



Additional Private Activity Bond Issuance (Updated: 5/23/2023)

Purpose

In response to unprecedented construction cost and labor increases combined with oversubscribed Private Activity Bonds (PAB), Georgia Department of Community Affairs (DCA) will allow requests for additional bond issuance for 4% Housing Tax Credit Developments that would otherwise fail the 50% Test as required per Internal Revenue Code (IRC) Section 42(h)(4)(B).

This notice initiates a process for requesting additional bonds, which will remain open on an ongoing basis subject to an initial comparative review described below and the availability of funds. This is not a one-time opportunity. Applicants are encouraged not to submit requests for developments until it is certain that projected 50% test failure will stall all development progress.

Eligibility

The following requirements must be met to be eligible for additional PAB issuance:

- The development has already received a Letter of Determination (LOD) or 42(M) Letter from DCA.
- The development has already reserved or carried forward PAB allocation prior to Calendar Year 2023.
- Without the additional issuance of PAB, the development would fail the 50% Test.

Limitations

A request is limited to the amount that would achieve 52% of the development's updated projection for aggregate basis of land and building expenses that are to be funded by PAB.

- DCA reserves the right to exceed this limitation if it finds there are extraordinary circumstances for any request.
- DCA may further limit a request to an amount lower than 52% of the aggregate basis if the development is expected to place in service shortly.
- DCA reserves the right to enforce limitations in future competitive 4% application rounds on applicants who receive additional PAB, including, but not limited to, reducing the total amount of PAB funds that an applicant may request in future competitive rounds (e.g., DCA may elect to reduce the maximum PAB request in the subsequent competitive round for an applicants by 25% of their supplemental PAB amount).

Requests

Requests can be submitted to DCA anytime following the publishing date of this policy. DCA will update this policy at the point that requests exceed PAB availability, and subsequent requests received by DCA will be placed on hold pending additional funding availability.

To provide a more equal opportunity for those with an existing need for supplemental bonds, DCA will comparatively review all requests received between the date of the policy and June 7, 2023. Following this period, DCA will accept applications on a rolling basis, subject to available funds.

Applicants submitting a request must include the following:

- Narrative detailing the reason(s) that the initial PAB issuance(s) will not suffice for the development to satisfy the 50% Test.

- If costs have drastically increased, explain the applicant's efforts to reduce costs, including, but not limited to, a redesign, unit mix change, rebidding of the construction contract, or other measures.
- Narrative should explain reasoning for significant increases in the development budget, including subtotal costs (as stated within the DCA Core Application, Part IV. Uses) that have increased more than 10% from the original application.
 - DCA may request additional information for costs that have increased more than 10% from the original application
- Updated development timeline that contains the following dates (dates beyond the LOD/42(M) Letter date may be projected if they have not yet occurred):
 - LOD/42(M) Letter date (signed by DCA)
 - Closing date
 - Construction Commencement date
 - 50% Construction Completion date
 - 100% Construction Completion date
 - Placed-in-Service date
- Evidence that the local issuer has committed to the additional bond issuance (if the total amount now exceeds the original inducement resolution)
- Federal and State Investor(s) approval of the submission package

Requests must be submitted via [Microsoft Forms](#). Documentation must be uploaded via [Emphasys](#).

Prioritization

As described above, while DCA will accept applications on a rolling basis, DCA will comparatively review all requests received between the date of the policy and June 7, 2023 in an effort to provide a more equal opportunity for those with an existing need for supplemental bonds.

- Once requests for additional issuance exceed the amount currently available, DCA will prioritize requests based on the following characteristics: time sensitivity of additional PAB issuance, requests demonstrating the ability to return unused PAB from another awarded application, supplemental issuances smaller than \$2.5 Million or 5% of the Total Development Costs (whichever is more favorable for development), total supplemental requests made by a Certifying Entity, whether the development has passed 50% construction completion, and the ratio of additional PAB issuance to the number of low-income units.

Comments

DCA reserves the right to amend this policy at any time.

DCA reserves the right to approve, deny, or amend any request.

If there is not enough PAB capacity available in 2023, DCA may provide a comfort letter authorizing additional issuance in the future (pending the availability of bonds at that time).

DCA will publish a list of developments receiving additional bond issuance to the public DCA website.

No request is guaranteed to be approved by DCA, and all requests are subject to PAB availability. DCA encourages applicants to consider other options before pursuing additional bond issuance.