



Tennessee Housing Development Agency

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MEMORANDUM

TO: All interested parties

FROM: Multifamily Development Division

SUBJECT: Section 1602 Phase II Clarifications and/or Modifications

DATE: March 3, 2010

The following items are clarifications and/or modifications with regard to THDA's administration of Phase II of the Section 1602 program for developments that are in rural counties, involve USDA RD financing, or are to be 100% occupied by special needs populations.

1. Scoring: The 5 points available to new construction developments under Part VII-B-2-a-(i) of the 2010 Low-Income Housing Tax Credit Qualified Allocation Plan (the "2010 QAP") will be excluded from the scoring process for Section 1602 Phase II applications.
2. Prioritization: In the event that THDA receives both a Section 1602 Phase II application and a Low-Income Housing Tax Credit application for the same county that score well enough to receive an award or allocation, and THDA determines that the applications, taken together, propose more units than the local market can reasonably absorb in a timely manner, the Section 1602 Phase II application will receive priority.
3. Multiple Applications: If THDA receives a Low-Income Housing Tax Credit application for a particular development, THDA will not accept a Section 1602 Phase II application for the same development.
4. Physical Needs Assessment: This document will be required after the Section 1602 Phase II applications are submitted and need not be included at the time the Section 1602 Phase II application is initially submitted. Section 1602 Phase II applications not involving rehabilitation will not be required to submit a Physical Needs Assessment.
5. Appraisal: This document will be required after the Section 1602 Phase II applications are submitted and need not be included at the time the Section 1602 Phase II application is initially submitted. Section 1602 Phase II applications not involving rehabilitation will not be required to submit an appraisal.

6. Market Study: This document will be required after the Section 1602 Phase II applications are submitted and need not be included at the time the Section 1602 Phase II application is initially submitted. All Section 1602 Phase II applications will be required to submit a market study.
7. Combining Special Needs: Different special needs categories (as described in the 2010 QAP) may be combined to meet the 100% special needs eligibility option. For example, a development with 50 units, all of which are for occupancy by either elderly persons or persons with disabilities would be eligible under Part IV-B-4-(a) of the Section 1602 Program Description.
8. Transfer of Ownership: Transfer of ownership of existing developments is not required. If no transfer of ownership is proposed, documentation to demonstrate that the owner is current on the mortgage, property insurance, and property taxes should be included at the time the Section 1602 Phase II application is initially submitted.
9. Building Permits: For purposes of scoring proposed developments that do not involve new construction, THDA will accept a letter from the local government stating that building permits are not issued for rehabilitation in lieu of building permits.
10. Non-Section 1602 Funds: As stated in Part IV-B-3 of the Section 1602 Program Description, THDA will not be the sole source of funds for proposed developments that submit a Section 1602 Phase II application. In accordance with Part IV-B-4-g of the Section 1602 Program Description, the Section 1602 Phase II application should include documentation evidencing that an acceptable amount of private funding (construction and permanent) is available for the proposed development.
11. Scoring: Potential applicants are strongly encouraged to be realistic in claiming points in the Section 1602 Phase II application process. Applications that claim points, but do not satisfy the requirements associated with those points may be ineligible for Section 1602 funds and may be required to return some or all Section 1602 funding.

If you have questions, please contact:

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