

American Recovery and Reinvestment Act of 2009 (ARRA) –***Concept Proposal for LIHTC and ARRA Resource Allocation******Background:***

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) which included two funding sources for Low-Income Housing Tax Credit projects: the Tax Credit Assistance Program (TCAP) and the Credit Exchange Program.

The programs are very similar in that they can provide cash to fill funding gaps on eligible tax credit projects that may or may not have an equity investor. Both programs can be used to assist 9% projects and 4% tax credit / bond projects.

Brief descriptions of the two programs are outlined below:

TCAP Funds (HUD)

- Direct appropriation of \$43,010,192 from HUD to the Washington State Housing Finance Commission (WSHFC). This represents Washington State's portion of the \$2.25 billion allocated to state HFA's based on the HOME formula.
- Eligible projects include those that have received an "award" of credits in federal fiscal years 2007, 2008 and 2009 (year ending September 30). An award may be either an allocation of 9% credit or a 42(m) letter for the 4% credit.
- Funds must be distributed to projects on a "competitive" basis.
- Strict timing requirements apply regarding allocation of funds to projects and spending of funds by project sponsors: Project sponsors must spend 75% of their awards by February 2011 and 100% by February 2012 or be subject to recapture
- These funds do not reduce a project's eligible basis.
- These funds have been determined to be federal funds, but "not HOME funds." Projects utilizing TCAP funds will be subject to certain federal funds requirements including National Environmental Policy Act (NEPA) review, Davis-Bacon wage rates, the Uniform Relocation Act, all anti-discrimination and equal opportunity statutes, and others. WSHFC awaits guidance as to the exact nature of these requirements.
- Unless stated otherwise, projects will be subject to LIHTC limitations on income, rent, use restrictions, etc.
- WSHFC will be required to report to HUD on a quarterly basis on projects funded using TCAP funds, including estimates of the number of jobs created and/or retained by the project.
- WSHFC is required to perform or contract for "asset management" which is in addition to the tax credit Compliance function currently required under TC program. An additional asset management fee will be charged.

Credit Exchange (Treasury)

- Legislation allows WSHFC to exchange up to 40% of its 2009 per capita authority and 100% of unused or returned credit for \$0.85 per \$1 of credit.
- Legislation requires that projects make a “good faith effort” to find an equity investor before they are eligible for Credit Exchange funds. WSHFC is required to establish a process to determine that “good faith effort” was made.
- Unless stated otherwise, projects will be subject to LIHTC limitations on income, rent, use restrictions, etc.
- We have not yet received final guidance as to whether Credit Exchange funds will be considered “federal funds” and therefore subject to the federal funds requirements as described above for the TCAP Program.
- WSHFC is required to perform or contract for “asset management” and an additional asset management fee will be charged.

WSHFC Goals for Allocation of LIHTC and ARRA Resources:

WSHFC will balance the following policy goals in allocating LIHTC and ARRA resources:

1. Honor current 2009 Tax Credit Policies and priorities with careful attention to prioritizing Fully Funded projects, special needs housing, and geographic distribution of resources.
2. Secure tax credit investment in as many projects as possible while maintaining a minimum value for the credits.
3. Stretch ARRA resources to assist as many projects as possible.
4. Prioritize projects that can demonstrate full investment commitment.
5. Use ARRA resources to stimulate the full continuum of tax credit eligible housing.
6. Implementation and award ARRA resources efficiently and effectively.

Project Categories:

1. 2007 and 2008 Stalled 9% Projects
2. 2009 “Competitive” 9% Projects
3. 2008 and 2009 4% tax credit / bond projects

NOTE: The definitions of capitalized terms used throughout this document carry the same definitions described in the 2009 Tax Credit Program Policies. In addition, this document and any supporting documents relating to the allocation of ARRA resources use terms that are defined or used in Section 42 of the Code.

2007 and 2008 Stalled 9% Projects

Note: Applicants who are seeking ARRA funds need to be aware that federal funding requirements will be triggered if ARRA funds are involved in the project. WSHFC awaits guidance from HUD and Treasury on the exact nature of these requirements.

Eligibility

In this category, ARRA resources will be used to assist projects that have received 9% tax credit allocations in 2007 or 2008 but have been unable to proceed because they have been unable to find adequate equity investment. These awards of ARRA resources will be made to projects in lieu of tax credit equity investment.

