MONTANA
DEPARTMENT OF COMMERCE

MBOH
Montana Board of Housing

Thank you for attending this public meeting and for your support of affordable housing.

Date: Monday, February 8, 2016

Time: 9:00 a.m.

Chairperson: JP Crowley

Meeting Location:
Montana Board of Housing &
VIA WEBINAR
301 S. Park Avenue, Room 228
Helena MT 59601
(406) 841-2840

Board Offices:
301 S Park Ave., Room 240
Helena MT 59601
(406) 841-2840

Remote Attendance Information:
You may join our meetings from your office or home via webinar and phone.

Dial (877) 273-4202
Access Code: 7233056#
Webinar: Click here to register

AGENDA ITEMS

Public Comments - Public comment is welcome on any public matter that is not on the agenda and that is within the jurisdiction of the agency. Please sign in on our attendance sheet.

Minutes

- Approve Prior Board Meeting Minutes

Homeownership Program (Manager: Vicki Bauer)

- Wind and Hail Minimum Deductible Policy Change

Multifamily Program (Manager: Mary Bair)

- 2017 Qualified Allocation Plan Review and Release for Public Comment

Miscellaneous

Meeting Adjourns

*All agenda items are subject to Board action after public comment requirements are fulfilled.

*We make every effort to hold our meetings at fully accessible facilities. Any person needing reasonable accommodation must notify the Housing Division at (406) 841-2840 or TDD (406) 841-2702 before the scheduled meeting to allow for arrangements.

Future Meeting Dates and Locations (subject to change)

March 14, 2016: Butte | April 11, 2016: unknown | May 9, 2016: No meeting

The Board of Housing's mission is to create affordable housing opportunities for Montanans whose needs are not met by the market. We value people, families, communities, fairness, teamwork, mutual respect, integrity. We are committed and passionate about collaborating with our partners to make sure Montana's families and communities have attainable, affordable, accessible and sustainable homes.

Holiday Inn Helena
22 N. Last Chance Gulch – Helena Montana 59601
January 19, 2016

ROLL CALL OF BOARD

MEMBERS:
J.P. Crowley, Chairman (Present)
Bob Gauthier (Present - webinar)
Doug Kaercher (Excused - webinar)
Ingrid Firemoon (Excused)
Jeanette McKee (Present)
Pat Melby (Present)
Sheila Rice (Present)

STAFF:
Bruce Brensdal, Executive Director
Mary Bair, Multifamily Program
Ginger Pfankuch, Accounting & Finance Manager
Vicki Bauer, Homeownership Program
Mary Palkovich, Servicing Program
Stacy Collette, Operations Manager
Paula Loving, Executive Assistant
Kellie Guariglia, Multifamily Program
Angela Heffern, Accounting Program
Todd Jackson, Multifamily Program
Charlie Brown, Homeownership Program
Jeannene Maas, Homeownership Program
Rena Oliphant, Multifamily Program
Ashly Amato, Administrative Assistant
Kendra Lloyd, Multifamily Program
Danyel Bauer, Homeownership Program
Bob Vanek, Mulitfamily Program

COUNSEL:
Greg Gould, Luxan and Murfitt
John Wagner, Kutak Rock

UNDERWRITERS: Mina Choo, RBC Capital

OTHERS:
Kay Midro, Aloha Noblehouse, Inc.
Jodie Paxton, Aloha Noblehouse, Lake County
Adam Gratzer, Freedom's Path
Mike Tolomeo, Freedom's Path
Don Sterhan, Mountain Plains Equity Group
Eileen Piekarz, Courtyard Apts – RCAC
Marney McCleary, Courtyard Apts – CAPNM
Jennifer Seigel, Courtyard Apts – RCAC
Chris DSchaak, City of Wolf Point, Mayor
Heather McMilin, Homeword, Inc.
Andrea Davis, Homeword, Inc.
Tim Howard, Sterling

Wendy Thomas, City of Bozeman
Gene Leuwer, GL Development
Beki Brandborg, Echo Enterprises
Jeff Rupp, Bozeman HRDC
Harlan Wells, Missoula Housing Authority
Jim Morton, Human Resource Council
Robert Robinson, Human Resource Council
Lucy Brown, Housing Authority of Billings
Patti Webster, - Webinar
Heather Grenier, HRDC, Bozeman
Tracy Menuez, HRDC, Bozeman
Brian Guger, HRDC Bozemen
Alex Burkhalter, Housing Solution, LLC
Daryn Murphy, Commonwealth Development
Merrylee Olson, - Webinar
Peter Gray, Benefis Health Systems
Steve Dymoke, - Webinar
Chancy Kittson, Blackfeet Housing
Gary MacDonald Roosevelt County
Same Long, Summit Housing group
Rusty Snow, Summit Housing Group
Stacey Umhey, SAFE
Gerald Fritts, Noblehomestead
Gerald Greenstein, Aloha Noblehouse, Inc.
Fred Sterhan, Mountain Plains Equity Group
Logan Anderson, Mountain Plains Equity Group
Janet Talle, Thies & Talle Enterprise
Kenneth Talle, Thies & Talle Enterprise
Brian Barns, DPHHS MFP
Alicia Copeland, Blackfeet Housing Authority
Tori Matjousky, GNDC – North Star
Brianna Vine, GNDC – North Star
Maureen Rude, NeighborWorks
Lauren Moore, Vista Villa
Bryan Shumway, Vista Villa
Thom Mannschreck, Thomas Development
Kyle Roberts, City of Polson
Mark Shrives, City of Polson
Ashley Grant - Webinar
Craig Frohlich - Webinar
Deborah Peters - Webinar
Greg Dunfield - Webinar
Joe Easton - Webinar
Laura Bland - Webinar
Paul Ainger - Webinar
Robert Clark - Webinar
Scott Deaton - Webinar
Seana Rau - Webinar
Teresa Bell - Webinar
William Haynes - Webinar

These written minutes, together with the audio recordings of this meeting, constitute the official minutes of the referenced meeting of the Montana Board of Housing (MBOH). References in these written minutes to tapes (e.g., Tape 1 – 4:34) refer to the location in the audio recordings of the meeting where the discussed occurred. The audio recordings of the MBOH meeting of this date are hereby incorporated by reference and made a part of these minutes. The referenced audio recordings are available on the MBOH website at Meetings and Minutes .

CALL MEETING TO ORDER

Chairman JP Crowley called the Montana Board of Housing (MBOH) meeting to order at 8:40 a.m. (11:40). Chairman asked for any public comment not on the agenda (11:50). Bruce Brensdal reviewed the meeting and webinar process (12:05). Introductions were made (14:15).

APPROVAL OF MINUTES

Sheila Rice moved to approve the November 9, 2015 MBOH Board meeting and Jeanette McKee seconded the motion (20:25). Chairman Crowley asked for comments. Bruce Brensdal stated with MBOH will change the current process of official minutes to include audio recording of the minutes. Most legislative meetings are recorded and recently, Board of Investments has changed its policy to include audio of the meeting for official minutes. MBOH policy, starting with the November 19, 2015 Board meeting

minutes will include a written summary of the meeting agenda items and reference audio timestamps. Records retention schedules will be revised to include the audio of the meetings as part of official minutes. Chairman Crowley inquired if there was an error on the time stamp of second paragraph of Call to Order section regarding Neighborworks (22:03). Paula Loving stated that during the Public Comment section it was noted that Kia Peterson from NeighborWorks would be making a presentation later on in the Board meeting and this is why the timestamp shows a skip in time of 43 minutes. Jeanette McKee stated a note should be added to the timestamp stating the presentation from NeighborWorks took place later in the meeting. November 9, 2015 Board meeting minutes were passed unanimously (23:48).

FINANCE PROGRAM

Ginger Pfankuch provided Finance program update. (24:00) Per the November 30, 2015 data, Montana Board of Housing had 69% of their investments in Money Market Accounts with rates from 0.01% - 0.02% (1-2 basis points). In December, investments for approximately $65 million were made in discount notes with interest rates ranging from 0.30% -0.63% (30-60 basis points) depending on the term of the note, more investments for another $9 million with rates from 0.35% to 0.66% (35-66 basis points) were made this month. These higher rate investments will help our weighted average yield over the next few months.

HOMEOWNERSHIP PROGRAM

Vicki Bauer brought to the Board the Bond Resolution No 16-0119-S1 (26:32). This bond issuance is to authorize the issuance of $80,000,000 in bonds. 2007A bonds are callable on June 1, with bonds outstanding of $33,130,000. It has not been determined if this issue will incorporate refunding those bonds into the 2016 series or if this will just be a new money deal, so John prepared the resolution so we could issue one or more series to finance loans or refund bonds and issue in either indenture. The issuance(s) are not to exceed $80,000,000. As of the end of December we had $7.4 million of reserved against the 2016 issue.

Pat Melby moved to approve Bond Resolution No 16-0119-S1 in the amount of $80 million and Sheila Rice seconded the motion (28:37). Chairman Crowley asked for comments. Bond Resolution No 16-0119-S1 was approved unanimously (29:05).

Vicki Bauer provided a Homeownership Program update (29:17). In the month of December, MBOH received 44 new loan reservations. Seven Score Advantage loans and three 80% Combined loans were reserved during December. Lender training was conducted in November and December 2015.

MULTIFAMILY PROGRAM

Bruce Brensdal brought to the Board the Villa Vista Inducement Resolution 16-0119-MF1 (32:24). Vista Villa is located in Great Falls and is a 96 family unit scattered-site project with Project Based Section 8 subsidy. Chairman Crowley questioned the dollar amount discrepancy between first paragraph and third paragraph (34:25). Pat Melby moved approve Resolution 16-0119-MF1 in the amount of $9 million for Villa Vista

Housing with the change of $7.5 million to $9 million in second paragraph of the body and Doug Kaercher seconded the motion (35:54). Chairman Crowley asked for comments. Resolution 16-0119-MF1 passed with Sheila Rice abstaining due to NeighborWorks participation within the project (36:37).

Bruce Brensdal brought to the Board the 2016 Housing Tax Credits (37:00). Bruce reviewed the contents of the Board Packet. (37:10) Kellie Guariglia provided the Board with a site presentation of all projects (51:10). Public comment was allowed in the following order (57:40).

- Little Jon Apartments, Big Fork – Developer is GMD Development/Homeword – The proposed project will be the acquisition/rehabilitation of 31 family units and is requesting $2,625,390 in Housing Credits. Public comment was by Andrea Davis (58:33).
- Big Sky Villas, Belgrade – Developer is HRDC District IX, Inc.– The proposed project will be the acquisition/rehabilitation of 24 family units and is requesting $2,680,000 in Housing Credits. Public comment was made by Heather Grenier and Tracy Menuez (59:32).
- Noblehomestead, Pablo – Developer is Aloha Noblehouse – The proposed project will be the new construction of 24 family units and is requesting $2,680,000 in Housing Credits. Public comment was by Gerald Fritz (1:01:30).
- Cascade Ridge Senior Living – Phase II, Great Falls – Developer is Benefis Cascade Ridge, LLC and CR Builders, LLC – The proposed project will be the new construction of 16 senior units and is requesting $319,730 in Housing Credits. Public comment was by Peter Gray (1:01:58).
- Courtyard Apartments, Kalispell – Developer is Recapitalization Montana, LLC and Rural Integrity, LLC– The proposed project will be the acquisition/rehabilitation of 32 family units and is requesting $3,539,270 in Housing Credits. Public comment was by Eileen Pickarz (1:02:53).
- Nicole Court Senior Apartments, Stevensville – Developer is District XI Human Resource Council– The proposed project will be the new construction of 16 senior units and is requesting $3,315,820 in Housing Credits. Public comment was by Jim Morton, Harlan Wells and Bob Robinson (1:04:49).
- Riverview Meadow Apartments, Whitefish – Developer is Commonwealth Development Corporation – The proposed project will be the new construction of 36 family units and is requesting $6,700,000 in Housing Credits. Public comment was by Daryn Murphy (1:06:40).
- Meadows Senior Apartments, Lewistown – Developer is Thies and Talle Enterprises – The proposed project will be the acquisition/rehabilitation of 35 senior units and is requesting $3,533,810 in Housing Credits. Public comment was by Heather McMilin, Ken and Janet Talle (1:08:32).
- Gateway Vista, Billings – Developer is Billings YWCA and CR Builders LLC – The proposed project will be the new construction of 24 family units and

is requesting $4,157,760 in Housing Credits. Public comment was by Don Sterhan and Marylee Olson (1:10:12).

- Polson Landing, Polson – Developer is Housing Solutions – The proposed project will be the new construction of 40 family units and is requesting $6,150,000 in Housing Credits. Public comment was by Alex Burkhalter, Mark Shrives and Kyle Roberts (1:12:26).
- North Star Apartments, Wolf Point – Developer is GL Development – The proposed project will be the new construction of 28 family units and is requesting $5,900,000 in Housing Credits. Public comment was by Chris DSchaak, Tori Matejousky, Brianna Vine, Gary MacDonald, and Gene Leuwer (1:19:25).
- Rose Park Apartments, Bozeman – Developer is Summit Housing Group, LP – The proposed project will be the new construction of 42 senior units and is requesting $6,587,500 in Housing Credits. Public comment was by Carson Taylor and Rusty Snow (1:25:32).
- Timber Meadows, Kalispell – Developer is Immanuel Lutheran Communities and CR Builders, LLC – The proposed project will be the new construction of 40 senior units and is requesting $6,700,000 in Housing Credits. Public comment was by Don Sterhan (1:30:14).
- Red Fox Apartments, Billings – Developer is Housing Authority of Billings – The proposed project will be the new construction of 30 family units and is requesting $3,395,880 in Housing Credits. Public comment was by Lucy Brown (1:31:50).
- Valley Villas, Hamilton – Developer is Echo Enterprises – The proposed project will be the acquisition/rehabilitation of 34 family units and is requesting $5,603,920 in Housing Credits. Public comment was by Beki Brandborg and Stacey Umhey (1:35:10).
- Stower Commons, Miles City – Developer is Housing Solutions – The proposed project will be the new construction of 24 family units and is requesting $4,450,000 in Housing Credits. Public comment was by Alex Burkhalter (1:39:29).
- Freedom's Path at Fort Harrison, Helena – Developer is Communities for Veterans Montana LLC – The proposed project will be the acquisition/rehabilitation of 22 family units and new construction of 20 family units and is requesting $6,704,660 in Housing Credits. Public comment was by Adam Gratzer and Mike Tolomeao (1:41:00).
- Blackfeet Homes VI, Browning – Developer is Blackfeet Housing – The proposed project will be the new construction of 30 family units and is requesting $6,623,400 in Housing Credits. Public comment was by Chancy Kittson (1:50:50).
- Aspen Place III, Butte – Developer is Butte Affordable Housing/Thomas Development Co. – The proposed project will be the new construction of 32 family units and is requesting $5,185,610 in Housing Credits. Public

comment was by Thomas Mannschreck (1:56:42).

After a break and additional introductions, Sheila Rice spoke to the Housing audience and the need for Housing resources (2:27:37).

Sheila Rice moved to approve allocation of 2016 Housing Credits to Big Sky Villas and Jeanette McKee seconded the motion (2:28:22). Chairman Crowley asked for comments. Bob Gauthier and Sheila Rice made comments. A roll call vote was taken (2:31:12)

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – No

Bob Gauthier – No

J.P. Crowley – Yes

By a vote of 4/2 in favor, Big Sky Villas was awarded 2016 Housing Credits in the amount of $2,680,000.

Jeanette McKee moved to approve allocation of 2016 Housing Credits to Little Jon Apartments and Doug Kaercher seconded the motion (2:31:44). Chairman Crowley asked for comments. Sheila Rice made comments. A roll call vote was taken (2:32:35)

Pat Melby – Yes

Sheila Rice – No

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – No

J.P. Crowley – Yes

By a vote of 4/2 in favor, Little Jon Apartments was awarded 2016 Housing Credits in the amount of $2,625,390.

Chairman Crowley and Bruce Brensdal updated the Board on the requirements of small set-aside and rural fulfillment (2:31:44)

Sheila Rice moved to approve allocation of 2016 Housing Credits to Cascade Ridge II and Jeanette McKee seconded the motion (2:34:00). Chairman Crowley asked for comments. Bruce Brensdal reminded the Board the request is an additional request from an award. Doug Kaercher made comments. A roll call vote was taken (2:35:06):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – Yes

J.P. Crowley – Yes

By a vote of 6/0 in favor, Cascade Ridge was awarded 2016 Housing Credits in the amount of $319,730.

Jeanette McKee moved to approve allocation of 2016 Housing Credits to Valley Villas and Pat Melby seconded the motion (2:35:27). Chairman Crowley asked for comments. Bob Gauthier made comments. A roll call vote was taken (2:36:49):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – No

J.P. Crowley – Yes

By a vote of 5/1 in favor, Valley Villas was awarded 2016 Housing Credits in the amount of $5,603,920.

Pat Melby moved to approve allocation of 2016 Housing Credits to Freedom's Path and Doug Kaercher seconded the motion (2:37:14). Chairman Crowley asked for comments. Pat Melby, Doug Kaercher, Jeanette McKee and Bob Gauthier made comments. A roll call vote was taken (2:41:00):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – Yes

J.P. Crowley – Yes

By a vote of 6/0 in favor, Freedom's Path was awarded 2016 Housing Credits in the amount of $6,704,660.

Sheila Rice moved to approve allocation of 2016 Housing Credits to Red Fox and Pat Melby seconded the motion (2:41:36). Chairman Crowley asked for comments. A roll call vote was taken (2:42:17):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – No

J.P. Crowley – Yes

By a vote of 6/0 in favor, Red Fox was awarded 2016 Housing Credits in the amount of $3,395,880.

Sheila Rice moved to approve allocation of 2016 Housing Credits to Courtyard Apartments (2:42:46). There was no second for the motion.

Bob Gauthier moved to approve allocation of 2016 Housing Credits to Blackfeet VI and Sheila Rice seconded the motion (2:43:41). Penny Cope informed the Board of the remaining 2016 Housing Credits available for allocation. Blackfeet VI would not be able to be funded fully (2:44:13). Chairman Crowley asked for comments. Pat Melby,

Jeanette McKee, Alicia Copeland made public comments. Bob Gauthier and Sheila Rice moved to amend original motion to include a "conditional award of Housing Credits based on underwriting of project" (2:47:04). A roll call vote was taken (2:47:40):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – No

Doug Kaercher – No

Bob Gauthier – Yes

J.P. Crowley – No

By a vote of 3/3, Blackfeet VI was not awarded 2016 Housing Credits.

