Tennessee Housing Development Agency

Housing Credit Monitoring 2025

COMPLIANCE AND ASSET MANAGEMENT DIVISION

Tennessee Housing
Development Agency

Housing Credit Monitoring 2025

Annual Reporting Requirements:

- Due the first business day in March, each year (deadline for both the OAC & the Tenant Events).
- Late fees will be assessed in accordance with the applicable Qualified Allocation Plan (QAP).

Owner's Annual Certification (OAC):

- The OAC is in the form of a questionnaire that must be completed in THOMAS. This requirement can only be submitted by the property's assigned Owner Administrator (Owner Admin).

Tenant Events Upload:

- All tenant files from the previous reporting year (1/1 thru 12/31) must be uploaded for all tenants. This requirement can be completed by the property's assigned Owner Admin or the Compliance Admin.
- Tenant Events can be entered manually or via XML (NAHMA 5.0 format).

Ownership/General Partner/Property Management Verification & Changes:

- 30 days prior to any proposed changes taking place.
- Initial notification is required via email to TNCompliance@thda.org.
- If the property is a TCAP or 1602 Property, any change must be approved prior to any change.
- Additional documentation will need to be submitted via email, and uploaded in THOMAS by the current and/or successor Owner Admin.

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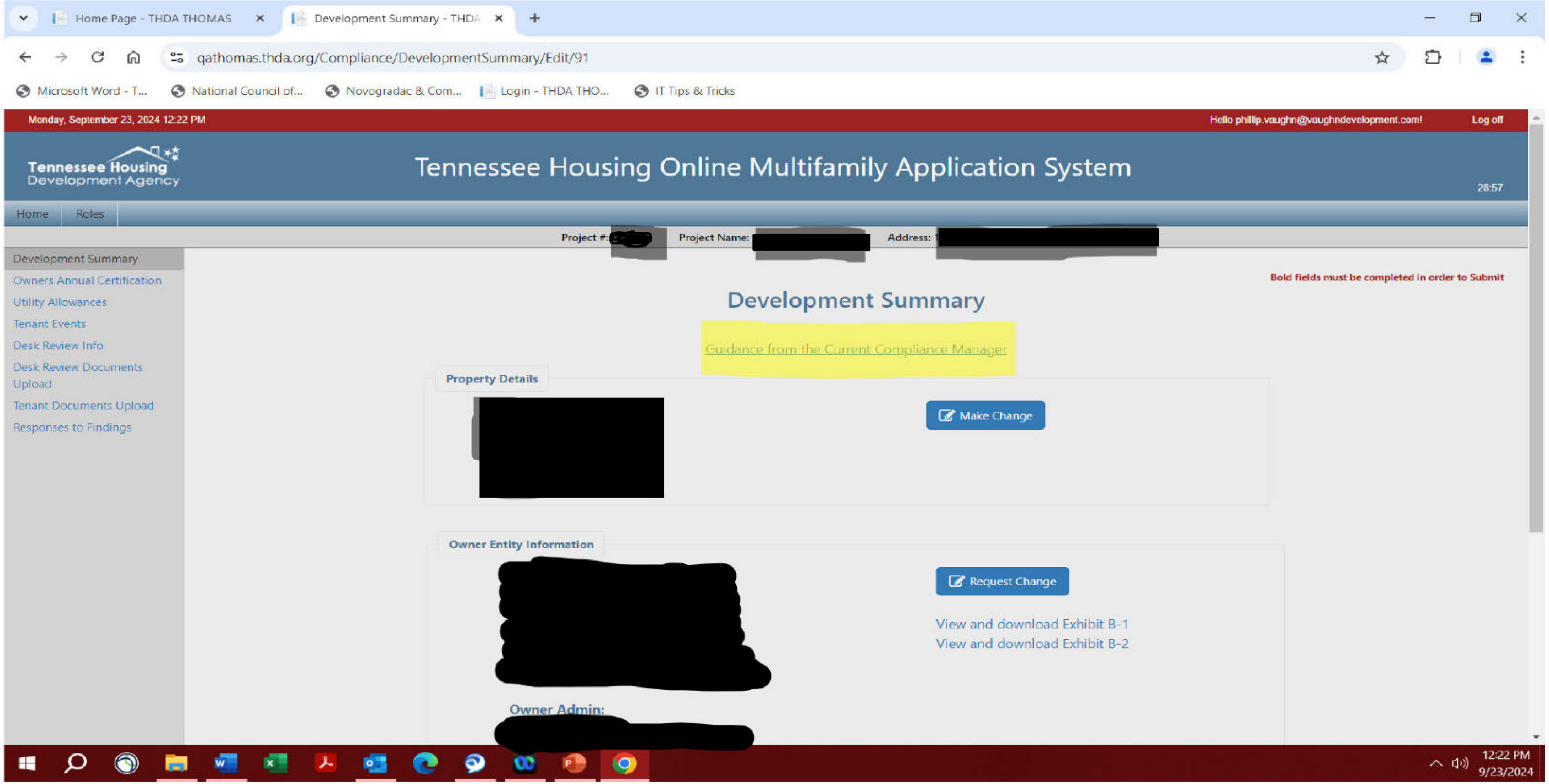

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SALE OF PROPERTY OR TRANSFER OF OWNERSHIP

As outlined in the Land Use Restrictive Covenants (LURC), the ownership entity shall notify THDA in writing at least 30 days prior to any sale, transfer, exchange, or refinance of the property, including foreclosure or instrument in lieu of foreclosure. Form Exhibit B-1 must be completed and submitted to THDA. In addition to a completed Exhibit B-1, the following documentation must be provided, if requested by THDA, as applicable:

- Executed property sales contract (for sales transactions);
- Copy of all the closing documents with evidence of recording satisfactory to THDA on all recorded documents (for sales or refinance transactions);
- Copy of permanent financing documentation (for sales or refinance transactions);
- Subordination agreement to permanent financing document, when applicable (for sales or refinance transactions);
- Amendments or attachments to the LURC after recordation, when applicable (for sales or refinance transactions);
- Additional assignment and assumption of interests (for sales or refinance transactions);
- New partnership agreement, if applicable (for sales or refinance transactions);
- Organizational chart of the current and new ownership entity;
- Attachment 23 Disclosures for all individuals identified in the ownership structure (for sales and refinance transactions).

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GENERAL PARTNER CHANGE OR TRANSFER

If a property has a change in General Partner, a letter from the owner must be provided notifying THDA thirty (30) days prior to the change. Form Exhibit B-2 must be completed and submitted to THDA.

In addition to a completed Exhibit B-2, the following documentation should be provided:

- Amended and restated partnership agreement (for OVERALL and MANAGING GP changes);
- Assignment and assumption of General Partner interests (for OVERALL changes);
- Organizational chart of the new ownership entity (for OVERALL changes);
- Attachment 23 Disclosures for all individuals identified in the ownership structure (for OVERALL changes).

PROPERTY MANAGEMENT COMPANY CHANGE

If a property has a change in the Management Company, a letter from the owner should be provided notifying THDA thirty (30) days prior to the change. Form Addendum A must be completed and submitted to THDA.

In addition to a completed Addendum A, the property management company must be actively certified in THDA's Certified Property Management (CPM) program.

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Please note if the property is a 1602 or TCAP, a sale or change must be approved prior to the sale or change.

