



WELCOME

MULTIFAMILY DEVELOPMENT DIVISION

2014 APPLICATION WORKSHOP



Low-Income Housing Tax Credit Program General Overview

Low-Income Housing Tax Credit Program

- Partnership between private and public sectors
- Provides incentive to build/rehab affordable rental housing
- Governed by Section 42 of Internal Revenue Code
- Credit against federal income tax liability each year for 10 years



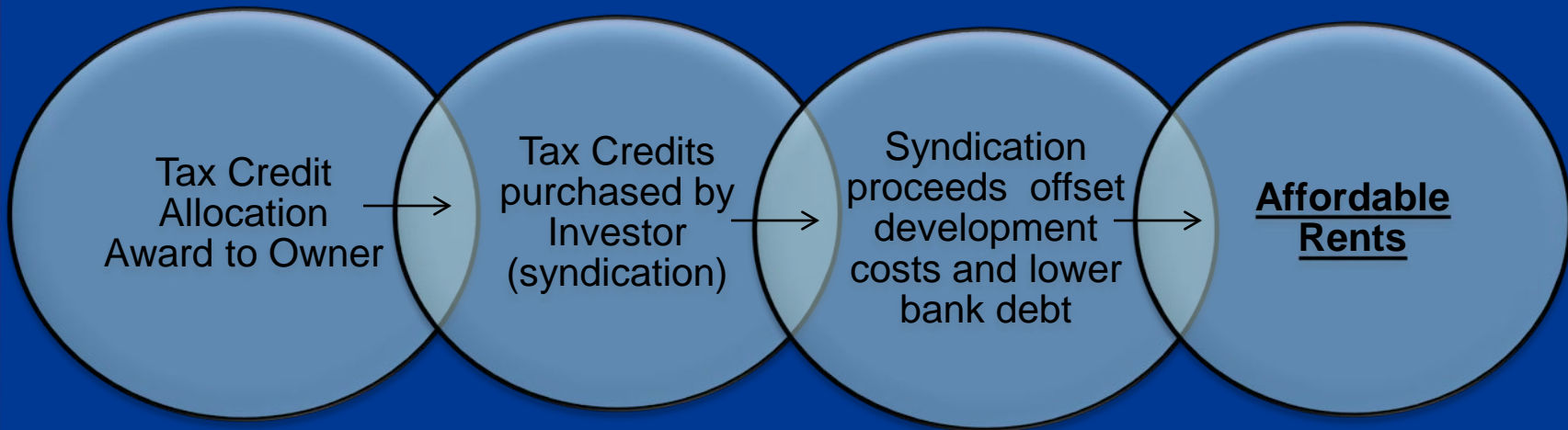
Low-Income Housing Tax Credit Program General Overview

How the incentive works

- Tax Credit allocated to ownership entity of development
- Tax Credit purchased by investor(s) [syndication]
- Syndication proceeds offset development cost
- Offset development cost lowers need for “bank debt”
- Lower “bank debt” = lower debt service
- Lower debt service makes reduced rents financially feasible



Low-Income Housing Tax Credit Program General Overview





Low-Income Housing Tax Credit Program General Overview

Program Requirements

- Income and rent restrictions
- 20/50 test or 40/60 test
- 15-year compliance period
- 15-year extended use period
- Other requirements as reflected in the Qualified Allocation Plan ("QAP")



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Key Features of QAP

- Tax Credit available (changes annually)
- Tax Credit limits (county, developer, development)
- Initial Application deadline
- Scoring system
- Cure and Review process
- Preliminary Award Letter
- Carryover
- Placed In Service



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Goals & Objectives





Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Tax Credits Available in 2014

Population component = \pm 6.5 million

Per Capita Multiplier = \$2.30

Available Tax Credits = \pm \$15 million

Details on page 3 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Set-Asides for 2014

- Non-Profit (10%)
- Public Housing Authority (10%)
- Preservation (25)%
- Special Housing Needs (10%)
- Qualified Census Tract + Community Revitalization Plan (10%)

