

LINDA LINGLE
GOVERNOR



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June 19, 2009

To All Interested Parties:

Subject: Tax Credit Assistance Program ("TCAP") – State of Hawaii

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. This new law provides for enhancement programs to the Low Income Housing Tax Credit ("LIHTC") Program in an attempt to restart affordable housing projects that may have stalled due to the financial market downturn. The Tax Credit Assistance Program ("TCAP" or the "Program") is intended to provide gap capital investments in LIHTC projects.

On June 12, 2009, the U.S. Department of Housing and Urban Development ("HUD") approved HHFDC's application for \$9,861,610 in TCAP Funds. As such, HHFDC is now accepting written requests for TCAP Funds. Requests must be delivered to HHFDC at 677 Queen Street, Suite 300, Honolulu, HI 96813 no later than **4:00 PM HST on Monday, July 13, 2009**. Project Awards are tentatively scheduled for August 13, 2009. A subsequent award round may be announced based upon the availability of funds.

Projects eligible for TCAP Funds in the State of Hawaii must meet each of the following criteria:

- Received an Award of Federal LIHTC from HHFDC between October 1, 2006 and September 30, 2009.
- No material changes since receiving the Federal LIHTC award, as determined by HHFDC in its sole discretion.
- Federal LIHTC award sold to an LIHTC equity investor or Federal LIHTC used by the developer.
- Commit to the expenditure of no less than 75% of TCAP Funds by February 16, 2011 and 100% of TCAP Funds by February 16, 2012.
- Achieve 100% completion by February 16, 2012.

Written requests for TCAP Funds are required to address the following (see Attachment 1 for further detail): **[Do Not use HHFDC's Consolidated Application to request TCAP Funds.]**

- A. Projected TCAP Fund expenditure by February 16, 2011 and February 16, 2012.
- B. Commitment to complete Project by February 16, 2012.
- C. Status of the project's Environmental Review process (Federal and State).
- D. Project compliance with zoning (attach documentation).
- E. Status of subdivision approval (attach documentation).
- F. Status of the project's permitting requirements (attach permit copies).
- G. Developer experience with using Federal Funds.
- H. Current status of project.
- I. Summary and explanation of any project changes since Federal LIHTC award.
- J. Revised project budget.
- K. Revised project sources and uses.
- L. Status of other financing sources.
- M. Detailed construction and funds expenditure timeline.

HUD has placed strict timetables for the awarding and expenditure of TCAP funds. As such, should a written request for TCAP funds not adequately address each of the foregoing, HHFDC reserves the right to reject that request outright at its sole discretion.

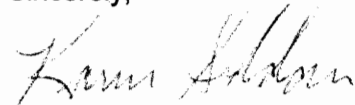
Should HHFDC in its sole discretion determine that an Awardee is unable to fulfill its requirements to expend TCAP Funds by the aforementioned deadlines, HHFDC reserves the right to recapture TCAP Funds and redistribute these funds to another project in order to meet HUD expenditure requirements prior to the expiration of the Program.

Please note that HHFDC has determined that TCAP awards shall be made in the form of a Grant. Project owners are responsible for determining and accommodating a Grant's potential impact on a project prior to making a written request for TCAP Funds.

Awardees of TCAP Funds are required to enter into a legally binding written agreement with HHFDC, which shall outline all of the TCAP and cross cutting federal grant requirements. Additionally, this agreement and its corresponding requirements shall be made enforceable with the recordation of a declaration of restrictive covenants that shall bind all owners and successors. The binding written agreement and declaration of restrictive covenants has not been drafted and is awaiting further guidance by HUD.

If you have any questions, please contact Patrick Inouye at (808) 587-0797, Jocelyn Iwamasa at (808) 587-0576, or Byron Chock at (808) 587-0569.

Sincerely,



Karen Seddon
Executive Director

**Attachment
Tax Credit Assistance Program
Program Outline and Application Process**

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009. This new law provides for enhancement programs to the Low Income Housing Tax Credit ("LIHTC") Program in an attempt to move along affordable housing projects that may have stalled due to the recent downturn in the financial markets.

The Tax Credit Assistance Program ("TCAP" or the "Program") is intended to provide gap capital investments in LIHTC projects. TCAP has a total appropriation of \$2.25 billion, of which Hawaii is eligible for up to \$9,861,610. Hawaii Housing Finance and Development Corporation ("HHFDC") is responsible for management of Hawaii's TCAP. TCAP Funds must be fully expended by the Program's expiration date of February 16, 2012. Projects receiving TCAP funds must be 100% complete by February 16, 2012.

Eligible Projects for TCAP Funds:

- Projects that received an Award of Federal LIHTC from HHFDC between October 1, 2006 and September 30, 2009. A project is considered to have an "Award" of Federal LIHTC once its LIHTC Binding Agreement or Reservation Letter is fully executed and accepted by HHFDC and the LIHTC Good Faith Deposit is paid in full.
- Projects that have not changed materially since receiving their Federal LIHTC award, as determined by HHFDC in its sole discretion.
- Projects that sold their Federal LIHTC award to an LIHTC equity investor or whose Developer will use the Federal LIHTC award.
- Projects committing to the expenditure of no less than 75% of TCAP Funds by February 16, 2011 and 100% of TCAP Funds by February 16, 2012.
- Projects that achieve 100% completion by February 16, 2012.

