

THE ANNUAL SUMMIT OF HOUSING CREDIT INDUSTRY LEADERS

**Acq/Rehab slides
prepared by Novogradac & Company LLP
and presented by:**



Thomas Stagg, CPA

Principal – Bellevue, Wash.
Novogradac & Company LLP

thomas.stagg@novoco.com

**at the 2012 Housing Credit Conference & Marketplace
in Denver, Colorado on June 28, 2012**

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Existing Tenants

Effective Date:	7/1/20XX
Signature	10/14/20XX (Date)

TIC

Acquisition
"Building"



Income Cert.

Oct 14



Income Cert.

Rehab
"Building"



Rehab
completion
date

Acquisition
Date

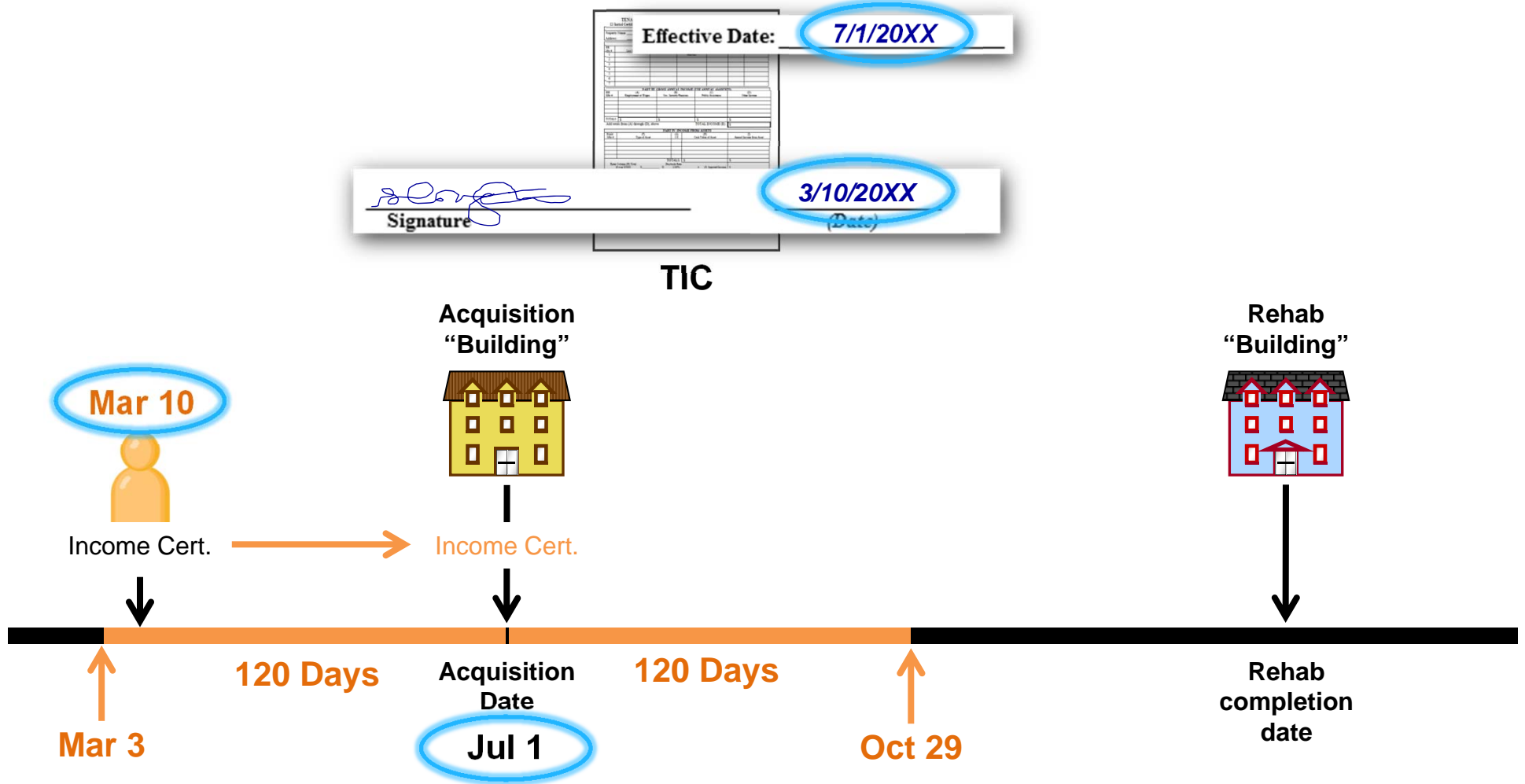
Jul 1

120 Days

Oct 29

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Existing Tenants



8823 Guide: Page 4-25, 4-26, 4-27, 4-28

Existing Tenants

Effective Date:	11/17/20XX
Signature	11/17/20XX (Date)

TIC

Acquisition
"Building"

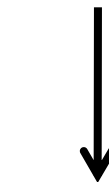


Nov 17



Income Cert.