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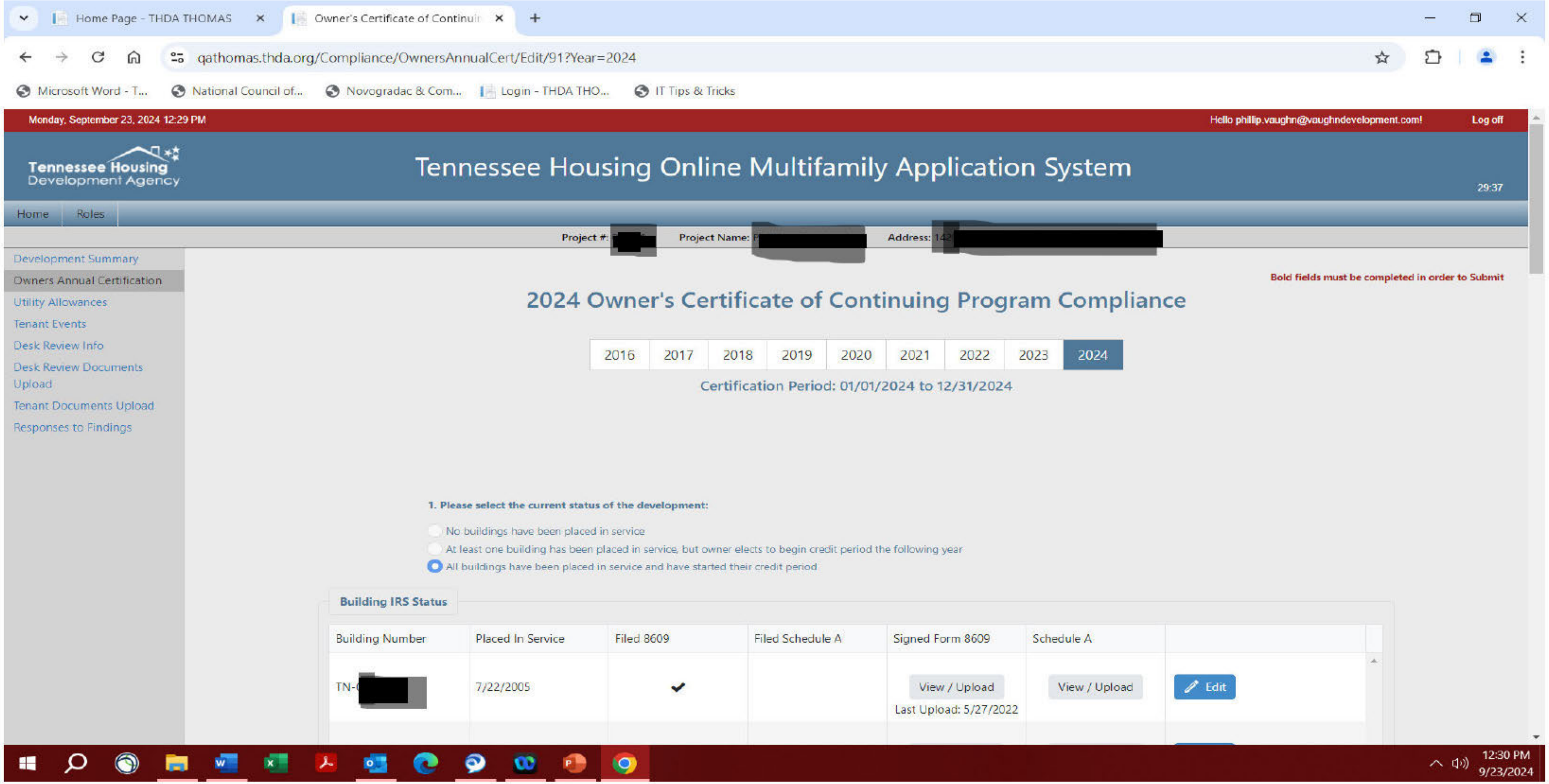

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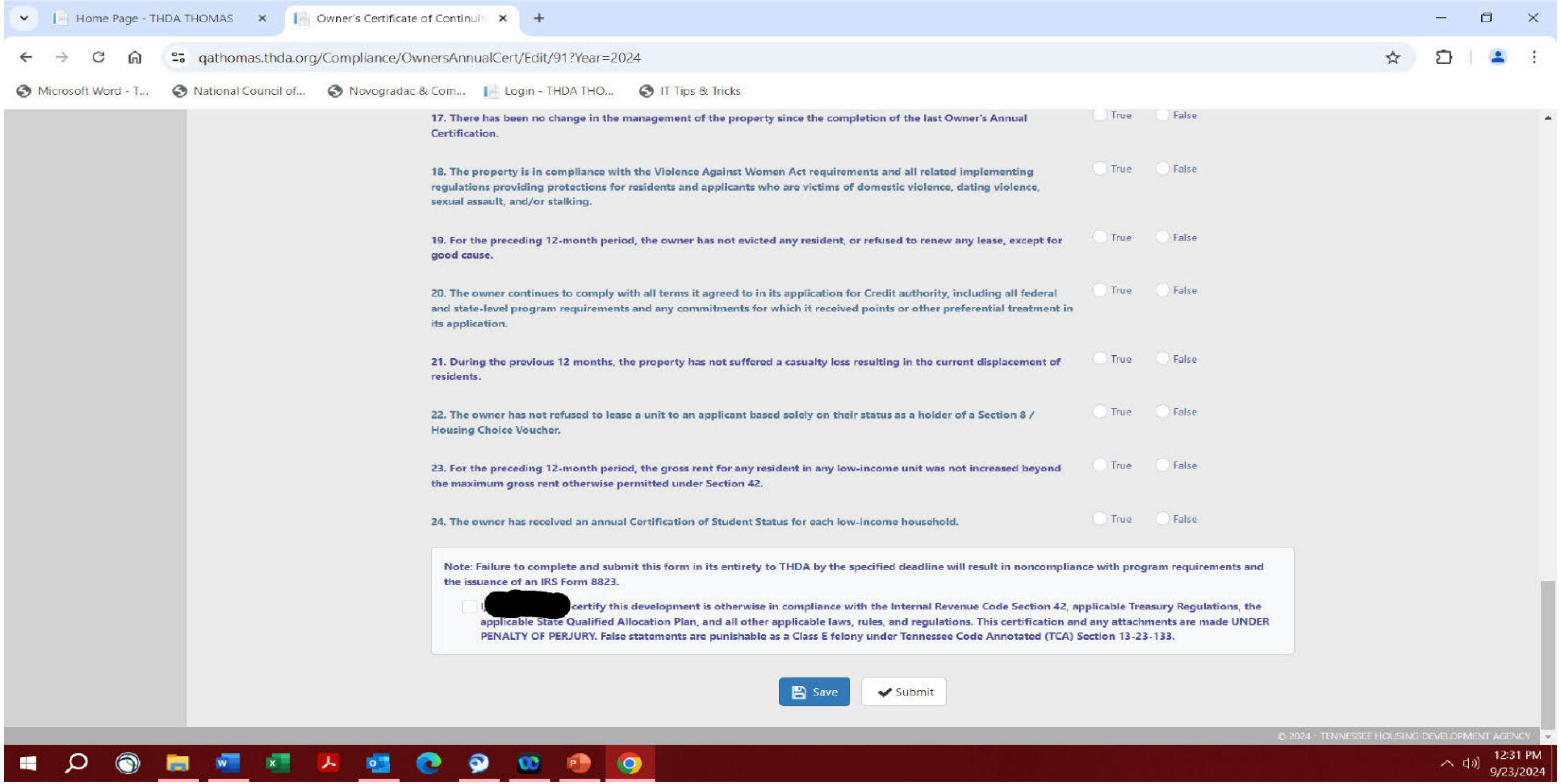

