2022 Housing Tax Credit Program

Qualified Allocation Plan FAQs and Guidance

Updated: November 22, 2021

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1. **Credit Amounts**

   A. Within the 9% Federal Housing Tax Credit program, the Housing Tax Credit limit will be $1,200,000 per application in the General, Preservation and Supportive Housing Set-Asides. In Rural and Non-Profit Set-Asides, the Housing Tax Credit limit will be $800,000 per application.

   B. Within the State Housing Tax Credit program, awards are limited to no more than $1,200,000 of State Housing Tax Credits per application.

   C. No more than three total awards shall be allocated to a single developer (serving as Lead or Co-Developer) with no more than two awards of either credit type (9% or State HTC).

   D. In 2021, Wisconsin received a 9% HTC per-capita credit allocation of approximately $16.4 million. Unless an Act of Congress results in a change to the Housing Credit Cap or other determining factors, the credit allocation is expected to decrease due to a reduction in the federal formula, which had been temporarily increased in 2018 and is set to expire.

   E. Approximately of $7 million of State Housing Tax Credits will be made available.

2. **Application Process**

   A. Application materials and deadline
      - A complete application for Housing Tax Credits must contain the following items:
        - Completed Multifamily Application (MFA) Workbook submitted in excel form. **The current version of the MFA must be used.** For the 2022 cycle, the current MFA is Version 2022.4.0.
        - Electronic copies of all required Threshold Materials and Scoring Materials as defined in the Threshold and Scoring Checklists located within the MFA and a fully executed copy of the WHEDA Loan Signature Page.
        - A flash drive containing a duplicate record of all application materials.
        - Tax Credit Application Fee.
        - Paper copies of application materials are not required.

   B. Application submission
      - A complete application is to be submitted to WHEDA using the file transfer system Procorem. Each 2022 application must separately request a Procorem WorkCenter using the

Procorem Workcenter Access Form. More information about Procorem can be found in the FAQ Document posted to WHEDA's website.

- **Files submitted in Procorem must either be submitted as a single PDF document with bookmarks clearly labeled or submitted as separate documents organized by Threshold and Scoring Category with file names that include the project name and clear description of the document.**
- The flash drive and application fee must be received by WHEDA or postmarked by the application deadline. Additional details for material delivery is included in the Procorem WorkCenter Access Form.

3. Underwriting

A. All Applications

- **Operating expenses:** Projects must be submitted with the operating expenses within the defined ranges outlined in Tab 16, Financial Feasibility, based on project type.
  - If a project will contain a mix of unit types the budget may use a weighted average approach. Include a description of the calculation of the average.
  - **ONLY** acquisition/rehab projects will be permitted to request a variance on the posted ranges. Requests must be supported by submission of the last three years revenue and expenses statements. Requests are subject to approval at WHEDA's discretion.
- **DCR:** If a project has a declining DCR it may be permitted to exceed the maximum DCR only to the extent necessary to maintain the minimum required.

B. 9% Applications

- **Rates:** 9% applications should use WHEDA's then-current Permanent Financing for 9%Housing Tax Credit projects with 35-year term & amortization on the date the application is submitted. However, an applicant may use other terms (lower interest rate, longer amortization, etc.) if a term-specific, executed financing commitment accompanies the application.
- **DCR:** 9% project should have a DCR between 1.175 - 1.40 in year one and maintain a DCR between 1.15 – 1.40 in years 2-15.
- **No WHEDA subordinate loans may be included**
- **Income Averaging:** Allowed in the Rural Set-Aside only. Applicants must be 100% low-income. Low income units above 60% of CMI may not exceed 60% CMI Housing Tax Credit rents at the time of application.

C. State/4% Applications

- **Rates**: State Housing Tax Credit applications should use the Tax-Exempt Financing rate on the date the application is submitted
- **DCR:** Applications will be required to maintain a Debt Coverage Ratio of 1.15 to 1.40 during years 1 – 15.
- **Income Averaging**
  - Applications electing the Income Averaging option must be 100% low-income. Properties with market rate units will be required to select the 20% @ 50% CMI or 40% at 60% CMI set-aside option.