Rehab
"Building"



Rehab
completion
date

Mar 3

120 Days

Acquisition
Date

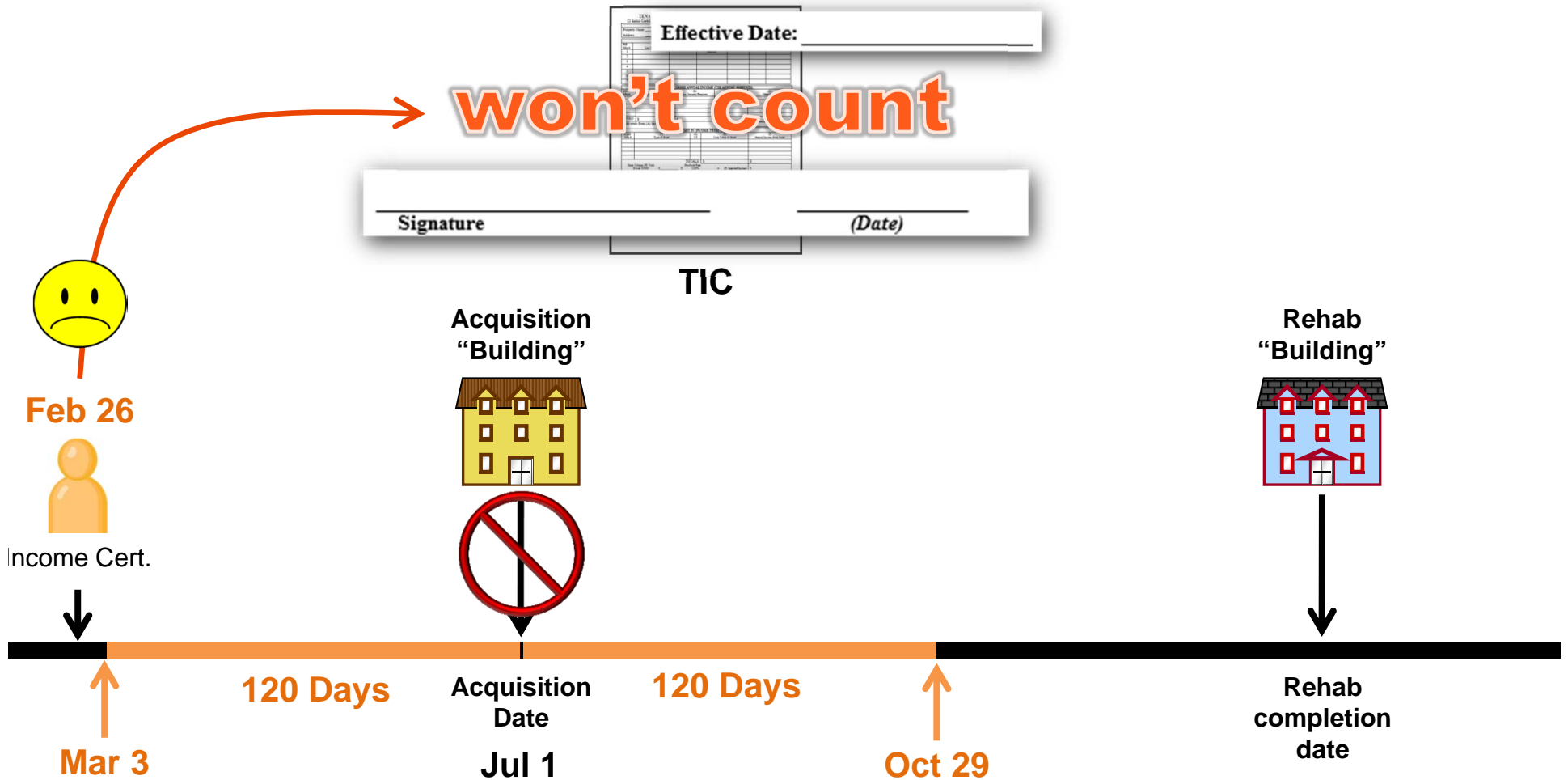
Jul 1

120 Days

Oct 29

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Existing Tenants



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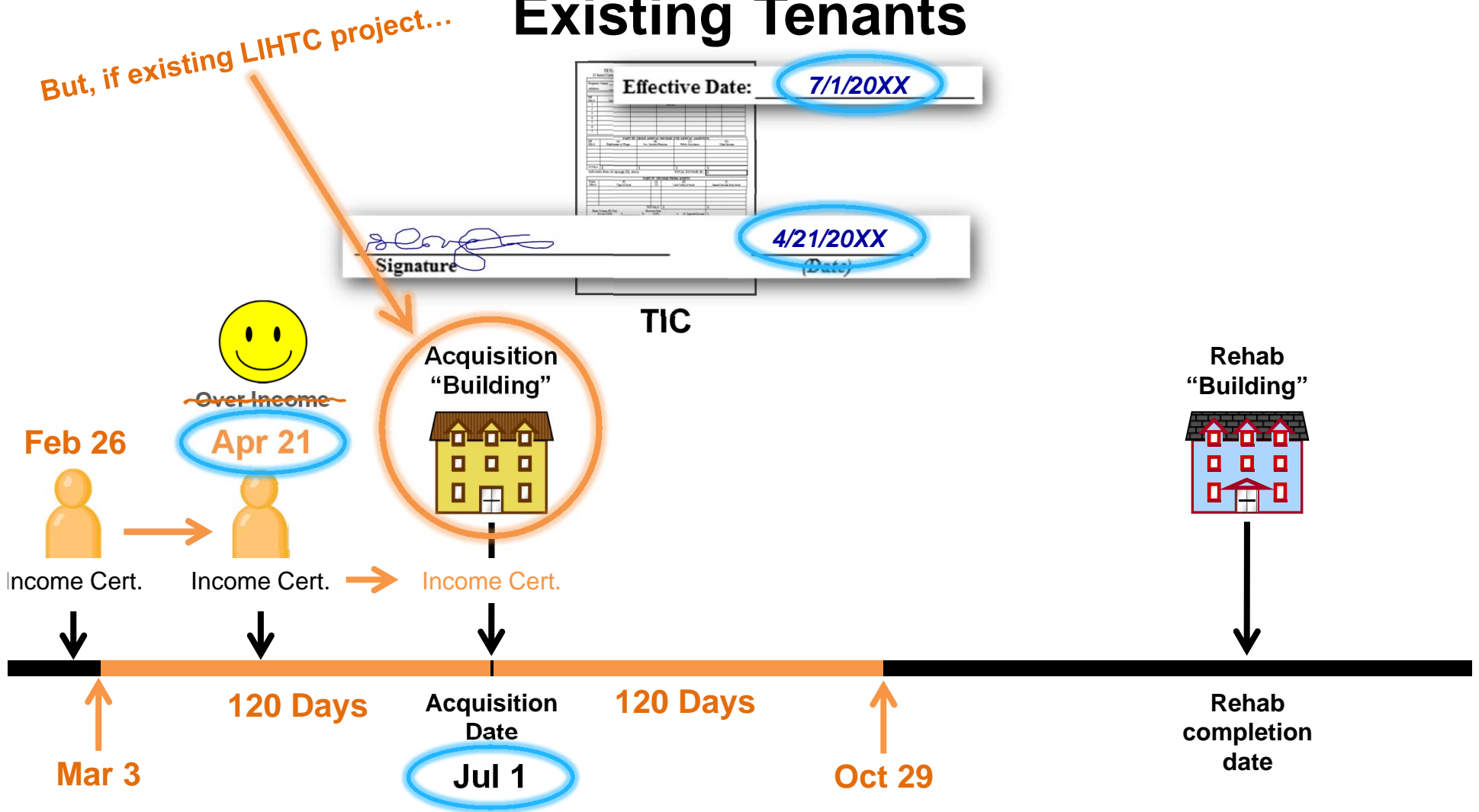
Signature

(Date)

TIC