Jeanette McKee moved to approve allocation of a conditional award of 2016 Housing Credits based on underwriting of project to North Star and Bob Gauthier seconded the motion (2:48:22). Chairman Crowley asked for comments. Gene Leuwer made public comments. A roll call vote was taken (2:52:20):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – No

Bob Gauthier – Yes

J.P. Crowley – Yes

By a vote of 5/1 in favor, North Star was conditionally awarded 2016 Housing Credits in the amount of $5,570,420. North Star requested $5,900,000.

Sheila Rice moved to a contingent award of any refunding 2016 Housing Credits to Courtyard Apartments and Pat Melby seconded the motion (2:52:48). Chairman Crowley asked for comments. A roll call vote was taken (2:54:04):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – No

J.P. Crowley – Yes

By a vote of 5/1 in favor, Courtyard Apartments was awarded 2016 Housing Credits contingent on refunded by awarded projects in the amount of $3,539,270. Bruce Brensdal clarified the period of this contingent award. The award would be available from credits returned from any past time period through December 31, 2016 and would roll into 2017 Housing Credits after (2:55:38).

Bruce Brensdal brought to the Board Sweetgrass Commons and its substantial changes in the application (2:59:45). Sweetgrass Commons is a project under construction in

Missoula. The project was awarded credits in 2015. The project is currently a 26-unit project.

The developer is proposing to add one unit. The additional unit would be a benefit to the property as it will generate additional income to the property. The additional unit cost is raising total cost approximately $100,000.

Other substantial changes the staff noticed during our review was the original application showed 8,567 square feet in common space and is now proposed to have 17,552 square feet in common space. The original application described a basement in the property or possibly an underground parking garage. The current construction plans include an underground parking garage. A memo from the developer is attached to this agenda item.

Heather McMilin, Homeword, provided a review of the changes (3:01:38). Jeanette McKee moved to approve the substantial changes in the Sweetgrass Commons 2015 Housing Credits award (3:05:36). Pat Melby seconded the motion. Chairman Crowley asked for comments. A roll call vote was taken (3:05:55):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – Yes

J.P. Crowley – Yes

By a vote of 6/0 in favor, the 2015 Housing Credits allocated project, Sweetgrass Commons changes to application was approved.

Bruce Brensdal brought to the Board a request from Sweetgrass Commons for additional Housing Credits in the amount of $330,061 (3:06:21). Sweetgrass Commons is a project under construction in Missoula. The project was awarded credits in 2015. This project was not awarded the full ask of credits in 2015. The balance of the original credit ask is $ 330,610. The developer (Homeword) is requesting the balance of the credits at this time, if credits become available or are remaining from the 2016 round. Sheila Rice moved to approve the contingent award of 2016 Housing Credits, following award to Courtyard Apartments, to Sweetgrass Commons and Bob Gauthier seconded the motion (3:06:54). Chairman Crowley asked for comments. Heather McMilin provided a review. . A roll call vote was taken (3:09:35):

Pat Melby – Yes

Sheila Rice – Yes

Jeanette McKee – Yes

Doug Kaercher – Yes

Bob Gauthier – Yes

J.P. Crowley – Yes

By a vote of 6/0 in favor, Sweetgrass Commons was awarded a contingent 2016 Housing Credits in the amount of $330,610 after Courtyard Apartments.

Bruce Brensdal provided the Board with the Multifamily program update (3:10:03).

EXECUTIVE DIRECTOR UPDATE

Stacy Collette provided the Operations update (3:13:19). A strategic planning session will take place in March before the Board meeting.

Penny Cope provided the Marking update (3:15:00). Penny reviewed new items added to the Housing website. The 2016 Housing Conference will be in Kalispell on May 23-25, 2016 and the Board is encouraged to attend. The Montana Financial Education Coalition conference is scheduled for February 24, 2016 in Helena.

Bruce Brensdal reviewed the meeting schedule (3:18:15). There will be a conference call Board meeting on February 8, 2016. The main topic for this meeting will be the 2017 Qualified Allocation Plan Draft.

Meeting adjourned at 11:52 a.m. (3:22:38)

_____
Sheila Rice, Secretary

_____
Date

BOARD AGENDA ITEM

PROGRAM
Homeownership Program

AGENDA ITEM
Hazard Insurance Deductible Requirement

BACKGROUND
In October of 2012 the Board changed the hazard insurance requirement from $1,000 to the greater of $1,000 or 1% for all perils. With wind and hail storms in eastern Montana over the past two years, we have heard from our lenders that our deductible requirements are getting harder to find. I called several companies and agents and found that people can get insurance that meets our requirements, but some companies have changed their wind and hail minimum deductible to $1,500 making it more difficult and more expensive to get insurance that meets our requirements. This is more of an issue in eastern Montana.

I also polled other neighboring states, here are their requirements:

Wyoming and South Dakota - $1,000 or 1%
North Dakota - $1,500 or 1%, wind and hail $2,500 or 1%
Idaho – lesser of $2,500 or 2%

PROPOSAL
Staff requests for the Board to change the requirement to $1,500 or 1%. The average purchase price of our loans for the past two years has been approximately $148,000, so a good portion of our borrowers already qualify for this deductible under the 1% allowance.

BOARD AGENDA ITEM

PROGRAM
Multifamily Program

AGENDA ITEM
2017 Qualified Allocation Plan

BACKGROUND
Every state Housing Credit allocating agency is required by Section 42 to have a Qualified Allocation Plan (QAP). The Housing Credits are awarded once a year. The QAP is the rulebook for the Housing Credit Program for the year. This is the proposed Montana QAP for 2017.

PROPOSAL
The 2017 QAP draft has been created by staff working with developers and other interested parties in the open annual roundtable. Changes were made to update the QAP in an effort to clarify and change processes.

Staff is presenting the draft for board members to consider and proposes release of the document for public comment. The list of changes will be presented as well as an active discussion of the proposed processes.

2017 QAP List if Significant Changes:

Several redline changes are clarification and are not listed on this document. The hi-lited changes are listed below and are considered significant changes

- Table of contents, page iv. Exhibits are being changed to forms, will be outside the QAP, and available on the website.

- Definitions page 3
  - Added Common Space – put in definition
  - Cost per Square foot – changed total project costs to Hard Costs
  - Cost per unit – changed total project costs to Hard Costs
- Page 4
  - Added Forms - put in definition
- Page 5
  - Hard cost - definition changed
  - Land or Property control - definition expanded
- Page 6
  - Project Square Footage – expanded definition
  - Qualified Management Company – definition expanded
- Page 7
  - Small Project - changed from 24 to 20 units or fewer
  - Small Rural Project – added project with 20 units or fewer
  - Soft costs – expanded definition
  - Soft-Cost-to-Hard-Cost Ratio – added land value to calculation
  - Added Substantial Change – put in definition
- Page 12 & 13
  - Eligible Applicants – added language - delinquent late fees make an applicant ineligible
  - Tax Credit Proceeds, paragraph 2 – adding late fee for delinquent submission of agreement
- Page 13 & 14
  - Cost Per Unit/Cost Per Square Foot, 4th paragraph – changed amount to $175,000 and added must meet maximum requirements at application, 10% and 8609,
- Page 15
  - Debt Cover Ratio – changed Debt Coverage Ratio and expounded on language
- Page 16
  - Replacement Reserves – Changed amount to the same for all types of projects.
  - Additional Underwriting Assumptions – added underwriting assumptions to be used by applicants and board staff in underwriting
- Page 20
  - 130% Basis Boost – additional clarification language
- Page 21
  - Information Request and Release Policy is to be moved to the website
- Page 23
  - Ex Parte Communication Policy is being moved to the website

- Page 24
    - Deleted First Allocation Round (current process)
    - Added First Award Round – Invitation to apply
- Page 25
    - Board Consideration and Determination Process – Added language for Invitation to apply
- Page 25 & 26
    - 4% Credit Applications for Tax Exempt Bond Financed Projects, hi-lited language – adding must submit application at least 6 weeks before board meeting and stating the fees that are due.
- Page 26
    - Application Submission Method for 4% and 9% Credit Applications – adding language about changing or adding folders in the electronic submission process
    - Section 5 – Fee Schedule – Letter of Intent – Raising Letter of Intent fee to $1500.00
- Page 28
    - Maximum Credit Award – adding language to give discretion to award outside competitive cycle
- Page 29
    - Small Rural Projects – added 20 or fewer units
- Page 30
    - Application – must submit Letter of Intent and be invited to apply to submit application
- Page 31
    - Threshold Requirements
        - Forms are referenced on the website
        - 13. Clarified CMA/Appraisal required on ALL applications
        - 17. Expanding Non Profit language
        - 18. Expanding Property Tax Exemption language
        - 25. Additional language for Narrative
- Page 36
    - Development Evaluation Criteria and Scoring
        - Total score available has been raised
        - 2. Lower Income Tenants - Additional points available for targeting more 40% units than needed for 20 points
        - 4. Community Input – Changed to points per item
        - 4. Appropriate Size and Development Type – Added required reference to market study
        - 5. Preservation or Increase of Housing Stock – Increased available points
        - 5. Amenities – adjusted score to by item instead of every 3 items
        - 6. Development Team Characteristics, 2nd paragraph – Clarified the education requirements
        - 7. Participation of Local Entity, 1st paragraph – Increased available points
            - 3rd paragraph – clarification of formal agreement language
        - 8. Tenant Populations with Special Housing Needs – Additional language added
        - 9. Percentage of Credits Funding Total Project Cost – NEW SCORING CATEGORY
        - 10. Developer Knowledge and Responsiveness – Separated by categories and added additional Language

- Page 49
  - 10% Test – changed deadline language to allow additional time to meet and complete
- Page 50
  - Final Allocation/8609 – Additional Fee language
- Page 52
  - Changes to Project or Application – Bulleted language moved to definition of substantial change and clarification of substantial change requirements and process
- Page 53
  - Compliance Fees – Clarification - Fees refers to Complete Annual Compliance Package not just the Owners Certification Form
- Page 54
  - Ownership/Management Changes – implementing a fee if MBOH is not notified of changes
- Page 55
  - Education Requirements – Training requirements must be met to maintain Qualified Management Company Status
- Page 59
  - Deletion of Exhibits – Change to Forms available on the website

MONTANA BOARD OF HOUSING

HOUSING CREDIT PROGRAM

2017~~6~~ QUALIFIED ALLOCATION PLAN (QAP)

MONTANA BOARD OF HOUSING
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All ~~Exhibits~~ Forms are located on the website at: Montana Department of Commerce – 2017 QAP Forms

INTRODUCTION

The low income housing tax credit is established 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 of 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 allocate credits pursuant to a Qualified Allocation Plan (QAP) which sets forth the priorities, considerations, criteria and process for making Allocations to Projects 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 $2.30 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 its population.

An Owner must obtain a ~~credit~~ Final Allocation from MBOH and meet all other applicable requirements before claiming the tax credit.

This QAP is intended to ensure the selection of those developments which best meet the most pressing housing needs of low income people within the State of Montana in accordance with the guidelines and requirements established by the federal government and the requirements, considerations, factors, limitations, criteria and priorities established by the MBOH Board.

At its February 8, 2016~~November 17, 2014~~ meeting, the MBOH Board considered and approved public notice and distribution of the proposed 2017~~6~~ Qualified Allocation Plan (QAP). Public notice of the proposed 2017~~6~~ QAP and the opportunity for public comment was published and distributed on February 8, 2016~~November 17, 2014~~ with oral comments received at a public hearing February 17, 2016~~December 16, 2014~~. At its March 14, 2016~~January 9, 2015~~ meeting, after considering written and oral public comment on the proposed 2017~~6~~ QAP, the MBOH Board approved the proposed 2017~~6~~ QAP for submission to and approval by the Montana Governor. The Governor of Montana, Steve Bullock, approved the plan as the final 2017~~6~~ QAP on __ ~~January 16, 2015~~.

MBOH annually makes available for reservation and Allocation its authorized volume cap of credit authority subject to the provisions of this QAP. Montana's Qualified Allocation Plan for the current and prior years, along with current Forms, are available ~~athttp://housing.mt.gov/About/MF/lihtcallocation.mcpx~~ http://housing.mt.gov/MFQAP. 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, Reservations, Carryovers ~~Allocations~~ and Final Allocations are subject to and conditional upon IRS authorization and allocation of tax credits for the State of Montana.

SECTION 1 – DEFINITIONS

As used in this QAP, the following definitions apply unless the context clearly requires a different meaning:

"4% Credits" means HCs that may be Awarded in accordance with the applicable QAP to Projects with tax-exempt financing under the volume limitation on private activity bonds and outside the competitive allocation process applicable to 9% Credits.

"9% Credits" means HCs that may be Awarded through the competitive process in accordance with the applicable QAP.

"10% Carryover Cost Certification" means the certification that must be provided to MBOH using the MBOH 10% Carryover Cost Certification Forms~~forms provided and including the items specified in Exhibit C to this QAP with respect to a Carryover Allocation~~.

"Absorption Rate" means the number of months projected in the Application's market study for a Project to become fully leased.

"Acquisition" means obtaining title, lease or other Land and Property~~legal~~ C~~c~~ontrol over a property for purposes of an HC Project. Acquisition includes purchase, lease, donation or other means of obtaining Land and Property Control.

"Acquisition/Rehab" means Acquisition of a property with one or more existing buildings and renovation meeting Montana's minimum Rehabilitation standard set forth in Section 3, Substantial Rehabilitation, for~~of one or more~~ existing buildings on the property ~~as~~ that are part of an HC Project.

"Allocation" means an Initial Allocation~~, Carryover Allocation~~ or a Final Allocation.

"Applicable QAP" means: (a) for purposes of any substantive issues relating to an Award, or to the Development Evaluation Criteria, Scoring, Selection Criteria or Selection Standard for such Award, the particular year's QAP under which the Application is or was submitted, evaluated and Awarded HCs; or (b) for purposes of Project changes, Reservation, Carryover, Carryover ~~Allocation~~Commitment, Final Allocation, compliance requirements, compliance audits, and any post-Award procedures, the QAP most recently adopted.

"Applicant" means the entity identified as such in the Application, and who is and will remain responsible to MBOH for the Application. When used in reference to a Letter of Intent, the term means the person or entity on whose behalf the Letter of Intent is submitted and who is and will remain responsible to MBOH for the Letter of Intent.

"Application" means a request for an Award of HCs submitted in the form specified by and according to the requirements of this QAP.

"Architect" means a professional licensed by the applicable state authority as a building architect.

"Available Annual Credit Allocation" is defined as and includes the state's actual or estimated credit ceiling for the current year plus any other available credits from prior year

credit authority determined as of 20 business days prior to the applicable Application deadline, and includes any credits held back pursuant to court order or subject to Award under the Corrective Award set aside.

"Award" means selection of a Project by the MBOH Board to receive a Reservation of HCs.

"Award Determination Meeting" means the meeting of the MBOH Board at which the Board selects one or more Applicants to receive an Award.

"Carryover" means the process and determination of MBOH by which Awarded and reserved HCs are continued and carried into the second year after Award of the HCs by MBOH issuance of a Carryover Commitment ~~Allocation~~, according to the specific requirements of this QAP.

"Carryover ~~Allocation~~Commitment" means a ~~conditional allocation~~ Carryover of HCs based upon an MBOH Carryover determination, which ~~allocation~~ commitment is conditional upon the Applicant performing all conditions and requirements for Final Allocation as set forth in the Applicable QAP, the Carryover ~~Allocation~~ Commitment document issued by MBOH and applicable law.

"Cold Weather Development and Construction" means experience of the HC Developer or Consultant on one or more Projects located above the 40 degrees north parallel.

"Commercial Purposes" means use of any Project Amenities, common space or other Project property or facilities by others than tenants for which the Project owner or management receives any compensation for such use, whether in cash or in kind.

"Common Area" means any space in the building(s) on the Project property that is not in the units, i.e. hallways, stairways, community rooms, laundry rooms, garages/carports, etc. Common area is eligible to be paid for with housing credits.

"Compliance Period" means, with respect to any building, the initial period of 15 taxable years beginning with the 1st taxable year of the applicable credit period as provided in 26 U.S.C. § 42.

"Consultant" or "HC Consultant" means an individual or entity advising a Developer or Owner with respect to the HC Application and/or development process.

"Contractor's Overhead" means the contractor's overhead shown in the Applicant's properly completed UniApp Supplement, Section C, Cost Limitations and Requirements.

"Contractor Profit" means the contractor's profit shown in the Applicant's properly completed UniApp Supplement, Section C, Cost Limitations and Requirements.

"Cost Per Square Foot" means Hard Costs~~Total Project Costs~~ divided by Project Square Footage shown in the Applicant's properly completed UniApp Supplement, Section C, Cost Limitations and Requirements.

"Cost Per Unit" means an amount calculated by dividing Hard Costs~~Total Project Costs~~ by the number of units in the Project, as calculated in the UniApp Supplement, Section C, Cost Limitations and Requirements, Part XI, line "Cost Per Unit."

"Debt Coverage Ratio" or "DCR" means the ratio of a Project's net operating income (rental income less Operating Expenses and reserve payments) to foreclosable, currently amortizing debt service obligations.

"Design Professional" means a housing/building design professional.

"Developer" means the individual(s) and/or entity(ies) specifically listed and identified as the developer in the Uniform Application, Section A - Applicant Developer/Sponsor, responsible for development, construction and completion of an HC Project.

"Developer Fee" means those costs included by the Applicant in the UniApp, adjusted as necessary to comply with the maximum Developer's fee specified in Section 3, Additional Cost Limitations, Developer Fees, which are included as Developer's fees by the Cost Analysis.

"Development Evaluation Criteria" means the evaluation and scoring criteria set forth in QAP Section 9, Evaluation and Award.

"Development Team" means and includes the Applicant, Owner, Developer, General Partner, Qualified Management Company, and HC Consultant identified as such in the Application.

"Difficult Development Areas" or "DDA" means an area designated by HUD as a Difficult Development Area.

"Disqualify" or "Disqualification" means, with respect to an Application, that the Application is returned to the Applicant by MBOH without scoring and without consideration for an Award of HCs, as authorized or required by this QAP.

"Elderly Property" means a Project that will limit its tenants to households that include at least one individual age 55 or older or in which all household members are age 62 or older. If permitted by the rules applicable to other federal funding sources involved in the Project, households may also include disabled individuals below the specified age thresholds.

"Experienced Developer" means a Developer who was entitled by written agreement to receive at least 50% of the Development Fees on a prior low-income housing tax credit Project that has achieved 100% qualified occupancy and for which the applicable state housing finance agency has conducted a compliance audit which revealed no significant problems.

"Experienced Partner" means a member of the Development Team who was a member of the Development Team on a prior low-income housing tax credit Project that has achieved 100% qualified occupancy and for which the applicable state housing finance agency has conducted a compliance audit which revealed no significant problems.

"Extended Use Period" means the Compliance Period plus an additional period of 15 or more years as specified in the Application and provided for in the Restrictive Covenants.

