2019 Housing Tax Credit Program

Qualified Allocation Plan FAQs and Guidance

Updated: December 13, 2018

This document will be updated periodically – please check our web site for updated FAQs and guidance.

Application Process

A. When will application materials be available, and when is the application deadline?
  - The 2019 online application (LOLA) is expected to be available for 9% applicants in mid- to late-October 2018
    - A sample 2019 Housing Tax Credit application will also be available at that time
  - 9% applications must be submitted to WHEDA by 5:00 PM (CST) December 14th, 2018
  - The application for 2019 4% federal & state Housing Tax Credits will be available on January 4th, 2019.
    - 4% federal & state Housing Tax Credit applications must be submitted by 5:00 PM on January 18th, 2019
    - WHEDA will supply a 4% Excel attachment to be submitted with each 4% federal & state Housing Tax Credit application – that attachment is be available on https://www.wheda.com/LIHTC/2019-Program/

B. What should applicants use for permanent loan terms/rates in their 2019 Housing Tax Credit application(s)?
  - 9% applications should use WHEDA's then-current Permanent Financing for 9% Housing Tax Credit projects with 35-year term & amortization on the date the application is submitted. However, an applicant may use other terms (lower interest rate, longer amortization, etc.) if a term-specific, executed financing commitment accompanies the application.
  - State Housing Tax Credit applications should use the Tax-Exempt Financing rate on the date the application is submitted
  - For those applicants utilizing a commitment with other terms other than those provided by WHEDA (lower interest rate, longer amortization, etc.), WHEDA will require that those financing commitments meet the following requirements:
    - Fully executed – including signatures from both the lender and the borrower
    - Minimum term of 10 years
    - The interest rate must be locked through October 1, 2019 – this is the approximate deadline date for the submission of Carryover materials for properties that receive 2019 Housing Tax Credit awards
      - Indicative interest rates, or rates tied to a floating index will not be accepted

    - Commitments may contain conditions or contingencies, but only those that are within control of the borrower, or those that are based upon the performance of the borrower
        - Example – receipt of Housing Tax Credits
    - Commitments that are subject to final underwriting, loan committee approvals or other similar requirements will not be accepted
  - WHEDA intends to make up to $2 million in financing available for Rural Development Section 515 properties, with terms and conditions similar to the Preservation Revolving Loan Fund program – for the 2019 tax credit cycle, applicants should use a loan rate of 4%, with a term and amortization equal to the lesser of (1) the remaining term and amortization on the existing RD 515 debt, or (b) 35 years.

C. Management Agent Certification process
  - The management agent certification forms were posted on www.wheda.com in early-August 2018
  - Management Agent Certification forms for 2019 applications were due to WHEDA no later than September 4st, 2018
  - Approved Management Agents for 2019 have been posted on https://www.wheda.com/HTC/2019-Program/.

D. When will 2019 Housing Tax Credit application appendices be available?
  - All the 2019 appendices are currently available on the 2019 Housing Tax Credit Allocating page on our web site. Please see https://www.wheda.com/LIHTC/2019-Appendices/.

E. WHEDA will continue to require that a minimum of 85% of projected funding sources be 'committed' at the time of application. For the purposes of this requirement, 'committed' funding sources include the following:
  - The permanent loan amount based on WHEDA's loan terms on the date of application (the applicant may use other terms if a term-specific, executed financing commitment accompanies the Housing Tax Credit application)
  - Other loans or grants with a firm commitment from the lender/grantor/government entity – identifying amount, interest rate, term, and amortization
  - Historic tax credit equity (with a Letter of Intent from the Syndicator/Investor)
  - The Housing Tax Credit equity amount calculated in LOLA
    - An LOI is not required if your Housing Tax Credit application pricing assumption is within the range noted below

F. Developer-Financed TIFs
  - For those applications including developer-financed TIFs
    - Include evidence of Developer Agreement or Common Council approval
    - Include evidence of Annualized TIF Increment sizing methodology not limited to: Baseline Property Value, Forecasted Stabilized Property Value, Municipal Taxing Rate3

- The developer-financed TIF loan amount should be calculated based on the following items:
  - Term and amortization not to exceed the Municipal TIF Developer Agreement term and amortization
  - Interest rate equal to WHEDA's Permanent Financing rate for the WHEDA senior debt associated with Housing Tax Credit projects on the date of application
  - Loan sizing not to exceed 90% of net present value of the annual tax reimbursement, discounted by the current WHEDA posted financing rate that matches the WHEDA senior debt for the duration of the property tax reimbursement