17. There has been no change in the management of the property since the completion of the last Owner's Annual Certification. True False

18. The property is in compliance with the Violence Against Women Act requirements and all related implementing regulations providing protections for residents and applicants who are victims of domestic violence, dating violence, sexual assault, and/or stalking. True False

19. For the preceding 12-month period, the owner has not evicted any resident, or refused to renew any lease, except for good cause. True False

20. The owner continues to comply with all terms it agreed to in its application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its application. True False

21. During the previous 12 months, the property has not suffered a casualty loss resulting in the current displacement of residents. True False

22. The owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 / Housing Choice Voucher. True False

23. For the preceding 12-month period, the gross rent for any resident in any low-income unit was not increased beyond the maximum gross rent otherwise permitted under Section 42. True False

24. The owner has received an annual Certification of Student Status for each low-income household. True False

Note: Failure to complete and submit this form in its entirety to THDA by the specified deadline will result in noncompliance with program requirements and the issuance of an IRS Form 8823.

I [redacted] certify this development is otherwise in compliance with the Internal Revenue Code Section 42, applicable Treasury Regulations, the applicable State Qualified Allocation Plan, and all other applicable laws, rules, and regulations. This certification and any attachments are made UNDER PENALTY OF PERJURY. False statements are punishable as a Class E felony under Tennessee Code Annotated (TCA) Section 13-23-133.

Save Submit

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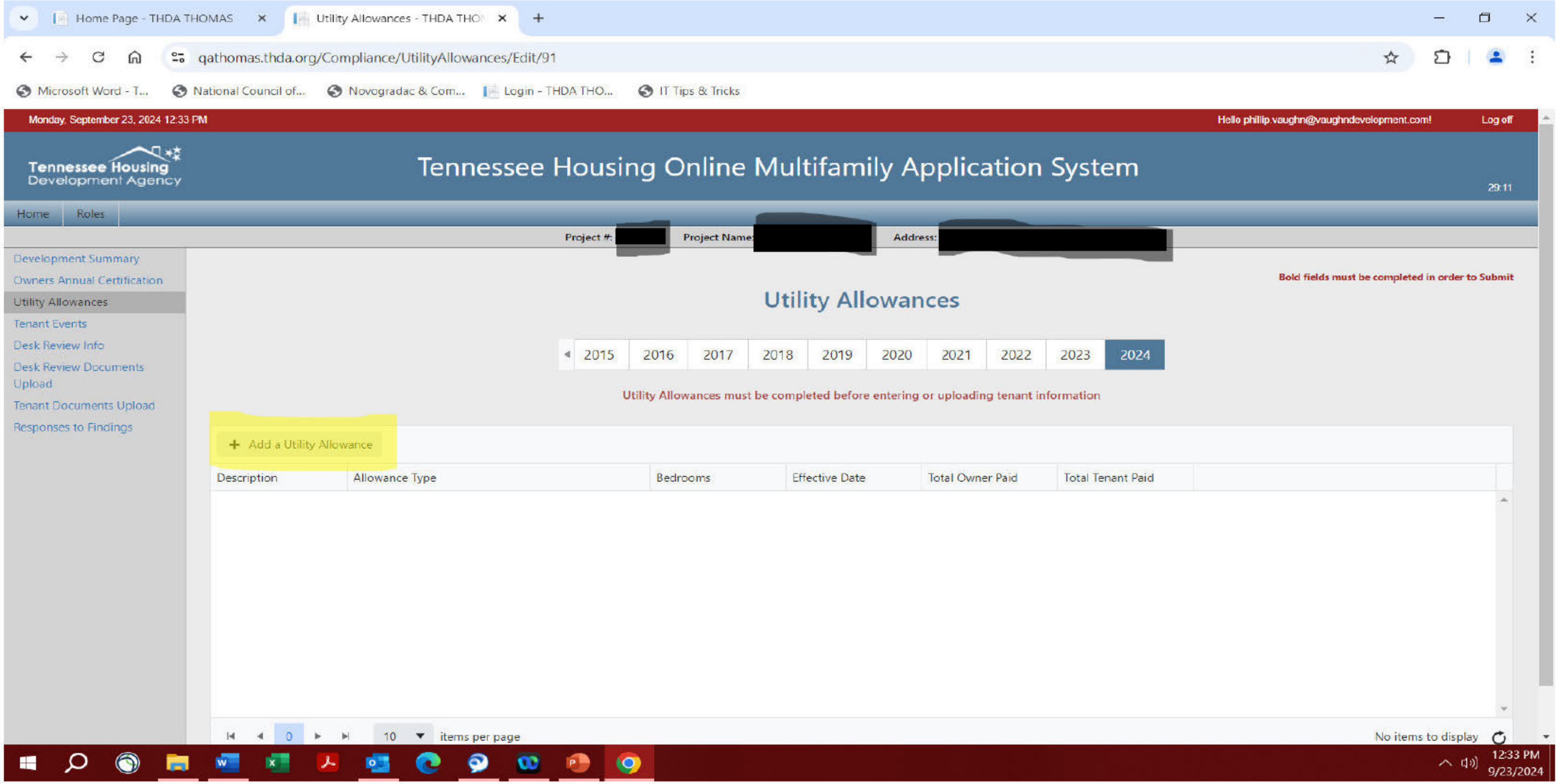

