



October 20, 2009

**WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**

**American Recovery and Reinvestment Act of 2009 (ARRA)**

**LOW INCOME HOUSING TAX CREDIT**

**TCAP and EXCHANGE PROGRAMS**

The Wisconsin Housing and Economic Development Authority (WHEDA) announces two important changes related to the administration of the TCAP and Exchange funding programs.

**I. Use of Exchange Proceeds for Gap Financing**

Due to strong demand, WHEDA anticipates committing 100% of its \$35 million in TCAP gap-financing resources. In order to maximize LIHTC equity investment in Wisconsin, WHEDA intends to use a portion of remaining Exchange proceeds to fund "TCAP-like" awards to eligible developments with a LIHTC investor. WHEDA, in its sole discretion, may choose TCAP, Exchange or alternative funding sources for this gap financing.

Applicants that have attracted LIHTC investor interest but require gap financing due to falling prices may request gap funds. Applicants should use the TCAP submittal requirements and sizing protocols currently posted on WHEDA.com, except as noted below.

- 2009 LIHTC applicants receiving an award later than September 30, 2009 are eligible.
- Current TCAP applicants do not need to resubmit an application. Applicants will be contacted by WHEDA staff if Exchange funds will be used instead of TCAP.
- New TCAP applicants should contact a Senior Underwriter regarding remaining balances and Davis Bacon implications. Applicants should use TCAP submittal requirements currently posted, unless instructed otherwise.
- Davis Bacon, NEPA Environmental Review or other federal financing requirements normally associated with TCAP funds are not required if Exchange funds are substituted for TCAP.
- Applicants awarded Exchange funds will be required to execute an Exchange Agreement. It is expected the Exchange Agreement will NOT include these requirements:
  - Developer fee restrictions beyond the 2009-2010 QAP requirements
  - 25% of cash-flow directed to WHEDA-held reserve
  - Ten year sponsor operating deficit guaranty
  - Twelve month operating/debt service reserve
  - Residual sale restricted to 501(c)(3) entity for exit taxes plus outstanding debt
  - Evidence and maintenance of replacement reserve
  - Letter of credit or performance bond for project completion

## **II. WHEDA Announces Second Round of Full Exchange Funding**

WHEDA announces a second round of full Exchange funding as contemplated in its Exchange Guidance published July 6, 2009 on wheda.com, for LIHTC developments demonstrating an inability to attract investor equity. WHEDA estimates \$18.2 million will be available.

**Deadline for an Exchange application submittal is November 10, 2009, 5:00 pm.**

WHEDA's Exchange Program Guidance posted July 6, 2009 on WHEDA.com will apply to this second round EXCEPT:

1. Eligible applicants are limited to those with a fully executed 2009 LIHTC Reservation dated July 9, 2009 or later.
2. There will be one pool of Exchange funds. Funds will NOT be distributed according to the 2009 QAP Set Asides or their respective percentages.

Applicants should submit Exchange applications according to the Exchange submittal requirements currently posted on WHEDA.com. Developments will be re-scored using a combination of LIHTC score and readiness to arrive at a new LIHTC Exchange score. WHEDA will issue Exchange Commitments based on these scores until available funds are exhausted.

WHEDA reserves the right to open another application round should funds remain available or become available, in order to most efficiently deploy Exchange proceeds. WHEDA's Executive Director maintains the right to commit Exchange funds due to unforeseen circumstances if such commitment will further the housing priorities stated in WHEDA's 2009-2010 QAP, and is determined to be in the best interests of the citizens of the State of Wisconsin.