

MAY 13-15,

**09**

REZNICK GROUP'S

# 8th Annual New Markets Tax Credit Summit

Loews Miami Beach Hotel, Miami, FL

2009 CONFERENCE SERIES



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## The Do's and Don'ts of Preparing a NMTC Allocation

Gary Perlow, CPA  
Principal, Reznick Group

# Top Ten Debriefing Comments

- Where do these come from?
- How meaningful are these comments?
- Are reviewers consistent?

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# Debriefing Comment #1



Your historical track record does not support your allocation request (volume and types of activity)!

# Recommendations for Debriefing Comment #1

- Stay within your box.
- Evaluate your historical track record from a timing perspective.
- Understand difference between real estate vs. business activities.

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## Debriefing Comment #2

You failed to provide a explanation of how your flexible product terms compare to  market rate terms!

# Recommendations for Debriefing Comment #2

- Must “quantify”, where possible.
- Make sure market terms are reasonable.
- No need to hit all 13 flexible term indicies.
- Make sure items you check off are consistent with other parts of application (e.g. origination fees).

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# Debriefing Comment #3

Your project pipeline is inconsistent with your proposed business strategy!



# **Recommendations for Debriefing Comment #3**

- Present projects that are reflective of strategy as it relates to metro vs. non-metro, size of transaction, type of business/real estate, etc.
- Note higher distress indicies, total cost of project and NMTC portion, brief sentence or two on impact.
- Limit each project write-up to one paragraph.

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# Debriefing Comment #4

Applicant provided little detail relating to its action plan to identify investments in LICs!

# Recommendations for Debriefing Comment #4

- Highlight your outreach initiatives (relationships with municipalities/planning groups, CDCs, CDFIs, non-profits, community groups, etc).
- Explain the role of your Board's LIC reps in this process (how they interact with community).
- Explain the community tie in to one or two examples in pipeline.
- Think grassroots!

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# Debriefing Comment #5

The methodology used to support your quantitative job creation projection is not clear! 🗣️

# Recommendations for Debriefing Comment #5

- Where possible cite industry source used to derive projections (bureau labor statistics, industry surveys/publications, software tools, etc.).
- If there is historical data in your own portfolio this is a good source (must explain how projected portfolio is similar in nature to existing portfolio).
- Make it simple!

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# Debriefing Comment #6

The basis for approving investments does not include an analysis of the community  impact benefits!

# Recommendations for Debriefing Comment #6

- The loan committee should have some methodology to score community impact as part of approval process (set benchmarks, if possible).
- The initial loan application should have a section and criteria relating to impacts (if not sufficient disqualify applicant).
- Provide a brief narrative explaining criteria.

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# Debriefing Comment #7



The applicant did not adequately demonstrate its internal capacity to manage this additional funding!

# Recommendations for Debriefing Comment #7

- Almost always state you are committed to expanding your staff.
- Explain how your existing infrastructure can help absorb this additional activity.
- Address current software/IT systems.

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## **Debriefing Comment #8**

The applicant did not clearly demonstrate that it grasps the requirements of the NMTC program (relates to compliance management question)!

# Recommendations for Debriefing Comment #8

- Question is critical if there is no prior tax credit experience and resumes/Table D are not strong.
- Address your compliance systems (both initial underwriting criteria, ongoing compliance management and reporting).
- Assign a compliance manager and discuss their responsibilities.
- Great opportunity to sell reviewer that you made an investment to understand program.

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# Debriefing Comment #9

The Board's LIC representatives do not appear to be actively involved in the design, implementation and monitoring of the NMTC program!

# Recommendations for Debriefing Comment #9

- Address how frequently the Board/Advisory Board will meet.
- Address number of LIC reps on the Board and their roles.
- If utilizing Advisory Board, “must” explain interaction with governing Board.
- Address level of input LIC reps will have relating to management decisions.
- Have a LIC rep on loan approval committee.
- To degree LIC reps had input on anything you have done to date, so state.

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# Debriefing Comment #10

Tables in application inconsistent with narrative and inconsistent within themselves! 📢

# **Recommendations for Debriefing Comment #10**

- Make sure you fully understand the Tables.
- Review Q & A “closely” and read tips
- Tie Tables back and forth.
- Once complete tie every number into narrative and percentage to Tables.

## **Reznick's Top Twelve Recommendations to Prepare a NMTC Application**

- Pick a quarterback to spearhead writing and coordination of application.
- Make sure, before you begin, you are a viable candidate (evaluate your track record).
- Start early, especially if first time applicant.
- Decide early on if applying as a stand alone CDE or need a controlling entity.
- Review NOAA, Q&A and Application “thoroughly”!
- Make sure you have the ability to retain investor commitments/LOIs.

## **Reznick's Top Twelve Recommendations to Prepare a NMTC Application**

- Do not have too many people involved in the process of drafting the application.
- Decide on a strategy up front and begin to assemble pipeline early on.
- If you have “any” questions regarding the application contact CDFI Fund, don't make assumptions.
- Leave time before due date to have someone do a “final” read and tie narratives to Tables and make sure you respond to each bullet point.
- Stay within your box, don't propose to do something you have not done to date.
- Short, sweet and direct will be looked at favorably.