



# Tennessee Housing Development Agency

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**Ted R. Fellman**  
Executive Director

## **MEMORANDUM:**

TO: THDA Board of Directors

FROM: Ted R. Fellman

DATE: March 17, 2009

SUBJECT: Housing Credits – ARRA Relief Provisions (part 2)

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On February 25, 2009 I e-mailed you with information regarding the housing credit relief provisions in the American Recovery and Reinvestment Act and the American Recovery and Reinvestment Tax Act (collectively, ARRA). Since that time we've had many discussions and on March 11, 2009 we held an open forum with members of our development community.

The US Treasury and HUD have not yet issued guidance that will be critical in finalizing the implementation of ARRA. As a result, we are not ready to present a specific program for your approval at this week's board meeting. We do however want to present a set of guiding principles for your approval that staff will then use to develop program specifics as guidance is received.

It is important to remember when reviewing these principles that:

- A) The intent of Congress is that equity remain a part of this process, and the ARRA statutory language requires a "good faith effort" to sell the housing credits.
- B) THDA wants to maximize the use of both resources (Tax Credit Assistance Program – TCAP, and the Exchange, or Monetization of Tax Credits).

With this in mind here are the guiding principles for your consideration:

- 1) The general model for all housing credit deals will include:
  - a) Reasonable Costs
  - b) Bank Financing based on achievable rental income within Section 42 rent limits
  - c) Sale of housing credits (equity / syndication)
  - d) Gap financing funded by ARRA resources

- 2) THDA will give priority to developments that demonstrated the ability to close the sale of their housing credits at or above \$ .70. These developments will receive ARRA resources first. We will also give priority to developments that are ready to commence construction within 120 days. Developments that require 100% monetization, however, will be considered later in the year since we have until the end of 2010.
  - 3) The more ARRA resources required to fill the funding gap for a development, the more concessions required for the development. For example: lower development fees, higher affordability targets, etc.
  - 4) THDA wants to provide ARRA assistance to all the developments we can. This may include:
    - a) Competitive 2006 and 2007 deals that have submitted exchange applications
    - b) The rest of the 2007 deals that did not exchange their credits
    - c) All 2008 deals
    - d) Any new 2009 deals
    - e) Any bond deals receiving non-competitive credits in 2007, 08, and 09\*
    - f) Non-tax credit deals (special needs, rural deals, etc.)\*
- \*Subject to guidance from the US Treasury and HUD as to eligibility.
- 5) The TCAP funds (due to federal strings) would be targeted to:
    - a) Non-Profits
    - b) Public Housing Authorities (PHAs)
    - c) Bond deals (non-competitive credits)
    - d) New 2009 deals
    - e) Existing deals that have yet to start
  - 6) THDA wants to move quickly to implement these relief measures, but acknowledges that guidance from Treasury and HUD and the actual relief funding may take some time.
  - 7) Although it appears that there are adequate resources to potentially fill the funding gaps for all the developments referenced in #4 above, this relief effort does not guarantee a successful development.

Board Action Requested:

Since we don't have enough information and guidance to design a specific program for your approval this week, we request that the Board approve these guiding principles and delegate authority to the Policy and Programs committee to have a special meeting to consider and approve specific program details – if we have guidance and sufficient time to develop program specific proposals between now and the May Board meeting.

Staff recommends that the board should not, due to communication with developers or otherwise, adopt any program details until we get the promised guidance. We don't want to have specific language that would eliminate options that might be available upon analysis of the guidance.

Please let me know if you have any questions.