Date: December 15, 2010

To: 2011 LIHTC Applicants

From: Multifamily Housing Group

Re: Announcement Regarding the 2011 LIHTC Program

1. **WHEDA's LIHTC On-Line Application (LOLA) for 2011 is now available.** Prospective applicants may begin creating applications.
   - *Competitive LIHTC* electronic applications will be accepted via the LOLA online application system from **January 21 to February 4, 2011 (5:00 p.m. CST)**.
   - *Noncompetitive LIHTC* electronic applications will be accepted via the LOLA online application system from **January 4 to December 29, 2011 (5:00 p.m. CST)**.
   - Hard copies must also be postmarked or received by respective deadlines.

2. **LIHTC Pricing.** 2011 Initial Applications require applicants to use projected LIHTC equity pricing between $0.68 and $0.76 cents, unless there is a firm equity commitment to support different pricing.

3. **2011 Competitive LIHTC Applicants - HFA Basis Boost.** The 2011-2012 QAP indicates WHEDA will allow up to a 30% basis boost for competitive applications, subject to WHEDA review. For 2011, WHEDA has implemented the following procedures for determining the allowed HFA basis boost:

   Application One: The acceptable credit pricing range is $0.68 to $0.76. Competitive LIHTC applications with a credit price within this range will be allowed to request the full 30% boost.

   Application Two: If the credit price in the equity letter of intent is $0.76 or below, the full 30% boost will be allowed, subject to WHEDA's normal feasibility review. If the credit price exceeds $0.76, the HFA boost must be reduced by 1.5% for every additional cent in the credit price. All pricing will be rounded up to whole cents.

   Example: At submission of Application Two, the equity letter of intent contains a credit price of $0.81 (five cents above the established range). Applicant to reduce boost by 7.5% ($0.05 X 1.5% = 7.5%). The resulting HFA boost will be 22.5%. If an applicant does not make this adjustment, WHEDA will reduce the boost to 22.5% during application review.

   WHEDA intends to use the above methodology to moderate the use of a scarce resource in times of potentially rising equity prices. The boost is not intended be used to fill gaps resulting from increased capital budgets, or reductions in originally proposed funding sources. Applicants are encouraged to be as realistic as possible in submission of Application One regarding: construction costs, operating expenses, rents, availability of funding, support of permanent debt, etc. Per the QAP, WHEDA may adjust credit downward at any point in the application process in order to be in accordance with the IRS requirement that no more credit shall be allowed than needed for project feasibility.

   For properties within in a QCT, WHEDA will review credit awards on a case-by-case basis. The procedure described above (for the "HFA Basis Boost") will not be applied.

4. **New Scoring Category 9 - Acquisition Rehab.** Below are answers to some frequently asked questions regarding WHEDA's new scoring category which allows 30 points for rehab of existing residential housing.

Question #1: Can Preservation Set-Aside applications score Category 9 points? Answer: Yes, but only when the other required criteria are met ($25,000 of rehab, no newly constructed units, etc). In other words, a federally subsidized acquisition/rehab deal may qualify for these points.

Question #2: Can an existing yet unoccupied residential building receive points in Category 9? Answer: Yes, but again only when the other required criteria are met ($25,000 of rehab, no newly constructed units, etc). Unoccupied developments will undergo the same market scrutiny as new construction developments.

Question #3: Can an existing yet unoccupied non-residential building receive points in Category 9? Answer: No. Adaptive reuse project cannot receive points. The buildings must clearly be residential at time of application.

Question #4: Can a "preservation" development (eligible for the Preservation Set-Aside) apply in any of WHEDA's other set-asides and receive points in Category 9? Answer: Yes. However, federally financed or assisted developments cannot score points in Scoring Category #6 – Serves Lowest-Income Residents (see language in that category).

Question #5: Can an existing LIHTC development qualify for Category 9 points? Answer: Yes, but it must be, at minimum, fifteen (15) years and one day past the initial allocation's Placed in Service date on the date the new LIHTC application is submitted. If there were multiple placed in service dates, use the latter of all placed in service dates for the development. No exceptions.

Question #6: For existing LIHTC developments (see Question 4 above) can a new LIHTC application propose a different low-income unit mix? Answer: Yes, but generally it must be more restrictive as to either both number of units and income targeting. Consult WHEDA's "Credit on Credit Guidance" located on www.wheda.com.

Question #7: Scoring Category 9 states: "WHEDA prohibits permanent displacement of residents, including those whose incomes are known to, or are estimated to exceed tax credit maximums". What does that mean? Answer: WHEDA does not want either: forced relocation of market rate tenants to satisfy LIHTC program low-income requirements, OR lease non-renewal for market rate tenants (unless there is just cause to terminate tenancy according to the existing lease). Developers/owners should not offer enticements or financial incentives to relocate existing market-rate tenants. If WHEDA becomes aware of either offered enticements to relocate, or forced relocation for other than just cause, it may become a HUD fair housing issue. Applicants are encouraged to perform necessary due diligence to determine or estimate the number of market rate ("over-income") residents in an existing development. This will have a significant impact a development's applicable fraction.