"Final Allocation" means, with respect to HCs, MBOH issuance of an IRS Form 8609(s) (Low Income Housing Credit Allocation Certificate) for a Project after building construction or Rehabilitation has been completed according to the Project Application and any MBOH Board-approved changes and the building has been placed in service.

"Final Cost Certification" means an independent third party CPA cost certification, including a statement of eligible and qualified basis for the Project, submitted to MBOH on the form specified by and in accordance with the requirements of this QAP, for purposes of obtaining IRS Form 8609(s).

"Form" means the most current version of any Form referenced in this QAP, which Forms are available on the MBOH website at [URL].

"General Partner" means the general partner of a partnership entity that is formed for purposes of a Project.

"General Requirements" means 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, categorized in accordance with NCSHA standards and shown in the Applicant's properly completed UniApp Supplement, Section C, Limitations and Requirements.

"Gut Rehab" means a Project that includes the replacement and/or improvement of all major systems of the building, including (i) removing walls/ceilings back to the studs/rafters and replacing them; (ii) removing/replacing trim, windows, doors, exterior siding and roof; (iii) replacing HVAC, plumbing and electrical systems; and (iv) replacing and/or improving the building envelope (i.e., the air barrier and thermal barrier separating exterior from interior space) by either removing materials down to the studs or structural masonry on one side of the exterior walls and subsequently improving the building envelope to meet the whole-building energy performance levels for the project type, or creating a new thermal and air barrier around the building.

"Hard Costs" means and includes all costs other than Soft Costs, land Acquisition costs and operating and replacement reserve costs~~ included by the Applicant in the UniApp, which are not included as professional work and fees, interim costs, financing fees and expenses, syndication costs and Developer's fees~~. Hard Costs include any building Acquisition costs.

"Housing Credits" or "HCs" or "Credits" means federal low-income housing tax credits allocated or available for allocation under this Montana QAP.

"Initial Allocation" means the conditional setting aside by MBOH of HCs from a particular year's federal LIHTC allocation to the state for purposes of later Carryover Commitment~~Allocation~~ and/or Final Allocation to a particular Project, as documented by and subject to the requirements and conditions set forth in a written Reservation Agreement, the Applicable QAP and federal law.

"Investor" means an entity that will directly or indirectly purchase HCs from the awardee.

"Land or Property Control" means legally binding documentation of title or right to possession and use of the property, or the right to acquire title or right to possession and use of the property, for purposes the Project, including but not limited to documentation of fee ownership~~an executed~~, lease, buy/sell agreement, option to purchase or ~~written agreement to~~ lease, or other right, title or interest that will allow the Owner to acquire Proof of Ownership for purposes of Carryover.

"Large Project" means, for purposes of the Soft Cost Ratio, a Project with more than 24 low-income units.

"Letter of Intent" means a letter and attachment submitted to MBOH on~~in~~ the MBOH Letter of Intent Form~~form shown in Exhibit D~~.

"Low-Income Housing Tax Credits" means federal low-income housing tax credits, referred to in this QAP as HCs.

~~"Housing Credits" or "HCs" means federal low-income housing tax credits allocated or available for allocation under this Montana QAP.~~

"Nationally-Recognized LIHTC Compliance Training Company" means a company recognized in the Low Income Housing Tax Credit industry as a qualified Low Income Housing Tax Credit compliance trainer.

"NCSHA" means the National Council of State Housing Agencies.

"New Construction" means construction of one or more new buildings, and includes Gut Rehabs.

"Operating Expenses" means projected ongoing costs to run or operate a property.

"Owner" means the legal entity that owns the Project.

"Preservation" means Projects that are for the Acquisition and/or Rehabilitation of existing affordable housing stock.

"Project" means the low income residential rental building, or buildings, that are the subject of an Application for or an Award of HCs.

"Project Square Footage" means such portion of the total square feet applicable to low-income units and common areas and used for the applicable square footage calculation in the UniApp under Part X, "Project Uses." Project Square Footage includes all building square footage available to or serving tenants, including units, management unit(s) and offices, common space, balconies, patios, storage and parking structures.

"Proof of Ownership" means title or right to possession and use of the property for the duration of the Compliance Period and any Extended Use Period plus one year, e.g., a recorded deed or an executed lease agreement.

"Qualified Allocation Plan" or "QAP" means this Montana qualified allocation plan required by Section 42 of the Code.

"Qualified Census Tract" or "QCT" means an area designated as such by HUD.

"Qualified Management Company" means a Management Company that meets the education requirements specified in Section 12, Education Requirements, and is not disqualified by MBOH to serve as a Management Company on existing, new or additional tax credit Properties or Projects, based upon the company's: (i) failure to complete timely any required training; (ii) failure to have or maintain any required certification; ~~or~~ (iii) record of noncompliance, or lack of cooperation in correcting or refusal to correct noncompliance, on or with respect to any tax credit or other publicly subsidized low-income housing property; or (iv) delinquent MBOH late fees (unless the management company demonstrates to the satisfaction of MBOH that such noncompliance or lack of cooperation was beyond such company's control).

"Qualified Nonprofit Organization" means, with respect to a Project, an organization exempt from federal income tax under Section 501(c) (3) or (4) of the Internal Revenue Code, which is not and during the Compliance Period will not be affiliated with or controlled by a for-profit organization, whose exempt purposes include the fostering of low income housing, which owns an interest in the Project, which will materially participate in the development and operation of the Project throughout the Compliance Period, and which is not affiliated with or controlled by a for-profit organization.

"Rehabilitation," "Rehab" or "Substantial Rehabilitation" means renovation of a building or buildings to house HC units meeting the required minimum Cost Per Unit thresholds specified in Section 3, Substantial Rehabilitation ~~of this QAP~~.

"Related Party" means an individual or entity whose financial, family or business relationship to the individual or entity in question permit significant influence over the other to an extent that one or more parties might be prevented from fully pursuing its own separate interests. Related parties include but are not limited to: (1) family members (sibling, spouse, domestic partner, ancestor or lineal descendant); (2) a subsidiary, parent or other entity that owns or is owned by the individual or entity; (3) an entity with common control or ownership (e.g., common officers, directors, or shareholders or officers or directors who are family members of each other); (4) an entity owned or controlled through

ownership or control of at least a 50% interest by an individual (the interest of the individual and individual's family members are aggregated for such purposes) or the entity (the interest of the entity, its principals and management are aggregated for such purposes); and (5) an individual or entity who has been a Related Party in the last year or who is likely to become a Related Party in the next year.

"Reservation" means MBOH's Initial Allocation of HCs from a particular year's federal LIHTC allocation to the state for purposes of later Carryover ~~Allocation~~ Commitment and/or Final Allocation to a particular Project, as documented by and subject to the requirements and conditions set forth in a written Reservation Agreement, the Applicable QAP and federal law.

"Reservation Agreement" means a written contract entered into between MBOH and the taxpayer to provide for a Reservation and setting forth the terms and conditions under which the taxpayer may obtain a Carryover ~~Allocation~~ Commitment or Final Allocation.

"Restrictive Covenants" means the recorded covenants required by Section 42 of the Code.

"Selection Criteria" means and includes all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides and priorities set forth in this QAP and all federal requirements.

"Selection Standard" means the standard for selection of Projects to receive an Award of HCs set forth in the Award Determination subsection of Section 9, Evaluation and Award, i.e., the MBOH Board's determination that one or more Projects best meet the most pressing housing needs of low income people within the state of Montana as more specifically set forth in such subsection.

"Small Project" means~~, for purposes of the Soft Cost Ratio,~~ a Project with ~~24~~20 or fewer low-income units.

"Small Rural Project" means, for purposes of the Small Rural Project set aside, a Project: (1) for which the submitted tax credit Application requests tax credits in an amount up to but no more than 10% of the state's Available Annual Credit Allocation; (2) is a Project with 20 or fewer low-income units, and (~~2~~3) 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.

"Soft Costs" means the costs of professional work and fees, interim costs, financing fees and expenses, syndication costs and Developer's fees included by the Applicant in the UniApp. Soft Costs do not include operating or replacement reserves.

"Soft-Cost-to-Hard-Cost Ratio" or "Soft Cost Ratio" means total Soft Costs divided by the sum of total Hard Costs (as calculated in the UniApp) and land value (as shown by a comparative market analysis or appraisal). Land value is added regardless of whether land is donated, leased, purchased or otherwise acquired.

"Sources and Uses" means the sources and uses of funds as specified in the Application.

"Substantial Change" means a substantial change in the Project from the Project as set forth in the Application, and includes a change in or to:

- A member of the Development Team;
- Participating local entity;
- Quality or durability of construction;
- Number of units or unit composition;
- Site or floor plan;

- Square footage of Project building(s);
- Project amenities;
- Income or rent targeting;
- Rental subsidies;
- Target group;
- Project location;
- Sources and Uses (to the extent any line item changes by 10% or more);
- Common Space square footage, location or purposes;
- Housing Credits required for the Project;
- Extended Use Period;
- Any Application item or information required by the Applicable QAP;
- Any item that would have resulted in a lower Development Evaluation Criteria Score under the Applicable QAP; and
- Any other significant feature, characteristic or aspect of the Project.

"Total Project Cost" or "Total Development Cost" mean all costs ~~including building, Acquisition, site work, construction and Rehab, professional work & fees, construction/interim fees, permanent financing fees, Soft Costs, syndication costs, Developer Fees and Project reserves, as~~ shown in UniApp Section C, Part II, Uses of Funds line "Total Projects Costs without Grant Admin". Total Project Cost does not include grant administration costs.

"UniApp" means the most current Uniform Application and Supplement available on the MBOH website at: http://housing.mt.gov/FAR/housingapps.mcpx.

"UniApp Supplement" means the Supplement portion of the UniApp.

"Vacancy Rate" means percentage of vacant units in the Application's market area or in the property.

SECTION 2 - OVERVIEW OF MBOH HOUSING CREDITS

THE FOLLOWING IS A BRIEF SUMMARY OF SOME ELEMENTS OF THE HOUSING CREDIT AND IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THERE ARE NUMEROUS TECHNICAL RULES GOVERNING A BUILDING'S QUALIFICATION FOR THE HOUSING CREDIT, THE AMOUNT OF THE HOUSING CREDIT, AND AN OWNER'S ABILITY TO USE THE HOUSING CREDIT TO OFFSET FEDERAL INCOME TAXES. ANYONE CONSIDERING APPLYING FOR HOUSING CREDITS SHOULD REFER, IN ADDITION TO THIS QAP, 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, referred to in this QAP as Housing Credits or HCs, are Awarded by the State of Montana through MBOH to applicants based on the information submitted in or in connection with ~~applications~~Applications, other information obtained by MBOH staff as provided in this QAP and justification with support documentation supplied by the A~~a~~pplicants. At or before the time an Application is made, the Applicant must solicit an Investor who will purchase the tax credits, if Awarded.

The H~~h~~ousing C~~c~~redits are Awarded each year for a ten-year period. Hypothetically, a Project Awarded $100,000 in ~~tax~~ Housing C~~c~~redits is essentially Awarded $1,000,000 ($100,000 X 10 years) for the ten-year period. When an Investor purchases the C~~c~~redits, the money from the purchase is infused into the financing for the building of the Project. The Investor purchases the H~~h~~ousing C~~c~~redits, 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 reducing the rents that must be charged to tenants as well as assuring that the Project cash flows.

The Investor, through a limited liability partnership (LLP) or a limited partnership (LP), must 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 General Partner (the .01% partner) for a negotiated amount and the ownership is transferred.

Throughout the H~~h~~ousing C~~c~~redit Extended Use Period, the Project must comply with the requirements of housing credit administration as set forth in the current QAP and 26 U.S.C. § 42. Periodic file audits and inspection of units will be performed by MBOH staff.

The H~~h~~ousing C~~c~~redit 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 C~~c~~redit 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 Montana's volume limitation for private activity bonds may be eligible to receive H~~h~~ousing C~~c~~redits outside the state's H~~h~~ousing C~~c~~redit allocation volume cap. See specific requirements in Section 3, Montana Specific Requirements, Tax Exempt Bond Financed Projects~~ discussion in Section 3, Montana Specific Requirements, below~~.

The H~~h~~ousing C~~c~~redit can be used to assist in financing Acquisition with S~~s~~ubstantial Rehabilitation, S~~s~~ubstantial Rehabilitation, construction of qualifying residential rental, or eventual homeownership housing. The applicable percentage rate (APR) for each Project will depend upon the type of building and its financing, the floating APR or other APR set by the federal government, and the Project's election of the APR. As long as the building continues to qualify for the C~~c~~redit, the Owner may claim the C~~c~~redit each year during the 10-year credit period.

New Construction or Substantial Rehabilitation

New Construction and Rehabilitation P~~p~~rojects using competitive C~~c~~redits will qualify for the floating monthly tax credit rate (commonly referred to as the 9% rate) or another percentage rate permitted by federal law. The applicable tax credit rate is elected by the taxpayer and locked at Reservation/Initial Allocation or at placed in service, as specified in the Reservation Agreement.~~.~~ If an Owner S~~s~~ubstantially R~~r~~ehabilitates a building (basically by incurring R~~r~~ehabilitation expenditures in an amount that equals or exceeds the greater of: ~~either~~ (a) the ~~federal minimum of $6,200 or the higher~~ Montana-specific Substantial Rehabilitation ~~minimum requirements~~ Hard Costs per rental unit standard specified in Section 3, "Substantial Rehabilitation," ~~Hard Costs per rental unit~~ or (b) ~~an amount which is not less than 20~~30% 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 H~~h~~ousing C~~c~~redit. The "per unit" calculation is the total amount of Hard Costs for the Project divided by the number of units within the Project. Because Montana's Substantial Rehabilitation standard is higher than the ~~deferral~~federal minimum of $6,200.00 in Hard Costs and 20% of adjusted basis, Montana's higher Substantial Rehabilitation standard applies.

Acquisition and Substantial Rehabilitation

For an existing building which is acquired and Substantially Rehabilitated, the ~~tax~~ Housing C~~c~~redit 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 e~~E~~ventual h~~H~~ome o~~O~~wnership allows for Projects, with sufficient justification, to make units available to be purchased by the current tenants after 15 years of successful performance as an affordable rental. See Section 3, Eventual Home Ownership~~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 H~~h~~ousing C~~c~~redit, 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~~40-60 test and a minimum of 40% of the units are low income, the Owner would qualify for H~~h~~ousing C~~c~~redits on a minimum of 40% of the eligible basis~~ as defined in this summary~~).

Rent Limitation

The gross rent for each H~~h~~ousing C~~c~~redit 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 Section 3, ~~“Utility Allowances” in~~ Underwriting Assumptions and Limitations, “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). Gross Rent is expressed as follows:

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 tax 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 qualified 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 Ccredit is only allowed for the portion of the building dedicated to low income use.

Credit Calculations

To calculate the Ccredit 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

All Projects including Projects financed with tax-exempt bonds must first obtain a Final Allocation from MBOH before claiming the housing credit. MBOH makes a Final Allocation by issuance of IRS Form 8609(s).

Allocation Applies Throughout Credit Period

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

Time for Obtaining ~~Allocation –~~ Carryover ~~Provision~~ Commitment

An Owner who receives an Award of C~~c~~redits must either:

- Place the building in service and receive a Final Allocation by MBOH issuance of IRS Form 8609(s) by the close of the calendar year corresponding to the annual tax credit ceiling from which the C~~c~~redits are allocated (e.g., by the close of calendar year ~~2016~~ 2017 for ~~2016~~ 2017 credits Awarded in January ~~2016~~2017), or
- Obtain a Carryover ~~Allocation~~ Commitment as provided below, **and** place the building in service **and** receive a Final Allocation by MBOH issuance of IRS Form 8609(s).

Carryover Provision

A Carryover of a housing credit Allocation will be permitted for a period of two (2) years beyond the end of the calendar year corresponding to the annual tax credit ceiling from which the C~~c~~redits are allocated (e.g., by the close of calendar year ~~2018~~ 2019 for ~~2016~~ 2017 credits Awarded in January ~~2016~~2017); contingent upon meeting 10% requirements (see Section 10~~10% Test in Section 10 below for specific requirements~~).

Compliance Period

The Compliance Period is the initial period of 15 taxable years beginning with the 1st taxable year of the applicable credit period as provided in 26 U.S.C. § 42. The Application must specify an additional period of 15 or more years in which the Applicant agrees to maintain units for low income occupancy. The Compliance Period plus the additional 15 or more year period together are referred to as the Extended Use Period. These restrictions will be included in the Declaration of Restrictive Covenants and will be effective for the entire Extended Use Period.

An Owner must continue to meet the requirements of Section 42 for a Compliance Period of 15 years. Failure to comply, reducing the number of the HC units, or reducing floor space for which the C~~c~~redit is based during the Compliance Period, may result in IRS recapture of ~~tax~~ Housing C~~c~~redits, including non-deductible interest, of at least a portion of the ~~tax~~ Housing C~~c~~redits taken previously by the Owner.

To be eligible for HCs, a building must be subject to an extended low income housing commitment between the Owner and the state agency, which commitment must be established by recorded Restrictive Covenants effective for the full Extended Use Period. The Owner must meet compliance criteria for the full Extended Use Period specified in the Restrictive Covenants. Any Application indicating an Extended Use Period beyond the Compliance Period forfeits the right to request that MBOH locate a non-profit qualified buyer and the Owner must maintain HC units through the Extended Use Period as provided in the Restrictive Covenants.

Three-year tenant protection period

HC rent requirements and restrictions 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 HC unit other than for good cause during the Extended Use Period or during the additional three-year tenant protection period.

SECTION 3 - MONTANA SPECIFIC REQUIREMENTS

Eligible Applicants

An Applicant who previously received an Award of Ceredits for its first ~~tax~~ Housing Ceredit Project in Montana may not receive an Award of Ceredits for another ~~Tax~~ Housing Credit Project until the first Project has achieved 100% qualified occupancy and an MBOH compliance audit has been conducted which revealed no significant problems. For purposes of this rule, Applicants are considered to be the same Applicant if the Applicants are Related Parties or if the same Developer or a Related Party of the Developer will receive more than 50% of the Development Fees for both Projects. The foregoing rule does not apply to a subsequent ~~tax~~ Housing Ceredit Application if the Developer partners with an Experienced Developer who will be entitled under a written agreement to receive at least 50% of the Developer Fee on the subsequent Project. The Applicant is not eligible to apply for Credits ~~If an~~if the Applicant or any member of the Applicant's Development Team is debarred from federal programs or FHLB (Federal Home Loan Bank), prohibited from applying for LIHTCs by another state HFA for disciplinary reasons, or has ~~outstanding~~ delinquent late fees due and payable to MBOH, ~~the Applicant is not eligible to apply for credits~~. If any member of the Development Team has delinquent late fees due and payable to MBOH at any time from submission of Letter of Intent through the Award Board meeting, the Application will be ineligible for an Award of Credits until such fees are paid in full. If such late fees are not paid in full within ten (10) business days of written notice, the Application will be returned and will receive no further consideration. Application fees will not be refunded.

