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## EXHIBITS AND FORMS

The following Exhibits and Forms are included with the LIHTC application. Exhibits and Forms are posted on the Department's website at [www.housing.az.gov](http://www.housing.az.gov).

### CHECKLIST

Exhibit A	Site Amenities Supporting Documentation
Exhibit B	Sample CPA Opinion
Exhibit C	Sample Legal Opinion
Exhibit D	Year <del>2016</del> 2017-2017 Mandatory Design Standards for Multi-family Rental Housing
Exhibit E	Year <del>2016</del> 2017-2017 DDA and QCT
Exhibit F	Sample Ten Percent (10%) Cost Test Letter
Exhibit F-1	Project Cost Form
Exhibit G	Sample Final Cost Certification Letter
Exhibit G-1	Final Cost Certification Cost Form
<u>Exhibit H</u>	<u>General Contractor Cost Certification Forms and Instructions</u>
<u>Exhibit I</u>	<u>Flow of Funds</u>
Exhibit L	Market Demand Study Guide
Exhibit N	Supportive Services Plan
Exhibit W-1	Architect's Certificate (at 8609)
Exhibit W-2	Contractor's Certificate (at 8609)
Exhibit X	Operational Risk Management Practices
Exhibit Y	Fair Housing Accessibility Checklist
Form 0	Application Receipt Form
Form 1	Project Schedule
Form 2	Self-Score Sheet
Form 2-1	Set-Aside Election Form
Form 3	LIHTC Application
Form 3-1	GAP Financing Application
Form 3-2	Application Certification and Indemnification
Form 7	Certification of Qualified Non-Profit Participation
Form 8	Development Team Experience
Form 8-1	Development Experience
Form 8-2	Authorization for Release of Information of Developer

Form 8-3	Schedule of Real Estate Owned
Form 8-4	Management Company Experience
Form 8-5	Authorization for Release of Information of Management Company
Form 9	Local Government Site Plan Approval
Form 10	Planning and Zoning Verification
Form 13	Schedule of Facilities
Form 15	Architect's Certificate
Form 17	Sustainable Development Checklist
Form 18	Transit Oriented Design Checklist
Form 18 A	Door to Door Transportation Commitment
Forms 20A-M	Commitment to Set Aside Units/ Service Provider Experience
Forms 20A-M	Service Provider and Applicant Commitments
	A Before/After School Program
	B Benefits Specialist
	C Assistance with Case Management
	D Child Care Center
	E Computer Training
	F Financial Literacy Classes
	G Food Pantry
	H Habilitation/Life Skills Training
	I Health Promotion/Disease Prevention
	J Job Training
	K Nutrition Classes
	L <del>Resident</del> Services Coordinator
	M Weekly Transportation
Form 22	Targeting Low Income Levels
Form 25	Certification of Qualified Professional - CNA
Form 27	Waiver of Qualified Contract
Form 28	Community Revitalization

## DEFINITIONS

The following definitions shall apply to both the QAP and LIHTC Application for the year ~~2016~~2017. Terms that are not specifically defined in the QAP shall be interpreted using common meanings typically accepted in the tax credit multi-family housing development industry, but will be ultimately interpreted by ADOH in its discretion. All capitalized terms not otherwise defined in the QAP shall have the meaning assigned to them in this Definitions section.

"10% Cost Test" means the requirement of I.R.C. § 42(h)(1)(E)(ii) that ten percent (10%) of the reasonably expected basis in the Project has been incurred within one (1) year from the date of Allocation.

"10-Year Rule" means the following:

- A. In order for an existing building to qualify as part of a tax credit project, the Applicant must acquire the building from an unrelated Person who:
  1. Has held the building for at least ten (10) years at the time of the Acquisition; and
  2. Did not make substantial improvements during that period that are subject to sixty (60) month amortization under I.R.C. §167(k) or the Tax Reform Act of 1986 for buildings placed in service before July 30, 2008.
- B. The 10-Year Rule may be waived by the United States Secretary of the Treasury in the case of distressed sales of certain federally-assisted projects, prepayment of mortgages that result in buildings being converted to market use, buildings acquired from failed depository institutions and single family residences used for no other purpose than a principal residence by the Owner.
- C. The legal opinion provided by counsel for the Applicant must provide a detailed analysis of the Placed in Service dates and acquisition dates for Projects submitting an Application in conjunction with the 10-Year Acquisition Credits.
- D. An Appraisal that separates the appraised value of the land from the appraised value of the building must be submitted with the Application when 10-year Acquisition Credits will be claimed.

"A.R.S." means the Arizona Revised Statutes, as amended from time to time.

"Acquisition Credits" means the four percent (4%) Tax Credits (at the applicable percentage announced monthly by the IRS) awarded by ADOH in connection with the acquisition costs of an existing building.

"Actual Age" means the number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age.

"Administration Fee" means the \$1,500 fee due from the Applicant in the event the Applicant requests an interim underwriting or ADOH requires an additional underwriting due to, among other things, a Material Change. See Section 4.5.

“ADOH” means the Arizona Department of Housing, which is the housing credit agency authorized to allocate federal low-income housing Tax Credits in the State of Arizona pursuant to A.R.S. Section 35-728(B).

“Affiliate” means any Person or entity which directly or indirectly owns or controls another Person by having any family relationship, ownership interest or a Controlling Interest in that Person.

“Affordable Housing” means a multifamily residential rental development with recorded use restrictions limiting the income of tenants and using one (1) or any combination of the following funding sources: Low Income Housing Tax Credits; HUD HOME Investment Partnerships Sections 202, 207, 220, 223, 231, 811, and HOPE VI programs; Native American Housing Assistance and Self-Determination Act; USDA/RD Sections 514, 515, 516 and 538 programs; or the Arizona Housing Trust Fund.

“Allocation” means the award of Tax Credits by ADOH to the Owner of a LIHTC Project. The Allocation is set forth in a binding agreement between ADOH and the Owner.

“Allocation Year” means the calendar year for the current annual allocation authority for which LIHTC Applications are submitted.

“Applicable Fraction” means as provided by I.R.C. § 42(c)(1)(B).

“Applicable Percentage” means as provided by I.R.C. § 42(b) as currently amended by the Housing and Economic Recovery Act of 2008, (Pub. L. 110-289, 122 Stat. 2654), American Taxpayer Relief Act of 2012 (H.R. 8) and the Tax Increase Prevention Act of 2014 (H.R. 5771).

“Applicant” means an existing legal entity or an individual submitting an Application for LIHTC for a Project pursuant to the Allocation Plan.

“Application” means the Low Income Housing Tax Credit Application in Section 2.4 hereof.

“Appraisal” means an estimate of the value of the Project’s real property based on market information, including comparable properties, that is current through the period ending no earlier than six (6) months before the deadline for submittal of the Application; and that is prepared in accordance with the Uniform Standards of Professional Appraisal Practice by an analyst who does not have a Controlling Interest in the Development Team, bond issuer or user of bond proceeds and who is authorized to render the Appraisal in Arizona. An Appraisal that deviates from the requirements of this paragraph must provide a detailed explanation of why the deviation cannot be avoided.

“Area Median Gross Income” or “AMGI” means the measure of household income, published by HUD, adjusted for family size, used by the IRS as a reference in establishing income levels for the LIHTC Program (i.e. “sixty percent (60%) of AMGI”, “fifty percent (50%) of AMGI”) and as the base in calculations that yield maximum rents by number of bedrooms. See the “Imputed Incomes/Allowable Rents” tables posted on the ADOH website at [www.housing.az.gov](http://www.housing.az.gov).

“Authorized Signatory” means an individual who is authorized to execute a binding document on behalf of a corporation, partnership or other legal entity.



“Award Letter” means a letter from a governmental or quasi-governmental agency (i.e. the Federal Home Loan Bank) stating that funds in a specific amount are awarded or are to be awarded to the Project in a specific time frame.

“Balance of State Area” means an area outside of Maricopa County and Pima County or on Tribal Land.

“Balance of State Project” means a Project located in a Balance of State Area.