G. What is WHEDA's 2019 QCT, DDA and HFA Basis Boost policy?
- Section 9.a. of the 2019-2020 Qualified Allocation Plan (QAP) refers to an annual publication of WHEDA's QCT, DDA and HFA basis boost policy.
- For 9% 2019 applications, properties in the Supportive Housing and Rural Set-Asides will be limited to a 20% QCT, DDA or HFA basis boost - for all other set-asides, the QCT, DDA and HFA basis boost will be limited to 15%.
- 4% applications may request a 30% QCT or DDA basis boost – the HFA basis boost is not available for 4% Housing Tax Credit applications

H. What should applicants use for credit pricing assumptions in their 2019 applications?
- In late-November 2018, WHEDA revised the pricing assumptions – the ranges below should be used for 2019 applications:
  - Metropolitan Counties: $0.88 - $0.915
  - Rural Counties: $0.85 - $0.885
- A state map can be found here. Counties located in an MSA, CMSA or PMSA should use the Metropolitan County pricing noted above. All others should use the Rural County pricing range.
- For the inaugural state housing tax credit round in 2018, WHEDA directed applicants to assume a state housing tax credit price of $0.60 - $0.68. The same pricing range will be utilized for the 2019 state housing tax credit round.

I. Qualified Census Tracts and Difficult Development Areas
- The most recent update of Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs) was released by HUD in September 2017.
- It is expected that the QCTs and DDAs will be updated before the 2019 4% and 9% application deadlines. Revised QCTs and DDAs will be included on https://www.wheda.com/LIHTC/2019-Appendices/.

J. 4% and 9% applications for the same property
- WHEDA will allow applicants to submit a 4% federal & state housing tax credit application and 9% federal housing tax credit application for the same parcel(s)
- The 4% and 9% applications will be treated as distinct applications – the market study for each application should reflect the appropriate mix of units

- In the event that both applications meet threshold requirements, and both applications receive a score that would qualify for a tax credit award, WHEDA will make an award to the 4% state & federal housing tax credit application, and will reject the 9% federal housing tax credit application

K. What information is required for a property utilizing Historic Tax Credits?
  - If you intend to utilize Historic Tax Credits, submit:
    - Written evidence that historic designation (Part I) has been applied for, or that the building is already deemed historic
    - Letter of interest by investor
    - Detailed calculation of the credit and equity amounts.

L. Subordinate funding for 2019 4% State Housing Tax Credit applications
  - WHEDA intends to make subordinate financing available for 2019 4% state Housing Tax Credit applications
    - Repayment from available cash flow from operations
    - WHEDA expects to receive repayment, so the loan amounts below may be reduced subject to financial feasibility, DCR, and other relevant financial metrics
    - Subordinate loans will not be provided for properties with Locally-Issued or non-credit enhanced privately-placed tax-exempt bonds
  - Eligible areas
    - Rural areas
      - Properties located in areas meeting (a) USDA's Rural Development Property Eligibility Criteria, and (b) the Census Bureau definition of non-metropolitan counties
        - see maps: USDA RD-Eligible and Nonmetro Counties
      - Sizing: No more than $1 of subordinate loan proceeds for every $6 of permanent tax-exempt bond debt
      - The subordinate loan pool for nonmetropolitan counties will be limited to $2 million
    - Southeast Wisconsin
      - Defined as any property in:
        - Kenosha County
        - Racine County
        - The Milwaukee County communities of Franklin, Oak Creek, Hales Corners, Greenfield, Greendale, St, Francis, Cudahy and South Milwaukee.
        - The Waukesha County communities of Big Bend, Muskego, New Berlin, the Village of Mukwanago and the Town of Vernon
        - Note: All Walworth County communities are eligible for the Rural subordinate debt option described above
      - Sizing: No more than $1 of subordinate loan proceeds for every $10 of permanent tax-exempt bond debt

- Total subordinate loan pool for Southeast Wisconsin will be limited to $3 million
- Limited to new construction of non age-restricted housing

M. Can 2018 9% Housing Tax Credit recipients apply for additional tax credits in 2019?
   - WHEDA will allow 2018 tax credit recipients to apply for additional tax credits in 2019 – these applications do not receive priority over other applications
   - Applicants will be required to include a developer fee equal to the lesser of (a) 35% of the total developer fee, or projected cumulative cash flow during the first 13 years of operations
   - WHEDA will calculate a Financial Leverage score that is based on the amount of credit awarded in 2018 and the new credit requested in 2019
   - The credit pricing estimate within the 2019 application must be equal to the credit pricing included in the approved 2018 Carryover application