Tax Credit Proceeds

In order to allow MBOH to adequately evaluate Sources and Uses for Housing Credit Projects, the Applicant is required to provide information to MBOH regarding the proceeds or receipts generated from the ~~tax~~ Housing Ceredit.

At Application, expected Credit proceeds must be estimated by the Applicant. **Within 30 days after the partnership or operating agreement is signed by all parties~~equity sources are committed~~, the Applicant must provide MBOH with a copy of the ~~commitment or~~executed agreement.** If MBOH does not receive a copy of the executed agreement within 30 days of execution, a late fee of $500.00 will be assessed. Prior to issuance of IRS Form 8609(s), 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.

Sources and Uses Certification

Applicants must certify that they have disclosed all of a Project's ~~funding~~ Sources and Uses, as well as its total financing, and must disclose to MBOH in writing any future changes in Sources and Uses over 10% in any line item or any increase in Soft Costs throughout the development period (until 8609's are received). Applicant's certification of such disclosure must be provided to MBOH at Application, at 10% Carryover Cost Certification and at Final Cost Certification on the MBOH Disclosure Certification Form~~form attached below as Exhibit C~~.

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 and requirements for purposes of calculating the ~~tax~~ Housing Ceredit amount for a particular Project. These cost limitations are based upon and in accordance with NCSHA standards.

Cost Per Unit / Cost Per Square Foot

Cost Per Unit and Cost Per Square Foot are subject to the specific limitations provided in other sections of this QAP. In addition, MBOH will evaluate Cost Per Unit 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 in this review the area of the state and the community where the Project will be located~~ in this review~~.

All Applications must provide justification for 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 Projects may be justifiable and even in some contexts considered reasonable given their unique characteristics, MBOH may decline to Award C~~c~~redits to a Project where it determines that ~~costs are unreasonable~~costs do not reflect the optimal use of Housing Credits.

~~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.~~

Cost Per Unit may not exceed $~~230,000~~175,000 per unit. Applications exceeding this limit will be returned un-scored and will receive no further consideration, and the application fee will not be refunded. Projects must meet this Cost Per Unit limit at Application, 10% Carryover Cost Certification and Final Cost Certification. If the Cost Per Unit exceeds this Cost Per Unit limit at Final Cost Certification, negative points will be assessed with respect to future Applications as provided in Section 9, Item 9, Developer Knowledge and Responsiveness. The revised $175,000_amount of the Cost Per Unit limit set forth in this 2017 QAP and the negative points assessment provided in this paragraph will apply only prospectively to Projects awarded Credits in the 2017 or later Award rounds.

Additional Cost Limitations

Applications must comply with the following limitations on Contractor Overhead, General Requirements, Contractor Profit and Developer Fee. To the extent an Application exceeds these cost limitations, as calculated in Uni-App Section C, Cost Limitations and Requirements, the excessive costs will be reduced to the limit amount for all purposes under the HC program, including without limitation, calculation of basis and eligible Project costs, determination of C~~c~~redit eligibility, and any Award, Reservation or Allocation of C~~c~~redits.

Contractor's Overhead

Contractor's Overhead is limited to a maximum of 2% of Construction Costs.

General Requirements

General Requirements are limited to a maximum of 6% of Total Construction Costs, excluding General Requirements.

Contractor Profit

Contractor Profit will be limited to a maximum of 6% of Construction Costs.

Developer Fees

Developer Fees for New Construction or Rehabilitation will be limited to a maximum of 15% of Total Project Costs. For purposes of this Developer Fee limit, Total Project Costs do not include Developer Fees, Contractor Profit or land costs. 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 for Aacquisition will be limited to a maximum of 15% of the Project Acquisition costs.

Disclosure of Transactions Involving Related Parties

If the development includes transactions with Related Parties, any profit from those transactions must be subtracted from the Total Development Cost before calculating the 15% maximum Developer Fee and 6% maximum Contractor Profit. Failure to fully disclose Related Party transactions may result in the Pproject's not receiving an Award of tax Housing Ccredits. MBOH reserves the right to negotiate lower Developer Fees and Contractor Profit on Projects involving Related Party transactions.

Limitation on Soft Costs

The Soft-Cost-to-Hard-Cost Ratio ("Soft Cost Ratio") for the Project, based upon the Application's UniApp, may not exceed 30% for Large Projects (more than 20 units) and 35% for Small Projects (20 or fewer units) or Small Rural Projects. If the Soft Cost Ratio for a Project exceeds the applicable maximum, MBOH will contact the Applicant regarding the excessive costs and allow the Applicant to specify how and by what amount its Soft Costs will be reduced to comply with the maximum. The Applicant must communicate its chosen Soft Costs adjustments to MBOH staff in writing within ten (10) business days after such communication and the Application will be deemed amended to reflect such adjustments for all purposes under the HC program. All such Ssoft Cccost adjustments and the Application, as amended to reflect such adjustments, must comply with this QAP in all other respects. If the Applicant fails to communicate its Ssoft Cccost adjustments to MBOH staff within the required time, MBOH staff will decide how and by what amount Soft Costs will be reduced to comply with the maximum and the Application will be deemed amended to reflect such adjustments for all purposes under the HC program.

Underwriting Assumptions and Limitations

Credit Percentage Rate for Tax Credit Calculation

The credit percentage rate published by the federal government for the month prior to the date of Application will be used by Applicants and MBOH for purposes of preparation, submission, underwriting and evaluation of Applications and Award of HCs.

Operating Expenses

MBOH will evaluate Operating Expenses and Vacancy Rate underwriting assumptions 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. Staff may require the Aapplicant to provide additional justification and documentation regarding any Ooperating Ccosts deemed to be outside the normal range.

Debt Coverage Ratio

The Debt Coverage Ratio ("DCR") should be:

- For Projects whose DCR is projected to trend upward through the first 15 years of normal operation, the DCR should be between 1.15 and 1.251.50 in the first year of normal operation, i.e., year 1 as shown on the DCR calculation of the UniApp.
- For Projects whose DCR is projected to trend downward through the first 15 years of normal operation, the DCR should be between 1.10 and 1.50 during the entire first 15 years of normal operation i.e., the 15-year period that begins with year 1 as shown on the DCR calculation of the UniApp.
- DCR's outside this rangethese ranges must be justified in the Application narrative.

MBOH will evaluate the DCR at Application, at 10% Carryover Cost Certification and at Final Cost Certification. MBOH considers several variables, including projected Vacancy Rates (which may require upward adjustment for ~~small properties~~Small Projects) and O~~o~~perating C~~c~~ost data, in conjunction with debt service coverage, in judging the long-term financial viability of Projects. MBOH may require adjustments to rents or C~~c~~redit amount to assure the C~~c~~redits Awarded are no greater than necessary to make the Project feasible.

Maximum Rents

The MBOH Board may require that rents be maintained at a specified percentage of maximum target rent throughout the Extended Use Period. If required for a particular Project, this limitation must be specifically included as a condition of the HC Award and included in the Project's Restrictive Covenants.

Operating Reserves

Minimum operating reserves must be established and maintained in an amount equal to at least four months of projected Operating Expenses, debt service payments, and annual replacement reserve payments. The specific requirements for reserves, including the term for which reserves must be held, must be included in the limited partnership or operating agreement and meet the requirements of the Investor. 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 be built up in an amount equal to at least ~~$250~~$300.00 per unit annually~~ for New Construction developments for Elderly Properties and $300 for other New Construction and Rehabilitation developments,~~ until the replacement reserve equals at least $1,000.00 per unit. Upon Allocation of tax credits, the Project has five years to attain and must then maintain replacement reserves in at least that amount per unit. Exceptions may be made for certain special needs or supportive housing developments. Exceptions must 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 specific requirements for reserves, including the term for which reserves must be held, will be included in the limited partnership or operating agreement and meet the requirements of the Investor.

Utility Allowances

The Montana Department of Commerce Section 8 Utility Allowances are the only acceptable utility allowances for Applications, unless otherwise provided by USDA (Rural Development), an MBOH-approved allowance or a HOME-approved allowance. Utility allowances provided by utility providers will not be considered or accepted.

Additional Underwriting Assumptions

The following underwriting assumptions will be used by MBOH for underwriting of all Applications:

- Vacancy rates: 10% - 20 units and less, 7% - more than 20 and up to 50 units, 5%- more than 50 units or 100% project based rental assistance;

- Income Trending: 2%;
- Expense Trending: 3%;
- Reserves Trending: 0%;
- Debt Coverage Ratio: see "Debt Coverage Ratio" subsection above;
- Structured Debt for pro-forma not allowed; and
- Operating expenses per unit: $3,000-$6,000 annually.

These underwriting assumptions will used at Application, 10% Carryover Cost Certification and Final Cost Certification. Credits will not be Awarded in an amount beyond those needed to make the Project feasible according to these underwriting assumptions.

Project Accessibility Requirements

The Fair Housing Act, including design and accessibility requirements, applies to HC properties. In addition to meeting Fair Housing Act requirements, all New Construction and Rehabilitation that at least replaces interior walls and doors must 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)~~All door hardware must comply with Fair Housing Act standards for all units.
- Outlets mounted not less than 18 inches above floor covering.
- Light switches, control boxes and/or thermostats mounted no more than 36 inches above floor covering.
- Walls adjacent to toilets, bath tubs and shower stalls must be reinforced for later installation of grab bars.
- All~~Lever style faucets for laundry hook-up, lavatory and kitchen sink~~all faucets must be lever style.
- A minimum of a ground floor level half-bath with a 30X48 inch turn space (also required in Rehabilitation unless waived by staff for structural limitations or excessive cost, etc.) (does not apply if there is no living space on the ground floor level).
- No-step entry to all ground floor level units.

Compliance with accessibility requirements must be certified in the architect's letter of certification submitted with the 8609(s) submission. It is suggested but not required that Projects also include parking for caregivers for tenants with disabilities and that a lease addendum provide for moving a household without tenants with disabilities from a handicapped accessible unit to a regular unit if the handicapped accessible unit is needed for rental to a tenant with a disability.

Energy and Green Building Initiatives, Goals and Requirements

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, for example, by Projects using existing infrastructure, reusing a building or existing housing,

redeveloping a greyfield/brownfield, or 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, such as infill projects, rehabilitating existing building(s), rehabilitating existing housing, providing carpooling opportunities, using well water for landscaping, 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.

Smoke-Free Housing

Promoting healthy behaviors can also have a large impact on residents at no additional cost to the Developer. Smoke-free policies protect residents against the harmful health impacts of tobacco smoke, greatly reduce the risk of fires, and prevent damage to units caused by tobacco smoke. Such policies also make properties more attractive to those who do not allow smoking in their own homes.

For New Construction Projects seeking or awarded 2016 or later year C~~c~~redits, the Owner (and any Management Company) must establish and implement a written policy that prohibits smoking in the units and the indoor common areas of the Project, including a non-smoking clause in the lease for every Project unit. The Owner (and any management company) rather than MBOH will be responsible to establish ~~and~~, implement and enforce such written policy and lease clause. The Owner and management company also must make educational materials on tobacco treatment programs, including the phone number for the Montana Tobacco Quit Line, available to all tenants of the Project. The Montana Tobacco Use Prevention Program Smokefree Housing Project can provide educational materials and smokefree signage to property owners and managers free of charge, as requested. If smoking is allowed outside on the Project p~~P~~roperty, it is recommended that the written smoking policy require that smoking be restricted to areas no closer than 20 feet from all building entrances and exits. The written policy must provide appropriate exceptions for bona fide cultural or religious practices.

Required Blower Door and Infrared Testing for Projects Awarded Credits

For New Construction Projects Awarded HCs: Blower door tests must be completed on every Single Family Project unit. On Multi-Family Projects, blower door tests must be completed

on the greater of twenty percent (20%) of units (such units to be selected by MBOH in conjunction with the testing provider) or the number of units required by State building codes (whether or not the State building code has been adopted in the Project's jurisdiction). Proof of such testing demonstrating compliance with the state building code standard (CFM50) must be submitted to MBOH to qualify for issuance of Form 8609(s). The Developer or Builder must notify MBOH at least one week in advance of the date and time that blower door testing will be performed and MBOH staff must be permitted to attend and observe the testing.

For Rehabilitation Projects Awarded HCs: Infrared tests will be required on each full unit and all common areas both before and after the Rehabilitation. The Developer or Builder must notify MBOH at least one week in advance of the date and time that post-Rehabilitation infrared tests will be performed and MBOH staff must be permitted to attend and observe such testing. Proof of such testing must be submitted to MBOH to qualify for issuance of Form 8609(s), demonstrating at least 20 degrees temperature difference from outdoors to inside the unit.

Substantial Rehabilitation

Montana's minimum Substantial 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 30% of the adjusted basis of the building during a 24-month or shorter period.

Rehabilitation Projects applying for (9%) competitive credits must meet all requirements of the capital needs assessment and the Application must also include a list of items ~~to be included~~ in each unit that will be~~(i.e.,~~ replaced, refinished, repaired, upgraded, ~~etc.)~~or otherwise rehabilitation in the ~~rehabilitation~~ Project and a detailed narrative explaining the scope, details and expectations of the rehabilitation.

Tax Exempt Bond Financed Projects

Projects with tax-exempt financing under the volume limitation on private activity bonds ("4% Projects") may be eligible to receive ~~tax~~ Housing C~~c~~redits outside the state's tax credit allocation volume cap. ~~Applications may be submitted at any time and are not limited to the application schedule in Section 4, below.~~ Applications must meet all requirements of the applicable QAP and must meet at least the minimum Development Evaluation Criteria score specified in Section 9, below, to receive an Allocation of ~~tax~~ Housing C~~c~~redits. 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. For purposes of Application, evaluation and Awarding tax credits with respect to 4% Projects, the Applicable QAP is the version of the QAP most recently and finally adopted as of the date of Application submission.

Eventual Home O~~o~~wnership

Several supplemental Application documents are required for Projects that include eventual home ownership. The Application must: (a) address how the Owner will administer the transfer of ownership to a qualified homebuyer at the end of the Compliance Period~~. Second, the Application must~~; (b) either identify the price at the time of the title transfer or a reasonable process to determine the price~~. Third, the Application must~~; (c) document that the potential owners will be required to complete a homebuyer counseling program~~. The Applicant must~~; and (d) identify how Reserve for Replacement funds will be used at the time of sale of the properties.

At the time of sale, the HC Owner must provide a copy of the title transfer together with a certificate verifying that the new homeowner completed a homebuyer program within five years prior to the transfer of title. Enforceable covenants must maintain the home as affordable and prevent sale or resale 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 or the end of the Extended Use Period.

130% Basis Boost

Basis Boost for QCT and DDA Projects

Federal law permits MBOH to reserve ~~tax~~ Housing C~~c~~redits 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.

MBOH Discretionary 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~~ Housing C~~c~~redits if MBOH determines that an increase in ~~tax~~ Housing C~~c~~redits is necessary to achieve the Project's feasibility. MBOH staff may recommend an Award of ~~tax~~ Housing C~~c~~redits, and the MBOH Board, at the time it considers authorizing R~~r~~eservations of ~~tax~~ Housing C~~c~~redits, may Award C~~c~~redits 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~~ Housing C~~c~~redits calculated at up to 130% of eligible basis. The Application narrative and supporting documentation~~Applicants~~ must specify and explain in detail the applicable considerations supporting the need for the requested basis boost (i.e., any of items 1 through 5, below) and justify the need for the requested basis boost~~ in the narrative and support documentation~~. Considerations justifying a need for a basis boost are:

1. Qualification of the Application for the Small Rural Project set aside pool;
2. Qualification of the building location for Rural Development funding;
3. 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;
4. The Project includes historical preservation or Preservation of existing affordable housing; or
5. 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.

The MBOH discretionary basis boost does not apply to non-competitive 4% Credits.

Non-Housing Amenities

Swimming pools, tennis courts, golf courses, and other similar amenities will not be funded by Housing Credits. Proposed Projects may include such amenities only if the amenities are funded by sources other than Housing Credits. Subject to the requirements of this QAP,

garages or car ports may be funded by Housing Credits considering Montana's extreme winter weather.

Accountant and Owner Certification

Prior to the 10% Carryover Cost Certification deadline and at Final Cost Certification, 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~~Sources 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, building(s) address(s), building identification numbers, the total eligible and qualified basis, and, if applicable, the percentage of the Project financed by tax-exempt bonds.

~~Rural Development Projects~~

~~For Rural Development Projects, MBOH requires a copy of the final USDA Rural Development cost certification, as well as the Accountant Certification of tax credit eligible and qualified basis, and the Owner's certification. While a USDA 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 no more than the amount of credit determined necessary to make the Project feasible.~~

Information Request and Release Policy

Requests for information and documents from MBOH will be handled in accordance with and subject to applicable law and the MBOH Information and Release Policy, which policy is available on the MBOH website at [URL].

~~General Program Information~~

~~All general program information will be provided as requested either by mail, facsimile, email, 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. The requestor will be charged and must pay the costs of providing such documents according to the Department of Commerce Public Records Request Response Guidelines effective July 1, 2012, or as amended.~~

~~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 10 calendar 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

MBOH Board members should refrain from ex parte communications with interested persons or parties, or their representatives, who may be affected by any matter on which members may take official Board action. Ex parte communications may include communications that take place outside a duly noticed meeting or hearing of the Board, relate to a matter on which the Board may take action to determine to rights or obligations of the person or party, and which convey information or may otherwise influence the Board member regarding the matter.

If a Board member is unable to avoid such communications, the member will be required to disclose at a public meeting of the Board the full content of such communication and the identity of the person making the communication. In addition, the Board member may be disqualified from participating in Board action on the matter. Such communications may also subject the Board to challenge regarding its action on the matter.

Ex parte communications do not include communications regarding general matters of housing, funding for low-income housing, or other Board policy, and do not include Board member speaking appearances, conferences, consulting engagements or other events or settings to the extent not involving communications such as those described above.

The foregoing statement is provided as general information. Ex parte communications are addressed in further detail and governed by the MBOH Ex Parte Communication Policy, available on the MBOH website at [URL].

~~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 meeting or 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. See § 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 meeting or hearing scheduled for that purpose.~~
- ~~If a member is not able to avoid receipt of information or contact with parties outside of a public meeting or hearing the remedial action in that instance is for the Board member to disclose at the public meeting or 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 SUBMISSION AND AWARD SCHEDULE~~CYCLE~~ – MANNER OF SUBMISSION

Competitive 9% Credit Applications

Applicants may apply for an Award of ~~tax~~ 9% Ce~~c~~redits for a particular Project no later than the applicable submission deadline specified below or otherwise set by MBOH.