“Benefits Specialist” means a person who assists a tenant to obtain financial benefits to which they are entitled. The Benefits Specialist is trained to navigate complex bureaucracies that provide benefits such as medical insurance, veterans benefits, and/or social security as applicable to the target population. The Benefits Specialist may be a professional or peer with special training through a peer support services program.

“Builder” means the general contractor.

“Capital Needs Assessment” or “CNA” means the assessment as set forth in Section 2.9(Y).

“Carryover Allocation” means an Allocation made to the Project if the Project will not be Placed in Service by close of the calendar year of the Allocation.

“Carryover Allocation Late Fee” means an additional fee of \$250 per calendar day if the information required under Section 2.10 of this Plan is submitted after the date specified in the Notice of Reservation.

“Case Management” means a collaborative process of assessment, planning, implementation, coordination, monitoring and evaluation of the options and services required to meet a client’s health and human service needs. It is characterized by advocacy, communication, and resource management and promotes quality and cost-effective interventions and outcomes.

“CDBG” means Community Development Block Grant program.

“Census Designated Place” or “CDP” means a statistical entity, defined for each decennial census according to Census Bureau guidelines, comprised of a densely settled concentration of population that is not within an incorporated place, but is locally identified by a name. CDPs are delineated cooperatively by state and local officials and the Census Bureau, following Census Bureau guidelines. Beginning with Census 2000 there are no size limits.

“Child Care Center” means a child care facility that is open to the public, serves ages one (1) - four (4) (at a minimum), and provides care for at least eight (8) hours per day on weekdays, and is licensed by the Arizona Department of Health Services or operated by a Tribal Entity.

“Chronically Homeless” means an individual and/or family who has experienced at least two (2) episodes of shelter living and has a substantiated need for long term Case Management and Supportive Services as demonstrated by a SPDAT score of ten (10) or higher. The individual must be registered in the Homeless Management Information System (“HMIS”), with the exception of domestic violence victims.

“Co-Developer” means the Person identified in Form 3 and Tab 8/Form 8 as the Co-Developer who is also one (1) of two (2) or more Developers of the same Project and which will actively participate in the development of the Project at least through the ADOH’s issuance of the Form 8609s and will receive at least ten percent (10%) of the Developer Fee.

“Code” and “I.R.C.” mean the Internal Revenue Code.

“Commitment Letter” means a written commitment from a lender or other provider of funds, representing a commitment to provide financing and stating the amount, interest rate, fees, term of the loan, debt service coverage, security and repayment terms, subject only to reasonable, commercially-acceptable contingencies.

“Common Area Facilities” means on-site laundry facilities, site office, maintenance and storage areas, community rooms and community service facilities as described in Exhibit D.

“Community Facility” means community room, clubhouse, recreation center or similar area for use by residents. Lobbies and laundry facilities must not be considered within the scope of this definition.

“Community Services Facility” means a facility building as described in I.R.C. § 42(d)(4)(C)(iii).

“Compliance Manual” means the LIHTC Program Compliance Manual developed by ADOH.

“Compliance Monitoring Fees” means those certain fees described in Section 6.7.

“Compliance Training” means a two (2) day certification class designed to support an exam taught by authorized providers on operating and managing Projects in conformance with the requirements of I.R.C. § 42, Reg. 1.42-5, the QAP and the LURA. Approved Compliance Training providers are: ADOH, Zeffert and Associates, THEOPRO, Quadel, Elizabeth Moreland, National American Indian Housing Council (“NAIHC”), Novogradac, NCHM and Spectrum. ADOH programs must be specifically designated as a valid Compliance Training program that meets the requirements of the QAP.

“Compliance Period” means the compliance period for a building that begins with the first year of the building’s Tax Credit period, the first taxable year in which the Owner claims Tax Credits for the Project of which the building is a part and lasts for fifteen (15) consecutive taxable years.

“Consultant” means an advisor to the Development Team or to any member of the Development Team.

“Controlling Interest” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the means of ownership, position, contract or otherwise. The holder of a more than fifty percent (50%) ownership in a legal entity is automatically determined to have a Controlling Interest in that legal entity.

“Controlling Person” is a Person who has Controlling Interest in another Person.

“Contiguous and Accessible” means on an adjoining parcel that shares at least one (1) boundary line, which can be easily entered from the Project. For multi-phased subdivision Projects on Tribal Land, “Contiguous and Accessible” means within one-half (½) mile straight-line distance from the Project.

“Council of Governments Area” or “COG Area” means the group of counties included in each of the regional planning districts outside Maricopa and Pima counties that are served by a council of governments. Each jurisdiction in the county shall be included, regardless of whether it participates in the council of governments. The four (4) councils outside Maricopa and Pima counties and the counties they serve are: Northern Arizona Council of Governments (“NACOG”), serving the Region 3 counties of Apache, Coconino, Navajo and Yavapai Counties; Western Arizona Council of Governments (“WACOG”), serving the Region 4 counties of La Paz, Mohave and Yuma; Central Arizona Governments (“CAG”), serving the Region 5 counties of Gila and Pinal; and South Eastern Arizona Governments Organization (“SEAGO”), serving the Region 6 counties of Cochise, Graham, Greenlee and Santa Cruz.

“DDA” means a difficult development area designated by HUD as an area that has high construction, land and utility costs, relative to the AMGI.

“Deadline Date” means on or before 4:00 p.m. Mountain Standard Time of the day designated by ADOH as the last day to submit an Application for a competitive Allocation round or of the day stated in the Reservation Letter for the Carryover Allocation Agreement.

“Deferred Developer Fee” means a certain sum of money owed to the Developer and evidenced by a promissory note, partnership agreement or other written agreement acceptable to ADOH, such fee to be repaid from the Project’s cash flow after payment of Operating Expenses of the Project and after payment of debt service for all superior liens.

“Determination of Qualification” means a letter issued by ADOH, in accordance with I.R.C. § 42(m), that indicates that the Project, which has utilized tax-exempt financing, qualifies for an amount of Tax Credits and is in compliance at the time of the letter with all rules established by this Plan.

“Determination of Qualification Fee” means the fee payable after ADOH determination that an Application represents a feasible and viable Project with a likelihood of completion and it is payable prior to the issuance of a Determination of Qualification or Reservation pursuant to I.R.C. § 42(m).

“Developer” means the Person identified in Form 3 and Tab 8/Form 8 as the Developer for the Project, who must be listed in any agreement regarding the development fee as the Person receiving a majority of the Developer Fee, is responsible for preparing the Project for residential use as a LIHTC Project and is responsible for ensuring that a material portion of all phases of the development process are accomplished.

“Developer Fee” means the amount identified in the Form 3 and partnership agreement for the Project as the fee being paid to the Developer.

“Development Activity” means any physical activity related to the installation of improvements including, but not limited to, grading, excavation, soil disturbance, placing of equipment on site and construction of any type.

“Development Budget” means the cost categories listed on Page 8-11 in Form 3 that are directly related to the proposed Project as submitted in the Application. Indirect or off-site costs not directly related to the development of the project are not valid or eligible costs.

“Development Team” means the entities and professionals assembled to develop and manage the Project, typically including the Applicant, Owner, Developer(s), Co-Developer(s) and general partner or any other related entities in which the Developer has an identity of interest.

“Donated Land” means land on which the Project will be built for which title is transferred to the Applicant and for which no consideration is provided and for which no costs are included in Section I Acquisition Costs of the Development Budget on pages 8-11 of Form 3.

“Door to Door Transportation” means through the Compliance Period, transportation at no charge to the resident using a third party provider or a vehicle owned by the Project Owner, at least two (2) round trips per week, to either pre-scheduled visits to Grocery Stores or other retail shopping centers with at least 5,000 square feet or a combination of smaller retail locations aggregating at least 5,000 square feet or to appointments arranged by the resident within a ten (10) mile radius with twenty-four (24) hour notice.

“DSCR” means debt service coverage ratio.

“Economic Life” means the period over which improvements to real property contribute to property value.

“Effective Age” means the age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. It is the age indicated by the condition and utility of a structure and is based on an appraiser’s judgment and interpretation of market perceptions. The maintenance standards of owners or occupants can influence the pace of building depreciation. If one building is better maintained than other buildings in its market area, the effective age of that building may be less than its Actual Age. If a building is poorly maintained, its effective age may be greater than its Actual Age. If a building has received typical maintenance, its effective age and Actual Age may be the same.

