

# Discussion of State HFA Policies

- State HFAs should not in any way cap the amount of developer fee that is allowed in a 4% transaction. This is for obvious reasons (maximizing LIHTC basis which results in more equity and ultimately more viable transactions).
- State HFAs should allow the private sector (lenders and LIHTC investors) to engage and determine appraised value of assets as these are the entities who are ultimately at risk and bound by broad ethical standards.
- State HFAs should allow Seller Notes (Tax exempt and Taxable) which can generate more acquisition basis and equity and in the case of subordinate tax exempt bonds taken back by a seller help satisfy the 50% test.
- State HFAs should establish minimum rehab standards and scope based on the relevant sections of the Internal Revenue Code and not set arbitrary minimum numbers and minimum scope as every asset and market is different.
- Especially in states where they have excess unused private activity bond volume, states should not impose layers of affordability which are more rigorous than federal standards, unless coupled with additional state subordinate loan funding.