

## **SPECIAL INTERPRETIVE RELEASE**

### **ALABAMA HOUSING FINANCE AUTHORITY**

**FEBRUARY 1, 2011**

This interpretive release applies to two sections of Alabama Housing Finance Authority's ("AHFA") 2011 Qualified Allocation Plan for Low-Income Housing Tax Credits (the "Qualified Allocation Plan").

Section II.C.11. of the Qualified Allocation Plan provides that an application for new construction or rehabilitation that is less than 50% occupied at the time of application will not be funded if the proposed project is located within a 2-mile radius of any project that received AHFA funding in 2008, 2009 or 2010 and has not reached 90% occupancy. Section II.C.11. further provides, however, that applications that contain financing through the United States Housing and Urban Development's ("HUD") HOPE VI program will not be subject to the foregoing 2-mile radius requirement. This exception was created because HOPE VI funds are at risk of penalty or potential recapture if not used within regulatory deadlines for obligation and expenditure, and the primary objective of this exception was to avoid the unnecessary loss of potential HOPE VI funding within the State of Alabama due solely to the 2-mile radius requirement.

Section II.D.13 of the Qualified Allocation Plan provides that an application will not be considered if an applicant's only project (i.e., applicant's first project and first time ever awarded funds by AHFA) was funded in 2008, 2009, or 2010 and is not completed and has not reached 90% occupancy at the time of application. Section II.D.13 further provides, however, that projects funded with HOPE VI funds are exempt from this requirement. This exception was created because HOPE VI projects are often multi-phase projects, and the regulatory deadlines applicable to HOPE VI funds sometimes necessitate beginning construction on a subsequent phase before all prior phases have been completed and reached 90% occupancy.

By letter dated January 19, 2011 (the "HUD Letter"), HUD requested that, for purposes of the Qualified Allocation Plan, AHFA treat projects that have received Replacement Housing Factor ("RHF") grant funds or Capital Fund Program ("CFP") grant funds from HUD in the same manner as projects that have received HUD's HOPE VI funds. In support of this request, HUD wrote that RHF and CFP funds are substantially similar to HOPE VI funds because they "have closely regulated obligation and expenditure deadlines, and are at risk of penalty and potential recapture if they are not obligated and expended in a timely manner." The HUD Letter also identifies other similarities between RHF and CFP grant funds, on one hand, and HOPE VI funds, on the other hand.

Based on the information contained in the HUD Letter, and the fact that AHFA wishes to avoid any unnecessary loss of potential RHF or CFP funding within the State of Alabama due solely to the Qualified Allocation Plan's 2-mile radius requirement and its requirement relating to completion and stabilization of prior projects, AHFA has determined that RHF and CFP grant funds should be treated the same as HOPE VI funds for purposes of Sections II.C.11. and

II.D.13. of the Qualified Allocation Plan and, therefore, that applications for new construction or for rehabilitation that is less than 50% occupied at the time of application that contain financing through HUD's RHF or CFP grant programs will have the same exemption as HOPE VI funds from the 2-mile radius requirement in Section II.C.11 of the Qualified Allocation Plan and from the stabilization requirements for prior funded projects contained in Section II.D.13 of the Qualified Allocation Plan.

Applications for projects with RHF or CFP funding must meet the same requirements as applications for projects with HOPE VI funding, and nothing in this Interpretive Release shall be construed to relieve or reduce any other requirement or scoring criteria applicable to such applications under the Qualified Allocation Plan.

For questions concerning this release, please contact Barbara Wallace at (334) 244-9200 or 7460 Halcyon Pointe Drive, Suite 200, Montgomery, Alabama 36117.