MONTANA BOARD OF HOUSING

LOW INCOME HOUSING TAX CREDIT PROGRAM

2013 QUALIFIED ALLOCATION PLAN (QAP)

MONTANA BOARD OF HOUSING

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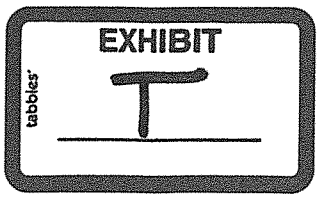

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SECTION 1 - INTRODUCTION

The low income housing tax credit is available under Section 42 of the Internal Revenue Code of 1986. The credit is a federal income tax credit for owners of qualifying rental housing which meets certain low income occupancy and rent limitation requirements.

Congress established the Low Income Housing Tax Credit program by enactment the Tax Reform Act of 1986. Montana Board of Housing (MBOH) implemented and began administering the Low Income Housing Tax Credit program in 1987 in the State of Montana. Since then, the program has assisted in providing for the retention, rehabilitation, and construction of rental housing for low income individuals and families for over 6,000 units throughout Montana.

The Omnibus Budget Reconciliation Act of 1989 required the appropriate administering agencies (in this case, MBOH) to develop a Qualified Allocation Plan (QAP) defining the process to distribute Low Income Housing Tax Credits to low income rental housing developments in Montana. The Omnibus Budget Reconciliation Act of 1993 provided a permanent extension for the Low Income Housing Tax Credit.

Montana Board of Housing (MBOH) is the state agency that allocates the tax credits for housing located in Montana. The per state resident amount of tax credit allocated annually for housing is limited to $2.15 with a minimum cap as allocated by IRS, whichever is larger. The current allocation of Tax Credits plus any inflation factor the IRS may calculate is posted to the MBOH website, normally in August or September each year. Montana receives the minimum cap because of our population.

Except for certain buildings substantially financed with tax exempt bonds, an owner must obtain a credit allocation from the appropriate state agency before claiming the tax credit.

This QAP is intended to ensure the selection of those developments which address the most pressing housing needs of the state in accordance with the guidelines and requirements established by the federal government.

At its August 16, 2012 meeting, the MBOH Board considered and approved public notice and distribution of the proposed 2013 Qualified Allocation Plan (QAP). Public notice of the proposed 2013 QAP and the opportunity for public comment was published and distributed on September 5, 2012. At its October 15, 2012 meeting in Missoula, Montana, after considering written and oral public comment on the proposed 2013 QAP, the Board approved the proposed 2013 QAP for submission to and approval by the Montana Governor. The Governor of Montana, Brian Schweitzer, approved the plan as the final 2013 QAP on October 26, 2012.

MBOH annually makes available for reservation and allocation its authorized volume cap of credit authority (go to http://housing.mt.gov/About/MF/lihtcallocation.mcpx). MBOH evaluates tax credit applications, selects the projects for which tax credits will be reserved, and allocates credits to the selected developments meeting applicable requirements. Federal legislation requires that the administering agency allocate only the amount of credit it determines necessary to the financial feasibility of the development.

Tax credits not awarded during a given round or any unused credits from earlier rounds may, at the discretion of MBOH, be carried forward for the next round of allocation or, as MBOH determines necessary for financial feasibility, be used to increase the amount of tax credits awarded for a project selected for an award of tax credits in a prior round.

Consistent with the foregoing and notwithstanding any other provision of this QAP, all tax credit awards are subject to and conditional upon IRS authorization and allocation of tax credits for the State of Montana.

SECTION 2 - OVERVIEW OF LOW INCOME HOUSING TAX CREDITS

THE FOLLOWING IS A BRIEF SUMMARY OF SOME ELEMENTS OF THE LOW INCOME HOUSING TAX CREDIT AND IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THERE ARE NUMEROUS TECHNICAL RULES GOVERNING A BUILDING'S QUALIFICATION FOR THE TAX CREDIT, THE AMOUNT OF THE TAX CREDIT, AND AN OWNER'S ABILITY TO USE THE CREDIT TO OFFSET FEDERAL INCOME TAXES. ANYONE CONSIDERING APPLYING FOR TAX CREDITS SHOULD REFER TO SECTION 42 OF THE UNITED STATES INTERNAL REVENUE CODE (26 U.S.C. § 42). DEVELOPERS OR OWNERS INTERESTED IN APPLYING FOR A CREDIT ALLOCATION SHOULD CONSULT THEIR OWN TAX ACCOUNTANT OR ATTORNEY IN PLANNING A SPECIFIC TRANSACTION.

Low Income Housing Tax Credits (LIHTC) are awarded by the State of Montana through the Montana Board of Housing to applicants based on the information submitted in or in connection with applications, other information obtained by MBOH staff, and justification with support documentation supplied by the applicants. At or before the time an application is made, the applicant must solicit an investor who will purchase the tax credits, if awarded.

The tax credits are awarded each year for a ten-year period. Hypothetically, a project awarded $100,000 in tax credits is essentially awarded $1,000,000 ($100,000 X 10 years) for the ten-year period. When an investor purchases the credits, the money from the purchase is infused into the financing for the building of the project. The investor purchases the tax credits, for example, $ .75 on the dollar ($100,000 X $.75 X 10 years) equating to $750,000. Typically, the investor pays at a range of $ .70 to $.90 on the dollar. This money directly reduces the amount of dollars financed in a project, thereby the amount each tenant must pay (Low Income) as well as assuring that the project cash flows.

There is a requirement that the investor, through a limited liability partnership (LLP) or a limited partnership (LP) be a 99.99% owner of the project for fifteen years during which the investor declares $100,000 each year for ten years as credit on the investor's income tax. Generally, once fifteen years have passed, the project is sold back to the applicant (the .01% partner) for a negotiated amount and the ownership is transferred.

Throughout the tax credit extended use period (a minimum of 15 years, which may be extended to 31 years or more) the project must comply with the requirements of tax credit administration. Periodic file audits and inspection of units will be performed by MBOH staff.

The tax credit is available for residential rental buildings which are part of a qualifying low income project. The rental units must be available to the general public. Residential properties which are ineligible for the credit generally include transient housing, housing initially leased for less than six (6) months, buildings of four (4) units or less which are occupied by the owner or a relative of the owner, nursing homes, life care facilities, retirement homes providing significant services other than housing, dormitories, and trailer parks.

Projects with tax-exempt financing under the volume limitation of private activity bonds may be eligible to receive tax credits outside the state's tax credit allocation volume cap. See specific requirements for Montana below.

The tax credit can be used to assist in financing acquisition with substantial rehabilitation, substantial rehabilitation, construction of qualifying residential rental, or eventual homeownership housing. Depending upon the type of building and its financing, the annual tax credit for buildings is nine (9) percent for projects placed in service by December 31, 2013 (and approximately 9% for projects placed in service after that date) or approximately four (4) percent, and is based on either a present value of 70% or 30% of the qualified basis of the building. As long as the building continues to qualify for the credit, the owner may claim the credit each year during the 10-year credit period.

New Construction or Substantial Rehabilitation

For a new building placed in service which is not federally subsidized, the annual tax credit is nine (9) percent of the building's qualified basis. If an owner substantially rehabilitates a building (basically by incurring rehabilitation expenditures the greater of either $6,200 (**see specific higher requirements for Montana below in "Substantial Rehabilitation" section**) hard costs per rental unit or an amount which is not less than 20% of the adjusted basis of the building during a 24-month or shorter period), the rehabilitation expenditure is treated as a separate new building for purposes of the tax credit. The "per unit" calculation is the total amount of the project divided by the number of units within the project.

Acquisition and Substantial Rehabilitation

For an existing building which is acquired and substantially rehabilitated, the tax credit will be approximately four (4) percent for qualified acquisition costs and nine (9) percent for the qualified substantial rehabilitation costs, provided that the rehabilitation is not federally subsidized.

Eventual Home Ownership

The opportunity for Eventual Home Ownership allows for projects to, with sufficient justification, make units available to be purchased by the current tenants after 15 years of successful performance as an affordable rental. See specific requirements for Montana below.

Federally Subsidized Buildings

Projects funded by tax exempt bonds are considered federally subsidized and qualify only for 4% of the qualified basis for new construction, acquisition, and rehabilitation. Buildings directly or indirectly financed with below market federal loans are not considered federally subsidized. Below market loans made to the project from the proceeds of grants made under the HOME Investments Partnership Act or loans made to projects through the Native American Housing Assistance and Self Determination Act of 1996 are no longer considered to be federal subsidy. Section 8 rental "certificate" or "voucher" subsidy is not considered to be federal subsidy.

Qualifying Buildings

In order to qualify for the tax credit, an eligible building must be part of a qualifying low income project. A project is a qualifying project only if it meets one of the following requirements:

At least 20% of its units are rent-restricted and rented to households with incomes at 50% or less of area median gross income, adjusted for family size (the "20-50 test") or

At least 40% of its units are rent-restricted and rented to households with income at 60% or less of area median income, adjusted for family size (the "40-60 test").

Election

The owner must make an irrevocable election between the 20-50 test and the 40-60 test. Regardless of the election made, the credit is only allowed for the portion of the building dedicated to low income use (for example, if the owner elects the 40/60 test and a minimum of 40% of the units are low income, the owner would qualify for tax credits on a minimum of 40% of the eligible basis as defined in this summary).

Rent Limitation

The gross rent for each low income unit may not exceed 30% of the applicable income ceiling (30% of 50% of median or 30% of 60% of median, as applicable, calculated based on the number of bedrooms in the unit, which is the "Maximum Rent"). For purposes of the rent limitation, the gross rent is the sum of the rent amount payable by the tenant, a utility allowance amount determined in accordance with this QAP (see "Utility Allowances" in Section 3 below) and any mandatory fees payable by the tenant. Rental assistance payments made by government agencies such as Section 8, Rural Development, or any comparable rental assistance program are not included in gross rent. Gross rent does not include any fee for supportive services as described in 26 U.S.C. §42(g)(2)(B)(iii).

Tenant paid rent + Utility Allowance + Mandatory Fees equals the Gross Rent

The Gross Rent must be less than or equal to the Maximum Rent (i.e., 30% of the applicable income ceiling).

Basis

Eligible Basis

Eligible basis of a qualifying building is generally the same as its adjusted basis for tax purposes, determined at the time the building is placed in service. Generally, eligible basis consists of:

- The cost of new construction or substantial rehabilitation; or
- The cost of purchasing an existing building and the cost of substantial rehabilitation.

Eligible basis includes costs of common areas and comparable amenities provided to all residential rental units in the building. However, eligible basis must be reduced to reflect any rehabilitation or historic preservation credit claimed with respect to the building. Eligible basis excludes land cost, costs attributable to any portion of the building which is not residential rental property (except common areas), and costs attributable to non-low income units which are above the average quality of the low income units in the project. Cost certifications must list all items in basis (parking lot, paving, community areas, covers for parking, etc.)

Qualified Basis

To determine the qualified basis of a qualifying building, the taxpayer multiplies the eligible basis of the building by the lesser of the "unit percentage" or the "floor space percentage". The "unit percentage" is the number of low income units in the building expressed as a percentage of the number of all residential rental units in the building. The "floor space percentage" is the total floor space of the low income units in the building expressed as a percentage of the total floor space of all residential rental units in the building. Low income units are eligible units which are occupied by low income tenants (with income at or below 50% or 60% of area median gross income, depending on the owner's election of the 20-50 or 40-60 test) and which comply with the gross rent limitation (30% of the applicable 50% or 60% income limit). The credit is only allowed for the portion of the building dedicated to low income use.

Credit Calculations

To calculate the credit each year, the taxpayer applies the applicable credit percentage to the qualified basis of a qualifying building. The "qualified basis" is that portion of the "eligible basis" attributable to low income units in the building.

Allocation of Credit

Need for Allocation

Except for certain projects substantially financed with tax-exempt bonds, an owner must first obtain a credit allocation from MBOH before claiming the tax credit. Where tax-exempt bond financing is used to finance a project, the issuer of bonds must determine the amount of allocation using the same criteria as the MBOH's Qualified Allocation Plan. MBOH makes an allocation on IRS Form 8609.

Allocation Applies Throughout Credit Period

An owner needs to obtain a credit allocation only once with respect to a building for which the credit will be claimed. The credit allocation then applies each year during the 10-year credit period. Regardless of the maximum credit otherwise available (based on applying the applicable credit percentage to the qualified basis); the credit claimed each year for a building may not exceed the credit allocation for that building.

Time for Obtaining Allocation – Carryover Provision

An owner who receives an award of credits must either:

- Place the building in service and receive an allocation by MBOH issuance of IRS Form 8609 by the close of the calendar year in which the award determination is made, or
- Obtain a carryover of tax credit allocation as provided below, and place the building in service and receive an allocation by MBOH issuance of IRS Form 8609 by the close of the carryover period.