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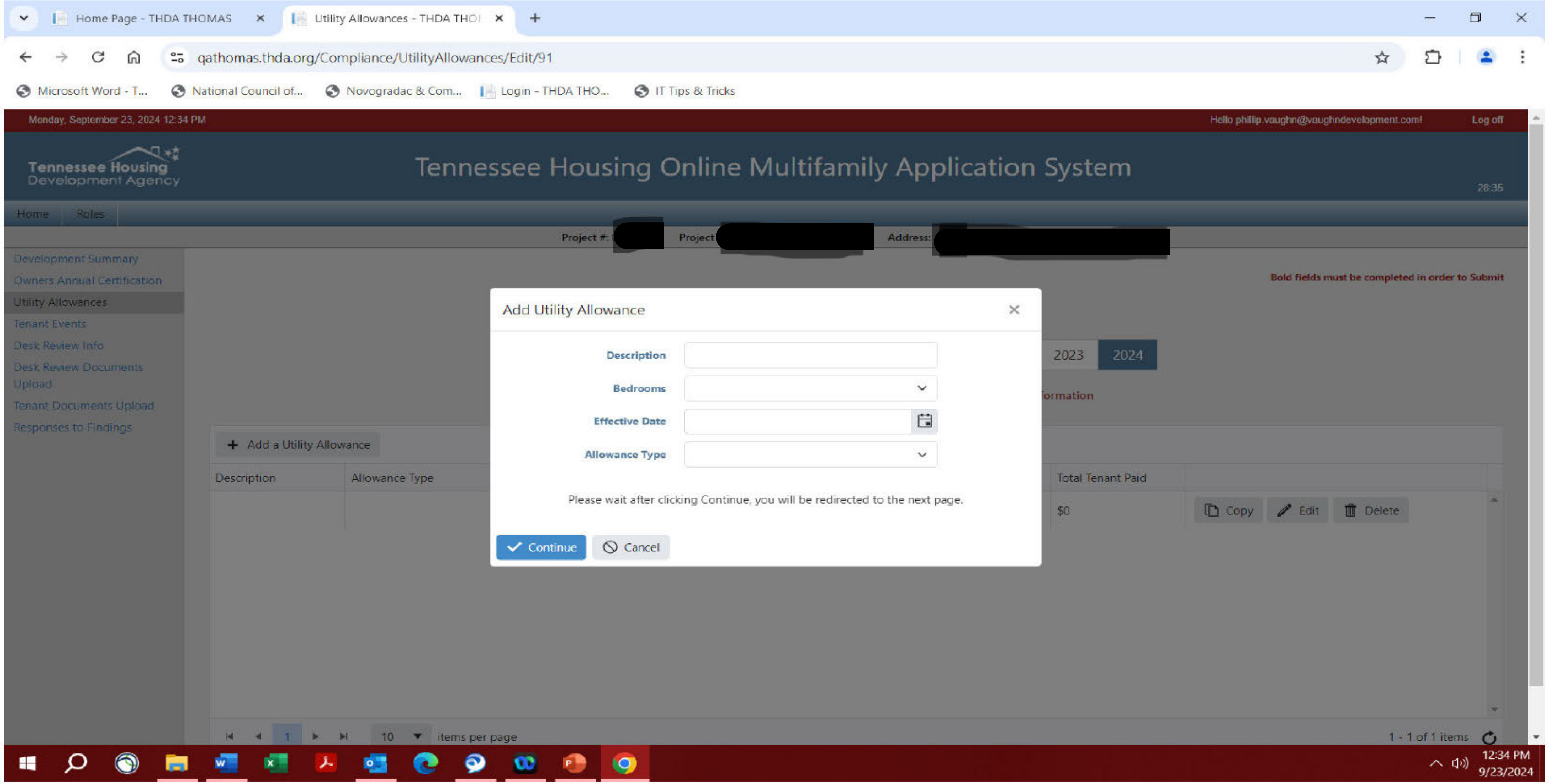

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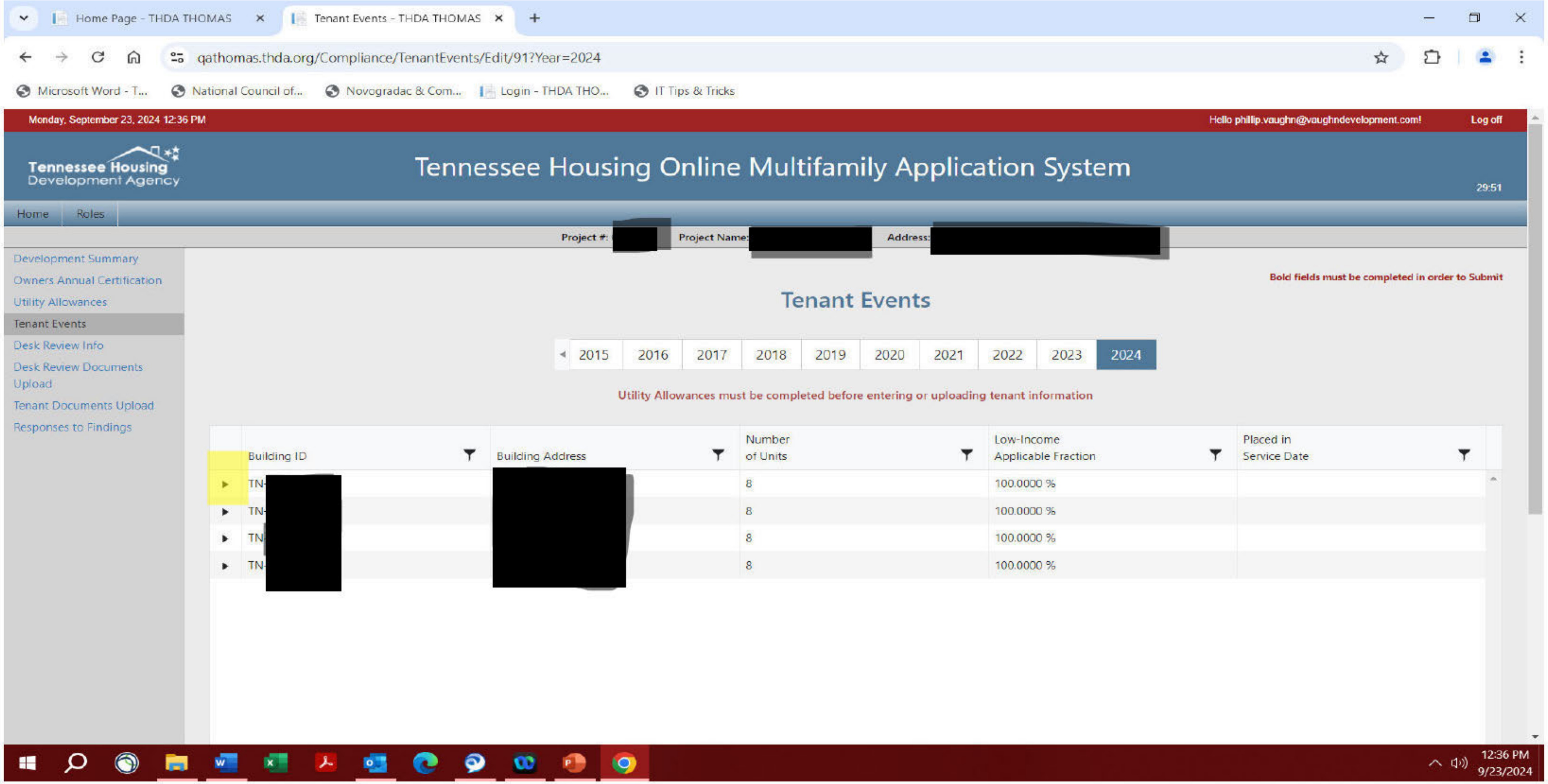

