

Memorandum

To: Owners and Managers of Housing Credit Properties
From: Rental Assets
Subject: Changes to Re-certification
Date: August 13, 2008

The Housing and Economic Recovery Act (H.R. 3221) changed several aspects of the federal Low Income Housing Tax Credit (LIHTC) program. This memo addresses the provision in H.R. 3221 that eliminates the annual re-certification for 100% low income LIHTC developments.

Effective 7/30/2008, owners of tax credit properties awarded credits based on 100% low income occupancy are no longer required to obtain annual re-certifications beyond the re-certification at the first anniversary date of move-in. This includes properties with current Re-certification Waivers and properties in the Extended Use Period. Units receiving Key assistance must continue to re-certify annually.

Projects in North Carolina must comply with not only LIHTC requirements, but also deeper rent and/or income targeting required by the state tax credit or the Qualified Allocation Plan. In order to enforce these additional restrictions, NCHFA will require each household to undergo one re-certification upon the first anniversary of their tenancy, but need not be re-certified annually thereafter.

Important provisions of this new policy:

- The first year re-certification is required of any residents that have moved-in with in the last year and all future move-ins. It is not necessary to conduct annual re-certifications for the other residents that have been re-certified at least once since move-in.
- Only properties awarded credits based on 100% low income units qualify for the elimination of annual re-certifications.
- Households must recertify upon transferring between buildings.
- Projects with households that were over income as of initial occupancy (prior to 2008) must conduct annual re-certifications for at least one year after the non-compliance is corrected. These properties will receive individual notification. Failure to re-certify during the corrective action period will result in issuance of 8823s.
- Tax credit developments with agency funding under the Rental Production Program do not qualify for the elimination of the annual re-certification.

This memorandum is intended to address issues of immediate concern. We will continue to provide updates as we learn more and formulate policy regarding the additional provisions of the H.R. 3221 and the revenue ruling recently published regarding utility allowances by the IRS. Additional information will also be provided as part of our compliance training. Please contact asset management staff with any questions you may have regarding these new provisions.