N. Minimum Unit Sizes for new construction and adaptive reuse properties.
   - The average unit size for new construction and adaptive reuse units must meet the minimum square footage identified below:
     - Efficiency: 400 SF
     - 1-BR 575 SF
     - 2-BR 825 SF
     - 3-BR 1100 SF
     - 4+ BR 1200 SF
   - Rehab of existing residential units will not be subject to the minimum unit size requirement.

Scoring Categories

A. How does WHEDA define the start point and measure distance in scoring categories that reference distances?
   - Applicants may use any outside boundary of the site(s) as the starting point. The distance is measured as linear distances "as the crow flies", not driving or walking distance. To measure the distance of a path or route between two points, Google Maps offers a distance calculator tool.

B. Can I request points for a 50% CMI three-bedroom unit that has a subsidy such as project-based vouchers, NAHASDA, etc.?
   - Yes. The units must be shown as a 50% CMI unit on the Unit Mix page, and if an award is made, the LURA will reflect those units as 50% CMI units

C. Prior to the application deadline, can WHEDA send copies of my occupancy records that will be used for Development Team scoring?
   - The Development Team scoring category includes up to three points based on the occupancy rate during the past three years for previously-developed Housing Tax Credit properties. WHEDA staff will not be providing historical occupancy records to developers for existing Housing Tax Credit properties in advance of the 2019 application deadline – that data is available through WHEDA's MQOR system.

D. My application may have scattered sites. How do I score this in Areas of Economic Opportunity or other location-based scoring categories?
   - At least two-thirds of the sites must meet the scoring criteria to qualify for points.

E. Can a Preservation Set-Aside application receive points in Areas of Economic Opportunity or other location-based scoring categories?
   - Yes, Preservation set-aside applications can receive location-based points

F. Can an elderly property score points in Areas of Economic Opportunity
   - Yes, elderly properties are allowed to score points in this category

G. I'm applying for Housing Tax Credits, and my property is neither 100% family nor 100% senior – how do I request points for Access to services and amenities in the Areas of Economic Opportunity category?
   - The points available for Access to services and amenities is not identical for senior and family/supportive properties. Applications containing more than 50% senior units will be allowed to request points in the senior categories – all other applications should use the Family or Supportive categories

H. Is property-wide Wi-Fi eligible for points in the Areas of Economic Opportunity category?
   - Property-wide Wi-Fi is allowable for acquisition/rehab properties.
   - New construction and adaptive reuse must provide hard-wired in-unit internet access to be eligible for points in the *On-Site Services and Amenities* portion of this category.

I. 4% State Housing Tax Credit applications – Readiness to Proceed scoring option
   - WHEDA will continue to award an additional 20 points for applications that include evidence that all items on the Credit Award Checklist have been completed – with two exceptions noted below.
     - A copy of the Credit Award Checklist can be found on https://www.wheda.com/Forms/LIHTC/. Evidence of all items on the checklist must be provided with the application.
   - The following items from the Credit Award Checklist are not required at the time of application:
     - Commitments for loans funded with tax-exempt bonds
     - Photocopy of HUD/RD or WHEDA approval for transfer of physical assets (TPA)

Credit Amounts

A. In the General, Preservation and Supportive Housing set-asides, the Housing Tax Credit limit will be $1,550,000 per application.

B. In the remaining set-asides, no application will be allowed to exceed one-half of the credit amount in the set-aside in which the application was submitted.
    - In 2018, Wisconsin received a per-capita credit allocation of approximately $15.5 million
    - Based on that 2018 credit ceiling, 2019 applications in the Nonprofit and Rural set-asides will be limited to $800,000.

C. No applicant/developer will be allowed to receive more than $1.55 million in no more than three 9% Housing Tax Credit awards

D. Within the State Housing Tax Credit program, awards are limited to no more than $1.4 million – with no more than two awards to any member of the Development team

Set-Asides

A. Are new construction applications allowed in the Preservation Set-Aside?
    - New Construction and adaptive reuse projects are not allowed to apply within the Preservation Set-Aside

B. Are there set-asides with the state Housing Tax Credit program?
    - No – all applications for state Housing Tax Credits will compete for a single pool of credits