

Ohio

New Markets Tax Credit 2013 Application

Preserving. Sustaining. Transforming.



**Development
Services Agency**

John R. Kasich, Governor

David Goodman, Director

Ohio New Markets Tax Credit Program

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General Application Instructions and Style Guide

This document provides guidance on what information and documentation are required for an application to the Ohio New Markets Tax Credit (ONMTC) Program. Please read all instructions carefully before compiling your application and contact the Office of Redevelopment at ohionewmarkets@development.ohio.gov or (614) 995-2292 if you have any questions about the application.

- The application is available online at http://development.ohio.gov/cs/cs_onmtcredit.htm.
- **Fill out the application electronically** and print out for submission with the original signature of the authorized representative for the applicant, along with any attachments required.
- Only **original signatures of the applicant's authorized representative** will be accepted.
- **Applicants must provide the following:**
 - » One completed original application in hard copy form;
 - » One electronic copy of the application submitted via email or on a compact disc (no flash drives); and
 - » An application fee in the amount of \$1,500 made out to 'Treasurer, State of Ohio'.
- You may submit forms and payment via U.S. mail, delivery service or in person to:
Ohio New Markets Tax Credit Program Manager
Ohio Development Services Agency, Office of Redevelopment
77 S. High Street, 26th Floor
Columbus, Ohio, 43215
- Any applications received after the last day of the submission window will not be considered.

For the original application submission:

- Applications must be submitted in three-ring binders only.
- Each section of the application must be tabbed to delineate Parts A, B and C of the application.

For electronic application submission:

- Submissions should include this application document, completed, and all attachments as listed on page 34.
- Each document should be labeled with the name of the applicant followed by the name of the document, or attachment number if applicable (applicant XXXX: attachment 2.3).
- Attachments can be any Microsoft, Adobe or other common application types.

Round 4 Timeline

The following dates are important deadlines for Round 4 of the ONMTC Program:

- » **Application Period Opens:** April 1st, 2013
- » **Applications Due:** May 20th, 2013
- » **Application Review Period:** May 20th - June 10th, 2013
- » **Award Announcement:** June/July 2013

Program Objectives and Allocation Decision

As permitted by Ohio Administrative Code 122: 22-1-02, credit allocation decisions by the Ohio Development Services Agency (Agency) will be based upon the competitive process which includes the scoring outlined in this application in conjunction with consideration for program objectives such as geographical distribution, a diversity of financial offerings, the emphasis on projects within developed areas and the number of and balance of types of organizations to be funded.

In addition, the following goals of the Agency's strategic plan may also be used to guide the decision-making process:

- Encourage investment in Ohio's small and minority businesses
- Focus Ohio's community investment programs on job creation and community reinvestment

PART A - Eligibility Criteria

1. Applicant Certification Form

I hereby certify to the state of Ohio, through the Ohio Development Services Agency, that I hold the position and title set forth below and that I am duly authorized by the applicant to submit this application for Ohio New Markets Tax Credits. The information provided by the applicant is true, correct, and complete. The Ohio Development Services Agency will rely on the information provided in this application to make a determination with respect to an award of economic development assistance, and I acknowledge that certain false statements made in this application may subject the applicant to criminal liability and failure to provide requested information may cause the applicant to be ineligible to receive this or any future economic development assistance from the state of Ohio.

Authorized Representative's Signature:

(Original Signature only)

Date: _____

Print name of Authorized Representative: _____

2. Tax Information and Disclosure Form

Explain any outstanding financial liabilities the applicant has with state or local governments in Ohio. Whether or not the amounts are being contested in a court of law, does the applicant or the applicant's organization owe:

Any delinquent taxes to the state of Ohio (the state), a state agency or a political subdivision of the state?

Yes
 No

Any other monies to the state, a state agency or a political subdivision of the state that are past due?

Yes
 No

Is the applicant the subject of any existing tax lien?

Yes
 No

If the applicant answered 'yes' to any of the above, please provide details of each instance including, but not limited to, the location, amounts and case identification numbers (if applicable).

Signature

Date

Applicant Name/Title

3. Qualified Areas

Low-Income Communities (LIC) are census tracts that have a poverty rate (as defined by the U.S. Census Bureau) of 20 percent or more, or the median income is below 80 percent of the greater than (a) statewide median income or (b) metropolitan median income.

Will the applicant invest in qualified areas with the ONMTCs?

