



## **ALBEMARLE HOUSING IMPROVEMENT PROGRAM**

### **Urban Precedent and Funding**

Global Sustainability, Fall 2011

Prof. Phoebe Crisman

Workshop Leader: Nick Wickersham

Team members: Saman Zomorodi, Kate Murtagh, Joseph Cacibauda

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## **ABSTRACT**

Our team was focused on precedent and financing on an urban level. The goal of our team was to find relevant examples that AHIP could apply to their project site on 10th and Page as well as to look at the national, state and local level for financing opportunities.

The first step in this process was to look at communities of a similar scale to Charlottesville and identify organizations doing housing works there. From this research we identified three communities as being particularly relevant to AHIP. They were Chattanooga, TN, Arlington, VA and New Orleans, LA. In Chattanooga, TN the Chattanooga Housing Authority is working on a project on Fairmount Avenue that is implementing numerous green features, which could be applied to AHIP's site, and the Chattanooga Housing Enterprise, which works more on rehabilitation. In Arlington, VA, the Arlington Affordable Housing Corporation (AHC) is developing affordable housing and apartments.

In New Orleans, LA we found the Pontchartrain Park Project. Although it is a new development due to the rebuilding of Katrina, there are plenty of process efficiencies that AHIP could potentially benefit from. Additionally, the Pontchartrain Park Project utilized a unique form of funding for their work, that AHIP and other local organizations could pursue to greatly benefit future projects. AHIP can also tackle the lack of affordable housing in Charlottesville by following the AHC's affordable apartment housing development. We looked at these aspects in hopes to better inform AHIP on the avenues that similar organizations have chosen to bring their goals to fruition.

We then analyzed the financing used on these projects as a springboard to looking at AHIP. Many of the financing we found were loans or grants. On the national level, it is suggested to AHIP to join NeighborWorks America, a nonprofit organization that provides grants and technical assistance to U.S. community development organizations. On the state level we looked at organizations within Virginia that were similar to organizations used in the precedents, such as the Virginia Housing Authority and the Virginia Community Development Corporation. The financing options we found AHIP should qualify for and benefit from.

## **INTRODUCTION**

Albemarle Housing Improvement Program, AHIP, is a not-for-profit organization which provides housing rehabilitation, emergency repairs, housing support services and affordable rental units. They also provide rental units for lower-income households. AHIP has identified 10th and Page neighborhood as a site within the city to conduct a housing rehabilitation and improvement project. The 10th and Page neighborhood has already started the process of revitalization particularly on the corner of 10th and Page where Piedmont Housing Authority conducted a 31 unit improvement project costing \$6 million. Three particular sites have been studied as precedent sources for potential future projects for AHIP. They are the Fairmount Avenue Project in Chattanooga, the Pontchartrain Park project in New Orleans, and The Jordan by Arlington Affordable Housing Corporation.

## PRECEDENTS

### Fairmount Avenue Project

One community we have identified as being similar to Charlottesville is Chattanooga, TN. Although its population is larger than Charlottesville, its geography is very similar. The city is surrounded by various mountains and ridges and North Chattanooga has a number of single-family homes and duplexes. The two main housing agencies in Chattanooga are the Chattanooga Housing Authority, which focuses on new construction, and the Chattanooga Neighborhood Enterprise, which focuses on rehabilitation and home ownership.

The Chattanooga Housing Authority (CHA) was founded in 1938 as a public non-profit corporation to “provide safe, decent, affordable housing; while promoting those community service programs that encourage the education, personal development, and wealth building capabilities of the residents”. Chattanooga Neighborhood Enterprise (CNE) is a nonprofit housing organization that opened its doors in 1986 with “a mission to provide all Chattanooga residents the opportunity to live in decent, fit and affordable housing and, in the process, eliminate substandard housing in Chattanooga.”

CHA is currently working on the Fairmount Avenue Development in North Chattanooga. Although the project is still in the construction phase, we believe the design and the financing used are very applicable to the 10th and Page site. The Fairmount Avenue Development is of similar scale to as what we envision being constructed in Charlottesville, has numerous “green” and energy efficient features that can be applied to both retro-fitting existing homes and for new construction and used financing akin to that of what is available to AHIP.

We based our expectation for the Charlottesville development on previous work done in Charlottesville. The Piedmont Housing Authority completed a rehabilitation project in the 10th and Page neighborhood back in 2006. Their project consisted of 1,377 square feet 3 bedroom units. The average price of these units was \$162,000 with an average mortgage of \$125,000 and average subsidy of \$37,000. The Fairmount Avenue’s numbers are similar to this project.

The Fairmount Avenue townhouse style development consists of 18 units each around 1,277 square feet. Nine of the units will be 3 bedrooms and nine will be 2 bedrooms. Homes in the area of similar size (1,404 sq ft) were appraised at around \$33,000 back in 2009. They are aiming for this development to achieve LEED status and have implemented a number of green features to do so. The project was also designed to comply with Enterprise Green Communities criteria, which addresses specific aspects of design, development and operations such as energy efficiency and use of material that benefit the environment. The project is expected to cost \$4.5 million dollars and thus far is on track to complete the project within its budget. The images below show the current state of the project and a future rendering of the building on the following page.







The units have numerous green features to achieve LEED status and in accordance with the Enterprise Green Criteria. The exterior will be clad with white lapboard siding and will incorporate energy efficient windows and doors. They used Kynar-coated standing seam metal roofs. The roofing facing the south will incorporate photovoltaic panels to provide 10% of the site's total estimated energy demand. Rainwater will be collected from the roofs and diverted into cisterns to irrigate landscaping of native plants. The interior will (have) stained concrete floors and environmentally friendly linoleum flooring as well as wood veneer cabinetry. They also used high-efficiency light bulbs. The chart below shows the cost and benefits of implementing these features.

Feature	Benefits	Costs
White Lapboard Siding	Provides for superior insulation, can be easily manipulated and is very affordable	\$5.50 psf is industry avg
Energy Efficient Windows	Energy efficient windows provide energy and cost savings, improved comfort, less condensation, and lower HVAC costs. The cost savings come from the reduction of heat or AC loss. Some windows also reduce solar heat gain. Energy star estimates \$466 a year when replacing single-pane windows and \$59 a year over double-pane, clear glass replacement windows	Windows \$150 (doesn't include rebates)
Energy Efficient Doors	Much like energy efficient windows, energy efficient doors help reduce heat/AC loss which helps reduce energy costs.	\$120
Kynar Coated seam roofing	It lasts 3 times as long, is full recyclable at the end of its lifespan, is comprised of 30% recycled material, is energy star rated, has cleaner water run-off than any other roof, is up to 5 times lighter than shingles and requires less transportation resources. The EPA estimates that an ENERGY STAR labeled roof can save homeowners up to 40% in cooling energy costs annually. It also requires no special preparation before installation, which means less structural cost. It rinses clean naturally with rainfall. They are energy star rated because they have IR pigments that reflect sunlight and will actually keep homes cooler by up to 30% in the summertime. Metal roofs are slightly better in the winter	350.00 to \$650.00 per square of metal roofing system


	because they create an air barrier of cool condensed air that traps hot air during the winter.	
Photovoltaic Panels	The panels on the southern facing side of the units will provide for 10% of site's energy needs. This will reduce utility and over time will ultimately pay for itself.	12V \$160
Rainwater Collection Cisterns	The rainwater collected can be used to irrigate. It reduces the strain on water supply, reduces water supply cost, and reduces topsoil loss.	55 gallon system \$250
Linoleum Flooring	The main benefit is its affordability. linoleum flooring manufacturers use in their products such naturals, renewable and ecological materials, as cork powder, rosin, pigments or linseed oil; which makes linoleum flooring not only durable, but also rather ecology friendly material.	\$2-3 psf
Wood-Veneer Cabinetry	Wood-veneer cabinetry are aesthically pleasing without using woods that aren't sustainable harvested. The veneer used also doesn't emit toxins	24' X24' \$16.00
LED Lightbulbs	LEDs are highly efficient, various estimates of potential energy savings range from 82%-93%. They also have a long life so don't have to be replaced as often. They produce no UV radiation and little heat.	40W \$20

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ENERGY PERFORMANCE RATINGS	
U-Factor (U.S./I-P)	Solar Heat Gain Coefficient
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ADDITIONAL PERFORMANCE RATINGS	
Visible Transmittance	Air Leakage (U.S./I-P)
<b>0.51</b>	<b>0.2</b>

Manufacturer stipulates that these ratings conform to applicable NFRCC procedures for determining whole product performance. NFRCC ratings are determined for a fixed set of environmental conditions and a specific product size. Consult manufacturer's literature for other product performance information. [www.nfrcc.org](http://www.nfrcc.org)

	Relative to Single Pane		Relative to Typical Alternative			
			Replacement		New Construction	
<b>Official Savings Statements:</b>	Choose ENERGY STAR® and save <b>[insert \$ or Btu]</b> a year when replacing single pane windows		Choose ENERGY STAR® and save <b>[insert \$ or Btu]</b> a year over double pane, clear glass replacement windows		Choose ENERGY STAR® and save <b>[insert \$ or Btu]</b> a year over double pane, clear glass windows in new construction	
CITY	Utility Dollars	Btu (millions)	Utility Dollars	Btu (millions)	Utility Dollars	Btu (millions)
VA, Richmond	\$385	21.7	\$45	2.2	\$50	2.3



The Fairmount Avenue was designed to comply with the Green Enterprise Criteria. The criteria is grouped into eight categories: integrative design; location and neighborhood fabric; site improvement; water conservation; energy efficiency; materials beneficial to the environment; healthy living environment; and operations and management. To achieve Enterprise Green Communities Certification, all projects must achieve compliance with the Criteria mandatory measures applicable to that construction type. The criteria checklist has been attached in the appendix. Some examples of mandatory requirement include:

- Conducting one or more integrative design meetings and submitting a Green Development plan
- Choosing a site that isn't on sensitive land such as land near wetlands, elevations at floodplains, habitat for threatened or endangered species, or land on slope greater than 15%
- Locating project on site with access to existing infrastructure
- Density requirements
- Efficient irrigation or water reuse system
- ENERGY STAR certification
- Efficient lighting; interior and exterior
- Environmentally friendly interior materials: paints, flooring, etc.

