

**IDAHO HOUSING AND FINANCE ASSOCIATION  
TAX-EXEMPT MULTIFAMILY HOUSING BOND  
ADMINISTRATIVE PLAN**

**INTRODUCTION**

This Administrative Plan (the “Plan”) defines the terms and conditions under which the Idaho Housing and Finance Association (the “Association”) will accept applications for issuance of multifamily housing tax-exempt bonds. The Plan also covers the allocation of Low Income Housing Tax Credits (Tax Credits) related to tax-exempt financing.

Multifamily housing financed with tax-exempt bonds may receive an allocation of Tax Credits if elected by the housing sponsor. These Tax Credits are not part of Idaho’s annual allocation and are often referred to as four-percent Tax Credits, reflecting their lower value compared to Idaho’s annual Tax Credit allocation. If Tax Credits are requested, the Association must review and approve this resource allocation in accordance with Section 42 of the Internal Revenue Code (the “Code”) and Idaho’s Low-Income Housing Tax Credit Qualified Allocation Plan (“QAP”). Volume Cap is administered by the Idaho Department of Commerce and is subject to limited availability. Other funding administered by the Association, such as HOME program money, is governed under separate administrative plans.

Multifamily housing developments financed with tax-exempt bonds may also produce affordable rental housing without an allocation of Tax Credits. If Tax Credits are not requested, the development does not have to meet Section 42 Code requirements, but will have to meet all threshold requirements mentioned in the current QAP, except that a lower point score will be accepted under the QAP’s Selection Criteria Point Threshold. The 145 minimum point score threshold will be lowered to 100 points for developments that do not choose to utilize Tax Credits with the tax-exempt bond financing. This approach provides equitable opportunity for competing housing sponsors, ensures consistent standards for affordable housing development, and allows adequate oversight to avoid possible over building in soft real estate markets. Except in unusual circumstances which are approved in advance by the Association’s Resource Allocation Committee, affordable rent levels in tax-exempt bond developments without Tax Credits will be held to corresponding income-qualifying levels and rent levels for Tax Credits on all of the development’s affordable units. These rent and income restrictions will be documented in Tax-Exempt Bond Regulatory Agreement and will be monitored annually by the Association’s Compliance Department. Monitoring fees on the affordable units, which are equal to the Association’s Tax Credit monitoring fees, will be due at least annually throughout the affordability period.

**PRIVATE ACTIVITY BOND VOLUME CAP**

Private Activity Bonds or tax-exempt bonds that provide both public and private benefit are subject to a federally imposed Volume Cap limit. IHFA may charge a commitment fee on all applications involving use of Volume Cap which may be reimbursable if the transaction closes.

An allocation of Volume Cap allows an issuer to sell a corresponding amount of tax-exempt bonds at interest rates that are generally lower than rates obtained in the taxable market place. The Association receives Volume Cap for its bond programs from the Idaho Department of Commerce, which is charged with the administration of this limited state resource. The

Association uses Volume Cap to issue single-family mortgage revenue bonds and multifamily housing bonds to help meet affordable housing needs in Idaho. Other eligible private activity bond uses include industrial development, student loans, municipal service facilities and redevelopment.

A qualified authority must issue tax-exempt housing bonds. In Idaho, statutorily qualified authorities include the Association and Public Housing Authorities; however, not all Public Housing Authorities have previous experience or may choose to issue tax-exempt housing bonds. Sponsors or developers of multifamily housing projects apply to the Idaho Department of Commerce for Volume Cap through a qualified authority.

A housing sponsor making application to the Association to act as issuer of tax-exempt multifamily housing bonds is required to submit information pertaining to the housing development and the local housing market, possibly including a professionally prepared market study. Once an application is received, the Association, at its discretion, will either apply to the Idaho Department of Commerce on behalf of the housing sponsor for available private activity volume cap to issue the required amount of tax-exempt multifamily housing bonds, or will hold the application for further review. If the Association applies for Volume Cap, the Department of Commerce will then make a determination regarding allocation of Volume Cap based on their guidelines and Volume Cap availability.

The Association may recommend to the Department of Commerce, the qualified authority, and the housing sponsor that alternate affordable housing resources be used in funding a proposed housing development. These resources may include, among others, Idaho's annual Tax Credits and HOME Program money. Such a recommendation would be made when a more cost-effective financing vehicle or a more efficient use of Idaho's limited housing resources is possible.

## **TAX CREDITS AND TAX-EXEMPT FINANCING**

Each year, Idaho receives an annual per capita Tax Credit allocation, sometimes referred to as nine-percent Tax Credits. Qualified rental housing developed using tax-exempt bond financing is eligible for an allocation of Tax Credits separate from this annual allocation. Because of the double resource usage involved, these Tax Credits are limited to approximately half the value of the nine-percent Tax Credits, and are often referred to as four-percent Tax Credits. In either case, the allocation of Tax Credits is governed by the Association's QAP. Housing Sponsors should familiarize themselves with the requirements of the QAP, and design their housing development to meet minimum threshold levels or greater in order to successfully apply for the Association's bond financing.

In cases where the Association does not serve as bond issuer, the Association must still perform the due diligence and analysis required under Section 42 of the Code if Tax Credits are requested.

## **APPLICATION PROCESS**

An application for the Association's multifamily tax-exempt financing is required for purposes of obtaining Volume Cap, the issuance of tax-exempt bonds, and the allocation of Tax Credits related to a tax-exempt financed housing development. The application process is designed to ensure that affordable rental housing funded through tax-exempt bonds meet substantially the same standards of quality, cost, and affordability achieved through Idaho's

annual Tax Credit program.

Housing sponsors making use of 4% tax credits must complete Idaho's QAP application as their application for multifamily tax-exempt financing). A cover letter describing the applicant's request for tax-exempt financing and related resources should be attached. The QAP will apply to tax-exempt financing, except that a lower point score is acceptable under the Selection Criteria Point Threshold for those developments that do not utilize Tax Credits.

Applications for tax-exempt multi-family housing bonds will be accepted and processed at all times throughout the year.

### **BOND ISSUANCE**

As the bond issuer, the Association may serve in two different roles depending on the housing sponsor's needs and the Association's evaluation of a proposed multifamily housing development. These roles include that of bond issuer with a third-party lender/credit provider, and bond issuer with the Association serving as the lender/credit provider. Applicants should specify the desired role(s) for the Association in their application.

Applicants requesting the Association to serve as both the bond issuer and mortgage lender should contact the Association's Multifamily Finance Department for a description of available lending products and related loan requirements. Applicants planning to use a third-party credit enhancement should contact the Association's Treasury Department for additional information and requirements.