



To: LIHTC Development Community
From: Carla Pope
Date: October 14, 2008
Re: 2009 Second Amended Qualified Allocation Plan

On Friday, October 3, 2008, the Heartland Disaster Tax Relief Act of 2008 was signed into law by the President. This law provides for an \$8 per-capita allocation of low income housing tax credits (LIHTC) for counties that are eligible for individual and public assistance or individual assistance as a result of the floods, tornadoes, and storms during the summer of 2008. Based on pre-disaster census figures, IFA estimates that Iowa will receive an additional \$20,927,960 in LIHTC for calendar years 2008, 2009, and 2010. This is in addition to the “regular” annual per capita allocation of credits. This is what we know today:

- The 2008 Credits must be allocated by December 31, 2008. The Credits cannot be carried forward, it is “use it or lose it.” However, any Credit already allocated in 2008 in the disaster areas count toward your disaster Credit allocation amount. IFA has \$4,728,942 in credits awarded to 15 projects that meet this criteria.
- IFA is required to allocate Credits received from this legislation to the disaster area counties. Since IFA can count Credits already allocated to the disaster areas toward the disaster allocation, there are adequate Credits to use in the non-disaster areas of the state.
- IFA is not required to allocate Credits to disaster area counties according to county populations.
- Ten percent of all of the credits available (per capita and disaster relief credits) must be allocated to non-profits under the Non-profit Set-aside.

In summary, IFA has approximately \$16,199,018 in LIHTC to allocate through the 2009 QAP by the end of December 2008. In addition, IFA will have approximately \$27 million in credits to award before the end of calendar year 2009. As a result, we are recommending multiple changes to the previous QAP in the form of a Second Revised QAP to streamline the allocation review process, and address the significant increase in application volume expected as a result. It is IFA’s intent to encourage construction and

rehabilitation to begin as quickly as possible to help address the long-term housing needs for low-income families in affected areas.

By Section, the changes are as follows (this is not an exhaustive list):

Section 1

- Changes the steps for the application process to reflect the changes made in the Second Amended QAP, accepting applications in an open round beginning October 31, 2008, and going through October 1, 2009.

Section 2

- 2.1. Changes tax credit amount to be allocated
- Removes all set-asides except for the Federally mandated set-aside for non-profits, and the Rural Development Preservation and Reserved set-asides.
- Changes 2.2.5.2. amount to 15% of the Per Capita Tax Credit Amount.
- Increases the single developer cap to from \$950,000 to \$7,000,000.
- Increases the per project cap from \$780,000 to \$3,000,000.
- Removes 2.4.

Section 3

- Allows communication between the developer and the staff while the review of the application is taking place.
- Revises and streamlines the application process.
- Allows IFA to request changes to the project based on the results of the market study.
- Establishes a fee for changes to the application, requested by the developer, if the application must be re-underwritten by IFA staff.
- Sets forth a new schedule of application fees.
- Establishes a priority for review and award of projects.

Section 4

- Adds to 4.7.4 for special needs projects: “If a Project under this section meets all criteria for allocation of Tax Credits the IFA staff will, prior to submitting the recommendation for Tax Credit reservation to the IFA board, request that the Applicant provide a signed commitment letter from a syndicator or investor for the Project within 90 days. If the receipt of a commitment letter is eminent, the Applicant can request one 30-day extension to 90-day period. During the period that the Applicant is seeking a signed commitment letter, any additional IFA funded sources, such as a loan, will remain committed to the Project. Upon receipt of the commitment letter and the final underwriting of the Project based on the terms of the commitment letter, the IFA staff will make a recommendation for Tax Credit Reservation to the IFA board.”
- Changes the Unit Cost Cap to, “The cost per unit shall be no greater than \$237,000. The cost cap is calculated by adding all of the total construction costs eligible for

basis for the 30% and 70% present value Credits and then dividing the total by the number of total Units. Unit cost caps are maximum amounts. IFA provides no guarantee that Projects at or below the Unit cost caps will be deemed financially feasible.” Allows for the residential portion of the historic tax credits to be deducted from the total construction costs prior to calculating the per unit cost.

Section 5

- Adds to the threshold criteria:
 - There must be adequate market for the project,;
 - The applicant must agree that the property manager will list all vacancies on the IFA-sponsored web-based registry of available rental units;
 - The property must obtain a score of at least 150 points under the criteria set forth by Section 6.
- Unfunded projects from the 2007 and 2008 round that met the threshold in their respective years can apply for credits using their original applications.

Section 6

- Changes the points available for Resident Profile Category 6 Waives Right to Qualified Contract from 20 points to 50 points.
- Adds Other Category 2. Letter of Support. 10 points
- The city council or the county board of supervisors of the jurisdiction in which the Project is located provides a current letter of support and preference for the Project among Projects under consideration.
- Adds 6.3.2.1. New Construction Projects may apply for additional Tax Credits if Project costs exceed original cost estimates including the contingency fund. A contingency fund of ten percent (10%) must be included in all New Construction Projects. Additional Tax Credits can be provided for construction cost increases up to an additional five percent (5%) of hard construction costs by the Board, if excess Tax Credits are available. The amount of contingency funds in the original Application may be taken into consideration when awarding additional Tax Credits. No additional Developer’s fee or Consultant Fee will be allowed under this section.
- Adds clarifying language about the building permit under Readiness to Proceed category.

Section 7

- Changes the counties eligible for the 30% boost in eligible basis to the 78 individual assistance disaster declared counties.
- Allows IFA to make the carryover allocation at the same time at the tax credit reservation.

Section 8

- Specifies what items must be submitted to IFA prior to construction, Form 8609, and prior to placed in service.

Section 9-12

- Makes similar changes to 4% projects.

Section 13

- Changes the effective date of the rules to October 14, 2008.

Appendix 1

- Removes reference to additional requirements for affordable preservation set-aside. Adds a requirement for all rehabilitation projects to submit a scope of work for rehabilitation activities.

Appendix 2

- Removes select definitions and adds definitions for Carryover Agreement Date, Community Room, Disaster Relief Tax Credits, Family, Older Persons, Per Capita Tax Credits, Placed-In-Service Date, Qualified Contract, Tax Credit Reservation Date, and Unit.