

**TENNESSEE HOUSING DEVELOPMENT AGENCY
TAX CREDIT ASSISTANCE PROGRAM ("TCAP") DESCRIPTION
DRAFT OUTLINE UPDATED MAY 19, 2009**

Please note that there is not definitive guidance regarding TCAP administration. As questions continue to be asked and answered, staff will require discretion to use judgment to address these issues.

- I. Introduction & Overview
 - A. TCAP summary

- II. Funds Available
 - A. THDA eligible to receive up to \$39,032,515 in TCAP funds
 - B. THDA Model
 - 1. Reasonable Costs
 - 2. Private financing based on achievable rental income within Section 42 rent limits
 - 3. Sale of housing credits (equity / syndication)
 - 4. Gap financing funded by ARRA resources

- III. Federal Cross-Cutting Requirements – Use HOME Program as the model to meet requirements
 - A. Fair Housing Act
 - B. Title VI
 - C. Age Discrimination Act of 1975
 - D. Affirmatively Furthering Fair Housing
 - E. Section 504 of the Rehabilitation Act of 1973
 - F. Environmental
 - G. Lead based paint
 - H. Davis-Bacon
 - I. Anti-Lobbying
 - J. Drug-Free Workplace

- IV. Eligibility
 - A. Eligibility Requirements (must meet all 3 requirements)
 - 1. Received an award of LIHTC under Section 42(h) no earlier than 10/01/2006 and no later than 09/30/2009
 - a. An award of LIHTC is defined as follows:
 - (i) For competitive awards, the date on which the scoring and ranking was posted to THDA's web site for the program year
 - (ii) For noncompetitive awards, ???
 - b. excludes 2006 developments that meet placed in service requirements as of 12/31/08
 - c. no forward commitment of 2010 competitive LIHTC
 - 2. Demonstrates need for additional funding to become completed and placed in service
 - 3. Demonstrates compliance with federal cross-cutting requirements
 - 4. Developments without LIHTC are ineligible
 - B. Developments That Must Use TCAP
 - 1. Non-Profits
 - 2. Public Housing Authorities (PHAs)
 - 3. Bond deals (non-competitive credits)
 - 4. New 2009 deals
 - 5. Eligible developments that have not commenced construction
 - C. Developments that May Use TCAP

1. Exchange Developments pursuant to Part XVIII of the 2009 QAP
 2. Competitive 2007 award recipients not exchanging pursuant to Part XVIII of the 2009 QAP
 3. Competitive 2008 award recipients
 4. Competitive 2009 award recipients
 5. Noncompetitive 2007, 2008, or 2009 award recipients
- D. Relationship to Section 1602
1. Developments required to use TCAP can only apply for TCAP funding and are not eligible for Section 1602 funding
 2. Developments that elect to apply for TCAP funding will be ineligible for Section 1602 funding
- V. Concessions
- A. Developments requesting a TCAP fund amount that is 15.0% to 19.9% of total development costs will be required to:
1. Waive the right to give the written notice specified in Section 42(h)(6)(I).
- B. Developments requesting a TCAP fund amount that is 20.0% or more of total development costs will be required to:
1. Waive the right to give the written notice specified in Section 42(h)(6)(I); and
 2. Set aside a minimum of 20% of the units for households with incomes no higher than 50% of the area median income with rents maintained at or below 50% of area median income.
- VI. Application Submission
- A. Requirements
- B. Physical delivery
- C. Deadline
- D. Fees
1. Application - becomes program income
 2. Asset Management
 - a. Annual
 - b. Upfront
- VII. Scoring System
- | | <u>Weight</u> |
|---|-----------------------|
| A. Completion of construction | 21.0% |
| 1. No later than 02/06/2012 | (least preference) |
| 2. No later than 12/31/2011 | |
| 3. No later than 06/30/2011 | |
| 4. No later than 02/28/2011 | (greatest preference) |
| B. Ability to close sale of LIHTC at or above \$0.70 | 20.0% |
| 1. At least \$0.600 up to \$0.649 | (least preference) |
| 2. At least \$0.650 up to \$0.699 | |
| 3. \$0.700 and above | (greatest preference) |
| C. Smallest financing gap | 19.0% |
| 1. TCAP request of 20.0% or more of total cost | (least preference) |
| 2. TCAP request of 15.0% to 19.9% of total cost | |
| 3. TCAP request of less than 15.0% of total cost | (greatest preference) |
| D. Ability to commence construction within 120 days of TCAP award | 10.0% |
| 1. Fully executed construction contract | (least preference) |
| 2. Item 1. Above plus building permits | (greatest preference) |
| E. Tie Breaker | |
| 1. Syndication Price – highest price gets priority | |
- VIII. Disbursement of Funds

- A. Written Agreements
 - 1. firm expenditure schedule for each development
 - a. commencement of construction/groundbreaking
 - b. 50% completion
 - c. 100% completion
 - 2. recapture if schedule not met
 - B. Form of Funds
 - 1. grants – permitted, but must have recapture mechanism
 - 2. loans – permitted, could be soft seconds or paid from “cash flow”
 - C. Disbursement of Funds – in same proportion and at the same time as syndication proceeds are disbursed
- IX. Expenditure Deadlines
- A. THDA must commit at least 75% no later than February 16, 2010
 - B. Owners must expend at least 75% no later than February 16, 2011
 - C. 100% must be expended no later than February 16, 2012
- X. Redistribution of Funds
- A. THDA must redistribute recaptured TCAP funds to ensure compliance with commitment and expenditure deadlines
- XI. Approval (e.g. Governor, Board, Executive Director)