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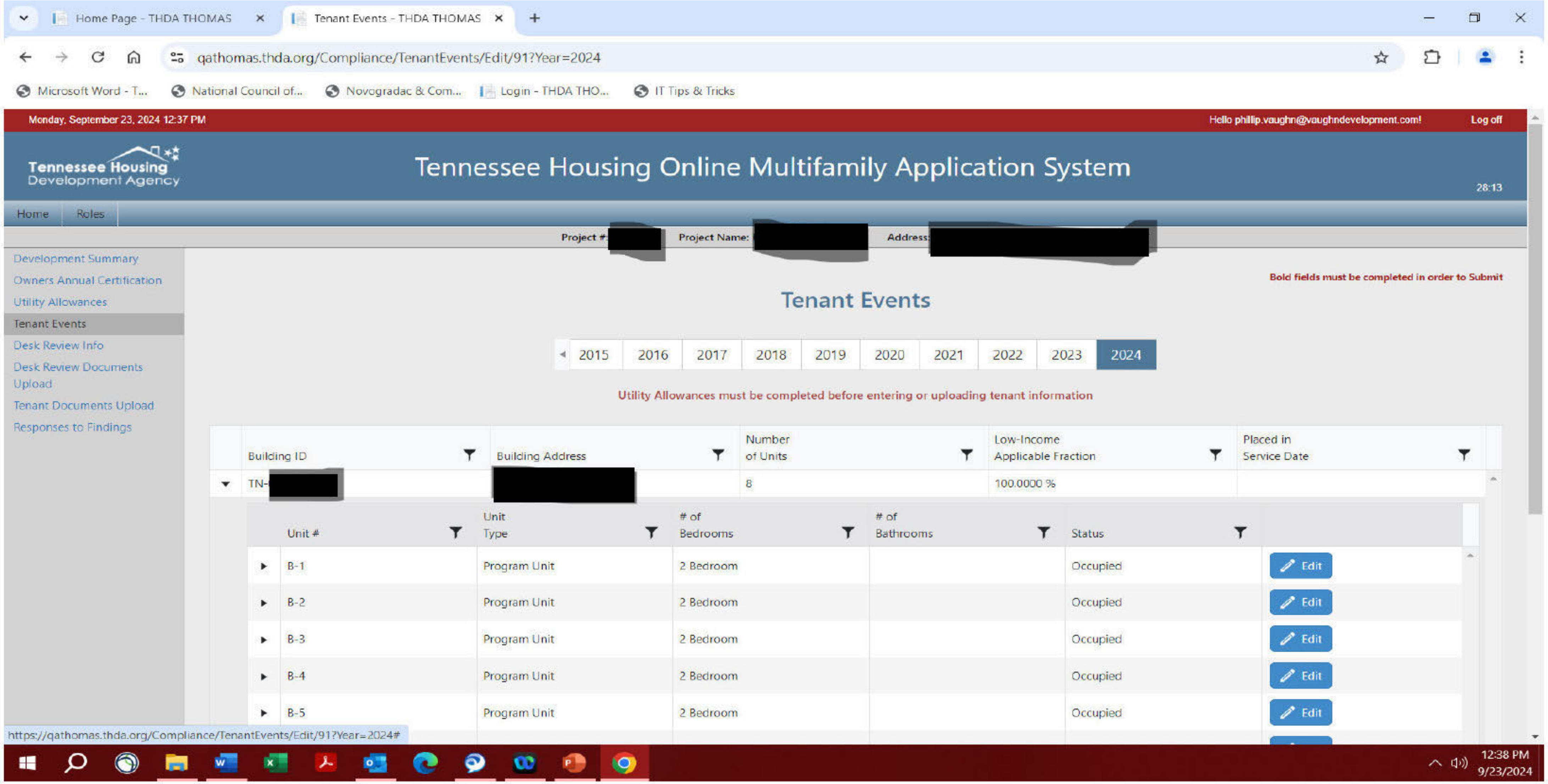

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Owners, Owner Agents, and Management Companies of Housing Credit Developments are subject to a file review of records and physical review of the buildings at least once every three years to meet IRS requirements.

§IRS 1.42-5 (c) (2) (A)

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Compliance Reviews are decoupled.

- Remote Desk Reviews
- On-site Physical Reviews

Housing Credit Monitoring 2025

Owners, Owner Agents, Management Companies, and THOMAS Compliance Admin will receive a THOMAS automated notice no earlier than 15 days from the date of the Remote Desk Review. The Physical Review process is currently being updated.

§IRS 1.42-5 (c) (2) (iii) (C) (1)

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Desk & Physical Review Notification:

➢ 15 days prior to a scheduled desk review, the property's Owner Admin and all Compliance Admins will be notified via an automated email from THOMAS. The Physical Review process if currently being updated.

Property Detail Verification (THOMAS):

➢ Owner Admin and Compliance Admin must verify all property details, ownership entity, and property management company info is correct in the Development Summary tab in THOMAS.

Desk Review Info (Questionnaire):

➢ Completed questionnaire must be submitted one week prior to the scheduled review date.

Desk Review Documents Upload:

➢ Required documentation must be submitted one week prior to the scheduled review date.

Tenant Documents Upload (Desk Review):

➢ All required files must be uploaded by 11:59 PM on the scheduled day of the Desk Review (upload window opens at 12:01 AM on the scheduled date).

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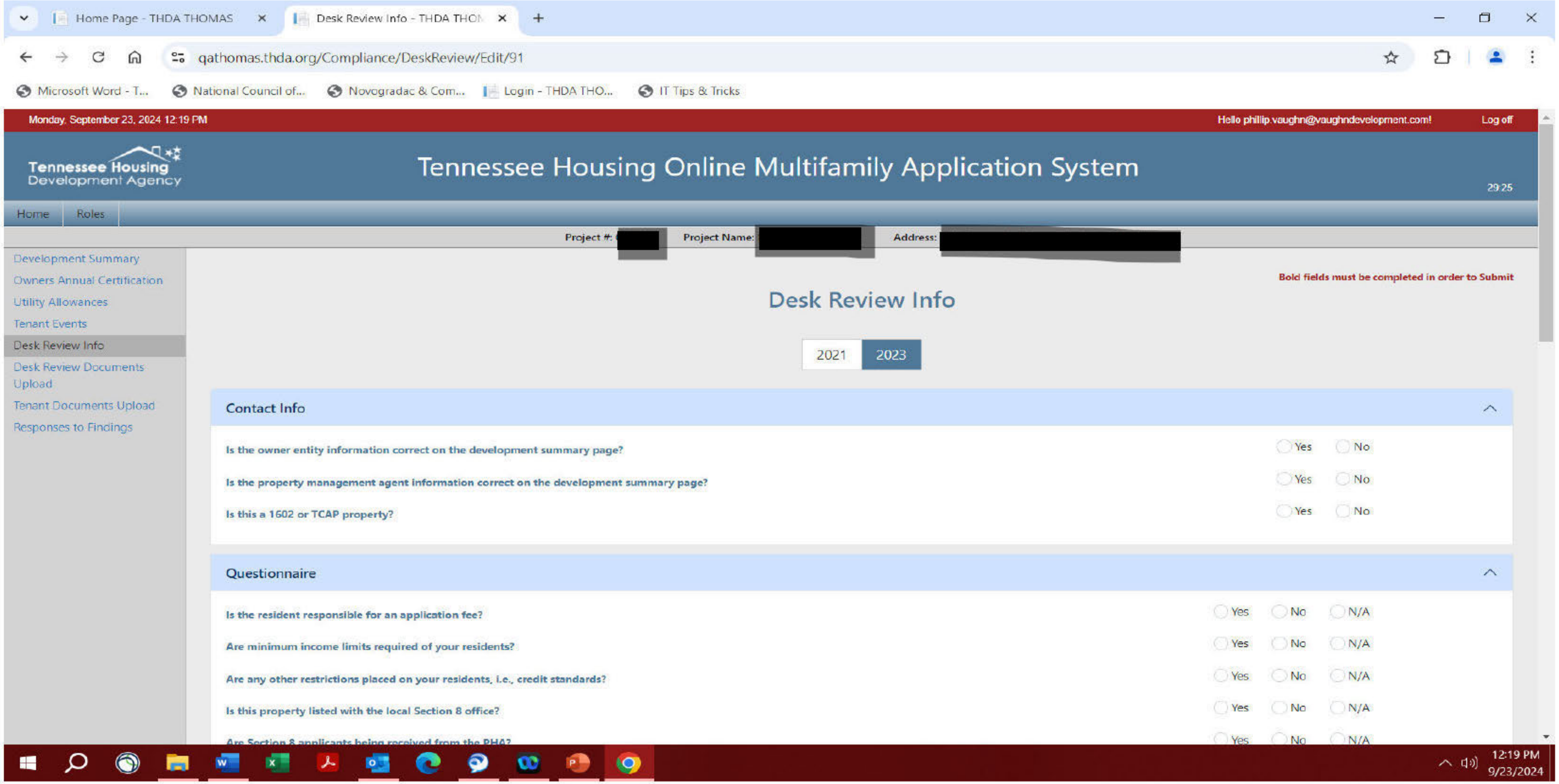