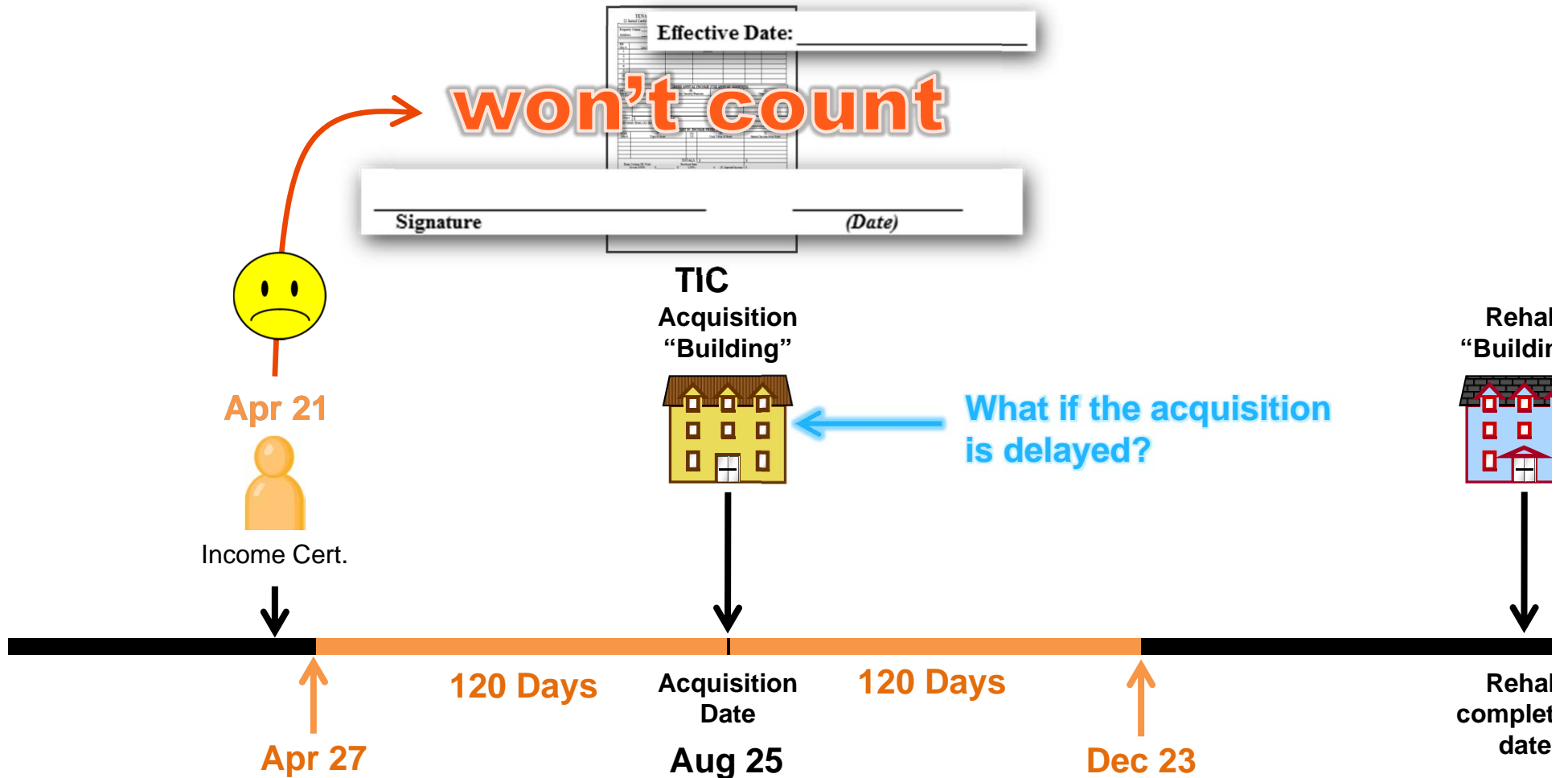


Existing Tenants



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Existing Tenants



8823 Guide: Page 4-25, 4-26, 4-27, 4-28

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New Tenants

Effective Date:	10/14/20XX
Signature	10/14/20XX (Date)

TIC

Acquisition
"Building"



Income Cert.

