

Preliminary Determination Letter

Section 42 (m)(2)(D) provides that in order for a project to receive an allocation of tax credits through the issuance of tax exempt bonds the governmental unit which issues the bonds (or on behalf of which the bonds were issues) must make a determination that the credit amount to be claimed does not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified housing project throughout the credit period.

The determination by the issuer shall be made in a manner consistent with the tax credit allocating agency (MHFA or appropriate suballocator) Qualified Allocation Plan and Housing Tax Credit Procedural Manual. Section 42 requires that the issuer evaluation must consider:

- The sources and uses of funds and the total financing planned for the project;
- Any proceeds or receipts expected to be generated by reason of tax benefits;
- The percentage of the housing credit dollar amount used for project costs other than the costs of intermediaries; and
- The reasonableness of the developmental and operations costs of the project.
- A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the credit allocation is made, and at the developer's expense by a disinterested party approved by the allocating agency.

This determination must be made **prior to the issuance of the bonds**.