

**Montana Board of Housing  
Montana Housing Tax Credit Program**

**Qualified Contract Process  
And Instructions for  
Calculation of the Qualified Contract Price**

Properties awarded Low-Income Housing Tax Credits under the Montana Housing Tax Credit Program are subject to certain restrictions set forth in Section 42 of the Code, which restrictions must be provided for and documented in Restrictive Covenants. The Section 42 requirements apply during an Extended Use Period, which includes an initial Compliance Period of fifteen (15) years plus an additional period of fifteen (15) or more years. Applicants for tax credits may make a commitment to maintain units in accordance with the Section 42 restrictions beyond the minimum period of time and may be or may have been awarded additional points in the QAP evaluation scoring process for the Project based upon such agreement.

The Extended Use Period generally continues for at least thirty (30) years. However, for certain Eligible Projects, the Extended Use Period may terminate earlier, (i) if the Owner submits a written request to MBOH in accordance with these requirements to find a person to acquire the Property, and (ii) if MBOH is unable to present within a one-year period a Qualified Contract for the acquisition of the Property by any person who will continue to operate the low-income portion of the building as a low-income building as defined in Section 42 of the Code.

**Eligibility for Qualified Contract Process**

The Qualified Contract process is available only for certain Projects with an Owner's minimum low-income commitment period that is less than fifteen (15) years beyond the initial 15-year Compliance Period, as specified in the Project's Restrictive Covenants. Under current program requirements, the owner must agree to a minimum low-income commitment period of fifteen (15) years beyond the initial 15-year Compliance Period, i.e., an Extended Use Period of at least thirty (30) years. Previously, however, some Projects provided for a minimum low-income commitment period of less than fifteen (15) years beyond the initial 15-year Compliance Period and an Extended Use Period of less than thirty (30) years. Only such Projects are eligible for the Qualified Contract process. Further, such Projects are eligible for the Qualified Contract process only if the process could result in a Qualified Contract or termination of the Extended Use Period at least one year earlier than the Extended Use Period would otherwise end under the terms of the Project's Restrictive Covenants. An "Eligible Project" is a Project meeting these criteria.

Eligible Projects may not initiate the Qualified Contract process until one year before the expiration of the Owner's minimum low-income commitment period specified in the Project's Restrictive Covenants. For example, the process could be initiated no earlier than the fifteenth year of the initial Compliance Period for an Eligible Project with an Owner's minimum low-income commitment of zero (0) years beyond the initial 15-year Compliance Period.

Projects will be held to the Owner's commitment as provided in the Restrictive Covenants and will not be permitted to terminate the Extended Use Period (including any portion of the Owner's commitment period) through the Qualified Contract process. The Qualified Contract process is subject to all applicable provisions of state and federal law and these requirements. Owners are encouraged to review their tax credit allocation applications submitted to MBOH and their Declaration of Restricted Covenants to determine if and when they are eligible to pursue the Qualified Contract process.

Notwithstanding the foregoing general eligibility requirements, the MBOH Board may in its sole discretion determine that a Project is eligible for the Qualified Contract process based upon extraordinary circumstances that threaten the ongoing viability of the Project to provide low-income housing in accordance with the Restrictive Covenants, including but not limited to a Project's documented extreme financial difficulties, so long as permitting the Project to pursue the Qualified Contract process is consistent with federal law.

### **Qualified Contract Process:**

The one-year period for finding a Qualified Contract buyer will not commence until after all required documents, information and payments have been submitted to and approved by MBOH and the physical inspection and file audit has been completed showing no substantial noncompliance as provided herein.

#### **1. Qualified Contract Request Letter and Agreement; Payment of Administration Fee**

To initiate the Qualified Contract process, Eligible Project owners must notify MBOH of their desire to sell the property through the Qualified Contract process by submitting a completed and executed Qualified Contract Request Letter and Agreement, in the form attached hereto as Attachment 1, together with payment of a ~~\$4,000.00~~20,000.00 non-refundable administration fee for processing the Qualified Contract Request. MBOH will not begin processing of the Request until and unless the ~~\$4,000.00~~20,000.00 administration fee has been paid in full.