“Eligible Basis” means the depreciable basis of residential rental housing eligible for Tax Credits.

“Eligible Basis Analysis” means the analysis described in Section 7.2A.

“Equity Partner” or “Equity Investor” means a limited partner or investor member who contributes capital to a limited partnership or to a limited liability company that will own and operate the low-income housing Project. Equity Investors will provide the capital requirements of the limited partnership or limited liability company either in the form of a single contribution at the time of entry or a staged level of contributions.

“Extended Use Period” means the term of the LURA and must be a minimum of fifteen (15) years after the termination of the Compliance Period, which has a term of fifteen (15) years.

“Facility” means the building that houses a community amenity for which points are available under TAB 13 as follows: Grocery Store, School, Senior Center, Hospital, Urgent Care Clinic, Federally Qualified Health Center, VA Health Care System, Recreation Center, Public ~~Park-Library~~; or a Public LibraryPark.

“Family” and “Families” means a household with one (1) or more persons, which may not exclude households with children.

“Federal Subsidy” or “Federally Subsidized” for the purposes of tax credits, Federal Subsidies include a federal, state or local grant that is funded by a federal source. Examples of federal grants include HOME Investment Partnership Act (HOME funds), Community Development Block Grants or Urban Development Action Grants. Section 8 federal rental assistance does not constitute federal grants for purposes of I.R.C. § 42(d)(5). Below market federal loans do not constitute a Federal Subsidy under HERA. Use of these financing sources may require reductions in eligible basis or reductions in a Project’s maximum Applicable Credit Percentage (see I.R.C. §§ 42(d)(5)(A) and 42(i)).

“Federally Qualified Health Center” means a non-administrative medical facility with a fixed permanent location that is identified on the following search engines and offers health services on a sliding scale payment system: <http://findahealthcenter.hrsa.gov> or <http://www.ihs.gov/> or <http://www.aachc.org/>.

- A. Grant-Supported Federally Qualified Health Centers which are public or private non-profit health care organizations that meets certain criteria under the Medicare and Medicaid Programs (respectively, Sections 1861(aa)(4) and 1905(I)(2)(B) of the Social Security Act and receive funds under the Health Center Program authorized in Section 330 of the Public Health Service Act (42 U.S.C. 254b, as amended) (“PHS Act”) and administered by the Health Resources and Services Administration (“HRSA”).
- B. Non-Grant-Supported Health Centers that have been identified by HRSA and certified by the Centers for Medicare and Medicaid Services as meeting the definition of “health center” under Section 330 of the PHS Act.
- C. Outpatient health programs/facilities operated by tribal organizations (under the Indian Self-Determination Act, P.L. 96-638) or urban Indian organizations (under the Indian Health Care Improvement Act, P.L. 94-437).

“Final Allocation Fee” means the fee payable upon the issuance of IRS Form 8609 equal to two percent (2%) of the Allocation or any additional outstanding fees owed to ADOH.

“Financial Literacy Class” means the education designed to assist people to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely and manage the challenges associated with life events such as a job loss, saving for retirement or paying for a child’s education.

“Financial Statements” means a complete and accurate balance sheet, income statement, cash-flow statement and accompanying notes prepared according to generally accepted accounting principles and reviewed or audited by a certified public accountant.

“Financing Commitment” means documentation provided by a third party extending monies for the purpose of supporting the proposed Project in a manner that outlines the terms and conditions of borrowings, grants and other financing instruments. Terms and conditions should be reflective of terms under which all parties are willing to close and fund. There should be no Material Changes to stated terms without documented cause between the issuance of a commitment and closing. Material Changes must be submitted to ADOH for approval in accordance with Section 4.5 of this Plan.

“Food Pantry” means an area of at least eighty (80) square feet with air-conditioned dry storage that contains and distributes non-perishable food at least monthly to residents at no cost on an as-needed basis. Pantries must have the proper permitting if required by the Local Government. Partnerships with food banks are strongly encouraged.

“Forward Allocation” is as defined in Section 2.2E.

“Funding Gap” means the amount by which projected development costs exceed projected available funds.

“Gap Analysis” means the second analysis for calculating credits to determine that the Project has not been overfunded with tax credits. See Section 7.2(B) for calculation.

“GAP Financing” means State Housing Funds up to \$500,000 per project to be used to reduce the gap between ADOH approved Total Development Budget on line 126 of pages 8-11 of Form 3 and permanent sources of funds (“Total Sources” under Column D of Page 7 of Form 3).

“Grocery Store” means a full scale supermarket or neighborhood market where at least 5,000 gross interior square feet are dedicated to products which shall include each of the following categories: fresh meat, fresh produce, fresh dairy products, baked goods, toiletries, baby food and diapers, cleaning products, paper towels and toilet paper, beverages, canned vegetables and fruits, cooking oils, flour, sugar and frozen foods. The following full service supermarket chains shall automatically qualify for these points: AJ’s Fine Foods, Albertsons, Basha’s Grocery Stores, Costco, Fry’s Food and Drug, Fresh and Easy, Food City, Phoenix Ranch Market, Safeway, Sam’s Club, Sprouts Farmers Market, Walmart Supercenter, Walmart Neighborhood Market, Whole Foods Market and WinCo Foods.

“Historic Preservation Project” means a Project with: 1) a structure individually listed in the National Register of Historic Places; or 2) a structure certified by the National Parks Service as contributing to a Register District; or 3) that is located within an area that has been zoned as a historic area. A Register District is a designated area listed in the National Register or listed under state statute or local ordinance as substantially meeting the requirements for listing of districts in the National Register.



“Home Energy Rating System” or “HERS” means a rating system for a home energy analysis of home design and construction plans established by the Residential Energy Services Network, a nonprofit membership corporation whose standards are officially recognized by the US Government and mortgage industry.

“Hospital” means a full service hospital that is open to the general public and provides twenty-four (24) hour emergency, cardiac services, major surgery and overnight care.

“Housing First” model or project means a particular housing approach that moves the homeless individual or household immediately from the streets or homeless shelters to their own apartments instead of using intermediate levels of housing such as transitional housing programs and then providing Supportive Services in a manner that emphasizes a non-coercive approach.

“Housing for Older Persons Project” means a Project that is composed only of Units that contain no more than two (2) bedrooms and is exempt from the Fair Housing Act’s familial status requirements, provided that:

- A. HUD has determined that the property is specifically designed for and occupied by elderly persons under a federal, state or local government program; or
- B. The property is intended for and occupied solely by individuals who are age sixty-two (62) or older; or
- C. The property houses at least one (1) individual who is age fifty-five (55) or older in at least eighty percent (80%) of the occupied Units and adheres to a policy or procedure that demonstrates intent to house individuals who are age fifty-five (55) or older.

“Homeless Management Information System” (“HMIS”) is a software application designed to record and store client-level information on the characteristics and service needs of homeless persons. An HMIS is typically a web-based software application that homeless assistance providers use to coordinate care, manage their operations and better serve their clients.

“HUD” means the United States Department of Housing and Urban Development.

“IREM” stands for the Institute of Real Estate Management which is an international community of real estate managers across all property types dedicated to ethical business practices and maximizing the value of investment real estate.

“IRS” means the Internal Revenue Service.

“LIHTC” or “Tax Credit” means the Low-Income Housing Tax Credits issued under I.R.C. § 42.

“LEED for Homes” means the consensus-developed, third party-verified, voluntary rating system developed by the US Green Building Council which promotes the design and construction of high-performance green homes.

“LEED for Homes Gold Certification” means a certification that the LEED-certified home is designed and constructed in accordance with the rigorous guidelines of the LEED for Homes green building certification program and has met the standards labeled as “gold” by the US Green Building Council in the LEED for Homes rating system.