Eligible projects must:

- Hold a valid 2007 or 2008 allocation of tax credits as of January 1, 2009;
- Not have closed on tax credit equity with an investor;
- Demonstrate that they continue to satisfy the “Fully Funded project” criteria;
- Demonstrate a “good faith effort” to find equity investment as described below; and
- Not have changed substantially from the original Tax Credit Application.

Good Faith Effort to find Equity Investment

The Applicant will be required to provide a narrative describing what steps have been taken to secure equity investment and what issues were determined to be detrimental to investor interest in the project. The following details should be included:

- A list of syndicators and investors that received a copy of the project’s investment package
- Names and contact information of contacted syndicators and investors
- Summary of discussions with each contacted syndicator or investor

If the Applicant has received an unacceptable investment offer, the narrative must identify the investor and must explain in detail why that offer was not acceptable for the project including details on why specific terms and conditions (such as timing of equity, reserves, guarantees, developer fee deferral requirements, etc.) were detrimental to the project.

The WSHFC reserves the right to corroborate facts presented and will request more information from the Applicant if we deem it necessary to demonstrate that a “good faith effort” was made. Final determination regarding “good faith effort” is at the sole discretion of the WSHFC.

Application Process

A complete application must be received by **TBD** deadline. To the extent the possible, the WSHFC will use information from the project's existing tax credit application. The following updated project information will be required:

- A letter to the Commission documenting the return of the project's 2007 or 2008 credit allocation
- Documentation of "good faith efforts" to find equity investment as described above
- A narrative explaining any changes to the project or changes to any line items in the budget
- A detailed timeline for development once all funding is secured
- Market Study update: Required for all projects except those with rental assistance on 100% of units
- Revised budget
- Pro forma with current utility allowances and rents
- Assuming federal fund requirements apply, documentation of existing Federal Funds Requirements, if any (NEPA status, Davis-Bacon wages and URA costs in budget, etc.)
- Site control documentation and title report
- Certification Regarding Financial Solvency and Litigation Status
- Certificate of Existence/Authorization for the applicant
- Revised Organizational Chart
- **TBD** Due Diligence items
- **TBD** Application Fee

Approval Process

An award of ARRA funds may be made to a Stalled 2007 or 2008 project at the sole discretion of the Commission. The Commission will underwrite (or will contract with a third party to underwrite) the project and will determine the amount of ARRA resources to be awarded to the project. Awards may be made up to \$.85 per \$1 of returned credit allocation, and in no case shall awards exceed the amount of funds necessary to make the project feasible.

ARRA resources will be awarded to the project at the **TBD** Commission Meeting. Awards will be made in the form of a **soft, deferred** loan, secured by a Deed of Trust. We await further guidance from HUD and Treasury on the timing of when ARRA funds will be available.

Terms and Conditions

Awards of ARRA resources are subject to the following terms and conditions:

- Projects will be held to the commitments made in the original application and will remain subject to LIHTC limitations on income, rent, use restrictions, etc.
- Projects must meet TBD WSHFC underwriting standards including TBD reserve requirements
- TBD% of developer fee must be deferred and/or not paid until occupancy stabilization has occurred.
- TBD loan terms including a recapture provision for noncompliance.
- Projects may be subject to certain federal funds requirements. WSHFC awaits guidance from HUD and Treasury on the exact nature of these requirements.
- WSHFC will perform or contract for “asset management” and will charge an additional asset management fee.

Fees

- Application Fee: TBD
- Loan Fee: TBD
- Asset Management Fee: TBD

Deadlines

WSHFC awaits guidance from HUD and Treasury on the availability of funds in order to set a timeline for 2007 and 2008 Stalled Projects.

- Application Deadline: TBD
- WSHFC Board Approval: TBD
- ARRA Loan Closing: TBD
- Placed-in-Service: December 31, 2011

2009 “Competitive” 9% Projects

Tax Credits will be allocated to 2009 projects in three distinct competitions. The *2009 Tax Credit Round* will be held to allocate tax credits to 9% projects that are not seeking ARRA subsidy. The *Gap Subsidy Competition* will be held for 9% Projects that seek ARRA subsidy to supplement investor equity. A final competition will be held for projects to compete for ARRA Subsidy in Lieu of Investment.

Fully Funded Projects

Consistent with the Policies under which all 2009 9% competitive projects applied, those projects that applied as “not Fully Funded” (with the exception of those projects that applied under the Hope VI set-aside) are not eligible to participate in the *2009 Tax Credit Round*, the *2009 Gap Subsidy Competition* or the *ARRA Subsidy in Lieu of Investment*. These projects will only be considered for credit allocation or ARRA resources after all Fully Funded projects have been considered.