Applicants must submit the Application and the applicable fee (based on the fee schedule below) to MBOH as required in this QAP. A separate Application is required for each Project. A single Application should include 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% 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. Full Applications for tax-exempt financing and related 4% Credits may be submitted at any time and are not limited to the competitive allocation rounds listed below.~~

~~Electronic submission of Applications using MBOH's system (currently ShareFile) is preferred but hard copy Applications will also be accepted. Please contact staff (preferably at least a week ahead of the submission deadline) for set up and for specific instructions on how to access this system.~~ Complete Letters of Intent/Applications meeting all requirements of this QAP must be received at MBOH's office by 5:00 pm Mountain Time on the Letter of Intent/Application submission date specified below.

~~**First Allocation Round:**~~

~~o Letter of Intent~~	~~First Monday in **August 2015**~~
~~o Board Review and Discussion~~	~~**Next** MBOH Board Meeting~~
~~o Application Submission~~	~~First Monday in **October 2015**~~
~~o Applicant Presentations~~	~~**Next** MBOH Board Meeting after application submission~~
~~Award Determination~~	~~**January 2016** MBOH Board Meeting~~

First Award Round:

o Letter of Intent Submission	First Monday in July 2016
o Applicant Presentations/ Board Invitations to Apply	August 2016 MBOH Board Meeting
o Application Submission	First Monday in October 2016
o Award Determination	January 2017 MBOH Board Meeting

Second ~~Allocation~~ Award Round (if any):

If the Board decides to hold a second ~~allocation~~ Award round, it will determine and post on MBOH's website the dates for submission of Letters of Intent and Applications, Board review ~~and~~, discussion and invitation to apply, Applicant presentations and Award determination.

Any of the above deadlines and dates may be extended or changed by MBOH if circumstances warrant, and in such event MBOH will provide notice of such extension or change by posting on MBOH's website. The MBOH Board, in its discretion, may waive any requirement of this QAP if it determines such waiver to be in the best interests of MBOH, the HC program or the application cycle. In any ~~application~~ Application/Award round or rounds, the MBOH Board may elect to Award less than all available C~~c~~redits or to not Award any C~~c~~redits if the MBOH Board determines that such is in the best interests of MBOH, the HC program or the Application cycle.

Board Consideration and Determination Process

At the MBOH Board's meeting in the month after submission of Letters of Intent, MBOH staff will present Letters of Intent to the MBOH Board. MBOH will provide an opportunity for Applicants to make a presentation to the MBOH Board regarding their Projects and Letters of Intent and will provide an opportunity for public comment on proposed Projects and Applications. Applicant presentations will be limited to 10 minutes or less. The MBOH Board may ask questions of Applicants and discuss proposed Projects ~~but there will be no Applicant presentations and the MBOH Board will not make any Award determination at this meeting. MBOH Board questions and discussion are~~ for purposes of assisting the Board in determining which Projects it will invite to submit Applications and assisting Applicants in presenting better Applications, ~~and~~ but such questions, answers and discussions shall not be binding upon MBOH in any later Award determination or other MBOH process.

After considering the Letters of Intent, presentations, questions and answers and discussion, the MBOH Board will select those Projects that it will invite to submit Applications. Selection for invitation to submit an Application may be based upon consideration of any of the Selection Criteria permitted to be considered for purposes of an Award under this QAP, but no evaluation or scoring of Letters of Intent will be done or considered for purposes of selection for invitation to submit an Application. For purposes of determining the number of Projects to select: (a) the total amount of Credits requested for all Projects invited to submit Applications will not exceed 150% of the State's Available Annual Credit Allocation determined as provided in Section 6; and (b) no more than 10 Projects will be selected. Each Project so selected by the MBOH Board will deemed invited to submit an Application. An Application may be submitted only for a Project invited by the MBOH Board to submit an Application. All other Applications will be returned without consideration.

At the MBOH Board's meeting in the month of Application submission, MBOH staff will present Applications to the MBOH Board. The MBOH Board may ask questions of Applicants and discuss proposed Projects but there will be no Applicant presentations. MBOH will provide an opportunity for ~~Applicants to make a presentation to the MBOH Board regarding their Projects and Applications and will provide an opportunity for~~ public comment on proposed Projects and Applications. ~~Applicant presentations will be limited to 10 minutes or less.~~

At the Award Determination Meeting, Applicants should be available to the MBOH Board to answer questions regarding their respective Applications. Applicants shall have an opportunity to respond to any negative comments.

4% Credit Applications for Tax Exempt Bond Financed Projects

Projects with tax-exempt financing under the volume limitation on private activity bonds ("4% Projects") may be eligible to receive tax credits outside the state's tax credit allocation volume cap. An Applicant for tax-exempt financing under the volume limitation on private activity bonds also seeking an Award of 4% Credits 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.

Full Applications for tax-exempt financing and related 4% Credits may be submitted at any time; submission is not limited to the Application schedule set forth above for 9% Credit competitive awards. However, complete Applications must be received by MBOH at least 6 weeks before the scheduled MBOH Board meeting at which the Application is to be considered. Changes to the Application that require MBOH to re-underwrite the Application will restart the minimum 6-week period.

The Application fee for 4% Projects is 1% of the amount of annual Credits requested in the Application and must be submitted to and received in the MBOH office for the Application to receive consideration. In addition, Final Allocation of 4% Credits is subject to payment in full of applicable bond closing fees at bond closing per the MBOH Private Placement policy available on the MBOH website at [URL].

Applications for 4% Projects must meet all requirements of the Applicable QAP, including meeting at least the minimum Development Evaluation Criteria threshold score specified in Section 9 to receive an Allocation of Housing 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. For purposes of Application, evaluation and Awarding Housing Credits with respect to 4% Projects, the Applicable QAP is the version of the QAP most recently and finally adopted as of the date of Application submission.

Application Submission Method for 4% and 9% Credit Applications

Electronic submission of Applications using MBOH's system (currently ShareFile) is preferred but hard copy Applications will also be accepted. Please contact staff (preferably at least a week ahead of the submission deadline) for set up and for specific instructions on how to access this system. In submitting or preparing to submit Applications, Applicants shall not change or create folders or otherwise change the file structure within the ShareFile submission. An Applicant may request an additional folder by contacting MBOH staff.

~~Carryover Commitment~~

~~MBOH will issue a Carryover Commitment in December of the year for which the credits are being Awarded and such Carryover will be for a period of two (2) years. To preserve this commitment the Owner/Developer must submit the 10% Carryover Cost Certification by the deadline specified in the Applicable QAP. Move to section 10~~

SECTION 5 - FEE SCHEDULE

Letter of Intent

The Letter of Intent fee is ~~$1,000.00~~ $1,500.00 and must be submitted to and received in the MBOH office by the applicable Letter of Intent deadline. MBOH will not consider Letters of Intent submitted without the Letter of Intent fee. The Letter of Intent fee is not refundable.

Application

The application fee is 1% of the amount of credits requested in the Application and must be submitted to and received in the MBOH office by the applicable application deadline. MBOH will not consider Applications submitted without the application fee. The application fee is not refundable and will not be adjusted even if the MBOH Board Awards no credits or only a portion of the tax credits requested.

In addition to the application fee, a Reservation fee in the amount of 8% of the credits reserved is due on or before December 1 of the year in which the Award is made (e.g., December 1, 2016 2017 for 2016 2017 credit Awards made in January 2016 2017). After a Reservation Agreement is executed the Reservation fee is not refundable. If the conditions described in the Reservation Agreement are not met, the entire Reservation fee will be forfeited to MBOH.

Requesting Additional Credits After Initial Allocation

As MBOH, in its discretion, determines necessary for financial feasibility, returned or unreserved tax Housing Ccredits may be used to increase the amount of tax Housing Ccredits reserved for a Project after the first round Awards have been made. In considering a request for an increase under this paragraph, MBOH may consider any anticipated potential need for returned or unreserved Ccredits to fund Projects that would otherwise be funded or require greater funding under the Corrective Award set aside under Section 7. An Applicant seeking an increase in the amount of reserved Ccredits must apply in writing for such increase and must submit new financials (UniApp Section C) and documentation of cost increases. Applications for additional Ccredits 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 MBOH Board meeting for consideration. Staff will not recommend and the MBOH Board will not approve any increase beyond that necessary to make the Project feasible.

Any request for Credits above the amount initially Awarded is considered a request for additional Credits after Initial Allocation and is subject to the provisions of this section.

An Application and Reservation fee of 9% of the additional tax Housing Ccredits requested is due with the request. In the event an increase for the additional requested Ccredits is not approved, the Reservation fee in the amount of 8% will be returnedrefunded.

Compliance Fees

See Section 12—, Compliance Monitoring.

SECTION 6 - MAXIMUM AWARDS

Maximum Credit Award

Twenty-five percent (25%) of the state's Available Annual Credit Allocation will be the maximum Ccredit Awarded or Allocated to any one Project or Developer. The state's Available Annual Credit Allocation is defined as and includes the state's actual or estimated credit ceiling for the current year plus any other available Ccredits from prior year credit authority determined as of 20 business days prior to the applicable application deadline, and includes any Ccredits held back pursuant to court order or subject to Award under the Corrective Award set aside. The Developer's percentage of the Ddevelopment Ffee, as specified in a written development agreement, will be that Developer's percentage of the 25% limit. The maximum Ccredit Award for a Project will be determined based upon the

state's Available Annual Credit Allocation for the ~~tax~~ Housing Ceredit year from which the Project is first Awarded HCs. If the state's Available Annual Credit Allocation is not known as of 20 business days prior to the applicable application deadline, ~~MBOH will estimate~~ the Available Annual Credit Allocation from the previous year will be used~~amount~~, subject to later adjustment once the state's actual Available Annual Credit Allocation is known. If an estimated amount is used for Award purposes, all Awards based upon such estimate shall be conditional upon a final determination of the state's actual Available Annual Credit Allocation.

MBOH does not commit tax credits from future years, except as specifically provided in this QAP. The MBOH Board may Award Housing Credits from a future year's Available Annual Credit Allocation at any time outside the competitive cycle for purposes of funding repair or replacement of a Project building due to a life/safety emergency as determined by the MBOH in its discretion. The Applicant must submit a Letter of Intent and the Board must invite the Applicant to submit an Application before making an Award. The Application must meet all QAP requirements.

SECTION 7 – SET ASIDES

Non-profit

Ten percent of each state's credit ceiling must be set aside for buildings which are part of one or more Projects involving Qualified Nonprofit Organizations.

The 10% non-profit set-aside requirement may be met by an Award to a Project involving a Qualified Nonprofit Organization out of any other set-aside or the general pool. If no Project Awarded HCs involves a Qualified Nonprofit Organization, the non-profit set aside (i.e., 10% of the state's credit ceiling) will be held back for later Award to a Project involving a Qualified Nonprofit 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 MBOH 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 MBOH 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
  - MBOH, 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 MBOH 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 MBOH Board meeting after the final court order has been issued and presented to MBOH. Such Award need not await the annual Application and Award cycle.

Where a court orders that an amount of the current year's credits be set aside for a Project pending the decision of the court, if the court's decision is not received before the end of the current year, the credits set aside will become classified as the next year's credits, as required by federal code.

If the court orders MBOH to Award credits to any Project under this set-aside, the Project must submit an updated Application so the MBOH can review and underwrite current numbers and assumptions to verify that the amount of credits requested or some other credit amount is justified for Project feasibility, unless otherwise ordered by the court. The corrective awardee must pay the Reservation fee as required in Section 5.

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 than 10% of the state's Available Annual Credit Allocation, (2) with 20 or fewer low-income units, and (~~2~~3) 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.

General Rules Regarding Set Asides

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. For example, 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.

The MBOH Board reserves the right to not Award credits to a qualifying Small Rural Project even if the Project meets the minimum required score, if the MBOH Board, at its discretion, determines another Project or Projects better meet the most pressing housing needs of low income people within the state of Montana, taking into consideration the Selection Criteria of this QAP as determined in accordance with Section 9.

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 – LETTER OF INTENT AND APPLICATION PROCESS

Applicants ~~should~~ are responsible to read and comply with this Qualified Allocation Plan (QAP) (and any other Applicable QAP) and accompanying materials.

Applicants are responsible to determine the degree that their building(s) and development correspond to the MBOH's Selection Criteria contained in this QAP.

Applicants are responsible to consult their own tax attorney or accountant concerning: (a) each building's eligibility for the tax credit; (b) the amount of the credit, if any, for which their building(s) may be eligible; and (c) their ability and/or their Investor's ability to use the tax credit.

Letter of Intent

All Projects wishing to apply for HCs in Montana must submit a Letter of Intent by the deadline specified in Section 4 with the applicable fee.

~~If a Letter of Intent has not been submitted with respect to an Application according to the requirements of this QAP MBOH will return such Application un-scored along with the application fee and such Application will not be further considered.~~ All Letters of Intent must be submitted in the format posted on the Board's website. ~~included as Exhibit D-1 and D-2.~~ The Project Location, type (e.g., family or elderly), and Developer specified in the Letter of Intent may not be changed in ~~the~~ any later Application. Other information in the Letter of Intent (e.g., cost information, number of units, unit sizes, income targeting, rents, hard and soft loan sources, etc.) will be considered the Applicant's best estimates and may be changed in the Application. No market study or mini-market study is required for purposes of a Letter of Intent.

Application

An Application may not be submitted for a Project unless a Letter of Intent has been submitted with respect to the Project according to the requirements of this QAP and the Board has invited that Project to submit an Application. MBOH will return all other Applications without consideration, along with the application fee.

Applicants must commission a full market study as outlined in ~~Exhibit B~~the MBOH Market Study Form. Such Market Study must be included with the Application submission in accordance with the Threshold Requirements below.

Applicants must complete and submit the Uniform Application and Supplement, full market study and full application fee by the applicable application deadline (see Section 4~~—~~, Application Submission and Award Schedule~~Cycle~~). Applicants must use the most current form of the Uniform Application (UniApp) and Supplement available on the MBOH website at: http://housing.mt.gov/UniformApplication~~http://housing.mt.gov/FAR/housingapps.mcpx~~

Threshold Requirements Are Mandatory

Threshold Requirements are mandatory for all Letters of Intent and Applications. Letters of Intent and Applications received not meeting all Threshold Requirements or other requirements of this QAP will be returned un-scored and will receive no further consideration. Fees will not be ~~returned~~refunded.

Submit complete Applications to MBOH. Electronic submission of Applications using MBOH's system (currently ShareFile) is preferred but hard copy Applications will also be accepted. Please contact staff (preferably at least a week ahead of the submission deadline) for specific instructions on how to access this system. In submitting or preparing to submit Applications, Applicants shall not change or create folders or otherwise change the file structure within the ShareFile submission. Applicants may request an additional folder by contacting MBOH staff.

MBOH staff may communicate with Applicants for purposes of providing interpretive guidance or other information or for purposes of clarifying Applications. MBOH staff may allow minor corrections to Applications, but will return and will not further consider Applications requiring substantial revision or those that are substantially incomplete.

Threshold Requirements

To ~~meet the threshold~~be eligible for further consideration, all Letters of Intent and Applications must be submitted in accordance with the requirements of this QAP and the following Threshold Requirements.

ALL MBOH FORMS REFERENCED IN THIS QAP ARE AVAILABLE ON THE MBOH WEBSITE AT [URL]. ALL FORMS SUBMITTED TO MBOH IN OR AS PART OF THE APPLICATION, DEVELOPMENT, UNDERWRITING, ALLOCATION, COST CERTIFICATION, COMPLIANCE OR OTHER PROCESSES UNDER THIS QAP MUST BE THE MOST CURRENT FORM AVAILABLE ON THE MBOH WEBSITE. If the most current F~~f~~orm(s) are not used, submissions may be returned and required to be resubmitted on the correct F~~f~~orm.

Letters of Intent must:

1. Include the applicable fee;
2. Be received by the applicable deadline; and
3. Be substantially complete and in the format prescribed in ~~Exhibit D-1 and D-2~~the MBOH Letter of Intent Form.

Applications must:

1. Include the application fee;

2. Be received by the applicable deadline;

3. ~~Include a cover letter summarizing the Project, limited to 2 pages, which will be provided to MBOH Board members within one week following the application deadline;~~ Include all of the documents, information and other items specified in threshold requirements 4 through 27 below;

4. Include a cover letter summarizing the Project, limited to 2 pages, which will be provided to MBOH Board members within one week following the Application deadline ~~Be substantially complete, and include all of the following documents, information and items. All the below listed items 5 through 26 must be correctly completed and submitted for the Application to be considered substantially complete:~~;

5. ~~The~~ Include a fully completed, ~~current~~ UniApp, including all applicable Forms, all in the most current forms as posted on the MBOH website.

6. Specify the Qualified Management Company that will provide property management service to the Project and provide a copy of the written agreement with the management company evidencing~~evidence of~~ the company's commitment to provide management services. Upon written notice from MBOH that the Application has identified a m~~M~~anagement c~~C~~ompany that is not a Qualified Management Company, the Applicant must submit to MBOH within ten (10) days a written designation of a Qualified Management Company and a copy of the written agreement with the management company evidencing~~evidence of~~ the replacement company's commitment to provide management services.

7. Include a Market Study prepared and signed by a disinterested third party analyst, with certificate (included in ~~Exhibit B~~MBOH Market Study Form) signed by analyst and notarized. Market Studies must be completed within six (6) months prior to the submission date of the Application, must have the market analyst complete a physical inspection of the market area within one (1) year of the Application and

must adhere to minimum market study requirements in MBOH Market Study Form~~Exhibit B~~.

8. Include documentation of Land or Property C~~c~~ontrol~~ through lease, ownership or a legal form of option to purchase~~.

9. Include documentation~~Evidence~~ from the applicable local zoning authority ~~of~~ that applicable ~~proper~~ zoning requirements are met or otherwise addressed, e.g., ~~(~~Project is within applicable zoning requirements~~place~~, part of an approved planned unit development, subject to a zoning change ~~requested)~~request that has been or will be approved, or not subject to any existing~~ unless no~~ zoning requirements~~ exists~~. ~~If no zoning requirements exist provide documentation from the proper authority.~~ Acquisition/Rehabilitation Projects may provide ~~evidence~~ documentation that the Project will not require a~~of no~~ change in zoning requirements.

10. ~~Utilities~~ Include d~~D~~ocumentation of a~~A~~vailability and capacity of utilities to serve the Project, including documentation that utilities are available to the Project and the present proximity of utilities to the Project location. Such documentation must be from the electric, gas/propane, water and/or sewer/septic provider/company, as applicable. Acquisition/Rehabilitation Projects need only provide such documentation for any expected additional load. Documentation of utility availability and capacity must not be more than 24 months old at the time of Application submission. MBOH staff may in its discretion require the Applicant to provide updated documentation.

