

Multifamily Housing Notice 17-03

May 30, 2017

To: Developers, Sponsors and Local Housing Contacts

From: Elaine Cornick, Director, Multifamily Housing

Re: *Low Income Housing Tax Credit (LIHTC) Equity Market Disruptions*

The Department is aware of volatility in pricing for Low Income Housing Tax Credits brought about by the potential for Federal Tax Reform. The impact of this volatility to date in Maryland has been managed well by DHCD's partners. Multifamily developments financed by LIHTC continue to move forward to financial closing and construction commencement at a very strong pace throughout the State.

Over the past several months, Departmental staff and partners have worked cooperatively to keep projects moving forward to create quality, affordable rental housing. The pipeline of Multifamily developments remains very robust due to the success of the Rental Housing Works program in driving demand for 4% LIHTC and Tax Exempt Bonds, and the recent award of 9% LIHTC to 20 developments through the Fall 2016 Competitive Funding Round.

This Notice serves to clarify how Departmental staff have been and will continue to implement existing policies and procedures outlined in the Multifamily Rental Financing Program Guide (the "Guide") in supporting DHCD's partners during this period of LIHTC pricing volatility.

1. DHCD will be flexible in the processing of projects that have received a reservation of funding. Project sponsors, in consultation with the assigned DHCD Underwriter, will determine the best processing schedule for their project (See Appendix A of the Guide). If additional time is needed the Developer should notify their assigned underwriter.
2. Project sponsors should continue to follow the Submission Kit process for underwriting and review, and remain in close contact with the assigned DHCD Underwriter regarding the status of the project.
3. The Submission Kit process includes an opportunity to submit a request for the assigned DHCD underwriter to evaluate proposed changes to a project. Specifically, sponsors

should make use of Exhibit B: Notification of Changes in the submission kits to guide any requests for changes to a project's profile.

4. Upon request from a project sponsor, the assigned DHCD Underwriter will accept a modified Viability Submission package to expedite review of changes to a project. The modified Viability Submission package will be provided upon request, and will require the completion of Exhibits A, B, D, and E of the full Viability Submission package.
5. Any proposed changes in a project must meet the requirements of Section 6.1.1 of the Guide to ensure that initial scoring of a project is not changed in a manner that would affect the results of the competitive scoring process.
6. If a project is experiencing timing delays in reaching financial closing that is determined by the Department to be associated with LIHTC pricing volatility, the delay will not be considered in Previous Performance threshold (Section 3.1.1 of the Guide) or rating determinations (Section 4.1.2 of the Guide) for future applications for funding.
7. If a sponsor decides to return a reservation of funding due to LIHTC pricing volatility, such return will not be considered in Previous Performance threshold (Section 3.1.1 of the Guide) or rating determinations (Section 4.1.2 of the Guide) for future applications for funding. The Department will manage such delays or returns of LIHTC in a manner to preserve allocated LIHTC to the State of Maryland in accordance with Section E.10 of the Qualified Allocation Plan ("QAP").

The Department is committed to working with sponsors during this time of uncertainty and volatility in LIHTC pricing to achieve our common goal of producing quality, affordable rental housing for Maryland residents. Please contact me at elaine.cornick@maryland.gov with any questions regarding this Notice.