Oct 14



Income Cert.

Rehab
"Building"



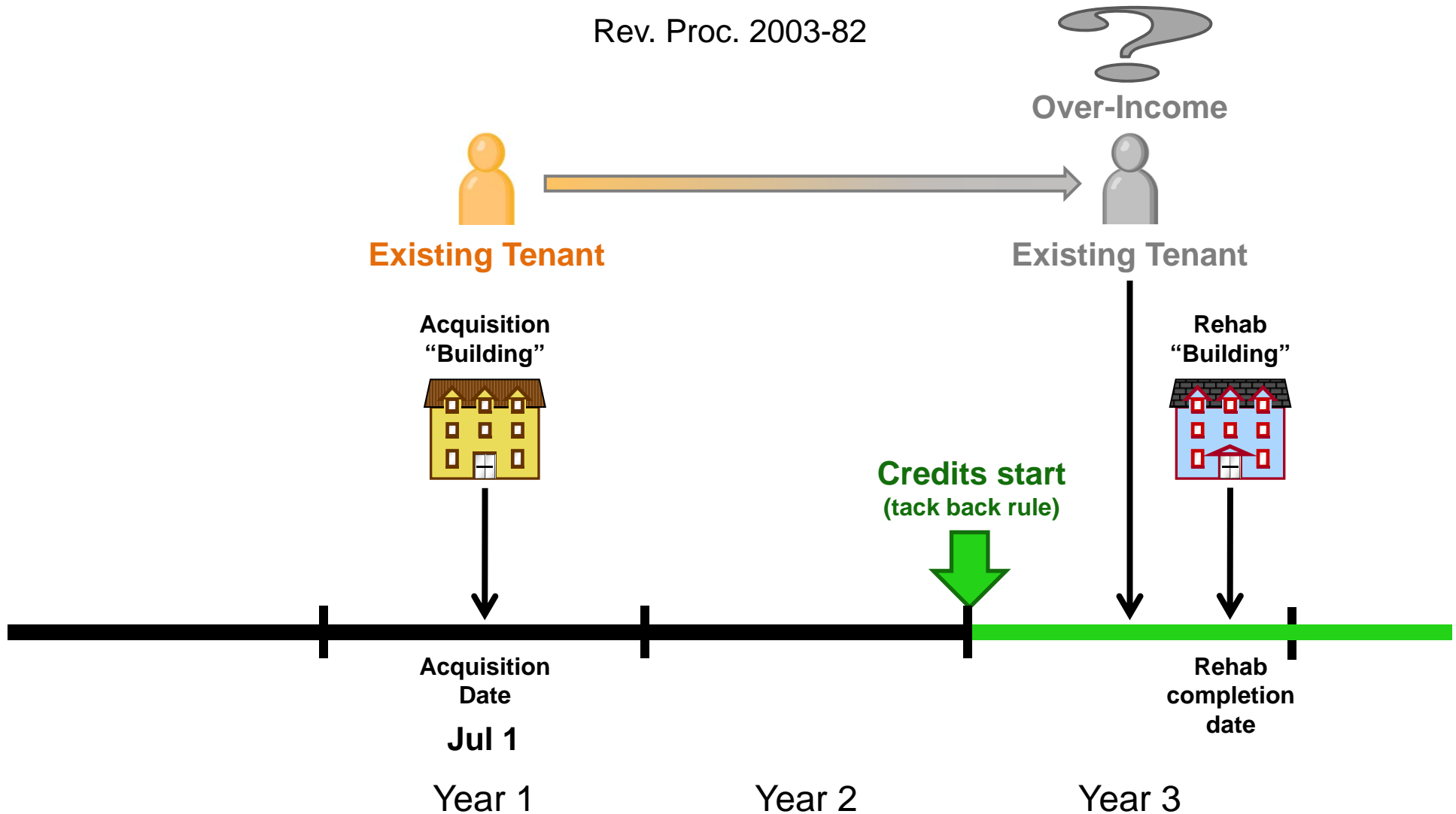
Rehab
completion
date



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Safe Harbor Rule