Details on page 3 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Limits on Tax Credits Available

- Per County
 - Rural: \$1.1 million
 - Suburban: \$2.2 million
 - Urban: \$3.3 million
- Per Development: \$1.1 million
- Per Developer/Related Parties: \$2.2 million
- Financial Feasibility §42(m)(2)

Details on pages 4-5 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Other Limits

- ✓ Developer & Consultant Fees
- ✓ Contractor Fees, Profit, Overhead, and General Requirements

Details on page 6 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Initial Application Submission

- ✓ Content, formatting, and pagination
- ✓ Not hand written
- ✓ Original signatures on some items
- ✓ Attachments and supporting documentation
- ✓ Statement of Application & Certification
- ✓ Full hard copy plus 2 CD-ROM copies
- ✓ Application Fee

Details on pages 7-8 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Initial Application Submission

Omissions Causing Summary Disqualification (AKA the **8 Deadly Sins**)

1. Statement of Application & Certification; **OR**
2. Initial Application Checklist; **OR**
3. Attachment 16; **OR**
4. Attachment 17; **OR**
5. Exhibit 12 – Appraisal (if applicable); **OR**
6. Exhibit 8 – Market Study; **OR**
7. Exhibit 11 – Physical Needs Assessment (if applicable);
OR
8. Zoning letter (if applicable).

Details on page 7 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Initial Application Delivery

Tennessee Housing Development Agency
502 Deaderick Street, Third Floor
Nashville, TN 37243

Details on page 8 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Initial Application Deadline

**Monday, February 3, 2014
1:00 PM Central Standard Time**

Details on page 8 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Initial Application Eligibility and Scoring

Eligibility Determination
Scoring Initial Applications





Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Eligibility Determination

- ✓ Minimum score (page 9)
- ✓ Set-Asides (pages 9-12)
- ✓ Non-compliance (page 12)
- ✓ Developments (pages 12-15)
- ✓ Existing, incremental, & new (page 15)
- ✓ Development participants (pages 15-17)
- ✓ Property control (pages 17-18)
- ✓ Market study (page 18)
- ✓ Physical needs assessment (page 18)
- ✓ Appraisal (page 18)
- ✓ 100-year flood plain (page 19)



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

- ✓ Development Location & Housing Need (page 20)
 - County need score
 - Non-QCT + Community Revitalization Plan



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

- ✓ Development Characteristics (page 20)
 - New Construction
 - Preservation or Rehabilitation
 - Historic Nature
 - Energy Efficiency
 - Adaptive Reuse/Conversion



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

- ✓ Sponsor Characteristics (page 23)
 - Performance in Tennessee since February 1, 2013
 - Developments Placed In Service After 1998
 - HUD Programs



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

For purposes of Part VII-B-3-c, a qualifying development (a “Qualifying Development”) is a development that satisfies ALL of the following criteria:

1. The development must have been the subject of an allocation of Tax Credits from THDA; and
2. All buildings in the development were placed in service after December 31, 1998; and
3. No buildings in the development have an uncured event of noncompliance under Section 42, the restrictive covenants recorded in connection with the development, or an outstanding IRS Form 8823; and
4. The development is not in a “no further monitoring” status with the THDA Compliance Monitoring Division.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the Qualifying Development's Developer entity as reflected on Attachment 5A of the Qualifying Development's Low-Income Housing Tax Credit Final Application dated after December 31, 1998, is a **Limited Partnership**, a **General Partnership**, or a **Registered Limited Liability Partnership**, the Qualifying Person/Entity is the **Partner** (for a **General Partnership**) or **General Partner** (for a **Limited Partnership** or **Registered Limited Partnership**) listed under item 1. C. on Attachment 5A.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the Qualifying Development's Developer entity as reflected on Attachment 5B of the Qualifying Development's Low-Income Housing Tax Credit Final Application dated after December 31, 1998, is a **Corporation**, the Qualifying Person/Entity is the **President or Majority Stockholder** (defined as holding at least 51% of the stock of the corporation) listed under item 1 on Attachment 5B.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the Qualifying Development's Developer entity as reflected on Attachment 5C of the Qualifying Development's Low-Income Housing Tax Credit Final Application dated after December 31, 1998, is a **Limited Liability Company**, the Qualifying Person/Entity is the **Managing Member** (for a member managed Limited Liability Company), the **Chief Manager** (for a manager managed Limited Liability Company), the **President** (for a director managed Limited Liability Company), or the **Majority Owner** (defined as a person holding at least 51% of the membership units of the limited liability company) listed under item 1 on Attachment 5C.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the Qualifying Development's Developer entity as reflected on Attachment 5 of the Qualifying Development's Low-Income Housing Tax Credit Final Application dated after December 31, 1998, is a **Public Housing Authority**, the Qualifying Person/Entity is the **Executive Director** or the **equivalent executive officer** of the **Public Housing Authority** as listed on Attachment 5.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the Qualifying Development's Developer entity as reflected on Attachment 5C of the Qualifying Development's Low-Income Housing Tax Credit Final Application dated after December 31, 1998, is a **Not-For-Profit** entity, the Qualifying Person/Entity is the **Executive Director or Chairman of the Board** listed on Attachment 5.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