Set-Asides

In the *2009 Tax Credit Round*, the *2009 Gap Subsidy Competition* or the *ARRA subsidy in Lieu of Investment Round*, projects that applied under the RD and Hope VI set-asides will receive priority until those set-asides have been fulfilled. The WSHFC reserves the right to waive the King County Cap.

Round 1: 2009 Tax Credit Round

This round is for Competitive 9% projects seeking no ARRA subsidy. Because no ARRA funds will be involved in these projects, projects will be subject only to LIHTC requirements and no new federal requirements will be imposed.

In the 2009 Tax Credit Round, up to 45% of the 2009 per capita annual authority will be made available to projects that applied for Tax Credits in the January 15, 2009 application round that can demonstrate the ability to attract investment with no need for ARRA subsidy.

If the 45% limit is reached, projects will be placed on a waiting list. Should credit be available on **August 1, 2009**, projects on the 2009 Tax Credit Waiting List will receive credit allocations in rank order providing they can still demonstrate the project has an engaged investor. The 2009 Tax Credit Round may be expanded beyond this 45% limit at the sole discretion of the WSHFC.

Eligibility

Eligible projects are those that:

- Applied for 2009 Tax Credits by submitting an application on or before January 15, 2009;
- Applied as a Fully Funded project with the exception of those projects that applied under the Hope VI set-aside;
- Have satisfactorily completed the Minimum Threshold Review (MTR); and

- Can demonstrate equity investor interest to the satisfaction of the WSHFC.

Application Process

In the 2009 Tax Credit Round, Applicants will be given until **June 1, 2009** to declare in writing to the Tax Credit Director that they can demonstrate investor interest and that they need no ARRA subsidy for their project to go forward. The declaration must include the name and contact information of the proposed investor. Final determination regarding “demonstration of investor interest” is at the sole discretion of the WSHFC.

If an Applicant is unable to make this declaration because the project needs, *or may need*, ARRA subsidy to move forward, the Applicant will be asked to voluntarily withdraw from the 2009 Tax Credit List in order to be eligible to compete for ARRA resources in the subsidy competitions outlined below.

2009 Tax Credit Round Allocation Process

Once the declaration process is complete, the revised 2009 Tax Credit list will contain only those projects that have declared and demonstrated that they can move forward without ARRA subsidy. These projects will proceed in the 2009 Tax Credit Round. Projects will be ranked according to the Allocation Criteria selected in their January 2009 application. Projects that applied under the RD and Hope VI set-asides will be given priority for credit allocation until those set-asides have been fulfilled. There will be no other credit set-asides. WSHFC reserves the right to waive the King County Cap.

Tax Credit Allocations and RAC Contracts

Tax credit allocations will be awarded to those projects that remain on the list, in rank order, subject to typical WSHFC process for MTR review, RAC issuance and RAC fees. The Commission will take action to allocate credit to the 2009 Tax Credit Round projects at the **June 25, 2009 meeting**.

RACs for 2009 Tax Credit projects will include a *credit allocation expiration date* of September 30, 2009. On this date, a project’s allocation of credit will expire and will be deemed returned to the WSHFC. An extension of the *credit allocation expiration date* may occur at the sole discretion of the WSHFC.

Failure to Proceed

If a project that receives an allocation in the 2009 Tax Credit Round fails to close on its equity investment, the allocation of credit must be returned to the Commission. The project may be eligible for gap subsidy at the sole discretion of WSHFC and only to the extent that funds generated through the Exchange program are available. These projects are only eligible to compete in the ARRA Resources in Lieu of Investment Round at the sole discretion of the WSHFC.

Terms and Conditions

Except where noted above, the 2009 Tax Credit Round remains subject to the 2009 Tax Credit Policies as approved in September 2008.

Deadlines

- Application Deadline: **June 1, 2009**
- WSHFC Board Approval: **June 25, 2009**
- Credit Allocation Expiration: September 30, 2009
- Carry-over: 1 year from execution of RAC (July 2010)
- Placed-in-Service: December 31, 2011

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Round 2: 2009 Gap Subsidy Competition

Note: Applicants who are seeking ARRA funds need to be aware that federal funding requirements will be triggered if ARRA funds are involved in the project. WSHFC awaits guidance from HUD and Treasury on the exact nature of these requirements.