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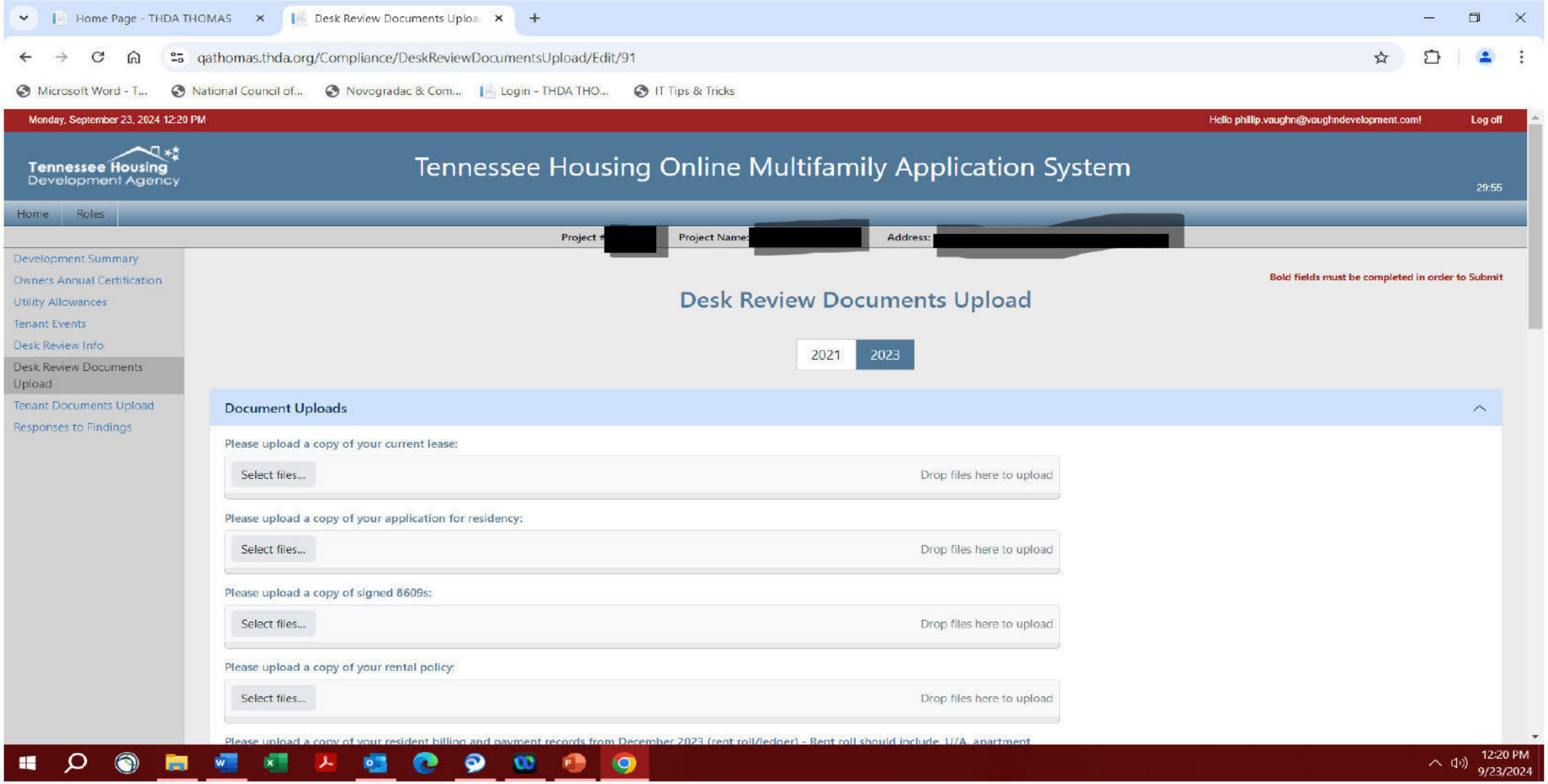

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Owners/OA/Management Companies - THOMAS Steps on the day of the Remote Desk Review

1. Review the Tenant Document Upload Screen (Tab #7) in THOMAS to identify the resident file information to be uploaded.
2. For each resident, upload the requested documents in the specific portals identified in THOMAS.
3. The deadline to upload resident file information is11:59 PM on the date of the review.

§142.5 (c) (2) (C) (iii)