#### **2. Completion/Submission of Qualified Contract Price Calculation Form**

Before the one-year period and marketing of the Property will commence, the Owner must complete and submit to MBOH the Calculation of the Qualified Contract Price form attached to these instructions as Attachment 2 (the "Calculation Form") and the additional information and documentation listed below.

The Owner must fully complete the Calculation Form, including all Exhibits. The Qualified Contract Price ("QCP") calculation will establish the minimum price at which MBOH will market the Property and present any offer(s) for its purchase. All calculations must be prepared in accordance with 26 CFR Part 1, Section 1.42-18, as amended, or any additional or replacement federal laws or regulations governing the Qualified Contract Price calculation. The Calculation Form must be prepared or reviewed, and also must be certified, by an Independent Third-Party Certified Public Accountant. The calculated sales price must also be certified by an Independent Third-Party Certified Public Accountant.

Also please note that federal regulations require that, if a purchaser is found, the Qualified Contract Price must be adjusted by the purchaser and the property owner to reflect changes in the components of the Qualified Contract Price, such as mortgage payments, that have reduced outstanding indebtedness between the time the original calculations were made and the sale closing date.

### 3. Additional Submission Requirements

In addition to the Request Letter, Fee Payment and Calculation Form, the Owner must submit to MBOH the following information and documentation:

- a. A thorough narrative description of the Property, including all amenities, sufficient to familiarize prospective purchasers with the Property;
- b. A detailed description of all income, rental and other restrictions applicable to the operation of the Property;
- c. A detailed set of digital photographs of the Property, including the interior and exterior of representative apartment units and buildings, and the Property's grounds, to be displayed on the MBOH website and in any other marketing materials;
- d. Copies of the last three years' operating statements for the Property showing annual operating expenses, debt service, gross receipts, net cash flow, and debt service coverage ratios;
- e. A current and complete rent roll for the entire Property;
- f. A copy of the land lease, if applicable; and
- g. Any additional financial and other information and documentation reasonably required and requested by MBOH for purposes of the Qualified Contract Price determination, appraisal, marketing and/or due diligence, including without limitation, copies of additional rent rolls, tax returns,

income certifications, repair and maintenance records, operating expenses and debt service information, and other due diligence documents.

4. Marketability of the property

The owner of the property shall make all repairs, modifications, etc., to the property as necessary to that will bring the property to a value at least as high as the sales price included in the Qualified Contract Request Letter and Agreement.

Physical Inspection and File Audit

Upon receipt of the Qualified Contract Request Letter and Agreement and administration fee, MBOH will perform, at the expense of the Owner, a complete physical inspection and file audit of the Property to determine whether the Owner and Property are in compliance with the provisions of Section 42 of the Code, the Declaration of Restrictive Covenants and MBOH requirements.

In addition to serving as the Physical Inspection required under this MBOH Qualified Contract Process (QCP), the inspection constitutes an On-Site Inspection under the Qualified Allocation Plan (QAP). Deadlines and other requirements of the inspection and related follow up and documentation will be specified by MBOH in accordance with MBOH's usual compliance process requirements and set forth in the Applicable QAP and MBOH policy. MBOH will process the qualified contract request in accordance with the QCP, but the QCP process will not limit MBOH's monitoring and enforcement of compliance under Section 42, the Declaration and the QAP.

If, at any time during the Qualified Contract process, MBOH determines that the Owner or Property is out of compliance with the provisions of Section 42 of the Code, the Declaration of Restrictive Covenants or MBOH requirements, MBOH will terminate the Qualified Contract process until such time as MBOH determines that the Owner or Property has achieved compliance.

5. Access to Property

The Owner must provide reasonable access to the Property and relevant files and records for inspection or audit by MBOH, its agents, appraisers, prospective purchasers and any other third parties reasonably required for purposes of the Qualified Contract process.

