

**To: Low Income Housing Tax Credit
Program Year 2020 Recipients**

**From: Linda A. Stewart
Manager of Tax Credit Program -Allocation**

Date: August 30, 2021

**RE: Requests for Extension of Program Year Deadlines including Placed in Service Date
Program Year 2020 Developments subject to Program Year 2020 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 2020 Tax Credits, you were required to close on all project financing by July 31, 2021, meet a Carryover 10% expenditure test (10% test) by October 26, 2021, and achieve a placed in service date for the development by December 31, 2022. Due to the continued impact of COVID-19 on development related activities, the Agency extended the closing deadline to September 30, 2021; however, there currently is no IRS guidance which provides relief from or permits the Agency to extend the 10% test or placed in service dates.

At this time, there are a few Program Year 2020 projects that have closed and a number that have demonstrated the ability to close on the financing over the next several weeks and months. However, they either may no longer be able to achieve the 10% test by October 26, 2021 and/or the December 31, 2022 placed in service date, or they may not have sufficient cushion in the construction schedule to provide the necessary assurances required by their financial intuitions and/or investor(s) to achieve closing. 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 2020 developments unable to meet the program deadlines including placed in service date, the Agency will reallocate Tax Credits in accordance with the following:

Program Year 2020 projects subject to 2020 program deadlines unable to achieve a financial closing and meet program deadlines requiring a reallocation of tax credits:

- Receipt of a written request for a reallocation of Tax Credits, submitted no later than October 8, 2021. Your request should include a brief explanation of how COVID-19 has impacted the development’s ability to achieve program deadlines.
- 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. Developments receiving this additional relief will be expected to achieve a financial closing within 60 days of receipt of the reallocation. Failure to do so 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 conditional reservation of 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 2021 Forward Commitment subject to Program Year 2020 deadlines) with a 10% expenditure test required no later than a date to be established and set forth in the conditional reservation letter, and extending the placed in service date to December 31, 2023.

Program Year 2020 projects subject to 2020 program deadlines that have or will achieve a financial closing and 10% Test, but may not meet the requisite December 31, 2022 placed in service date:

- The Agency will only accept requests for reallocation of tax credits from October 17, 2022 through December 1, 2022.
- 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 October 26, 2021.

Upon receipt of a request, the Agency will process the reallocation request and will provide a reservation of 2022 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 17, 2022 and December 1, 2022 meeting the above requirements.*

Please be aware of the following:

If you are not a program year 2020 development subject to the 2020 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 2020 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.

This Agency guidance is in the absence of any current IRS guidance providing relief to Program Year 2020 Development deadlines. Should subsequent IRS guidance be issued, it will supersede the Agency's.