



Illinois Housing Development Authority (IHDA) 4% LIHTC Fixed Rate Floor Guidance and 2021-2022 Deal Pipeline Information

The "Consolidated Appropriations Act, 2021" enacted on December 27, 2020 included a provision that permanently fixed a minimum credit rate of 4% on tax-exempt bond transactions utilizing Low Income Housing Tax Credits ("LIHTC").

The following guidance will be the basis for the Authority's review of new 4% bond deals. The Authority reserves the right to revise this guidance based on updated information and interpretations of the legislation.

- Only bonds issued on or after January 1, 2021 will be eligible for the 4% Fixed Rate Floor ("4% Minimum Rate").
- If the bonds were not fully-funded in 2020, the prior rate elected will apply; this includes draw down bonds issued prior to January 1, 2021.
- Cost overruns that result in the issuance of bonds on or after January 1, 2021 will be subject to the prior rate elected (i.e., additional bonds issued are not eligible for the 4% Minimum Rate).
- Existing deals that have not closed will be re-underwritten using the 4% Minimum Rate to assure overall financial feasibility is satisfactory and that the transaction is not over-sourced.
 - A revised 42(m) letter may be issued to account for the additional LIHTC as determined and approved by the Authority.
- Additional credits as a result of the 4% Minimum Rate should be used to reduce subordinate debt, pay for additional **necessary** hard construction costs, and/or reduce the first mortgage.
 - Before making an offer on a property, sponsors are encouraged to have conversations with the Authority related to the overall financial structure and financial feasibility related to the overall LIHTC basis and equity requested.
 - Additional equity generated is not intended to allow for a higher purchase price.
- Deferred developer fees will be sized based on the Authority's Qualified Allocation Plan ("QAP") and the ability to repay any deferred fee through at least year 12 of the initial compliance period.
 - In some cases, the amount of deferred fee will exceed the 25% minimum required in the QAP.

Thank you to those who responded to the Authority with prospective 4% bond deals for 2021 and 2022. Following is a brief summary of the information received:

- 62 prospective or active deals are anticipated in 2021 & 2022 with over \$1.8 billion in volume cap.
 - Sponsors submitted 51 deals with \$1.5 billion in anticipated volume cap.
 - In addition, there are 11 deals that are on the Authority's active pipeline that were not submitted with \$355 in anticipated million in volume cap.

Based on the above, the Authority anticipates a busy year. Section IX of the ["2020-2021 Low Income Housing Tax Credit Qualified Allocation Plan"](#) section describes the

Authority's process for accepting and reviewing tax-exempt bond deals requesting 4% tax credits. The [Developer Resource Center](#) contains useful reference materials as well as information related to submitting Preliminary Project Assessments and full applications.

In addition, the Authority issued "[Guidance on Requests for Tax-Exempt Bonds and 4% Low-Income Housing Tax Credits](#)" on February 7, 2020 related to requests for tax-exempt bonds and 4% tax credits. Please review this information as you prepare to submit applications for prospective deals.

The Authority will enforce the receipt of complete application materials and the "[2021 Multifamily Transaction Timeframes](#)" for reviewing and submitting transactions to the Members of the Authority for review.

The Authority reserves the right to implement changes permitted under the QAP related 4% tax credits and bond volume cap.

Please contact the [Multifamily Financing](#) team with any questions related to tax-exempt bond transactions.