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. Economic conditions have severely undermined the usability of these tax credits. As a result, the Recovery Act allows States to elect to receive cash assistance from the Treasury Department in lieu of tax credits, subject to certain requirements and constraints. 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 under Section 42 of the Internal Revenue Code. The program applies to each state's 2009 low-income housing credit ceiling.

Objectives

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

Funds are awarded to State Housing Credit Agencies which use the funds to make sub-awards to support 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 subject to the requirements of Section 42 of the Internal Revenue Code, and in conformance with the Section 1602 requirements, 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. State Housing Credit agencies report, on a quarterly basis, the sub-awards they have made for specific projects.

State agencies may make multiple applications as more information necessary to determine the maximum amount of the funding becomes known to them. The Treasury Department received applications beginning after May 4th, 2009, when the Program Guidance, Terms and Conditions, and Application were posted on the Treasury website. This program and the Cash Assistance for Specified Energy Property in Lieu of Tax Credits program have been allocated $3 million for administrative expenses from a $131 million appropriation to the Department to carry out various Recovery Act tax provisions. A portion of the funding is being used to develop the documentation requirements and the application forms, and process the applications that are received.

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; 4) the residents of the low-income housing; and 5) the neighborhoods in which the housing is located.

Delivery Schedule

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

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 re-energizes the construction and rehabilitation of structures and jump-starts employment in these areas.

Monitoring and Evaluation to Achieve Transparency and Accountability

Treasury monitors and reviews 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. Corrective and/or preventive actions that are established as a result of the reviews are tracked for implementation. Risk factors are reviewed and mitigation strategies are implemented to minimize the probability of fraud and abuse. The program is assessed for the level of risk associated with its activities, and the impact of those factors should they occur. The public is kept informed through both Recovery.gov and Treasury.gov.

Additionally, the program monitors and/or estimates recipient benefit information to determine the extent to which Recovery Act benefits are reaching the American people. Recipient information is 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.

Measure	Target	Actual
Cycle time in business days between receipt of application and date of award	15	8
Cycle time in days between notification date and funding	5	1

The following recipient information is monitored and reported:

1. Name of recipient entity
2. Name of project
3. Brief description of project
4. Location of project: city/county, state, zip code
5. Number of construction jobs created/retained
6. Number of non-construction jobs created/retained
7. Number of total housing units newly constructed
8. Number of total housing units rehabilitated
9. Number of low-income housing units newly constructed
10. Number of low-income housing units rehabilitated

The program conducts compliance reviews of all state agencies to ensure that the state agency follows the terms and conditions of the agreement and is accountable for the funds awarded. In addition, the program monitors the state agency's oversight of the subawardees; state agencies are responsible for monitoring the subawardees.

Barriers to Implementation

This is a new program based on the Low-Income Housing Tax Credit program, overseen by the Internal Revenue Service. The Section 1602 Program Team works closely with the Internal Revenue Service to coordinate administration of the two programs.

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.