Rev. Proc. 2003-82

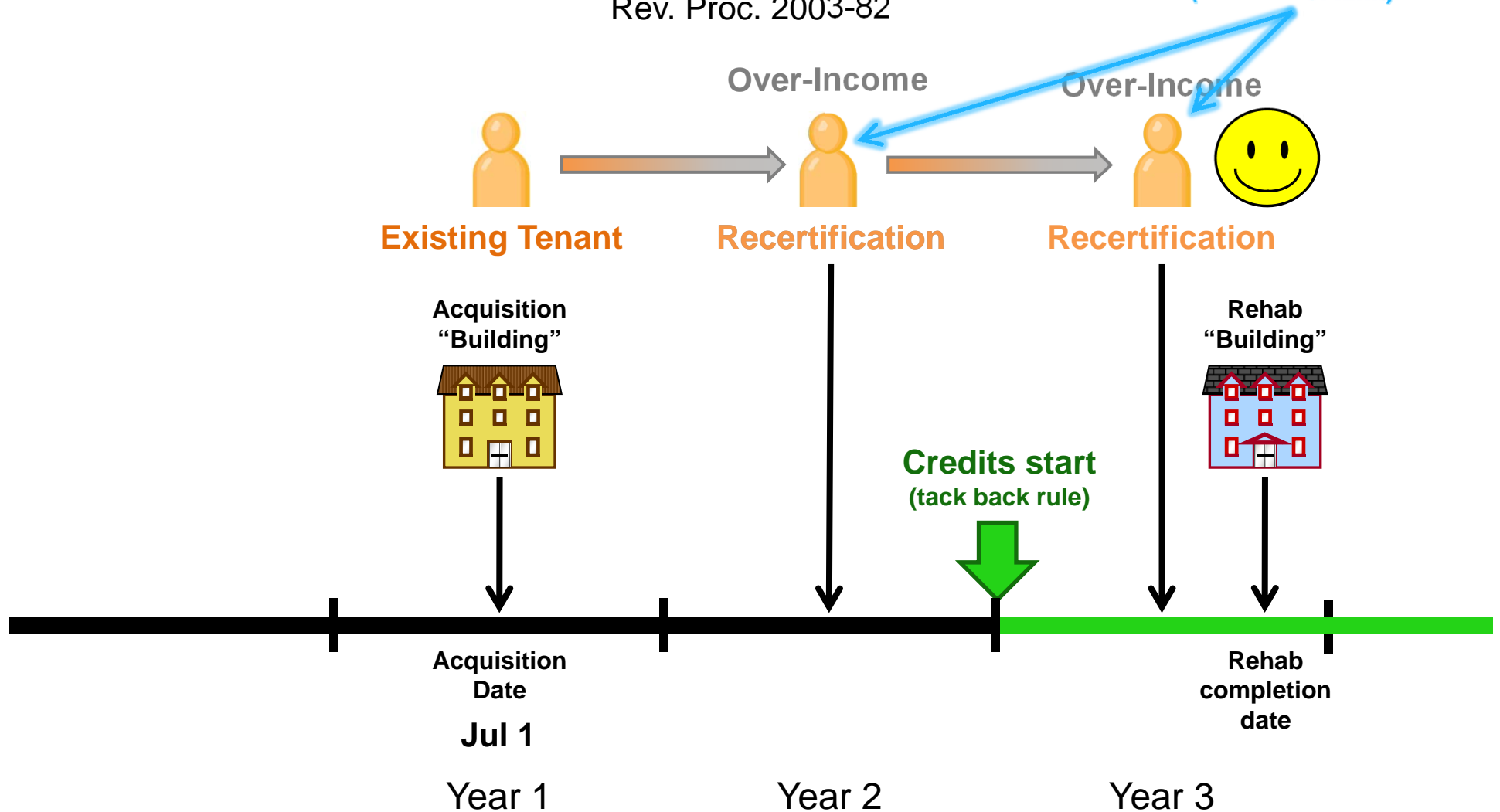


Safe Harbor Rule

Rev. Proc. 2003-82

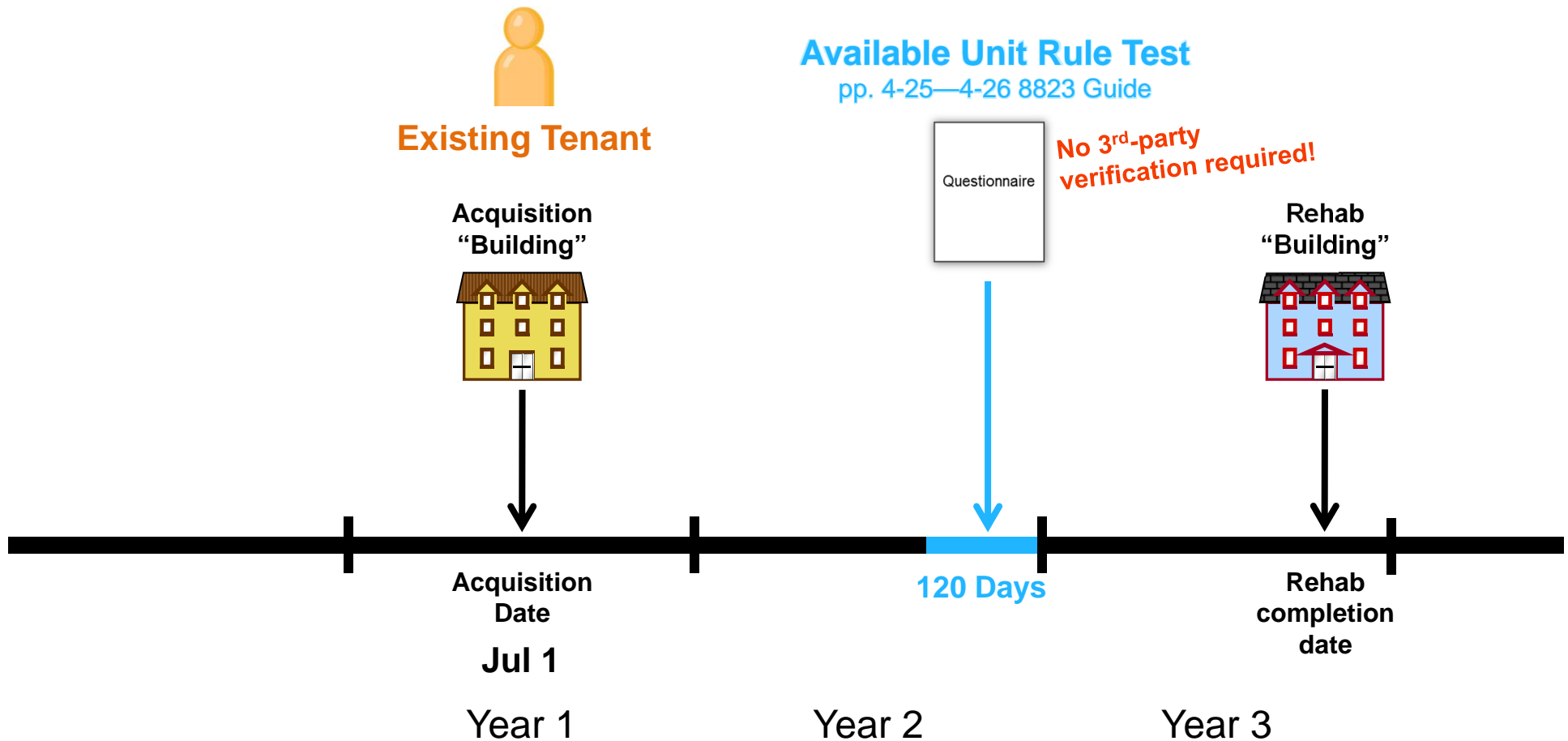
Available Unit Rule

(if >140% of limit)