Yes
 No

4. Qualified Applicants

Eligible applicants are Community Development Entities (CDEs) which have been allocated federal New Markets Tax Credits serving Ohio. The Ohio new markets tax credits are provided to investors which invest in the funds established by a CDE for projects in Ohio.

Is the applicant certified as a CDE by the Community Development Financial Institutions (CDFI) Fund?

Yes
 No

Has the applicant been allocated New Markets Tax Credits from the federal program and entered into an allocation agreement with the CDFI?

Yes
 No

5. Remaining Federal Allocation

In order to be eligible for the ONMTC Program, the applicant must have all or part of their federal allocation remaining in order to pair the federal investment with the Ohio allocation.

Does the applicant have federal allocation dollars yet to invest?

Yes
 No

If yes, what is the dollar amount? \$ _____

PART B - General Applicant Information

1. Contact Information

AUTHORIZED REPRESENTATIVE CONTACT INFORMATION

Name: _____

Title: _____

Mailing Address: _____

Telephone Number: _____

Fax Number: _____

Email Address: _____

CONTACT PERSON INFORMATION (IF DIFFERENT THAN AUTHORIZED REPRESENTATIVE)

Name: _____

Title: _____

Mailing Address: _____

Telephone Number: _____

Fax Number: _____

Email Address: _____

APPLICANT INFORMATION

Name: _____

Address: _____

Phone Number: _____

EIN: _____

Structure: _____

Domestic Corporation? or Partnership?

Date of formation or incorporation: _____

Total assets: \$ _____

Fiscal year end (date): _____

Minority-owned? or Minority-controlled?

CONTROLLING ENTITY INFORMATION

Name: _____

Address: _____

Phone Number: _____

EIN: _____

Structure: _____

Total Assets: \$ _____

Minority-owned? or Minority-controlled?

Note: For definitions of minority-owned and minority-controlled, please reference the Glossary of Terms section of the 2012 federal New Markets Tax Credit Application.

2. Allocation Request *Note: Applicants may request no more than \$10 million.*

Total dollar amount of ONMTCs requested in this application:

\$ _____

MINIMUM allocation of ONMTCs applicant will accept:

\$ _____

3. Service Area

What type of service area will the applicant serve? (Check one)

Statewide

Local (neighborhoods, cities, a county or metropolitan area)

If local, please identify the area to be served: _____

4. Adjusted Purchase Price

As defined in section 5725.33(A) of the Revised Code, "Adjusted Purchase Price" means the amount paid for qualified equity investments multiplied by the qualified low-income community investments made by the issuer in projects located in this state as a percentage of the total amount of qualified low-income community investments made by the issuer in projects located in all states on the credit allowance date during the applicable tax year.

Is the applicant CDE a solely Ohio-based entity?

Yes

No

Will the parent CDE form a solely Ohio-based subsidiary?

Yes

No

What will the applicant's anticipated Adjusted Purchase Price be? (percentage) _____

5. Financial Background

If the applicant is an insured financial institution, provide Community Reinvestment Act ratings below:

- Not an insured financial institution
- Outstanding
- Satisfactory
- Needs to improve
- Non-compliance

Has the applicant undergone an audit in the last fiscal year?

- Yes
- No

If no, when was the applicant's most recent audit? _____

In the most recent audit, did the auditor issue an unqualified opinion?

- Yes
- No

Has the applicant shown net positive income for each of the last three years?

- Yes
- No

Does the applicant expect to achieve profitability in each of the next three years?

- Yes
- No

If the applicant answered "no" to any of the above, please provide an explanation for the answer with any appropriate documentation.

6. Products Offered

What are the specific products that the applicant intends to offer with an ONMTC allocation?
(Check all that apply)

- Equity Investments
- Equity Equivalent terms and conditions, including debt with equity features (e.g. debt with royalties; debt with warrants; convertible debt)
- Senior debt
- Subordinated debt

For each major product line checked above, which of the following flexible or non-traditional features does the applicant intend to offer?

- 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

Include a brief description of the rates and/or terms that will be offered and explain how these rates and terms compare with what is typically offered by the applicant and typically offered in the marketplace. (p.10-11)

6. (continued)

PART C - Evaluation Criteria

Instructions: Please enter answers to the questions in this section directly into the form. Read through all questions before answering to minimize repetitive answers. Note that some questions have page limits.

