Tennessee Housing Development Agency

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MEMORANDUM:

TO: Multifamily Program Participants

FROM: Donna Duarte, Director of Multifamily Programs

DATE: May 22, 2017

SUBJECT: Multifamily Programs Update

The Multifamily Programs Division is busy on several fronts reviewing competitive applications, conducting construction inspections, and performing compliance reviews. We are making really good progress with our new housing credit software; THOMAS. After meeting several development milestones, we are on track to roll out THOMAS to Tennessee's housing credit community on January 1, 2018. THOMAS' development required us to review our internal practices and identified several areas where we had breakdowns. One breakdown area is with our placed in service process. As developments place in service, owners submit a final application and IRS Form 8609s are issued which completes the allocation process and begins the 30 year compliance process. We need to ensure there is a seamless transition between allocation and compliance for our developments. This will require a change in thinking (and doing).

Chapter XI of the Low-Income Housing Tax Credit 2017 QAP discusses THDA's Placed in Service process. **Although THDA maintains an open cycle for the receipt of final applications, to receive IRS Form(s) for the calendar year there is a processing deadline date of December 1.** THDA will not provide extensions for final application submission past the deadline and will process final applications received after the deadline date during the next calendar year. Enforcing this deadline will allow developments to quickly transition to long-term affordability compliance in the THOMAS system and meet compliance reporting deadlines.Under Treasury Regulation §1.42-5 (c) (2) (ii) (A), state agencies must conduct an on-site review of the development by the end of the second calendar year after the last building has placed in service. THDA will schedule first year compliance monitoring based on the placed in service and credit period reporting provided by the developer during the allocation process. **All developments will be subject to first year compliance monitoring within the first six months after the close of the first year of the credit period.** Chapter 3 and 21 of the Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition contains more guidance on these first year compliance monitoring responsibilities.

Additionally, the implementation of THOMAS required a review of the authorized users in the HCMS portal. **In order to control access within THOMAS, we will require all HCMS users to re-register during the migration from HCMS to THOMAS.** Information on this process will be provided to current HCMS users in late 2017. Additionally, we will host THOMAS training sessions and workshops during the fall.

THDA made $210,000,000 of Multifamily Tax-Exempt Bond Authority available on January 10, 2017 and as of today, the entire amount has been committed. Over the past couple of weeks, we have received inquiries from developers expressing the need for more than $200,000,000. We are working with the state to obtain more volume authority to ensure these developments have the resources they need to produce affordable housing.

We have been monitoring the 2016 competitive allocations as a result of last fall's equity market disturbance for progress towards syndication closing. We have whittled our "no syndication" list down to 3 developments with the understanding all other deals have closed or are working towards closing. **Please remember after your construction loan is closed you will need to schedule pre-construction meetings with the Construction Manager.**

As we review the initial applications received during the 2017 Competitive Low-Income Housing Tax Credit cycle, we wanted to share information retrieved from equity pricing submitted. THDA suggested applicants be conservative on equity pricing in their applications. **Pricing on new construction applications averaged $0.86 and pricing ranged from $0.83 to $0.93 while pricing on acquisition rehabilitation applicants averaged $0.85 and pricing ranged from $0.84 to $0.86.** Additionally, in the 39 applications received, there were 29 new construction applications and 10 acquisition rehab applications. We received six applications for Sevier County from the 39 applications received. Finally, the total number of 2017 applications (39) was 1/3 less than 2016 applications (56) and less than half of the 2015 applications (83).

Finally, we want remind you of a few items which are part of our review process. **The Low-Income Housing Tax Credit 2017 QAP Part B. Scoring Initial Applications 3. Sponsor Characteristic has a lot of very important information which is attached to points.** We do not want your application to be harmed by any of the following items when we review the developer and ownership entity.

1. Failures to proceed from reservation through placed in service since May 1, 2016 which is included in section 3. a.
2. Point ineligibility due to prior QAP requirement violations by the developer and related party or individuals in 3. b. Of note 3. b. (iii) or failure to provide permanent financing documentation. We maintain a list of missing permanent financing documentation from recently placed in service (final) applications. If you have closed on permanent financing for developments recently who have submitted final applications, we are asking that you submit this information to us as soon as possible. We have the ability to review information from the county clerk's office to determine whether a promissory note, deed of trust or mortgage has been filed on prior developments recently placed in service. We direct you to the language in the applicable QAP which requires you to submit permanent financing documentation within 60 days of recording the deed of trust.
3. Remember the Qualifying Person/Entity must remain in the development until the development is placed in service.

The Tax Credit Committee Meeting on May 22, 2017 begins with a discussion of changes to the 2018 Qualified Allocation Plan. The agenda for the meeting has been changed as the Exchange Language for the 2017 QAP has been eliminated from discussion today. We hope you will remain engaged during this process and provide us with the feedback we need to create the most effective housing credit program for low-income Tennesseans.