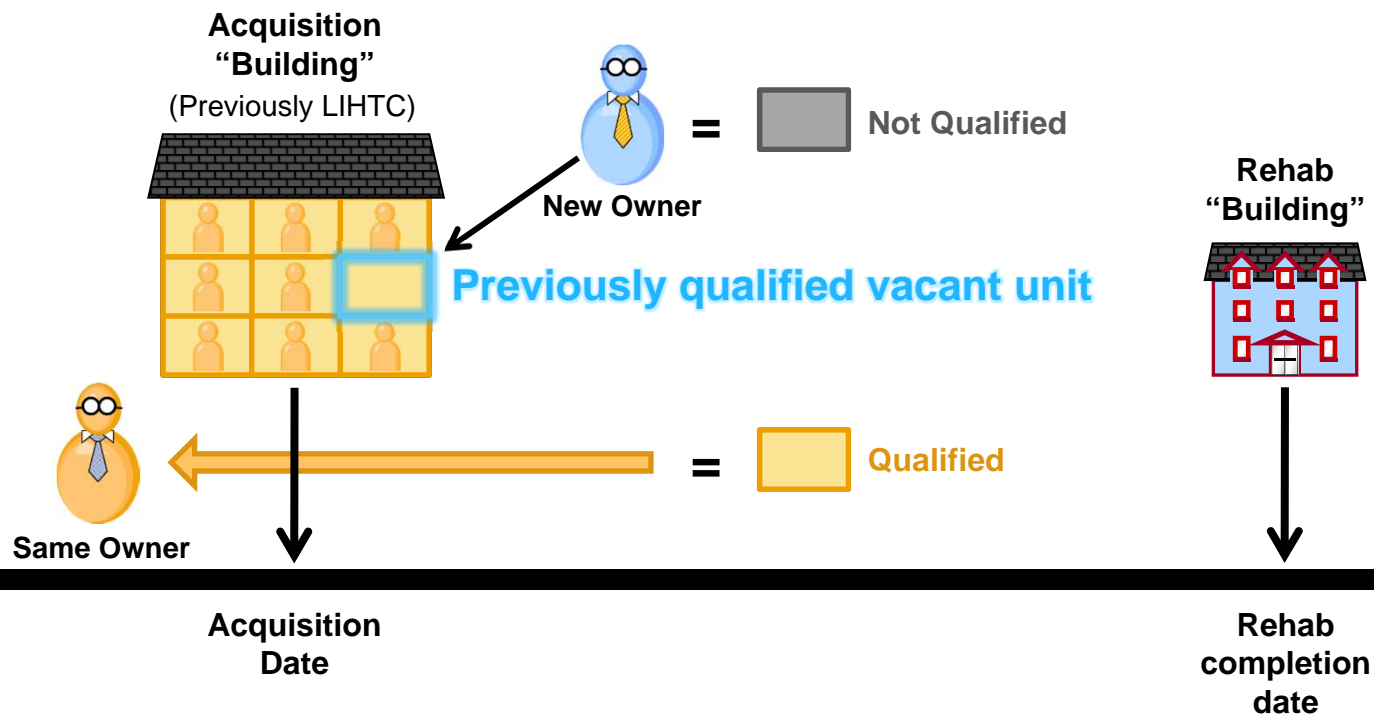
Safe Harbor Rule

Rev. Proc. 2003-82



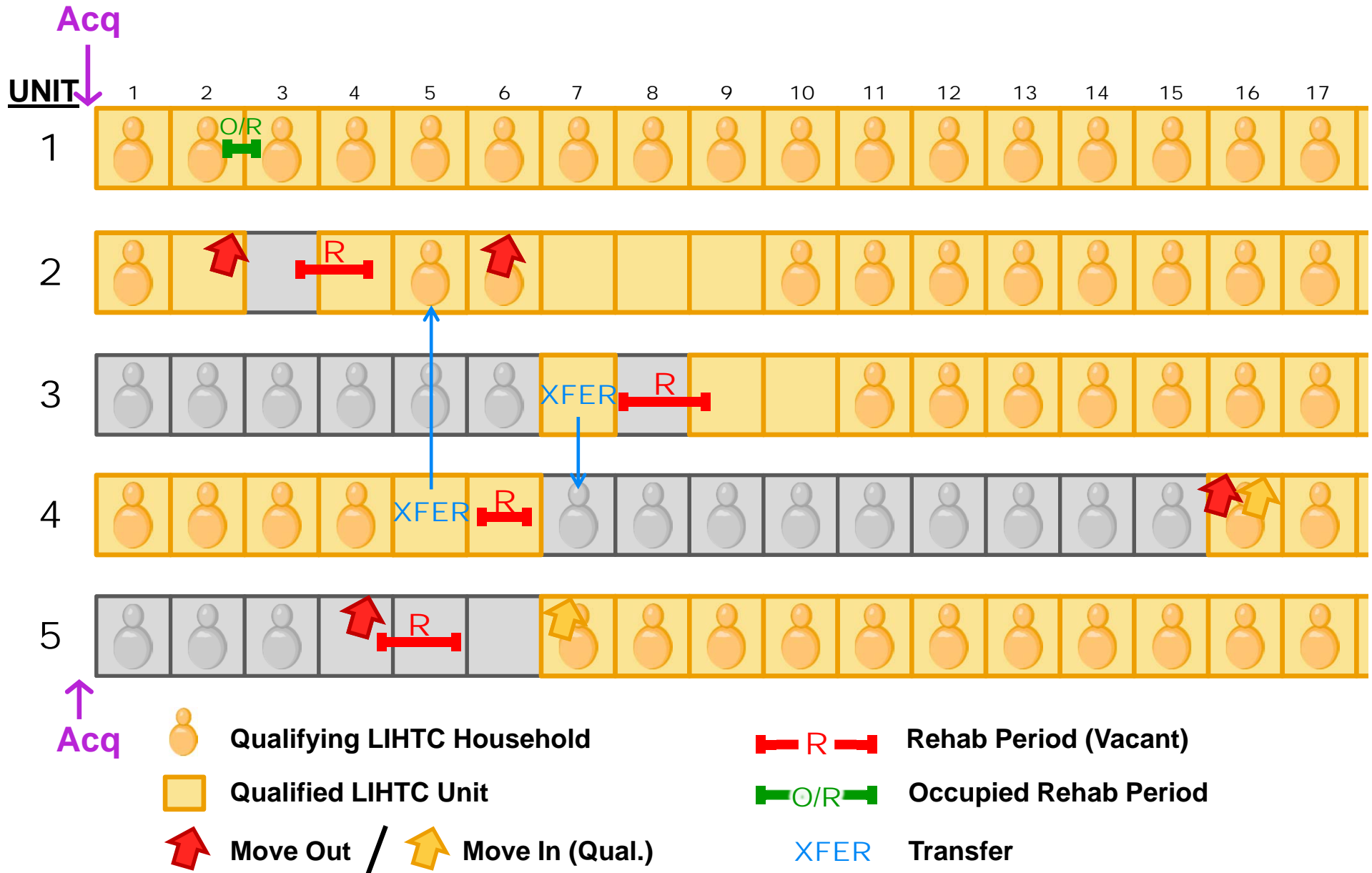
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Previously qualified vacant units under former LIHTC allocation will still qualify as long as the owner is the same; if owner is new, vacant units do not qualify until leased to qualified household



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Notes

- **Unit 1** – Because the rehab performed between Month 2 and 3 is an occupied rehab, the unit remains qualified during the entire rehab.
- **Unit 2** – The qualifying LIHTC household moves out in Month 2. The mere vacating of the unit does not disqualify the unit. Because the rehab begins in Month 3, Month 2 is safe as a qualified LIHTC unit. The unit is suitable for occupancy again before the end of Month 4. Because it was previously in service as a qualified LIHTC unit just prior to rehab, it does not have to be in service for the full month (or occupied by a LIHTC tenant as of the last day of the month) to qualify as a LIHTC unit for Month 4. The unit is occupied in Month 5 by a qualified LIHTC tenant from Unit 4. The units must swap status, but they are both qualified LIHTC units at the time of the swap, so the swap is effectively a “wash.” The tenant that had transferred to Unit 2 from Unit 4 decides to move out the following month. Though vacant for a few months, the unit remains qualified as long as it remains suitable for occupancy and as long as management is making reasonable efforts to lease the unit to qualifying LIHTC households.

