applicants not be required to provide third-party metrics for Question 26(a)(5), Community Goods and Services, as it is not realistic to identify appropriate metrics that reflect the unique services, combinations and space uses of the range of different projects in this category. Because of these unique variances that affect almost all community services projects, the projected impact numbers provided by project sponsors (guided by their first-hand experience and knowledge of their own space needs and uses) are usually more relevant and reliable than a standard metric could be. However, applicants often must adjust these sponsor-projected numbers to align with a metric that does not reflect how the space is actually used.

If metrics remain required, we recommend that applicants with Multi-Service Community Organization (MSCO) projects in their pipeline not be required to provide third-party metrics. Currently, high impact projects are unable to obtain NMTC financing because of the design of the Application.

COMMUNITY ACCOUNTABILITY (QUESTION 27)

The revised application asks CDEs to describe “How the Applicant uses data to demonstrate the needs of the communities in which the Applicant intends to invest.”

Congress created the NMTC to drive investment to communities underserved by conventional forms of financing. Low-income areas often suffer from a scarcity of quality economic data, sometimes due to the prevalence of informal economic activities. This new requirement disadvantages CDEs serving communities with significant gaps in federal financial data.

We propose the following alternative language: “How the Applicant uses data, both qualitative and quantitative data, including data provided or obtained by a Tribal organization or Native communities, to demonstrate the needs of the communities in which the Applicant intends to invest.”

Additionally, we strongly recommend against the proposed elimination of Track Record Alignment with Community or Economic Development Strategies previously included in Question 27(c). The template retains Question 27(d), which asks the applicant to discuss how proposed investments align with community or economic development strategies.

Throughout the application, CDEs are asked to outline planned activities and discuss how they have supported such activities in the past. We believe this structure is logical because it helps hold applicants accountable and supports the credibility of their forward-looking statements.

PART 3: MANAGEMENT CAPACITY

The revised application reduces the character allocation for most questions in the Management Capacity section. While we appreciate the spirit of these changes, fitting an appropriate narrative within a too-small character count is time consuming. Please do not reduce any of the character allocations in the application.

PART 4: CAPITALIZATION STRATEGY

We request clarification on the circumstances in which a CDE with a past allocation would be required to provide investor letters. The proposed notes for Question 36(a) suggest that an applicant must submit documentation demonstrating proof of the interest of the equity investors and debt providers if it intends to secure investments from partnership entities that will leverage non-Equity Investments (e.g., debt, grant dollars) from outside of the partnership to increase the tax credit yield for members of the partnership.

Please confirm that such documentation is only required pursuant to Q37(a), if an applicant received QEIs from investors in amounts less than the Allocation request in Question 1 between January 1, 2019, and the release date for the NMTC Allocation Application (specified in the NMTC Application FAQ document).

CONCLUSION

Thank you for considering our comments and we very much appreciate the opportunity to provide an opinion of the proposed changes. We are eager to assist in any further discussions regarding the revision process.

Sincerely,



Beth Boutin
Vice President