

## **American Recovery and Reinvestment Act Program Plan Cash Assistance to States in Lieu of Low-Income Housing Tax Credits**

Under current law, taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These tax credits help attract private capital to invest in the construction, acquisition, or rehabilitation of qualified low-income housing buildings. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the Recovery Act allows States to receive cash assistance from the Treasury Department in lieu of tax credits. Under this provision, State housing agencies receive funds up to 34 percent (85 percent of 40 percent) of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The State uses the funds to make sub-awards subject to the same requirements (including rent, income, and use restrictions) as the low-income housing tax credit allocations. The program would apply to each state's 2009 low-income housing credit allocation.

### **Objectives**

The purpose of this program is to temporarily fill the gap left by a diminished demand for low-income housing tax credits. The program will allow construction or acquisition and rehabilitation of low-income housing projects to continue where developers are unable to proceed due to insufficient financing. The program will address the near-term goal of creating and retaining jobs, as well as the long-term benefit of increasing the affordable housing supply.

Funds will be awarded to State Housing Credit Agencies which will use the funds to make sub-awards to fund the construction and/or acquisition and rehabilitation of low-income housing projects, creating jobs and increasing the supply of low-income housing. Sub-awards are made on a case-by-case basis at the State's discretion with the goal of meeting the low-income housing needs of communities.

### **Activities**

The State Housing agencies that receive assistance under this program use the funds to help finance either the construction of new low-income housing projects or the acquisition and rehabilitation of existing low-income buildings. Qualification for assistance is determined by Section 42 of the Internal Revenue Code. Specific projects that receive sub-awards will be reported by State Housing Credit agencies once the sub-awards have been made.

It is anticipated that each State agency will make multiple applications as more information necessary to determine the maximum amount of the funding becomes known. The Treasury Department expects to receive the first round of applications in the May – June timeframe. This program and the Cash Assistance for Specified Energy Property in Lieu of Tax Credits program has been appropriated \$1 million for administrative expenses. A portion of the funding will be used on this program to

develop the documentation requirements and the application forms, and processing the applications that are received, and for reimbursable expenses associated with an agreement with the Department of Housing and Urban Development to leverage their expertise in renewable energy and provide compliance support.

**Characteristics**

The initiative utilizes cash assistance and makes the funding available to projects through state housing credit agencies.

The beneficiaries of the program are: 1) the state agencies that receive funds; 2) the project sponsors and owners of the low-income projects financed by sub-awards; 3) individuals and companies that are employed in the construction and maintenance of low-income buildings; and 4) the residents of the low-income communities.

**Delivery Schedule**

The assistance application package includes a general notice, application form, instructions, and terms and conditions. The package was made available May 4, 2009. Applications will be reviewed within 10 days of receipt. If appropriate, applications will be approved and a Notice of Award will be sent to the applicant within 5 days from completion of the review. Funds will be made available to the recipient for drawdown within 5 days of the decision.

<b>Activity</b>	<b>Completion Date</b>
Application package is available	5/4/2009
First award	5/15/2009
Begin receipt of awardee performance data	7/10/2009
Begin public reporting	7/21/2009

**Measures**

Maximum benefits are provided to the American people when applications and assistance is completed timely. Money flowing as quickly as possible into qualified projects will re-energize the construction and rehabilitation of structures and jump-start employment in these areas.

<b>Measure</b>	<b>Target</b>
Cycle time in days between receipt of application and date of award	15
Cycle time in days between notification date and funding	5

## **Monitoring and Evaluation to Achieve Transparency and Accountability**

Treasury will monitor and review program metrics such as percent on-time performance for project activities, obligations and outlays versus plan, acquisition competition and contract types, performance measure actual values versus targets, and accountability metrics monthly. Corrective and/or preventive actions that are established as a result of the reviews will be tracked for implementation. Risk factors will be reviewed and mitigation strategies will be implemented to minimize the probability of fraud and abuse. The program will be assessed for the level of risk associated with its activities, and the impact of those factors should they occur. The public will be kept informed through both Recovery.gov and Treasury.gov.

Additionally, the program will monitor and/or estimate recipient benefit information to determine the extent to which Recovery Act benefits are reaching the American people. Recipient information will be treated as outcome indicators as opposed to performance measures with set targets since many of these benefits are voluntary or are influenced by many different factors beyond the control of the Treasury Department. Each metric, however, is an important indicator for addressing the objectives of this program. Additional compliance data will be developed as the program matures.

The following recipient information will be monitored and reported:

- Name of recipient entity
- Name of project
- Brief description of project
- Location of project: city/county, state, zip code
- Number of construction jobs created
- Number of construction jobs retained
- Number of non-construction jobs created
- Number of non-construction jobs retained
- Number of total housing units newly constructed
- Number of total housing units rehabilitated
- Number of low-income housing units newly constructed
- Number of low-income housing units rehabilitated

## **Barriers to Implementation**

Treasury has little experience in administering housing related programs. The Department is standing up the program, but it will need to rely on the expertise of the Department of Housing and Urban Development to assist in administering the program.

## **National Environmental Policy Act Compliance and Federal Infrastructure Investments**

The National Environmental Policy Act and Related Laws do not apply to qualified low-income buildings funded with Section 1602 sub-awards.