For purposes of Part VII-B-3-c, a Qualifying Person/Entity as described in Part VII-B-3-c-(ii) must be associated with the Developer entity reflected in the **2014 Initial Application** (the “**2014 Developer**”) as follows:

If the 2014 Developer reflected on Attachment 17A is a **Limited Partnership**, a **General Partnership**, or a **Registered Limited Liability Partnership**, the Qualifying Person/Entity must be the **Partner** (for a **General Partnership**) or **General Partner** (for a **Limited Partnership** or a **Registered Limited Liability Partnership**) listed under item 1. C. of Attachment 17A.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the 2014 Developer reflected on Attachment 17B is a **Corporation**, the Qualifying Person/Entity must be the **President or Majority Stockholder**, as **previously defined**, listed under item 1 of Attachment 17B.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the 2014 Developer as reflected on Attachment 17C is a **Limited Liability Company**, the Qualifying Person/Entity must be the **Managing Member** (for a member managed Limited Liability Company), the **Chief Manager** (for a manager managed Limited Liability Company), the **President** (for a director managed Limited Liability Company), OR the **Majority Owner**, as previously defined, listed under item 1 of Attachment 17C.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the 2014 Developer as reflected on Attachment 17 is a **Public Housing Authority**, the Qualifying Person/Entity must be the **Executive Director** or the **equivalent executive officer** of the Public Housing Authority as listed on Attachment 17.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Developments Placed In Service After 1998

If the 2014 Developer as reflected on Attachment 17 is a **Not-For-Profit** entity, the Qualifying Person/Entity is the **Executive Director or Chairman of the Board** listed on Attachment 17.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ HUD Programs (page 26)

1. Developments eligible for the Public Housing Authority Set-Aside that have received a HUD Choice Neighborhoods Initiative **Implementation Grant** (a HUD Choice Neighborhoods Initiative Planning Grant does not qualify for QAP purposes).
2. Developments eligible for the Public Housing Authority Set-Aside that have received a HUD Rental Assistance Demonstration (RAD) **Commitment to enter into a Housing Assistance Payments Contract** (CHAP)



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

- ✓ Lowest Income Preference (page 26)
- ✓ Extended Use Preference or Tenant Ownership (page 26)
- ✓ Public Housing Priority (page 27)



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Residency Preference (page 27)

Residency Preference for Households with Children: An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609.

1. A minimum of 20% of the units in the development, rounded up to the nearest whole unit, must have 2 or more bedrooms.
2. The development must include a playground with permanent playground equipment and at least 1 of the following on-site amenities:
 - a) Appropriately sized, dedicated space with appropriate furniture and fixtures for and agreements with providers of after-school tutoring or homework help programs; or
 - b) Appropriately sized computer room containing at least 1 computer with free internet access for each 50 total units; or
 - c) Ball court separate from all parking areas



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

✓ Residency Preference (page 27)

Residency Preference for Households with Special Housing Needs (as described in Part VII-A-2-d of the QAP): An architect's certification will be required with the Carryover Allocation Application and prior to issuing the IRS Form 8609.