- Low Income units at or above 60% of CMI may not exceed 95% of the LIHTC rent limit, and may not exceed 90% of estimated market rents (as listed in the market study)
- WHEDA requires that there be a reasonable distribution of unit sizes/bedroom sizes throughout the different CMI bands in the proposed income averaged unit mix

D. Subordinate financing
   - WHEDA intends to make subordinate financing available for 2022 4% State Housing Tax Credit applications
     - Repayment from available cash flow from operations
     - WHEDA expects to receive repayment, so the loan amounts below may be reduced subject to financial feasibility, DCR, and other relevant financial metrics
     - Subordinate loans will not be provided for properties with Locally-Issued or noncredit enhanced privately-placed tax-exempt bonds
     - Subordinate loans may not be requested for 9% Applications.
     - If Subordinate Financing is requested, no less than 50% of the developer fee must be deferred.
   - Eligible areas
     - Rural areas
       - Must meet 2021-2022 QAP Rural Set-Aside requirements for eligibility, and **not be** located in one of these counties:
         a. Brown
         b. Dane
         c. Eau Claire
         d. Kenosha
         e. Milwaukee
         f. Outagamie
         g. Racine
         h. Waukesha
         i. Winnebago
       - Sizing: No More than $1 of subordinate loan proceeds for $8 of permanent tax-exempt bond deb
       - New Construction, Adaptive Re-use and Acquisition/Rehabilitation projects are eligible
       - *Subordinate loans will need to be applied for and will require WHEDA Loan Committee approval*
     - *Balance of State of Wisconsin*
       - *All of the remaining properties located in the State of Wisconsin outside of the areas defined above in the Rural Areas definition*
       - *Sizing: No More than $1 of subordinate loan proceeds for $10 of permanent tax-exempt bond debt*
       - *Subordinate loans will need to be applied for and will require WHEDA Loan Committee approval*
   - National Housing Trust Funds (HTF):

- Projects may request up to $500,000 if they are within the following set-asides: Rural or Supportive in the 9% program and Rural or Small Urban in the State/4% Program.
- HTF may be considered a Committed Source.
- Projects requesting HTF must include 30% units. No minimum number of units will be required but the maximum subsidy per-HTF unit must not exceed the per-unit subsidy limits, defined as follows:

WISCONSIN HOME PER UNIT SUBSIDY LIMITS - 2021 (for all Wisconsin Participating Jurisdictions)						
Participating Jurisdictions Use the High Cost Percentate (240%)	Section 234 Basic Limits per No. of Bedrooms					
	No. of Bedrooms:	0	1	2	3	4
	Basic Limits	$60,702	$69,991	$84,411	$108,050	$120,372
	High Cost Limits	$145,685	$167,978	$202,586	$259,320	$288,893
Per CPD Notice 15-003, limits are based on Section 234-Condominium Housing Basic Mortgage Limits (Elevator Type)						

- No additional HTF application materials will be required at the time of tax credit application, however if the tax credit application is successful, a complete HTF application will be required after award of tax credits to evidence compliance with all program requirements. For more information on the HTF program visit WHEDA's website.
- HTF must be paired with WHEDA financing (construction and permanent)
- HTF terms to be used should include an interest rate of 3% with a 19 year term including two years of interest-only payments during construction, 35 year amortization, payments subject to cash flow

- If a project is eligible for both Subordinate Financing and Housing Trust Funds, the combined total of all sources must be sized to a maximum of a ratio of $1 of subordinate loan proceeds for $8 of permanent loan (or $1 of subordinate loan proceeds for $6 of permanent loan in in rural areas.

4. Calculation of Credits

A. Tax Credit Pricing:

- The ranges below should be used for 2022 applications:
  - 9% Metropolitan Counties: $0.85 - $0.89
  - 9% Rural Counties: $0.82 - $0.865
  - State Credits: $0.67 - $0.73
- For the purposes of 9% tax credit pricing, find a list of Wisconsin Metropolitan Counties directly below. All other Wisconsin counties are considered Rural for the purposes of tax credit pricing.

Wisconsin Metropolitan Counties

Brown	Eau Claire	Outagamie	Sheboygan
Calumet	Kenosha	Ozaukee	St. Croix

Chippewa	La Crosse	Pierce	Washington
Dane	Marathon	Racine	Waukesha
Douglas	Milwaukee	Rock	Winnebago

B. Boost Policy:
- Section 9.a. of the 2021-2022 Qualified Allocation Plan (QAP) refers to an annual publication of WHEDA's QCT, DDA and HFA basis boost policy.
- For 9% 2021 applications, properties in the Supportive Housing Set-Aside will be limited to 25% QCT, DDA or HFA and properties in the Rural Set-Aside will be limited to a 20% QCT, DDA or HFA basis boost – for all other set-asides, the QCT, DDA and HFA basis boost will be limited to 15%.
- 4% applications may request a 30% QCT or DDA basis boost – the HFA basis boost is not available for 4% Housing Tax Credit applications State Credit Sizing