1. Business Strategy (35 points total)

1.1 Business Model (15 points)

What is the applicant's business model? How do they leverage the tax credit investment?

a. Briefly describe the defined business model the applicant will use for investing Ohio new markets tax credits. Discuss how ONMTCs will enhance the applicant's product offerings through leveraging additional sources of funds such as additional public or private loans or equity. (p.12-13)

a. (continued)

1.2 Project Identification (10 points)

How does the applicant locate, prioritize and determine which projects to invest in?

a. Briefly describe the specific types of investments the applicant will target with ONMTCs and why this funding is critical for these borrowers (examples may include renewable energy opportunities, business expansions, small business lending, historic building rehabilitations, brownfield redevelopment, healthy food financing or other business investment activities).

b. Specify who will be involved in the decision-making regarding project location, prioritization and investment. In addition, discuss the specific criteria the applicant will use to prioritize potential investments and how the applicant will select investments. (p.15-16)

b. (continued)

1.3 Project Pipeline (10 points)

What projects does the applicant plan on investing in with the ONMTCs? Does the applicant have an identified pipeline of qualified projects that will more than fulfill the requested tax credit allocation authority?

Data Summary:

Number of pipeline projects _____

Total dollar amount of Qualified Equity Investment (QEI) proceeds that will be invested in the projects by the applicant's organization (projected) _____

a. List the projects in the applicant's pipeline for ONMTCs. Include the total dollar amount of QEI that is projected will be put into each project listed. Total investments in the identified pipeline projects should **represent more than double the applicant's requested allocation**.

*Please keep in mind that a \$1 million tax credit allocation authority requires \$2,564,102 in QEI ($\$1,000,000 = 2,564,102 \times 39$ percent).

Therefore, if the applicant is requesting \$1 million in tax credit allocation authority, the list of potential projects needs to demonstrate \$2 million in tax credits requested (\$5,128,205 in QEI) to be more than double the requested allocation authority.

b. Briefly describe the projects named above (no more than one paragraph per project), making sure they meet the definition of a Qualified Active Low-Income Community Business (QALICB) as defined in the Ohio Revised Code (ORC) Section 5725.33. Include end uses for each project listed. (p.18-19)

b. (continued)

c. Please complete the chart below regarding the projects listed in 1.3(a).

Name of project:	Current Status ¹ :	Anticipated date for project closing (cannot be more than twelve months from date of allocation):

¹Current Status:

Committed - The CDE has committed to the project and fully negotiated the terms and amount of NMTC financing pending approval of the ONMTC application.

In Negotiation - The CDE has preliminarily approved the project and is negotiating the terms and amount of financing.

Identified - The CDE has identified the project as a potential investment and is collecting additional information on the project prior to negotiating financial terms.

2. Community Impact (20 points total)

2.1 Severe Distress (5 points)

Will the applicant commit to invest in any of the following areas meeting Severe Distress measures?

Data Summary:

Percentage of pipeline projects (as listed in 1.3) that will meet at least one of the measures

a. Identify which of the three areas the applicant will invest in.

_____ High Poverty Level (Census tracts must have at least a 30 percent poverty rate)

_____ Median Family Income (Median family income does not exceed 60 percent of the greater of the statewide median family income or the Metropolitan Area median family income)

_____ Unemployment Rate (Unemployment rates are at least 1.5 times higher than the state average unemployment rate. Please use the December 2012 rate of 6.7 percent = 10.05 percent for this question)

b. List the projects identified in Question 1.3 "Project Pipeline" that you anticipate will meet these criteria. Specify which criteria they will meet and how. (p. 21-22)

To determine the distress level and eligibility for individual census tracts, please utilize the CDFI Fund Mapping System (CIMS) available at the following address:
http://www.cdfifund.gov/what_we_do/mapping.asp

The CDFI Fund Mapping System (CIMS) is available for geocoding addresses, mapping census tracts and counties, and determining the eligibility of census tracts and counties under the CDFI Fund's various program distress criteria. These criteria are the same as the Severe Distress criteria for the ONMTC Program with the exception of unemployment rate where the ONMTC Program uses the state unemployment rate for comparison rather than the national unemployment rate.

b. (continued)

2.2 Intended Community Impacts (15 points)

What community impacts will the applicant commit to achieve with the ONMTC allocation? How will the applicant achieve those impacts and track them over time?

a. Please identify from the list below the **top two** community impacts the applicant will target.