Carryover Provision

A carryover of a tax credit allocation for a period of two (2) years beyond the end of the calendar year in which the award determination is made may be permitted if the owner/developer can certify that more than ten percent (10%) of the project's costs have been expended prior to April 30 of the calendar year following the calendar year in which the award determination is made and if the taxpayer has title to the property.

Compliance Period

An Owner must continue to meet the credit requirements for an initial compliance period of 15 years. Failure to comply, reducing the number of the low income units, or reducing floor space for which the credit is based during the initial 15-year compliance period, will result in a recapture, including non-deductible interest, of at least a portion of the credits taken previously by the owner.

To be eligible for LIHTC credits, a building must be subject to an extended low income housing commitment between the owner and the state agency, executing a 30 year or longer extended use agreement with an option to sell the project at year fifteen (15). The owner must meet compliance criteria for the full extended use period specified in the agreement. Any application indicating an extended use period beyond the initial 15-year compliance period forfeits the right to request that the Board locate a non-profit buyer and the owner must maintain LIHTC units through the extended use period

LIHTC rent requirements will continue for a period of three years following the termination or expiration of the extended use period. The owner cannot evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause during the 15-year compliance period, during the extended use period, or for a three-year period following termination or expiration of the extended use period

SECTION 3 - MONTANA SPECIFIC REQUIREMENTS

Eligible Applicants

Applicants with their first tax credit project under development in Montana will not receive an approval of a second Tax Credit project until the first project has achieved 100% qualified occupancy and an MBOH compliance audit has been conducted which revealed no significant problems.

Tax Credit Proceeds

In order to adequately evaluate sources and uses for Low Income Housing Tax Credit projects, the sponsor/developer is required to provide information to MBOH regarding the proceeds or receipts generated from the tax credit. At application, expected proceeds must be estimated by the sponsor/developer. When equity sources are committed, the sponsor/developer must provide MBOH with a copy of the commitment or agreement. Prior to issuance of IRS Form 8609, MBOH will require the accountant's certification to include gross syndication proceeds and costs of syndication, even though the costs are not allowed for eligible basis.

Development Cost Limitations

To balance housing needs in Montana with appropriate and efficient use of the state's allocation of tax credit authority, MBOH has adopted the following cost limitations for the purpose of calculating the tax credit.

Per-Unit Costs/Cost Per Square Foot

MBOH will evaluate per unit costs and cost per square foot for all projects for reasonableness, taking into account the type of housing, other development costs as detailed below, unit sizes, the intended target group of the housing and other relevant factors. MBOH will also consider the area of the state and the community where the project will be located in this review.

All applications will be required to provide justification for their development costs. These costs will be analyzed and scrutinized considering the individual characteristics of the project listed above and will be compared to other like projects.

Even though the costs of some developments may be justifiable and even in some contexts considered reasonable given their unique characteristics the Board may decline to award credits to a development recognizing the location or amenities may simply make it cost prohibitive.

Development cost analysis will be done on total development costs, including land costs, whether or not any such costs are eligible for the credit financing. Other funding utilized to bring down the amount of credit that may be needed to finance the project will not be considered as justification for higher costs.

Caution Regarding Per Unit Cost Level

If a proposed project's cost per unit, based on total development costs, exceeds $230,000, MBOH recommends that the owner/developer contact MBOH staff and provide a detailed justification for such costs at least one month before the application is submitted. In response to such submissions, MBOH staff will review the proposed costs and justification and provide the owner/developer with staff comment regarding staff evaluation of the reasonableness of such costs for the owner/developer's consideration in preparing its final application. An owner/developer that does not make such an advance submission or that does not reduce per unit costs in response to staff comment is at risk for elimination from Board consideration for a tax credit award based upon lack of financial soundness (see Threshold Requirements" in Section 8) or not being selected by the Board to receive a tax credit award, based upon the cost (see list of factors considered by Board under "Total Points Achievable" near end of Section 8). Revision of per unit cost in response to staff comment does not entitle an applicant to recommendation for or to an award of tax credits.

The Board will require sponsors to certify that they have disclosed all of a development's funding sources and uses, as well as its total financing, and will disclose any future changes in funding to the Board throughout the development period (until 8609's are received). Sponsor certification of such disclosure must be provided to MBOH on the form attached below as Exhibit D.

Contractor Overhead

Contractor's overhead will be limited to a maximum of 2% of construction costs and improvements (i.e., site work, demolition, construction, construction contingencies, and other construction related costs including general requirements) in accordance with NCSHA standards.

General Requirements

General requirements (the contractor's miscellaneous administrative and procedural activities and expenses that do not fall into a major-function construction category and are project-specific and therefore not part of the contractor's general overhead) will be limited to 6% of total construction costs as defined above, excluding general requirements, in accordance with NCSHA standards.

Contractor Profit and Developer Fees

The following fee limitations are in accordance with NCSHA standards:

Contractor profit

Contractor profit will be limited to 6% of construction costs as defined under the Contractor Overhead Section above.

Developer fees (new construction & rehab)

Developer fees (new construction & rehab) will be limited to a maximum of 15% of total project costs (excluding the developer fees and contractor profit, land costs, and costs of acquisition if a rehabilitation project). Consultant fees (amount must be disclosed) will be included as part of and subject to the limit on developer fees. Architectural, engineering, and legal fees are considered to be professional services, and are not included in this limitation; however, fees for professional services will be examined for reasonableness.

Developer fees (acquisition)

Developer fees (acquisition) will be limited to a maximum of 15% of costs of acquisition (excluding land costs) if a rehabilitation project.

Disclosure of developer/consultant fees

Disclosure of developer/consultant fees commingled within the project and/or profit as a result of brokered activities will require a statement of total profit. If the developer/consultant receives a commission on the sale of the homes or structures to the multifamily project and also receives the contractor profit, at a minimum, the cost of the homes and the contractor profit and overhead must be subtracted from the total development cost before calculating the 15% maximum. Failure to fully disclose such activity may result in the project's not receiving an award of tax credits (see Identities of Interest, below).

Identities of Interest

Identities of Interest are defined as a financial, familial, or business relationship that permits less than arms-length transactions. This includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders. MBOH reserves the right to negotiate lower developer fees and contractor profit on projects when an identity of interest exists between parties.

Underwriting Assumptions and Limitations

Operating Expenses

MBOH will evaluate operating expenses and vacancy rate projections for all projects for reasonableness, taking into account the type of housing, unit sizes, intended target group of the housing and the location of the project within the area of the state and the community.

Debt Coverage Ratios

DCR should be between 1.15 and 1.25. For purposes of this standard, debt service coverage is defined as the ratio of a development's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations. DCR's outside this range must be justified in the application narrative.

MBOH considers several variables, including projected vacancy rates (which may require upward adjustment for small properties) and operating cost data, in conjunction with debt service coverage, in judging the long-term financial viability of properties. MBOH must assure the Credits awarded are no greater than necessary to make the project feasible.

Operating Reserves

Minimum operating reserves must equal four months of projected operating expenses, debt service payments, and annual replacement reserve payments. Using an acceptable third party source, this requirement can be met by either cash, letter of credit from a financial institution, or a developer guarantee that a syndicator has accepted the responsibility for a reserve.

Replacement Reserves

Minimum replacement reserves must equal $250 per unit annually for new construction developments for elderly and $300 for new construction and rehabilitation developments. The goal for replacement reserve is $1,000 per unit. Upon allocation of tax credits, the project has five years to attain then maintain replacement reserves at that level. Exceptions may be made for certain special needs or supportive housing developments. Exceptions will need to be documented and will be reviewed on a case by case basis. In projecting replacement reserves (15 year pro-forma), developments should take into account a realistic rate of inflation foreseeable at the time of application. The applicant will require continuous compliance with the development cost limitations established in this QAP. The applicant will provide MBOH with a disclosure of fees as part of the Accountant's Certification discussed in this QAP.

Utility Allowances

The HUD Section 8 Utility Allowances are the only acceptable allowances allowed for applications unless provided by USDA (Rural Development) or an approved local public housing authority. Utility allowances provided by utility providers will not be considered or accepted. One year after placed in service owners may submit 12 months of actual utility bills for MBOH to average and approve an AGENCY APPROVED ALLOWANCE.

Project Accessibility Requirements

The Fair Housing Act including design and accessibility applies to LIHTC properties. All new construction and major rehabilitation, i.e., rehabilitation that at least replaces interior walls and doors, will incorporate the following:

- 36 inch doors for all living areas (except pantry, storage, and closets).
- Levered handles for exterior and interior doors (except exterior swing doors).
- Outlets mounted not less than 15 inches above floor covering.
- Light switches, control boxes and/or thermostats mounted no more than 48 inches above floor covering.
- Walls adjacent to toilets, bath tubs and shower stalls require reinforcement for later installation of grab bars.
- Lever style faucets for laundry hook-up, lavatory and kitchen sink.
- A minimum of a ground level half-bath with a 30X48 inch turn space (also required in rehab unless waived by staff for structural limitations or excessive cost, etc.).
- No-step entry to all ground floor units.
- Compliance with accessibility requirements must be certified in the architect's letter of certification. The architect's letter of certification must be submitted with the application and 8609 submission.

Energy and Green Building Initiatives and Goals

Integrated Design Process and Community Connectivity

Project development and design includes a holistic approach. Processes include neighborhood and community involvement to ensure project acceptance and enhancement. Integrated design processes ensure higher quality finish project. Existing neighborhood edges, characteristics, fabric are considered in the project design. Some considerations may include but are not limited to a community design charrette, incorporating project into neighborhood fabric, energy modeling, commissioning, blower door testing, etc.

Sustainable Site, Location and Design

The building(s) and project site, including the surrounding area, provide opportunities for education, alternative transportation, services, and community facilities. This is evidenced by projects using existing infrastructure, reusing a building or existing housing, redeveloping a greyfield/brownfield, and developing in an existing neighborhood. Design elements use the site's characteristics and reduce impact on the site allowing for open space and other amenities including infill project, rehabilitating existing building, rehabilitating existing housing, carpooling opportunities, using well water for landscaping, parking reductions, etc.

Energy and Water Conservation

Design features, product selection and renewable energy options directly reduce use of resources and result in cost savings. Design and product selection exceeds applicable energy codes in performance. Examples include but are not limited to Energy Star appliances, drip irrigation, low flow fixtures, dual flush or composting toilets, ground source heat, duct sealing, rain water collection, and low water consumption plants.

Material and Resource Efficiency

Material selections are better quality, designed for durability and long term performance with reduced maintenance. Products used are available locally and/or contain recycled content. Construction waste is reduced in the project through efficient installation or recycling waste during construction. Considerations include but are not limited to construction waste management specification, recycled content products, local materials, reuse existing building materials, certified lumber, and sustainable harvest lumber.

Healthy Living Environments (Indoor Environmental Quality)

Materials and design contribute to a healthy and comfortable living environment. Mechanical system design, construction methods and materials preserve indoor air quality during construction as well as the long term performance such as fresh air circulation and exhaust fans, bathroom and kitchen fans exhausting air and moisture, material selection with low toxicity and low VOC (volatile organic compounds) paints, sealants, and adhesives.

Substantial Rehabilitation

Montana's minimum rehabilitation standard is expenditures the greater of (i) $15,000 (for 4% projects)/$25,000 (for 9% projects) of hard costs per rental unit, or (ii) an amount which is not less than 20% of the adjusted basis of the building during a 24-month or shorter period.

Tax Exempt Bond Financed Projects

Projects with tax-exempt financing under the volume limitation on private activity bonds may be eligible to receive tax credits outside the state's tax credit allocation volume cap. With the exception of not having eligible competition periods or submission deadlines, each tax exempt project is required to submit the same information and meet the same requirements included in the current QAP as a project submitting an application under the State's tax credit allocation volume cap. If the tax exempt project does not meet development evaluation criteria minimum requirements and score, the project will not receive an allocation of tax credits.

Projects with tax exempt financing must submit a certification from the bond financing agency indicating that the project meets the public purpose requirements of the bonds and that the project is consistent with the needs of the community.

Eventual Homeownership

Several supplemental application documents are required in such a case. The application must address how the owner will administer the transfer of ownership to a qualified homebuyer at the end of the initial 15-year compliance period. Secondly, the application must either identify the price at the time of the title transfer or a reasonable process to determine the price. Third the application must document that the potential owners will be required to complete a homebuyers counseling program. The applicant must identify how Reserve for Replacement funds will be used at the time of sale of the properties. At the time of sale, the LIHTC owner must provide a copy of the title transfer together with a certificate verifying that the new homeowner completed a homebuyers program within five years prior to the transfer of title. Enforceable covenants must maintain the home as affordable and prevent sale or re-sale to a realtor, financial institution, or a family with an income over 80% AMI, or more than 80% of FHA appraised value. Families who exceed income levels of 80% of AMI at the time of the sale must have qualified at the appropriate AMI contained in the recorded restrictive covenants for the project evidenced by the Tenant Income Certification at the initial rent-up for the family. Tenant qualification documentation must be sent to MBOH for approval before the sale is completed. Please contact MBOH for current forms. Units not sold under the Eventual Home Ownership Program must remain in compliance with Section 42 until such time as they are sold to a qualified buyer.

