



MEMO

To: Developer Community
From: Anne Berman, Director of Real Estate Development
Date: August 25, 2022
Subject: Program Bulletin 2022-2: Hybrid 9%/4% LIHTC Transactions

RIHousing is issuing this Program Bulletin to codify the requirements for multifamily transactions that request both 9% low-income housing tax credits (“LIHTC”) and 4% LIHTC with tax exempt bond financing (“Hybrid Developments”).

A 4% application must be submitted simultaneously with the submission of a competitive 9% application. RIHousing will rank the 9% application in accordance with the Qualified Allocation Plan. Because each Project must be financially feasible as a standalone transaction, staff will review the 4% application at the same time to determine financial feasibility. RIHousing will only move forward with a comprehensive review of the 4% application if the 9% application receives an award of 9% LIHTC.

In order to qualify as a Hybrid Development, applicants must demonstrate that the bifurcation demonstrates the most cost-efficient use of both the LIHTC program as well as the subordinate financing being requested. At a minimum, the following criteria are required for hybrid transactions:

- There must be two distinct single asset entities (“Projects”) each with its own distinct financing plan.
- To the extent feasible, units must be prorated across each Project (tranche) by bedroom size based on the percentage of unit sizes in each tranche (e.g. all the 1 bedroom units cannot be in one Project, while 2 bedroom units are in the other Project).
- The gap funding request (i.e. non-equity) must be used to primarily support the development of the affordable units, not the market rate units.
- At the time of application, the applicant must submit two separate proformas outlining the Project specific unit allocation, sources and uses and financing plan.
- Each Project must have a separate Letter of Interest (and ultimately partnership agreement).
- RIHousing must be the lender of the tax-exempt bonds for the 4% transaction.
- Appraisals and market studies will be commissioned for each Project.



- If the two Projects are co-located in a single building, the proposal and all subsequent drawings and building related contracts must clearly identify the allocation of units and public spaces across the two Projects (including but not limited to mechanical systems, elevators, hallways, community and exercise rooms, etc.). The two Projects may share a single entrance and parking.
- Separate construction contracts, architect contracts, surveys, loan documents, title commitments, etc. are required for each Project.
- One Environmental Assessment, and if required a Remedial Action Work Plan, that covers the entire building is acceptable if the costs associated with each are clearly delineated in the Project documents.
- It is expected that one property management agent will be engaged for both Projects. Separate management agreements and property related management documents such as leases in the name of each Project owner will be required.
- Each Project must have its own operating account and be able to provide separate and distinct budgets and annual audited financial statements.
- All condominium documents including language related to common areas, easements, use of amenities, etc. must be approved by RIHousing.

For questions related to Hybrid Developments, please contact Dean Harrison, Assistant Director of Development at 401-450-1357 or dharrison@rihousing.com