“Letter of Interest or Intent” means the documentation addressed to the Applicant/Developer of an interest or intent to provide funding, setting forth the writer’s intention to negotiate the financing and stating the amount, interest rate, security, repayment terms and including the minimum debt service coverage ratio and loan-to-value ratio used by the lender to size the financing, as applicable. If the sole Developer of the Project is a Non-Profit Organization, the Letter of Interest or Intent from the investment syndicator must state that the Non-Profit Organization holds the right to first refusal to acquire the Project following the fifteen (15) year Compliance Period. Such letters or documents may be subject to reasonable, commercially acceptable contingencies, as determined by ADOH in its sole discretion.

“Local Government” means the governing body of the city, town, county or Tribal government having jurisdiction over the real property upon which the Project will be located.

“Low-Income Unit” means a Unit that meets the income and rent limitation applicable under I.R.C. § 42(g)(2) for the Project.

“LURA” means the “Extended Low-Income Housing Commitment” required by IRC § 42(h)(6) which must be in the form of a Declaration of Affirmative Land Use and Restrictive Covenants Agreement (commonly referred as the “LURA”) that is recorded and runs with the land on which the Project is developed, restricting the use of land by the Owner and its successors and assigns to the terms and conditions of the Project, as approved by ADOH. All Amenities, Design Features and Tenant Services described and committed in the Application will be identified in the LURA and will be inspected at each on-site Compliance inspection.

“Major Life Activities” for the purpose of the American Disabilities Act means “functions such as caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working.” See 45 CFR Section 84.3(j)(2)(ii).

“Market Demand Study” means a third party report that outlines the overall market demand for a Project within a defined market area and identifies, with significant detail, the current supply of similar units, demographics and economics contained within the market area.

“Material Changes” are as described in Section 4.5.

“Max” or “Maximum Points” means the highest amount of points that may be awarded by the ADOH in each scoring category.

“Maximum Reservation Per Project” means \$1,750,000 in Tax Credits for this year’s Plan so long as the \$3,000,000 limit for Tax Credits per Developer is not exceeded.



“Multi-Family Housing” means a building or structure that is designed to house two (2) or more different households in separate housing Units which have full kitchen facilities including oven/range, refrigerator, kitchen sink with hot and cold water supply and food storage facilities and at least one (1) full bathroom facility(s), one (1) full bedroom and one (1) living area (including a combination thereof such as studio arrangements).

“Municipal/County Project” means a Project developed by a municipality incorporated under A.R.S. §9-101 et seq. and/or county formed under A.R.S. §11-101 et seq. and/or affiliated entity of such municipality or county with their Co-Developer.

“Native American Housing Assistance and Self-Determination Act” means the Native American Housing Assistance and Self-Determination Act of 1996, P.L. 104-330 (25 U.S.C. 4101 - 4212), as amended.

“National Apartment Association” is a membership association based out of Virginia that is an advocate for quality rental housing in the multifamily housing industry.

“Non-Profit Organization” means an existing entity formed and maintained as an I.R.C. § 501(c)(3) or (4) organization and is exempt from the tax under I.R.C. § 501(a).

“Non-Profit Project” means Projects in which a qualified Non-Profit Organization is the Developer. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its Affiliate. The Non-Profit Organization must comply with I.R.C. § 42(h)(5)(C).

“Non-Profit Set-Aside” means the tax credits allocated by the state to meet the requirement under I.R.C. § 42(h)(5) to allocate at least ten percent (10%) of the state housing credit ceiling for any calendar year to projects involving a qualified Non-Profit Organization that undertakes a Non-Profit Project.

“Non-Residential Floor Area” means the total net square footage of the areas defined in Total Project Square Footage minus the areas defined in Residential Floor Area.

“Non-Residential Gross Floor Area” means the “Total Project Square Footage” less the “Residential Gross Floor Area”.

“Older Person” means an individual who is at least fifty-five (55) years of age and qualified to reside in a Housing For Older Persons Project.

“On-site” means directly located on the property of the Project.

“Operating Expenses” means for any given period of time the fixed and variable expenses of operating the Project on an accrual basis, including without limitation, the following, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) ground/land lease costs; 6) premiums of insurance carried on or with respect to the Project; 7) costs of utilities for the Project; 8) replacement and operating reserves not to exceed the amount required by the primary debt lender and

syndicator; and 9) Supportive Services if paid by the Project's operations; and excluding interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary and partner/member loans), depreciation and amortization costs, deferred developer fees, and reasonable asset management fees to the investor and incentive management fees.

"Owner" means the legal entity that ultimately owns the Project and to which tax credits will be allocated.

"Permanent Financing" means long-term debt (with a term of no less than fifteen (15) years) including a mortgage or other financing evidenced by a lien against the property. Permanent sources of financing identified on Page 7 of Form 3 to cover development costs (including capitalized operating and replacement reserves) may not include letters of credit, cash from operations, the lease up reserve or other non-cash contributions to the Project.

"Permanent Supportive Housing Project" means a Project employing the Housing First model which centers on providing Chronically Homeless individuals and/or families with housing quickly and then providing Supportive Services and employment that target the specific needs of the individual.

"Person" means an individual, partnership, corporation, limited liability company, trust or other entity.

"Person with Disability" means a person with a disability that is: 1) expected to be long-continuing or of indefinite duration; 2) substantially impedes the individual's ability to live independently; 3) could be improved by the provision of more suitable housing conditions; and 4) is a physical, mental or emotional impairment, including an impairment caused by alcohol or drug abuse, post-traumatic stress disorder, or brain injury; or a developmental disability, as defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15002); or is the disease of acquired immunodeficiency syndrome or any condition arising from the etiologic agency for acquired immunodeficiency syndrome.

"Phase I Environmental Report" means a report prepared for a real estate holding which identifies potential or existing environmental contamination liabilities.

"Placed in Service" means: 1) for a new or existing building used as residential rental property, the date on which the building is ready and available for its specifically assigned function (i.e. the date on which the first Unit in the building is certified as being suitable for occupancy in accordance with state or local law); and 2) with respect to rehabilitation expenditures that are treated as a separate new building, those buildings are placed in service at the close of any twenty-four (24) month period over which the expenditures are aggregated.

"Project" means any Project for residential rental property if the Project meets the requirement of subparagraph A or B, whichever is elected by the taxpayer:

- A. 20-50 Test: The Project meets the requirements of this subparagraph if twenty percent (20%) or more of the residential units in such Project are both rent-restricted and occupied by individuals whose income is fifty percent (50%) or less of area median gross income.

- B. 40-60 Test: The Project meets the requirements of this subparagraph if forty percent (40%) or more of the residential units in such Project are both rent-restricted and occupied by individuals whose income is sixty percent (60%) or less of area median gross income.

Any election under this paragraph, once made, is irrevocable. For purposes of this paragraph, any property must not be treated as failing to be residential rental property merely because part of the building in which such property is located is used for purposes other than residential purposes. Scattered Sites may be considered to be one Project if the Scattered Sites meet the above definition and the requirements in the "Scattered Sites" definition in this Section.

"Property Manager" or "Property Management Company" means the entity responsible for marketing, maintenance and tenant relations for a building financed with tax credits under this Plan.

"Public Housing Authority" means a State, county, municipality or other governmental entity or public body or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937 in accordance with 24 CFR §5.100.

"Public Library" means an off-site facility that is operated by Local Government for the principal purpose of maintaining and loaning a collection of literary, musical, artistic and/or reference materials and is open to the general public and does not charge a fee to borrow materials.

"Public Park" means an off-site area of open space that is open to the public and maintained in its natural state or kept for recreation by the State, Local Government or Tribe.

"QCT" is a LIHTC qualified census tract area determined by HUD wherein the average median income of the households in the area is less than sixty percent (60%) of the county median income or where the poverty rate is greater than twenty-five percent (25%).

"Qualified Basis" means the portion or percentage of the Eligible Basis that qualifies for the Tax Credit. It is calculated by multiplying the Eligible Basis by the Applicable Fraction.