130% Basis Boost

Basis Boost for QCT and DDA Projects

Federal law permits MBOH to reserve tax credits based on a "basis boost" of 30% for projects in a Qualified Census Tract ("QCT") or in HUD designated Difficult Development Areas ("DDA"). In addition, a 30% "basis boost" may be available for non-QCT or DDA projects based upon the specific requirements specified below.

Basis Boost for Non-QCT/DDA Projects

For buildings not already eligible for the 30% "basis boost" by virtue of being located in a QCT or DDA, up to 130% of the eligible basis of a new construction building or the rehabilitation portion of an existing building may be considered in awarding tax credits if MBOH determines that an increase in tax credits is necessary to achieve the project's feasibility. MBOH staff may recommend an award of tax credits, and the Board, at the time it considers authorizing reservations of tax credits, may award credits for such buildings based upon a basis boost of up to 30%. Applications for projects not located in a DDA or QCT may be submitted with requested tax credits calculated at up to 130% of eligible basis. Applicants must justify the need for the requested basis boost in the narrative and support documentation. Considerations justifying a need for a basis boost are:

- Qualification of the application for the small project pool;
- Qualification of the building location for Rural Development funding;
- Targeting of more than 10% of the project units to 40% or below area median income level or more than 62% of project units to 50% or below area median income level; or
- The project includes historical preservation or preservation of existing affordable housing;
- The project is located within a community where unusual market conditions produce higher than normal labor and material costs, unusually high land cost and/or rent and income limits which are too low to support the cash flows required by the project's financial structure.

Non-Housing Amenities

Swimming pools, tennis courts, golf courses, and other similar amenities will not be funded by low income housing tax credits. Proposed projects may include such amenities only if the amenities are funded by sources other than low income housing tax credits. Subject to the requirements of this QAP, garages or car ports may be funded by tax credits considering Montana's extreme winter weather.

Accountant and Owner Certification

Prior to the 10% Carryover Cost Certification deadline and at submission for IRS Form 8609, MBOH requires an independent third party CPA cost certification, including a statement of eligible and qualified basis for the project.

The Accountant Certification must include a breakdown of costs similar to the project costs and uses of the application, including development cost limitation categories as discussed in this QAP. The owner must provide the CPA certification, under penalty of perjury, providing the owner's name and address, the placed in service date, taxpayer identification number, the project name and address, the total eligible and qualified basis, and, if applicable, the percentage of the project financed by tax-exempt bonds.

Rural Development Projects

MBOH requires a copy of the final Rural Development cost certification, as well as the Accountant Certification of tax credit eligible and qualified basis, and the owner's certification. While a Rural Development project may be technically eligible for an amount of credit, such projects frequently will receive an award less than the maximum amount of credit, because less credit is required to fill the financing gap. MBOH will award only the amount of credit determined necessary to make the project feasible.

Information Request and Release Policy

General Program Information

All general program information will be provided as requested either by mail, facsimile or on the MBOH website. General information may include, but is not limited to, program terms and guidelines, income and mortgage limits, funds availability, project lists, etc.

Request Procedure

If requesting information from an application and/or compliance file, a written request must be submitted and must include a description of the specific information or documents being requested. Depending upon the size of each request staff may provide copies of the documents being requested free of charge as a courtesy. However the Board reserves the right to require the party making the request to pay the costs of copying by board staff, including staff time and per copy charges.

Policy on Confidentiality and Disclosure of Information

Information submitted to the Board is subject to the public's right to know guaranteed by the Montana Constitution except where the demands of individual privacy clearly exceeds the merits of public disclosure.

Information contained in an application or compliance file is subject to disclosure as described in the Board's administrative rule, ARM 8.111.203, which follows:

> 8.111.203 CONFIDENTIALITY AND DISCLOSURE OF INFORMATION
>
> (1) Information submitted to the board by private parties is generally open to public review and disclosure. Therefore, applications, financial information and other information submitted to the board under any of its programs are subject to inspection and copying by interested members of the public except as provided in this rule. Some information may be protected from public disclosure. Information that is constitutionally protected from disclosure is information in which there is an individual privacy interest that clearly exceeds the merits of public disclosure.
>
> (2) If a person or entity submitting information to the board considers any of that information confidential and wishes the information documents to be withheld from public disclosure, the submitting party must identify which part of the information is considered confidential upon their submission and the basis upon which the party believes the information should be withheld from public disclosure.
>
> (3) The type of information which may be withheld from the public disclosure is very limited. If individual documents are not specified and a basis not identified, the board will deem all the information submitted to the board as subject to public disclosure. A submitting party should consult with legal counsel to determine what information may be protected and for what reason. A statement that all information submitted by a submitting party is confidential will be considered ineffective.

(4) The board will take reasonable steps to protect information designated as confidential from public disclosure and for which a reasonable basis is stated for the confidentiality. If information has been designated as confidential and a basis for confidentiality stated, upon receiving a request to review any such information board staff will notify the submitting party of the request in writing by United States mail at an address provided by the submitting party. The notice will identify the party making the request, and the stated purpose for the request.

(5) It is the responsibility of the submitting party upon receipt of the notice to take such action as is necessary to protect the information from disclosure, including obtaining a court order protecting the documents from disclosure if necessary. If the board does not receive an order from a court of competent jurisdiction ordering the board to maintain confidentiality of the requested information or the board is not notified of other arrangements made between the requesting and submitting parties within 10 days from the date of the notice of the request, the information will be disclosed to the requesting party. The board will not assert the right of confidentiality for a submitting party in a court of law.

(6) Any information not designated as confidential with a specified basis for confidentiality will be subject to public disclosure without notification to the submitting party.

(7) Tenant certifications, income information and information in individual loan files are confidential and will not be disclosed to the public. (8) If a requesting party wants copies of information maintained by the board, and depending on the number of copies to be made, the board may require the requesting party to provide for their own copying, either by making the copies with a copier and paper provided by the requesting party or by paying the expense of a copy service to make the copies.

Information in compliance files and application information submitted to the Board prior to the effective date of the rule (June 8, 2001) will not be disclosed until the person who submitted the information is given notice of the request and the opportunity obtain an order protecting the information from disclosure as provided in ARM 8.111.203.

Compliance File Policy

If the information or documents being requested are from an application, the project owner will be notified of the request by telephone or facsimile, the project owner will be told the identity of the party making the request. If the project owner believes that its application contains trade secrets, confidential or proprietary information, it is the project owner's responsibility to obtain a court order protecting their documents from release. If the Board does not receive a court order within 7 working days from the day the request is received by the Board, the documents will be released to the person requesting them.

Tenant Certifications and Income Information will be considered confidential and will not be released.

Individual Loan Files

Personal financial information will be considered confidential and will not be released.

Ex Parte Communication Policy

"In instances where the Board of Housing acts as a quasi-judicial body, its members should refrain from ex parte contact with parties who will be appearing before it or their representatives.

Additionally, any ex parte communication made where a quorum of the Board is present, outside of a hearing scheduled for the purpose of entertaining the issue before it, would violate Montana's open meeting requirements and the right of public participation under Article II, section 8 of the Montana Constitution and § 2-3-203, MCA. A quorum of the Board is defined as a majority of the membership § 2-15-124(8), MCA.

The policy when the Board is sitting as a quasi-judicial body is:

- Not to receive any evidence, individually, or collectively, except as a part of the public record at a publicly noticed hearing scheduled for that purpose.

- If a member is not able to avoid receipt of information or contact with parties outside of a public hearing the remedial action in that instance is for the Board member to disclose at the public hearing the full content of the information received.
- Avoidance of ex parte communications is preferred over relying on the public disclosure remedy because an incomplete or inaccurate conveyance of the ex parte contact, even if inadvertent, may bias the outcome and subject the Board action to challenge.

All information an applicant wants distributed to board members should be provided to staff who will disburse consistently to all members.

SECTION 4 - APPLICATION CYCLE

Applicants may apply for an award of tax credits for a particular development no later than the applicable submission deadline specified below. As used in this QAP, the term "award" means selection of a project by the Board to receive a reservation of tax credits.

Send the application for an Award of Low Income Housing Tax Credits and the applicable fee (based on the fee schedule below) to MBOH. A separate application is required for each project. A single application should be made for all buildings within a single project.

An applicant for tax-exempt financing under the volume limitation on private activity bonds also seeking an award of 4% tax credits outside the state's tax credit allocation volume for a scattered-site project under a single partnership may apply for such credits by submission of a single application that includes sub-applications for each property included in the project. Applications for tax-exempt financing and related 4% tax credits may be submitted at any time and are not limited to the competitive allocation rounds listed below.

Electronic submission of applications is preferred (by digital media or submission through the State transfer system). Hard copy applications will also be accepted.

Complete applications must be received at MBOH's office by 5:00 pm Mountain Time on the application submission date specified below.

First Allocation Round:

- Application Submission: Third Friday in January
- Presentation to Board: February Board Meeting
- Award Determination: April or May Board Meeting

Second Allocation Round (if any):

- Application Submission: First Friday in May
- Presentation to Board: June Board Meeting
- Award Determination: July or August Board Meeting

At the Board's meeting in the month after application submission, but prior to scoring and formulation of recommendations by staff, the Board will provide an opportunity for applicants to present their projects and applications to the Board and will provide an opportunity for public comment on proposed projects and applications. Applicant presentations will be strictly limited to 10 minutes or less. After scoring and formulation of recommendations by staff, applicants will not be permitted to make additional presentations to the Board but should be available to the Board to answer questions regarding their respective applications and shall have an opportunity to respond to any negative comments.

Carryover Commitment

MBOH will issue a Carryover Commitment in December of the year of the award for a period of two (2) years. To preserve this commitment the owner/developer must submit the cost certification that more than ten percent (10%) of the project's costs have been expended by the 10% cost certification deadline. The 10% Cost Certification Deadline is April 30th following the year of the Carryover Commitment (or a year after the month of award if awarded later than April).

SECTION 5 - FEE SCHEDULE (Subject To Change)

Initial application:

The application fee is 1.5% of the amount of credits requested in your application, payable with your application and will not be refundable. MBOH will not consider applications submitted without an application fee. If the Board awards all or a portion of the tax credits requested, no adjustment will be made to the application fee.

In addition to the application fee, a reservation fee in the amount of 3.5% of the credits reserved is due by December 1 of the year of the award. Once the partnership enters a Reservation Agreement, the fee is not refundable. Projects, owners, or partnerships that fail to meet the conditions described in the Reservation Agreement forfeit the entire reservation fee to MBOH.

Requesting additional credits after initial allocation:

As MBOH, in its discretion, determines necessary for financial feasibility, returned or unreserved tax credits may be used to increase the amount of tax credits reserved for a project after the first round awards have been made. In considering a request for an increase under this paragraph, the Board may consider any anticipated potential need for returned or unreserved credits to fund projects that would otherwise be funded or require greater funding under the Corrective Award set aside under Section 7. A developer or sponsor seeking an increase in the amount of reserved credits must apply in writing for such increase and must submit new financials (UNIAPP Section C) and documentation of cost increases. Applications for additional credits must be submitted to staff. Staff will review and evaluate supporting financials and new cost documentation and a staff recommendation will be presented at a later Board meeting for consideration. Staff will not recommend Board approval of any increase beyond that necessary to make the project feasible.

An application and reservation fee of 5% of the tax credits requested is due with the request. In the event an increase for the additional requested credits is not approved, the reservation fee in the amount of 3.5% will be returned.

Compliance Fees

See Section 11 - Compliance Monitoring

SECTION 6 - MAXIMUM AWARDS

Twenty-five percent (25%) of the total annual credit cap will be the maximum credit awarded to any one development or developer. The developer's percentage of the development fee, as specified in a written development agreement, will be that developer's percentage of the 25% limit. The maximum award will be determined in the first year the project is awarded.

MBOH does not commit tax credits from future years, except as specifically provided in this QAP.

SECTION 7 – SET ASIDES

Non-profit

Ten percent of each state's credit allocation must be set aside for buildings which are part of projects involving "qualified nonprofit organizations". To qualify as such, an organization must be exempt from federal income tax under Section 501(c) (3) or (4) of the Internal Revenue Code and must have as one of its exempt purposes, the fostering of low income housing, must own an interest in the project, and must materially participate in the development and operation of the project throughout the compliance period. Such nonprofit organizations may not be affiliated with or controlled by a for-profit organization.

Corrective Award

Such portion of the state's available annual credit allocation is reserved and set-aside as is necessary for award of credits to:

- Any project for which an application was submitted in a prior round or year, if:
    - a final order of a court of competent jurisdiction determines or declares that such applicant was entitled to an award in such prior round or year or requires the Board to make an award or allocation of tax credits to such project;
    - a final order of a court of competent jurisdiction invalidates or sets aside an award of credits to an approved project from such prior round or year and a reservation agreement was executed by the Board and such applicant prior to issuance of such court order, unless such court order determines that such project was not eligible or qualified under the applicable QAP to receive an award of tax credits; or
    - the Board, upon further consideration of any award determination as required by and in accordance with the order of a court of competent jurisdiction, determines that such project was entitled to an award in such prior round or year.