The Enterprise Green Communities criteria and their grants have been used in Virginia before. One example includes a project in Roanoke-Lee developed by Community Housing Partner Corporation. The project consisted of 14 duplex homes that involved substantial community input and integrated design with community members so that the stakeholder's input was incorporated into the project design to increase sustainability and livability. Some of the green features included: fiber cement siding, low VOC paints, water-saving dual flush toilets, cellulose insulation, duct sealing, high efficiency 14 SEER heat pumps, water conservation through efficient appliances, rain barrels, and native landscaping. The project was financing through a number of grants including: Enterprise Green Communities Grant, which we will discuss in the finance section, NeighborWork America (on behalf of Home Depot Foundation), Housing Assistance Council Green Fund Grant.

The Fairmount Avenue Development was funded by a \$3.9 million grant from US Department of Housing and Urban Development (DOHUD), with the remainder coming from the Chattanooga Housing Authority and the City of Chattanooga. The residents of the development are all encouraged to participate in the Family Self-Sufficiency Program according to CHA Executive Director, Elizabeth McCright "an important component of the Fairmount development is an upward mobility plan for the residents living there... We want to attract working families and other residents who are willing to take part in our Family Self-Sufficiency Program. Through FSS, we will help residents set short-term and long-term goals in terms of employment, education and even homeownership." The program helps residents save money and encourages them to get off welfare and out of public housing; the intent is that residents look beyond public housing as end-all and rather as a stepping-stone. The way the program works is when your wages increase rather than having an increase in rent, the money is put in a special interest-bearing account that you get after you successfully complete the program, typically it is structured as a five-year plan.

The other organization in Chattanooga that deals with housing is the Chattanooga Housing Enterprise. Their programs and services include those involved in homeownership, home improvement, lending, and weatherization and foreclosure prevention. CNE provides financing for needed maintenance and repairs as well as construction expertise and contractor connections to ensure the work is done at an affordable price. Their most common repairs include roof repair, exterior siding, new windows and doors, more efficient heating/cooling systems, electrical or plumbing repairs, energy efficient appliances and handicap modification. The process works as a loan where first the homeowner defines their project, then CNE explains eligible financing and helps finds a contractor, then CNE and the homeowner monitor the construction process and pay the contractor from the loan and then a plan is established to pay back the loan. The Weatherization Assistance Program (WAP) was created in 1976 to assist low-income families who lacked resources to invest in energy efficiency. Funds are used to improve the energy efficiency of low-income homes using the most advanced technologies and testing protocols available in the housing industry. The image on the following page depicts the main sources of heating/cooling inefficiency that they address.



## Arlington Affordable Housing Corporation

The Arlington Affordable Housing Corporation (AHC) is a nonprofit organization that develops houses and apartments for low income families in the Mid-Atlantic region. They started in Arlington, Virginia in 1975 and expanded to the Baltimore area and Northern Virginia counties to adhere to the growing needs of the public. Their organization is in many ways similar to Albemarle Housing Improvement Program (AHIP); they both deal with affordable housing construction, emergency home repairs, and housing rehabilitation. The AHC is merely a year older than AHIP; however, it has expanded at a much faster rate than AHIP and thus has fostered an extensive amount of experience from their projects. The AHC has developed “37 affordable rental apartment communities, providing quality homes for more than 4,400 households” and “helped more than 1,000 families rehabilitate and repair their aging homes, assisted 300 families in buying their first home, and built more than 50 new affordable homes” (AHC). The expertise from their development could be put to use as precedents for future AHIP projects to help expand their work efficiently and effectively.

While AHIP has generally been geared more towards home rehabilitation, they have recently started to explore affordable housing. Their first project for affordable apartments was the 2004 purchase and renovation of the 96 apartment complex, Trees Edge. In 2006, they also began to plan the development of Treesdale Park, a new 88-unit rental community for lower-income Albemarle County residents. AHIP acknowledges that the greater Charlottesville area has a shortage of affordable housing, with the need of “4,600 affordable units right now to fill the gap for households earning up to 50 percent of the area median” (AHIP). The regional Chamber of Commerce has also released a report in 2011 that reveals that around 20 percent of the population of Charlottesville lives in poverty (Fogel). Thus, it would be wise for AHIP to continue their recent trend of apartment complex development in order to combat this issue. With nearly 40 rental apartment communities already constructed, the AHC could really help guide AHIP in the right direction for affordable housing.

One of AHC’s most recent affordable housing projects was the development of a 90 unit apartment complex, The Jordan, which opened in October of 2011 in Arlington, Virginia. It replaces the previous affordable housing apartment complex, Jordan Manor, which was demolished three years ago (Affordable Housing). Not only does the New Jordan Manor improve quality of life for the occupants, it drastically improves the number of apartment units available, as shown in the following table (Staff Report).

Complex:	1 bedrooms (units/bedrooms):	2 bedrooms (units/bedrooms):	3-bedrooms (units/bedrooms):	Total:
Current Jordan Manor	7/7	14/28	3/9	24/44
Proposed Jordan Manor	10/10	75/150	5/15	90/175
Difference:	+3/3	+63/122	+2/6	+66/131

The previous residents of Jordan manor got top priority for the new apartments of The Jordan. The primary aspect of The Jordan is its key location and local proximity to local businesses and public transportation. It is located just one block from Ballston Commons Mall and four from the Ballston Metro. County Board Chairman Chris Zimmerman pointed out that this is important because, “the people who typically need public transit the most are those with lower incomes” (Pyzyk). AHC has also made partnership with the Arlington Transit to provide a public transit subsidy for the residents of The Jordan residents to encourage them to fully utilize their opportunity to use the Ballston public transportation systems.

The Jordan is very compact, yet provides ample public space for the tenants, which is testament to the ingenuity of their architecture partners, Bonstra | Haresign Architects. The design of the building’s facade is also in line with Arlington’s stylish architecture, and is made of, “an attractive and color coordinated blend of contrasting color bricks, cast stone, aluminum panels, and modern railings and canopies” (AHC). The first image on the following page illustrates this beautiful façade and also depicts the wide pedestrian sidewalk that encourages walking to local sites.

The second image below shows the outdoor space with artificial turf for various activities and a pathway to stroll around the splash park and the plant bed landscape. These attractive views are important because it invokes a sense of pride for the residents, which is required to eradicate the negative stigma that many Americans believe of affordable housing complexes.

It is also noteworthy to point out that this large building complex has achieved, "Earthcraft certificate, passing rigorous standards and testing for energy efficiency and air infiltration" (AHC). One creative way the Earthcraft and Energy Star standards were fulfilled was by creating the building's hot water system as a series of 10 large tank less gas water heaters, which have been tied in tandem to operate as one energy-efficient system (AHC). While the initial investment for such efficient systems may be higher than the standard building techniques/systems, the cost will be offset within a few years and will leave the city a little cleaner.

Some other elements that makes The Jordan a successful achievement is that it is dense, mixed use, diverse, and provides a sense of community. While public transport is encouraged at The Jordan, it features an underground parking lot, which at the very least has been able to reduce its ecological footprint from avoiding parking at the more valuable street level. The 1,000 square-foot community center, library, business center, handicap accessibility, and outdoor courtyard makes The Jordan mixed use and multi-dimensional to help tie the community together, not only as a place for residents to live. County Board Chairman Chris Zimmerman applauds that The Jordan is located in a rather expensive and prime located because it adds to Arlington's diversity and wants to further explore creative and innovative ways in providing housing options for people of all backgrounds (Pyzyk). Zimmerman claims that, "We need to make sure this is a place in which everyone can live, not just those who are privileged with a high income" (Pyzyk). The Jordan has been able to allow lower-income families and individuals to live, work, and socialize in an area that is most often reserved for those with high income.

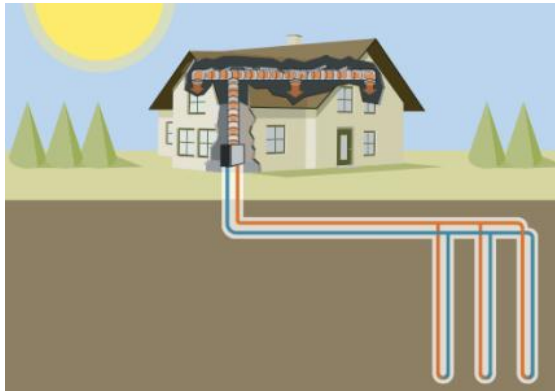
AHIP could consider a similar project as The Jordan. The placement of an apartment complex should be in close proximity to commercial businesses to allow for local jobs for the residents. And AHIP could partner with Charlottesville Area Transit (CAT) to provide free or discounted transportation for the occupants of the affordable housing apartments. This will help with the livelihood of the residents beyond simply a place for them to live. This concept could further be advanced by creating a community center and park similar to The Jordan's. It is about creating a safe, clean, and affordable place to live and be part of a larger community.



