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March 10, 2017

VIA ELECTRONIC MAIL

Mr. Robert Ibanez, NMTC Program Manager  
Community Development Financial Institutions Fund  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

RE: CY 2018 NMTC Allocation Application Comments

Dear Mr. Ibanez:

Thank you for the opportunity to provide comments on the draft CY 2018 NMTC Allocation Application. Please find, enclosed, our comments to the draft application. We appreciate the CDFI Fund's review and consideration of our comments. Thank you for your and your team's dedication in managing and improving the New Markets Tax Credit program. Should you have any questions about our comments, please do not hesitate to reach out to me at [boxford@cahec.com](mailto:boxford@cahec.com) or 919-532-1796.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Brian S. Oxford', with a stylized flourish at the end.

Brian S. Oxford  
New Markets Manager  
CAHEC New Markets, LLC

Enclosure: 1



**CAHEC New Markets, LLC's  
Comments to the CY 2018 NMTC Allocation Application**

**Applicant Information**

- 1) The inability to print the signature page until after the application is submitted and the inability to change the Authorized Representative are potentially administratively burdensome given that the Authorized Representative must be present to sign after the application is submitted. Several examples of when this could present an issue include:
  - The Authorized Representative has travel scheduled prior to the application release that corresponds with when the application would be submitted (likely at the end of the deadline). This would prevent signing within the given time frame.
  - The application is submitted and subsequently the Authorized Representative has an emergency and is no longer able to sign. This could cause the application to be rejected due to the inability to print the signature page prior to submission or to be able to change the Authorized Representative post-submission.

We encourage the CDFI Fund to consider flexibility on when the signature page is printed and/or the ability to change the Authorized Representative (in the case when there may be more than one) after application submission.

**Part I: Business Strategy**

- 1) Question 14(b) – The second bullet requests, “a brief description of the rates and terms that will be offered...” Using the typical leverage deal structure, the QLICI loan rate and some other terms will not be known at the application stage. Assuming the applicant is presenting a general pipeline in Question 17, the applicant will likely not have transactions that are far enough down the structuring path to provide an accurate assessment of the QLICI rates. It is often the case that the interest rates will be set with the A loan mirroring the leverage debt and the B loan with no or a minimal interest rate. These are blended into one rate. Typically, at pipeline stage, the leverage debt rate is not known so it is difficult to anticipate and report a realistic interest rate for this question.
- 2) Table A5 Instructions – The instructions are as follows:

**Instructions for Table A5:** Applicants must complete Table A5 for each transaction **it intends** to finance with the requested NMTC Allocation. The sum of the Total Applicant QLICIs (row h) for all transactions listed in Table A5 must correspond to the total amount of NMTC Allocation requested in Question #1.

Using the words “it intends” (as highlighted) may lead to an interpretation that an applicant must finance the projects in Table A5. Since this table is meant to present both a discrete as well as general pipeline, the instructions seem to push towards having to invest in the transactions even if a general pipeline is presented.

- 3) Table A5(e) Underwriting Status – We encourage the development of definitions to help differentiate the three categories – Identified, Partially Underwritten, and Fully Underwritten. With just more than a cursory review, an applicant may determine that Partially Underwritten may be a justified response as opposed to Identified.

Further clarification on if there is a ranking preference/scoring factor for selecting one of the Underwriting Statuses would be appreciated.

- 4) Table A5(m) Business Type – Please consider adding mixed-use real estate with rental residential units to this list as it does not appear that there are adequate combinations of multiple checkboxes to document this type of project.
- 5) Table A5(n) Planned Uses of Financing – Please consider modifying or clarifying that Acquisition means for real property (I’m assuming that is the intention since equipment purchase is a separate option).
- 6) Table A5(p) Targeted Community Outcomes – Since these tie to the categories in Question 25, please consider adding additional categories for the optional create your own categories in Question 25.

## **Part II: Community Outcomes**

- 1) Question 25(a) – Due to the limited character count and the level of detail needed for each response category, for the quantitative outcomes such as job creation it would be helpful to have a suggested standard format for total number of outcomes and those that are prorated. For example, # total jobs/# prorated jobs, e.g. 200 job/100 jobs. This would help with character count reduction and possibly help reviewers compare across applications during review.

## **Part III: Management Capacity**

- 1) Question 32 – Please consider changing this to a yes/no check box. For applicants/controlling entities that are not regulated, the current format requires a short response saying that the entity is not regulated. A check box with a narrative for the “yes” responses would be more efficient.
- 2) Question 33(c) – The wording of this question requiring a description of the “corrective action being taken” seems punitive and presents an applicant with negative cash flow in a negative light. The CDFI Fund, in Question 70 of the Q&A from CY 2015-2016, acknowledges that income and expenses vary and profits in one year may offset deficits in later years. With competition for allocation being so strong, there may be a year or two that

an applicant does not receive an allocation which causes cash flow to be negative and covered by other resources. Receiving future allocation, while corrective, doesn't seem to get at the point of the question which we assume is to determine if there is a systemic issue with the applicant as opposed to business cycle ups and downs.

- 3) Table D2 – The table, as currently presented, appears to limit an applicant's ability to be innovative in structuring transactions. For example, an applicant may require a charitable contribution for LIC-serving purposes be made by the investment fund or by the applicant sub-CDE out of QEI proceeds. Would a charitable contribution such as this be considered a fee? If so, the table should be refined to include flexibility.
- 4) Table D3 and Question 33(f) – The instructions state to complete Table D3 based on the projected activities in Exhibit B. In this application, Exhibit B are the track record tables. It appears that this should reference Exhibit A.
- 5) Tables D2, D3, and Question 33(f) – The fees and budget are requested to be presented based on the requested allocation. In many cases, allocatees receive allocation awards that are less than the amount requested. For each applicant, there is a baseline cost for running a NMTC program and as allocation decreases so does fee earned since it is based on a percentage. We request the CDFI Fund consider that applicants may have a flexible fee schedule that adjusts with the allocation award. One option to consider, is that if the allocation award is less than the requested amount, an allocatee has the ability to increase the fee percentage but the actual fee received does not exceed the fee presented based on the full allocation request.

#### **Part IV: Capitalization Strategy**

- 1) Question 38 – The tip, shown below, uses the words “appropriate sharing” which is very subjective wording. Please consider revising this tip.

**TIP:** The CDFI Fund expects *Applicants* to quantify this information and to be able to demonstrate that there is **appropriate sharing** between the investor, CDE, and borrowers/investees.

#### **Part V: Information Regarding Previous Awards**

- 1) Question 43(a) – This question seems like it could be revised to be input into a table format. Also, it is unclear how much detail is needed for the response. For example, should an applicant list the project names and their QEI/QLICs or should it all be aggregated for each allocation award?