Requests for TCAP Funds:

On June 12, 2009, the U.S. Department of Housing and Urban Development ("HUD") informed HHFDC that it may accept requests and begin the competitive selection process for TCAP Funds. HHFDC may also start the environmental review on projects selected as a result of the competitive selection process. Requests for TCAP Funds must be delivered to HHFDC at 677 Queen Street, Suite 300; Honolulu, HI 96813 no later than 4:00 PM HST on Monday, July 13, 2009. Projects awards are tentatively scheduled for August 13, 2009. A subsequent award round may be announced based upon the availability of funds.

Written Requests for TCAP Funds are required to address the following **[Do Not use HHFDC's Consolidation Application to request TCAP Funds]**:

A. **Timing of TCAP Funds:**

1. How much TCAP Funds will the project expend by February 16, 2011?
2. How much TCAP Funds will the project expend by February 16, 2012?

B. **Status of Environmental Assessment Requirements:**

1. Status of the project's Federal Environmental Review. Provide evidence if the Federal Environment Review is already completed. Please note that TCAP Funds cannot be committed prior to completion of the environmental review process.
2. Status of the project's State Environmental Assessment (if required). Provide Finding of No Significant Impact or Environmental Impact Statement if already completed or evidence that a State Environmental Assessment is not needed.

- C. Construction Readiness of the Project:
1. Has the Project received all of its zoning approvals or is the project already in compliance with existing zoning? Supporting documentation must be provided.
 2. Has the project received its subdivision approval or is subdivision approval not needed? Supporting documentation must be provided.
 3. Status of the project's foundation permit. Submit a copy of the permit if already received or evidence that the project does not need a foundation permit.
 4. Status of the project's building permit. Submit a copy of the permit if already received or evidence that the project does not need a building permit.
- D. Applicant/Developer Experience with using Federal Funds:
1. Provide a statement, and supporting evidence, of the Applicant's or Developer's previous experience with using Federal Funds (if any).
 - a. Provide documentation regarding experience with Davis Bacon, Federal Environmental Review, lead based paint, and other Federal "cross cutting" requirements.
- E. Project Status:
1. Current status of the project and what needs to occur in order for construction to commence or continue.
 2. Summary and explanation of any changes to the project since its award of LIHTC.
- F. Project Budgets:
1. Revised project budget, including line by line comparison with the budget originally approved by HHFDC and explanation of the changes.
 2. Revised project sources and uses, including a comparison with the sources and uses originally approved by HHFDC and explanation of the changes.
 3. Status of the other financing sources.
 4. Detailed construction and funds expenditure timeline once funding is secured.

HUD has placed strict timetables for the awarding and expenditure of TCAP funds. As such, should a written request for TCAP funds not adequately address each of the forgoing, HHFDC reserves the right to reject that request outright at its sole discretion.

TCAP Selection and Scoring Criteria:

Application for TCAP Funds shall be scored on the following criteria:

- A. Expenditure of Funds:
1. Commit to 100% Expenditure of TCAP Funds by February 16, 2012 (2 points)
 2. Commit to 100% Expenditure of TCAP Funds by February 16, 2011 (5 points)
- B. Environmental Assessment Requirements:
1. Satisfaction of Federal Environmental Review Requirements (5 points)
 2. Satisfaction of State Environmental Review Requirements or evidence that a State Environmental Review if not required (5 points)

C. Construction Readiness:

1. Project receipt of zoning approvals (201H) or evidence of compliance with existing zoning (3 points)
2. Project receipt of subdivision approval or evidence that subdivision approval is not needed (3 points)
3. Project receipt of foundation permit or evidence that construction work does not require a foundation permit (2 points)
4. Project receipt of building permit or evidence that construction work does not require a building permit (3points)

D. Developer Experience with Federal Funds:

1. Evidence that applicant/developer has previous experience with working with requirements for Federal Funds: i.e. "cross cutting" requirements including Davis Bacon, Federal Environmental Review, lead based paint, etc. (3 points)

Written Agreement:

Awardees of TCAP Funds are required to enter into a legally binding written agreement with HHFDC, which shall outline all of the TCAP and crosscutting federal grant requirements. Additionally, this agreement and its corresponding requirements shall be made enforceable with the recordation of a declaration of restrictive covenants that shall bind all owners and successors. The binding written agreement and declaration of restricted covenants has not been drafted and is awaiting further guidance by HUD.

Expenditure of TCAP Funds:

If a request for TCAP Funds is approved, Awardees shall be subject to the following funding and disbursement requirements:

1. Expend 75% of TCAP Funds by February 16, 2011 (at minimum);
2. Expend 100% of TCAP Funds by February 16, 2012 (at minimum);
3. Disbursements of TCAP Funds cannot occur until the binding written agreement is executed between the Awardee and HHFDC;
4. TCAP Funds cannot be drawn in advance of a need to pay an eligible cost;
5. TCAP Funds cannot be placed in escrow or advance in lump sums to owners; and
6. Once drawn TCAP Funds must be expended for an eligible cost within three (3) days.

Should HHFDC in its sole discretion determine that an Awardee is unable to fulfill its requirements to expend TCAP Funds by the aforementioned deadlines, HHFDC reserves the right to recapture TCAP funds and redistribute these funds to a more deserving project in order to meet HUD expenditure requirements prior to expiration of the Program.