

## **Housing Tax Credit Equity Increase Policy**

New York State Homes & Community Renewal (“HCR”) seeks to encourage its development partners to obtain the highest possible value for Low Income Housing Tax Credits (“LIHC”), especially given the renewed strength of the LIHC market. Effective with the publication of this policy, developers with LIHC awards from HCR may use up to 50% of any increase in LIHC equity beyond equity amounts identified at award for eligible project costs, as defined herein, and to reduce deferred developer fees that were identified as a source of permanent financing at the time of award.

**Policy Background:** HCR is responsible under the Internal Revenue Code for allocating only that amount of LIHC necessary to ensure financial feasibility of affordable housing projects. In addition, HCR’s Qualified Allocation Plan requires that project sponsors receive “market value or greater” for the LIHC that has been reserved for their projects.

HCR has designed this LIHC Equity Increase Policy to provide appropriate incentives to use this scarce housing resource with optimal efficiency so that New York State can maximize the number of affordable units it can assist. This Policy also is designed to provide a predictable, transparent framework for utilizing equity increases while enabling these additional resources to be used in a timely manner consistent with project development timelines.

**Policy Specifics:** Up to 50% of any proposed increase in LIHC equity beyond equity amounts identified at award may be used for (1) necessary and reasonable increases in costs that provide a benefit to the project and which amount to no more than three percent of a project’s eligible total development cost, excluding acquisition costs, as proposed in the project application; and (2) to pay down any deferred developer fee identified as a permanent source of financing at the time of award. Project sponsors who elect to pay down less deferred fee from equity increases than otherwise authorized under this policy may apply unclaimed amounts to necessary and reasonable costs beyond the 3% cost increase limit described above.

Any remaining increase in equity from the time of award will be used either to reduce HTF or HOME financing or to reduce the allocation of LIHC or SLIHC to a project, depending on the preference of the project sponsor.

Project sponsors who use 75% or more of any proposed equity increase to reduce HTF or HOME financing or to reduce the allocation of LIHC or SLIHC to a project will be awarded additional points in connection with any competitive application submitted in 2011 or 2012.

Cost increases that exceed 3% of a project’s eligible total development costs at the time of application, excluding acquisition costs, and which require the use of additional equity beyond amounts otherwise authorized under this policy or which require increases in

other HCR resources will be subject to HCR's Capital Programs Manual Cost Increase Policy.

Project sponsors who intend to use increases in LIHC equity to finance eligible and necessary cost increases must provide a request in writing and provide a line-by-line justification for such increases in a format prescribed by HCR. HCR will provide accelerated reviews of such requests to determine (1) cost eligibility; (2) cost reasonableness; and (3) whether such cost increases are necessary and provide a benefit to the project.

Please note that this policy is also applicable in all respects to increases in equity pay-ins from the time of award of State Low Income Housing Tax Credits.