

Tennessee Housing Trust Fund Community Investment Tax Credit

2024 HOUSING EDUCATION SYMPOSIUM

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Tennessee Housing Trust Fund (THTF)

- THTF was created by the THDA Board of Directors to meet the housing needs of households with incomes at or below 80 % of the area median.
- THTF is fully funded by THDA through proceeds from THDA's mortgage loan programs.
- **Eligible entities:** public housing authorities, non-profits, and local governments.
- Several programs fall under the umbrella of the TN Housing Trust Fund. The largest is the **Competitive Grants Program**.

THTF Competitive Grants Program

- Grant awards for the development & preservation of **affordable rental housing** for households with incomes at or below 80 % of the area median including the elderly and those with special needs.
- Priority populations include:

Households with incomes at or below 30 % or 50 % of the area median



Competitive Grants

- One funding round each year.
- Approximately \$4 million was allocated for the 2024 grant round.
- Maximum grant amount is \$600,000.
- Program requires 50 % match of THTF development funds.
- Most applications are layered with other sources of funds including but not limited to LIHTC, CITC, NHTF, FHLB, CDBG, local HOME Rental funds.
- All of above sources could be eligible match except NHTF and THDA HOME Rental. Other THDA funds are not eligible sources of match.

THTF Funding Cycle

Funding Cycle:

- NOFA released mid December
- Application workshop early to mid January
- Applications due late February
- Award announcements early May
- Grantee workshop for successful applicants June
- Grant term begins July 1



Eligible Activities

- **Rental** housing development and/or preservation activities including:
- New construction
 - Acquisition
 - Rehabilitation
 - Conversion
 - Combinations of the above

Eligible Housing Types

- Single Family
- Multifamily
- Group Homes
- Single Room Occupancy
- Transitional Housing

Project Types

Wide range of project types including:

- New construction or acquisition/rehab of single family rental units.
- Development of duplexes, triplexes, or quads.
- Group Homes or Shared Living Homes serving the disabled or other special needs populations.
- SRO units often serving the homeless or persons in recovery.
- Transitional Housing for youth, formerly incarcerated, or other special needs populations.
- Large multifamily apartment complexes for 1 or 2 person households or larger families.

Program Requirements

- **Income Limits** - Maximum income limit for households served must be at or below 80 % AMI.
- **Rent Limits** - High HOME limits as established annually by HUD for the HOME Program or depending on unit configuration, Fair Market Rent limits could apply for Group Homes and Single Room Occupancy Units.
- **Compliance Period** – Lien is placed on the property and all grants will have a compliance period of 5, 10, or 15 years, forgiven at the end of the term.

Application Tips

Application tips to help with submission of a competitive application:

- Make sure application is signed by Executive Director or Board Chair.
- Submit a Complete Application.
- Submit application by the stated deadline.
- Submit application in the correct format and electronically per the application instructions.
- Submit ALL required documents.

Application Tips - Continued

- Answer **ALL** questions – indicate NA if not applicable.
- Submit **ALL** attachments per application instructions.
- Fully complete the Budget and Proforma Worksheet.
- Submit **CURRENT** Financial Audit.
- Have someone else review the final application.

Community Investment Tax Credit

Community Investment Tax Credit Program (CITC) provides franchise & excise tax credit to banks for extending:

- Qualified Loans
- Qualified Investments
- Grants or Contribution

To:

Eligible housing entities for engaging in eligible affordable housing activities.

CITC Benefits

The CITC Program simultaneously provides benefits to the bank, non-profit, and the community.

➤ **Bank:**

- Tax credit from franchise and excise tax liability.
- Some CITC investments in affordable housing activities may also be eligible for CRA. (Contact bank regulator for guidance on eligible CRA activities)

➤ **Non-profit or other eligible entity:**

- Low rate loan.

➤ **Community:**

- Development or preservation of more affordable rental housing units.

THDA and TN Dept. of Revenue

CITC is jointly administered by THDA and the TN Department of Revenue.

- THDA certifies the eligibility of the entity, activity, loan, investment, grant or contribution.
- Dept. of Revenue approves the tax credits.

Eligible Housing Entities

- 501 (c)(3) Non-profit organizations
- Public Housing Authorities
- Development Districts
- THDA

Eligible Activities

- Create or preserve affordable housing.
- Assist low - income households in obtaining affordable housing.
- Build capacity of non-profit organizations to provide affordable housing opportunities to low- income households.
- Other low - income housing related activities approved by THDA Executive Director and Commissioner of Dept. of Revenue.

Loan and Investment Types

- **Qualified Loan** – Loan that is 2 % below the WSJ prime rate.
- **Qualified Low-Rate Loan** – Loan that is 4 % below the WSJ prime rate.
- **Qualified Long Term Investment** – An investment that extends for more than 5 years.
- **Grants or Contributions** – Funds that do not have to be paid back.

Tax Credit Types

Banks must elect to receive either one-time or annual credits.

One-Time Credit – May be applied to all loan and investment types. The tax credit is a fixed amount, based on the total amount of the loan, investment, grant, or contribution.

Annual Credits – May only be applied to qualified loans and qualified low rate loans. The credit amount is based on the unpaid principal balance of the loan as of December 31 of each year.

Credit Amount

Eligible Investments	Credit Amount
Qualified Loan (2 % below prime rate)	5 % credit applied one time or 3 % credit applied annually to unpaid principal balance as of December 31 st of each year. Annual Credits are applied for the life of the loan or 15 years – whichever is earlier.
Qualified Low-rate Loan (4 % below prime rate)	10 % credit applied one time or 5 % credit applied annually to unpaid principal balance as of December 31 st of each year. Annual Credits are applied for the life of the loan or 15 years – whichever is earlier.
Qualified Investment (longer than 5 years)	5 % credit applied one time.
Grant or Contribution	10 % credit applied one time.

Dollar for Dollar Credits

Example:

- \$100,000 QLR loan @ 4 % below prime with one-time credits ➡ 10 % credit - \$10,000
- \$100,000 LR loan @ 2 % below prime with one-time credits ➡ 5 % credit - \$5,000

Income Limits

- Incomes of households served must be at or below 80 % of the area median.
- CITC uses the income limits established by HUD for the HOME Program. Income Limits are located on the CITC page of the THDA website.

Application Process

- CITC can be used alone or in combination with other funding sources.
- CITC is often layered with sources such as THTF Competitive Grants, National Housing Trust Fund, and LIHTC.
- There is no application deadline. Applications may be submitted at anytime throughout the year.
- Obtain application (Certificate of Contribution for Tax Credit) and Project Narrative Form from the CITC page of the THDA website at www.thda.org.

Application Process

- Application should be **completed**, **signed**, and **dated** by the bank and the eligible entity.
- Submit application and required documentation to: CITC@thda.org.
- Application may be submitted to THDA by the eligible housing entity or the bank.
- Upon loan closing send copy of Promissory Note to THDA.

Application Process

- THDA certifies the eligibility of the entity, activity, loan, investment grant, or contribution, and sends the application to the Dept. of Revenue.
- Department of Revenue approves the tax credit.
- Department of Revenue sends a tax credit approval letter to the bank.

Program Pages - THDA Website

For details concerning Competitive Grants or CITC refer to each program page on the THDA website:

- **THTF Competitive Grants Program:** www.thda.org > Government & Nonprofit Partners > Tennessee Housing Trust Fund > Competitive Grants Administrators
- **Community Investment Tax Credit Program:** www.thda.org > Government & Nonprofit Partners > Community Investment Tax Credit

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