## Pontchartrain Park

Pontchartrain Park is an historic African-American neighborhood born in the 1950s in New Orleans, Louisiana. In 2005, the neighborhood was ravaged by Hurricane Katrina, seeing some of the deepest flooding in the city at 24 ft. In 2010, however, it started its rebirth thanks to the New Orleans Redevelopment Authority (NORA), and the Pontchartrain Park Community Development Corp started by actor/native of New Orleans, Wendell Pierce. Pierce's efforts have led to the rebuilding and revitalization of the area into a sustainable and green community, and have sparked a green initiative throughout the city putting into effect more efficient practices in new and remodeled constructions, a hybrid bus system, installation of solar panels, and a large influx of "green-collar jobs."

All of the Pontchartrain Park developments are either silver, gold, or platinum USGBC LEED certified, and can be built for under \$100 per square foot. The Pontchartrain Park Community Development Corporation has taken extensive efforts to equip all of the developments with renewable energy systems such as Geothermal systems that use a sealed underground piping loop filled with circulating water and an ultra high-efficiency Tranquility heat pump to exchange heat between the home and the earth. In the winter the circulating water absorbs heat from the earth and carries it to the heat pump where it is concentrated and sent as warm air throughout the home. In the summer the heat pump absorbs the heat from the air and transfers it back into the earth. Each development is also equipped with hybrid hot water heaters, Smartwater filtration systems, LED lighting, solar panels, special insulation, and rain bladder systems that recycle fallen rain water. Interestingly, each home uses about the same amount of energy as a coffeemaker. While these developments are new construction, AHIP could use the processes and technology as a precedent both in how they go about future projects and what efficient technologies could better the housing as a whole.

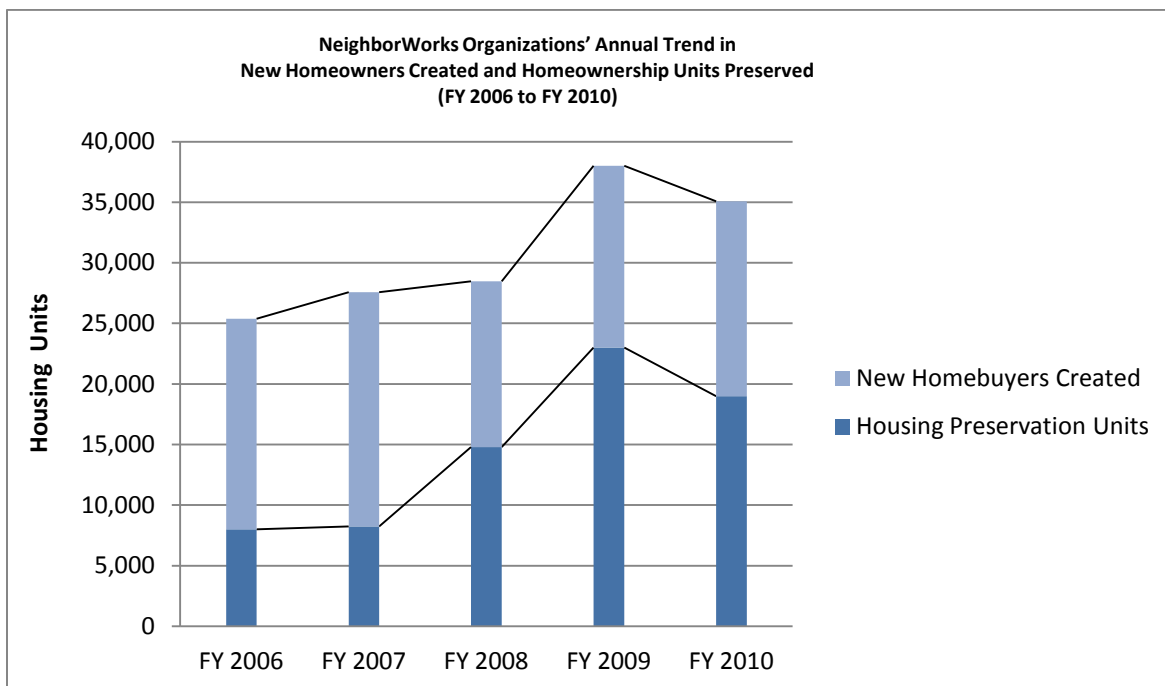


## FUNDING

### National and Federal Level

Providing affordable housing and maintain a non-profit organization is expensive, thankfully, there are many options for at the national and federal level that will provide much needed grants, low-interest loans, and other funding. One such option comes from the Rural Housing Service (RHS) and Department of Agriculture under the Housing Act of 1949, Title V, Section 502 and Amendment of Consolidated Farm and Rural Development Act of 1987, Section 601. It is aimed to, "To assist very low, low-income, and moderate-income households to obtain modest, decent, safe, and sanitary housing for use as a permanent residence in rural areas" (Housing). AHIP could help assist potential residents through the application procedure, whom the majority of AHIP clients would be eligible as most of them fall within the 20-50 percent of AMI range (AHIP).

AHIP could also partner with NeighborWorks America, which is a nonprofit organization that provides grants and technical assistance to U.S. community development organizations (NW). They have networked with over 4,300 urban, suburban, and rural communities across the country by helping 235 community development organizations. AHC has seized this opportunity to partner with NeighborWorks America and they were the recent recipients of \$300,000 Expansion Grant from NeighborWorks America to expand to Prince Georges County. This grant is part of a \$3.65 million in funding awarded to members of the NeighborWorks network, of which AHC is the only recipient of the funding within the Washington, DC/Baltimore corridor (AHC). Eileen Fitzgerald, CEO of NeighborWorks America, has claimed that, "The expansion grants are truly efficient use of funding for the nonprofit industry. Instead of starting from scratch, the expansion grants enable NeighborWorks organizations to broaden their reach and bring their already established services and best practices into underserved communities" (AHC). The NeighborWorks community has been growing positively in the past years, as seen in the chart below, to help the less affluent become homeowners (NeighborWorks). Within the last 5 years alone, the Neighborworks Organizations have generated more than \$8.5 billion in investment to help over 500,000 families in need of a secure safe, decent rental or mutual housing (NW). This is a great opportunity for AHIP to join a larger network of affordable housing developers to help expand their potential to assist lower income families of the Charlottesville and Albemarle area.



## **State Level**

On the state level financing is available through Virginia Housing Development Authority, which has a number of subsidiaries, and the Virginia Community Development Corporation (VCDC), which also has a number of programs and the Virginia Department of Housing and Community Development.

The Virginia Housing Development Authority (VHDA) is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972. It doesn't use state taxpayer dollars, but raises money in capital markets to fund their loans. VHDA offers affordable housing opportunities for Virginians who otherwise might not be able to afford quality housing. They also provide developers of low- to moderate-income housing; AHIP would be in this category, with access to financial resources and tax incentives. VHDA has a number of multi-family financing solutions such as rental housing loans, the SPARC program, the REACH program, and LITCH program.

SPARC stands for Sponsoring Partnerships and Revitalizing Communities. It is a multifamily rental-housing program that is an uninsured loan designed to facilitate the construction or acquisition and/or rehabilitation of multifamily rental housing. The program is funded through REACH Virginia subsidy funds that provide low, fixed-rate long-term permanent financing for rental housing. The guidelines for SPARC for preservation and rehabilitation are as follows:

### **4. PRESERVATION OF AFFORDABLE RENTAL HOUSING**

Preservation represents an important priority designed to facilitate the retention of affordable rental housing in a community. This is of particular importance when current market pressures create an environment conducive to the conversion of affordable rental housing to market rate housing.

In order to qualify under this category, the project must have, in place, an existing federal subsidy. Accordingly, SPARC financing can be used to recapitalize projects with one or more of the following sources of subsidy:

- HUD 236 and/or Project-Based Section 8
- HUD 202/811 (with release of HUD Use Agreement)
- RD 515 with Rental Subsidy **or**
- Expiring Federal Low Income Housing Tax Credits

Furthermore, the projects must meet the following:

1. The loan application must meet all other underwriting standards for Rental Housing SPARC financing (see Appendix 1 – General Standards).
2. Tenant Income Restrictions (see Appendix 2 – Community Designation):
  - During the time that one of the existing subsidies listed above remains in place, the income limits associated with that subsidy shall apply to the project. Upon expiration of the applicable subsidy assistance, the applicable Tenant Income Restrictions specified below shall apply to the project so long as VHDA SPARC financing remains in place.

## 5. REVITALIZATION

Revitalization is a planned process that strengthens economically impacted communities through local public and private partnerships which stimulate investment in sustainable community development. Such local partnerships can best identify and develop local solutions to address local challenges and opportunities. These partnerships typically leverage investment and support from the State and Federal government. As part of the local revitalization planning process, a specific area is identified and mapped in order to establish the targeted investment boundaries. In the Commonwealth of Virginia, several designations address local revitalization aspirations:

- Redevelopment Area, Conservation District, and Rehabilitation Areas as prescribed in Title 36 of the Code of Virginia
- State Enterprise Zone (DHCD)
- Virginia Main Street Designation (DHCD)
- Neighborhood Revitalization Strategy Area (NRSA) as prescribed by the HUD CDBG Program

While this is not an exhaustive list of revitalization related designations, this list illustrates a diverse array of approaches to addressing local needs.