6. Payment of Fees and Expenses

The Owner must pay a ~~\$4,000.00~~20,000.00 non-refundable administration fee for processing a Qualified Contract Request, as required above in Section 1. In addition,

the Owner must pay MBOH's costs for the physical inspection and file audit required under Section 4, above, and, in the event that additional third-party reports are required by a potential buyer or MBOH, the Owner must pay the cost of the additional reports. All payments for such items must be made within thirty (30) days of the date of any invoice provided to the Owner. The Owner must pay for all third party costs incurred by MBOH in connection with the QCP process.

7. Program Compliance; Owner's Failure to Comply or Cooperate with Qualified Contract Process

If, prior to commencement of the one-year period, the Owner fails to provide any required information, documents or payments, fails to allow access to the Property for inspection or appraisal, or otherwise fails to cooperate in or perform any obligation specified herein, MBOH may cease further processing of the Request upon providing written notice to the Owner specifying the reason(s) for ceasing further processing, and the action(s) that must be taken by the Owner, the date by which such actions must be taken and the documentation, if any, of such actions that must be submitted to MBOH in order to obtain a resumption of Request processing. MBOH may permanently terminate the Qualified Contract process in the event of multiple instances of non-compliance/non-cooperation. In no event will the one-year period commence or be deemed to have commenced until the Owner meets all such requirements.

As provided in Section 4, above, if at any time during the Qualified Contract process, MBOH determines that the Owner or Property is out of compliance with the provisions of Section 42 of the Code, the Declaration of Restrictive Covenants or MBOH requirements, MBOH will terminate the Qualified Contract process until such time as MBOH determines that the Owner or Property has achieved compliance.

8. Qualified Appraisers

Owners and MBOH shall use only Montana-certified general appraisers for purposes of the Qualified Contract process. Neither Owner nor MBOH shall use any individual or organization as an appraiser if that individual or organization is currently on any list for active suspension or revocation for performing appraisals in any state or is listed on the Excluded Parties Lists System (EPLS) maintained by the General Services Administration for the United States Government.

9. Commencement of One-Year Period; Marketing of the Property

Once all required information, documents and payments are received, reviewed and approved, MBOH will notify the Owner in writing that the one-year period

has begun and will begin marketing the Property to the general public. MBOH will undertake reasonable marketing efforts, including posting the marketing information and Qualified Contract Price on the MBOH website and such other efforts as may be deemed reasonable in the sole discretion of MBOH to market the Property to the general public. The Owner must agree to list the Property for sale with a broker who works with affordable multifamily housing properties and must cooperate with the MBOH and such broker in their efforts to market the Property. Marketing of the property will continue until such time as title to the Property has been transferred or the one-year period has expired.

MBOH has the one-year period in which to market and find a buyer for the Property at or above the Qualified Contract Price. The qualified purchaser can be a nonprofit or for-profit entity that agrees to maintain the affordable housing units and fulfill all requirements of the extended use agreement. The proposed purchaser must demonstrate to MBOH's reasonable satisfaction that it is familiar with and prepared to comply with the requirements of the Low Income Housing Tax Credit ("LIHTC") program. MBOH, in its sole discretion, may reject purchasers who have failed to demonstrate proficiency with the LIHTC program or other government programs.

#### 10. Suspension or Termination of One-Year Period

MBOH may suspend the one-year period or terminate the Qualified Contract process if the Owner fails to comply or cooperate, or unreasonably delays in complying or cooperating, as required herein, including without limitation failure to respond to reasonable third-party report requests by MBOH or a potential buyer. MBOH may suspend the running of the one-year period upon providing written notice to the Owner specifying the reason(s) for such suspension, and the action(s) that must be taken by the Owner, the date by which such actions must be taken and the documentation, if any, of such actions that must be submitted to MBOH in order to restart the running of the one-year period.

