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MEMORANDUM

TO: All interested parties

FROM: Multifamily Development Division

DATE: March 31, 2009

SUBJECT: Update on 2009 LIHTC Program

As of the date of this memo, HUD and Treasury have not yet issued the much-anticipated guidance regarding the requirements and administration of ARRA resources. In the interim, the THDA Board has approved certain "guiding principles" that THDA staff will use in developing program details for the ARRA relief provisions. Please see www.thda.org for these "guiding principles" and for other changes to the 2009 QAP that will affect 2009 Initial Applications.

The following describes current staff expectations regarding the application of the "guiding principles" to developments proposed in 2009 Initial Applications:

1. The general model for developments proposed in 2009 Initial Applications must include:
 - a. Reasonable Costs
 - b. Private Financing based on achievable rental income within Section 42 rent limits
 - c. Sale of housing credits (equity / syndication)
 - d. Gap financing funded by ARRA resources
2. 100% financing will not be available, i.e. developments proposed in 2009 Initial Applications must include syndication and must be able to demonstrate the ability to syndicate housing tax credits for no less than \$0.65.
3. TCAP funds will be made available to fund "gaps" for developments proposed in 2009 Initial Applications and will not be in the form of grants. Funds resulting from "monetization" will not be available for developments proposed in 2009 Initial Applications.
4. A preference will be given to those developments proposed in 2009 Initial Applications that show the most realistic numbers with the smallest financing "gap" to be filled with TCAP funds.
5. TCAP funds are expected to require application of various cross cutting federal regulations including, without limitation, Davis Bacon & related acts, the Uniform Relocation Act, the National Environmental Protection Act, and Uniform Federal Accessibility Standards. In planning, preparing and submitting 2009 Initial Applications, applicants should assume that compliance with these regulations will be required to access TCAP funds, if a funding gap exists for the

development proposed in the 2009 Initial Application. The implications of these statutes and regulations will need to be carefully considered and taken into account, both from a cost and timing standpoint, BEFORE submitting a 2009 Initial Application.

6. The total amount of annual tax credit available for allocation to developments proposed in 2009 Initial Applications may be as little as \$8,500,000, which will be further reduced depending on the additional amount of 2009 tax credits made available to exchange developments that originally received tax credits in 2006 or 2007. It is not clear whether the amount of the non-profit set aside is to be calculated based on the total amount of new 2009 tax credit available, without excluding the amount of 2009 tax credit that may be "monetized", regardless, this will affect the amount of 2009 tax credit available for other types of developments. Given the reduced amount of 2009 tax credit available, staff is considering a recommendation to modify, to up to \$965,000, the amount of tax credit available for each set-aside in the 2009 QAP, except for the non-profit set aside and the set aside for permanent supportive housing for the homeless.

Given the current uncertain nature of TCAP requirements, we urge applicants who are considering submission of a 2009 Initial Application to take the above information into account in preparing a 2009 Initial Application. We recognize that some of the above items require amendments to the 2009 QAP, which will be pursued, but which may not occur prior to the May 1 Initial Application deadline. We expect that specific details will need to be reconsidered, modified, or updated as additional information becomes available, but staff is committed to providing information to the developer community in a timely fashion.