

The American Recovery and Reinvestment Act (the "Act") was signed into law on February 17, 2009. The Act creates two new sources of funding for affordable housing. First, it establishes a Tax Credit Assistance Program ("TCAP"), which will provide direct funding assistance to eligible tax credit projects. In Alabama, this assistance will likely be in the form of a subordinate mortgage loan with personal guaranties from project owners. Second, the Act establishes a tax credit exchange program (the "Exchange Program"), which permits states to substitute a cash grant in place of an eligible project's tax credits in an amount of up to 85% of those credits, subject to subsidy layering review and to AHFA's underwriting criteria. Both of the new programs are intended primarily to supplement affordable housing developments that have been unable to secure adequate equity commitments in the current market.

The amount available for award under each program is limited. According to HUD's website, Alabama will receive TCAP funds in the amount of \$31,952,086. Based on the formula contained in the Act, AHFA estimates that Alabama could receive Exchange Program funds of approximately \$73,049,460. THE ACT DOES NOT ENTITLE ANY PROJECT TO RECEIVE TCAP OR EXCHANGE PROGRAM FUNDS. The Act requires states to award TCAP funds based upon guidance to be provided by HUD and to award Exchange Program funds pursuant to existing tax credit allocation plans and to additional guidance to be provided by the Treasury Department. AHFA does not know when HUD or the Treasury Department will release this guidance. AHFA expects to establish guidelines for administration of TCAP and the Exchange Program as quickly as possible after appropriate guidance is available. For example, AHFA awaits guidance from the IRS on whether GO Zone tax credits are eligible for the Exchange Program.

AHFA has considered postponing the 2009 application round for HOME funds and tax credits. After much discussion and review of the issues, AHFA HAS MADE THE DECISION TO ACCEPT APPLICATIONS AS ORIGINALLY PLANNED THE WEEK OF MARCH 9-13, 2009. Time is of the essence in getting projects funded and placed in service in a timely manner. THEREFORE, AHFA WILL ACCEPT APPLICATIONS FOR TAX CREDITS AND HOME FUNDS IN ACCORDANCE WITH EXISTING PROGRAM REQUIREMENTS AND THE EXISTING APPLICATION CYCLE SCHEDULE.

In the meantime, please be aware of the following:

- **TCAP and the Exchange Program will be available only to projects that have received an award of tax credits during the three-year period ending on September 30, 2009. ANY PROJECT THAT DID NOT RECEIVE TAX CREDITS FROM AHFA DURING 2007 OR 2008 MUST SUBMIT A SUCCESSFUL APPLICATION FOR TAX CREDITS DURING THE 2009 APPLICATION CYCLE IN ORDER TO BE ELIGIBLE TO PARTICIPATE IN TCAP OR THE EXCHANGE PROGRAM.**
- **AHFA has circulated a questionnaire to tax credit projects funded in its 2007 and 2008 application cycles in order to determine their status. IT IS MANDATORY THAT OWNERS OF THESE PROJECTS COMPLETE THE QUESTIONNAIRE AND RETURN IT, TOGETHER WITH ALL REQUIRED ATTACHMENTS, IN ORDER TO BE ELIGIBLE TO PARTICIPATE IN TCAP OR THE EXCHANGE PROGRAM.**
- **AHFA expects to place the highest funding priority on projects that have agreements in place for equity commitments and are farthest along in closing and funding those commitments. The Exchange Program will have the effect of reducing the aggregate amount of tax credits available for allocation in 2009.**
- **Bond-financed projects with 4% tax credits will not be eligible to receive TCAP or Exchange Program funds.**

The Act has, in effect, required states to begin administration of programs that are not fully defined. All information in this notice is subject to AHFA's receipt and review of the guidance to be provided by HUD and the Treasury Department and to applicable changes in law, the issuance of regulations, and other administrative guidance, formal or informal, from HUD, the Treasury Department and other governmental authorities.

For questions concerning this notice, please contact AHFA's multi-family staff at (334) 244-9200.