MBOH may permanently terminate the Qualified Contract process in the event of multiple instances of or continuation of an ongoing non-compliance or non-cooperation with the Qualified Contract process, if the Owner again fails or continues to fail to comply or cooperate after MBOH has provided a written warning that further failure to comply or cooperate will result in such termination and loss of the opportunity to undertake the Qualified Contract process. In such event, the Restrictive Covenants shall remain effective for the full duration of the Extended Use Period term (including all of the Owner's commitment period) as specified in such Restrictive Covenants and the Owner and any successor in interest shall have no further opportunity to undertake the Qualified Contract process

11. Effect of Acceptance or Rejection of Qualified Contract Offers

A Qualified Contract is an offer determined by MBOH to constitute a bona fide offer to enter into a contract to acquire the non-low-income portion of the building (including the land underlying the entire building) for fair market value and the low-income portion of the building for an amount not less than the Qualified Contract Price, and which contract is determined by MBOH to: (i) provide for closing within a reasonable period of time after the contract is entered into; and (ii) contain no terms or conditions that are unreasonable or impractical under the circumstances.

The Owner is not required to accept the first or any purchase offer presented. However, if the Owner rejects or fails to act upon a Qualified Contract to purchase the Property at or above the QCP presented by a qualified purchaser, the Property will remain subject to the low-income housing commitment set forth in the Restrictive Covenants for the full duration of the Extended Use Period term (including all of the Owner's commitment period) specified therein. The Owner may accept less than the QCP but cannot require a price higher than the QCP. The Owner must notify MBOH of any purchase offers within one (1) business day of receipt.

During the one-year period in which the Property is marketed to the general public, MBOH may adjust the fair market value of the non-low-income portion of the Property only with the consent of the Owner. If the Owner and MBOH do not agree with respect to any proposed reduction of such fair market value, the fair market value of the non-low-income portion of the Property determined as of the commencement of the one-year period remains unchanged.

MBOH shall not be responsible for any closing costs, commissions, fees or other expenses of or related to the sale, purchase or closing. All such amounts shall be payable from closing proceeds and charged to the account of the buyer and/or seller as mutually agreed thereby.

12. Effect of No Qualified Contract

If the Owner has performed its obligations and cooperated in the Qualified Contract process and MBOH is unable to present to Owner a Qualified Contract before the expiration of the one-year period, the Section 42 restrictions set forth in the Restrictive Covenants shall be terminated, except with respect to the Section 42 tenant protections discussed below. For purposes of this paragraph, MBOH has presented a Qualified Contract within the one-year period if MBOH has notified the Owner of such Qualified Contract by email, facsimile transmission or deposit in the U.S. Mail on or before the last day of the one-year period.

In the event of a termination of the Section 42 restrictions set forth in the Restrictive Covenants as provided above, the Property shall remain subject to the tenant protection requirements of §42(h)(6)(E)(II), which provide that, prior to the close of the three-year period following such termination, no Owner shall be permitted to evict or terminate the tenancy (other than for good cause) of an existing tenant of any low-income unit or increase the gross rent for such unit in a manner or amount not otherwise permitted by Section 42 of the Code.

In such event, the Owner will be required, at the end of each year of the three-year tenant protection period, to provide certification to MBOH that these requirements have been met. In addition, the Owner will provide written notice to the existing tenants within thirty (30) days after the beginning of the three-year period and annually thereafter for the next two (2) years that the low-income use restrictions have been terminated and of the Section 42 tenant protections provided during the three-year time frame.

In the event of and following such termination of the Section 42 restrictions set forth in the Restrictive Covenants, MBOH shall provide to Owner a partial release reflecting release of the restrictions other than the three-year tenant protections. Following the end of the three-year period, MBOH shall provide to Owner such further release as is necessary and appropriate to fully release all remaining restrictions.