5. Threshold

A. WHEDA will require that a minimum of 80% of projected funding sources be 'committed' at the time of application. For the purposes of this requirement, 'committed' funding sources include the following:
- The permanent loan amount based on WHEDA's loan terms on the date of application (the applicant may use other terms if a term-specific, executed financing commitment accompanies the Housing Tax Credit application)
- Other loans or grants with a firm commitment from the lender/grantor/government entity – identifying amount, interest rate, term, and amortization. For those applicants utilizing a commitment with other terms other than those provided by WHEDA (lower interest rate, longer amortization, etc.), WHEDA will require that those financing commitments meet the following requirements:
    - Fully executed – including signatures from both the lender and the borrower
    - Minimum term of 10 years
    - The interest rate must be locked through December 2, 2022 – this is the approximate deadline date for the submission of Carryover materials for properties that receive 2022 Housing Tax Credit awards
        - Indicative interest rates, or rates tied to a floating index will not be accepted
    - Commitments may contain conditions or contingencies, but only those that are within control of the borrower, or those that are based upon the performance of the borrower
        - Example: receipt of Housing Tax Credits
    - Commitments that are subject to final underwriting, loan committee approvals or other similar requirements will not be accepted
    - Developer secured self-financing commitments will not be accepted.
- Historic tax credit equity (with a Letter of Intent from the Syndicator/Investor)
- The Housing Tax Credit equity amount calculated in the MFA
    - An LOI is not required if your Housing Tax Credit application pricing assumption is within the range the WHEDA posted range.

- Commitments that are subject to final underwriting, loan committee approvals or other similar requirements will not be accepted
- Developer secured self-financing commitments will not be accepted.

o Applicants for Rural Development Section 515 properties for the 2022 tax credit cycle may use a loan rate of 4%, with a term and amortization equal to or lesser than 30 years. Funding will be subject to availability and approval by WHEDA.

o Developer-Financed TIFs
  - For those applications including developer-financed TIFs
    - Include evidence of Developer Agreement or Common Council approval
    - Include evidence of Annualized TIF Increment sizing methodology not limited to: Baseline Property Value, Forecasted Stabilized Property Value, Municipal Taxing Rate
  - The developer-financed TIF loan amount should be calculated based on the following items:
    - Term and amortization not to exceed the Municipal TIF Developer Agreement term and amortization
    - Interest rate equal to WHEDA's Permanent Financing rate for the WHEDA senior debt associated with Housing Tax Credit projects on the date of application
    - Loan sizing not to exceed 90% of net present value of the annual tax reimbursement, discounted by the current WHEDA posted financing rate that matches the WHEDA senior debt for the duration of the property tax reimbursement

B. Applications for the same parcel(s)

o WHEDA will allow applicants to submit a 4% federal & state housing tax credit application and 9% federal housing tax credit application for the same parcel(s)
  - The 4% federal & state housing tax credit and 9% federal housing tax credit applications will be treated as distinct applications – the market study for each application should reflect the appropriate mix of units
  - In the event that both the 4% federal & state housing tax credit and 9% federal housing tax credit applications meet threshold requirements, and both applications receive a score that would qualify for a tax credit award, WHEDA will make an award to the 4% state & federal housing tax credit application, and will reject the 9% federal housing tax credit application
  - Applicants may not submit the same site as 2 distinct applications with different unit mix configurations in the same round 4% round or the same 9% round. Applicants may not submit the same site in different set-asides in the 9% round in the same cycle year.

C. Can 2021 9% Housing Tax Credit recipients apply for additional tax credits in 2022?

o WHEDA will allow 2021 tax credit recipients to apply for additional tax credits in 2022– these applications do not receive priority over other applications

- Applicants will be required to include a deferred developer fee equal to the lesser of (a) 35% of the total developer fee, or projected cumulative cash flow during the first 13 years of operations
- WHEDA will calculate a Financial Leverage score that is based on the amount of credit awarded in 2021 and the new credit requested in 2021
- The credit pricing estimate within the 2022 application must be equal to the credit pricing included in the approved 2021 Carryover application

D. What construction style are stacked flats considered for the purposes of the Appendix M (WHEDA Design Requirements)?
  - Townhome style construction

E. My project contains a mix of elderly and family units.
  - What PUPM Operating expense range is my project subject to? Is a weighted average approach acceptable?
    - Yes

6. Scoring

A. How do I evidence Developer Experience?
  - Experience may be represented using the Developer Experience Forms posted on the 2022 HTC Cycle Page on the WHEDA Website or in another format such as excel, so long as all information from the Experience Form is included in the alternative format
  - Evidence of completed tax credit projects should be supported with the inclusion of Form 8609

B. My project contains a half elderly and half family units. Is my project eligible for both Senior and Family points under the Areas of Economic Opportunity?
  - Applications containing more than 50% senior units will be allowed to request points in the senior categories – all other applications should use the Family or Supportive categories

C. My application may have scattered sites. How do I score location-based scoring categories?
  - At least two-thirds of the sites must meet the scoring criteria to qualify for points for any location-based scoring category.

D. Mixed-Income Incentive
  - To qualify for points in this category, market rate rents must be at least 5% greater than the 60% CMI gross rent limit net of any utility allowance.