11. Include a~~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.

12. Include a~~A~~ letter of interest from an equity provider including an anticipated price based on the market at time of the Application~~application~~.

13. For all~~All~~ Applications ~~for land and/or Acquisition transactions must~~, include a comparative market analysis ("CMA") or an appraisal done by an independent (non-related) party. Such CMA or appraisal is required regardless of the manner or method of Acquisition and must cover all real estate acquired, including land and/or buildings.

14. For Rehabilitation Applications, include a full scale Capital Needs Assessment~~ for Rehabilitation Applications,~~ on the USDA Rural Development Capital Needs Assessment (CNA) template or similar form, a list of items in each unit that will be replaced, refinished, repaired, upgraded or otherwise rehabilitated, and a detailed narrative explaining the scope, details and expectations of the Rehabilitation~~scope of work for the Project~~.

15. For Applications proposing Rehabilitation or ~~if~~ replacement of existing units~~ are being replaced~~, include a preliminary relocation plan addressing the logistics of moving tenants out of their residences and providing temporary housing during the Rehabilitation or replacement and returning tenants to their residences upon completion of the Rehabilitation or replacement.

16. Include a~~A~~ site plan, and a D~~d~~esign P~~p~~rofessional's preliminary floor plan and elevations/photos of existing properties for the Project.

17. For Applications for Projects involving Qualified Nonprofit Organizations and seeking to qualify for the non-profit set aside under Section 7, include: (a) a copy of the IRS determination letter documenting such organization's ~~Profit or non-profit status~~501(c)(3) or (4) status; (b) an affidavit by the organization's managing partner or member certifying that the organization is not and during the Compliance Period will not be affiliated with or controlled by a for-profit organization; and (c) documentation that one of the exempt purposes of the organization includes the fostering of low-income housing.

18. For Applications~~If a not-for-profit Owner proposes~~ proposing a property tax exemption for rental housing providing affordable housing to lower-income tenants pursuant to Mont. Code Ann. § 15-6-221, include documentation of intent to conduct a public hearing as required by Mont. Code Ann. § 15-6-221(2)~~must be submitted with the Application~~. Such public hearing must be~~ and~~ conducted by the Owner and documentation of such public hearing must be submitted prior to issuance of the Carryover Commitment. If the Application does not include~~Without~~ documentation of ~~such~~ intent to conduct the required public hearing, the Project will be underwritten as if no exemption was or will be received. ~~Documentation of public hearing(s) must be submitted prior to issuance of the Carryover Commitment~~.

19. Specify the Extended Use Period.

20. ~~If~~ For Projects ~~is~~ targeted for Eventual Homeownership, provide the supplemental Application documents and information specified in ~~the "Eventual Homeownership" portion of~~ Section 3, Eventual Home Ownership.

21. Specify the selected minimum set aside (20-50 test) or (40-60 test).

22. Include a copy~~Copy~~ of the public notice and affidavit ~~proof~~ of publication meeting the requirements specified in this Section 8, ~~under "~~Public Notice~~"~~ ,~~below in this section~~.

23. Include letters~~Letters~~ of community support. 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 Application 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 MBOH Board for its consideration.

24. If the Project is an Elderly Property, include a stipulation of minimum tenant or resident age (i.e., 55 or 62 and over).

25. Include a~~A~~ narrative addressing each of the Development Evaluation Criteria, demonstrating how the Application meets each of these criteria, and providing a specific explanation and justification of the points sought for each scoring item. Narrative references to the Market Study must cite the specific page and paragraph of the Market Study. The narrative must include the Applicant's own proposed total score for each scoring item in the Development Evaluation Criteria and, at the conclusion of the narrative, the Applicant's own proposed total score.

26. Include the completed~~Completed~~ and signed Indemnification Form~~Exhibit E~~, Cost Sponsor Certification Form and Release of Information Form~~forms included in this QAP~~.

27. Include a copy of the public notice and affidavit of publication required below under "Public Notice."

Applications must also demonstrate that the proposed Projects 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.

Public Notice

An~~ Tax Credit~~ Applicant must place ~~an advertisement~~a notice in the local newspaper of the intent to apply for Housing Credits, and ~~by doing so, encourage~~encouraging submission of public comment ~~to be submitted~~ to MBOH. Such notice must include n~~N~~ame of Project, ~~Number~~ number of ~~Units~~units, ~~Location~~ location of Project, ~~For~~for-profit or n~~N~~on-profit status, and, if applicable, ~~Intent~~ intent to ~~Request~~ request ~~Tax~~tax-exempt ~~Status~~ status for the Project. The notice will be placed as a box advertisement in the newspaper within 90 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~~submission of comments to MBOH. The ~~advertisement~~ notice must be published twice within a seven-day period. A copy of the notice, ~~annotated~~ together with an affidavit of publication showing the 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 until 5 PM the Friday before the MBOH Board Award Determination Meeting (s~~S~~ee Section 4, A~~a~~pplication C~~c~~ycle~~s~~ ~~above~~).

SECTION 9 – EVALUATION AND AWARD

Threshold Evaluation and Considerations

MBOH staff will review all Applications received by the applicable submission deadline for compliance with all Threshold Requirements, including but not limited to completeness, soundness of the development, and eligibility based on federal requirements and this QAP. Applications determined by MBOH staff to not substantially meet all Threshold Requirements or other requirements of this QAP or federal law will be returned un-scored and will receive no further consideration. Except as specifically provided in this QAP, Application fees will not be refunded.

MBOH staff may communicate with Applicants for purposes of providing interpretive guidance or other information or for purposes of clarifying, verifying or confirming any information in Applications. MBOH staff may allow minor corrections to Applications, but will

return and will not further consider Applications requiring substantial revision or those that are substantially incomplete.

MBOH staff may query an Applicant or other persons regarding any concerns related to a ~~tax~~ Housing C~~c~~redit Application or the management, construction or operation of a proposed or existing low income housing Project. 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 Disqualification of an Application and non-consideration for an Award of ~~tax~~ Housing C~~c~~redits.

As part of its review of Applications, MBOH staff 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 contact any other third parties to confirm or seek clarification regarding any information in the Application, including but not limited to checking Development Team references, verifying credit reports and verifying information through direct contact with the Project Developer.

Between the submission deadline and the MBOH Board Award Determination Meeting, as required by federal law, MBOH will notify the chief executive officer of the local jurisdiction of each proposed development requesting comments on the development.

~~Tax~~ Housing C~~c~~redit Allocations will be subject to three underwriting evaluations: (i) evaluation for purposes of Award/Reservation and, for Projects that have received an Award of credits and entered into a Reservation Agreement, (ii) evaluation for purposes of the 10% Carryover Cost Certification, and (iii) evaluation for purposes of Final Cost Certification.

MBOH will return and will not consider for an Award of C~~c~~redits:

- Incomplete Applications;
- Unsound Applications, i.e., Projects for which the Market Study and other available market information fails to demonstrate adequate market need within the proposed location community or Projects that are not financially feasible, including but not limited to viable cash flow, based upon MBOH underwriting standards as set forth in this QAP;
- An Application submitted by an entity with a demonstrated poor track record in completion of development or management of low income housing, whether located in Montana or another state;
- Applications submitted by Applicants with current Project(s) that have/had numerous or unresolved substantial non-compliance issues or IRS 8823's (consideration will be given to the type of 8823);
- Any other Application failing to meet any mandatory requirement of this QAP or federal law; and
- Any Application as otherwise specified in this QAP.

Applications meeting all minimum T~~t~~hreshold R~~r~~equirements and not excluded from further consideration under this QAP will be evaluated for the amount of tax credits needed for feasibility and long term viability and will be evaluated and scored according to the Development Evaluation Criteria section below.

Amount of Tax Credit Allocation

Although a proposed development may be technically eligible for a certain C~~c~~redit amount, federal law prohibits MBOH from allocating more C~~c~~redits than necessary for the financial feasibility of the development and its viability as a qualified low income housing Project throughout the Compliance Period. Accordingly, an Award of ~~tax~~ Housing C~~c~~redits under

this QAP will be limited to the amount of C~~c~~redits that MBOH, in its sole discretion, deems necessary to make the development feasible and viable throughout the Compliance Period.

In determining the amount of C~~c~~redits necessary, MBOH will consider:

- The Sources and Uses of funds and the total financing planned for the Project. Funds, including funds from federal sources, such as HOME grant money, Rural Development, and similar funds, may be loaned by or through a parent organization to a Project at an interest rate below the Applicable Federal Rate (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, which will reduce basis.
- Any proceeds or receipts expected to be generated by the ~~tax~~ Housing Ccredits.
- The reasonableness of the development and operational costs of the Project.

Based on its evaluation, MBOH will make a preliminary determination of the amount of C~~c~~redits deemed necessary for the financial feasibility of the development and its viability as a qualified low income housing Project throughout the Compliance Period. 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 C~~c~~redits. A similar analysis will be done at the time of 10% Carryover Cost Certification and at Final Cost Certification prior to issuing IRS Form(s) 8609. Neither the selection of a Project to receive an Award of ~~tax~~ Housing C~~c~~redits nor the amount of C~~c~~redits to be allocated constitutes a representation or warranty that the Owner or Developer should undertake the development, or that no risk is involved for the Investor.

Development Evaluation Criteria and Scoring

In addition to evaluation under all other QAP Selection Criteria, Applications will be evaluated and scored according to the following Development Evaluation Criteria.

- Awarding of points to Projects pursuant to these Development Evaluation Criteria is for purposes of determining that the Projects meet at least a minimum threshold of 1100 of the total possible ~~1330~~ 1419 available points to qualify for further consideration. Developments not scoring the minimum Development Evaluation Criteria score of 1100 of the total possible 1419 ~~1330~~ available points will not receive further consideration.
- Non-competitive 4% Credit Bond Deals will meet at least a minimum threshold of 850 of the total possible 1419 ~~1330~~ available points to qualify for further consideration. Non-competitive developments not scoring the minimum Development Evaluation Criteria score of 850 of the total possible 1419 ~~1330~~ available points will not receive further consideration.
- The Development Evaluation Criteria, other QAP Selection Criteria and information submitted or obtained with respect to Projects will be used to assist the MBOH Board in evaluating and comparing Projects.
- Development Evaluation Criteria scoring is only one of several considerations taken into account by the MBOH Board. It does not control the selection of Projects that will receive an Award of tax credits. For purposes of this QAP and HC Awards and Allocations, the QAP Selection Criteria include all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides, priorities and data set forth in this QAP and all federal requirements.

1. Extended Low Income Use* (*100 points possible*)

Federal law requires a 30-year or longer Extended Use Period. An Application in which the Applicant agrees to maintain units for low income occupancy beyond the Compliance Period will receive points as indicated below and must incorporate these restrictions into the Restrictive Covenants.

Years beyond initial 15

15 years	0 points	(30 total years)
16 – 20 years	40 points	(31 – 35 years)
21 – 25 years	60 points	(36 – 40 years)
26 – 30 years	80 points	(41 – 45 years)
Over 30 years	100 points	(46 years +)

Eventual Home Ownership* Applications must also specify an Extended Use Period and will receive points for the Extended Use Period chosen as provided above (refer to the "Eventual Home O~~o~~wnership" portion of Section 3 for supplemental Application documentation and information requirements).

2. Lower Income Tenants* (*220 points possible*)

An Application will receive points for the percentage of eligible units at the percentages of area median income ("AMI") levels listed below. An Application will receive points for 40%, 50%, and 60% categories when the development targets those income and rent levels. Points awarded for 40% units are independent of and not calculated as part of 50% or 60% units, except that the number of 40% units included in the Project, if any, that exceed 10% of eligible units will be added to the number of 50% units for purposes of point scoring under the chart below. 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 UniApp will be used to calculate the score for this item. Scoring under the following chart is based upon the total number of HC units including a manager's unit if applicable.

Target Median Income Level	Percentage of Eligible Units	Points
40%	10% (or greater)	20 NOTE 1
50%	15-20%	60 NOTE 1
50%	21-40%	80 NOTE 1
50%	41-60%	150 NOTE 1
50%	61-100%	200 NOTE 1
60%	40%	0
60%	41-60%	20
60%	61-100%	40

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 HC properties)

3. Project Location* (*100 points possible*)

An Application will be awarded points to the extent the Project is located in an area where amenities and/or essential services will be available to tenants, determined according to the following specifications. An Application will be awarded points with respect to an amenity or service as specified below, if: (i) a Project is located within 1½ miles of the specified amenity or essential service; (ii) public or contracted transportation (not including taxi or school bus service) is reasonably available to the specified amenity or service (i.e., the Project is located within ¼ mile of fixed bus stop or on a same day call basis); or (iii) where applicable, the specified amenity or service is available via a no-charge delivery service to the Project Location:

- 20 points for grocery store (convenience store does not count); and
- 10 points for each of the following, up to a maximum of 80 points:
  - One or more public schools;
  - Senior Center;
  - Bank;
  - Laundromat (only if washer/dryer not included in unit or onsite);
  - Medical services appropriate and available to all prospective tenants (e.g., hospital, doctor offices, etc.);
  - Pharmacy services appropriate and available to all prospective tenants;
  - Gas station and/or convenience store;
  - Post Office;
  - Public Park;
  - Shopping (department, clothing or essentials – does not include convenience store); or
  - Public Library.

4. Housing Needs Characteristics* (*190 points possible*)

Development meets area housing needs and priorities and addresses area market concerns, such as public housing waiting lists (for all units and tenants), Vacancy Rate and type of housing required.

- **Community Input (*40 points possible*)**: Up to a total of 40 points will be awarded for ~~this~~ Community Input. 10 points will be awarded for each of the items (i) through (iv) through which community input regarding the proposed Project was gathered, as shown by evidence provided in the Application or in response to MBOH inquiries ~~through~~: (i) neighborhood meetings held expressly for this Application with attendance rosters and minutes; (ii) local charrettes held expressly for this Application with supporting documents, concept drawings, and input from community; ~~and/or~~ (iii) other appropriate form of community input specifically designed to gather community input for this Application; and/or (iv) City or County Commission meeting. In order to obtain the available points under ~~this bullet~~ item (iii), there must be actual community input in some form. If a community meeting is held but there is no attendance, another form of community input must be used. No points will be awarded if the meeting or charrette is part of another public or design meeting, unless the minutes demonstrate that a portion of the meeting was specifically dedicated to community input for this Application. No points will be awarded if the Application does not provide evidence of qualifying community input, including minutes of any meeting, charrette or other form of community input and copies of any written comments received. Documentation of community outreach efforts to inform and invite community members to attend any of the community input events must be included.

- **Appropriate Size (*50 points possible*)**: Points will be awarded for the appropriateness of size of the development for market needs and concerns as

reflected in the Market Study. 50 points will be awarded if the number of units being proposed is 50% or less than the number of units needed as projected by the Project's Market Study. No points will be awarded if the number of units being proposed is more than 50% of the number of units needed as projected by the Project's Market Study. For projects developed, rehabilitated or constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, or Missoula, no points will be awarded if the number of units being proposed is more than 75% (rather than 50%) of the number of units needed as projected by the Project's Market Study. If the Project is existing in the community, the number of units in the Project will be added to the new units needed and the above test will be applied. The Application narrative must address this scoring item with citations to the relevant pages and paragraphs of the market study.

- **Appropriate Development Type (*40 points possible*)**: Points will be awarded for the appropriateness of the development type for market needs and concerns as reflected in the Project's Market Study. 40 points will be awarded if the Project's Market Study explains and justifies the selection of the type of construction and housing selected (including justification of Rehab/New Construction, Family/Elderly, Single-Family/Multi-Family, bedroom size and Eventual Home Ownership). If this explanation and justification is not included in the Project's Market Study, no points will be awarded in this category. The Application narrative must address this scoring item with citations to the relevant pages and paragraphs of the market study.

- **Market Need (*60 points possible*)**: The Application will be awarded points based upon the required Market Study's documentation that the Project meets the market needs of the community, as follows:
  - Vacancy Rate is at or below 5% (20 points);
  - Absorption rate is less than 4 months (20 points) or Absorption rate is 4 or more months and less than 6 months (10 points) and
  - Rents are at least 10% below adjusted market rents (20 points).

Narrative references to the Market Study must cite the referenced page and paragraph of the Market Study.

5. Project Characteristics* (*~~240~~ 269 points possible*)

Preservation of or Increase in Housing Stock (~~20~~ 50 points possible)

20 points will be awarded if the Application proposes the Preservation of existing affordable housing stock or increases the affordable housing stock through the use of federal funds or funds from other sources (e.g., donation of land, other substantial donations, reduction in taxes through tax abatement (other than non-profit exemption) or impact fees) to leverage the tax credit dollars.

Qualified Census ~~Track~~Tract* or Community Revitalization Plan* (10 points possible)

10 points will be awarded if the Project is located in a Qualified Census Tract* or **involves existing housing** as part of a local (not national, state or regional) community revitalization plan* or similar plan. The Application must include any such local community revitalization plan and identify where in the plan such existing housing may be found.

Preservation of Affordable Housing Projects* (20 points possible)

20 points will be awarded if the Application proposes the Acquisition and/or Rehabilitation of buildings with local, state, and/or federal historic* preservation designations, existing

affordable housing stock, or Projects applying for Rehabilitation tax credits that have completed their Compliance Period.

Project-based rental subsidy (50 points possible):

0 points for less than 25% of the units;

10 points for at least 25% of the units;

20 points for at least 35% of the units;

30 points for at least 50% of the units;

40 points for at least 75% of the units; or

50 points for 100% of the units.

The Application must provide a copy of the relevant contract or other documentary proof of subsidy from the provider. MBOH staff will verify claimed subsidies with funding source.

Amenities (39~~40~~ points possible):

Applications will be awarded 3~~10~~ points ~~for each 3 of the following~~for each of the ~~higher quality~~ amenities listed in the Amenities Form that will be provided at no charge to tenants in the Project up to a maximum of ~~40~~ 39 points:
For an amenity not included in all units, such amenity will be counted as a partial amenity based upon the ratio of number of units with the amenity to total units in the Project. Partial amenities may be combined to constitute one or more entire amenities for purposes of receiving an award of 3 points per amenity~~meeting the 3-amenity requirement to obtain an award of 10 points~~. ~~These amenity items are:~~Amenities qualifying for points are listed in the Amenities Form available on the MBOH website at [URL].
~~Units: Amenities must be identified on a per unit basis.~~

~~Dishwasher~~	~~Washer/dryer hookups~~
~~Disposal~~	~~Washer/dryer provided in unit~~
~~Microwave~~	~~Carport/garage~~
~~Extra Storage outside unit~~	~~Air conditioning~~
~~High quality cabinets~~	~~High quality flooring~~
~~Patios or Balconies~~	~~N/A~~

~~Community:~~

~~Computer(s) for tenant use~~	~~Play area~~
~~Community room~~	~~Community garden~~
~~Basketball hoop/pad~~	~~Car plug ins~~
~~Outdoor community area~~	~~Library~~

~~On site manager~~	~~Laundry room~~
~~Use of existing terrain and landscaping that matches the surrounding area to enhance the grounds for innovative accessibility~~	

Amenities listed ~~above (dishwasher, washer/dryer, microwave, carport/garage, extra storage outside unit, etc.)~~on the Amenities Form must all be accessible amenities in/for handicapped/504 units.

