



# Tennessee Housing Development Agency

Andrew Jackson Building Third Floor  
502 Deaderick St., Nashville, TN 37243

Bill Lee  
Governor

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Executive Director

## MEMORANDUM

TO: Interested Parties and THDA Partners  
FROM: Eric Alexander, Director of Multifamily Programs  
Don Watt, Chief Programs Officer  
SUBJECT: Proposed Twinning Set-Aside/Round for 2024  
DATE: August 15, 2023

The complexity of LIHTC financing has increased in recent years. Nationally, in new construction projects with 9% tax credits for example, the average number of hard or soft loans per project doubled from 2 in 2000 to 4 in 2017. In Tennessee, in recent years it has been common for projects to have more than that in individual 9% LIHTC projects.

The challenge is even more pronounced in tax-exempt bond/4% LIHTC projects. Again looking at the national scene, the average permanent financing sources from 2000 to 2018 across all (both 9% and tax-exempt bond/4%) projects was 3.5, with tax-exempt bond/4% LIHTC projects tending to have more layers of financing than 9% LIHTC proposals. Projects that have combined, or “twinned” 9% and tax-exempt binds/4% LIHTC tended to have the fewest layers of financing.

In short, a “twinned” LIHTC transaction is one that would otherwise have been structured as a phased single 9% tax credit project and a separate 4% one, but instead is structured as two related but independently financed projects using 9% tax credits on one portion of the project, and 4% tax credits on the other portion.

Over the last several months, we have been approached by a few of our developer partners, asking in general, conceptual terms about whether THDA could accommodate a twinning approach to financing projects. Because of the existing competitive structure of both the 9% LIHTC and multifamily tax-exempt bond rounds, and the staggered timing of the rounds, the agency would not have been able to consider twinning as a feasible financing approach. However, very recently we have had some live deals come to staff to talk about mature proposals that could benefit from the advantages (both from a funding and timing perspective) that twinning could bring to the table.



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With that in mind, we are actively considering ways to incorporate this option as part of the 2024 QAP and 2024 MTBA program description. The “Twinning” Round would provide an opportunity for applicants to submit projects that could take advantage of utilizing 9% LIHTC and tax-exempt bonds/4% LIHTC in order to streamline the funding process, or to fully fund one that would otherwise be financially infeasible.

### **Proposed Section X: “Twinning” Round**

The Twinning Round is an opportunity for applicants to propose a hybrid 9% LIHTC/tax-exempt bond/4% LIHTC financing structure for certain projects that encompass or are a part of an established area-wide or neighborhood master-planned development. Combining 9% credit with 4% credits in certain developments will increase the number of affordable units built, create a more financially sustainable project, and reduce the amount of gap funding needed to proceed. Round applicants must propose a financially feasible development and be comprised of a Development Team with the capacity, experience and performance to complete a twinned 9%/4% LIHTC proposal.

**Under the Twinning Round, THDA will fund a maximum of two (2) projects to receive both 9% LIHTC and tax-exempt bonds/4% LIHTC. If no projects are selected for funding under the Twinning Round, credits will be allocated consistent with the other applicable sections of the QAP.**

To participate in the 2024 Twinning Round, applicants must submit a Twinning Round Proposal by January 19, 2024. Information on the 2024 Twinning Round deadlines is found in Section 4 of this QAP.

A Twinning Round Proposal must encompass or be a part of an established area-wide or neighborhood master-planned development.

Twinning Round Proposals must meet all of the following requirements:

1. Contain no more than 10 single-sided, single spaced pages (including any attachments and exhibits, if any) describing each of the following:
  - a. The contact information for the applicant, the proposed development name, the number of units and bedroom mix, geographic location, type of development (including, but not limited to new construction located in a QCT);
  - b. The goals and/or priorities of the project as a part of a master-planned development in a redevelopment area and the impact of the twinning approach in helping meet the goals of the redevelopment area master plan;
  - c. Each project team member’s track record with tax-exempt bond and LIHTC projects, and demonstrated capacity to complete financially complex developments;
  - d. How the project will utilize the twinning approach to optimize resources;



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- e. The proposed sources and uses of funds for the development, including a detailed narrative and model showing how the 9% LIHTC and tax-exempt bonds/4% LIHTC will be allocated;
  - f. The extent to which the proposed development would be at a financial disadvantage relying upon a traditional phased approach; and
  - g. Certification of compliance with all applicable requirements of Section 42 and this QAP.
2. THDA Multifamily Development staff will preliminarily review each Twinning Round proposal for financial feasibility, compliance with all applicable requirements of Section 42, and the QAP. No more than two (2) Twinning Round Proposals may be selected to submit a full Initial Application for consideration in the Twinning Round Full Evaluation, to be run concurrently with the tradition 9% LIHTC Competitive Round. THDA Multifamily Development staff may select fewer than two Twinning Round Proposals or no Twinning Round Proposals. Applicants submitting Twinning Round proposals that are not selected will not be considered further.
  3. 2024 Twinning Round Applicants, if any, will be notified by February 19, 2024 and invited to submit a full Initial Application by the competitive deadline specified in the QAP. Documentation in the form and with the substance specified by THDA must be uploaded into THOMAS.
  4. A successful Twinning Round Proposal may be eligible for a Basis Boost.
  5. The selection of Twinning Round Proposals and a successful Twinning Round Full Evaluation application, if any, shall not be appealable to the THDA Board of Directors.



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