



## Private Activity Bond Allocation Usage

In order to most efficiently manage Private Activity Bond (PAB) usage, Virginia Housing limits the amount of PAB allocation for each 4% LIHTC deal to only what is needed to meet the LIHTC 50% Test. Virginia Housing will size the PAB allocation up to 55% of the aggregate basis of the building and land: (1) at Loan Application when an unsigned, draft Form A referenced below is submitted, (2) when the Bond Questionnaire is submitted with a signed Form A during loan underwriting, and (3) when Form B referenced below is submitted prior to final Loan Review Committee approval and issuance of the mortgage loan commitment. During construction, the developer is expected to monitor LIHTC 50% Test compliance and to communicate any issues with Virginia Housing. Virginia Housing may issue additional tax-exempt bonds to satisfy the requirement up to 55%.

### Instructions & Timeline:

1. When determining the aggregate amount of Tax Exempt bond proceeds for the following forms, all Virginia Housing mortgage loan sources should be included. These include sources labeled Virginia Housing Tax Exempt, REACH Virginia, and Virginia Housing GAP. It is likely that any amount to be financed with taxable sources will be allocated first to the REACH Virginia portion of the mortgage loan.
2. A Draft/Unsigned Form A – Private Activity Bond Allocation Usage form should be included with the submission of the Virginia Housing Loan Application.
3. Form A – Private Activity Bond Allocation Usage – Accountant form must be included with the submission of the Virginia Housing Developer’s Tax Certificate (also known as the Bond Questionnaire).
  - Form A must be signed by the borrower and the borrower’s accountant.
  - Please attach your current LIHTC 50% test calculations. An example template can be found in Exhibit A.
4. Form B - Private Activity Bond Allocation Usage - LIHTC Investor form will need to be submitted prior to the final Virginia Housing Loan Review Committee that is required to issue the Virginia Housing mortgage loan commitment.
  - Form B must be signed by borrower and LIHTC Investor.
  - Please attach your current LIHTC 50% test calculations.
5. Virginia Housing expects that the borrower and LIHTC Investor will be monitoring the 50% test throughout construction. In the event there is a 50% test deficiency, please contact your Virginia Housing Development Officer to discuss next steps and the potential for additional tax exempt bond issuance.



Form A - Private Activity Bond Allocation Usage  
Form – Accountant’s Submission

**PROJECT NAME:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**PREPARED BY:** \_\_\_\_\_

Unrelated to the tax compliance intended to be established by the Developer’s Tax Certificate related to tax exemption on the Bonds, we have obtained and read (i) Developer-provided documentation indicating the Developer expects to receive volume cap tax-exempt bond proceeds of \$\_\_\_\_\_ ; (ii) financial forecast and projections as provided by the Developer illustrating costs that are expected to be incurred in connection with the development of the Project; and (iii) IRC Section 42(h)(4)(B) and the Treasury regulations thereunder, specifically those portions related to the 50% requirement and have assessed the reasonableness of the amounts shown as the Project’s aggregate basis and determined \_\_\_\_\_% of the Project’s Aggregate Basis is projected to be financed with proceeds from Tax-Exempt bonds in accordance with IRC Section 42(h)(4)(B).

\_\_\_\_\_  
Legal Name of Mortgagor

\_\_\_\_\_  
Name of Accounting Firm

\_\_\_\_\_  
Signature of Mortgagor / (Date)

\_\_\_\_\_  
Signature of Accountant / (Date)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title



Form B - Private Activity Bond Allocation  
Usage Form – LIHTC Investor’s Submission

PROJECT NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

PREPARED BY: \_\_\_\_\_

Unrelated to the tax compliance intended to be established by the Developer’s Tax Certificate related to tax exemption on the Bonds, we have obtained and read (i) Developer-provided documentation indicating the Developer expects to receive volume cap tax-exempt bond proceeds of \$\_\_\_\_\_ ; (ii) financial forecast and projections as provided by the Developer illustrating costs that are expected to be incurred in connection with the development of the Project; and (iii) IRC Section 42(h)(4)(B) and the Treasury regulations thereunder, specifically those portions related to the 50% requirement and have assessed the reasonableness of the amounts shown as the Project’s aggregate basis and determined \_\_\_\_\_% of the Project’s Aggregate Basis is projected to be financed with proceeds from Tax-Exempt bonds in accordance with IRC Section 42(h)(4)(B).

\_\_\_\_\_  
Legal Name of Mortgagor

\_\_\_\_\_  
Name of LIHTC Investor Firm

\_\_\_\_\_  
Signature of Mortgagor / (Date)

\_\_\_\_\_  
Signature of Authorized Officer / (Date)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

# EXHIBIT A – Example Template of LIHTC 50% Test Calculation

An Excel version of this document is available

50% AGGREGATE BASIS TEST COSTS  
AS OF <Insert Date>

Item	Cost	Tax Exempt Bond Aggregate Basis Cost
<b>1. Contractor Cost (Per AIA application)</b>		
A. Off-Site Improvements		
B. Site Work		
C. Geothermal System		
D. Unit Structures (New)		
E. Unit Structures (Rehab)		
F. Solar Electric System		
G. Asbestos Removal		
H. Demolition		
I. Commercial Space Costs		
J. Structured Parking Garage		
K. Subtotal A: (Sum 1A..1J)		
L. General Requirements		
M. Builder's Overhead		
( <u>1.6%</u> Contract)		
N. Builder's Profit		
( <u>4.9%</u> Contract)		
O. Bonding Fee		
P. Other		
Q. Contractor Cost		
Subtotal (Sum 1K..1P)		
<b>2. Owner Costs</b>		
A. Building Permit		
B. Arch./Engin. Design Fee		
( <u>1,374</u> /Unit)		
C. Arch. Supervision Fee		
( <u>458</u> /Unit)		
D. Tap Fees		
E. Soil Borings		

Item	Cost	Tax Exempt Bond Aggregate Basis Cost
<b>2. Owner Costs Continued</b>		
F. Construction Loan		
Origination Fee and Costs		
G. Construction Interest		
H. Taxes During Construction		
I. Insurance During Construction		
J. Cost Certification Fee		
K. Title and Recording		
L. Legal Fees for Closing		
M. Permanent Loan Fee and Costs		
N. Other Permanent Loan Fees		
O. Credit Enhancement		
P. Mortgage Banker (Broker Fee)		
Q. Environmental Study		
R. Structural/Mechanical Study		
S. Appraisal Fee		
T. Market Study		
U. Operating Reserve		
V. Tax Credit Fee		
W. <b>OTHER</b>		
(SEE PAGE 19A) (next page)		
X. Owner Cost		
Subtotal (Sum 2A..2W)		
<b>Subtotal 1 + 2</b>		
(Owner + Contractor Costs)		
<b>3. Developer's Fees</b>		
<b>4. Owner's Acquisition Costs</b>		
Land		
Existing Improvements		
Subtotal 4:		
<b>5. Total Development Costs</b>		
Subtotal 1+2+3+4:		

**Total Aggregate Basis Costs** \$

**50% coverage calculations**

Tax exempt bond proceeds	\$
% of aggregate basis costs covered	%