



Date: March 30, 2012
To: 2012 LIHTC Applicants
From: Multifamily Housing Group
Re: 9% Credit Percentage - 2012 LIHTC Program

The Housing and Economic Reform Act of 2008 (HERA) set the 70 percent present value (aka 9 percent) Credit percentage rate, at the greater of: (1) a flat 9 percent, or (2) the current monthly floating rate published by the Internal Revenue Service, with a sunset date of December 30, 2013. In essence, the 9% rate is effective for buildings placed in service between July 31, 2008 and December 30, 2013.

Unless Congress revises this rule, this sunset date may pose a challenge for certain 2012 LIHTC awards if they experience delays in closing or construction. Buildings which place in service after December 30, 2013 must use the then-current Credit percentage. For comparison, the current Credit percentage was 7.43% in March.

Applicants should be aware this has serious implications to their Credit delivery upon issuance of 8609 if the project places in service after December 30, 2013.

WHEDA expects to make award announcements in mid to late April. Because of this timing, we believe there is every reason Wisconsin awardees can close in 2012 and take advantage of the higher 9% rate.

For 2012, the most important element is a developer's focus on timely closing, and disciplined construction scheduling. We encourage all awardees to focus all their partners on this issue. The earlier a project closes and begins/completes construction, the more likely they will place in service before the December 30, 2013 deadline.

Please note: only one unit need be ready for occupancy in order to place in service. (*Refer to IRS Notice 88-116 for placed-in-service date particulars.*)

What WHEDA will do:

1. We will calculate 2012 Credit using the 9% percentage.
2. We will do our best to timely issue awards, Reservation Agreements and Carryover Agreements to maximize timelines for developers. On a case by case basis, we may consider waiving Credit Checklist items in order to expedite agreement issuance and closings.
3. We will monitor Washington and advise if Congress acts to make the 9% rate permanent. Legislation has been proposed.