- Job Creation
- Quality of Jobs
- Jobs accessible to low-income persons or residents of low-income communities
- Goods or services to low-income communities
- Financing Minority Businesses
- Environmentally Sustainable Outcomes
- Healthy Food Financing
- Other (specify) _____

Note: For further details and explanation of the categories above, see Question #25 in the 2012 federal New Markets Tax Credit application (p.23-24).

b. Explain how the applicant will achieve the impacts chosen above in relation to the pipeline projects identified in 1.3, and how those impacts will be tracked and measured over time. (p.23-24)

b. (continued)

c. Describe the applicant's previous track record in achieving the targeted impacts mentioned in (a).

3. Management Capacity (25 points total)

3.1 Key Personnel (5 points)

Does the applicant have personnel with extensive previous experience in providing services to low-income communities and with New Markets Tax Credits, and have they demonstrated a strong ability to administer the funds?

a. Briefly describe the key personnel that will be involved in administering this program. Attach resumes or bios of personnel with extensive background and qualifications in providing services to low-income communities, and resumes/bios of personnel with extensive background and qualifications in administering New Markets Tax Credits as attachments. Provide **no more than five** total resumes/bios of the most important personnel involved in the applicant's New Markets Tax Credit investments.

3.2 Prior Performance in Low-Income Communities (10 points)

Does the applicant have sufficient experience providing capital assistance to disadvantaged businesses or communities?

Data Summary:

Number of years applicant has been providing assistance to disadvantaged businesses or communities _____

Total dollar amount of assistance provided to disadvantaged businesses or communities _____

a. Provide the applicant or Controlling Entity's experience with providing assistance to disadvantaged businesses or communities by describing programs or activities in which the applicant has provided financing or investment products for low-income communities. (p.27-28)

a. (continued)

3.3 Total dollar amount of Federal New Markets Tax Credits received (5 points)

Does the applicant have experience with New Markets Tax Credits as demonstrated through their total dollar amount of Federal New Markets Tax Credits received?

Data Summary:

Total dollar amount of federal allocations received to date _____

3.4 Number of Federal Allocations (5 points)

Does the applicant have experience with New Markets Tax Credits as demonstrated through their total number of allocations from the Federal New Markets Tax Credit Program?

Data Summary:

Total number of federal allocations received to date _____

4. Capitalization Strategy (20 points total)

4.1 Investors (5 points)

Does the applicant have secured investor commitments or letters of interest for their Ohio New Markets Tax Credit projects?

Data Summary:

Number of letters of commitment provided _____

Qualified Equity Investment amount included in letters of commitment _____

Number of letters of interest provided _____

Qualified Equity Investment amount included in letters of interest _____

a. Provide documentation that identifies the investor that will be using the ONMTCs. This can be through letters of interest and/or secured investor commitments (secured investor commitments are preferred). Documentation must specify that the commitment is for ONMTCs.

Note: Investor commitments and letters of interest should cover the QEI related to the allocation as opposed to the dollar amount of the tax credit. For example, if the applicant requests a \$4 million tax credit, documentation would be needed for \$10,256,410 in QEI ($\$4,000,000 / .39$).

b. Use the following table on page 31 to identify the investors, type of investment, dollar amount sought, status of request and estimated or actual date for receipt of funds.

Name of Investor	Type of Investment ¹	Dollar Amount Sought	Status of request ²	Estimated or Actual date for receipt of funds

¹Type of Investment = Debt, equity or grant
²Status of request = Investor provided **Commitment**; investor issued **Letter of Interest/Intent**.

4.2 Economic Benefits (15 points)

Will the applicant commit to ensuring a substantial portion of the tax credit and its ensuing benefits are received by the qualified low-income community business and the low-income community?

Preference will be given for responses that demonstrate maximum financial benefit to the qualified low-income community business and its end users.

a. Quantify as best you can, how economic benefits of the ONMTC allocation will be apportioned amongst:

- i.) the investors (equity and debt), through economic returns;
- ii.) the applicant (or its subsidiaries/affiliates), through economic returns (including fees);
- iii.) the QALICB investees/borrowers, through lower costs of capital;
- iv.) if applicable, the unaffiliated end users through lower costs.

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b. If the applicant generates a profit from its overall ONMTC activities, discuss how this profit will be used. (e.g. dollar amount or percentage of profit that will be distributed to investors or shareholders, support additional NMTC or non-NMTC low-income community investments, support other activities of the applicant or affiliates, etc.)

Application Checklist

- _____ Application fee of \$1,500 made out to 'Treasurer, State of Ohio'
- _____ One original hard copy of the application
- _____ One electronic copy of the application submitted via email or on compact disc

Attachments:

- _____ 3.1 - Key Personnel resumes/bios
- _____ 4.1 - Investor letters of commitment and/or interest