"Qualified Contract" is as defined in I.R.C. § 42(h)(6)(F) which states: the term "qualified contract" means a bona fide contract to acquire (within a reasonable period after the contract is entered into) the non-low-income portion of the building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (specified in the extended low-income housing commitment) of: 1) the sum of (I) the outstanding indebtedness secured by, or with respect to, the building; (II) the adjusted investor equity in the building plus (III) other capital contributions not reflected in the amounts described in subclause (I) or (II), reduced by; 2) cash distributions from (or available for distribution from) the Project. If no qualified buyer is produced within the 365 day period, the Owner may be released from all use restrictions and obligations. However, if the Owner refuses to sell the property, it must abide by the extended use restrictions enacted by the Revenue Reconciliation Act. This option is only available to Owners who did not waive their right to seek a qualified contract or agree to a longer use agreement when signing their restricted use agreement with the state housing finance authority.

“Qualified Service Provider” means a Person with specific educational training or at least two years of experience in delivering the Supportive Service(s) for which points are claimed under TAB 20.

“Recreation Center” means an off-site facility operated by a Local Government, Tribe or Non-Profit Organization that provides low to no cost programs focusing on at least three (3) of the following: general interest adult classes, sports leagues, fitness/recreation, youth character/leadership development, youth academic enrichment, high school dropout prevention or youth nutrition/life skills.

“Reg” means Internal Revenue Treasury Regulations.

“Rehabilitation” or “Rehab” or “Rehabilitated” means to restore to good condition, operation or capacity.

“Rental Assistance” means a voucher, operating subsidy or privately funded assistance that provides the difference between the monthly rental rate and the tenant’s contribution of thirty percent (30%) of their income (after certain deductions are taken out) to pay for rent and utilities combined. Examples of Rental Assistance include the following federal programs: Section 8 Project-Based Vouchers, Section 8 HAP Contracts, Public Housing, HUD 202 and HUD 811 Supportive Housing Programs for the Elderly and for People with Disabilities, Housing Opportunities for People with AIDS/HIV (“HOPWA”), McKinney-Vento permanent housing programs for the homeless, USDA Section 514/515 rental assistance and USDA Section 521 Rural Rental Assistance program. Other privately and governmentally funded programs that provide the same level of assistance to a Project as the federal programs specified in the prior sentence are also Rental Assistance. If privately funded, Applicant must substantiate a minimum of three (3) years of providing Rental Assistance in other Projects. In order to be acceptable to ADOH, privately funded Rental Assistance must include sufficient resources to pay seventy-five percent (75%) of the total pro-forma rent for every Unit for which Rental Assistance is claimed in the Application for the entire Compliance Period, and if federally funded, through the Period of Affordability for the HOME funds. The Applicant shall provide evidence that the Rental Assistance meets this definition.

“Replacement Cost” means the cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised using modern materials and current standards, design and layout.

“Reservation” means a written statement issued by ADOH to the Applicant after the Application round indicating that ADOH has reserved for the Project a specific amount of tax credits.

“Reservation Fee” the Reservation Fee is calculated as ten percent (10%) of the annual credit allocation. (Eight percent (8%) of the ten percent (10%) Reservation Fee is due and payable at Reservation with the remaining two percent (2%) of the ten percent (10%) Reservation Fee due and payable at final allocation.)

“Reservation List” shall mean as defined in Section 2.2(C).

“Residential Floor Area” means the total net square footage of the floor space (paint to paint of the interior walls) in all Units including closets within the Units and balconies and/or porches attached to the Units for the sole use of the tenants occupying the Units.

“Residential Gross Floor Area” means the total gross square footage of the floor space (to the mid-line of the party/demising wall and to the outside of exterior walls) in all Units including closets within the Units and balconies and/or porches attached to the Units for the sole use of the tenants occupying the Units.

“Residential Rental Unit” means an area legally licensed or permitted for use as a living space containing a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other Residential Rental Units. Reg. §§ 1.103-8(a) 8(i).

~~“Resident Services Coordinator” means an individual who coordinates services committed for points under this Plan and provides referrals to residents for other resources in the community that are helpful to their quality of life.~~

“Rural” or “Rural Area” means an area: 1) outside Maricopa County and Pima County, Arizona; 2) on Tribal Land; or 3) the Town of Guadalupe as designated under 42 U.S.C. Section 1490.

“Satisfactory Progress” means that the Applicant, including any Person with an ownership interest in the Applicant or Development Team member, has presented evidence, satisfactory to ADOH, that each Project for which the Applicant has received a Determination of Qualification, Reservation or Allocation in Arizona or any other state, has been Placed in Service on time or otherwise is progressing without unreasonable delay through the various phases of development (i.e. financing, permitting, construction, certificate of occupancy and rehabilitation).

“Scattered Sites” means a Project which is comprised of separate buildings that are considered a single Project if the buildings meet the following criteria:

- A. Consist of no more than six (6) non-contiguous parcels within a fifteen (15) mile radius of each other;
- B. All buildings in the Project must be under the ownership of one (1) entity;
- C. All Units in the scattered site Application must be managed by one (1) entity;
- D. All buildings in the Project must be developed under one (1) common plan of financing and considered as a single Project by all funding sources;
- E. The scattered sites must be appraised as a single proposed development;
- F. Otherwise meets the requirements of I.R.C. § 42(g)(7) when it is Placed in Service; and
- G. Rental Units and services claimed for points at Tab 20 must exist upon each parcel (unless the parcels are within a one-fourth (¼) mile walking distance of one another).

“Senior Center” means an off-site facility operated by a Local Government, Tribe or Non-Profit Organization ~~that provides for the primary purpose of delivering~~ on-site daily ~~low to no cost~~ programs and services designed specifically for the Older Persons population during the week. Except for meals,

for which a nominal donation may be requested, such programs shall be free of charge for all Older Persons.

“Service Coordinator” means an individual who coordinates services committed for points under this Plan and provides referrals to residents for other resources in the community that are helpful to their quality of life. If points are claimed in TAB 20, the individual who is the Service Coordinator may not coordinate services for more than four Projects.

“Set-Aside” means 1) a specific type of housing development category that the ADOH has identified as a priority for allocating tax credits; or 2) an identified number of housing units that the Owner will agree to be held for use by tenants with a certain level of income or by tenants in a particular group as described in Section 2.6 of this QAP.

“Site” means a parcel or portion of a parcel of land where on which the Project was, is or is intended to be, developed or rehabilitated as described in the Application.

“Site Control” means Applicant’s evidence of ownership or control over the land required for the Project in the form of: 1) a binding commitment to transfer land to the Owner or Applicant; 2) a recorded deed with the Owner or Applicant as grantee; 3) a long term lease with the Owner or Applicant as the lessee; or 4) a lease option or agreement to lease between Owner or Applicant and lessor of the land recorded in the jurisdiction of the property provided the lease option is not terminable at the property lessor’s discretion until 180 calendar days after the Deadline Date for submittal of the Application.

“Special Populations” means:

- A. Homeless Families: Households which have experienced a long-term period without living independently in permanent housing, have experienced persistent instability as measured by frequent moves over such period and can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, histories of domestic violence and/or the presence of a child or youth with a disability.
- B. Persons with HIV/AIDS: A household of one (1) or more persons that includes a member infected with the human immune-deficiency virus (“HIV/AIDS”).
- C. Individuals who are experiencing homelessness: A person(s) who, at the time of intake, lives: 1) in places not meant for human habitation such as cars, parks, sidewalks, abandoned buildings, etc.; 2) in an emergency or shelter facility; or 3) in a transitional housing facility (not permanent housing).
- D. Persons with a Serious Emotional Disturbance: A person(s) between birth and age eighteen (18) who currently or at any time during the past year has had a diagnosable mental, behavioral or emotional disorder that resulted in a functional impairment which substantially interferes with or limits the person’s role or functioning in family, school or community activities.



- E. Persons with a Serious Mental Illness: A person(s) who currently or at any time during the past year has had a diagnosable mental, behavioral or emotional disorder of sufficient duration to meet criteria specified within DSM-V with the exception of “V” codes, substance use disorders, and developmental disorders, unless they co-occur with another diagnosable serious mental illness.
- F. Persons with Developmental and Physical Disabilities: A person(s) suffering from a severe, chronic condition attributable to a physical or mental impairment manifesting itself before the age of twenty-two (22) and likely to continue indefinitely. Persons with developmental disabilities are to be certified by a referral agency.
- G. Victims of Domestic Violence: As certified by a referral agency.
- H. Individuals Suffering from Chronic Substance Abuse: As certified by a referral agency.
- I. Youth Exiting Foster Care: A person aged eighteen (18) to twenty-five (25) at initial occupancy who previously spent time in a foster care system governed by Title IV, part B or E of the Social Security Act.

