

MEMORANDUM

TO: Owners and Managers of Tax Credit Properties

FROM: Kimberly A. Roy, Assistant Director, MF Programs

DATE: January 7, 2009

RE: Required Annual Reports & Program Updates

As the owner of a Low Income Housing Tax Credit (LIHTC) property, you are required to submit an annual certification to VHFA detailing the specific areas of compliance related to use and occupancy, eligible basis, income targeting, rent levels, tenant eligibility and recertification. If you have claimed tax credits for the year ending December 31, 2008, you are required to complete and return the attached Owner's Certificate of Continuing Program Compliance form (version date 10/2008) to VHFA by February 28, 2009. Please note that the Owner's Certificate of Continuing Program Compliance requires the owner's signature.

You are also required to submit an annual LIHTC Status Report. The Status Report summarizes all the activity that occurred in the units throughout the year. We use this report as a tool to identify any areas of LIHTC non-compliance. Please be sure to list every unit in each building (including the move-in and move-out date), even if that unit is not designated as a LIHTC unit. Please include a copy of the utility allowance schedule with every status report you submit. This form must be returned to my attention by February 28, 2009.

Please note that there has been a LIHTC Utility Allowance Regulations Update (TD 9420). On July 29, 2008, the IRS issued final regulations in the Federal Register amending the requirements for determining utility allowances under the tax credit program. This final rule applies to properties with taxable years beginning after July 29, 2008.

In addition to the Owner's Certification and the Status Report, you are required to submit an annual Fair Housing Questionnaire and an annual LIHTC Questionnaire. Please fill out the attached annual questionnaires for each project and include with the submission of the annual tax credit reports.

Owner's Certificate of Continuing Program Compliance, Fair Housing Questionnaire, LIHTC Questionnaire and Status Reports that are received after February 28th will be reported to the IRS on the 8823 Form, unless you have made arrangements for an extension.

If you signed an 8609 in 2008, but you are not planning on claiming credits until next year, please fill out the Owner's Certificate of Continuing Program Compliance and make sure to check one of the two boxes in the top section of the form regarding building(s) placed in service.

For those properties that have entered into the extended use period (starting in year 16), please make sure that you are using the appropriate forms. Copies of the Owner's Certification, Fair Housing Questionnaire, LIHTC Questionnaire and Status Report for extended use properties are attached for your convenience.

If you have not already done so, please submit IRS Form 8586 and IRS Form 3800. These forms should be found with the 8609 Form that was submitted to the IRS the first year that you claimed credits. These forms are needed to establish the first year of compliance for your project and to determine when the initial 15-year of compliance is complete and the extended period starts. Enclosed are copies of the forms for your reference.

In October, I sent out the Changes to the Low Income Housing Tax Credit Program and the Multifamily Tax Exempt Bond Program as a result of The Housing and Economic Recovery Act of 2008 (HR 3221). As you know on July 30, 2008, the President signed the Housing and Economic Recovery Act of 2008 (Act). A big change was the Annual Recertification Waiver. Below are the requirements for this waiver:

Annual Recertification Waiver: Households living in tax credit units need to certify their income and then annually recertify it. The legislation waives the annual recertification requirement for 100% low-income projects for both tax credit and bond projects, yet other funding sources such as Section 8, HOME and RD will still require an annual recertification. VHFA will require that each 100% project do initial certifications and recertify on the tenant's 1st anniversary to ensure the tenant was initially eligible and to review any changes in household composition, and after that allow the waiver. Please note although the verification process is waived, an annual resident self certification which includes resident income, student status and household composition is required. This information needs to be collected in order to apply the available unit rule. Since the available unit rule is statutory, it doesn't go away when applying the waiver. Attached is a sample of the Self Certification for your review.

Please note that VHFA is still required to review that status report, review tenant files and perform inspections even with the implementation of the annual waiver.

NOTICE: VHFA compliance monitoring fees will increase to \$6.00 per tax credit unit per month starting with the year ending 12/31/2009. Invoices will be sent out in the spring of 2010. Please be sure to incorporate the new fee into the 2010 budget process. For properties that are in the extended use period, fees will increase to \$3.00 per tax credit unit per month.

If you have any questions please feel to call me anytime at 802-652-3433 or kroy@vhfa.org.