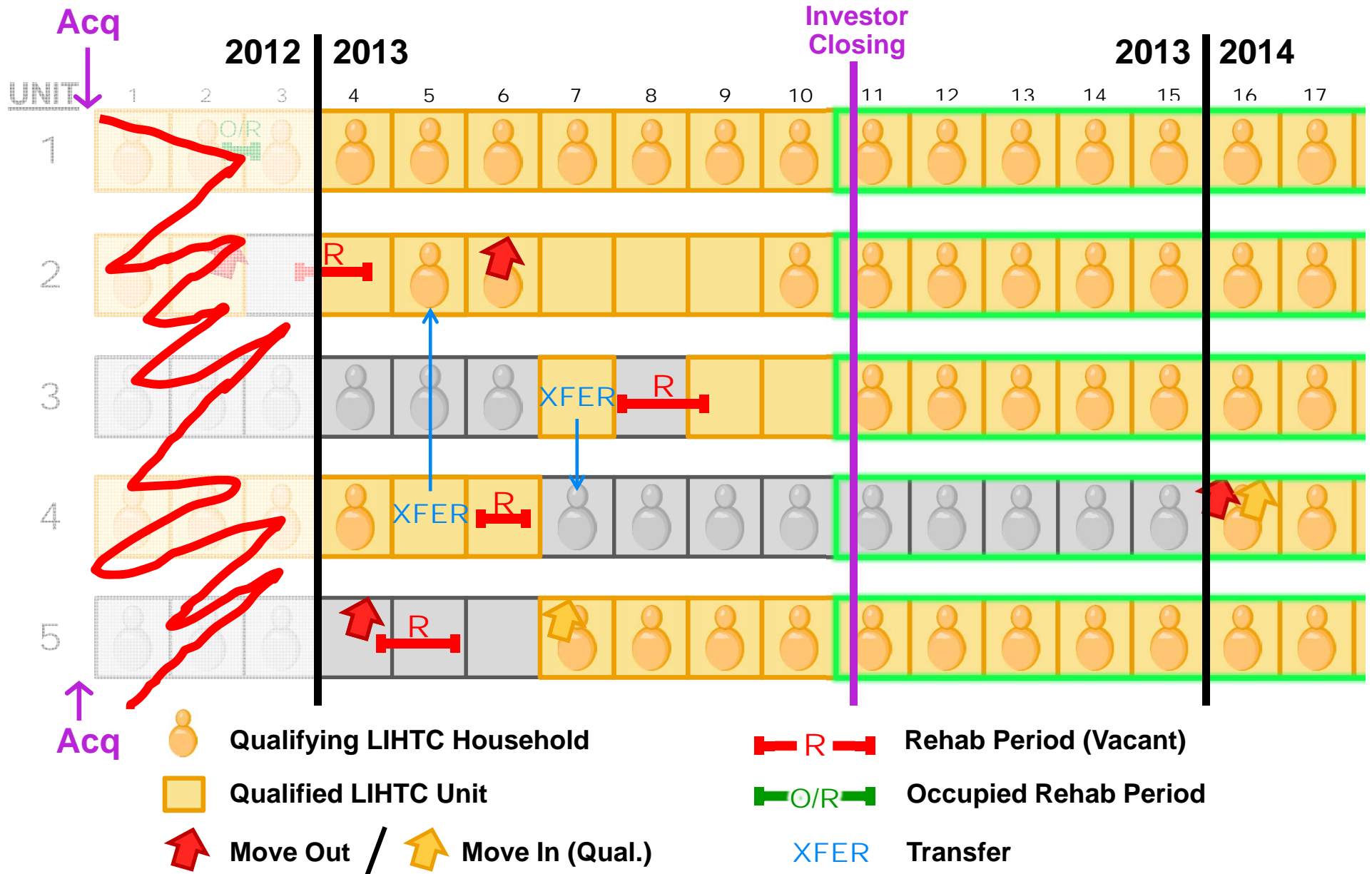
Notes

- **Unit 3** – Unit 3 is not a qualifying unit through the months in which it is occupied by a household that is not qualified LIHTC household. When its non-qualified household transfers to Unit 4 in Month 7, the units swap status and Unit 3 becomes a qualified LIHTC unit. To preserve the LIHTC status of the unit for Month 7, the management team is careful to not begin rehab until Month 8. The rehab is not completed before the end of Month 8, so Month 8 does not count as a qualifying month. However, because the previously qualified Unit 3 is now suitable for occupancy prior to the end of Month 9, Month 9 would count in the applicable fraction even though it is not yet re-occupied by a qualified LIHTC household for two more months.
- **Unit 4** – Unit 4 swaps status with a fellow LIHTC unit in Month 5 for no effective change to the unit's qualifying status. Since the rehab in Month 6 is completed within the calendar month (i.e. finished prior to the end of the month), the unit does not lose its qualified status for the rehab. It only now becomes a non-qualified unit in Month 7 because a non-qualifying household transferring from Unit 3 causes it to swap status. The unit remains unqualified until the non-qualifying household moves out in Month 16 and a qualified LIHTC household moves in prior to the end of Month 16.

Notes

- **Unit 5** – Unit 5 begins as a non-qualified unit because of a non-qualified household occupying the unit. The non-qualified household moves out in Month 4. Rehab commences prior to the end of Month 4 and is completed prior to the end of Month 5. Although in the previous units' examples, completion of the rehab prior to the end of a month made the unit qualified for that month, Unit 5 had not been previously qualified by being initially leased up to a low-income household. It was a non-qualified unit before rehab commenced and remained a non-qualified unit after rehab was completed. Only when a qualifying LIHTC household first occupies the unit prior to the end of Month 7 does the unit qualify as a LIHTC unit.

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Notes

- **Tack-Back-Rule** – Assume now that Month 4 is January 2013. Because the rehab of the building wasn't completed until 2013, 2013 becomes Year 1 of the tax credit period, which means that qualifying units during the first three months of our example won't count toward the weighted-average applicable fraction in the first-year credit calculation.
- **Investor Closing** – In this example, we depict the investor becoming a partner in the partnership during the 11th month after acquisition. The investor will not be able to claim any credits generated prior to the 11th month because it was not a member of the partnership. It will be able to claim credits after the 11th month and—because it was a partner for at least half of that month—it will also be able to claim credits for the 11th month.

Questions?



Thomas Stagg, CPA

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