The 2009 Gap Subsidy Competition will be held to consider those projects that seek ARRA subsidy dollars to supplement their tax credit equity investment. In this round, ARRA subsidy cannot be used to completely replace tax credit equity, only to fill the gap caused by lower than expected equity pricing.

The WSHFC reserves the right to suspend the Gap Subsidy Competition once 60% of the 2009 per capita annual authority (\$9,037,929) has received investor commitment, inclusive of credit allocated in the 2009 Tax Credit Round.

Eligibility

Eligible projects are those that:

- Applied for 2009 Tax Credits by submitting an application on or before January 15, 2009;
- Applied as a Fully Funded project with the exception of those projects that applied under the Hope VI set-aside;
- Have satisfactorily completed the Minimum Threshold Review (MTR); and
- Have withdrawn from the 2009 Tax Credit Round.

Application Process

To apply for the Gap Subsidy Competition, Applicants must submit the following:

- Letter withdrawing from 2009 Tax Credit Round
- **TBD** Gap Subsidy Application Fee
- A narrative explaining any changes to the project or changes to any line items in the budget
- **TBD** Scoring Document
- **TBD** Other

To the extent possible, the WSHFC will make use of existing project application submissions.

Evaluation Criteria

Projects will be evaluated in the Gap Subsidy Competition based on their “readiness to proceed,” defined as the project’s ability to demonstrate an engaged investor on one of two investor commitment deadlines. On each of those deadlines, projects demonstrating investor commitments will be ranked according to the following allocation criteria as defined in the 2009 Tax Credit Policies:

- Additional Low-Income Housing Commitment

- Additional Low-Income Housing Use Period
- Housing Needs
- Nonprofit Sponsor
- Special-Needs Housing Commitments
- At-Risk Properties
- Rehabilitation Projects/Community Revitalization Plan
- Developer Fees
- Historic Property
- Targeted Areas
- Leveraging of Public Resources
- Donation in Support of Local Housing Needs
- Eventual Tenant Ownership

On the first Investment Commitment deadline of **July 15, 2009**, there will be a minimum point score of 154 for all projects except those that applied under the RD or Hope IV set-asides. On the second Investment Commitment deadline of **September 1, 2009**, there will be no minimum scoring threshold.

If the RD or Hope VI set-asides are not fulfilled in the *2009 Tax Credit Round*, projects that applied under those set-asides will be given priority until the set-asides have been fulfilled. There will be no other credit set-asides and the WSHFC reserves the right to waive the King County Cap in the Gap Subsidy Competition.

Approval Process

Staff will complete MTR reviews for all projects competing in the Gap Subsidy Competition and will recommend projects to the WSHFC Board for approval at the **June 25, 2009** Commission meeting.

ARRA Contracts

After Board Approval, staff will draft an ARRA Credit Reservation and Carryover Allocation Contract (ARAC) for each project. The ARAC will allocate credit to the project and will state the maximum amount of ARRA gap subsidy for which the project is eligible. ARACs will include a *credit allocation expiration date* of **September 30, 2009**. On this date, a project's allocation of credit will expire and will be deemed returned to the WSHFC. An extension of the *credit allocation expiration date* will occur if the project secures investment and is awarded ARRA gap subsidy. Payment of 50% of the Credit Reservation Fee is due upon execution of the ARAC.

Investor Commitment Deadlines

On each of the Investor Commitment Deadlines (**July 15, 2009** and **September 1, 2009**), projects that are ready to proceed will submit evidence of a firm investor commitment including a price for their tax

credits and request a specific amount of gap subsidy. On each Investor Commitment Deadline, the projects ready to proceed will be ranked according to the scoring of their Gap Subsidy Competition application. Please note: There is a minimum score of 154 points required to compete on the **July 15, 2009** Investor Commitment Deadline.

Staff will underwrite each project to determine the amount of gap subsidy required to make the project financially feasible. ARRA gap subsidy will be awarded in rank order until credit and/or subsidy funds are exhausted. All projects receiving an award of ARRA gap subsidy will also receive a 6 month extension to the *credit allocation expiration date* in their ARAC. Further extensions to the credit allocation expiration date may be made at the sole discretion of the WSHFC.