All requirements and conditions of this Corrective Award set aside provision must be met to receive an award under this set aside provision. The amount of any award under the Corrective Award set aside shall be the amount specified by the court, or if no award amount is specified by the court, an amount determined by the Board in accordance with this QAP. The Corrective Award set aside shall be funded first from returned or unreserved tax credits from a prior year. Awards may be "future allocated" under this Corrective Action set aside, i.e., such awards may be made from returned or unreserved tax credits from a prior year and/or the current year's credits at any Board meeting after the final court order has been issued and presented to the Board. Such award need not await the annual application and award cycle.

Small Rural Projects

Twenty percent (20%) of the state's available annual credit allocation is set-aside for small rural projects. For purposes of this set-aside, a small rural project is a project: (1) for which the submitted tax credit application requests tax credits in an amount up to but no more than10% of the state's available annual credit allocation, and (2) proposed to be developed and constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell or Missoula.

If there are insufficient qualifying small rural projects meeting the set-aside criteria within the first round of the application year to exhaust the small rural project set-aside, the credits will be available for allocation within the general applicant pool.

MBOH reserves the right to determine in which set-aside a project will be reviewed (subject to its eligibility), regardless of its eligibility for any other set-aside. If a project is submitted as a small rural project in order to utilize the small rural project set-aside when it is clearly part of a larger or non-rural project, the project will be placed in the proper category as determined by MBOH staff.

To qualify and receive consideration to receive an award of credits under a set-aside, the project must meet all applicable requirements of this QAP and must receive minimum development evaluation criteria score specified in this QAP.

In the event there are insufficient tax credits available to fully fund all set aside categories, the respective set asides categories shall be funded in the following order of priority: (1) Non-profit; (2) Corrective Award; and (3) Small Rural Project.

SECTION 8 – APPLICATION PROCESS

Read this Qualified Allocation Plan (QAP) and accompanying materials.

Determine the degree that your building(s) and development correspond to the MBOH's Development Evaluation Criteria, contained in this QAP.

Consult your tax attorney or accountant concerning: (a) each building's eligibility for the tax credit; (b) the amount of the credit, if any, for which your building(s) may be eligible; and (c) your ability and/or your investor's ability to use the tax credit.

Commission full market study as outlined in Exhibit B.

Complete and submit the Uniform Application and Tax Credit Supplement by the applicable application deadline (see Section 4 – Application Cycle).

Threshold Requirements

Applications received not meeting Threshold Requirements will be returned un-scored and will receive no further consideration. Application fees will not be returned.

Submit complete applications to MBOH. Electronic submission of applications is preferred but hard copy applications will also be accepted. MBOH may allow minor corrections to applications, but will return and will not further consider applications requiring substantial revision or those that are substantially incomplete.

Application Threshold Requirements

To meet the threshold for further consideration an application packet must:

- Be complete and,
- Be received by the deadline date.

A complete application must include all of the following documents, information and items, completed and submitted in compliance with the requirement of this QAP:

- The application fee.
- Documentation verifying the General Partner or a member of the LLC (if applicable), and the Management Company personnel have been certified in LIHTC Compliance by one of the nationally recognized training companies.
- Proof of ability or capacity to construct two or more LIHTC projects simultaneously, if applicable.
- Cash flow analysis.
- Market Study prepared by a disinterested third party. Market Studies must be completed within six (6) months prior to the submission date of the application and must adhere to minimum market study requirements in Exhibit B.
- Site control through lease, ownership or a legal form of option to purchase.
- Evidence of proper zoning addressed (zoning place, planned unit development, zoning change requested) unless no zoning requirements exists. If no zoning requirements exist provide documentation from the proper authority.
- A preliminary financing letter from a lender indicating the proposed terms and conditions of the loan must be included. The financing letter must formally express interest in financing the project sufficient to support the terms and conditions represented in the project financing section of the application.
- A letter of interest from an equity provider including an anticipated price based on the market at time of application.
- Full scale Capital Needs Assessment for Rehabilitation Applications, on the USDA Rural Development Capital Needs Assessment (CNA) template or similar form.

- For applications proposing rehabilitation, a preliminary relocation plan addressing the logistics of moving tenants out of their residences and providing temporary housing during the rehabilitation and returning tenants to their residences upon completion of the rehabilitation.
- A site plan, and an architect's preliminary floor plan and elevations for the project.
- Project/unit amenities.
- Profit or non-profit status.
- If a not-for-profit owner proposes a property tax exemption, documentation of intent to conduct a public hearing must be submitted with the application and conducted by the owner. Without documentation of intent, the project will be underwritten as if no exemption was received. Documentation of public hearing(s) must be submitted prior to issuance of the Carryover Commitment.
- Specify the extended use period.
- If project is targeted for Eventual Homeownership, provide supplemental application documents and information specified in the "Eventual Homeownership" portion of Section 3.
- Specify selected target income level (20-50)(40-60).
- Letters of community support.
- If the project is for elderly, stipulation of minimum age (i.e., 55 or 62 and over).
- A narrative addressing each of the development evaluation criteria and how the application meets each of these criteria.

Applications must also demonstrate that they are financially sound. This includes reasonable financing terms, costs, expenses, and sufficient cash flow to support the operations of the project, all of which must meet the underwriting standards of MBOH.

A Tax Credit Applicant must place an advertisement in the local newspaper of the intent to apply, and by doing so, encourage public comment to be submitted to MBOH. Such notice must include Name of Project, Number of Units, Location of Project, For-profit or Non-profit status, and, if applicable, Intent to Request Tax-exempt Status for the project. The notice will be placed as a box advertisement in the newspaper within 30 days prior to or not more than 5 working days after the due-date of the application and will allow for not less than 30 days for response. The advertisement must be published twice within a seven-day period. A copy of the notice, annotated with dates published, must be included in the application.

Example of Public Notice

(Name of Developer, address, telephone number), a (for-profit/non-profit) organization, hereby notifies all interested persons of (city, town, community name) that we are planning to develop, (Name of project) an affordable multi-family rental housing complex on the site at (street location). This complex will consist of (number) (one bedroom, two bedroom, or three bedroom) units for (elderly persons/families). This project (will/will not) be exempt from property taxes.

An application (will be/has been) submitted to the Montana Board of Housing for federal tax credits financing.

You are encouraged to submit comments regarding the need for affordable multi-family rental housing in your area to the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528 or FAX (406) 841-2841. Comments will be accepted through February 28 (for the first round), and May 30 (for the second round).

Applications received by the submission deadline of the application cycle will first be reviewed for compliance with Threshold requirements, including completeness of the application and soundness of the development.

Development Evaluation Criteria

1. Extended Low Income Use* (0- 10 points)

Federal law requires a 30-year extended use agreement with an option to sell the project at year 15. An application in which the applicant agrees to maintain units for low income occupancy beyond the initial fifteen

year compliance period will receive points as indicated below and will have these restrictions incorporated into the Declaration of Restrictive Covenants.

Years beyond initial 15

15 years	0 points (30 total years)
16 – 20 years	4 points (31 – 35 years)
21 – 25 years	6 points (36 – 40 years)
26 – 30 years	8 points (41 – 45 years)
Over 30 years	10 points (46 years +)

Eventual Home Ownership* applications must also identify an extended use period and will receive points for the extended use period chosen as provided above (refer to the "Eventual Homeownership" portion of Section 3 for supplemental application documentation and information requirements).

2. Lower Income Tenants* (0-22 points)

A proposal will receive points for the percentage of eligible units at area median income ("AMI") levels listed below. A development will receive points for 40%, 50%, and 60% categories when the development targets those income & rent levels. Points awarded for 40% units are independent of and not calculated as part of 50% or 60% units. Developments will be bound by the terms committed to in the application process through the use of the Declaration of Restrictive Covenants. Section C, Part IV, Rent and Forecasted Income of the Uni App will be used to calculate the score for this item.

Area Median Income Level	Percentage of Eligible Units	Points
40% or below	10% (or greater)	2 NOTE 1
50% or below	15-20%	6 NOTE 1
50% or below	21-40%	8 NOTE 1
50% or below	41-60%	15 NOTE 1
50% or below	61-100%	20 NOTE 1
60% or below	40%	0
60% or below	41-60%	2
60% or below	61-100%	4

NOTE 1 Rents @ 40% allowed to income qualify to 49% AMI.
Rents @ 50% allowed to income qualify to 55% AMI (40/60 election must apply)
(Applicable to all existing LIHTC properties)

3. Project Location* (0-3 points)

Development is located in an area where amenities and/or essential services will be available to tenants (schools, medical services, shopping, grocery store, bank, police, fire station, transportation, etc.). In evaluating the development location under this section, considerations will include the relative proximity of the development to such amenities and essential services and/or the availability of public or contracted transportation to such amenities and services, the targeted tenant population and other relevant factors. (0-3 points)

4. Housing Needs Characteristics* (0-14 points)

Meets area housing needs and priorities. Addresses area market concerns, such as public housing waiting lists (for all units and tenants), vacancy rate and type of housing required.

- Evidence provided in the application and in response to MBOH inquiries indicates that the community supports the project through neighborhood meetings with attendance rosters, minutes, and/or local charrettes with supporting documents, concept drawings, and input from community, etc. (4 points)
- Appropriateness of size of development, (6 points)
- Appropriateness of market (rehab versus new construction, for example). (4 points)

5. Project Characteristics* (0-16 points)

Preservation of or Increase in Housing Stock
Proposes the preservation of existing federally assisted housing stock or increases the affordable housing stock through the use of funds from other sources to leverage the tax credit dollars. (0-2 points)

Amenities
Developments that include higher quality amenities in comparison with other applications in the same round of competition. Items which may be considered would be higher quality cabinets, floor and wall finishes, dishwashers, carports, central computer or recreation rooms, emergency buttons in each unit, on site managers, air conditioning and playgrounds. Luxury amenities will not be considered. Items deemed luxury amenities include swimming pools, golf courses, tennis courts and similar amenities. These items are meant only to be examples and are not to be considered complete lists. The amenities and qualities itemized will be analyzed and awarded points accordingly. Use of existing terrain and landscaping that matches the surrounding area to enhance the grounds and use of innovative accessibility will receive favorable consideration as amenities under this section. The added costs attributed to the project because of higher quality amenities will be considered on a project by project basis for a cost to benefit assessment. (0-4 points)

Green Building and Energy Conservation Standards
Applicant's justification for green building and energy conservation includes but is not limited to Energy Star building and appliance initiatives, water saving devises, green construction and materials, heating, and insulation applications. The applicant's architect must provide a letter confirming the initiatives incorporated into the project. This letter must be included in the application. **Threshold items must exceed the IEEC 2009 standards.** *The architect's letter must explain how, and by what amount, threshold items WILL EXCEED the IECC 2009 standards.* NOTE: The applicant's architect also must provide certification upon completion of the project confirming that the initiatives were incorporated. (0-10 points)

NOTE: Standards prescribed by ResCHECK will NOT be accepted.

