



Multifamily Housing Notice: 08-14

November 20, 2008

To: Developers, Sponsors and Local Housing Contacts
From: Patricia Rynn Sylvester, Director, Multifamily Housing
Re: **IMPORTANT UPDATE**
Fall 2008 Competitive Funding Round - Continuing Deterioration of Tax Credit Equity Market

- ***Use of State 30% Basis Boost***
- ***Raise-Up Rate Assumptions***

The Department is concerned about the possibility of continued deterioration in tax credit raise-up rates for CY 2009 and beyond. The measures described below are designed to ensure that project applications submitted through the Fall 2008 Competitive Funding Round are financially feasible, and that successful applicants in the round will have adequate access to additional resources if the equity market continues to deteriorate.

Use of State 30% Basis Boost

In recognition of the extreme and unprecedented volatility in the tax credit market, applications submitted in the Fall 2008 Competitive Funding Round must be financially feasible using the \$0.72 equity raise-up rate assumption **without** making use of the 30% State Basis Boost. Therefore, Projects applying through the Fall 2008 Competitive Funding Round may **not** include requests for the State 30% Basis Boost of tax credit basis.

For projects that are successful in the round and later experience equity shortfalls because they are unable to achieve a \$0.72 equity raise-up rate, the Department will consider increasing the tax credit basis and tax credit allocation using the 30% State Basis Boost to support the project's financial feasibility. This decision will be made in the Department's sole discretion during underwriting at the viability, commitment or pre-closing stage. The project evaluation scoring must remain substantially the same as initially awarded. The final amount of tax credits awarded will be restricted to the current limit of \$1.5 million per the Guide.

Raise-Up Rate Assumptions

The Department is requiring **all** applications submitted in the Fall 2008 Competitive Funding Round to use an equity raise-up rate of **\$0.72** when completing their application submission form (CDA Form 202). The \$0.72 equity raise-up rate should be inserted on page 19 in the "Low Income Housing Tax Credit" section of the CDA Form 202 on the line titled "Raise Ratio from Syndicator's Proposal." The resulting tax credit equity amount should be used in the project application financing Sources. Each application must still include a letter from a syndication firm as required under Section 3.7.1 of the 2009 Multifamily Rental Financing Program Guide (Guide).

For projects that are successful in the Fall 2008 Competitive Funding Round and are able to achieve equity raise-up rates in excess of \$0.72, the Department will re-evaluate the project's financing gap and need for State resources during underwriting at the viability, commitment and pre-closing stages. Awards of tax credits and/or Rental Housing funds may be reduced based on this gap analysis.

In the event a sponsor believes that its project will receive an equity raise-up rate that is greater than \$0.72, the CDA Form 202 included in the application should still reflect an equity raise-up rate of \$0.72. Sponsors may include the additional equity expected above \$0.72 as "Sponsor Equity" on page 16 of CDA Form 202 under "Sources of Funds". Any additional equity raise-up realized above \$0.72 will be permitted to reduce Sponsor Equity on a dollar-for-dollar basis. The amount of Sponsor Equity must be reflected as available funds in the financial statements of the Sponsor included in the Application Submission Package.

All funding sources identified must conform to the requirements of the 2009 Qualified Allocation Plan (QAP), 2009 Multifamily Rental Financing Program Guide (Guide) and the Application Submission Kit. Applicants are reminded that they are establishing an obligation to provide complete sources of funding for their projects. Applicants are encouraged to provide a short narrative describing project funding sources and structuring in the Application Submission Kit.

The Department remains committed to working with its partners through the current market volatility. Please do not hesitate to contact me, John Maneval, or Andrew Cohen with any questions.

Fall 2008 Competitive Funding Round Deadline-Reminder

Applications for the Fall 2008 Competitive Funding Round are due no later than Tuesday, December 16, 2008 at 5:00 PM. Applications must be delivered to the mailroom on the ground floor of 100 Community Place, Crownsville, Maryland 21032. The Fall 2008 Competitive Funding Round will be governed by the 2009 Qualified Allocation Plan (QAP) and the 2009 Multifamily Rental Financing Program Guide (Guide). Applicants in the Fall 2008 Competitive Funding Round should use the [Application Submission Package](#) available on the DHCD website.

[2009 Maryland Qualified Allocation Plan \("QAP"\)](#)

[2009 Maryland Multifamily Rental Financing Program Guide \("Guide"\)](#)

Please remember that we are announcing future round deadlines, significant application changes, bond program amendments, and other key dates and facts on our web site and by e-mail only. Please make sure that we have your current e-mail address. Please send any additions or corrections to taxcredits@mdhousing.org or rentalhousing@mdhousing.org as soon as possible.

Thank you for your interest and participation in the multifamily housing programs in Maryland.

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