**Attachment 1**

**Qualified Contract Request Letter and Agreement**

Date

Montana Board of Housing  
301 South Park Ste 240  
PO Box 200528  
Helena, MT 59620

Re: Qualified Contract Request

Dear

Pursuant to Subsection 42(h)(6)(E)(i)(II) of the Internal Revenue Code (the “Code”) and on behalf of \_\_\_\_\_ (the “Owner), we hereby request that the Montana Board of Housing (MBOH) find a person to acquire, and present a Qualified Contract for the purchase of the Owner’s interest in \_\_\_\_\_ (the “Property”).

We understand that this letter is submitted to initiate the Qualified Contract request process and does not commence the one-year time period for MBOH to present a Qualified Contract for the acquisition of the Property. We understand that we must submit additional information to MBOH at a later date as required by MBOH’s Qualified Contract Request Procedure. We understand that the one-year time period will not commence until the date upon which MBOH determines that our request submission is complete and that MBOH will notify us of this determination and the commencement date of the one-year period. We further understand that this letter is submitted for the purpose of confirming our commitment to perform our obligations under the Qualified Contract process.

In support of our Qualified Contract request, we state and represent to MBOH as follows:

1. The Owner did not waive its right to request a Qualified Contract in its Declaration of Restricted Covenants, between the Owner and MBOH. True and correct copies of the recorded Restrictive Covenants for the Property and any amendments thereto are enclosed with this letter.
2. The Property has completed at least the fourteenth (14<sup>th</sup>) year of its compliance period.

3. The Property is in compliance with all of the requirements of Section 42 of the Code.
4. The owners of all options to purchase and rights of first refusal for all or any part of the Property have unconditionally waived any and all such options and rights, as evidenced by enclosed copies of executed waivers of all such options and rights.
5. Neither we nor any other Owner has previously requested a Qualified Contract on the Property.

In further support of our Qualified Contract request, we represent and certify to MBOH that:

1. We have not been notified of any audit, investigation or disallowance relating to the Property and pertaining to Section 42 of the Code by the Internal Revenue Service.
2. We are solely responsible for the truthfulness, accuracy and completeness of all documents and information that we submit to MBOH with this letter and any other documents or information that we provide to MBOH, appraisers and/or prospective purchasers (collectively, the "Property Sales Information") in connection with this request or any related marketing or sale of the Property.
3. All documents and information submitted with this Letter or in connection with this request for a Qualified Contract are truthful, accurate and complete and contain no material misstatements or misleading information.

In further support of our Qualified Contract request, we acknowledge and agree that:

1. We will cooperate with MBOH and its agents to calculate a Qualified Contract Price and present a Qualified Contract for purchase of the Property. We understand that this includes providing all financial and other information and substantiating documentation reasonably required by MBOH to determine the Qualified Contract Price for the Property in accordance with federal law, including without limitation 29 CFR § 1.42-18, as amended, and MBOH requirements, or for purposes of appraisal, marketing and/or due diligence. Such information and documentation includes but is not limited to the information and documents specified in the MBOH Qualified Contract Price Calculation Form and Worksheets and additional substantiating documentation, and all information and documentation required for appraisal, marketing and due diligence purposes.

2. We agree to provide reasonable access to the Property and relevant records for inspection and audit by MBOH, its agents, appraisers and prospective purchasers in connection with the Qualified Contract process.
3. We agree that MBOH may perform a complete physical inspection and file audit of the Property to determine whether the Owner and Property are in compliance with the provisions of Section 42 of the Code, the Declaration of Restrictive Covenants and MBOH requirements and we agree to pay the cost of such inspection and audit.
4. We understand that our failure to reasonably and timely cooperate, provide or submit any required information, documents, forms, fees or cost reimbursement payments, or respond to report requests, with, to or from MBOH, third parties or potential buyers, may result in either temporary suspension of the one-year period or termination of the Qualified Contract process and the delay or loss of Owner's opportunity to terminate the Restrictive Covenants through the Qualified Contract process.
5. We understand that if, at any time during the Qualified Contract process, MBOH determines that we are or the Property is out of compliance with the provisions of Section 42 of the Code, the Declaration of Restrictive Covenants or MBOH requirements, MBOH will terminate the Qualified Contract process until such time as MBOH determines that we have achieved compliance.
6. By submission of this letter, we agree to indemnify, defend, and hold MBOH harmless for all claims and liabilities arising out of MBOH's use of the Property Sales Information for purposes of the Qualified Contract process.
7. We agree that MBOH and its employees and agents shall have no liability to us with respect to the calculation of the Qualified Contract Price or any other act, omission, or determination by MBOH with respect to marketing the Property or carrying out its responsibilities under Subsection 42(h)(6)(F) of the Code, so long as MBOH is acting in good faith.
8. The one-year period will commence, if at all, on the date specified by MBOH in its written notice to the Owner. Having commenced, the running of the one-year period may be suspended or tolled at the discretion of MBOH based upon our failure to reasonably and timely perform any requirements of the Qualified Contract process.
9. We understand that if MBOH presents a Qualified Contract for the acquisition of the Property within the one-year period and the Owner rejects or fails to act upon such contract, the Property will remain subject to the Declaration of Restricted Covenants for the full duration of the Extended Use Period, and there