Luxury amenities will not be considered or funded with tax credits. Items deemed luxury amenities include but are not limited to swimming pools, golf courses, tennis courts and similar amenities.

The added costs of the Project attributable to higher quality amenities will be considered on a Project by Project basis for a cost to benefit assessment.

Amenities provided will not be used for Commercial Purposes. All Projects previously awarded tax credits are subject to this restriction but are grandfathered only to the extent Commercial Purposes were specifically included in the Application.

Green Building and Energy Conservation Standards* (100 points possible):

Applicant's justification for green building and energy conservation includes but is not limited to Energy Star building and appliance initiatives, water saving devices and green construction and materials. The green building and energy conservation items are listed and further described, and the available points and evaluation scoring criteria are specified, for New Construction and Rehabilitation in the ~~worksheet Exhibit F~~MBOH Green Building and Energy Form. The Application must include the completed worksheet (Exhibit F). The Applicant's architect, who is qualified with respect to energy and green building standards, must provide a letter confirming the listed green building and energy conservation items incorporated into the Project and this letter must be included in the Application. NOTE: The Applicant's architect also must provide certification at Final Cost Certification for 8609(s) purposes confirming that the initiatives were incorporated.

Please refer to Section 3 for mandatory blower door and infrared testing for Projects that have been Awarded HCs.

6. Development Team Characteristics* (*330 points possible*)

Participation by an entity with a demonstrated track record of quality experience in completed development or management of low income housing tax credit Projects. MBOH will consider all members of the Development Team (Applicant, Owner, Developer, General Partner, Management Company, and HC Consultant) 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 a new Developer these points can be obtained through Experienced Partners. (***180 points possible***)

Thirty points each will be awarded for (a) one member of the Management Company meeting the education requirement under Section 12, and (b) one member of the Development Team (other than the Management Company) who is directly and actively involved with the Project that has been trained ~~and maintains certification~~ by a Nationally Recognized LIHTC Compliance Training Company. For MBOH purposes, to maintain

certification, the person must attend a complete class with a Nationally Recognized LIHTC Compliance Training Company at least once every four years (certificates must be attached with each Application). MBOH annual compliance training does not qualify for credit under this category (***60 points possible***).

Ninety points will be awarded if the Project's Developer or Consultant who is actively involved in the actual construction process has experience with Cold Weather Development and Construction, as reported on ~~Exhibit H~~the MBOH Cold Weather Experience Form. Cold Weather Development and Construction is defined as experience of the HC Developer or Consultant on one or more Projects located above the 40 degrees north parallel (***90 points possible***).

The application must list all affordable housing including low-income housing tax credit Projects in Montana or any other state developed, owned, managed or consulted on by A~~a~~pplicant and any member of the Development Team or for which an Award of tax credits was received, whether or not such Projects were successfully completed. All Development Team members, including Applicant, Developer, General Partner/Owner, Management Company, and HC Consultant must consent in writing, on a form provided in the UniApp Supplement, to the release of information by any other applicable state tax credit agencies to MBOH regarding the Applicant's history of performance on other tax credit Projects.

7. Participation of Local Entity (~~*50*~~ *60 points possible*)

~~A proposal involving significant participation by a Local Entity separate from the Developer must be evidenced by a signed agreement to participate.~~ The MBOH Board has determined having a Local Entity participate at a significant level increases the success and acceptance of the Project into the community. Up to 60 points may be awarded for participation of one or more local entities. 10 points will be awarded for each of the local entity participation items (i) through (vi) documented in the Application as provided below.

Qualifying ~~Examples of significant~~ participation includes Local Entities providing: (i) ~~on-site tenant services, such as~~ screening and referring of individuals as prospective tenants~~ or~~; (ii) providing on-site~~supportive~~ services to Project tenants,~~ through a formal written agreement, which agreement must be extended or replaced so that an agreement remains in place for the duration of the Extended Use Period (with such agreement preserving the Owner's right to cancel the agreement and obtain a replacement agreement with a new servicer if existing servicer is unable to provide the services)~~; (iii) donation of land or sale at a reduced price to enhance affordability; (iv) use of grant money to develop infrastructure or for other uses; ~~or~~ (v) significant fee waivers on ~~city~~ local government fees~~.~~; or (vi) other forms of significant m~~M~~onetary 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.~~

Each item of local entity participation must be evidenced by a binding written agreement to participate, binding grant or conveyance, binding commitment for fee waivers, etc. Such agreements may be conditioned upon an Award of Credits. Formal written agreements are required; letters, offers or other non-binding documents will not be accepted as sufficient documentation of local entity participation under this section. Only new or updated agreements, land donations, and/or grants requested or negotiated for the current round will be considered for awarding points. The Application must provide evidence of ~~a connection with or~~how such local entity support ~~from some part of the local community and how it~~ will benefit the property. Formal written agreement for ongoing services must be extended or replaced so that a binding agreement remains in place for the duration of the Extended Use Period (with such agreement preserving the Owner's right to cancel the agreement and obtain a replacement agreement with a new servicer if existing servicer is unable to provide the services). The same component of participation by a local entity may

not be counted toward more than one item, and may be given credit by an award of points only once. Points will not be awarded for the same item in both this Development Evaluation Criteria 7 and Development Evaluation Criteria 5, Preservation of Affordable Housing.

8. Tenant Populations with Special Housing Needs* (*100 points possible*)

An Application will be awarded 10 points for each 5% of the units targeting the following identified needs up to a maximum of 100 points. The Application must specify the number of units targeted for each category. Section B Part XII, Units Accessibility, of the UniApp will be used to calculate the score for this item. Units may not be counted more than once or in more than one category for purposes of awarding points.

- Units targeted specifically for individuals with children or large families (units with 2 or more bedrooms).
- Units targeted specifically as Section 504 fully accessible units exceeding minimum fair housing requirements.
- Units targeted specifically for persons with disabilities (limited to a maximum of 25% of units in the Project) (Application must describe the strategy that will be used to market available units to disabled persons throughout the Extended Use Period).
- Units targeted to veterans (limited to a maximum of 25% of units in the Project).
- Units victims of domestic violence (limited to a maximum of 25% of units in the Project)

If the Project is an Elderly Property as defined in federal law, the Application will receive 100 points under this provision.

Example:

2 – 2 bdrm units meet family requirement 20% – 40 points

2 – 1 bdrm units exceed section 504 20% – 40 points

1 – 1 bdrm unit targeted to mental illness 10% – 20 points

5 – 1 bdrm units with no targeting 50% – 0 points

10 – Total units in Project – 100 total points received

9. Percentage of Credits Funding Total Project Cost (*from minus (-) 50 to a positive 50 points possible*)

Projects proposing Total Project Cost to be funded by Housing Credits at the following levels will be assigned negative points (minus (-) 50) or awarded positive points (50 points) as follows:

- New Construction (NC) equal to or above 75% minus (-) 50 points;
- Rehabilitation (Rehab) equal to or above 70% minus (-) 50 points;
- Combined NC/Rehab equal to or above 72.5% minus (-) 50 points;
- New Construction (NC) below 75% ~~100~~50 points;
- Rehabilitation (Rehab) below 70% ~~100~~50 points;
- Combined NC/Rehab below 72.5% ~~100~~50 points;

Percentage numbers will not be rounded upward or downward for purposes of this Section. A Project is entitled to points in only one of the 3 categories New Construction, Rehabilitation and Combined New Construction/Rehabilitation.

~~9~~10. Developer Knowledge and Responsiveness (*Up to minus (-) 400 points possible*)

If an entity or individual participating in a Project as a member of the Development Team identified in an Application has a demonstrated poor track record or demonstrated past management weaknesses with respect to developments in Montana or in another state, or has failed in the past to respond timely to an MBOH letter of Inquiry with respect to a Project, MBOH may assign negative points.

a. Demonstrated Poor Track Record

For purposes of determining a participant's track record, MBOH may contact community officials, ~~Developer team~~Development Team or Development Team member references, credit bureaus, other state tax credit administering agencies and any other sources as MBOH deems appropriate. Up to~~As much as~~ minus (-) 100 points may be assigned for each of the following: (i) demonstrated poor track record with respect to developments in Montana or in another state, and/or (ii) ~~for~~ failure to respond within 10 working days of MBOH letter of inquiry. (***Up to Minus (-) 200 points possible***)

b. Demonstrated Management Weaknesses

~~Applicants, Consultants, Developers, Owners or other~~ Development Team members with past demonstrated management weaknesses, including but not limited to those management weaknesses listed below may be assigned negative points for this section (***Up to Minus (-) 200 points possible***), for example:

- Has not followed-through on the development of a Project from Application to rent-up and operation;
- Has not complied with MBOH submission, compliance or other requirements applicable during Project development, construction and Extended Use Period;
- Has not maintained a Project to Section 42 or other program standards;
- Has or had numerous or outstanding substantial non-compliance issues or IRS 8823's (consideration will be given the type of 8823);
- Has not ~~been trained~~completed required training in a certified compliance training program;
- Has not ~~retrained~~ completed required management ~~on~~ compliance retraining at least every four years;
- Has requested income targeting changes that are not supported by unanticipated hardship;
- Has requested additional credits more than once;
- Has made Substantial~~significant~~ C~~c~~hanges to previous tax credit applications or has failed to notify MBOH and seek approval of Substantial Changes according to QAP requirements; ~~or~~
- Has significantly diminished the quality and long term viability of a previous Project by lowering costs below a reasonable level~~.~~;
- Has delinquent late fees due and payable to MBOH; or
- Has been a member of the Development Team for a prior Project that exceeded maximum cost per unit at Final Cost Certification.

Negative points may not be assigned for the same matter under both Section 9(a) and 9(b).

c. Method of Assigning Negative Points.

Any negative points will be assigned as follows:

- The factors that will be considered in determining whether to assign negative points and the number of any negative points to be assigned with respect to poor track record items, management weaknesses and failure to response to MBOH letters of inquiry, include:
    - The nature and seriousness of the incident(s);

- The frequency of such incidents;
- The incidents were or were not within the control of the individual or entity;
- The degree and timeliness to and with which the entity or individual responded to correction and educational efforts;
- The responsiveness of the individual or entity in responding timely to fees, penalties and other sanctions imposed;
- The cost or financial harm caused to the Project, the tax credit agency or third parties;
- The nature and extent of inconvenience and harm caused to Project tenants;
- The nature and extent of damage or expense caused to Project property;
- The extent to which the Project as completed failed to comply with the Project as represented in the Application or in approved Project changes;
- The extent to which the incident would have affected scoring of the Project Application if known as the time (although no such effect on Application scoring need be shown to justify an assignment of negative points);
- The extent to which completion of a Project that received an Award of Credits was substantially delayed or prevented;
- The extent to which Credits that were Awarded were recaptured;
- The extent to which unreasonable or excessive fees, profits or other improper remuneration was derived improperly from a Credit Award or Project; and
- The presence of any other relevant factors or considerations.

- Except as otherwise provided in this Section, negative points will be assigned on the next competitive 9% Credit Application (or multiple Applications in the same competitive round) which includes as part of its Development Team any person or entity that participated as a Development Team member in the Project or Projects giving rise to the negative point assignment.
- If multiple and/or repeat instances of poor performance, management weakness or fail to respond occur or have occurred, negative points may be assigned with respect to a Development Team member for not only the first competitive round in which an Application involving such member participates but may also be assigned for such Applications in multiple future years or competitive rounds.
- If negative points are assigned as a result of poor track record, management weakness or failure to respond that occurred as part of the development/construction/rehabilitation process prior to beginning of lease-up activities or other involvement of the Qualified Management Company, negative points will not be assigned with respect to such Qualified Management Company.
- If more than one Development Team member subject to a negative point assignment from a prior Project is part of the Development Team on a current or future Project Application, the total negative points assigned to the Application will be the greatest number of negative points assigned with respect to any one such participating Development Team member.
- If the Project giving rise to the negative points would have received a lower Development Evaluation Criteria score under the QAP under which the Project initially was evaluated, scored and awarded credits had the poor track record, management weakness or failure to respond been known as of Application scoring, the negative points assigned with respect to a Development Team member from the

earlier Application will be the number of points corresponding to the difference in scoring that would have resulted. Such point difference shall be converted as appropriate and necessary to correspond to the current QAP point scoring system.

* Indicates federally mandated criteria

Minimum Scoring Threshold

Developments not scoring the minimum Development Evaluation Criteria score of 1100 points (or 850 points for non-competitive 4% Credit Bond Deals will not receive further consideration. Applications scoring at least the minimum Development Evaluation Criteria score of 1100 points or 850 points for non-competitive 4% Credit Bond Deals and meeting all other requirements of this QAP will be considered for an Award of ~~tax~~ Housing C~~c~~redits as provided in this QAP.

Award Determination Selection Standard

The MBOH Board will select those Projects to receive an Award of ~~tax~~ Housing C~~c~~redits that it determines best meet the most pressing housing needs of low income people within the state of Montana, taking into consideration: (i) all of the requirements, considerations, factors, limitations, Development Evaluation Criteria, set asides, priorities and data (including without limitation the statistical data in the MBOH Statistical Data Form~~Exhibit G~~) set forth in this QAP and all federal requirements (together referred to in this QAP as the "Selection Criteria"); (ii) the Development Evaluation Criteria scoring; and (iii) all other information provided to the MBOH Board regarding the applicant Projects.

The awarding of points to Projects pursuant to the Development Evaluation Criteria is for purposes of determining that the Projects meet at least the minimum Development Evaluation Criteria required for further consideration and to assist the MBOH Board in evaluating and comparing Projects. Development Evaluation Criteria scoring is only one of several considerations taken into account by the MBOH Board and does not control the selection of Projects that will receive an Award of ~~tax~~ Housing C~~c~~redits. In addition to any other Selection Criteria specified in this QAP, the MBOH Board may consider the following factors in selecting Projects for an Award of ~~tax~~ Housing C~~c~~redits to qualifying Projects:

- The geographical distribution of ~~tax~~ Housing C~~c~~redit Projects;
- The rural or urban location of the Projects;
- The overall income levels targeted by the Projects;
- The need for affordable housing in the community, including but not limited to current Vacancy Rates;
- 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;
- Cost of construction, land and utilities, including but not limited to costs/credits per square foot/unit; and/or
- The frequency of Awards in the respective areas where Projects are located.

If the MBOH Board Awards C~~c~~redits to an Applicant where the Award is not in keeping with the Selection 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.

If all of the authorized Ceredits 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 Housing Ceredits in the event Ceredits become available at a later date. Any available Ceredits that are not Awarded or reserved in a particular cycle may in the discretion of the MBOH Board be made available for Award in a future cycle or may be used to increase the amount of tax Housing Ceredits reserved for a previously Awarded Project as provided in this QAP.

SECTION 10 – RESERVATION, CARRYOVER AND FINAL ALLOCATION

Once MBOH has selected Projects and determined the Award of tax Housing Ceredits and amount of Ceredits to be reserved**,** MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restrictive Covenants to the partnership for execution and return to MBOH.

Reservation Agreement

MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restrictive Covenants to the partnership for execution and return to MBOH. The partnership should review, complete, sign, and return the Reservation Agreement and Gross Rent Floor Election, along with the additional information and materials required below. A Reservation Agreement is MBOH's conditional commitment to make a Carryover Allocation Commitment and/or Final Allocation to the Project, subject to the requirements and conditions of the Reservation Agreement, the QAP and federal law. Such requirements include but are not limited to submission of 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 MBOH's Award determination or process, MBOH will make a Carryover Allocation Commitment or Final Allocation of tax Housing Ceredits 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 Housing Ceredits or MBOH otherwise determines that it is precluded by Court order from doing so. If a court determines in any such action or proceeding that MBOH must Award Ceredits 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 Housing Ceredits or current year's Ceredits 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); and
- Certain other updated Application material

MBOH will send the successful Applicant a Reservation Agreement shortly after Award and upon meeting the foregoing requirements. The Applicant will have a maximum of 120 days after award to accept, sign and return the Reservation Agreement**. Failure to return the Agreement by the deadline will result in a late fee of 25% of the Reservation Fee**. Where applicable, however, if the Owner elects the federal percentage(s) in the month that the Reservation is issued by MBOH, the Reservation Agreement 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 Agreement

immediately. Upon receipt, MBOH will sign the Reservation Agreement, and return a copy to the partnership.

The Reservation Fee specified in the fee schedule in Section 5 will be due and must be received by MBOH on or before December 1 of the year in which the Award is made (e.g., December 1, 2016 for 2016 credit Awards made in January 2016).

Once the partnership enters into a Reservation Agreement with MBOH, the partnership must then meet the requirements and conditions described in the Reservation Agreement and provide the required documentation before it receives a Carryover ~~Allocation~~ Commitment or Final Allocation of ~~tax~~ Housing C~~c~~redits.

MBOH will revoke an approved ~~tax credit~~ Reservation and terminate the Reservation Agreement when a Project fails to make successful progress toward completion or otherwise fails to perform its obligations under the Reservation Agreement. Submitting quarterly status reports demonstrating satisfactory evidence of the Project's completion is the responsibility of the Applicant. Successful progress toward Project completion and Project completion require that such progress and completion are in substantial accordance with the Project as described and proposed in the Project Application, except to the extent that S~~s~~ubstantial C~~c~~hanges have been approved by the Board as provided in the Applicable QAP.

NOTE: Reservation Agreements for tax credit Projects funded through tax-exempt bonds must be completed, signed, and returned to MBOH not later than five business days following the close of the bond financing agreement.

Gross Rent Floor Election

The election on this form verifies when the Owner elects the gross rent floor for the Project. There are two options: at the Reservation/Initial Allocation, or at the date Placed in Service. This form reflects the election made by the Owner in the Reservation Agreement. This form must be returned with the executed Reservation Agreement.

Declaration of Restrictive Covenants

The Declaration of Restrictive Covenants assures 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.

It is the Developer's responsibility to record the Declaration of Restrictive Covenants in the county in which the Project real property is located. In unusual circumstances, and for good cause shown, MBOH may permit amendments to the Declaration of Restrictive Covenants at a subsequent date.

Carryover Commitment

MBOH will issue a Carryover Commitment in December of the year for which the credits are being Awarded and such Carryover will be for a period of two (2) years. To preserve this

commitment the Owner/Developer must submit the 10% Carryover Cost Certification by the deadline specified in the Applicable QAP.