Terms and Conditions

The following terms and conditions apply:

- Per dollar of credit pricing floor of \$0.65
- Subsidy request is limited to \$0.20 per dollar of credit, but in no case shall exceed the amount of funds necessary to make the project feasible. The WSHFC reserves the right to waive the maximum subsidy request limit.
- Projects are limited to the amount of credit requested in their original 2009 Tax Credit application.
- Projects will be held to all commitments made in the original 2009 Tax Credit Application.
- ARRA awards will be made in the form of a loan, secured by a deed of trust and will include **TBD** terms and conditions including loan and asset management fees.
- Projects unable to close on their equity by **TBD** may be required to forfeit their allocation of tax credits.

Loan Closing Process

[**TBD: due diligence receipt and review; document production, review & execution; funding, recording and disbursement**]

Fees

- Application Fee: **TBD**
- Loan Fee: **TBD**
- Asset Management Fee: **TBD**

Deadlines

- Application Deadline: **June 1, 2009**
- Investor Commitment Deadlines: **July 15, 2009** and **September 1, 2009**
- Credit Allocation Expiration: September 30, 2009 with 6 month extension upon award of ARRA subsidy

- Carry-over: 1 year from execution of ARAC
- 75% of TCAP Funds Spent: February 17, 2011
- Placed-in-Service: December 31, 2011

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Round 2 Bonds: 2009 Gap Subsidy Competition Set-Aside for Bond Projects

Note: Applicants who are seeking ARRA funds need to be aware that federal funding requirements will be triggered if ARRA funds are involved in the project. WSHFC awaits guidance from HUD and Treasury on the exact nature of these requirements.

An initial \$6 million in ARRA subsidy will be set aside for 4% tax credit / bond projects seeking ARRA subsidy to supplement tax credit equity. ARRA subsidy cannot be used to completely replace tax credit equity, only to fill a gap caused by lower than expected equity pricing. If the \$6 million ARRA subsidy bond set-aside is exhausted, the WSHFC reserves the right to increase the set-aside should funds be available.

Eligibility

Eligible projects are those that:

- Hold a valid allocation of “bond cap” from CTED or WSHFC as of May 31, 2009;
- Are able to satisfactorily complete the MTR process after application;
- Are Fully Funded and can demonstrate necessary funding commitments are in place; and
- Have not yet closed on tax credit equity with an investor.

Application Process

To apply for the Gap Subsidy Competition Set-Aside for Bond Projects, Applicants must submit the following by **June 1, 2009**:

- Complete Tax Credit Application with a minimum of 50 allocation criteria points
- Evidence of “bond cap” allocation
- **TBD** Gap Subsidy Application Fee
- Documentation demonstrating project is Fully Funded
- Sources and Uses Statement inclusive of ARRA Subsidy Request

Evaluation Criteria

Projects will be evaluated in the Gap Subsidy Competition Set-Aside for Bond Projects based on their “readiness to proceed,” defined as the project’s ability to demonstrate an engaged investor. All projects must also select a minimum of 50 allocation criteria points from among the following as defined in the 2009 Tax Credit Policies:

- Additional Low-Income Housing Commitment
- Additional Low-Income Housing Use Period
- Housing Needs
- Special-Needs Housing Commitments
- At-Risk Properties

- Rehabilitation Projects/Community Revitalization Plan
- Developer Fees
- Historic Property
- Targeted Areas
- Donation in Support of Local Housing Needs
- Eventual Tenant Ownership

Approval Process

Staff will complete MTR reviews of applications and will issue 42(m) letters. These projects will then be presented to the Commission at their July 23, 2009 board meeting, for approval to award ARRA funds at the discretion of the Executive Director.

Investor Commitment Window

ARRA gap subsidy will be awarded to 4% tax credit / bond projects on rolling basis between **July 24, 2009 and October 1, 2009** unless funds in the Bond Set-Aside are exhausted earlier.

On any business day during this time period, projects that have engaged an equity investor can submit to the WSHFC evidence of a firm investor commitment including a price for their tax credits and request a specific amount of gap subsidy. Staff will underwrite each project to determine the amount of gap subsidy required to make the project financially feasible. The project will then receive a **TBD document** awarding it ARRA gap subsidy, and the first half of the Credit Issuance Fee will be due.

Terms and Conditions

The following terms and conditions apply:

- Each applicant is limited to **2** projects that total no more than **\$X** in subsidy request.
- Each project is limited to a maximum subsidy request of **\$X**.
- Per dollar of credit pricing floor of \$0.65
- Subsidy request is limited to \$0.20 per dollar of credit, but in no case shall exceed the amount of funds necessary to make the project feasible. The WSHFC reserves the right to waive the maximum subsidy request limit on a case-by-case basis.
- Projects must be able to demonstrate their ability to close on their bonds by December 15, 2009. Failure to do so will result in a forfeiture of a project's ARRA award.
- ARRA awards will be made in the form of a loan, secured by a deed of trust and will include **TBD** terms and conditions including loan and asset management fees.