will be no further or additional opportunity for the Owner to terminate such covenants through the Qualified Contract process

10. If we choose to execute the Qualified Contract, we will: (i) allow the prospective purchaser a reasonable period of time to undertake additional, customary due diligence prior to closing of the purchase; and (ii) agree with the buyer as required by 29 CFR § 1.42-18(c)(ii) to such adjustments in the amount of the low-income portion of the Qualified Contract Price to reflect changes in the components of the Qualified Contract formula (e.g., mortgage payments that reduce outstanding indebtedness) between the time of MBOH's offer of sale to the general public and the building's actual sale closing date.
11. If we perform our obligations under the Qualified Contract process and MBOH is unable to present a Qualified Contract during the one-year period, resulting in termination of the Section 42 requirements as set forth in the Restrictive Covenants, we are not permitted to and shall not, prior to the close of the three-year tenant protection period following such termination, evict or terminate the tenancy (other than for good cause) of an existing tenant of any low-income unit or increase the gross rent for such unit in a manner or amount not otherwise permitted by Section 42 of the Code.

Sincerely,

Attachments

Attachment 2  
**Montana Board of Housing**  
**Montana Housing Tax Credit**  
**Qualified Contract Price Calculation Form**  
Pursuant to Subsection 42(h)(6)(F) of the Internal Revenue Code and in Accordance  
with 26 CFR 1.42-18, as amended

**A. Calculation of the Low-Income Portion of the Building(s):**

- (i) Outstanding Indebtedness for the Building(s) (from *Worksheet A*) \$ \_\_\_\_\_
- (ii) Adjusted Investor Equity in the Building(s) (from *Worksheet B*) \$ \_\_\_\_\_
- (iii) Other Capital Contributions not reflected in (i) or (ii) (from *Worksheet C*) \$ \_\_\_\_\_
- (iv) Total of (i), (ii) and (iii) \$ \_\_\_\_\_
- (v) Cash Distributions from (or available for distribution from) the Building(s) (from *Worksheet D*) \$ \_\_\_\_\_
- (vi) Line (iv) reduced by Line (v) \$ \_\_\_\_\_
- (vii) Applicable fraction specified in the extended low-income housing commitment \_\_\_\_\_ %
- (viii) Low-Income Portion of the Qualified Contract Price (Line (vi) multiplied by Line (vii)) \$ \_\_\_\_\_

**B. Fair Market Value of the Non-Low-Income Portion of the Building(s) (from *Worksheet E*)** \$ \_\_\_\_\_

**Qualified Contract Price\***  
(Sum of Line A(viii) and Line B) \$ \_\_\_\_\_

**\*If this sum is not a multiple of \$1,000, then when MBOH offers the building(s) for sale to the general public, MBOH may round up the offering price to the next highest multiple of \$1,000.**

**WORKSHEET A**  
*Outstanding Indebtedness for the Building(s)*  
**Code Subsection 42(h)(6)(F)(i)(I) and 26 CFR 1.42-18(c)(3)**

**Instructions**

You must use 26 CFR Section 1.42-18(c)(3), or the appropriate section of its successor, to determine the Outstanding Indebtedness for the Building(s).