~~Carryover Commitment~~

In order to receive a Carryover commitment, Owners must provide Proof of Ownership (evidence of title or right to possession and use of the property for the duration of the Compliance Period and any Extended Use Period plus one year, e.g., a recorded deed or an executed lease agreement), 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 items must be received by December 1, of the year for which the Award of C~~c~~redits was made. MBOH will issue Carryover C~~c~~ommitments 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% Carryover Cost Certification deadline. MBOH requires that Developers provide an independent third party CPA Cost Certification, in a format established by MBOH, verifying compliance with the 10% test.

Developers must submit the 10% requirements, including the required CPA Cost Certification, other documents and the 10% test underwriting fee by the deadline. Failure to do so will result in the loss of the C~~c~~redit Award. The fee for 10% test underwriting is $1,000.00, which fee must be paid at the time of submission of 10% test information and documentation. **Failure to provide the 10% test information so that it is received by MBOH by the deadline will result in a $5,000.00 late fee. At the Developer's request, one extension will be granted if requested before the deadline. A fee of $2,500.00 will be imposed for the extension. The extension will not exceed the period allowed by federal law.**

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

- The Sources and Uses of funds;
- Total financing planned for the Project;
- Proceeds or receipts expected to be generated by the ~~tax~~ Housing C~~c~~redits;
- Reasonableness of the development and operation costs;
- Projected Rental Income and Operational Expenses;
- Debt Coverage Ratio; and
- Housing~~Tax~~ Credits required for financial feasibility of the Project.

Deadline for submission of the required 10% information is the first anniversary of the date on which MBOH executed the Reservation Agreement~~end of the twelfth month following the credit Award~~. Developers that fail to pay the required fee will be deemed not to have met the 10% Test requirements. Failure to submit certification for 10% documentation or to meet the 10% Test will cause forfeiture of Awarded, reserved or allocated ~~tax~~ Housing C~~c~~redits for the Project.

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 Gut~~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 end of the 24 month or shorter period over which the required amount of expenditures are aggregated. The Owner selects the placed in service date in this case unless local approval is required.

Final Allocations/8609

Documentation supporting a request for issuance of IRS Form 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(s) 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(s). Notwithstanding other provisions of this QAP, to obtain issuance of Form 8609(s), the Project must be placed in service in substantial accordance with the Project as described and proposed in the Project Application, except to the extent that S~~s~~ubstantial C~~c~~hanges have been approved by the Board as provided in the Applicable QAP.

The Final Allocation/8609 underwriting fee is $2,500.00, which fee must be paid at the time of submission of the request for issuance of IRS Form 8609(s). If the paperwork is not received by MBOH within the 6 months, a $5,000.00 late fee will be assessed.

The request for issuance of IRS Form 8609(s) must include:

- Certification of required blower door or infrared test results (if not previously submitted);
- The independent third party completed MBOH CPA's Cost Certification and Owner's Statements Form~~(available in Exhibit C)~~;
- ~~Exhibit C~~ Sponsor Certification section of the UniApp;
- The architect's verification that the items for green and energy listed in the Application as well as provisions of accessibility listed in Section 3 have been incorporated;
- Certificates of Occupancy (C of O's);
- Copies of all permanent loan and/or grant documents;
- Copy of partnership/~~equity~~ operating agreement; and
- Statement of items or costs excluded from eligible basis.
- Statement identifying the first year of the credit period, which statement must name the specific year (e.g., 2017).
- The Final Allocation/8609 underwriting fee.

If the required fee is not submitted, the Project will be deemed not to have met Final Allocation requirements and MBOH will not issue Form 8609(s). MBOH will complete the final credit Allocation evaluation. Typical turn-around time for 8609(s) is 4-8 weeks after submission of all required documentation and the fee. Once the 8609(s) are issued and delivered to the Owner, the bottom half must be completed and signed. **A copy of each completed 8609 must be sent back to MBOH within 90 days of issuance. Failure to provide the completed 8609(s) so that they are received by MBOH by the deadline will result in a $1,000.00 late fee. If the 8609(s) need to be reissued after completed by MBOH due to Developer error, the MBOH underwriting fee must be paid again.**

SECTION 11 - DEVELOPER/APPLICANT RESPONSIBILITIES

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.

Applicant must proceed according to the timeframe identified in the Implementation Schedule. Adjustments up to 60 days are acceptable. Any changes in the Implementation Schedule greater than 60 days must be submitted in writing with justification to MBOH. Any changes not reported or not approved may jeopardize the credits. If the schedule is more than 60 days behind, a late fee of $1,000.00 will be assessed.

State Law Requirements

The Applicant and Development Team must 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~~ Commitment documents.

Public Notification

Any public relations actions by a recipient of tax credits 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., "Housing Credits allocated by the Montana Board of Housing, Montana Department of Commerce."

Quarterly 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 January 10th, April 10th, July 10th & October 10th until the Applicant receives its 8609(s). 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 (foundation, framing, rough in, enclosed, drywall, etc., **for each Project building**), and lease up progress. Submission of photos is encouraged.

The following items must be addressed for **each building** on the quarterly report that is submitted to MBOH. If all items are not ~~listed~~addressed, the report will be returned~~. The report~~and must be corrected and resubmitted. If the resubmitted report is received after the due date the late fee will apply.

- Updated implementation schedule if more than 60 days behind schedule submitted with application;
- Advertising for construction bids;
- Construction bid awards;
- Pre-construction meeting date;
- Groundbreaking ceremony date (at least 2 weeks' notice);
- Future dates of construction/draw meetings;
- Each phase of construction for **each building including photos** (excavation, foundation framed, etc.);
- Certificate of Occupancy for **each building** as issued for the month of report;
- Number of units occupied and number left to full lease up each quarter; and
- Grand Opening date (at least 2 weeks' notice).

Owners must provide a copy of the Certificate of Occupancy for each building. The Certificate of Occupancy must be included in the status report covering the period

in which it was issued. Failure to provide the reports so that they are received by MBOH by the deadline will result in a $500.00 late fee. This also applies to those Properties with ARRA funding.

All ARRA reports are due on or before the dates listed in the ARRA Exchange or TCAP Program Agreement.

$500.00 late fee will be assessed if the financial audit is not received by MBOH by the deadline.

$500.00 late fee will be assessed if the annual budget is not received by MBOH by the deadline.

$500.00 late fee will be assessed if the annual insurance binder is not received by MBOH by the deadline.

Changes to Project or Application

The Applicant must ~~immediately~~ notify MBOH in writing at least 30 days before~~of~~ any proposed S~~s~~ubstantial C~~c~~hanges in the Project. Proposed~~MBOH must review and approve any proposed~~ S~~s~~ubstantial C~~c~~hanges to the Project must be approved by MBOH.

~~, including but not limited to changes to:~~

~~Applicant, Developer, HC Consultant or any other principal participant in the Project;~~

~~Quality of construction;~~

~~Unit composition;~~

~~Target group;~~

~~Location;~~

~~Required information presented in the Application.~~

~~Sources and Uses (refer to Section 3).~~

~~Any change that would have affected the Application scoring under the Applicable QAP~~

Specific approval by ~~the~~ MBOH ~~Board~~ is required for S~~s~~ubstantial C~~c~~hanges. MBOH staff will review requested Substantial Changes and may approve or deny approval of such changes, or may request Board consideration and determination of the change request. If MBOH staff denies approval of any Project Change, the Applicant may request Board review and approval of the change request. Requests must be submitted to MBOH with proper justification at least 30 days before the change is expected to take place. The Applicant must inform MBOH staff if the proposed change requires immediate or urgent review and approval. MBOH review and ~~Board~~ approval of changes must be completed prior to the change taking effect. Changes completed without MBOH ~~Board~~ approval~~,~~ may result in the termination of the Reservation Agreement and/or loss of some or all credits.

Any requested changes submitted requiring MBOH action may incur additional fees. Changes to ~~tax credit~~the Project 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 MBOH Staff travel for that purpose.

SECTION 12 - 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 to 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 Housing Credit Requirements are published in 26 CFR Part 1 and 602.

For complete HC compliance guidance, refer to the MBOH HC Compliance Manual, available at http://housing.mt.gov/MFCompManual~~http://housing.mt.gov/About/MF/manuals.mcpx~~

Compliance Fees

Developments will incur and must pay to MBOH a compliance monitoring fee to offset the costs for MBOH compliance monitoring. The compliance monitoring fee of $45.00 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.

If the ~~Owner's Certification of Continuing Program Compliance~~complete Annual Compliance Package is not received by the deadline, a late fee of $100.00 or 25% of the annual compliance monitoring fee, whichever is greater, will be charged.

Failure to provide corrections on noncompliance so that they are received by the deadline set by MBOH ~~by the deadline~~ will result in a $25.00 per day fee until all required documentation is received by MBOH. A one-time extension may~~will~~ be granted if a written request is submitted to MBOH no later than 10 days prior to the deadline. Once~~If~~ the extension deadline passes without MBOH receipt of the complete documentation, a $25.00 per day fee will be imposed until all required documentation is received by MBOH.

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, including the Compliance Period and the Extended Use Period in effect for such Project.

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 qualified units;
- The rent charged on each residential rental unit in the building (including any utility allowances and mandatory fees);
- HC 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 HC tenant (by unit), including annual certifications for each continuous tenant;
- Documentation to support each HC tenant's income certification. This must include a copy of (a) verification of income from third parties, 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; and
- The character and use of any non-residential portion of the building included in the eligible basis of the building, if applicable.

Records Retention

Federal regulations require the Owner of a HC Project receiving tax credits to retain the records listed above. The Owner is required to retain such 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 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 Montana Housing Tax Credit, including the Form 8609(s) and Schedule A of Form 8609(s).

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 qualified households.

Owners Certificate of Continuing Program Compliance

The Owners Certificate of Continuing Program Compliance is required on an annual basis for each property. The certificate must to be signed by the Owner and notarized. This statement must be filed with MBOH every year throughout the Extended Use Period. Owners must file annual certifications on the form provided by MBOH. Substitute forms are not acceptable. Failure to provide an annual certification before the date established by MBOH may trigger an IRS Form 8823.

Income and Expense Summary

All property Owners must submit operating income and cost information for the property's latest fiscal period, including a current balance of replacement and operating reserve accounts.

Submission Deadlines

The Owners Certificate of Continuing Program Compliance and Tenant Income Certifications (TIC) must be submitted on or before the 25th of the month following the assigned annual period. Federal regulations stipulate there must be no more than 12 months between certifications.

All submissions must be filed through Certification On Line (COL).

Review by MBOH staff

MBOH will review the items listed above for compliance with the requirements of Section 42 of the Code and with the requirements of the MBOH HC program.

Ownership / Management Changes

Written Notification of changes to property management companies, managers, site managers, or changes to points of contact must be submitted to MBOH prior to or immediately upon implementation of the change. Changes not received by MBOH prior to change or immediately upon change will result in a $10.00 per day fee until written notification is received. If no notification is received MBOH will research and identify the

date of the change, and impose late fees based upon such date. No Change in m~~M~~anagement c~~C~~ompany shall be acceptable unless it results in a Qualified Management Company assuming management of the p~~P~~roperty. Replacement of a m~~M~~anagement c~~C~~ompany with a company that is not a Qualified Management Company or failure to timely submit such notification to MBOH may trigger issuance of a Form 8823. All management companies, whether in place or being hired, must meet Qualified Management definition.

Subject to the requirements of Section 42 of the Code, the Restrictive Covenants and the Applicable QAP any other applicable restrictions, the Owner may sell, transfer or exchange the entire Project at any time. No portion of a building to which the Restrictive Covenants apply may be sold to any person unless all of such building is sold to such person. Prior to such sale, transfer or exchange, however, the Owner must notify in writing and obtain the written agreement of any buyer, successor or other person acquiring the Project or any interest therein that such acquisition is subject to the requirements of the Restrictive Covenants, the requirements of Section 42 of the Code and applicable Regulations, and the Applicable QAP. Such written agreement of the buyer, successor or other person acquiring the Project must be in the form required by MBOH, which agreement form is available on the MBOH website. Such form, executed by the buyer, successor or other person acquiring the Project must be submitted to MBOH prior to closing of the sale, transfer or exchange. The Board may void any sale, transfer or exchange of the Project if the buyer, successor or other person fails to assume in writing the requirements of this Agreement and the requirements of Section 42 of the Code.

Education Requirements

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 LIHTC Compliance Training Companies. Property managers and property Management Company personnel must complete a Nationally-Recognized LIHTC Compliance Training Company certification course, passing the test. For MBOH purposes, to maintain certification, the person must attend a class with a Nationally-Recognized LIHTC Compliance Training Company at least once every four years. For each of the other three years, all property managers and property Management Company personnel should attend annual MBOH compliance training. The property management company and site manager for an HC property must be trained and certified before the property is placed in service. New site managers hired for existing HC properties must be certified within their first year of employment. New property management companies hired for existing properties must be certified before they assume management of a property. On a case-by-case basis, MBOH may approve its compliance training as adequate training until such time as the next Nationally-Recognized LIHTC Compliance Training Company program is available~~offered within Montana~~. Training requirements must be met to maintain Qualified Management Company status.

Persons responsible for qualifying tenants and verifying compliance (involved in tenant qualification and compliance) must also attend Fair Housing training at least once every four years. The manager for a HC property must complete such training before the property is placed in service. New managers hired for existing HC properties must complete the training within their first year of employment.

Such Fair Housing training must include and cover the following subjects and requirements:

- Protected Classes;
- Accessibility requirements;
- Reasonable accommodation/modification;

- Applicant screening;
- Disparate impact;
- Domestic violence issues;
- Occupancy standards;
- Section 504; and
- Service Animals.

Tenant Income Certifications (TIC)

Frequency and Form

Owners must complete the MBOH TIC *for all new move-ins* and file it with MBOH through Certification On Line (COL). Documentation supporting the TIC will not be submitted. MBOH staff will review supporting documentation during file audits. Timely annual Re-certifications (TICs) *for mixed Projects* (with market units) are required must be submitted to MBOH through COL.

The MBOH TIC is the only acceptable form.

Student Status Certification

Student status certifications must be completed *annually prior to their move-in* anniversary *date*.

On-Site Inspections

MBOH staff (staff) will perform an on-site inspection of each property at least once every three years during the Extended Use Period. Staff will notify the Owner/manager in advance of the inspection.

Staff must inspect and review at least 20% of the tenant files and corresponding units. MBOH will not notify the Project's manager, Owner or other representative of the unit selection before the site inspection. The selected sample may be expanded.

Complete copies of all tenant files for each unit 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.

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

MBOH may schedule on-site inspections at any time with minimal notice.

In event of non-compliance under Section 42 of the Code or the implementing regulations MBOH may be required or elect to undertake additional monitoring. The Owner will take any and all actions reasonably necessary to achieve and maintain compliance. Staff may require the Owner to document correction of non-compliance and/or MBOH may elect to conduct one or more site visit(s) to verify correction of non-compliance. The Owner will pay a reasonable fee to MBOH for any such additional monitoring activities.

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

MBOH must provide prompt written notice to the Owner if MBOH becomes aware of non-compliance. These items include:

- Non-receipt of the certification(s) described in this QAP.
- Inaccessibility of tenant income supporting documentation, rent records, or the property.

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 reasonable correction period from the date of non-compliance. If Staff determines that good cause exists, an extension may be granted.

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 (even if non-compliance has been corrected) no later than 45 days after the end of the correction period, and no earlier than the end of the correction period.

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 will put all HC properties into the free State-approved Housing Locator website, MTHousingSearch.com. Properties will be contacted by MTHousingSearch for required information. Using this website meets the criteria for advertising vacant units and provides for broad coverage to those searching for affordable housing in Montana.

SECTION 13 – DISCLAIMER

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 Applicant, Investor, lender, or others that the development is feasible or viable.

MBOH reviews documents submitted in connection with this Allocation 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 Montana 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 Housing Credit.

If it is determined that an Applicant has intentionally submitted false information, a credit Award may be withdrawn or credits may be recaptured and the Applicant or any Applicant involving any related parties or any individual or entity supplying the false information will be ineligible to apply for credits for the next five years.

MBOH Policy on Non-Discrimination

Montana Board of Housing is an Equal Opportunity organization. All employees who work for MBOH, agree not to discriminate against any client or co-worker based on any protected

class under applicable Federal or Montana law. The failure of any employee to comply with this policy may lead to disciplinary action in accordance with applicable employment policies and procedures, including but not limited to immediate termination of employment.

Qualified Allocation Plan Revisions

This QAP may be amended at any time after compliance with applicable notice, comment and approval requirements.

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 responsibility of the Owner(s) and such other persons and entities to comply with all applicable Federal Civil Rights laws and regulations, including without limitation applicable provisions of the Fair Housing Laws and Americans With Disabilities Act, and any applicable State and local Civil Rights Laws and regulations. Should requirements, such as design, not be specified by MBOH, it is nonetheless the Owner(s) responsibility to be aware of and comply with all applicable non-discrimination provisions related to any protected class under Federal or Montana law, 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.

Housing Credit ~~Exhibits~~Forms: All ~~Exhibits~~ Forms Referenced in this QAP are available at: http://housing.mt.gov/MFQAP

Applicants, Developers, Owners, Management Companies and all other interested persons submitting Applications, Cost Certifications, Compliance materials and other material to MBOH are responsible to review the website and to make such submission on the most current Form available on the MBOH website as of the date of the submission. MBOH may require resubmission of any item if submitted without using the current Form, and late fees may be incurred if the need for such resubmission results in late submission of the correct Form. Please contact MBOH staff with any questions regarding the appropriate or current Form.

~~**Exhibit A**~~	~~High Cost Areas~~
~~**Exhibit B**~~	~~Full Market Study Requirements summary change to NEW UNIT DEMAND~~
~~**Exhibit C**~~	~~10% and 8609 Letters and Forms~~ ~~10% Cost Certification – Independent Auditors' Report~~ ~~10% Owner's Statement – 10% Carryover Cost Certification~~ ~~Final Cost Certification – Independent Auditors'' Report~~ ~~Owner's Statement – Final Allocation~~ ~~Owner's Statement – Acq/Rehab Final Allocation~~ ~~Exhibit A Itemized Action Cost and eligible Basis (New Construction)~~ ~~Exhibit A Itemized Action Cost and Eligible Basis (Acq/Rehab)~~
~~**Exhibit D-1**~~	~~Letter of Intent Template~~
~~**Exhibit D-2**~~	~~Attachment to Letter of Intent~~
~~**Exhibit E**~~	~~Release of Information Form and List of States and Properties~~
~~**Exhibit F**~~	~~Green Checklist~~
~~**Exhibit G**~~	~~Statistical Data~~
~~**Exhibit H**~~	~~Cold Weather Development and Construction Experience~~