Energy	*Scoring Items*	*New*	*Rehab*
Threshold	Insulation, Windows –*Exceeds* IECC 2009 standards, Add Air Lock Doors (Single Bldg hi-rise Rehab) (2 points)	☐	☐
Threshold	Furnace/Boiler – *Exceeds* IECC 2009 standards, Electric heating – Energy Star (1 point)	☐	☐
Threshold	Energy Star Appliances (1 point)	☐	☐
Discretionary	Water Flow Saving Devises	☐	☐
Discretionary	Florescent Lights	☐	☐
Discretionary	Photovoltaic Panels	☐	☐
Discretionary	Ceiling Fans – LR & Bdrm	☐	☐
Discretionary	Hydromatic heating/Ground Source	☐	☐
Discretionary	Light Colored Roofing/Metal Roofing	☐	☐
Discretionary	Whole Unit Circulating Fan	☐	☐
Discretionary	Permeable Paving	☐	☐
Discretionary	Programmable Thermostats	☐	☐
Discretionary	Hot Water Pipe Insulation	☐	☐
Discretionary	Minimize Glass on East/West Exposure	☐	☐
Discretionary	Building Orientation	☐	☐
Discretionary	Commissioning Conducted	☐	☐
Discretionary	Window Overhang	☐	☐
Discretionary	Other (List)_____	☐	☐
		_____	_____

Threshold items – 2 points for insulation/windows, 1 point each for remaining scoring item
Discretionary items for new construction– 1 point for 4 to 7 of 15 items, 2 points for 8 to 15 of 15 items

Discretionary items for rehab construction– 1 point for 3 to 5 of 12 items, 2 points for 6 to 12 of 12 items

Green Building	*Scoring Items*	*New*	*Rehab*
Threshold	Low/No VOC paint/adhesive (1 point)	☐	☐
Threshold	Use of Montana products (1 point)	☐	☐
Discretionary	Engineered Lumber (GluLam, etc.)	☐	☐
Discretionary	Flyash Concrete Greater than 30%	☐	☐
Discretionary	Recycled Insulation	☐	☐
Discretionary	Recycled Sheetrock	☐	☐
Discretionary	Water Efficient Landscaping	☐	☐
Discretionary	Formaldehyde Free/Full Sealed Countertop and Cabinets	☐	☐
Discretionary	Dimmable Lights (Common Areas)	☐	☐
Discretionary	Task Lighting (Shine Down)	☐	☐
Discretionary	Motion Sensor Light Switches	☐	☐
Discretionary	On-site Recycle of Construction Material	☐	☐
Discretionary	Vented Range/Bathroom Fans	☐	☐
Discretionary	Recycled material Carpet/Flooring	☐	☐
Discretionary	Smoke-free policy that would apply to all project units, common areas and buildings, with the exception of specifically designated smoking areas outside of residential buildings	☐	☐
Discretionary	Other (List) _____	☐	☐
Discretionary	Other (List) _____	☐	☐
Discretionary	Other (List)_____	☐	☐
		_____	_____

Threshold items – 1 point for each scoring item
Discretionary items – 1 point for 3 to 5 of 15 items, 2 points for 6 or more of 15 items
TOTAL (up to 10 points) _____ _____

6. Development Team (Sponsor) Characteristics* (0-6 points)

Participation by an entity with a demonstrated track record of quality experience in completed development or management of low income housing tax credit projects. The Board will consider all members of the development team and whether housing projects have been developed and operated with the highest quality either in Montana or another state. Special attention will be paid to existing projects, amount of active local community participation used to develop projects, and a management entity with a good compliance track record and specialized training. If an entity has a poor demonstrated track record with respect to developments in Montana or in another state, the Board reserves the right to assign up to ten (10) negative points. MBOH reserves the right to contact community officials, developer team references, credit bureaus, other state tax credit administering agencies and all other sources as appropriate (0-6 points or as much as minus (-) 10 points each for (i) poor demonstrated track record with respect to developments in Montana or in another state, or (ii) for failure to respond within 10 working days of MBOH letter of inquiry).

The application must list all LIHTC projects in Montana or any other state developed, owned, managed or consulted on by applicant or for which an award of tax credits was received, whether or not such projects were successfully completed. Applicant must consent in writing, on a form Exhibit E, for other state tax credit agencies to provide information to MBOH regarding the applicant's history of performance on other tax credit projects.

7. Demonstration of a Montana Presence (0-5 points)

Key members of the applicant's development team have a presence in Montana. For purposes of this section, Montana presence means that a team member has a physical presence of some kind in the state of Montana, such as owning an affordable housing project in Montana with a demonstrated quality product, being licensed in Montana (e.g., a licensed contractor), maintaining an office or operation in Montana or other presence in Montana indicating familiarity and experience with development or project operation in Montana. Montana presence does not mean or require that applicants, developers or team members must be Montana businesses, entities or residents.

This section is intended to assist in providing a better quality product for the intended beneficiaries of the program, *i.e.,* persons needing and qualifying for low-income housing. This section, consistent with the purposes of MBOH and federal law, is intended to assure the ability of the development team to successfully plan, permit, develop, construct and bring a project into service in the local Montana building environment within the applicable time limits and in compliance with all requirements.

The application must include a description of the role in the project of each member claimed to have a Montana presence and documentation that each such team member is qualified for such role and essential for the overall development of the property. (0-5 points maximum):

- Developer or Project Manager with responsibility for overall development or management of project. (2 points if either Developer or Project Manager has Montana presence)
- Contractor or Construction Manager with contractor or management responsibility for overall project (2 points if either Contractor or Construction Manager has Montana presence)
- Consultant, Syndicator, Attorney, Accountant, Architect and/or Engineer (1 point if one or more of specified professionals has Montana presence)

8. Participation of Local Entity (0-5 points)

A proposal involving significant participation by a local entity must be evidenced by a signed agreement to participate. Examples of significant participation would be entities providing on-site services, screening and referring tenants through a formal agreement, donation of land or sale at a reduced price to enhance affordability, use of grant money to develop infrastructure, or significant fee waivers on city fees. Monetary or other material support will also be considered. Note: Information submitted during each round of applications will be compared to other applications within the same round. Only new agreements, land donations, and/or grants requested or negotiated for the current round will be considered for awarding points.

9. Tenant Populations With Special Housing Needs* (0-10 points)

Scoring in this category will be based on identified community and state housing needs, and the extent to which the proposed project addresses those needs. A project will receive one (1) point for each 10% of the units targeting the following identified needs. The application must specify the number of units targeted for each category. Section B Part XII, Units Accessibility, of the Uni App will be used to calculate the score for this item. Units may not be counted more than once or in more than one target category.

- Units targeted specifically for individuals with children (Family units with 2 bedrooms).
- Units targeted specifically as large family units (Family units with 3 or 4 bedrooms).
- Units targeted specifically as Section 504 fully accessible units exceeding minimum fair housing requirements.
- Units targeted specifically for elderly tenants.
- Units targeted specifically for persons with disabilities.

10. Preservation of Affordable Housing Projects (0-3 points)

For the acquisition and/or rehabilitation of buildings with local, state, or federal historic preservation* designations, existing affordable housing stock, or projects applying for rehabilitation tax credits that have completed their initial 15-year compliance period. (2 points)

Project is located in a Qualified Census Tract and/or involves existing housing as part of a community revitalization plan.*The application must include any community revitalization plan and identify where in the plan such existing housing may be found. (1 point)

11. Market Need (0-5 points) & Community Support (0 points)

The development must document through the required market study that a market exists to support the project and that the project meets the needs of the community. Scoring will be based upon demonstrated market need

and more points will be scored by developments addressing the greatest market needs. This will be compared with other applications in the same round of competition.

Community support letters will not receive points under the plan but must be included. These support letters must be project specific and address how the project meets the needs of the community. New letters of support (as well as new letters of non-support) must be submitted for each application for each round of competition. Generic support for affordable housing will not be considered support for the specific project being considered. These letters will be provided to the Board for its consideration.

12. Intermediary Costs (0-10 points)

Developments with the lowest percentage of intermediary costs are compared with other applications in the same round of competition. For purposes of this section, intermediary costs include development fees and fees for attorneys, consultants, architects, etc. For projects with identities of interest, developer overhead, construction overhead fees and soft costs will also be considered intermediary costs.

13. Developer Knowledge and Responsiveness (Up to minus (-) 20 points)

Applicants (consultants, developers, owners) with past demonstrated management weaknesses, including those listed below may be assigned negative points for this section (Up to Minus (-) **20** points), for example:

- Has not followed-through on the development of a project from application to rent-up and operation;
- Has not maintained a project to Section 42 standards;
- Has received one or more IRS Forms 8823 (unresolved/uncorrected);
- Has not been trained in a certified compliance training program;
- Has not retrained management on compliance every four years;
- Has not submitted request for 8609 within six months after placed-in-service of previous project(s);
- Has requested income targeting changes that are not supported by unanticipated hardship;
- Has requested additional credits more than once; and/or
- Has made significant changes to previous tax credit applications.

* Indicates federally mandated criteria

Total Points Achievable = 109

Developments not scoring the minimum development evaluation criteria score of 80 points will not receive further consideration.

The awarding of points to projects pursuant to the QAP is for the purpose of determining that the projects meet at least the minimum development evaluation criteria of the QAP and to assist the Board in evaluating projects, but does not control the selection of projects that will receive an award of tax credits. The Board will select the projects to receive an award of tax credits that it determines best meet the needs of low income people within the state of Montana regardless of the points scored by each of the several projects or staff recommendations. The Board may consider the following factors in selecting projects for an award of tax credits to qualifying projects:

- The geographical distribution of tax credit projects;
- The rural or urban location of the projects;
- The overall income levels targeted by the projects;
- Rehabilitation of existing low income housing stock;
- Sustainable energy savings initiatives;
- Financial and operational ability of the applicant to fund, complete and maintain the project through the extended use period;
- Past performance of an applicant in initiating and completing tax credit projects; and
- Cost of construction, land and utilities.

If the Board awards credit to an applicant where the award is not in keeping with the established priorities and evaluation criteria of this QAP, it will publish a written explanation that will be made available to the general public pursuant to Section 42(m)(1)(A)(iv) of the Internal Revenue Code.

Changes to Application.

A General Partner must notify MBOH of any requested changes to be made during application/construction/rent-up by first requesting authorization to change accompanied by the proposed change(s) and justification.

Any requested changes submitted to application criteria requiring MBOH action may incur additional fees. Changes to tax credit site, construction of building(s), architectural, engineering, or any on-site review by any member of MBOH will incur additional charges. Fees will be determined based upon the cost of travel for that purpose.

SECTION 9– EVALUATION & AWARD

Evaluation

In order to facilitate planning by owners and developers of potential tax credit developments, MBOH will provide credits through a three underwriting evaluations award/reservation, 10% cost certification, and final allocation/8609.

The MBOH staff will review all applications received in the application cycle for completeness, soundness, and eligibility based on federal requirements and this QAP.

MBOH will return and not consider for credit award:

- Incomplete or unsound (where there is no adequate showing of an adequate market or the project is not feasible) applications.
- An application submitted by an entity with a demonstrated poor track record in completed development or management of low income housing, whether located in Montana or another state.
- Applicants with current project(s) that have outstanding substantial IRS Form 8823's may be turned down without the application being scored.

MBOH staff will review applications whose developers have another tax credit project currently being completed to determine if the applicant has sufficient resources to complete two or more projects at one time. In this review, criteria that may be used includes, but are not limited to, the percentage of completeness of current project(s) and/or past project work performance. If staff or the Board determines that an application for a new project does not demonstrate viability to cash-flow or need within the community, the new application may be returned without scoring and will receive not further consideration.

Applications meeting all minimum threshold requirements and not excluded from further consideration under this QAP will be reviewed according to the Development Evaluation Criteria (Section 8). Applications are scored according to the Development Evaluation Criteria in this QAP and will be evaluated for the amount of tax credits needed for feasibility and long term viability. Tax credits will be limited to the amount that MBOH, in its sole discretion, deems necessary to make the development feasible. <u>However, the selection of a project to receive an award of tax credits is not a representation or warranty that the owner or developer should undertake the development, or that no risk is involved for the investor.</u>

Federal law mandates that, although a proposed development may be technically eligible for a certain credit amount, MBOH may not allocate more credit than is necessary for the financial feasibility of the development and its viability as a qualified low income housing project throughout the compliance period.

MBOH must consider:

- The sources and uses of funds and total financing planned for the project. Sources of Funds including loans using "federal funds" i.e., HOME grant money, Rural Development, etc., made by or through a parent organization to a project may be loaned at a rate below AFR. Such loans will not reduce the basis for the project providing they are true loans.
- Grants made with federal funds directly to a project will reduce basis.
- Any proceeds or receipts expected to be generated by the tax credits.
- The percentage of costs used for project costs other than the cost of intermediaries.
- The reasonableness of the developmental and operational costs of the project.

MBOH, or its staff, may query an applicant or other persons regarding any concerns related to tax credit application, the management, construction, or operation. Questionable or illegal housing practices or management, insufficient or inadequate response by the applicant, general partners, or management company as a whole or in part may be grounds for non-consideration.

As part of its review of applications, MBOH will contact community officials of the project location to discuss relevant evaluation criteria information pertaining to the application and the proposed project. MBOH may also

confirm specific information in the application or seek clarification regarding information represented in the application. This will include checking developer team references and all other sources as appropriate (i.e. credit reports and direct contact with the project developer).

Between the submission deadline and the Board meeting, as required by federal law, MBOH notifies the chief executive officer of the local jurisdiction of each proposed development to solicit comments on the development. MBOH also notifies community housing providers, low income housing advocates, and local community officials, to solicit comments on the proposed development.

Award

Based on its evaluation, MBOH will estimate the amount of credit it will award for each application. This determination is made solely at MBOH's discretion, and is not intended to be a representation or warranty to anyone as to the feasibility of the development. Rather, it will serve as the basis for making an award of credits. A similar analysis will be done at the time of 10% cost certification and prior to issuing IRS Form(s) 8609.

If all of the authorized credits are awarded after a particular cycle, MBOH may place qualifying applications which did not receive an award of tax credits on a waiting list for potential award of tax credits in the event credits become available at a later date.

Once MBOH has selected projects and determined the award of tax credits, MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restricted Covenants to the partnership.

Reservation

MBOH will ask each successful applicant to sign a letter of reservation. The partnership should review, complete, sign, and return the Reservation Agreement and Gross Rent Floor Election. A reservation is a commitment conditioned according to its terms on evidence of timely progress toward completion of the development acceptable to MBOH, and compliance with federal tax credit requirements.

