Ralph M. Perrey, Executive Director

Tennessee Housing Development Agency

M E M O R A N D U M

TO: Persons Interested in the Low-Income Housing Tax Credit Program

FROM: Multifamily Development Division

DATE: July 2, 2015

SUBJECT: Preliminary Proposed Changes for the Low-Income Housing Tax Credit 2016 Qualified Allocation Plan

The following document lists the preliminary proposed changes for the Low-Income Housing Tax Credit 2016 Qualified Allocation Plan (the "2016 QAP"). The preliminary proposed changes include changes suggested by members of the THDA Board of Directors, changes suggested by the public, and changes suggested by THDA staff.

The preliminary proposed changes in the following document may be accepted, rejected, or modified in any respect. Changes or modifications not currently reflected in the following document may also be made. By posting these preliminary proposed changes, no representations are being made about any item that may be included, excluded, or modified in the preparation and approval of the final 2016 QAP.

Written comments regarding the preliminary proposed changes will be accepted through Sunday, July 12, 2015. Please limit comments to a maximum of 6 single-sided pages, including attachments, appendices, exhibits, etc. Submit comments via email to Michael Blade, Director and Assistant Legal Counsel for Multifamily Development, at MBlade@thda.org.

Preliminary Proposed Changes for Draft 2016 QAP

"Probable" Changes

1) Establish a RAD Set-Aside with 30% of available LIHTC for 2016 and 2017. The PHA Set-Aside would be replaced by the RAD Set-Aside, and the Preservation Set-Aside would be reduced to 20% of available LIHTC. The remainder of the LIHTC needed for the RAD Set-Aside would come from the General Pool.
2) Eliminate RAD points.
3) CNI and RAD developments will count against per county caps.
4) Add Enterprise Green Communities points requiring full certification.
5) Eliminate developer experience points.
   a) If developer experience points retained, modify language to accommodate situations where the developer is an individual, not a business entity.
6) Modify the 2-year noncompliance ban triggers to include any failure to fully satisfy compliance requirements.
7) Modify 5-year ban language to include a 5-year ban for:
   a) Any offense committed during the Initial Application phase;
   b) Repeated failure to fully satisfy compliance monitoring requirements; and
   c) A development being place on "no further monitoring" status.
8) Move Energy Efficiency points from scoring criterion to eligibility requirement.
   a) Replace requirement for Energy Star thermostats with requirement for programmable thermostats.
   b) Add requirement for Energy Star clothes dryers.
9) Clarify fees language to specifically reference Tax Credit Units.
10) Add requirement for appraisal and physical needs assessment in regard to adaptive reuse developments.
11) Clarify "ball court" language to include requirements regarding square footage and permanent fixtures.
12) Reevaluate Tie-Breaker.
13) Modify compliance monitoring language in Part XIII for additional clarity.

"Possible" Changes

14) Implement higher scoring scale with more striated scoring.
15) Modify Lowest Income Preference points to reduce or eliminate the degree to which units with Section 8 PBA or HCV count toward required number of units.
16) Extend "waiting period" for applying for an additional allocation from 10 years to 15 years.
17) Clarify Preservation or Rehabilitation Only points language in regard to the requirements for each level (e.g. substantial, moderate, limited).
18) Modify Non-Profit Set-Aside language to require qualifying entities to provide a community based scope of services beyond low-income rental housing.
19) Reduce or eliminate the amount of acquisition costs that can be claimed in a non-arms-length transaction.