Multifamily Housing Notice 06-1
October 13, 2006

To: Developers, Sponsors, and Local Housing Contacts

From: Patricia Rynn Sylvester, Director, Multifamily Housing

Re: Tax Credit Qualified Contract Procedures Under §42(h)(6) Released

Tax Credit Qualified Contract Procedures Under §42(h)(6) Released – final procedures for owners requesting Qualified Contracts are now available on the Department's website. The procedures only apply to properties that received an allocation of Low Income Housing Tax Credits (LIHTC) from CDA after 1989 and to those owners who did not waive their right to a qualified contract as a condition for an allocation of credits.

The procedures involve 4 major steps. The first requires owners to offer a letter of intent with the applicable fee no earlier than the end of the 14th year of the 15 year compliance period. CDA will then determine if the owner is eligible to request a qualified contract. If the owner is determined to be eligible, in steps 2 and 3, the owner will be instructed to provide additional materials and due diligence fees acceptable to CDA before CDA will approve the qualified contract price and allow the one year qualified contract period to commence. The final step involves the actual offer of a qualified contract. If at the end of the 1 year qualified contract period, CDA is unable to offer the owner a qualified contract from a bona fide purchaser willing to maintain the property's affordable use restrictions, the owner may end the property's LIHTC use restrictions after a 3 year vacancy decontrol period. On the other hand, if a bona fide contract is offered before the end of the 1 year period, and the owner declines to accept the contract, the LIHTC use restrictions will remain in place for their original term. Please remember that these procedures only affect the use restrictions imposed under §42 of the Internal Revenue Code. Use restrictions imposed by other programs or financing are unaffected.

Questions and comments on the procedures are welcome and may be submitted to CDA at taxcredits@mdhousing.org at any time. The procedures are effective November 1, 2006 and are subject to change without notice in the event of additional regulatory guidance from the Internal Revenue Service (IRS).

Remember that we are announcing future round deadlines, significant application changes, bond program amendments and other key dates and facts on our web site and by e-mail only. Please make sure that we have your correct and current e-mail address. Please send any additions or corrections to taxcredits@mdhousing.org or RentalHousing@mdhousing.org as soon as possible. As always, we thank you for your interest and participation in the multifamily housing programs in Maryland . We can be contacted at RentalHousing@mdhousing.org or by telephone at (410) 514-7446.

For More Information, Contact:

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