



MARYLAND DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

DHCD MULTIFAMILY HOUSING UPDATES

Multifamily Housing Notice 17-13

December 11, 2017

To: Developers, Sponsors and Local Housing Contacts

From: John R. Maneval, CDA Deputy Director

Re: *Update on DHCD's Response to Federal Tax Reform and Private Activity Bonds for Multifamily Rental Housing*

DHCD issued Multifamily Notice 17-12 on November 14, 2017 outlining the potential need to issue Private Activity Bonds (PABs) prior to December 31, 2017 in light of recent Federal Tax Reform efforts. As discussed in Notice 17-12, Federal Tax Reform could potentially eliminate PABs and the associated 4% Low Income Housing Tax Credits for use with multifamily rental housing developments.

Since that time, DHCD has continued to develop a contingency plan in response to the potential elimination of PABs and the impact on multifamily rental housing production, while remaining hopeful that the final outcome of Federal Tax Reform will preserve DHCD's ability to issue PABs. To that end, DHCD has recently published two (2) separate TEFRA notices and will be holding the federally-mandated TEFRA hearings on December 12 and December 22, 2017. In addition, and more significantly, DHCD has begun to lay the groundwork for the issuance of PABs prior to year-end in an amount sufficient to continue to provide PABs and 4% LIHTC financing for rental housing developments during 2018 and possibly beyond.

DHCD's priority is to retain the ability to issue PABs for its existing and future pipeline of multifamily rental transactions. At the current time, DHCD is actively reviewing more than 25 applications for over \$250,000,000 of PABs; the recent TEFRA notices indicate continued strong demand for additional PABs in the future.



Maryland Department of Housing
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Kenneth C. Holt, Secretary
Tony Reed, Deputy Secretary



The issuance of PABs prior to year-end would be a unique undertaking, and DHCD is taking this opportunity to notify its partners of several key matters associated with such an issuance, if it occurs:

1. DHCD will only issue Private Activity Bonds (PABs) in the event Tax Reform eliminates PABs before year end, or there is uncertainty regarding the final outcome of Tax Reform as we enter 2018. The issuance of PABs will not proceed if Tax Reform legislation preserves PABs prior to year-end.
2. In light of the additional costs associated with an issuance of PABs, DHCD will require sponsors to make deposits toward costs of issuance, negative arbitrage or interest expense for projects in the DHCD multifamily pipeline as a condition of moving toward closing. The final amount and timing of these deposits is being finalized, and DHCD will provide further guidance shortly.
3. DHCD will require all sponsors to make use of DHCD's PABs as a condition of receiving 4% LIHTC or any other DHCD resources. Any exception to the use of the issued PABs will be granted at DHCD's sole and absolute discretion.
4. The PABs will be structured to allow for credit enhancement options for individual projects that are consistent with DHCD's recent financing executions, including HUD/GNMA, FHA Risk Sharing, and Freddie Mac/Fannie Mae credit enhanced bonds.
5. While the final structure of the PAB issuance is still being determined, transaction activity during the first three (3) months of 2018 may be limited to certain projects which have already set to close during that period.

DHCD appreciates the continued support of its partners as we work to navigate the potential impact of Federal Tax Reform on its multifamily rental financing programs.

If you have a questions please contact me at 301-429-7714 or john.maneval@maryland.gov.



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IMPORTANT NOTICE REGARDING EMAILING OF MULTIFAMILY NOTICES

Multifamily Housing issues periodic notices (such as the one above) to announce new initiatives, provide important news, announce funding round deadlines, significant application changes, bond program amendments, and other key dates and facts on our website and by email only. You can subscribe to receive Multifamily Housing Notices at the following link:

<http://dhcd.maryland.gov/HousingDevelopment/Pages/About.aspx>

Notices are posted to the DHCD website at the following location:

<http://dhcd.maryland.gov/HousingDevelopment/Pages/MFLibrary>



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Boyd K. Rutherford, Lt. Governor



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