

Recovery Act Assistance For LIHTC Projects

Section 1602 (Exchange) Program

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American Recovery and Revitalization Act of 2009

- The primary purpose is to preserve and create jobs and promote economic recovery in a transparent manner
- Funded activities should commence as quickly as is consistent with prudent management

Section 1602 Program Highlights

- Recovery Act program
- Assistance to States for LIHTC projects in exchange for LIHTCs
- Finance the construction or acquisition and rehabilitation of qualified low-income buildings

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Who applies for the funds?

- Designated State Housing Finance Agencies for:
 - 50 States
 - District of Columbia
 - Commonwealth of Puerto Rico
 - Virgin Islands
 - American Samoa
 - Guam
 - Northern Mariana Islands

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Who uses the funds?

- SHFAs provide subawards to projects which are qualified low-income buildings under Section 42 of the Internal Revenue Code
- Subaward may not exceed the amount necessary to ensure the financial feasibility of the project and its viability as a project throughout the credit period

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More on Eligible Projects

- Not necessary to have had LIHTCs
- May have combination of LIHTCs and Section 1602 funds
- May have tax-exempt bonds
- Not necessarily 1-for-1 exchange on project level
- May be substantially complete & not placed in service

Before: Good Faith Effort

- Before a subaward, **every** project must make a good faith effort to obtain investors for tax credits
- SHFAs determine what is a good faith effort based on local conditions

Maximum Amount to the State

85 percent of:

- 10 times 100% of
 - (a) unused State housing credit ceiling (if any) of the State for calendar year 2008 and
 - (b) amount of State housing credit ceiling returned in 2009

Plus

- 10 times 40% of
 - (c) greater of \$2.30 multiplied by State population or \$2,665,000 and
 - (d) unused housing credit carryover allocated to State in 2009 National Pool

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Applications

Submitted by Designated State Housing
Credit Agency to
1602Apply@do.treas.gov :

- Completed application
- Signed Terms and Conditions
- Direct Deposit Sign Up Form

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Timing of Applications

A State agency can submit an initial
application (May-June 2009) and
subsequent applications through
2010

- More credit ceiling returned in 2009
- National Pool of unused credits
become known
- Situation changes in the State

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Review of Applications

Treasury will:

- Review for completeness and eligibility
- Request information to resolve any issues
- Complete the review within 10 working days
- Send award letter and notification that funds are available

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Written Agreements

Activity can begin when:

- Treasury – SHFA agreement
- SHFA – Subawardee agreement

Use of Funds

SHFA makes subawards to projects

- Subawards are cash assistance, not required to be repaid unless a recapture event
- Subawards may pay for development costs to the same extent as allowed under LIHTCs

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Fees from Subawardees

SHFA may:

- Collect reasonable fees from subawardee to cover its Compliance and Asset Management duties
- Reasonable fees are amounts customarily charged for same or similar services and may not exceed costs

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Reporting

SHFA reports quarterly on:

- Financial status - spending
- Program progress –
 - awards
 - jobs created/retained
 - housing units produced
 - low-income housing units produced

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Compliance Period

- 15-year commitment
- Recapture event when percent of low-income occupied units falls below percent of Section 1602 funds in project or below minimum set-aside for building (20-50/40-60)
- Recapture amount is 100% minus 6.67% for each full compliant year

Curious?

For general programmatic questions,
send an e-mail to
1602Questions@do.treas.gov

To view the application,
www.treas.gov/recovery/programs.shtml

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