If an unsuccessful applicant, or a party associated with such applicant, commences any legal action or proceeding challenging the Board's award determination or process, the Board will allocate tax credits as required by an executed Reservation Agreement to the same extent it would have been bound to do in absence of the legal challenge, unless the court determines that such applicant was not eligible or qualified under the applicable QAP to receive an award of tax credits or the Board otherwise determines that it is precluded by Court order from doing so. If a court determines in any such action or proceeding that the Board must award credits to one or more unsuccessful applicants from such round or year, such award or awards will be made using any available returned or unreserved tax credits or current year's credits provided in Section 7.

The following will be required from the partnership, prior to entering into a Reservation Agreement:

- Demonstrated financial ability to proceed (conditional financing commitment)
- Certain other updated application material

Where applicable, if the owner elects the federal percentage(s) in the month that the reservation is issued by MBOH, the reservation document must be signed and returned on or before the 25th of that month to assure the lock-in of the rate. Owners electing the placed-in-service date should return the signed reservation document immediately. Upon receipt, MBOH will sign the Agreement, and return a copy to the partnership.

The balance of the reservation fee (based on the fee schedule) will be due December 1st of that year.

The applicant will have until December 1st to accept and sign the Reservation Agreement and provide evidence to MBOH that the project is progressing (i.e., purchase of land, conditional financing commitment). If the applicant cannot show significant evidence toward meeting reservation requirements, MBOH may withdraw approval of the application.

Once the partnership enters into a Reservation Agreement with MBOH, the partnership must then meet the conditions described in the Reservation Agreement and provide the required documentation before it receives an allocation of tax credits.

MBOH will recapture an approved Tax Credit reservation when a project fails to make successful progress toward completion. Submitting status reports demonstrating satisfactory evidence of the project's completion is the responsibility of the applicant.

NOTE: Reservations for Tax Credit projects funded through tax-exempt bonds must be completed, signed, and returned to MBOH not later than five days following the close of the bond financing agreement.

Gross Rent Floor Election

The election on this form verifies when the owner elects to enact gross rent floor for the project. There are two options: at the initial allocation, or at the date Placed in Service. This form reflects the election made by the owner in the Reservation Agreement.

Restrictive Covenants

This Document covenants that the land and its use will be restricted for the purposes of providing low-income housing for the period proposed in the application. Provisions included in the Restrictive Covenants will include Exhibit A-1 (Legal Description of Project Land); Exhibit A-2 (Conditions of Tax Credit Allocation) indicating the number of units at the appropriate elected rent levels, e.g., 30%, 40%, 50%, 60% AMI as determined by the application. Owners will be required to maintain those rent levels through the extended use period of the project; Exhibit A-3 (Energy and Green Building) indicating the architect's letter provided in the application outlining those energy and green building initiatives. In unusual circumstances, and for good cause shown, the Board may permit amendments at a subsequent date if it so chooses. The Declaration of Restrictive Covenants must be recorded in the county in which the project real property is located.

Carryover Commitment

In order to receive a carryover commitment, owners must provide proof of land control, executed and recorded restrictive covenants, and the reservation fee. Land lease periods must be at least one year longer than the Restrictive Covenant period. These must be received by December 1, of the year in which the allocation of credits was made. MBOH will issue carryover commitments before year end.

10% Test

MBOH requires that more than 10% of the expected basis in a project, including land, must be expended by the 10% cost certification deadline. MBOH requires that developers provide an independent third party CPA Cost Certification, in a format established by MBOH, relative to the ten percent test.

Developments must submit the 10% requirements, including an accountant's Agreed- Upon-Procedure (cost certification) and other documents, by the deadline. Failure to do so will result in the loss of the credit award.

At 10% Test, MBOH staff will re-evaluate:

- The sources and used of funds;
- Total financing planned for the project;
- Proceeds or receipts expected to be generated by the tax credits;
- Reasonableness of the development and operation costs;
- Projected Rental Income and Operational Expenses;
- Debt Coverage Ratio;
- Tax Credits required for financial feasibility of the project

Deadline for submission of required 10% information is April 30th, of the year following the year of the allocation. Failure to submit certification for 10% documentation will cause forfeiture of allocated tax credits for the project. The Board may extend the deadline when other governmental processes beyond the owner's control impede the process.

Sponsors of tax credit projects that receive awards "in the second half of the calendar year" will qualify under the ten percent test by the end of the twelfth month following receipt of the reservations.

Placed in Service

Placed in Service (PIS) is the date on which the building is ready and available for its specifically assigned function (the date on which the first unit in the building is certified as being suitable for occupancy in accordance with State or local law). This certification is the Certificate of Occupancy (C of O).

New construction and substantial rehabilitation buildings must be placed in service (receive C of O), not later than the close of the second calendar year following the calendar year in which the carryover commitment is made.

Other rehabs that are not substantial (accomplished with residents in place during rehab) can place in service "at the close of any 24 month period over which such expenditures are aggregated". Owner selects placed in service date in this case unless local approval is needed.

Final Allocations/8609

Documentation for the request of 8609's must be submitted to MBOH within 6 months of the last building Placed In Service date. MBOH will not allocate tax credits on IRS Form 8609 until a qualified building is placed in service. A site visit and file audit by MBOH may be conducted prior to the issuance of the IRS Form 8609.

The request for 8609(s) must include:

- The independent third party CPA's Cost Certification and Owner's Statements; (website)
- The architect's verification that the items for green and energy in the application (and included as exhibit A-3 of the Restrictive Covenants) as well as provisions of accessibility listed in paragraph (page 9) have been met;
- Certificates of Occupancy (C of O's);
- Copies of all permanent loan and/or grant documents;
- Copy of partnership/equity agreement; and
- Statement of items or costs excluded from eligible basis

MBOH will complete the final credit allocation evaluation. Once the 8609(s) is issued and delivered to the owner(s) he/they must complete the bottom half, and sign the document(s). A copy of each completed document must be sent back to MBOH within six months of issuance.

SECTION 10 - DEVELOPER/APPLICANT RESPONSIBILITIES

Developer/Applicant must respond to a written MBOH request within 10 working days. Failure to do so may result in the application being deemed ineligible for that funding round.

Developer/Applicant agrees to proceed according to the timeframe identified in the Implementation Schedule. Adjustments up to 60 days are acceptable. Changes to the Implementation Schedule greater than 60 days after reservation must be requested and justified in writing and approved by MBOH.

State Law Requirements

The applicant and development team must certify and agree to comply with Montana State law requirements (e.g., certificate of contractor registration, workers compensation, unemployment compensation, and payroll taxes). MBOH will include this certification in the execution of all Reservation and Carryover Allocation documents.

Public Notification

Any public relations actions by a recipient of tax credits that require notification to the public involving MBOH funds or tax credits must specifically state that a portion of the funding is from MBOH. This will be included in radio, television, and printed advertisements (excluding rental ads), public notices, and on signs at construction sites, e.g., "Low Income Housing Tax Credits allocated by the Montana Board of Housing, Montana Department of Commerce."

Status Reporting

All applicants receiving reservations of credits must provide written status reports for each calendar quarter, beginning with the quarter in which the tax credit award is made. Status reports will be due on or before April 10, July 10, October 10, & January 10. The documentation regarding the progress must be development specific, and include such items as planning approval and building permits, firm debt and/or equity financing commitments, construction progress, and lease up progress. Owners must provide a copy of the Certificate of Occupancy for each building with the status report covering the period during which it was issued.

Changes

The applicant must immediately notify MBOH in writing if changes occur in the project with respect to the Applicant, the Developer, or any other principal participant in the project. The Board must review and approve any proposed major changes to the project including but not limited to quality of construction, unit composition, target group, location and changes in areas where the project has been scored based on the scoring outlined in this QAP. The review and approval must happen prior to the change taking effect. Changes completed without Board approval, may result in the loss of some or all credits.

SECTION 11 - COMPLIANCE MONITORING

Federal law requires state allocating agencies (MBOH) to monitor compliance with provisions of Section 42 of the Internal Revenue Code (26 U.S.C. § 42). In addition, Federal law requires allocating agencies to provide a procedure the agency will follow in monitoring for non-compliance and inform tax credit recipients (owners) of procedures and requirements.

Included in the requirements are procedures for notifying the Internal Revenue Service (IRS) of any non-compliance of which the allocating agency becomes aware. Federal income tax regulations related to Procedures for Monitoring Compliance with Low-Income Housing Credit Requirements are published in 26 CFR Part 1 and 602.

For complete LIHTC compliance guidance, refer to the MBOH Program Compliance Manual **(website)**.

Compliance Fees

Developments will incur a reasonable compliance monitoring fee to offset the costs for MBOH compliance monitoring. The compliance monitoring fee of $35.00 per each non-market unit (subject to change), is payable annually at the time of the Owner's Submission of the Owner's Certificate of Continuing Program Compliance.

The following procedure describes MBOH plans for monitoring compliance on tax credit projects. At minimum, each project that has been placed in service will be subject to the following monitoring requirements:

Recordkeeping, Record Retention and Data Collection.

Recordkeeping

The owner of a low-income housing project must keep records for each building in the project that shows unit qualifications for each year throughout the term of the Declaration of Restricted Covenants (Extended Use Agreement) in effect for such project.

Records Retention

Federal regulations require the owner of a low income housing project receiving tax credits to retain the following information for each qualified low income building in the project. Under the record retention provision of the IRS compliance regulations, the owner is required to retain the above mentioned records for at least 6 years after the due date for filing the federal income tax return for that year. Records for the first year of the credit period, however, must be retained for at least 6 years beyond the due date for filing the federal income tax return for the last year of the compliance period. Owner should also retain records relating to the amount of credit claimed for the Low Income Housing Tax Credit, including the Form 8609 and Schedule A of Form 8609.

The information must show for each year in the compliance period:

- The total number of residential rental units in a building (including the number of bedrooms and the size in square feet of each residential rental unit).
- The percentage of residential rental units in the building that are low income units.
- The rent charged on each residential rental unit in the building (including any utility allowances and mandatory fees).
- The number of occupants in each low-income unit if the rent was determined by the number of occupants in each unit (projects receiving credit before the Revenue Reconciliation Act of 1989).
- The low income unit vacancies in the building and information that shows when, and to whom, the next available units were rented. If a unit is left vacant, or in a mixed use project is rented to a non-qualifying tenant, the owner must maintain documentation showing a diligent attempt was made to rent the unit to a qualifying tenant.
- The tenant income certification of each low income tenant (by unit), including annual certifications for each continuous tenant.

- Documentation to support each low income tenant's income certification. This must include a copy of (a) verification of income from third parties such as employers or state agencies paying unemployment compensation, or (b) 6 consecutive paystubs
- The eligible basis and qualified basis of the building at the end of the first year of the credit period.
- The character and use of any non-residential portion of the building included in the eligible basis of the building, if applicable.

Data Collection

To the extent required by federal law, the owner will assist the MBOH with meeting federal reporting requirements by collecting and submitting information annually concerning the race, ethnicity, family composition, age, income, use of rental assistance under section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of all low-income households.

Owner Certification:

MBOH will require a statement of Owner Certification with an authorized notarized signature on an annual basis. This statement must be filed with MBOH every year during the compliance period, and if applicable, during the extended use agreement. Owners must file annual certifications on the form provided by MBOH. This form may not be substituted. Projects that fail to provide an annual certification report before the date established by MBOH will be subject to issue of an IRS Form 8823 for Late Owner's Certification.

Annual Operating Expense Information

All project owners must submit operating income and cost information for the project's latest fiscal period, including a current balance of replacement and operating reserve accounts. This information will be used to maintain a database of all tax credit projects in the state.

Submission Deadlines

Owners must submit Owner Certifications (a separate certification must be submitted for each project having an allocation of tax credits) and Tenant Income Certifications on the prescribed forms prior to the 25th of the month following the assigned annual period. At the owners request to MBOH an earlier certification date may be set. However, once the certification date is set, certifications will be due at the same time each year. Federal regulations stipulate there must be no more than 12 months between certifications.

Review by MBOH staff

Will review the annual certifications submitted by owners of low-income housing Households, for compliance with the requirements of Section 42 of the Code and with the requirements of the MBOH Low-Income Housing Tax Credit Program via:(COL) Certification On Line System; and

Ownership/Management Changes

Notification of changes to ownership, property management companies, managers, site managers, or changes to points of contact must be made to MBOH prior to or immediately upon implementation of the change.

Project Manager Education

Persons responsible for qualifying tenants and verifying compliance (involved in tenant qualification and compliance) must be certified in LIHTC compliance by one of the nationally recognized training companies. Project managers and property management company personnel must complete a nationally recognized certification course, passing the test. For MBOH purposes, to maintain certification, training with a nationally recognized compliance trainer will be repeated at least once every four years. For each of the other three years, all project managers and property management company personnel are strongly encouraged to attend annual MBOH compliance training. Many nationally recognized training companies recognize MBOH training as qualifying training in lieu of their training. The manager for a LIHTC property must be trained and certified before the project is placed in service. New managers hired for existing LIHTC projects must be certified within their first year of

employment. On a case-by-case basis, MBOH may approve our compliance training as adequate training until such time as the next nationally recognized training program is offered within Montana.