1. The development must include an appropriately sized, dedicated space with appropriate furniture and fixtures for, and agreements with, providers of services relevant to special housing needs residents and at least 1 of the following on-site amenities:
 - a) Appropriately sized computer room containing at least 1 computer with free internet access for each 50 total units; or
 - b) Exercise facility for appropriate group activity for special housing needs residents (space must be at least 900 square feet, if indoor); or
 - c) Gazebo with outdoor shaded sitting area with ornamental flowers and shrubs.



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Scoring System

- ✓ Tennessee Growth Policy Act (page 27)

SCORING QUESTIONS?



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Eligibility & Scoring Clarifications & Corrections

- “48 Hour E-Mail” will address clarifications, eligibility, and scoring issues
- Cure Notice will address unresolved and follow-up issues (**NO COMPLETENESS & CORRECTNESS POINTS**)
- Review Notice will reflect all unresolved issues
- Applicants may submit written request for Review Notice issues to be heard by the Tax Credit Committee of THDA Board

Details on pages 28-30 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Preliminary Award Letter

- ✓ Will include annual Tax Credit amount based on Initial Application information
- ✓ Must be signed by applicant and returned to THDA with Reservation Fee
- ✓ Last chance to withdraw the Initial Application without negative future consequences

Details on page 33 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Carryover Application

- ✓ Required for developments that will not Place in Service in 2014
- ✓ Deadline for submission is July 28, 2014
- ✓ Applicants must submit additional documentation (e.g. financing commitments, utility availability confirmations, architect certifications, etc.)

Details on pages 34-35 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Carryover Allocation Agreement

- ✓ Official allocating document for developments that will not Place in Service in 2014
- ✓ Must be signed by applicant and returned to THDA
- ✓ “10% Test” must be passed for allocation to remain valid
- ✓ ***Requires development to Place In Service no later than December 31, 2016***

Details on pages 34-35 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Placed In Service

- ✓ Final Application and Monitoring Fee must generally be submitted in December 2016 or earlier
- ✓ Final Application includes audit of final costs prepared by independent CPA licensed in Tennessee
- ✓ Final Application used by THDA to generate IRS Form(s) 8609

Details on page 36 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Developments Financed with Tax-Exempt Bonds

- Referred to as “Noncompetitive Tax Credits”
- “50% Test” threshold
- Open application cycle
- Noncompetitive Tax Credits do not count against per county or per developer/related parties limits

Details on page 37 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Compliance Monitoring

Details on pages 38-40 of QAP





Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Amendments/Modifications/Deadlines

- ❖ 2014 QAP may be amended
- ❖ Pre-Placed In Service modifications to development must be approved by THDA
- ❖ Applicant must request deadline extensions in writing *prior to* the deadline for which an extension is sought
- ❖ THDA is unable to extend deadlines fixed in §42

Details on pages 41-42 of QAP



Low-Income Housing Tax Credit Program 2014 Qualified Allocation Plan

Program Fees

- Application Fee
- Reservation Fee
- Modification Fee
- Fee to Amend IRS Form(s) 8609
- Monitoring Fee
- Late Fee for Failing to Submit Timely Certification Forms
- Deadline Extension Fee



Details on pages 43-44 of QAP



2014 Application Workshop

THANK YOU

More Information:

www.thda.org

Joe Bethel: Jbethel@thda.org or 615-815-2147

Michael Blade: MBlade@thda.org or 615-815-2029

Felita Hamilton: FHamilton@thda.org or 615-815-2145

Rebecca Scott: RScott@thda.org or 615-815-2144

Judith Smith: JSmith@thda.org or 615-815-2143

Terry Montgomery: TMontgomery@thda.org or 615-815-2146

Ed Yandell: EYandell@thda.org or 615-815-2142

Email List

Send email request to Felita Hamilton