The Rental Housing SPARC program is designed to support local revitalization efforts in cases where there exists a clearly defined area established by the locality to focus investment as part of community restoration efforts. The size of such defined areas typically reflects unique local needs.

- In non-rural communities, at least 50% of the units must serve households earning not more than 50% of area median income (AMI) with the remaining units serving households with incomes not exceeding 150% AMI.
- In rural communities, 100% of the units may serve households with incomes up to 150% of AMI.

For existing rental developments which do not have existing federal subsidies or meet one of the priority categories addressed by SPARC, the VHDA Taxable and Tax-Exempt programs represent resources which are available to support the preservation of affordable rental housing.

VHDA works with Enterprise Green Communities, discussed earlier, who offers Charrette and Sustainability grants to help cover the costs of planning and implementing green components of affordable housing developments, as well as tracking their costs and benefits. Charrettes grants are up to \$5,000 to assist housing developers with integrating green building systems into their development. The Charrette Grant is based on the Enterprise Green Communities Criteria discussed earlier. The Sustainability Training Grants are for up to \$5,000 for affordable housing development to cover the design and distribution of an operation and maintenance manual and the development as well as the implementation of a training curriculum that supports long-term operations and maintenance. They also have "green mini loans" which is a new lending program that provides nonprofit owners and developers capital to jump start green retrofits of older affordable rental communities. These green mini loans provide below-market financing to incorporate green design and techniques into preservation projects and can be used for predevelopment activity, assessments and energy audits. The loan size is up to \$50,000 with 30 month term with a below market rate of approximately 5%.

They also have a Green Communities Carbon Offset Fund. Through the Fund, Enterprise Community Partners, a national nonprofit, raises and deploys contributions to enable community-based groups to create homes for low-



income people that generate lower carbon emissions by being more energy efficient and using renewable energy. Enterprising Green Communities provide a wide array of financing that AHIP could benefit from. Another organization VHDA partners with is Virginia Local Initiatives Support Corporation (LISC). LISC is a financial intermediary that provides loans and lines of credit, grants and recoverable grants, and equity investments to help community developers and other partners revitalize their neighborhoods. Grants are designed to provide consistency with local program office strategies and local community development needs. The grants are usually used for organizational development to assist in the structure of organizations, strategic planning grants and project grants.

The Low-Income Housing Tax Credit Program (LIHTC) facilitates corporate investment in affordable rental housing for qualified households. The federal Low-Income Housing Tax Credit (LIHTC) program is sponsored by the U.S. Treasury Department and authorized under Section 42 of the IRS Code of 1986. The program, administered in Virginia by VHDA, encourages the development of affordable rental housing by providing owners a federal income tax credit. It also provides incentive for private investors to participate in the construction and rehabilitation of housing for low-income families. Example uses of loans include carry forward expenses, property acquisition, construction, market studies, appraisals, architectural and engineering fees, application fees and other project development expenses.

The Virginia Community Development Corporation (VCDC) also provides financing to a number of nonprofit housing organizations. As a tax credit fund manager, the Virginia Community Development Corporation (VCDC) creates opportunities for corporate investors and local community sponsors to support affordable housing and economic development in Virginia. Since 1990, we have successfully launched 15 tax-credit equity funds and we have assisted in the development of 117 properties throughout Virginia with technical assistance and equity investments. VCDF currently provides community partners with debt and equity assistance for affordable housing and historic preservation projects through low rate pre-development and construction loans. In fall 2009, VCDC's financial lending affiliate, The Virginia Community Development Fund (VCDF), received a \$35 million New Markets Tax Credit (NMTC) allocation from the U.S. Department of Treasury, Community Development Financial Institutions Fund.

The NMTC program permits individual and corporate taxpayers to receive a credit against federal income taxes for making equity investments in Community Development Entities (CDEs). The investor receives a credit totaling 39 percent of the cost of the investment. This was implemented to increase donations and since the program began in 2000, over \$14 billion in private-sector capital has been invested through the NMTC Program. VCDC encourages its development partners to incorporate Earth-Craft multi-family green building standards and to obtain EarthCraft certification for their projects. Piedmont Housing Authority is certified by Community Development Financial Institution as a CDE so it qualifies for this funding. Attached in the appendix is the application.

VCDC has established a Special Initiatives (SI) grant program to support projects intended to enhance the quality of life for residents of affordable housing communities throughout Virginia. SI funds can be used for start-up activities; services, equipment or programming that will improve the partner organization's capacity to develop programs that benefit residents. Potential VCDC partners also can apply for funds for capacity-building programs or equipment that will enhance a housing developer's ability to engage in an LIHTC or historic rehabilitation project in which VCDC could serve as the equity investor.

The Virginia Housing Development Authority (VHDA) has encouraged green building in its Qualified Allocation Plan, which governs the allocation of federal housing tax credits. VCDC encourages its development partners to incorporate Earth-Craft multi-family green building standards and to obtain EarthCraft certification for their projects.

The Virginia Department of Housing and Community Development has a number of programs to support homelessness, housing preservation/rehabilitation, and community development and revitalization. They provide similar services to AHIP such as emergency home repair and indoor plumbing programs. The Weatherization Assistance Program is funded by the U.S. Department of Energy through grants to the Virginia Department of Housing and Community Development (DHCD), as well as from funds from the Virginia Department of Social

Services' Low-Income Home Energy Assistance Program (LIHEAP) Weatherization Component. Within Charlottesville, Community Energy Conservation Program is a registered provider. AHIP may consider becoming a registered provider.

## Local Level

The Pontchartrain Park developments found a lot of funding after the Louisiana Sustainability fund was established as the first state fund set up to foster sustainable development for the future. While this is not a current option for AHIP, it could be very advantageous for AHIP and other organization to use the Louisiana Sustainability fund as a precedent to push Virginia to adopt similar legislation and policy.

Charlottesville's current funding options are laid out below:

### Community Development Block Grants (CDBG)

- o Activity Eligibility: According to the CDBG statute, an activity must fulfill one of the following three objectives as follows. The City has determined that all programs must meet Criteria A, though it can also meet Criterion B or C.
- o **The activity aids low and moderate income people.**
- § **The activity aids in the prevention or elimination of slums or blight.**
- § **The activity addresses a serious and immediate threat to public health or welfare.**
- o Organizational Capacity to Carry Out the Activity: If the activity is not new, past performance will be evaluated.
- o Achievability: Realistic objectives and timeline and the measurability of the results.
- o Service Linkage: The project's ability to link with existing services or partner with activities in the same service area.
- o Leverage: The organization's ability to leverage other funds to carry out the activity.
- o Financial Feasibility of the Project: The organization can show financially how the project will be carried out.
- o Connection to Other Social Programs: The project's connection (if applicable) with other social programs like welfare reform.
- o Relationship to City Council Goals and Comprehensive Plan: The organization's ability to address identified needs in the community

### Charlottesville Housing Fund

The Charlottesville Housing Fund (CHF) was established in 2007 by the City to provide a flexible funding mechanism for housing-related projects. Since this time, the City Council has re-authorized funding for the CHF on an annual basis. CHF funds have been used to establish a full time staff position dedicated to housing and to provide funds for housing initiatives associated with projects that focus on: (1) the construction of new affordable housing units, (2) rehabilitation of existing affordable housing units, (3) down payment assistance and /or (4) other supportive initiatives.

By removing regulatory strings often associated with the CDBG and HOME programs, the City has provided a unique resource for non-profit organizations, local housing developers, and others.

### Organizational Funding Requirements

1. The applicant is in compliance with all federal, state, and local regulations, and has no outstanding violations, taxes or penalties.
2. The applicant has a well-developed organizational structure. If the applicant is a non-profit, it must have an adequate board to oversee the activities of staff and have a clear separation of board and staff responsibilities.
3. The organization would be able to meet the insurance requirements set by the city.

A special tax rate is also available to qualified residential and commercial energy-efficient buildings. Qualified buildings must be determined to be an energy-efficient building by a qualified licensed engineer or contractor who is not related to the applicant, as required by Section 58.1-3221.2 of the Code of Virginia. Applications must include certification of this determination. The title of the property must be held, or partially held, by the person applying for the special tax rate. Eligibility for this special tax rate shall be effective beginning the first day of the tax year next succeeding the certification by the Department of Neighborhood Development Services and shall remain in effect for such tax year.

## **CONCLUSION**

After concluding our research, we had identified three sites that provided valuable precedent for AHIP and identified financing resources on the national, state and local level. We based this on scale of the project (for instances we weren't looking for large developments rather developments we could see at 10th and Page based on the Piedmont Housing Authorities 2006 project), green building and financing available to these organization. We particularly focused on green building because by reducing the energy costs for both retrofits and new constructions, it will have a longer lasting impact on AHIP's clients. After establishing this criteria, we found what green practices were implemented in these projects and the financing available to green projects. Many green features can receive tax credits and provide energy savings due to increased efficiency and a reduction in heating/cooling loss. For a few of the most common energy efficiency products, such as energy efficient windows, we measured the costs of implementing these features compared to the benefits both in terms of financial savings and general positive impacts. The green features we found were easily accessible and could be applied to both retrofits and new construction. How quickly these features will pay for themselves depend heavily on the climate and particular logistics of the site. It still remains to be seen the exact data on the benefits of implementing these green features in Charlottesville. Thus far our research on precedents serves as a springboard for AHIP's consideration in future projects.

