

Ralph M. Perrey, Executive Director



MEMORANDUM

TO: All Interested Parties

FROM: Multifamily Development Division

DATE: April 15, 2016

SUBJECT: Proposed Changes for 2017 Multifamily Programs

At the Developer Forum scheduled for April 19, 2016, THDA staff will be accepting input from the developer community regarding the proposed LIHTC 2017 Qualified Allocation Plan ("2017 QAP") and the proposed MTBA 2017 Program Description ("2017 PD"). In addition to the changes described in the draft language on the following pages, THDA is also considering the following:

- ❖ Narrowing the scope of current language offering the 130% basis boost to all Initial Applications; and
- ❖ Clarifying the language regarding market study requirements to provide more detail on THDA's expectations.

If you have questions, please contact Michael Blade, Director & Assistant Legal Counsel for Multifamily Development, at 615-815-2029 or MBlade@thda.org.

Additional Draft Language:

Scholar House Draft Language

Current Part VIII-E-7-e modified as reflected below, with new language beginning as a new Part VIII-E-8.

- e. (i) If the steps above leave THDA with insufficient Tax Credits to make a complete reservation to the next highest ranking eligible Initial Application proposing new construction, THDA will hold the Tax Credits remaining until enough Tax Credits have been recaptured or returned for a complete reservation to be made to the next highest ranking eligible Initial Application proposing new construction, taking into account all applicable priorities, caps and limits. THDA will then make a complete reservation to the next highest ranking eligible Initial Application proposing new construction (The limitations specified in Part IV will apply.)
- (ii) If the Tax Credits remaining are likely to exceed one percent (1%) of the total Tax Credits available for reservation, any remaining Tax Credits may be offered ~~as a partial reservation to the next highest ranking eligible Initial Application proposing new construction, pursuant to Part VIII-E-8 below, taking into account all applicable priorities, caps, and limits, until the Tax Credits are accepted.~~ The limitations in Part IV will apply. ~~Acceptance of a partial reservation according to this provision would not classify a development as an “existing” application in subsequent years, but any limitation on Tax Credits per development in subsequent years would apply to any such partial reservat~~

8. Scholar House

- a. THDA may solicit Initial Applications outside the deadlines described in this QAP for proposed developments to be 100% occupied by students (as defined in Internal Revenue Code Section 151(c)(4)) (“Scholar House Initial Application”).
- b. Scholar House Initial Applications must be fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP (including, without limitation, the minimum score requirement in Part VII-A-1).
- c. In the event multiple qualified Scholar House Initial Applications are submitted, THDA will list, in ranking order, qualified Scholar House Initial Applications and will offer the remaining Tax Credits to the highest ranking Scholar House Initial Application.

Part III-B Insert

6. Innovation Set-Aside

- a. No more than fifteen percent (15%) of the sum of Part III-A-1, -2, and -3 will be set aside for developments involving innovation (as specified in Part VII-A-2-f).

Part VI Insert

E. Innovation Set-Aside

1. THDA will accept proposals for consideration in the Innovation Set-Aside (“Innovation Set-Aside Proposal”).
2. The deadline for submission of an Innovation Set-Aside Proposal is 1:00 PM Central Time on [DATE], 2016.
3. To be considered for the Innovation Set-Aside, an Innovation Set-Aside Proposal must satisfy ALL of the following:
 - a. Be submitted by the deadline in Part VI-E-2 above;
 - b. Contain no more than 5 single-sided, single spaced pages (including all attachments and exhibits);
 - c. Include a separate, sealed, envelope containing contact information for the applicant; and
 - d. Describe each of the following:
 - (i) Proposed development name;
 - (ii) Number of units and bedroom mix;
 - (iii) Uniqueness of development concept (i.e. has a development of this type been done before);
 - (iv) Ability of the proposed development to address an unmet need;
 - (v) The proposed development’s contribution to THDA mission and goals;
 - (vi) Reasonableness of the proposed development’s scope;
 - (vii) Proposed development’s financial feasibility;
 - (viii) Extent to which the proposed development would be at a competitive or financial disadvantage relative to developments considered in the regular competitive round; and
 - (ix) Demonstrated capacity of the applicant to complete the proposed development.
4. **The Innovation Set-Aside is discretionary.** THDA, in its sole discretion, will select no more than five (5) Innovation Set-Aside Proposals as Innovation Set-Aside Finalists.
5. **The selection of Innovation Set-Aside Finalists shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.**

6. Innovation Set-Aside Finalists will be notified on or before [DATE], 2016 and invited to submit a full Initial Application (“Innovation Set-Aside Application”) by the deadline specified in Part VI-D.
7. THDA will evaluate each Innovation Set-Aside Application for financial feasibility and compliance with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP.
8. If THDA, in its sole discretion, determines that an Innovation Set-Aside Application is financially feasible and is fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP, the applicant will be invited to present the proposed development to the Innovation Set-Aside Selection Group.
9. If THDA, in its sole discretion, determines that an Innovation Set-Aside Application is not financially feasible or is not fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, or this QAP, the Innovation Set-Aside Application will be disqualified.

DISQUALIFICATION UNDER THIS PART VI-E-9 SHALL BE AT THE SOLE DISCRETION OF THDA STAFF AND SHALL NOT BE APPEALABLE TO THE THDA BOARD, THE TAX CREDIT COMMITTEE OF THE THDA BOARD, OR THE INNOVATION SET-ASIDE SELECTION GROUP.

Part VII-A-2 Insert

- f. Innovation Set-Aside: To be eligible for Tax Credits from the Innovation Set-Aside, an Innovation Set-Aside Application must satisfy ALL of the following:
 - (i) The Innovation Set-Aside Application must be submitted by an Innovation Set-Aside Finalist as described in Part VI-E; and
 - (ii) The Innovation Set-Aside Application must be financially feasible and fully compliant with all applicable requirements of Section 42 of the Internal Revenue Code, Section 1.42 of the Treasury Regulations, and this QAP as described in Part VI-E-8.

Part VIII-E Insert

10. Innovation Set-Aside
 - a. Applicant presentations to the Innovation Set-Aside Selection Group shall take place on [DATE], 2017 at a location determined by THDA and shall be limited to one (1) presentation per Innovation Set-Aside Application, no more than sixty (60) minutes in length.
 - b. The Innovation Set-Aside Selection Group, in its sole discretion, may select one or more Innovation Set-Aside Applications to receive a Preliminary Award Letter from the Innovation Set-Aside. Selected Innovation Set-Aside Applications will be notified at the same time the ranking for the regular competitive round is released.
 - c. **The determination of Innovation Set-Aside Selection Group shall not be appealable to the THDA Board or the Tax Credit Committee of the THDA Board.**