



# Tennessee Housing Development Agency

404 James Robertson Parkway, Suite 1200

Nashville, TN 37243-0900

(615) 815-2185

**Ted R. Fellman**

Executive Director

## **MEMORANDUM:**

TO: THDA Multifamily Development Partners

FROM: Ted R. Fellman

DATE: June 9, 2009

SUBJECT: Another ARRA/ARRTA update

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I mentioned in my memo last week that we are trying to provide you with much needed information sooner rather than later. Our staff has been busy “crunching numbers” and beginning tomorrow afternoon we will be contacting those of you who have an existing competitive credit deal or bond deal that will potentially apply for relief funds. The purpose of this discussion will be to review the data we have and to have an open and honest discussion so that we can more accurately determine the amount of relief that might be available to you.

One of the things to keep in mind is that one of the components of your deals – private financing – should be based on achievable rental income. This is consistent with the Guiding Principles adopted by the Board in March and the TCAP Program Description Outline that was passed by the Board in May. We are being told that access to private financing is being diminished, which increases the gap required to make deals work. Our intent, however, is to replace equity gaps only (either partially or fully) and not replace private financing. Total development costs are based on data you previously submitted, as underwritten by our staff.

I am aware that another piece of information you need from us is the type of relief you will receive and the form that will take (grants vs. loans, etc.). The Guiding Principles adopted by the Board do not reference the form of assistance, and the TCAP Program Description Outline indicates grants for TCAP funding. The pros and cons of loans versus grants, however, is still very much up in the air. We will do our best to lay these things out in the program descriptions that will be posted by close of business on June 23<sup>rd</sup>.

We are learning more each day about the TCAP and 1602 programs and both of these programs are still being discussed by Treasury and HUD. Several of us are attending the National Council of State Housing Agencies Tax Credit conference next week and we hope to learn even more there. So please be patient with us on this issue.

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Finally, a brief clarification on 2009 bond deals. On March 31 we sent a memo that outlined several things about the 2009 applications for competitive credits. We indicated in item #2 that 100% financing will not be available – that developments must be able to demonstrate the ability to syndicate housing tax credits for no less than \$.65. That provision applies to bond deals as well. In fact, we expect to apply the March 31 memo, in its entirety, to 2009 bond deals.

In addition please be advised that bond deals seeking relief will be required to use TCAP funds.

Thank you for your continued patience, cooperation and feedback as we work to implement the TCAP and 1602 programs.