

2016 & 2017 LIHTC Programs

LIHTC Announcement

December 16, 2016



WHEDA is aware that 2016 LIHTC recipients are facing the possibility of LIHTC equity re-pricing as you approach closing. Movements in the equity market are typical for the LIHTC program and WHEDA is anticipating a decline in pricing for 2017 applications. This potential movement in pricing and the timing is not easy to anticipate. WHEDA has pushed back the 2017 complete round deadline to adjust to new pricing expectations.

WHEDA has fewer options for 2016 projects facing re-pricing due to the timing in the year and the limited amount of resources available. However, in an effort to push 2016 projects across the finish line, WHEDA will make a pool of credits available for 2016 projects. Under the 2015-2016 Qualified Allocation Plan, WHEDA has the authority to “allocate remaining credit in their discretion.” For those properties that (a) have not closed with their syndicator/investor, or (b) have been notified by their syndicator/investor that the equity will be or will likely be re-priced. WHEDA will allow the developer to request a credit increase of up to 7% to address LIHTC equity decreases resulting from investor/syndicator re-pricing. The 2016 tax credit pool is limited and is not intended to replace existing funding sources other than LIHTC equity, or to eliminate/reduce deferred developer fees that were included in the approved LIHTC Carryover application.

Requests for an increase in the LIHTC allocation must be sent to WHEDA via e-mail no later than 12:00 PM on Wednesday, December 21st. E-mail correspondence should be addressed to your Commercial Loan Officer and Program Specialist Sam Haile (sam.haile@wheda.com). WHEDA will not approve any requests for an extension of the December 21st deadline. The request for an increase in credit must include:

- A current estimate of the LIHTC sales price and an estimate of the property’s closing date (with a corroborating letter or e-mail from the syndicator/investor).
- In the event that the approved Carryover application does not have excess basis to support an increase in the credit amount, the developer will be also required to submit a new sources and uses schedule (with an eligible basis calculation) demonstrating the need for the LIHTC increase.

Important items to note:

- WHEDA does not intend to make up all of the gaps created by equity repricing, but give 2016 projects an opportunity to move forward.
- Additional credits will not be counted towards the Credit Usage Scoring category.
- Additional credits will not be counted towards the 2016 credit cap to one project of \$850,000.

- Those 2016 properties requesting an increase in their credit amount **will not** be permitted to apply for additional credits in 2017. Projects that cannot move forward should consider surrendering their 2016 credit and competing for 2017 credit.
- WHEDA withholds the right, based on demand and available resources, to reduce the amount of additional credits to 4.5%

Upon approval of the request for a credit increase, WHEDA will prepare an amended Carryover Agreement, and will distribute those amended Carryover Agreements via e-mail by December 23, 2016. Signed copies of the amended Carryover Agreements, along with the 10% Reservation and Carryover fee for the additional credit amount, must be delivered to the WHEDA office in Madison no later than 5:00 PM on Wednesday, December 28th – a postmark of December 28th will not be sufficient. WHEDA will not approve any requests for an extension of the December 28th deadline.

If you have questions, please contact your Commercial Loan Officer, Commercial Lending Product Manager David Ginger, or Commercial Lending Director Sean O'Brien.

2017 Cycle Information

WHEDA has made the following modifications for the 2017 LIHTC cycle:

- The competitive (9%) application deadline is 5:00 PM on March 3rd, 2017 (this was announced in an e-mail on December 8th, 2016)
- The expected LIHTC pricing range for 2017 will be \$0.88 to \$0.94
 - The pricing range above will result in a change to the Credit Usage scoring category – in brief, the ranges for properties in Dane County and Metro Milwaukee will increase by 8%, and the ranges for properties in other areas of the state will increase by 9%
- For the 2017 cycle, WHEDA will 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 LIHTC 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 LIHTC equity amount calculated in LOLA
 - If the application's uncommitted funding sources exceed 15%, WHEDA will increase the credit amount (as needed) to reduce uncommitted sources to 15% - this may result in a reduction of points in the Credit Usage scoring category.

If you have questions, please contact a member of WHEDA's Commercial Lending staff.