We then researched what financing would be available to AHIP based on its status as a nonprofit organization in Virginia on the national, state and local level. We focused on public housing authorities, community development groups, and energy efficiency programs. The greatest challenge we perceive for AHIP will be receiving funding to assist all of its clients. There are limited funds with numerous organizations vying for these monies. By applying for funds on a range of levels, we believe AHIP will have the greatest success in obtaining financial resources to conduct their work. We remain uncertain if AHIP plans on building new homes or plans on rehabilitating homes on 10th and Page. Depending on what is decides to do it will have different funding options available to it. Regardless, we believe that the research we have conducted will be a valuable resource.

From our research and that of our peers, it is clear green building is a growing trend in the United States, from temperate New Orleans to windy Chicago. While green building does have initial cost upfront for many of these features, the initial excess costs ultimately pay for themselves. It appears that on all levels of government, there are incentives for green buildings. It will be interesting to see if when budget cuts are made if these subsidies for green buildings will remain or if they will become requirements.

## **FUTURE WORK**

Going forward AHIP will need to evaluate what type of project they want to do at 10th and Page whether it be new construction, rehabilitation, or a mix. Upon making this decision, AHIP should begin applying for financing. This will require filling out grant applications and making decisions about how many loans that want to give out. There is no set timeline for this implementation.

## **LESSONS LEARNED**

We initially defined our project as evaluating past social housing developments in both the rural and urban setting to see “how effective they were and how they were funded”. We planned on basing our evaluation of their success on “how cost effective they were, their integration into the community, and their longevity.” While we did successfully identify past projects, we ultimately only looked at the urban setting and we changed our means of evaluation. Rather than have two groups look at precedent in urban and rural setting, we divided it up with one group looking for precedent for 10th and Page and the other for Orchard Acers. We altered our means of evaluation based on the research available to us and its relevancy to AHIP.

It was difficult to assess how cost effective these projects were because we didn’t have access to their planning process. We could not determine if they made the most cost effective decisions because we didn’t know the alternatives. Also when public funding is involved there is often a lag in receiving the money and starting the building process, which inherently leads to cost inefficiency. It was also difficult to assess the longevity of these projects mainly because some of them are still in the construction phase. We also planned on looking at owner satisfaction which quickly became clear was difficult to assess and often biased.

We were able to look at these projects integration into the community, their financing, and their green building features. Using these criteria we believe AHIP could realistically apply what was done in these projects here in Charlottesville. From this project we learned that there are numerous tools available for groups like AHIP for “green building”, and that these projects involve numerous players. Change does not come overnight and requires various players to come together to make a difference. We learnt how crucial it is to include feedback from all stakeholders and the importance of including the homeowners in the process and maintaining contact after the project is completed.

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## **CDE Application**



**Community  
Development  
Financial  
Institutions  
Fund**



New Markets Tax Credit  
CDE Certification  
Application

## PAPERWORK REDUCTION ACT NOTICE

CDFI - 0019

OMB Control Number 1559-0014

This submission requirements package is provided to applicants for Community Development Entity (CDE) certification under the New Markets Tax Credit (NMTC) Program. Applicants are not required to respond to this collection of information unless it displays a currently valid OMB number. The estimated average burden associated with this collection of information is five hours per applicant. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Program Operations Advisor, Department of the Treasury, Community Development Financial Institutions Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005.

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## INTRODUCTION

### **CDFIFUND MISSION<sup>1</sup>**

The Community Development Financial Institutions Fund's (the Fund) mission is to increase the capacity of financial institutions to provide credit, capital and financial services to underserved markets. The Fund achieves this mission by directly investing and supporting *Community Development Financial Institutions (CDFIs)*, *Community Development Entities (CDEs)* and other financial institutions through four programs: 1) the CDFI Program; 2) the Bank Enterprise Award Program; 3) the Native American CDFI Assistance Program; and (4) the New Markets Tax Credit Program.

### **NEW MARKETS TAX CREDIT PROGRAM**

Under the New Markets Tax Credit (NMTC) Program, taxpayers may claim a credit against Federal income taxes for *Qualified Equity Investments* made to acquire stock or other capital interests in designated *CDEs*. Substantially all of the *Qualified Equity Investments* must be used by the *CDE* to, among other things, make loans to, or equity investments in, qualified businesses or *CDEs* operating in *Low-Income Communities (LICs)*. The investor (either the original purchaser or a subsequent holder) receives a tax credit for a seven-year period equal to five percent of the total amount paid for the stock or capital interest, at the time of purchase, for each of the first three years, and six percent annually for the remaining four years.

### **APPLYING FOR NMTC ALLOCATIONS**

The Fund allocates NMTC authority to both for-profit and non-profit *CDEs* through a competitive application process pursuant to a *Notice of Allocation Availability (NOAA)* published in the Federal Register. *NMTC Allocation Application* materials and guidance are available from the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov). For-profit *CDE NMTC Allocation* awardees can provide their investors the tax credit in exchange for stock or capital interests. A Non-profit *CDE NMTC Allocation* awardee must demonstrate to the Fund, prior to receiving an *Allocation Agreement*, that:

- 1) it controls one or more for-profit *Subsidiary CDE(s)*; and
- 2) it intends to transfer the entire *NMTC Allocation* to its for-profit *Subsidiary CDE(s)*.

For-profit and non-profit entities that do not apply to the Fund for *NMTC Allocations* may obtain *CDE* certification in order to receive *Qualified Low-Income Community Investments* from a for-profit *CDE NMTC Allocation* recipient.

### **APPLYING FOR CDE CERTIFICATION**

An entity seeking *CDE* certification must submit a *CDE Certification Application* to the Fund as directed herein. To qualify as a *CDE* an *Applicant CDE* must at the time of application submission:

- Be a legally established entity and a domestic corporation or partnership for Federal tax purposes;
- Have a primary mission of serving or providing investment capital to *LICs* or *Low-Income Persons*, and
- Establish accountability to *LICs* through representation on its governing or advisory board.

Through this *CDE Certification Application*, an entity may apply for certification solely on its own behalf, or on behalf of itself and one or more *Subsidiary Applicants*, provided that each applicant entity is legally established at the time of application. Each entity and subsidiary entity seeking *CDE* certification must have a valid Employer Identification Number (EIN) at the time the *CDE Certification Application* is submitted.

**NOTE:** *CDFIs* and *Specialized Small Business Investment Companies (SSBICs)* seeking *CDE* certification automatically qualify as *CDEs* and do not need to complete this Certification Application. Such entities should register electronically for *CDE* certification on the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov).

**NOTE:** *Subsidiaries* and *Affiliates* of certified *CDEs*, *CDFIs*, and *SSBICs* do not automatically qualify as *CDEs*. The parent *CDE* must submit this *CDE Certification Application* to have its *Subsidiary* entities certified as *CDEs*.

### **MAINTAINING CDE CERTIFICATION**

Each *CDE NMTC Allocation* awardee, as well as *CDEs* that are recipients of *Qualified Low-Income Community Investments (QLICs)* from other *CDEs*, may be required to annually certify to the Fund that it continues to meet the Primary Mission and Accountability requirements by providing the information below. The Fund may revoke a *CDE's* certification if it fails to provide the requested information.

- Information indicating that the entity remains accountable to the *LIC(s)* it is serving; and
- A certification statement certifying that no material changes have occurred to affect their current status as a *CDE*.

<sup>1</sup> Terms in *Capitalized Italics* are defined in the Glossary of Terms available on the Fund's website: [www.cdfifund.gov](http://www.cdfifund.gov).

## APPLICATION COMPLETION OVERVIEW

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**Reminder:** Each *Applicant CDE* and each *Subsidiary Applicant* must have its own valid Employer Identification Number (EIN) prior to submission of the Certification Application. Failure to include this information for any entity will result in the rejection of the entire application. For more guidance on obtaining an EIN, refer to the Fund's *CDE Certification Q&A Document*.

**Reminder:** Certified *CDFIs* and *SSBICs* automatically qualify as a *CDE(s)* and may register to become *CDEs* on-line via the Fund's *CDE Certification* page located at [www.cdfifund.gov](http://www.cdfifund.gov).

**Additional Questions and Resources:** For questions related to completing the Certification Application, contact members of the Fund's Program staff by telephone at (202) 622-6355, by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), or visit the Fund's *CDE Certification* page located at [www.cdfifund.gov](http://www.cdfifund.gov).

### Application Completion Steps:

1. Obtain and carefully review the following documents from the Fund's *CDE Certification* page located at [www.cdfifund.gov](http://www.cdfifund.gov):
  - The *CDE Certification Guidance* as published in the Federal Register.
  - The *CDE Certification Question and Answer Document*.
2. Consult the Glossary of Terms located on the Fund's *CDE Certification* page located at [www.cdfifund.gov](http://www.cdfifund.gov) for clarification on all terms and phrases that are in *Capitalized Italics*.
3. Review the *CDE Certification Criteria* section of this *CDE Certification Application*.
4. Create a customized web portal "myCDFI" account located at the Fund's homepage, [www.cdfifund.gov](http://www.cdfifund.gov). Account holders can then access the Fund's (CIMS) program which helps determine the eligibility of geographic areas under the NMTC Program.
5. Complete Certification Application Forms CDE-1 through CDE-4 as directed in the Completeness Checklist. Failure to properly complete the Forms may result in the Fund's rejection of the entire Certification Application.
6. Provide the required Documentation Attachments, including legal entity establishment documents, IRS assignment of EIN, and additional documents demonstrating the entity's Primary Mission as directed in the Completeness Checklist. Copy the Documentation Attachments double-sided (front and back) to minimize the Certification Application package size.
7. **DO NOT** attach any of the instruction or narrative pages in order to minimize the size of the Certification Application package.
8. Mail one original and one copy of the Certification Application (Forms and Documentation Attachments) to the address indicated below. Both the original and copy should be secured with a binder clip, without staples, tabbed dividers, or other forms of binding.

