

October 30, 2023

Tax-Exempt Financing 2024 Application Dates & Tax-Exempt Bond “Fast-Track” Financing Pilot

Tax-Exempt Financing 2024 Application Dates

Virginia Housing has established application deadlines for four potential tax-exempt rental housing bond issues for the 2024 calendar year (to the extent there is sufficient demand). Given recent increases in Private Activity Bond (PAB) usage and an increase in tax-exempt loan applications, Virginia Housing is working to actively manage the application and underwriting process, as well as to limit the use of PAB allocations to 55% relative to the LIHTC 50% test.

Because of the current application volume, it is essential that loan application packages are complete and project development is far enough along to have a realistic chance to meet the bond issue deadlines. A complete application should include:

- Zoning Report (**New**)
- Completed loan application
- 85% plans & specs
- Initial Tax-Exempt Checklist
- Draft/Unsigned Form A – Private Activity Bond Usage form
- Investor LOI
 - Bridge v Lender Term Sheet (if applicable)
- Documentation of all other funding sources shown in loan application

Application Deadlines

October 2, 2023 (**Past**)

January 15, 2024

May 1, 2024

July 1, 2024

As a general rule, the bond inclusion deadline (the date on which Virginia Housing must be in receipt of an executed commitment, any required points and evidence of satisfaction of all pre-pricing requirements) for each series will follow the application deadline by about 120 days. A basic schedule of milestones for each series will be available at application.

Please note that each application may have specific and unique requirements and deadlines based on the characteristics of the project. The Development Officer assigned to each application will provide that information.

NOTE: Virginia Housing does not guarantee that all applications will result in financing, either in a specific bond series or at all. The review of each application must be approved

on A&E review, underwriting, and successful review of required materials by Virginia Housing's external bond counsel. Further, Virginia Housing reserves the right to reduce the number of bond series offered based on demand, market conditions, or other factors.

Tax-Exempt Bond “Fast-Track” Financing Pilot

Virginia Housing is pleased to announce a fast-track, tax-exempt rental housing loan underwriting, Commitment and closing pilot program (the “Program”) for loan applications demonstrating a high degree of readiness and ability to deliver new units quickly. This Program is intended to primarily address the severe shortage of affordable rental housing inventory in the Commonwealth. The Program is also in response to forecasted continued high demand for Virginia Housing’s tax-exempt bond financing, anticipated increased scarcity of Virginia Housing’s private activity bond cap, and the significant increase in the complexity and completion period of developments seeking tax exempt bond financing. The Program will prioritize straightforward applications that can be processed, underwritten, closed, and completed most rapidly.

The Program is in an amount up to an aggregate \$150 million of Virginia Housing tax-exempt bond financing.

The Program will commence with applications for the third tax-exempt bond pricing of 2024 (currently expected to have a May 1, 2024, application deadline).

1. Developments having ALL of the following characteristics will be eligible to participate in the Program:

- a. New construction and adaptive reuse developments, to focus on new unit inventory.
- b. Developer will obtain fee simple title to the property (no ground leases or condominium regimes).
- c. Application contains a fully executed Virginia Housing Construction Loan - Letter of Intent and Good Faith Estimate. This to-be-developed form will require, among other things, (i) an expression of intent of the parties to enter into the Virginia Housing form contract documents, (ii) acknowledgment that an executed Virginia Housing form construction contract, without material revisions or addenda, will be required by the bond inclusion deadline, (iii) that Substantial Completion (as defined in the Virginia Housing contract documents) will be achieved in 20 months or less, (iv) acknowledgment of Virginia Housing’s completion assurance letter of credit requirement and certification of ability to post such letter of credit, and (v) a good faith estimate of preliminary construction costs. The form must be signed by the Owner, General Contractor and Architect of record. Eligibility for the pilot is subject to Virginia Housing’s determination that the estimated construction costs, construction period and other representations on the form are feasible for the development. All subordinate financing and equity sources do not contain terms requiring Virginia Housing review and/or negotiation (e.g., survivability of income and rent restrictions, loan purchase rights, intercreditor agreement, or a subordination, non-disturbance and attornment agreements (SNDA) such as with historic tax credits). Note that all standard Department of Housing and Community Development (DHCD) sources and Federal Home Loan Bank Affordable Housing

Program (AHP) loans are hereby pre-approved as eligible sources for the Pilot.

- d. Having site plan approval or no material issues, as determined by Virginia Housing, preventing receipt of such approval.
- e. Not co-located with another development in the same building, foundation, or pad (e.g., 9/4 hybrid or 4/4 hybrid in same building).
- f. Having 100% LIHTC units and credits purchased by a third-party investor.
- g. A firm commitment from the LIHTC investor/syndicator without material conditions, as determined by Virginia Housing, to closing. AND
- h. Developer has a proven track record of placing developments in service on schedule and on budget, as determined by Virginia Housing.

2. Selection of Developments for the Program, Program Benefits, and Conditions.

Developers wishing to participate in the Program must request a pre-application in-take conference with Virginia Housing tax credit, architecture and engineering (A&E), underwriting and legal department staff. Such request must be made in writing to RentalLending@VirginiaHousing.com no less than thirty days prior to the applicable application deadline announced by Virginia Housing (e.g., if the application deadline for the third pricing of 2024 is May 1, 2024, the deadline to request the in-take meeting will be April 1, 2024).

After the application is submitted, Virginia Housing's Rental Housing Development staff will review it and determine, in staff's sole discretion, whether the Development is eligible for the Program.

If selected for the Program, participating developments will receive priority in Virginia Housing's A&E review, loan underwriting, Loan Review Committee agenda, loan Commitment preparation and issuance, and Virginia Housing legal review and closing. Virginia Housing's Construction Control Officers will also prioritize developments in the Program for monthly construction inspections.

The Program is a pilot, and the Program may be paused, expanded or discontinued at any time. The Pilot is applicable only to tax-exempt bond financed developments.

There will not be a limit on the number of developments any one applicant or principal may have participate in the Program or on the dollar amount of individual loan requests, however, Virginia Housing reserves the right to implement such limits.

Developments not selected for the Program will be underwritten and closed on the traditional schedule and pursuant to standard procedures and timelines. These other deals remain an important piece of solving the inventory issue and providing affordable housing in the Commonwealth and, for now, will continue to be allocated the majority of Virginia Housing's tax-exempt bond financing funds.

Please send any questions regarding the Program to David Glassman at

David.Glassman@VirginiaHousing.com

We believe in the power of home to grow thriving communities across Virginia, and we thank you for being part of our mission.

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Virginia Housing | Rental Housing Division | 601 South Belvidere St., Richmond, VA 23220

[Unsubscribe christine.rayl@virginiahousing.com](mailto:christine.rayl@virginiahousing.com)

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