

HOME PROGRAM DIVISION

BOARD ACTION REQUEST

July 8, 2010

Recommended Action

Approve an open application cycle for the Tax Credit Assistance Program (“TCAP”) funds remaining after allocation to Round 1, Round 2 and Round 3 applicants.

WHEREAS, the Board approved the TCAP Plan, Policy and Policy Supplement on May 21, 2009, clarified the Policy on October 15, 2009, and clarified the Policy Supplement on June 28, 2010 to allow for the allocation and award of \$148,354,769 in TCAP funds, and

WHEREAS, there is a high likelihood that a balance of funds will remain after allocation to Round 1, Round 2 and Round 3 applicants that could be awarded by the state so long as they can be disbursed by February 16, 2012 and there remains a pool of eligible applicants

RESOLVED, that the Executive Director and his designees and each of them be and they hereby are authorized and empowered, for and on behalf of this Department, to publish and hold an open application cycle for the allocation of TCAP Funds remaining after allocation to Round 1, Round 2 and Round 3 applicants as presented in this meeting.

Background

The American Recovery and Reinvestment Act of 2009 provides for dedicated funds to assist in the development of properties that had been awarded low income housing tax credits (“LIHTCs”) between October 1, 2006, and September 30, 2009. These funds were issued through the U.S. Department of Housing and Urban Development (HUD). HUD provided the State of Texas, through the Department, \$148,354,769 in TCAP funds. These funds are to be used to help provide additional financing at a level determined by the State to create jobs and provide affordable housing. All of the funds must be expended or returned to HUD by February 16, 2012. The Department must also disburse 75% of the entire allocation by February 16, 2011. The Department has already met a February 16, 2010 deadline to commit 75% of funds to specific tax credit developments.

The TCAP Policy and Policy Supplement provided for two application rounds. Round 1 Applications for developments with an award of LIHTC’s made in 2007 or 2008 were accepted from June 15, 2009 through July 17, 2009 and Round 2 Applications for developments with an award of LIHTC’s made in 2009 were accepted from August 3, 2009 through October 1, 2009. At the March 11, 2010 TDHCA board meeting, a Round 3 was approved for developments without a previous TCAP award and that had not yet

submitted cost certification. The following provides a summary of the results from these rounds.

Table 1. TCAP Round 1, Round 2 and Round 3 Funding Status as of July 1, 2010

	Round 1	Round 2	Round 3	Total
Submitted Applications	57	46	11	
Total Requested	\$211,828,645	\$154,503,894	\$17,074,613	\$379,409,556
Active Applications	26	24	10	60
Total Awards	\$73,832,595	\$62,403,353	<i>pending</i>	<i>pending</i>

As the table reflects, the TCAP was initially over-subscribed and remains so as of posting of the Board book for this meeting. However, there are multiple transactions that have indicated that they either have no need for TCAP funds or cannot close and complete their transaction in time to meet the program’s federal deadlines. To date \$136M (92%) has been committed and twenty (20) transactions have closed with \$12M drawn and disbursed.

The existing TCAP Policy (Board Resolution 09-043) outlines eligibility, priority, affordability, repayment, ownership and asset management. An existing Policy Supplement outlines threshold criteria, selection criteria, details regarding application submission, review process, and guidelines for contract administration and asset management. The open cycle TCAP Applicants will be required to adhere to both the Governing Board Policy and Policy Supplement. In order to ensure timely delivery of the funds and prevent delays in meeting federal deadlines, staff would emphasize and request the Board affirm and make clear that:

- Only Developments with an approved TCAP Round 1, Round 2 or Round 3 award, previously eligible developments with a TDHCA Environmental Clearance as evidenced by an Authority to Use Grant Funds, or those developments which have substantially completed construction and have not yet submitted Form 8609 to the Internal Revenue Service (IRS) may apply for the open cycle TCAP Funds;
- Developments that have submitted Form 8609 to the IRS may not apply for the open cycle TCAP Funds;
- The open application cycle will use the same application materials as Round 3 and be an open first come first serve cycle starting on July 16, 2010 and closing on December 31, 2010;
- All applications received on the same day will be prioritized: first, to regions of the state that did not received applications in the prior rounds; then, to regions of the state that were undersubscribed based upon the original RAF and the allocations to date; and, finally, to all regions of the state.
- Where ties exist based upon the submission date and locational priority, the scoring criteria included in the Policy and Policy Supplement will be implemented.