

Tax Credit Assistance Program

Due to the change in the housing industry and the decline in the number of housing tax credit (HTC) investors and equity pricing, the American Recovery and Reinvestment Act of 2009 included \$2.25 billion in special HOME funds to be allocated to state allocating agencies. The funding, called Tax Credit Assistance Program (TCAP) provides grant funding for capital investment in HTC projects via a formula-based allocation to each state. The purpose of the TCAP funding is to assist the funding gap resulting from the decline in equity pricing. South Dakota Housing Development Authority will receive \$5,405,055.

The state allocation agencies shall distribute these funds competitively and according to their qualified allocation plan. Projects awarded low income housing tax credits in fiscal years 2007, 2008, and 2009 are eligible for funding but housing credit agencies must give priority to projects that are expected to be completed by February 2012. Seventy-five percent of the TCAP funds must be committed by February 2010, 75 percent must be expended by February 2011 and 100 percent of the funds must be expended by February 2012.

SDHDA is only aware of two HTC developments from prior years that have dealt with a decline in equity pricing or change of syndicators. We have not heard from other developers expressing a concern with the feasibility of their developments. We would like to utilize the TCAP funding for 2009 awards if possible, since awards in 2010 will not be eligible.

Recipients of TCAP must follow some HOME regulations such as Davis Bacon, relocation and environmental reviews. However, the income and rent restrictions of the HTC program will be required for the affordability period. It appears that TCAP funds can be loaned or granted.

SDHDA will award TCAP funds competitively based on the following:

- The project must have been awarded, or will simultaneously with TCAP funding be awarded, LIHTCs between October 1, 2006 and September 30, 2009.
- Priority will be given to eligible projects expected to be completed by February 16, 2012.
- The project Selection Criteria of the 2009 – 2010 Housing Tax Credit Program Qualified Allocation Plan (2009 – 2010 QAP) will be utilized.
- If awarded LIHTC's prior to 2009, the project must have completed the environmental review process (24 CFR Part 58).
- Funding will be limited to LIHTC projects with equity pricing of less than \$.85 per tax credit.

Projects that submitted a timely completed application for LIHTCs under the 2009 – 2010 QAP will automatically be considered for an award of TCAP funds. Projects receiving a LIHTC award prior to 2009 must submit a letter request providing any information the applicant believes is relevant, including the completed environmental review.