“State” means the State of Arizona.

“State Annual Credit Authority” means the total amount of Tax Credits allocated to the state by the IRS each year based on the population of the state and multiplied by a dollar amount per resident that is adjusted annually for inflation.

“State Housing Fund” or “SHF” means funds in a single housing program that are comprised of federal HOME resources from HUD and state resources from the State Housing Trust Fund (HTF).

“Structured Parking” (also called a parking garage, parking structure or parking deck) is a building designed specifically to be for automobile parking (as part of a residential building or as a separate building) and where there are one (1) or more floors or levels on which parking takes place.

“Suburban Project” means a one (1) to three (3) story Multi-Family Housing Project with surface parking (non-Structured Parking) in Maricopa and Pima Counties.

“Supportive Housing” means affordable permanent independent rental housing for persons who are homeless or have disabilities. These populations are limited, however, to the following groups: individuals or families experiencing homelessness; persons with a serious emotional disturbance or serious mental illness; persons with developmental or physical disabilities; victims of AIDS/HIV; victims of domestic violence; and individuals suffering from chronic substance abuse. See definition of “Special Needs Populations” above for more complete definitions of these groups. Supportive Services are provided to residents of supportive housing on an as-needed basis for as long as they are needed with the purpose of helping residents achieve maximum possible self-sufficiency and maintain their permanent housing.

“Supportive Services” means services provided by the service provider to help residents enhance their way of living and achieve self-sufficiency. Supportive Services may be provided directly by the Owner or through coordination with existing service agencies and may be delivered through a combination of both on- and off-site service delivery mechanisms with the provision that an on-site service coordination capacity must be maintained. For the purposes of scoring, ADOH may determine that certain Supportive Services must be offered on-site to obtain points in a particular Project scoring category. Except where they are provided at no cost to the Project or otherwise specified in this Plan, Supportive Services shall be provided by a private non-governmental entity or Tribal entity. If no private non-governmental entity or Tribal entity is available to provide the Supportive Services, Applicant may seek a waiver to allow a government entity to provide the Supportive Services that are not available privately.

“Sustainable Development” means generally, a pattern of resource use that aims to meet human needs while preserving the environment so that these human needs can be met not only in the present but also for generations to come and means more specifically, a description of the products, approaches or methods that are used to meet these general resource aims.

“Syndication Rate” means a ratio that reflects the price to the Project for \$1.00 of Tax Credits awarded.

“Tax Credit” means as described in Section 1.1(A) of the QAP.

“Tribe” or “Tribal” means a federally recognized Native American Indian tribe.

“Tribally Designated Housing Entity” or “TDHE” means a Public Housing Authority that is authorized to engage or assist in the development or operation of low-income housing in behalf of a Tribe.

“Tribal Land” means all lands within the exterior boundaries of any land formally designated by the federal government as a Tribal reservation or land set apart by the federal government for a Tribe’s use such as pueblos and tribal trust lands but it does not include land that the Tribe acquired legal title through non-federal designation or award, unless the tribe has obtained a federal public law stating that the Tribal members who reside in a particularly named area shall be considered (without any fiscal year limitation) for the purposes of the United States Housing Act of 1937 or such other federal housing law as residing on an Indian reservation or other Indian area. The Project must be wholly located in the particular area stated in the federal public law to be considered to be Tribal Land.

“Total Development Costs (‘TDC’) per square foot of Residential Floor Area” means, as calculated on Form 21, the amount that equals: [the sum of the Total Development Budget (Cell D138 on Line 126 of p. 8-11 of Form 3) minus Land cost (Cell D13 on Line 1 of p. 8-11 of Form 3)], divided by the lesser of: 1) minimum allowable Residential Floor Area (“RFA”) of all Low-Income Units including any manager/employee Unit (i.e. 450 sf for Efficiency; 575 sf for One-Bedroom; 800 sf for Two-Bedroom; 1050 sf for Three-Bedroom; 1200 sf for Four-Bedroom; 1350 sf for Five-Bedroom) or 2) the actual RFA. The formula is as follows:  $(\text{Line 126} - \text{Line 1}) / (\text{the lesser of the actual or minimum RFA}) = \text{TDC per sf of RFA}$ .

“Total Direct Construction Costs” means the costs to construct the Project which matches the construction contract and line 48 on Form 3 of the development budget.



“Total Project Square Footage” or “Construction Gross Area” means the Total Project Square Footage (also called “Construction Gross Area”) as defined in the Building Owners and Managers Association International Multi-Unit Residential Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.4-2010). It includes all residential and Common Area Facilities buildings in the Project and is measured to the building perimeter, a closed line that encompasses all structured elements of each building at every level including basements and penthouses but excluding roofs (unless they are used for Structured Parking). It includes all fully enclosed areas including stairs, elevators, HVAC shafts, pipes, flues, as well as structured unenclosed areas, such as balconies, roof terraces, plazas, decks, porches, exterior stairs and corridors. Areas with restricted headroom are included within the building perimeter. Not included within the building perimeter are the following: commercial space; non-structural protrusions including eaves, cornices, canopies, awnings, sills, ledges, chimneys, casing, wainscoting, gutters, downspouts, signs, shutters, attached electrical or mechanical systems and decorative projections. The “Construction Gross Area” must be prepared and certified by the architect of record for the Project, who may not be an employee of the Applicant or Developer. If the architect of record is an employee of the Applicant or Developer, a third party architect or engineer with no Controlling Interest in the Applicant or Developer must prepare and certify the Construction Gross Area.

“Total Construction Cost” means the Total Construction cost (Line 55) from Form 3 Development Budget less any of the following costs that if included within Line 55: 1) Governmental Permits and Fees including Impact Fees and Utility Fees; 2) Builders Risk Insurance; 3) all bonds including Payment and Performance Bonds and Public Improvement Bonds.

“Uniform Standards of Appraisal Practice” means the guidance as published and amended by the Appraisal Standards Board of the Appraisals Foundation for quality control standards applicable for real property, personal property, intangibles and business valuation appraisal analysis and reports in the United States and its territories.

“Unit” means any accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation (i.e. a residential dwelling consisting of one (1) apartment, one (1) single family home, one-half (½) of a duplex, etc.). Such accommodations may be served by centrally located equipment, such as air conditioning or heating.

“Urban Project” a three (3) plus-story Multi-Family Housing Project in an Urban Area, typically with Structured Parking.

“Urban Area” means Maricopa and Pima counties, excluding Tribal Lands.

“Urgent Care Clinic” means a licensed walk-in medical facility that meets the criteria established by the Urgent Care Association of America and/or the American Academy of Urgent Care Medicine. Each group's criteria share similar qualifying criteria including:

- A. Must accept walk-in patients during business hours;
- B. Treat a broad spectrum of illnesses and injuries as well as perform minor medical procedures;

- C. Have a licensed physician operating as the medical director;
- D. Be open seven (7) days a week;
- E. Have on-site diagnostic equipment including phlebotomy and x-ray;
- F. Contain multiple exam rooms;
- G. Meets various ethical and business standards set by either organization above.

“USDA/RD” means United States Department of Agriculture/Rural Development.

“Useful Life” means the period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed.

“VA Health Care Center” means a VA Health Care System, Outpatient Clinic, Community Based Outpatient Clinic, or Vet Center identified at the following:

[http://www.va.gov/directory/guide/region\\_flsh.asp?map=0&ID=18](http://www.va.gov/directory/guide/region_flsh.asp?map=0&ID=18)

“VASH” means Veterans Affairs Supportive Housing.

“Water Conservation” means the preservation and careful management of water resources.

“WIC” means the Arizona Special Supplemental Nutrition Program for Women, Infant and Children that is administered by the Arizona Department of Health Services with funding from the United States Department of Agriculture.