**Bureau of the Public Debt**  
CDFI Fund - Awards Management  
200 Third Street, A2-B  
Parkersburg, West Virginia 26101  
Attn: Manager, Franchising Unit  
CDE Certification Application

304-480-5449 (only to be used on shipping labels when using overnight delivery services)

Faxed or e-mailed Certification Applications will not be accepted.

## NEW MARKETS TAX CREDIT CDE CERTIFICATION APPLICATION COMPLETENESS CHECKLIST COVER SHEET

Complete this checklist and submit it as the *CDE Certification Application's* cover page. The Fund may determine that the Certification Application is incomplete if any of the following forms and documentation attachments are not properly submitted. Copy all forms and attachments double-sided (front and back).

Applicant CDE Name:

Applicant CDE Employer Identification Number:

Number of *Subsidiary Applicant(s)* Certifications Submitted Under This Application:

### FORMS (Check all that apply)

- CDE – 1: Applicant CDE Information Form
- CDE – 1A: *Subsidiary Applicant* CDE Information Form
- CDE – 1B: *Subsidiary Applicant* Primary Mission Certification Form (in lieu of *Subsidiary Applicant* organizational documents)
- CDE – 2: Service Area and Accountability Overview Form for *Applicant CDE* and, if applicable, each *Subsidiary Applicant*
- CDE – 3: Low Income Community Representative Form for each representative board member.
- CDE – 4: Authorized Representative Certification Form

### DOCUMENTATION ATTACHMENTS (Check all that apply)

#### Legal Entity

- Establishing documents filed with the state of incorporation for the *Applicant CDE* and each *Subsidiary Applicant*.
- Official IRS notification of EIN assignment for each entity applying for certification under this application.

#### Primary Mission

- Organizational documents indicating the primary mission of the *Applicant CDE*

- Note: An *Applicant CDE* seeking to certify *Subsidiary Applicants* as *CDEs* must provide either:

organizational documents indicating the primary mission for each *Subsidiary Applicant* seeking *CDE* certification; OR

submit Form CDE – 1B *Subsidiary Applicant* Primary Mission Certification Form.

#### Accountability

Geocoded data reports obtained from the Fund's CIMS mapping program.

Advisory Board narrative statement detailing member election, meeting frequency, and feedback processes.

## CDE CERTIFICATION CRITERIA – LEGAL ENTITY

### REQUIREMENTS

As of the date its *Certification Application* is submitted, an *Applicant CDE* must:

- be duly organized and validly existing under the laws of the state jurisdiction in which it is incorporated or established; AND
- be a domestic corporation or partnership for federal tax purposes.

An organization that is not yet a legal entity, does not yet have a valid EIN or is not a domestic corporation or partnership for federal tax purposes cannot apply for *CDE* certification, and such applications will be declined without substantive review for failure to meet the Legal Entity requirement.

An *Applicant CDE* and its *Subsidiary Applicants* may apply under one *CDE Certification Application*, but must provide the following for each entity seeking certification:

- documents establishing legal entity status; AND
- a unique valid EIN for each entity wishing to receive certification.

An *Applicant CDE* may not apply on behalf of its *Subsidiary Applicants* if the *Subsidiary Applicants* are not yet legally established, are not domestic corporations or partnerships for federal tax purposes, or do not have a unique EIN.

**Tip:** In general, sole proprietorships and single member limited liability companies are not considered domestic corporations or partnerships for federal tax purposes.

### DOCUMENTATION ATTACHMENTS

#### *Establishment of Legal Entity Status:*

- Attach a copy of the *Applicant CDE's* Articles of Incorporation or other establishing documents that have been filed with the state, and all appropriate amendments thereto. If the *Applicant CDE* is attempting to certify one or more *Subsidiary Applicants* as *CDEs* through this application, it must also attach a copy of each *Subsidiary Applicant's* Articles of Incorporation or other establishing documents, and all appropriate amendments thereto.

#### *Official IRS EIN Notification*

- Attach a copy of the *Applicant CDE's* official IRS notification regarding assignment of an EIN<sup>2</sup>. The Fund will only accept the following EIN documentation:
  - Official letter from IRS providing EIN;
  - Confirmation fax from local IRS office with the organization's name and EIN; or
  - A printout of completed and submitted online SS-4 (with organization's EIN in upper right hand corner) from IRS' website, accompanied by a printout of the online confirmation of receipt of EIN from IRS' website. This online confirmation will contain only the EIN and will not contain the organization's name, but the EIN should match that which appears on the accompanying SS-4.

Documentation must clearly identify both the entity's legal name and its EIN (as identified on Form CDE-1 or CDE-1A as applicable).

- Attach a copy of the official IRS EIN notification for each *Subsidiary Applicant(s)* seeking CDE certification.

**Tip:** For additional information on how to obtain an EIN from the IRS, or how to obtain IRS notification regarding the assignment of an EIN, please review the CDE Certification Q&A document on the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov) under New Markets.

<sup>2</sup> An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

## CDE CERTIFICATION CRITERIA – PRIMARY MISSION

### REQUIREMENTS

A *CDE* must demonstrate that it has a primary mission of serving, or providing investment capital for *LICs* or *Low-Income Persons*, and that at least 60 percent of its activities (e.g., loans and investments) are targeted to *Low-Income Persons* or *LICs*.

An *Applicant CDE* may meet the primary mission requirement by demonstrating that its signed, board-approved incorporating documents, bylaws, annual reports or other organizational documents evidence a mission of principally servicing *Low-Income Persons* or *LICs*. A low-income mission statement should include reference to *Low-Income Persons* or *LICs*. In the case of an *Applicant CDE* that is an *Insured Depository Institution* or *Insured Credit Union*, designation by a regulatory agency as a *Low-Income Designated Credit Union* or other community development institution is an indication of having such a mission.

An *Applicant CDE* must also demonstrate that, at a minimum, 60 percent of its products and services are directed to (or will be directed to) *Low-Income Persons*, to individuals, businesses or organizations that serve *Low-Income Persons* or to residents of *LICs*. The following are a few examples of such activities:

- Investing in, lending to or providing technical assistance to businesses that are located in *LICs* and/or are owned by *Low-Income Persons*;
- Lending to *Low-Income Persons* or residents of *LICs*;
- Investing in or providing loans to support commercial properties that are located in *LICs*; or
- Investing in, lending to or providing technical assistance to organizations (e.g., *CDEs* or *CDFIs*) engaged in activities that promote community development in *LICs* or for the benefit of *Low-Income Persons*.

### DOCUMENTATION ATTACHMENTS

- Organizational documents from the *Applicant CDE* that evidence a primary mission of serving *LICs* or *Low-Income Persons*.<sup>3</sup> Such documentation includes, but is not limited to:
  - signed or filed articles of incorporation or organization;
  - signed partnership agreement;
  - board resolution;
  - annual report with a letter from the Board Chairperson;
  - or similar board approved documents.

The Fund will not accept pamphlets, brochures or other marketing materials to document primary mission.

It is not necessary to submit multiple documentation pieces. Submit the minimum necessary to demonstrate that your organization principally serves *LICs* or *Low-Income Persons*.

- If a *Subsidiary Applicant* is seeking designation as a *CDE* under this application, the *Applicant CDE* must:
  - Submit separate organizational documents demonstrating the primary mission for each entity seeking CDE certification; or
  - Sign and submit Form CDE – 1-B, the *Subsidiary Applicant* Primary Mission Certification.

All *Applicant CDEs* are required to complete Form CDE-4, the Authorized Representative Certification, which demonstrates an organization's commitment to provide at least sixty percent of its products and services (and sixty percent of the products and services of all *Subsidiary Applicants*) to *Low-Income Persons*, to individuals, businesses or organizations located in *LICs*; and/or to organizations that principally serve *Low-Income Persons* or *LICs*. It also ensures that the *Applicant CDE* and each of its *Subsidiary Applicants* will continue to maintain accountability to residents of *LICs* at all times during the course of its/their designation as a *CDE*. Failure to meet these requirements may, at the sole discretion of the Fund, result in the Fund's revocation of the organization's CDE status.

<sup>3</sup> An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.



## CDE CERTIFICATION CRITERIA – ACCOUNTABILITY

### REQUIREMENTS

Each entity seeking *CDE* certification under this application must: 1) identify the service area that it serves or intends to serve; and 2) demonstrate that it maintains accountability to the *LICs* in those areas.

Identifying Service Areas. The *Applicant CDE* and each *Subsidiary Applicant* must identify the service areas that it serves or intends to serve. Each entity will be required to select from one of the following service area options:

- Local service area(s). A local service area may be comprised of:
  - a single county within a state;
  - a single (*Primary*) *Metropolitan Statistical Area (PMSA)*; or
  - multiple counties or (*PMSAs*) within the same state (ie. multiple local service areas).

