

**To: Low Income Housing Tax Credit
Program Year 2019 Recipients**

**From: Linda Stewart
Manager of Tax Credits**

Date: October 19, 2020

**RE: Requests for Extension of Placed in Service Date
Program Year 2019 Developments subject to Program Year 2019 Deadlines
Process to Seek a Reallocation of Tax Credits**

The Pennsylvania Housing Finance Agency (“Agency”) continues to monitor the impact of COVID-19 on Low Income Housing Tax Credit (“Tax Credit”) program participants specifically as it relates to program compliance requirements and deadlines. As a recipient of Program Year 2019 Tax Credits you were required to close on all project financing by May 31, 2020 and achieve a placed in service date for the development by December 31, 2021. Prior to the onset of the pandemic, a number of developments had already indicated that they would not be in a position to meet the May 31, 2020 but would still meet the placed in service date. Due to the impact of COVID-19 on development related activities, the Agency waived the May 31, 2020 closing deadline earlier this year but did not waive the placed in service date.

At this time, there are Program Year 2019 projects that have closed and a number that have demonstrated the ability to close on the financing; however, they either may no longer be able to achieve the December 31, 2021 placed in service date, or there is not sufficient cushion in the construction schedule to provide the necessary assurances required by their financial intuitions and/or investor(s). Pursuant to the provisions of the 2019/2020 Tax Credit Allocation Plan, the Agency reserved the right to consider and approve reallocations of existing Tax Credit awards to projects which, for circumstances beyond their control, are unable to meet the placed in service deadlines imposed by the federal Tax Credit program. For Program Year 2019 developments unable to meet the placed in service date, the Agency will reallocate Tax Credits in accordance with the following:

Program Year 2019 projects subject to 2019 program deadlines that have or will achieve a financial closing, but may not meet the requisite December 31, 2021 placed in service date:

- The Agency will only accept requests for reallocation of tax credits from October 1, 2021 through December 1, 2021.
- Receipt of a written request for a reallocation of Tax Credits.
- The request must be accompanied by a copy of the latest AIA documents G702 (Application and Certificate for Payment) and G703 (Continuation Sheet) evidencing the project’s construction status, and an updated project timeline to completion.
- The project must be in compliance with all applicable Agency loan program and Tax Credit requirements including but not limited to having met the Carryover 10% expenditure test by April 25, 2021, the extended deadline date per the Agency’s published COVID-19 Guidance dated May 5, 2020.

Upon receipt of a request, the Agency will process the reallocation request and will provide a reservation of 2021 Tax Credits to the development which will require among other things, the execution of a new Carryover Agreement. ***Please be advised the Agency will not be assessing a reallocation fee to projects submitting a request between October 1, 2021 and December 1, 2021 meeting the above requirements.***

Program Year 2019 projects subject to 2019 program deadlines unable to achieve a financial closing without a reallocation of tax credits:

- The Agency will only accept requests from a project once it is ready and able to close within 60 days on all loan and equity financings upon receipt of the reallocation.
- Receipt of a written request for a reallocation of Tax Credits.
- Submission of a reallocation fee in the amount of 3% of the Tax Credit award. This amount is 50% of the Agency's standard reallocation fee. Failure to achieve financial closing within 60 days of receipt of the reallocation will result in an additional 3% reallocation fee, resulting in payment of the full standard 6% reallocation fee.

Upon receipt of the above, the Agency will process the reallocation request and will provide a reservation of 2020 or 2021 Tax Credits to the development which will require among other things, the execution of a new Carryover Agreement (or amended Carryover Agreement for developments that were awarded Tax Credits through a 2020 Forward Commitment and the reallocation occurs in 2020) with a 10% expenditure test date of April 24, 2021 and the extension of the placed in service date to December 31, 2022.

Please note that if you are not a program year 2019 development subject to the 2019 program deadlines, reallocation of tax credits under the above guidance is not applicable to your development. Refer to the project's reservation letter in effect to confirm program deadlines and eligibility.

Any waived or reduced requirements and reallocation fees noted above apply only to 2019 projects processed for a reallocation under this specific Agency guidance. Any other requests for Tax Credit reallocations are subject to the Agency's requirements and fees in effect at the time. All Agency fees, including the fees outlined above, are nonrefundable.