In the section marked “Other Information” below please set forth any information with respect to the loans that may be relevant to MBOH’s efforts to market the property. Examples of relevant information include whether the loan has a “due-on-sale” clause or if any portion of the loan is payable from net cash flow (i.e., is “soft” debt).

**Worksheet**

Debt Source	Lien Position and Loan Terms	Most Recent Payment Date	Remaining Stated Principal Balance*
Subtotal			
Less:**			
Adjustment 1:			
Adjustment 2:			
Adjustment 3:			
<b>Total Indebtedness with respect to Low-Income Portion of the Building(s)</b>			

Other Information:

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\*Please attach an amortization schedule, if available.

\*\*Please provide a description of any adjustments in the cells provided. Adjustments may include, but are not limited to, the following:

- Any refinancing indebtedness or additional mortgages in excess of qualifying building costs (described in 26 CFR 1.42-18(b)(4)).
- Outstanding debt that was used to finance nondepreciable land costs, syndication costs, legal and accounting costs, syndication costs, legal and accounting costs, and operating deficit payments.



**WORKSHEET B**  
*Adjusted Investor Equity in the Building(s)*  
**Code Section 42(h)(6)(F)(i)(II) and 26 CFR 1.42-18(c)(4)**

**Instructions**

You must use 26 CFR 1.42-18(c)(4), or the appropriate section of its successor, to determine the Adjusted Investor Equity in the Building(s).

Note: The calculation requires the use of the U.S. Department of Labor’s Bureau of Labor Statistics (“BLS”) Consumer Price Index (“CPI”). The CPI data to be used are the not seasonally adjusted values of the CPI for all urban consumers, sometimes referred to as CPI-U. The BLS publishes the CPI data on-line. See [www.BLS.gov/data](http://www.BLS.gov/data).

**Worksheet**

**1. Unadjusted Investor Equity**

Investor (Owner) Name	Date Invested	Amount of Cash Invested
Subtotal		
Less:*		
Adjustment 1:		
Adjustment 2:		
Adjustment 3:		
<b>Total Unadjusted Investor Equity</b>		

\*Please provide a description of any adjustments in the cells provided. Adjustments may include, but are not limited to, the following:

- Any equity paid for land, credit adjuster payments, Fund low-income housing credit application and allocation fees, operating deficit contributions, and legal, syndication, and accounting costs.
- Amounts that, as of the beginning of the low-income building’s credit period (as defined in Subsection 42(f)(1) of the Code), were not obligated to be invested.

- Amounts included in the calculation of outstanding indebtedness as defined in 26 CFR 1.42-18(c)(3).

**2. Qualified-contract cost-of-living adjustment – General Rule**

Calendar Year that Precedes the Calendar Year in which MBOH Offers the Building for Sale to the General Public (“Year A”): \_\_\_\_\_

Base Calendar Year (the Calendar Year With or Within which the First Taxable Year of the Credit Period Ends) (“Year B”) : \_\_\_\_\_

Did the CPI for any calendar year (within the meaning of Subsection 1(f)(4) of the Internal Revenue Code) during the extended use period after the base calendar year exceed by more than five percent the CPI for the preceding calendar year (within the meaning of Subsection 1(f)(4) ) of the Internal Revenue Code)? (Yes or No)

\_\_\_\_\_

If no, no adjustments need to be done to the CPI-U for the months below.

If yes, then the sum of the CPI-I for Year B (below) is to be increased (\*) so that the excess is never taken into account.

Month	Year A	CPI-U	Month	Year B	CPI-U
September			September		
October			October		
November			November		
December			December		
January			January		
February			February		
March			March		
April			April		
May			May		
June			June		
July			July		
August			August		
<b>Total Year A CPI-U</b>			<b>Total Year B CPI-U</b>		
			Adjustment (Increase)*		
			<b>Adjusted Total Year B CPI-U</b>		

Important Note: See the example given in 26 CFR 1.42-18(c)(4)(vii) to assist you in completing the table above.

