



Tennessee Housing Development Agency

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MEMORANDUM

TO: Recipients of Section 1602 or TCAP Assistance Funds

FROM: Multifamily Development Division

SUBJECT: Funding Levels for Section 1602 and TCAP Developments

DATE: January 6, 2010

Low income housing tax credit developments receiving funds made available under Section 1602 of the American Recovery and Reinvestment Tax Act of 2009 ("Section 1602 Funds") or the Tax Credit Assistance Program of the American Recovery and Reinvestment Act of 2009 ("TCAP Funds" and, together with Section 1602 Funds, "Assistance Funds") are subject to all requirements of Section 42 of the Internal Revenue Code ("Section 42").

Section 42(m)(2) prohibits THDA from allocating a housing credit dollar amount in excess of what THDA determines to be necessary for the financial feasibility of a development and its viability as a qualified low-income housing development throughout the credit period.

In conducting the required analysis of Final Applications, THDA will take into account all Assistance Funds received or to be received by a development. If THDA determines that the total sources of funding for a development (including, without limitation, private financing, tax credit equity, deferred developer fees, state/local grants, Assistance Funds, etc.) exceed the amount necessary for the financial feasibility of the development and its viability as a qualified low-income housing development throughout the credit period, THDA will reduce the sources of funding for which THDA has responsibility. THDA will work with development owners subject to such reductions to determine the form of any required reduction, which will be one of the following: (i) a reduction in the amount of tax credits reflected in the IRS forms 8609 issued for the development; or (ii) a reduction in the amount of Assistance Funds available to the development; or (iii) a repayment of a portion of Assistance Funds previously made available to the development.

If you have questions, please contact:

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