

**Kentucky Housing Corporation**  
**Amendment to the 2008 Qualified Allocation Plan**  
**October 30, 2008**

Pursuant to Section 42 of the Internal Revenue Code, 26 USC §42, Kentucky Housing Corporation (KHC) is required to adopt a Qualified Allocation Plan (QAP) that establishes selection and program criteria for the allocation of federal Low Income Housing Tax Credits (Housing Credits) from the state's annual ceiling. On August 31, 2007, the Governor adopted the 2008 QAP following the approval of the QAP by KHC's Board of Directors on August 30, 2007. On July 30, 2008, President George W. Bush signed HR 3221—*The Housing and Economic Recovery Act (HERA) of 2008*. HERA includes provisions modifying Section 42 of the Internal Revenue Code that remove or ease existing guidelines for the administration of the Housing Credit program. As a result of these changes, KHC must amend the 2008 QAP to add the following paragraph to the bottom of page six:

**Amendment to the 2008 State Qualified Allocation Plan**  
**To facilitate the implementation of HR 3221—The Housing and Economic Recovery Act (HERA) of 2008, Kentucky Housing Corporation (KHC) must amend the 2008 State Qualified Allocation Plan (QAP) in certain respects, including, but not limited to, modifying the per unit Housing Credit limit on page 10 of the QAP and expanding the eligible basis related to the 130 percent rule and the requirements related to community service facilities found on page 11 of the QAP. Additionally, KHC may choose to modify or waive, on a case-by-case basis, any provision of this QAP that is not mandated by law, to effectuate the full implementation and utilization HERA provides and for overall efficiency in the administration of the Low Income Housing Tax Credit program. All modifications or waivers of the QAP will be subject to written approval by the chief executive officer of Kentucky Housing Corporation.**

## **Identified changes**

### **Sec. 3001 of the Bill (Temporary Increase in Housing Credits)**

For 2008 and 2009, HERA increased the amount of Housing Credits allocated to the states by \$.020 per capita – to \$2.20. In 2010, the per capita amount will return to the regular amount of \$2.00, plus the inflation increase previously required in Section 42.

**Modification:** KHC has determined to utilize a portion of Housing Credit increase for projects that were previously funded in 2007 and 2008 but are having difficulty closing with their equity provider. To increase the amount of Housing Credits to these projects, KHC must modify the per unit Housing Credit cap found on page 10 of the 2008 QAP, as deemed appropriate by KHC.

### **Sec. 3003 of the Bill (Modifications to Definition of Eligible Basis)**

The provision adds a third type of high-cost area eligible for an enhanced Housing Credit. The third type is defined as any building designated by KHC as requiring the enhanced Housing Credit in order for such building to be financially feasible. This new type of high-cost area is not subject to the prior limitation restricting high cost areas to HUD- designated Qualified Census Tracts (QCTs) or Difficult Development Areas (DDAs). Any project located in an area designated by KHC as needing an increase in Housing Credit may have its eligible basis increased by 30 percent.

**Modification:** KHC has determined it may be necessary to expand the definition of the 130 percent rule on page 11 of the 2008 QAP to include additional high cost areas designated by KHC as areas where projects may require the enhanced Housing Credit to be financially feasible as determined solely by KHC.

### **Sec. 3003 of the Bill (Community Service Facility Eligibility for Credit)**

This provision expands the size of the Community Service Facility (CSF) for which the Housing Credit may be claimed. Under the provision, the size of the CSF may not exceed 25 percent of the eligible basis of the project, where project costs do not exceed \$15 million.

**Modification:** KHC has determined it may be necessary to increase the allowable percentage related to the portion of the building used for the CSF as shown on page 11 of the 2008 QAP, as determined solely by KHC.