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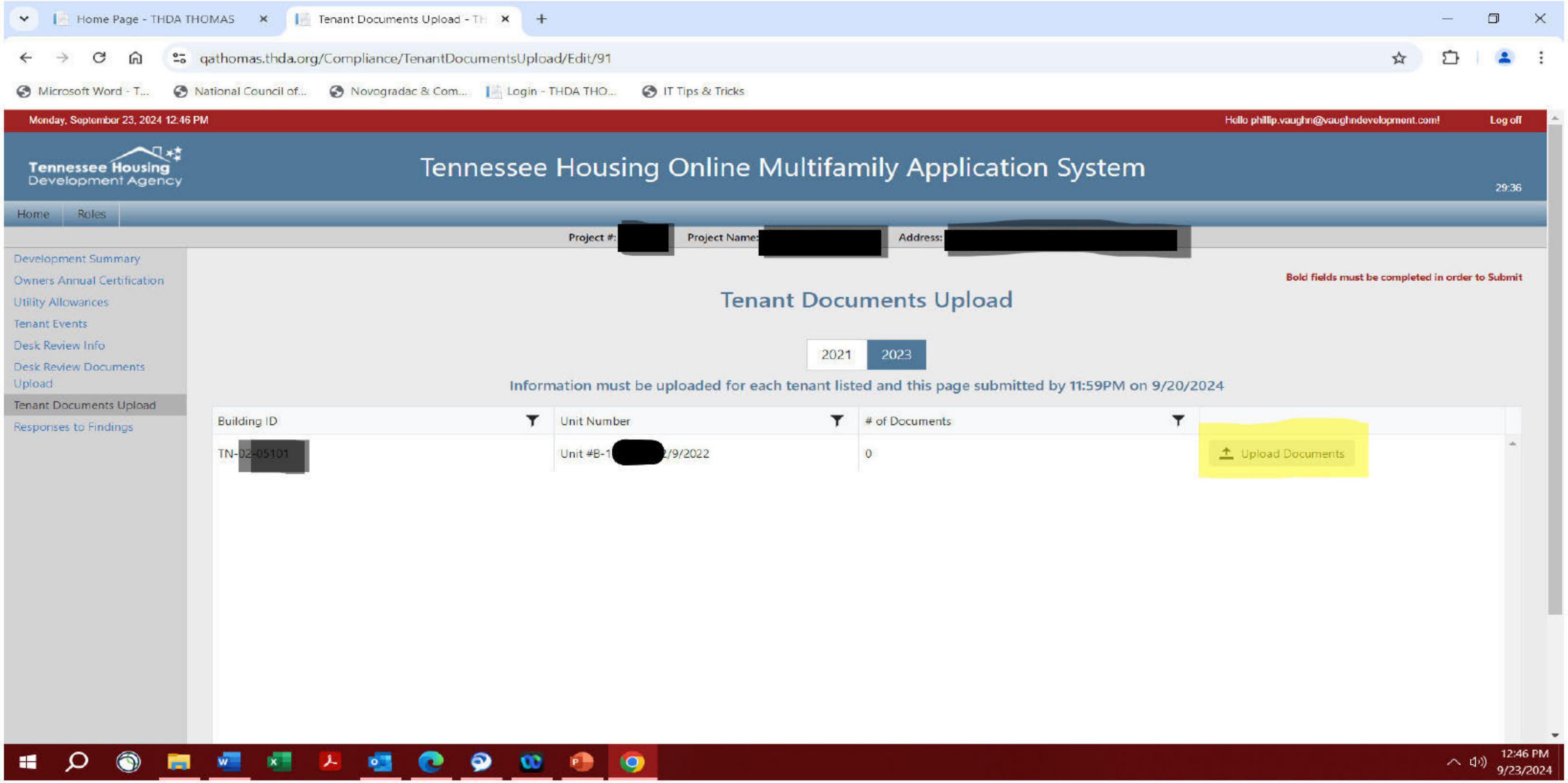

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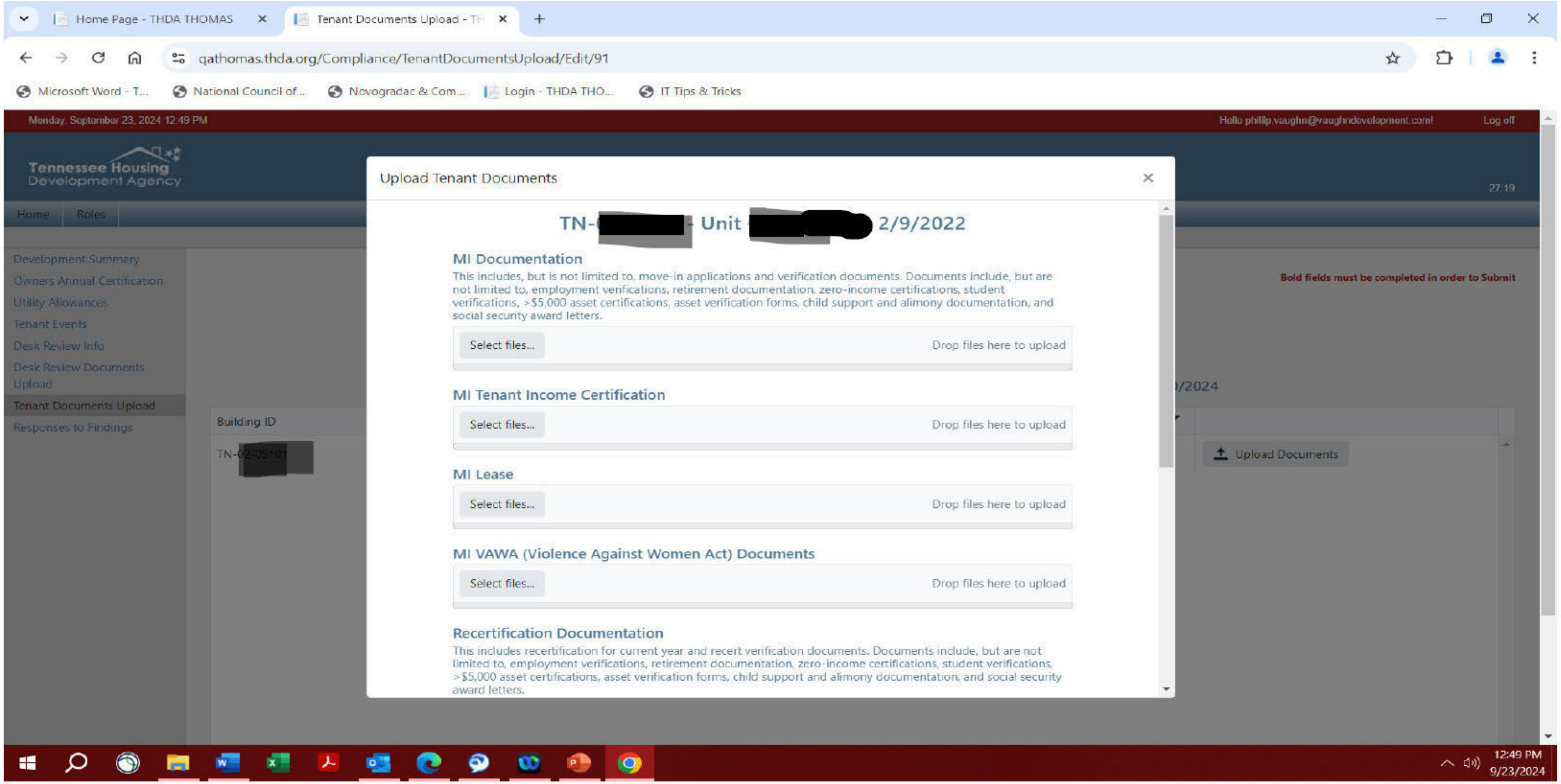

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UPLOADING TENANT DOCUMENTS (MOVE-INS)

MI Documentation (This section, in order as one attachment):

- Move-in Application
- Verification of Annual Income, Household size, and Utility Allowance by the Section 8 Administrative Agency for Section 8 Assisted Applicants(if applicable)
- Zero Income Certification (if applicable & if utilizing the TIC only)
- THDA Assets Under $5K Certification ***or*** Verification of Assets over $5K (if utilizing the TIC only)
- THDA Certification of Student Status
- Verification/Clarification Forms (as needed)

MI Tenant Income Certification:

- Move-in Tenant Income Certification (TIC)

MI Lease:

- Move-in Lease

MI VAWA (Violence Against Women Act) Documents:

- Signed VAWA Addendum

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UPLOADING TENANT DOCUMENTS (RE-CERTS)

Recertification Documentation (This section, in order as one attachment):

- Recert Application/Questionnaire
- Verification of Annual Income, Household size, and Utility Allowance by the Section 8 Administrative Agency for Section 8 Assisted Applicants(if applicable)
- Zero Income Certification (if applicable & if utilizing the TIC only)
- THDA Assets Under $5K Certification ***or*** Verification of Assets over $5K (if utilizing the TIC only)
- THDA Certification of Student Status
- Verification/Clarification Forms (as needed)

Recertification Tenant Income Certification:

- Recertification TIC ***or*** Continuing Residency Certification (CRC - if permitted)
- Form CRC is permitted only for 100% low-income properties beginning in year three (2nd annual recertification) for any given resident

Current Updated Lease:

- Current Renewal/Updated Lease

Recertification VAWA (Violence Against Women Act) Documents:

- Current VAWA documentation

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Desk & Physical Review Findings:

- Findings report will be sent within 30 days of the completed review date.