Year A CPI-U Total from above (\_\_\_\_\_) divided by Year B CPI-U Total from above (\_\_\_\_\_) equals Qualified-Contract Cost-of-Living Adjustment per the General Rule (carried out to ten decimal places): \_\_\_\_\_.

**3. Qualified-contract cost-of-living adjustment – Provision by the Commissioner of the qualified-contract cost-of-living adjustment**

If the Commissioner published in the Internal Revenue Bulletin a process pursuant to which the Internal Revenue Service will compute the qualified-contract cost-of-living adjustment for a calendar year and made available the results of that computation, describe below:

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**4. Adjusted Investor Equity**

Description	Amount
Unadjusted Investor Equity (from 1 above)	
Times: Qualified-contract cost-of-living adjustment (from 2 or 3 above)	
<b>Equals: Adjusted Investor Equity (rounded to the nearest dollar)</b>	

**WORKSHEET C**  
***Other Capital Contributions***  
**Code Section 42(h)(6)(F)(i)(III) and 26 CFR 1.42-18(c)(5)**

**Instructions**

You must use 26 CFR 1.42-18(c)(5), or the appropriate section of its successor, to determine the Other Capital Contributions.

Do not include in this Worksheet C any amounts included in Worksheets A or B.

**Worksheet**

Date	Reason/Description*	Amount Paid or Incurred
Subtotal		
Less:**		
Adjustment 1:		
Adjustment 2:		
Adjustment 3:		
<b>Total Other Capital Contributions</b>		

\*Describe the Other Capital Contributions. Other capital contributions to a low-income building are qualifying building costs described in 26 CFR 1.42-18(b)(4)(ii) paid or incurred by the owner of the low-income building other than amounts included in the calculation of outstanding indebtedness (from Worksheet A) or adjusted investor equity (from Worksheet B).

\*\*Please provide a description of any adjustments in the cells provided. Adjustments may include, but are not limited to, the following:

- Expenditures for land costs, operating deficit payments, credit adjuster payments, and payments for legal, syndication, and accounting costs.
- Expenditure that was financed by a loan that WAS secured by the qualifying building cost (asset) or the building.

**WORKSHEET D**  
***Cash Distributions from (or available for distribution from) the Building(s)***  
**Code Section 42 (h)(6)(F)(ii) and 26 CFR 1.42-18(c)(6)**

**Instructions**

You must use 26 CFR 1.42-18(c)(6), or the appropriate section of its successor, to determine the Cash Distributions from (or available or distribution from) the Building(s).

Note: Proceeds from the refinancing of indebtedness or additional mortgages that are in excess of qualifying building costs are not considered cash available for distribution.

**Worksheet**

**A. Total Cash Distributions**

Distribution Made To	Date of Distribution	Distribution Amount
<b>Total Cash Distributions</b>		

**B. Cash and Cash Equivalents Available for Distribution:**

Account Name	Balance "as of" Date	Account Balance
<b>Total Cash and Cash Equivalents Available for Distribution</b>		

**C. Total Cash Distributed and Available for Distribution**  
(Sum of Sections A and B above)

\$ \_\_\_\_\_

**WORKSHEET E**  
*Fair Market Value of the Non-Low-Income Portion*  
Code Section 42 (h)(6)(F) and 26 CFR 1.42-18(b)(3)

**Instructions**

You must use 26 CFR 1.42-18(b)(3), or the appropriate section of its successor, to determine the Fair Market Value of the Non-Low-Income Portion. **Of particular note, please see the discussion of how land is to be considered.**

**Worksheet**

The fair market value of the non-low income portion is: \$ \_\_\_\_\_.

Attach to this worksheet the appraisal, study, methodology proof and/or other support for the fair market value of the non-low-income portion of the building(s).