**Tip:** *Entities* serving or intending to serve multiple communities within a single local service area (e.g., several neighborhoods within a single city, or several cities within a single *PMSA*) are encouraged to designate the larger encompassing jurisdiction as its local service area.

- Statewide (or territory-wide) service area.
- Multi-state service area.
- National Service Area.

Designating a Service Area. *Applicant CDEs* needing to identify qualifying *LICs* in their service area should visit the Fund's geography and census tract based mapping software (CIMS) program located at [www.cdfifund.gov](http://www.cdfifund.gov). The online mapping software program contains maps and worksheets identifying the program's qualifying census tracts throughout the country.

Maintaining Accountability. An applicant must demonstrate that it is accountable to the residents of *LICs* in the service area that it designates. An applicant will be determined accountable if at least 20% of its governing board or advisory board(s) is representative of *LICs* within the selected service area. In order to be determined representative under this accountability requirement, a board member must either: (a) reside in a *LIC* within its designated service area(s); or (b) otherwise represent the interest of residents of *LICs* (e.g., a small business owner whose business is located in the community, an employee or a board officer of a community-based or charitable organization serving the community, etc.) in the selected service area. The Fund encourages *Applicant CDEs* to

appoint some *Low-Income Persons* from *LICs* to their advisory and/or governing boards.

**TIP:** Board members that are themselves, or whose family members are, principals or staff members of the *Applicant CDE* (or *Subsidiary Applicant*), its affiliated entities or, except in limited circumstances, its investors cannot be deemed representative of *LICs*. An *Applicant CDE* (or *Subsidiary Applicant*) may, however, designate a board member that also serves on the board of an affiliated entity as representative of *LICs*, provided that the board member is representative of *LICs* through means other than his or her association with the affiliated entity.

An entity that does not have a governing board, but in which the governing authority resides with a general partner or managing company, may satisfy the accountability requirements through the board(s) of the general partner or managing company. Any entity seeking to maintain accountability through advisory board(s) must also be able to demonstrate that the viewpoints of the advisory board(s) are given sufficient consideration and attention by the governing board.

To maintain accountability to the *LICs* in a **statewide service area, a multi-state service area, , or a national service area**, the applicant must demonstrate that at least 20% of its governing board or advisory board(s) is representative of a cross-section of *LICs* within the state(s) that it serves. An entity may need to establish multiple advisory boards in order to satisfy this requirement, or select board members that are from organizations that represent the interests of a cross-section of *LICs* (e.g., a state-wide organization or nationwide non-profit community development organization).

**Tip:** For additional updated guidance on Accountability please review the CDE Certification Q&A Document on The Fund's website [www.cdfifund.gov](http://www.cdfifund.gov) under New Markets.

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## CDE – 1: APPLICANT CDE INFORMATION FORM

1. <i>Applicant CDE</i> Name:	
2. <i>Applicant CDE</i> Employer Identification Number (required for processing):	
3. Is the <i>Applicant CDE</i> already certified as a CDE?                      Yes      No If yes, identify the CDE Control Number of the <i>Applicant CDE</i> :	
4. Mailing Address (Provide mailing and physical address for overnight deliveries (if different), and nine digit zip code):	
5. <i>Authorized Representative</i> Name, Title, and address if different from #4:	Telephone number: Fax number: E-mail address:
6. Congressional District of <i>Applicant CDE's</i> main office	
7. Market served and estimated % of total activities (percentages should add up to 100%): _____% Major urban areas in a Metropolitan Area with a population equal to or greater than 1 million (include both central city and surrounding suburbs). _____% Minor urban areas in a Metropolitan Area with a population of less than 1 million (include both central city and surrounding suburbs). _____% Rural areas	
8. Structure of the <i>Applicant CDE</i> (check all that apply):	
<input type="checkbox"/> For-profit	<input type="checkbox"/> Non-profit
<input type="checkbox"/> <i>Small Business Investment Company</i> (SBIC)	<input type="checkbox"/> <i>Specialized Small Business Investment Company</i> (SSBIC)
<input type="checkbox"/> Certified Community Development Financial Institution (CDFI)	<input type="checkbox"/> Thrift, Bank or bank holding company
<input type="checkbox"/> Credit Union	<input type="checkbox"/> Publicly traded company
<input type="checkbox"/> Government-controlled entity	<input type="checkbox"/> <i>Faith-Based Institution</i>
<input type="checkbox"/> Tribal Entity	<input type="checkbox"/> New Markets Venture Capital Company
9. Structure of the <i>Applicant CDE's Controlling Entity</i> (check all that apply):	
<input type="checkbox"/> For-profit	<input type="checkbox"/> Non-profit
<input type="checkbox"/> <i>Small Business Investment Company</i> (SBIC)	<input type="checkbox"/> <i>Specialized Small Business Investment Company</i> (SSBIC)
<input type="checkbox"/> Certified Community Development Financial Institution (CDFI)	<input type="checkbox"/> Thrift, Bank or bank holding company
<input type="checkbox"/> Credit Union	<input type="checkbox"/> Publicly traded company
<input type="checkbox"/> Government-controlled entity	<input type="checkbox"/> <i>Faith-Based Institution</i>
<input type="checkbox"/> Tribal Entity	<input type="checkbox"/> New Markets Venture Capital Company
<input type="checkbox"/> Not Applicable – <i>Applicant CDE</i> does not have a <i>Controlling Entity</i>	

CDE – 1: *Applicant CDE* Information Form (cont'd)

10. Is the *Applicant CDE* a domestic corporation or partnership for federal tax purposes?

- Yes    No (If no, the applicant is not eligible to apply for certification as a *CDE* and therefore should not submit a *CDE Certification Application*)

11. Is the *Applicant CDE* duly organized and validly existing under the laws of the jurisdiction in which it was incorporated or otherwise established?

Yes

- *Applicant CDE's* date of incorporation (month/day/year):
- *Applicant CDE's* total assets as of the date of this application: \$

No (If no, the applicant is not eligible to apply for certification as a *CDE* and should not submit a *CDE Certification Application*)

12. Products and services that are or will be offered by the *Applicant CDE* (check all that apply):

- Microenterprise financing
- Business financing
- Financing other *CDEs*
- Loan purchase from other *CDEs*
- Financial Counseling and Other Services
- Real estate financing
  - Retail
  - Industrial
  - Office space
  - Mixed-use (housing + commercial)
  - For-sale housing
  - Community facilities

13. Is the *Applicant* seeking to certify *Subsidiary Applicants* as *CDEs* through this application?

- Yes. If yes, how many *Subsidiary Applicants* are you seeking to designate as *CDEs*?  
For each of the *Subsidiary Applicants* identified above, you must complete the "*Subsidiary Applicant CDE Information Form (CDE 1-A)*".
- No

14. Estimate how long this application took to complete:      Hours

I hereby certify that all of the application information provided by the *Applicant CDE* is true, correct, and complete. The execution of this application has been duly authorized by the governing body of the *Applicant CDE*.

15. *Authorized Representative* Signature<sup>4</sup>:

Date:

<sup>4</sup> ALL APPLICATIONS REQUIRE THE SIGNATURE OF THE ORGANIZATION'S *AUTHORIZED REPRESENTATIVE*, AND A UNIQUE EIN FOR THE *APPLICANT CDE* AND EACH *SUBSIDIARY APPLICANT*, OR THE APPLICATION WILL BE DEEMED INCOMPLETE AND REJECTED.

## CDE -2: SERVICE AREA AND ACCOUNTABILITY OVERVIEW FORM

Complete this form (copy double-sided) for **each** entity seeking CDE certification under this application. Reproduce additional forms as necessary.

1) This service area form is applicable to:

The *Applicant CDE* only. Name:

A *Subsidiary Applicant*. Name:

**NOTE:** You must submit one Service Area and Accountability Overview Form for **each** entity seeking certification under this application.

2) Identify by name the service area(s) that the entity serves or intends to serve:

- Local service area (e.g., county, PMSAs, or state or territory):
- Statewide or territory-wide service area:
- Multi-state service area:
- National service area

3) The entity intends to maintain accountability to the residents of *LICs* through representation on the:

- Governing Board of the *Applicant CDE*
- Governing Board of the *Applicant CDE's* Controlling Entity
- Governing Board of the *Subsidiary Applicant*
- Advisory Board (see item #4 below)
- Multiple Advisory Boards

4) If your organization intends to maintain accountability to the residents of its *LIC* through their representation on **Advisory Board(s)**, provide a narrative (on a separate sheet of paper) detailing each of the following:

- ◆ The process by which members are selected for the advisory board;
- ◆ How often the advisory board meets (to be accountable, a board must meet at least annually);
- ◆ How the board solicits (or intends to solicit) feedback from residents of *LICs* and how often this information is (or will be) collected (e.g., feedback collected semi-annually at community meetings, feedback collected annually through surveys, etc.); and
- ◆ How the information is used (or will be used) to inform the actions of the governing board in developing the organization's policies (e.g., an advisory board representative sits on the governing board; a member of the advisory board presents reports to the governing board, etc.).