Loan Closing Process

- **[TBD: due diligence receipt and review; document production, review & execution; funding, recording and disbursement]**

Fee

Projects remain subject to the Tax Credit Application, Credit Issuance and Annual Compliance Monitoring fees as described in Chapter 13 of the 2009 Tax Credit Policies. Projects awarded ARRA subsidy will also be subject to the following:

- Loan Fee: **TBD**
- Asset Management Fee: **TBD**

Deadlines

- Application Deadline: June 1, 2009
- WSHFC Board Approval of eligible Projects: July 23, 2009
- 42(m) Letter issued no later than: July 23, 2009
- Investor Commitment Window: July 24 – October 1, 2009
- Bond Closing Deadline: December 15, 2009
- 75% of TCAP Funds Spent: February 17, 2011
- Placed-in-Service: December 31, 2011

Round 3: Subsidy in Lieu of Investment

2009 projects that have participated in the Round 2 Gap Subsidy Competitions that have failed to obtain an equity investor are eligible to compete in an entirely new competition for a much higher level of ARRA resources to replace all of their anticipated investor equity.

Eligibility

Eligible 9% “competitive” projects must:

- Have received a tax credit allocation in the Round 2: Gap Subsidy Competition;
- Be able to demonstrate a good faith effort to find equity investment; and
- Have returned their tax credit allocation.

Eligible 4% tax credit / bond projects must:

- Have received a 42(m) letter under the Gap Subsidy Set-Aside for Bond Projects;
- Be able to demonstrate good faith effort to find equity investment; and
- Maintain the amount of tax-exempt debt anticipated in their 2009 bond cap allocation.

Projects that receive an allocation of tax credits in the 2009 Tax Credit Round may be eligible to participate in the Subsidy in Lieu of Investment competition at the sole discretion of the WSHFC.

Good Faith Effort to find Equity Investment

Applicants will be required to provide a narrative describing what steps have been taken to secure equity investment and what issues were determined to be detrimental to investor interest in the project. The following details should be included:

- A list of syndicators and investors that received a copy of the project’s investment package
- Names and contact information of contacted syndicators and investors
- Summary of discussions with each contacted syndicator or investor

If the Applicant has received an unacceptable investment offer, the narrative must identify the investor and must explain in detail why that offer was not acceptable for the project including details on why specific terms and conditions (such as timing of equity, reserves, guarantees, developer fee deferral requirements, etc.) were detrimental to the project.

The WSHFC reserves the right to corroborate facts presented and will request more information from the Applicant if we deem it necessary to demonstrate that a “good faith effort” was made. Final determination regarding “good faith effort” is at the sole discretion of the WSHFC.

Application Process

To apply for the Subsidy in Lieu of Investment Competition, Applicants must submit the following:

- Round 3 Application Fee
- Good Faith Effort Documentation (as described above)
- A letter returning the project's Tax Credit Allocation and any Gap Funding awarded or received to WSHFC
- Updated pages to Tax Credit applications reflecting the removal of tax credit partnership
- A narrative explaining any changes to the project or changes to any line items in the budget
- A detailed timeline for development once all funding is secured
- **TBD** Other

Evaluation Criteria

Upon review and analysis of projects awarded credit and ARRA resources in Rounds 1 and 2, the Commission will balance the outcomes of Rounds 1 and 2 with the stated objectives of the 2009 Tax Credit Policies to determine prioritization of eligible projects seeking subsidy in lieu of equity investment.

If the RD set-aside was not fulfilled in Rounds 1 and 2, projects that applied under that set-aside will be given priority until the set-aside has been fulfilled. The WSHFC reserves the right to waive the King County Cap.

Projects will be awarded ARRA subsidy at a maximum rate of \$0.85 per dollar of credit surrendered (or per dollar of credit eligibility in the case of a bond project); however, in no case shall the subsidy amount exceed the amount of funds necessary to make the project feasible. Due to the limited amount of ARRA resources, not all projects that apply will be funded. The Commission will be unable to determine the total amount of ARRA subsidy available for Round 3 until after **TBD** date.

Awards of ARRA subsidy under Round 3 will be subject to the same conditions listed above in the 2007/2008 Stalled Projects proposal.