Tenant Income Certifications (TIC)

Frequency and Form

For all tax credit projects, the owners must complete the MBOH TIC *for all new move-ins* and file it with MBOH for each tenant. MBOH will not require owners to send in documentation supporting the numbers represented on the TIC. MBOH will review supporting documentation as part of the On Site Review process.

Timely annual Re-certifications (TICs) *for mixed projects* must be completed and signed by the owner/manager and tenant, and submitted to MBOH utilizing Certification On Line (COL), in addition to the Owners Annual Certification.

All properties must provide certifications *of student status annually* for all LIHTC qualified tenants *prior to their move-in* anniversary *date*.

The Certification On-Line TIC is the only acceptable form.

On-Site Review Process

MBOH will perform an on-site review and inspection of each project at least once every three years. MBOH will notify the owner/manager in advance prior to the review. During this review MBOH staff will:

- Tour and inspect the project, each building, and inspect a minimum of 20% of the units. MBOH, at its discretion, may request to view additional units based on the initial inspection. MBOH will not notify the Owner/Manager which units are to be sampled in advance.
- Inspect supporting documentation for numbers represented on the Tenant Income Certification for a sample of tenants. MBOH will not notify the Owner/Manager of which tenant records are to be sampled in advance.

Complete copies of tenant official tax credit rental files from original lease-up forward must remain within the State of Montana at the location of the rental property or the regional in-state office for each unit.

If MBOH determines it is necessary, projects may be inspected more than once every three years. The cost of any additional inspections will be billed to the respective project.

Under the inspection provision (26 CFR 1.42 (d)), MBOH has the authority to perform an on-site inspection of any low-income housing project at least through the end of the compliance period of the buildings in the project. As discussed under "Compliance Term" above, on-site reviews may continue through the extended use period for applicable projects.

If concerns over occupancy restrictions under Section 42 of the Code or the implementing regulations require MBOH to undertake additional monitoring (or the MBOH elects to undertake additional monitoring), MBOH will require the owner to document correction of non-compliance. The Owner will take any and all actions reasonably necessary to comply. The Owner will pay a reasonable fee to MBOH for such monitoring activities.

Notice To Owner (26 CFR 1.42 (e)(2))

Under the notification-of-noncompliance provisions, MBOH must provide prompt written notice to the owner if MBOH does not receive the certification(s) described in this QAP, or is not permitted to inspect the tenant income supporting documentation, rent records, or the project. In addition, MBOH must provide prompt written notice to the owner if MBOH discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

Correction Period (26 CFR 1.42 (e)(4))

The owner will be given a correction period of up to 90 days from the date of notice. If MBOH determines that good cause exists, an extension to complete noncompliance may be granted. During this time, the owner must

supply any missing certifications and/or bring the project into compliance with the provisions of Section 42. IRS regulations require MBOH to notify the IRS even if the non-compliance is cured so the IRS may determine whether a penalty is necessary. IRS does not intend to have MBOH determine whether penalties will be assessed.

If the project is out of compliance, a penalty may apply to all units in the project. The IRS will determine whether penalties will be assessed for the project. Penalties may include:

- Recapture of any accelerated portion of the tax credits for prior years.
- Disallowance of the credit or a portion of the credit for the entire year in which the non-compliance occurs.
- Assessment of interest for the recapture year and previous years.

Notice To IRS (26 CFR 1.42 (e)(3))

MBOH must file IRS Form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS no later than 45 days after the end of the correction period, and no earlier than the end of the correction period. Again, MBOH must file this notice whether or not the noncompliance or failure to certify is corrected.

Liability (26 CFR 1.42 (g))

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. MBOH's obligation to monitor for compliance with the requirements of Section 42 does not make the Agency liable for an owner's noncompliance.

No member, officer, agent, or employee of MBOH shall be personally liable concerning any matters arising out of, or in relation to, the compliance monitoring of a low-income housing project.

Marketing the Project

MBOH expects all projects receiving funding to advertise the rental units on the State-approved Housing Locator website, MTHousingSearch.com. Using this product meets the criteria for advertising vacant units and provides for broad coverage to those searching for affordable housing in Montana. There is no charge for this advertising.

SECTION 12 - DISCLAIMER

MBOH Policy on Non-Discrimination

Montana Board of Housing is an Equal Opportunity concern. All employees, who work for or with this Agency, agree not to discriminate against any client or co-worker based on race, color, religion, sex, handicap, familial status, national origin and any other classes protected in Montana. The failure of any employee to take the Agency policy seriously and to in fact discriminate will lead to immediate termination of employment.

Qualified Allocation Plan Revisions

This QAP may be amended at any time after giving public notice, scheduling and holding a public hearing, and with the approval of MBOH and the Governor.

MBOH is charged with allocating no more tax credits to any given development than is required to make that development economically feasible. This decision shall be made solely at the discretion of MBOH, but in no way represents or warrants to any sponsor, investor, lender, or others that the development is feasible or viable.

MBOH reviews documents submitted in connection with this allocation is for its own purposes. In allocation of the tax credits, MBOH makes no representations to the owner or anyone else regarding adherence to the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Low Income Housing Tax Credits.

No member, officer, agent, or employee of MBOH shall be personally liable concerning any matters arising out of, or in relations to, the allocation of the Low Income Housing Tax Credit.

MBOH Policy on Civil Rights Compliance

The owner, developer, borrowers and any of their employees, agents, or sub-contractors in doing business with the Montana Board of Housing understand and agree that it is the total responsibility of the owner(s) to adhere to and comply with all Federal Civil Rights legislation inclusive of the Fair Housing Laws, Americans With Disabilities Act as well an any State and local Civil Rights legislation along with any required related codes and Laws. Should requirements, such as design, not be specified by MBOH, it is none the less the owner(s) responsibility to be aware of and comply with all non-discrimination provisions related to race, color, religion, sec, handicap, familial status, national origin an any other classes protected in Montana, including design requirements for construction or rehabilitation, Equal Opportunity in regard to marketing and tenant selection and reasonable accommodation and modification for those tenants covered under the Laws.

Changes Coming up in 2014

MBOH is considering plans to put out an RFP for Market Studies. Under this plan, MBOH would commission all market studies. Applicants would pay a share of the cost of market studies as part of their application fees. A pre-application consisting of the uniform application would be due probably mid-summer of 2013. Market studies would be performed late summer to early fall 2013. Staff would review market studies and present pre-applications to the Board mid fall 2013. Developers would be notified to proceed to application submission in January of 2014.

EXHIBIT A - HIGH COST AREAS

LOW INCOME HOUSING TAX CREDITS

Section 42(d)(5)(C) of the Internal Revenue Code defines a Qualified Census Tract as any census tract or equivalent geographic area in which at least 50% of households have an income less than 60% of the Area Median Gross Income (AMGI). Section 42 defines a Difficult Development Area as any area designated by the Secretary of HUD as an area that has high construction, land and utility costs relative to the AMGI.

When an area, which can be a county or a specific census tract, is designated as either a Qualified Census Tract or a Difficult to Develop Area, a project proposed for a high cost area is eligible for an increase in eligible basis of up to 130%. This means that a greater amount of tax credits than otherwise available may be approved, if it is determined that the greater amount is needed for financial feasibility of given projects.

MONTANA BUREAU OF CENSUS DESIGNATED QUALIFIED CENSUS TRACTS

Specific information referencing current application year is posted to the Housing website as soon as it becomes available. Please note specific year for appropriate application.

MONTANA HUD DESIGNATED DIFFICULT TO DEVELOP AREAS

Specific information referencing current application year is posted to the Housing website as soon as it becomes available. Please note specific year for appropriate application.

EXHIBIT B -

MINIMUM MARKET STUDY REQUIREMENTS

Guidelines for Market Analysts

I. Executive Summary
II. Project Description
    a. Description of market area (general and specific)
    b. Site amenities (including any unique characteristics)
    c. Description of improvements (as available in the case of new construction)
        i. Unit mix, unit amenities, common amenities
        ii. Comparison to market rate projects (does project have typical finish, amenities found in local market)
        iii. Comparison to other rent restricted projects
III. Market Area Economy
    a. Delineation of market area
    b. Population and household trends
    c. Housing trends, including proposed projects and other new developments
    d. Supply and demand analysis
        i. Market rate supply
            1. Existing
            2. Potential
        ii. Market rate demand
            1. Vacancy rates, incentives
            2. Rent trends
            3. Absorption
        iii. Rent-restricted supply (discuss HUD-Assisted housing, TC projects, subsidized projects, and public housing, as applicable)
            1. Existing
            2. Potential/developing
        iv. Rent-restricted Demand
            1. Vacancy Rates
            2. Market penetrating analysis (Use income comparisons, minimum and maximum income for project)
            3. Project absorption for project
        v. Analysis of project's special-needs (if applicable)
            1. Statistical analytical information from appropriate social services agencies
            2. Analysis of specific demand for special-needs units
        vi. Conclusion – Proposed project's competitive position
IV. Competitive Rental Market
    a. Description of comparable properties, both market rate and rent restricted
        i. Analysis of rents, including amenities and utilities
        ii. Conclusion of rents by unit type
V. Analysis of rent gap (gap between maximum restricted rents, projected rents, and market rents)
VI. Analysis of the project's effect on the market area including the impact on Tax Credit and other affordable rental housing
VII. Conclusion
    a. Specifically address:
        i. Is the project, as proposed, viable?
        ii. Does the project meet a current or projected market need?
        iii. Does the project supply units below market rate?

iv. If not, does the project provide some other public benefit? (i.e. currently deferred maintenance or supplying better hosing than currently available, holding rents stable in a market of increasing housing prices, or supplying reasonably-priced housing where there is a shortage)

b. Summary

i. Recap of project

ii. Conclusions and recommendations

Market Study Summary

The market study must clearly identify the following on a summary sheet:

Average (comparable) market unit rents in immediate area

0 Bedroom	$_____		
1 Bedroom	$_____		
2 Bedroom	$_____		
3 Bedroom	$_____		
4 Bedroom	$_____	Reference page	_____
Vacancy Rate	_____%	Reference page	_____
Capture Rate	_____%	Reference page	_____
(Projected income eligible tenants who will move in next year / proposed units)			
Units needed in market area	_____%	Reference page	_____
Absorption Rate	_____%	Reference page	_____
(Proposed units / existing LIH, market area units required)			
Penetration Rate	_____%	Reference page	_____
(Existing LIH units/total eligible households)			_____
Number of LI households that can afford rent of proposed project _____		Reference page	_____

Distances to essential services as listed in Development Evaluation Criteria #3, page 21

EXHIBIT C -

10% AND 8609 LETTERS AND FORMS

The Board will require sponsors to certify that they have disclosed all of a development's funding sources and uses, as well as its total financing.

Attached you will find information regarding the submission of 10% documents, 8609 documents.

10% documents must be submitted not later than the deadline. The documents include:

- Independent auditor's report,
- Owner's statement, 10% Certification

Exhibit A –

- Itemized Cost and Eligible Basis worksheet,
- Maximum Credits Based on Qualified Basis worksheet,
- Sources and Uses of Funds worksheet,
- Final Credit Calculation worksheet,
- Qualified basis on a Building-by-Building Basis worksheet,
- Tenant Paid Utility Worksheet, Income and Rent Schedule, and Annual Operating Expenses Worksheet, and
- Unit-by-Unit Breakdown
- Copies of all loan and grant agreements/notes

8609 information must be submitted to not later than six (6) months after the project has been placed in service. The final documents include:

- Final cost certification, independent auditor's report,
- Owner's statement, final allocation, and
- Occupancy Certificates for each building

Exhibit A –

- Itemized Cost and Eligible Basis worksheet,
- Maximum Credits Based on Qualified Basis worksheet,
- Sources and Uses of Funds worksheet,
- Final Credit Calculation worksheet,
- Qualified basis on a Building-by-Building Basis worksheet,
- Tenant Paid Utility Worksheet, Income and Rent Schedule, and Annual Operating Expenses Worksheet, and
- Unit-by-Unit Breakdown
- Architects letter certifying energy and green elements proposed have been met
- Partnership Agreement
- Copies of loan and grant agreements/notes
- Statement of items or costs excluded from eligible basis

10% Cost Certification

Independent Auditors' Report

Date: _____, 20__

To: Montana Board of Housing

Multifamily Program

PO Box 200528

Helena MT 59620-0528

and

_____ (the "Owner")

Street

City, State Zip Code

Re: 10% Examination for _____("the Project")

We have examined the accompanying "Costs Incurred" to satisfy the 10% test ("Exhibit A, Itemized Actual Cost and Eligible Basis") for the Owner of _____ (the "Project") as of April 30, 20__. Exhibit A is the responsible of the Owner. Our responsibility is to express an opinion on Exhibit A based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence supporting the information presented in the column entitled Costs Incurred, shown on Exhibit A, Itemized Actual Cost and Eligible Basis and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Exhibit A was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Montana Board of Housing, which is a comprehensive basis of accounting other than generally accepted account principles.