5) Name the board checked in item #3:

Total number of Board members:

Total number of *LIC* Representatives on Board:

Board Composition as of (mm/dd/yy):

6) List the names of all members of the board identified in item #3, and complete a LIC Representative Form (#CDE-3) for each member who is a *LIC* Representative:

Name	LIC Representative (yes or no)?
1.	No
2.	No
3.	No
4.	No
5.	No
6.	No
7.	No
8.	No
9.	No
10.	No
11.	No
12.	No
13.	No
14.	No
15.	No
16.	No
17.	No
18.	No
19.	No
20.	No
21.	No
22.	No
23.	No
24.	No
25.	No

### CDE – 3: LOW INCOME COMMUNITY ( LIC ) REPRESENTATIVE FORM

Complete this form (copy double-sided) for each LIC representative. Reproduce additional copies of the form as necessary.

- 1) Name of entity seeking certification as CDE:
- 2) Name of board (if entity has multiple advisory boards).

Board Member Name:	
--------------------	--

- 3)
 

Service Area Represented: (e.g. County(ies), (P)MSA, State(s), National)	
---	--

4)

**Conflict of Interest Certification:** Check here to certify that neither the above-mentioned board member, nor any of his/her family members, is (are) principal(s) or staff member(s) of the *Applicant CDE* (or *Subsidiary Applicant*), its affiliated entities, or its investors.

5) How is the board member representative of LICs? (Check only one category)

A. Is a resident of a LIC. Provide information below and attach the "Address Geocoder Report" from The Fund's CIMS mapping program.

Board Member's Address:	
Census Tract (11 digit FIPS code):	

B. Is a small business owner who controls, operates or manages a business located in a LIC that: a) provides goods and services to residents of the LIC; or b) principally employs residents from the LIC. Provide information below and attach the "Address Geocoder Report" from The Fund's CIMS mapping program.

Business Name:	
Business Address:	
Census Tract (11 digit FIPS code):	

Provide a brief description of the goods and/or services provided to the LIC, and/or provide an explanation of how it was determined that the business principally employs residents of the LIC.

Description of goods and/or services:	
Explain how it was determined that the business principally employs residents of the LIC:	

C. Is an employee or board member of a non-affiliated community-based or charitable organization providing more than 50% of its activities or services to LICs. Provide information below.

Board Member's Title:	
Organization Name:	
Area Served:	
Board-approved Organizational Mission Statement.	
If not <u>clearly</u> stated in the Board-approved Organizational Mission Statement explain how it was determined that the organization provides more than 50% of its activities or services to LICs.	

D. Is a religious leader whose congregation is based in a LIC. Provide information below and attach the "Address Geocoder Report" from The Fund's CIMS mapping program.

Board Member's Title:	
Religious Entity Name:	
Religious Entity Address:	
Census Tract (11 digit FIPS code):	

E. Is an employee of a governmental agency or department that principally serves LICs, or is a governmental agency or department employee whose job responsibilities principally involve serving LICs.

Board Member's Title:	
Name of Agency/Department:	
Agency/Department Mission Statement and Community Served:	
Describe the Board Member's Job responsibilities:	
If not stated above, explain how it was determined that the Agency/Department <u>or</u> the Individual principally serves LICs.	

F. Is (or works for) an elected official whose constituency is comprised principally of LICs or residents of LICs. Provide information below and attach the "Address Geocoder Report" from The Fund's CIMS mapping program.

Board Member's Title:	
Elected Official Name:	
Elected Official's Jurisdiction:	
Explain how it was determined that the elected official's constituency is comprised principally of LICs or residents of LICs.	



## CDE –4: AUTHORIZED REPRESENTATIVE CERTIFICATION FORM

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All *Applicant CDEs* must sign the following certification:

I certify, on behalf of \_\_\_\_\_ (name of the *Applicant CDE*) and, if applicable, its *Subsidiary Applicants*, that it/they will, at all times during the course of its/their designation as a *CDE*, direct a minimum of sixty percent of its/their activities (including loans, investments and related technical assistance) to *Low-Income Persons*, to persons or organizations located in *Low-Income Communities*, or to other organizations that principally serve *Low-Income Persons* or residents of *Low-Income Communities*.

I further certify that the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)*, will maintain accountability to the *Low-Income Communities* that it/they serve, through their representation on the governing board or on an advisory board(s) to the *Applicant CDE* (and, if applicable *Subsidiary Applicants*), at all times during the course of its/their designation as a *CDE*.

The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges that it may be required to periodically certify to the Fund that it continues to comply with the above certification requirements, and to notify the Fund if the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* fails to comply with these requirements. The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges further that a failure to comply with these requirements may result in the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* losing its designation as a *CDE*, as well as the revocation of *NMTC Allocations* provided to the *Applicant CDE* or *Subsidiary Applicants* and/or the recapture of *NMTCs* claimed by investors for making *Qualified Equity Investments* in the *Applicant CDE* or *Subsidiary Applicants*.

By:

\_\_\_\_\_  
Signature of *Authorized Representative of Applicant CDE*

\_\_\_\_\_  
Date

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## CDE – 1A: SUBSIDIARY APPLICANT INFORMATION FORM

This form must be completed for each *Subsidiary Applicant* seeking certification under this application (copy and submit additional forms as needed). Not applicable for sole Applicant CDEs.

1. Name of *Subsidiary Applicant*:

2. *Subsidiary Applicant's* Employer Identification Number (required for processing):

3. Mailing Address (Provide mailing address and physical address for overnight deliveries (if different). Provide nine digit zip code):

4. *Authorized Representative* Name, Title, and address if different from #3: Telephone number:  
Fax number:  
E-mail address:

5. Congressional District of *Applicant CDE's* main office:

6. Market served and estimated % of total activities (percentages should add up to 100%):

\_\_\_\_ % Major urban areas in a Metropolitan Area with a population equal to or greater than 1 million (include both central city and surrounding suburbs).  
\_\_\_\_ % Minor urban areas in a Metropolitan Area with a population of less than 1 million (include both central city and surrounding suburbs).  
\_\_\_\_ % Rural areas

7. Type of entity (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> For-profit   | <input type="checkbox"/> Non-profit   |
| <input type="checkbox"/> <i>Small Business Investment Company</i> (SBIC)              | <input type="checkbox"/> <i>Specialized Small Business Investment Company</i> (SSBIC) |
| <input type="checkbox"/> Certified Community Development Financial Institution (CDFI) | <input type="checkbox"/> Thrift, Bank or bank holding company                         |
| <input type="checkbox"/> Credit Union   | <input type="checkbox"/> Publicly traded company                                      |
| <input type="checkbox"/> Government-controlled entity                                 | <input type="checkbox"/> <i>Faith-Based Institution</i>                               |
| <input type="checkbox"/> Tribal Entity  | <input type="checkbox"/> New Markets Venture Capital Company                          |

8. Products and services that are or will be offered by the *Applicant CDE* (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Microenterprise financing        | <input type="checkbox"/> Business financing                             |
| <input type="checkbox"/> Financing other <i>CDEs</i>      | <input type="checkbox"/> Loan purchase from other <i>CDEs</i>           |
| <input type="checkbox"/> Real estate financing            | <input type="checkbox"/> <i>Financial Counseling and Other Services</i> |
| <input type="checkbox"/> Retail                           |   |
| <input type="checkbox"/> Industrial                       |   |
| <input type="checkbox"/> Office space                     |   |
| <input type="checkbox"/> Mixed-use (housing + commercial) |   |
| <input type="checkbox"/> For-sale housing                 |   |
| <input type="checkbox"/> Community facilities             |   |

**CDE – 1A: *Subsidiary Applicant* Information (cont'd)**

9. Is the *Subsidiary Applicant* a domestic corporation or partnership for federal tax purposes?

Yes  No **If no, the applicant is not eligible to apply for certification as a CDE.**

10. Is the *Subsidiary Applicant* duly organized and validly existing under the laws of the jurisdiction in which it was incorporated or otherwise established?

Yes

- *Subsidiary Applicant's* date of incorporation (month/day/year):
- *Subsidiary Applicant's* total assets as of the date of this application: \$

No **(If no, the *Subsidiary Applicant* is not eligible to apply for certification as a CDE)**

I hereby certify that all of the application information provided by the Applicant CDE is true, correct, and complete. The *Subsidiary Applicant* identified above is a *Subsidiary* of the *Applicant CDE* (in accordance with the Fund's definition of the term *Subsidiary*). The execution of this application by the *Subsidiary Applicant* has been duly authorized by the governing body of the *Subsidiary Applicant*.

11. *Authorized Representative* Signature<sup>5</sup>:

Date:

<sup>5</sup> ALL APPLICATIONS REQUIRE THE SIGNATURE OF THE ORGANIZATION'S *AUTHORIZED REPRESENTATIVE*, AND A UNIQUE EIN FOR THE *APPLICANT CDE* AND EACH *SUBSIDIARY APPLICANT*, OR THE APPLICATION WILL BE DEEMED INCOMPLETE AND REJECTED.

## CDE – 1B: SUBSIDIARY APPLICANTS PRIMARY MISSION CERTIFICATION

*Applicant CDEs* wishing to designate *Subsidiary Applicants* as *CDEs*, but have not provided separate organizational documents for each of these entities, must sign the following certification (Not applicable for sole Applicant CDEs):

I certify, on behalf of \_\_\_\_\_ (name of the "*Applicant CDE*"), that the *Subsidiary Applicant(s)* listed below have the same primary mission of serving *LICs* or *Low-Income Persons* as indicated in the organizational documents of the *Applicant CDE*.

*Subsidiary Applicant(s)*:

Name	EIN
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	

By: \_\_\_\_\_  
Signature of *Authorized Representative of Applicant CDE*

\_\_\_\_\_  
Date

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_