



Tennessee Housing Development Agency

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Bill Haslam
Governor

Ralph M. Perrey
Executive Director

MEMORANDUM:

TO: All Interested Parties

FROM: Multifamily Development Division

DATE: August 30, 2013

SUBJECT: Underwriting Guidance

The purpose of this memo is to provide general underwriting guidance for potential developments including those requesting acquisition Tax Credit under §42(d)(2):

- 1) Please make sure that all sources of funding, including owner capital contributions, deferred developer fees, and all known or anticipated mortgages, including low-interest or no-interest balloon mortgages, are accurately reflected in the Initial/Carryover Allocation/Final Applications;
- 2) For purposes of existing building acquisition costs, THDA uses the as-is, rent restricted value reflected in the appraisal;
- 3) THDA does not include the value of interest rate credits or other intangibles in the calculation of acquisition Tax Credit; and
- 4) In circumstances involving the sale of a property with an identity of interest between the buyer and seller, taxable income from the sale will not be included in development costs.

If you have questions about these or other underwriting issues, please contact:

Judith Smith, Multifamily Development Program Administrator
615-815-2143 or JSmith@thda.org.