The 10% Test includes an estimate prepared by the Owner of total development costs and reasonably expected basis, as defined in Treasury Regulation Section 1.42-6. We have not examined or performed any procedures in connection with such estimated total development costs and reasonably expected basis and, accordingly, we do not express any opinion or any other form of assurance on such estimates. Furthermore, even if the project is developed and completed there will usually be differences between the project and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In our opinion, the column entitled "Costs Incurred", "Exhibit A, Itemized Actual Cost and Eligible Basis" referred to above presents fairly, in all material respects, costs incurred by the Project as of April 30, 20__, on the basis of accounting described above.

In addition to examining Exhibit A, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the owner and the MBOH, were performed to assist you in determining whether the Project has met the 10% test in accordance with

the Internal Revenue Code Section 42(h)(1)(E) and the Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accounts. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the follow procedures:

> We calculated, based upon estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be $_____ as of December 31, 20__.
>
> We calculated the reasonably expected basis incurred by the Owner as of April 30, 20__ to be $_____.
>
> We calculated the percentage of the development fee incurred by the Owner as of April 30, 20__ to be __% of the total development fee.
>
> We compared the reasonably expected basis incurred as of April 30, 20__ to the total reasonably expected basis of the Project, and calculated that __% had incurred as of April 30, 20__.
>
> We determined that the Owner uses the accrual method of accounting, and has not included and construction costs in carryover allocation basis that have not been properly accrued.
>
> Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculate that the Project needed to incur at least $_____ of costs prior to April 30, 20__. As of April 30, 20__, costs of at least $_____ had been incurred, which is approximately __% of the total reasonably expected basis of the Project.

We were not engaged to, and did not perform an audit of the Owners financial statements or of the Project's total reasonably expected basis. Furthermore, even if the Project is developed and completed there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Accordingly, we do not express such an opinion. Had we preformed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intend solely for the information and use of the Owner for filing with the MBOH and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Independent Auditor's Signature

OWNER'S STATEMENT

10% CERTIFICATION

This information is provided by _____ (the "Owner") to the Montana Board of Housing in connection with the reservation of _____ low-income housing tax credits for the ____ _____ Project (the "Project").

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

1) The Owner's basis in the Project as of _____ , _____ is:

Basis $_____

The Owner's reasonable expected basis in the Project as of December 31, 20___ is:

Reasonably Expected Basis $_____

2) The Owner's basis in the Project as of_____, 20____ will exceed 10% of the reasonable expected basis in the project as of December 31, 20____ (All within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code.)

3) The Owner will place the building in service no later than December 31, 20__

4) The Owner anticipates that the building will be completed in_____ of _____. (Such date is, however, subject to unanticipated delays in commencement of, or progress during, development.)

Owner:

Address:

Tax I.D. # :

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

Final Cost Certification

Independent Auditors' Report

_____, 20__

Owner's Name: _____

Project Name: _____

Project Number: MT_____

We have examined the costs included in the accompanying Montana Board of Housing ("MBOH") Final Cost Certification (the "8609 certification") ("Exhibit A, Itemized Actual Cost and Eligible Basis") for _____ (the "Owner") for _____ ("the Project") as of _____, 20__. The Final Cost Certification is the responsibility of the Owner. Our responsibility is to express an opinion on the Final Cost Certification based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Final Cost Certification and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by MBOH, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of $_____and eligible basis of $_____of the Owner for the Project as of _____, 20__, on the basis of accounting described above.

This report is intended solely for the information and use of the Owner and for filing with MBOH and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

Independent Auditor's Signature

City, State

OWNER'S STATEMENT

FINAL ALLOCATION

This information is provided by _____ (the "Owner") to the Montana Board of Housing in connection with the Final Allocation of $_____ of _____ low-income housing tax credits for the _____ Project (the "Project").

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

1) The Owner's Eligible and Qualified basis in the project as of _____, _____ within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code, is:

   Eligible Basis $_____

   Qualified Basis $_____

2) The Owner placed the building(s) in service on _____, _____.

Owner:

Address:

Tax I.D. #:

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

OWNER'S STATEMENT (Acquisition and Rehabilitation)

FINAL ALLOCATION

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

This information is provided by _____ (the "Owner") to the Montana Board of Housing in connection with the Final Allocation of $_____ of _____ low-income housing tax credits for the _____ Project (the "Project").

1) The Owner's Eligible and Qualified basis in the project as of _____, _____ within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code, is:

   Acquisition:
   Eligible Basis $_____
   Qualified Basis $_____

   Rehabilitation:
   Eligible Basis $_____
   Qualified Basis $_____

2) The Owner placed the building(s) in service on _____, _____.

Owner:

Address:

Tax I.D. #:

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

___ 10% certification (mark one)
___ 8609 certification

EXHIBIT "A"

Itemized Actual Cost and Eligible Basis

Itemized Cost	Disclose all of a development's funding sources and uses List and Indicate Eligible Basis by Credit Type Costs Incurred	Reasonably Expected Cost	Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credits
Land and Buildings:				
Land				
Existing Structure				
Demolition				
Site Work:				
Site Work				
Off Site Improvements				
Environmental				
Rehabilitation and New Construction:				
New Building				
Rehabilitation				
Accessory Structures				
General Requirements				
Contractor Overhead				
Contractor Profit				
Construction Contingency				
Professional Work and Fees:				
Architect Design				
Architect supervision				
Attorney, Real Estate				
Consultant/				
Engineer/Surveyor				
Construction Interim Costs:				
Hazard & Liability Insurance				
Credit Report				
Construction Interest				
Origination Points				
Discount Points				
Inspection Fees				
Title & Recording				
Legal fees				
Taxes				
SUBTOTAL THIS PAGE				

___ 10% certification (mark one)
___ 8609 certification

EXHIBIT "A"

Itemized Actual Cost and Eligible Basis

Itemized Cost	Costs Incurred	Reasonably Expected Cost	List and Indicate Eligible Basis by Credit Type: Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credits
Financing Fees and Expenses:				
Hazard Insurance				
Credit Report				
Discount Points				
Construction Interest				
Origination Points				
Inspection Fees				
Title and Recording				
Legal Fees				
Taxes				
Soft Cost:				
Credit Report				
Market Study				
Environmental Study				
Tax Credit Fees				
Cost Certification				
Syndication Costs:				
Organizational (Partnership)				
Bridge Loan Fees and Expenses				
Tax Opinion				
Developer's Fees:				
Developer's Fees–New Overhead				
Developer's Fees-Rehabilitation				
Consultant Fees				
Developer's Fees-Rehabilitation				
Project Reserves:				
Rent-up Reserves				
Operating Reserves				
Replacement Reserves				
Prefunded R for R				
SUBTOTAL THIS PAGE				
plus				
SUBTOTAL FROM PAGE 1				
Totals				
Less:				
Permanent Financing Fees				
Tax Credit Fees				
Rent-up Reserves				
Organizational Costs				
Totals				
Percentage		____ %		

___ 10% certification (mark one)
___ 8609 certification

EXHIBIT "A"

Maximum Credits Based on Qualified Basis

Loans:

Name of Lender	Amount	Rate	Loan Term	Amort. Period	Annual Debt Service
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____
_____	$ _____	_____ %	_____	_____	$ _____

Total Loans $ _____

Grants:

Name of Grantor	Amount
_____	$ _____
_____	$ _____

Total Grants $ _____

Other Sources:
(i.e. owners equity, deferred developer fees)**

Name	Amount
_____	$ _____
_____	$ _____
_____	$ _____

Total Other Sources $ _____

TAX CREDIT EQUITY $ _____

TOTAL SOURCES: $ _____

TOTAL USES: (from page 2) $ _____

Sources must equal Uses

** Rural Development projects must use required owners equity as a source

___ 10% certification (mark one)
___ 8609 certification

EXHIBIT "A"

Final Credit Calculation

Tax Credit Equity (from page 4)	$_____	
Tax Credit Sales Price (from page 3)	_____%	
Maximum Annual Credit Calculation:		
Methods		
1. Maximum Credit Based on Tax Credit Equity ((Equity / Sales Price) / 10 years)	$_____	
2. Maximum Credits Based on Qualified Basis (from page 3)	$_____	
3. Maximum Credits per Reservation Agreement (from page 3)	$_____	
Maximum Annual Credit Amount (lesser of the above three methods)		$_____

Tax Credit Net Proceeds

Gross Proceeds from Sale of Tax Credits		_____
Intermediary Costs:		
Organizational/Partnership Expenses	_____	
Tax Opinion	_____	
Commissions	_____	
Bridge Loan Fees	_____	
Bridge Loan Interest	_____	
Fees to Owner or related party	_____	
Other	_____	
Other	_____	
Total Intermediary Costs		_____
Net Proceeds from Sales of Tax Credits		_____

(Reduce the gross proceeds from the sale of the tax credits by the costs the project would not have incurred if it had not used tax credits as funding source.)

(This will be analyzed for reasonableness to determine if tax credits proceeds are being used effectively.)

Notes:

___ 10% certification (mark one)
___ 8609 certification

Exhibit "A"

Maximum Credits Based on Qualified Basis

	List and Indicate Eligible Basis by Credit Type	
	Federal Subsidies 4% Credit	w/o Federal Subsidies 9% Credits
Total Eligible Basis (from previous page)	_____	_____
Less portion of grants used to finance qualified development costs. List Grants:	<_____>	<_____>
Less amount of nonqualified non-recourse financing	<_____>	<_____>
Less Historic Tax Credits (Residential Portion Only	<_____>	<_____>
Less other nonqualified costs	<_____>	<_____>
Total Adjusted Eligible Basis	_____	_____
Is project in QCT* or DDA*? If Yes enter 130%. If No enter 100%.	X_____%	X_____%
Total Adjusted Eligible Basis (Includes high cost adjustment)	_____	_____
Applicable Fraction (smaller of Unit or Floor Space Fraction)	X_____%	X_____%
Total Qualified Basis	<_____>	<_____>
Applicable Fraction (per reservation agreement)	$_____	$_____
Total Maximum Annual Credit (by type)	$_____	
Total Maximum Annual Credit (Combined)		

Maximum Credits per Reservation Agreement

Total Maximum Annual Credit	$_____

Tax Credit Sales Price

Tax Credit Sales Price per agreement with equity investors. (i.e. $0.70, $0.75)	$_____

*QCT = Qualified Census Tract

*DDA = Difficult to Develop Area

___ 10% certification (mark one)
___ 8609 certification

EXHIBIT "A"

Qualified Basis on a Building-by-Building

Building Address	Eligible Basis by Building	Applicable Fraction	Qualified Basis by Building	% Qualified Basis by Building	Tax Credits by Building	Placed-in-Service Date
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
13.						
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21.						
22.						
23.						
24.						
25.						
Totals	$_____		$_____		$_____	

Separate sheet will need to be completed for both acquisition and rehabilitation.

___ 10% certification (mark one)
___ 8609 certification

Owners Statement Attachment

Tenant Paid Utility Information

Utility of Service	Type of Utility (ie. Gas, Elec.)	O=Owner Pd T=Tenant Pd	Bedroom Size: 0-bdrm	1–bedroom	2–bedroom	3–bedroom	4–bedroom
Heating							
Air Conditioning							
Cooking							
Other Electricity							
Hot Water							
Water							
Sewer							
Trash							
Totals			$_____	$_____	$_____	$_____	$_____

Income and Rent Schedule

Number of Bedrooms	Number of Units	Gross Rent	Utility Allowance	Contract Rent	Total Monthly Rent	Median Income Rent	Average Sq. Ft. Per Unit

Subtotal – Gross Monthly Income _____
LESS Vacancy Factor ____% _____
Other Project Income (monthly) _____
Total Monthly Income _____ *12 = _____ Yearly

Annual Operating Expenses

1. Administrative:
Management _____
Advertising _____ _____%
Legal/Partnership _____
Accounting/Audit _____
Office Expenses _____
_____ _____
Total Administrative _____

2. Operating:
Lighting & Misc. Power _____
Water/Sewer _____
Gas _____
Trash Removal _____
Payroll/Payroll Taxes _____
Insurance _____
_____ _____
Total Operating _____

3. Maintenance:
Decorating _____
Repairs _____
Exterminating _____
Ground Expense _____
Snow Removal _____
_____ _____
Total Maintenance _____

4. Taxes:
Real Estate Taxes _____
_____ _____
Total Taxes _____

5. Total Operating Expenses

6. Annual Replacement Reserves

7. TOTAL EXPENSES _____

___ 10% certification (mark one)
___ 8609 certification

Owners Statement Attachment

Unit-by-Unit Breakdown

Building Address & Bin Number	Unit Number	Unit Type (1,2,3,bdrm)	Tenant Paid Rent	Utility Allowance	Gross Rent	Square Footage	*** Unit Designation	Is the unit currently rented?
A Separate line should be used for each unit.				*** Unit Designation – Indicate if elderly, 504 fully accessible, Manager, etc.				

EXHIBIT D

Form will be inserted upon finalization.

EXHIBIT E

Form will be inserted upon finalization.