Desk & Physical Review Responses:

- Property corrections and responses are due 30 days from the date the findings report is sent.

Physical Review:

- Will be conducted, on-site, using the National Standards for the Physical Inspection of Real Estate (NSPIRE).
- Findings will be logged by the assigned inspector.

Exigent Health & Safety Responses:

- All EH&S deficiencies should be resolved within 24 hours.
- Completed work orders and/or proof that all deficiencies have been resolved should be sent to THDA (via email) within three business days.
- EH&S documentation should also be included with the property's responses to the overall findings report.

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THDA will review all information submitted in THOMAS

- Review and test documentation submitted for accuracy and completeness to the Owners' Annual Certification of Compliance (OAC), Form 8609, and Land Use Restrictive Covenant (LURC).
- Document findings, concerns and observations.
- Ensure all designated findings are citied to Internal Revenue Code (IRC) Section 42.
- Generate and send the Findings Report, noting a 30-day correction period for all findings.

Owner Admin/Compliance Admin
THOMAS process after receipt of Findings Report

- Review the Findings Report to ensure all findings, concerns and observations have been addressed and corrected.
- Prepare a response and provide documentation of each correction.
- Upload the response on the Response to Findings page (Tab #8) in THOMAS. The response can be uploaded by individual finding or, if there are multiple findings, the response can be consolidated into one document.
- The response must be uploaded by 11:59 PM on the deadline date.

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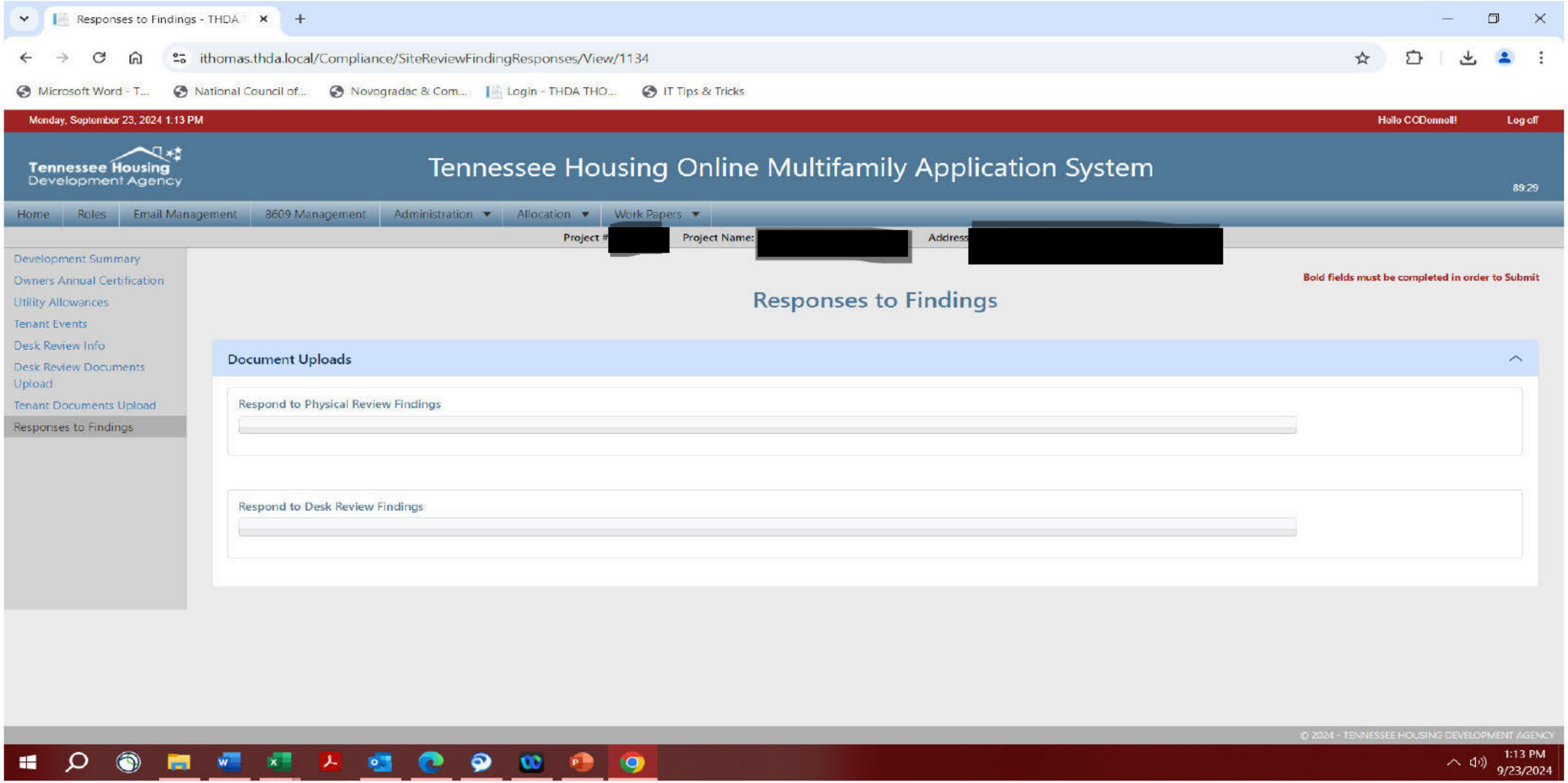

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After the Findings Report deadline, THDA will:

- Review the response to the Findings Report to ensure the noncompliance has been corrected, then issue a Closure Letter.
- Review response to Findings Report to see if there is proof the owner was always in compliance. If it is proven that owner was always in compliance, a Closure Letter is issued.
- Under section 42(m)(1)(B)(iii), issue Form 8823 and submit to the Internal Revenue Service ("IRS") with copy provided to owner. The 8823 will be submitted to the IRS whether the finding of noncompliance is corrected or not.
- The 8823 will be filed with the IRS no later than 45 days after the end of the correction period, including any extensions that have been granted.

§142.5 (e) (3) (i)

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Resources

Internal Revenue Code §42:
https://uscode.house.gov/view.xhtml?req=(title:26%20section:42%20edition:prelim)

Internal Revenue Code §1.42-5:
https://www.federalregister.gov/documents/2019/02/26/2019-03388/amendments-to-the-low-income-housing-credit-compliance-monitoring-regulations

Publication 5913 (Guide for Completing Form 8823):
https://www.irs.gov/pub/irs-pdf/p5913.pdf

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Resources

THDA Housing Credit Compliance Page:

Tennessee Housing Development Agency | Housing Credit Compliance (thda.org)

THOMAS Compliance Guide:

THOMAS Compliance Guide (thda.org)

Qualified Allocation Plans:
Tennessee Housing Development Agency | LIHC Allocations, QAPs, and Statistics

HUD Utility Allowance Schedule:
Tennessee Housing Development Agency | Utility Allowances

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Contact Us:

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Questions?

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Thank you for participating in our training.