“WIC Vendor” means a store with a contract with the Arizona Department of Health Services or the Inter Tribal Council of Arizona to redeem WIC benefits. ~~A list~~Lists of WIC Vendors may be found at the following URLs:

<http://azdhs.gov/documents/prevention/azwic/az-wic-vendor-list.pdf>

[http://itcaonline.com/?page\\_id=1066](http://itcaonline.com/?page_id=1066)

## 1. INTRODUCTION

### 1.1 Background

- A. The federal Low-Income Housing Tax Credit (“LIHTC” or “Tax Credit”) program was established by the Tax Reform Act of 1986 and codified in Section 42 of the Internal Revenue Code of 1986, as amended (“I.R.C. § 42”), to encourage construction and rehabilitation of low-income rental housing. The Arizona Department of Housing (“ADOH”) is the housing credit agency responsible for allocating Tax Credits to Owners of qualifying residential rental Projects. The Revenue Reconciliation Act of 1989 amended I.R.C. § 42 by adding § 42(m), which requires allocating agencies to allocate Low-Income Housing Tax Credits pursuant to a Qualified Allocation Plan (“QAP”, “Plan” or “Allocation Plan”). I.R.C. § 42(m) describes the purposes and requirements for this Plan.
- B. There are two (2) methods for obtaining a Tax Credit Allocation pursuant to this Plan: 1) through a competitive application process; and 2) tax-exempt bond financing.
- C. Changes to the Plan.

**Annual Plans.** DISCLAIMER: ADOH may submit a new proposed Plan with substantial changes for public review and comment. ADOH may add, delete or substantially change eligibility requirements, Set-Asides, scoring, threshold and underwriting requirements for a new Plan.

**Changes to Approved Plans.** ADOH may, in its discretion, make changes to this Plan. In accordance with I.R.C. § 42(m)(1)(A)(iv), written explanation will be made available to the general public for any Allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the ADOH. Although ADOH will make every effort to avoid substantial changes to the Plan after a competitive round has been announced, such changes may be necessary from time to time to respond to changing market conditions, address critical needs and maximize the Allocation of Tax Credits. Should changes to this Plan or other tax credit programs occur, ADOH must post a public notice on the ADOH website and email a notification of the same to all applicants. Changes to this Plan due to changes in the applicable federal law must be announced by ADOH through a public notice.

**Modifications to Plan.** ADOH may modify this Plan, including its compliance and monitoring provisions, from time to time, or for any other reasons as determined by ADOH: 1) to reflect any changes, additions, deletions, interpretations or other matters necessary to comply with I.R.C. § 42 or regulations promulgated thereunder; 2) to respond to changes in the market for Affordable Housing; 3) to insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and that are contrary or are inconsistent with this Plan or I.R.C. § 42; or 4) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision with this Plan or I.R.C. § 42.

**QAP Clarifications.** Between the time that the QAP is issued in its final form and the LIHTC Applications are due, ADOH will periodically post written clarifications to the QAP on its website. The clarifications elaborate on the meaning of the text within the QAP and may sometimes add additional guidance on how to interpret the QAP. QAP clarifications are to be considered a part of the QAP. Applicants are responsible for checking the clarifications and submitting an Application that is in conformance with the clarifications. Requests for clarification must be made in writing via email or letter via US Mail and will be responded to in the written clarifications to the QAP on its website. Clarifications will be posted every Friday, beginning when the QAP is approved by the Governor. ADOH will not accept requests for clarification after February ~~1917~~, ~~2016~~2017 at 12:00 p.m. Mountain Standard Time.

## **General and Specific Goals**

### **A. General Goals**

The selection criteria set forth in this Allocation Plan include, in part, consideration of:

1. development location;
2. housing needs characteristics;
3. development characteristics, including whether Project uses existing housing as part of a community revitalization plan;
4. sponsor characteristics;
5. tenant population with special housing needs;
6. the existence of a public housing waiting list;
7. tenant populations of individuals with children;
8. tenant populations of older persons;
9. permanent supportive housing; and
10. projects intended for eventual tenant ownership.

For Projects that are not financed through tax-exempt bonds, the LIHTC program is a competitive program. For the process and requirements for Tax Credits to Projects financed by tax-exempt bonds, see Section 3 of this Plan.

In furtherance of the statutory provisions affecting the program, ADOH has established the following general goals for allocating Tax Credits in Arizona:

11. to maximize the number of affordable rental housing units added to the existing housing stock;
12. to develop affordable rental housing Units in areas with the highest market demand while avoiding concentration of affordable properties in distressed areas;

13. to develop affordable rental housing Units necessary to satisfy a critical need in an area;
14. to allocate Tax Credits to Projects that provide the greatest overall public benefits;
15. to encourage development and preservation of appropriate rental housing for people and families that need governmental assistance to find and maintain suitable, habitable, and affordable rental housing in the private marketplace;
16. to enable substantial rehabilitation of existing rental housing in order to prevent losses to the existing supply of affordable Units;
17. to prevent the loss from the existing stock of low-income rental housing of those Units under expiring contracts with federal agencies or subject to prepayment which, without the Allocation of Tax Credits, would be converted to market rate Units;
18. to maximize the utilization of Tax Credits;
19. to provide an equitable distribution of Tax Credits across the State;
20. to provide opportunities for participation in the Tax Credit program to all qualified sponsors of low-income rental housing; and
21. to provide Local Government entities with notice and opportunity to comment on Tax Credit development proposed within their jurisdictions.

**B. Specific Goals**

In allocating Tax Credits, ADOH seeks to achieve specific goals. These are:

1. to use Tax Credits in connection with rental housing “projects serving the lowest income tenants” (see I.R.C. § 42(m)(1)(B)(ii)(I));
2. to use Tax Credits in connection with rental housing “projects obligated to serve qualified tenants for the longest periods” (see I.R.C. § 42(m)(1)(B)(ii)(II));
3. to make Tax Credit funding available to projects serving low-income populations - including families with children, homeless persons, veterans, and Older Person citizens;
4. to hold competition to determine those projects considered sound investments of public funds;
5. to expend the minimum amount of public funds necessary to accomplish program goals;
6. to administer the LIHTC program in a manner that encourages timely Project completion and occupancy;
7. to encourage the highest available quality and design standards for Projects financed with Tax Credits;
8. to develop and promote Sustainable Development; and

9. to develop rental housing in locations that are within walking distance (one-fourth ( $\frac{1}{4}$ ) mile to frequent Bus Transit - one-half ( $\frac{1}{2}$ ) mile to High Capacity Transit) to public transit stations.

## 2. APPLICATION FOR TAX CREDITS

### 2.1 Amount and Allocation of the State's Annual Credit Authority

**Annual Tax Credit Ceiling.** The federal government establishes the State Annual Credit Authority which limits the dollar amount of tax credits that ADOH may allocate to qualifying Projects and detailed eligibility standards and priority uses for available tax credits. The State's Annual Tax Credit Authority is typically insufficient to fund all Applications. This Plan explains the competitive process that ADOH uses to allocate its annual authority for nine percent (9%) tax credits in ~~2016~~2017.

For calendar year ~~2016~~2017, the amount used under I.R.C. § 42(h)(3)(C)(ii) to calculate any state's LIHTC program credit ceiling amount is the greater of: 1) \$2.35 multiplied by the state's population; or 2) \$2,690,000. These figures are adjusted annually for inflation. Arizona's LIHTC program credit ceiling amount for the calendar year ~~2016~~2017 is approximately ~~\$15,818,987~~\$16,045,953. The amount of tax credits available through this Plan in any allocation round is the annual tax credit ceiling adjusted by the amount of tax credits already allocated, tax credits returned, tax credits carried over from the previous year and any national pool tax credits that the State may receive.

### 2.2 Tax Credit Reservation

**Maximum Reservation.** The amount of Tax Credits awarded to any one (1) Project must be the lesser of the Eligible Basis Analysis or the Gap Analysis. The Maximum Reservation per Project will be \$1,750,000 of the State's annual credit authority and no more than a total of \$3,000,000 total in Tax Credits and two (2) Projects in any Application Round for any Developer. For the purposes of the Maximum Reservation, the term "Developer" includes the Developer, Co-Developer or any Affiliate of a Developer or Co-Developer that is acting as a Developer or Co-Developer on a Project.

ADOH will not award Tax Credits to more than two (2) Municipal/County Projects in any Tax Credit round. For-Profit and Non-Profit Co-Developers that submit an Application as part of a Development Team on a Municipal/County Project may not exceed the \$3,000,000 limit on Tax Credits for any Developer.

In the event of a competitive round under this Plan after the ~~2016~~2017 calendar year, ADOH may limit the maximum amount of Tax Credits available for a Reservation in a separate notice.

#### A. Tax Credit Reservation

ADOH, based upon an evaluation of Applications and in its sole discretion, must reserve Tax Credits as follows:

1. First, to Projects in each Set-Aside category, preference being given to Projects with the highest competitive score (other than the State Special Project Set-Aside) that: 1) meet eligibility and threshold requirements; 2) demonstrate a strong market demand; and 3) meet underwriting requirements. One (1) Project may satisfy more than one (1) Set-Aside category.

2. Second, to Projects that have not designated or do not qualify for a Set-Aside category, preference being given to Projects with the highest competitive score that: 1) meet threshold and eligibility requirements; 2) demonstrate a strong market demand; and 3) meet underwriting requirements.
3. ADOH reserves the right not to reserve or allocate Tax Credits for any Project regardless of ranking under the Project scoring criteria, if it determines in its sole discretion, that an Allocation for such Project does not further the purpose and goals set forth in I.R.C. § 42 or in the Plan, or otherwise attempts to circumvent the goals and requirements of the Plan or ADOH.
4. ADOH must reserve Tax Credits to a Project through a letter notifying the Applicant of the Tax Credit Reservation. ADOH may condition the Reservation upon satisfaction of specific requirements which may include, without limitation, a request for payment of the Reservation Fee, requirements for meeting the Carryover Allocation, and requirements for meeting the ten percent (10%) Cost Test. Failure to satisfy the conditions explained in the letter may result in cancellation of the Reservation.

**B. Limitations on Reservation of Tax Credits Based on Concentrations of Projects in Certain Market Areas**

Notwithstanding Set-Aside amounts or competitive scores, ADOH may in its sole discretion, limit the number of Projects in a specific market or geographical area if ADOH determines that there is insufficient demand or that a particular Project would have adverse impact on low income housing developments existing in a given market area. In the event that multiple Applications are submitted for a given market area that cannot support all of the Projects that would have received a tax credit reservation under this QAP, ADOH may select one (1) or more Projects that will best serve the market demand for the area or has less of a negative impact than the others. ADOH may, in its discretion, refuse to reserve credits to any Project if ADOH determines that the given market area cannot support the Project. If multiple Applications are filed for a given market area proposing to serve different populations (i.e. Older Person, family or Special Needs Populations), ADOH shall analyze the Applications and may not award Tax Credits if it determines that a Project will be redundant or have adverse impact on the other Applications or existing Projects in the given area.

**C. Reservation List**

ADOH will establish and make available to the public a list describing Projects receiving an Allocation in the order described in this Section along with the name of the Project, Project location, Set-Aside category, and annual Tax Credit amount (“Reservation List”). Applicants who receive a Reservation of Tax Credits will receive a letter, which shall include the Applicant’s score.



**D. Allocation of Returned Credits**

ADOH may allocate Tax Credits that have been returned and those it has received from the national pool to projects that were not fully funded. ADOH may carry forward remaining Tax Credits to the next calendar year as permitted under I.R.C. § 42. In the ADOH's sole discretion, returned Tax Credits may be allocated to the next highest scoring Projects that meet eligibility requirements, threshold criteria and underwriting review.

**E. Forward Allocations**

ADOH may consider committing Tax Credits from the following year's annual Tax Credit ceiling amount to the highest scoring Projects submitting an Application under this Plan (a "Forward Allocation") for those Projects that: 1) received a partial Allocation solely for the purpose of maximizing the Allocation of Tax Credits available in the current Tax Credit year; or 2) in the event that ADOH determines that a material error prevented an otherwise qualifying Project from receiving a Reservation. If a Forward Allocation is made to an Applicant based on review and underwriting at the time that the Forward Allocation credits are reserved, Applicant may not request any additional credits in the subsequent year with respect to that same Project, nor may a Developer, including any Co-Developer or any Affiliate of a Developer or Co-Developer that is acting as a Developer or Co-Developer on a Project exceed the Maximum Reservation stated in Section 2.2 of this Plan.

**F. Unsuccessful Applicants**

After ADOH announces the Reservation of Tax Credits, the ADOH will provide a final decision on the Application to the unsuccessful Applicants which will include their audited score and total scoring breakdown. Unsuccessful Applicants may request a meeting or an informal settlement conference with program staff to discuss their Application. ADOH may also accept written questions concerning its scoring. Questions must be based solely on facts provided in the Applicant's original Application. The final decision denying an Application for Tax Credits will provide notice of the right to administrative appeal pursuant to A.R.S. §§ 41-1092 through 1092.12. An unsuccessful Application for Reservation of Tax Credits shall expire on the date the governor approves a subsequent Plan, December 31, 20162017, or otherwise upon notice by ADOH.

**2.3 Application Deadlines, Timetable and Application Submission Location**

**A. Allocation Rounds**

ADOH may hold one (1) or more Tax Credit Application rounds pursuant to this Plan.

**B. Application Deadline and Payment of Fee**

A non-refundable application fee of \$5,000 for each Application is due on or before 4:00 p.m. Mountain Standard Time on March 1, 20162017, or as may be otherwise announced by ADOH in

an information bulletin published on the ADOH website. Bound, hard-copy Applications must be submitted to the reception desk of the Arizona Department of Housing located at 1110 West Washington Street, Suite ~~310280~~, Phoenix, Arizona 85007. FACSIMILE AND E-MAIL SUBMISSIONS WILL NOT BE ACCEPTED. ALL APPLICATION MATERIALS (HARD COPY AS DESCRIBED IN SECTION 2.4 BELOW AND ELECTRONIC SUBMITTAL ~~ON CD OR~~ VIA ADOH PORTAL) MUST BE RECEIVED BY THE APPLICATION DEADLINE STATED ABOVE.

## 2.4 Application and Submittal Format

Applicant must submit ~~one (1) hard copy and~~ one (1) electronic copy of the complete Application with all exhibits and forms on a CD drive or via the ADOH Portal and one (1) hard copy of each of the documents and exhibits in the list below. The electronic copy must be organized to correspond to the Tabs in Section 2.9 of this Plan~~the hard copy binder~~. Each Tab shall be one (1) separate easy to read document in PDF format and named as follows: "Project name - Tab #". Tabs with large documents should be bookmarked or in a PDF Binder to clearly show each exhibit required in the Tab.

In addition to the electronic copy of the entire Application with all exhibits and forms, the following portions of the Application must be submitted by the Application Due Date in hard copy:

1. ~~Applicants who submit the electronic copy via the ADOH portal must include e~~Evidence of the electronic submittal in the form of an email receipt issued by ADOH which follows a successful upload. If Applicant fails to include the email confirmation and evidence of the electronic submittal issued by ADOH in their Application materials, the Application will be deemed ineligible ~~unless there is an electronic copy of the Application on a CD included in the Application~~.
2. Either the original check(s) to pay the Tax Credit Application Fee identified in Section 6.1, and applicable Gap Financing Application Fee identified in Section 6.2, or a copy of the receipt(s) for such payment(s) if paid through the ADOH Payment Portal, which may be found at the following link:  
  
<https://housing.az.gov/portals/adoh-payment-portal>
3. Original notarized Applicant Certification and Indemnification for the LIHTC Application (and Gap Application, if applicable).
4. Operating plan required at Tab 7, if more than one Non-Profit Organization is participating in the Project.
5. The legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement, required at Tab 8.
6. Appraisal required at Tab 9.

7. Purchase and Sale Agreement and/or Lease, as applicable to the Project, as required at Tab 9.
8. If the Project has Federal funds or Project Based Vouchers in the capital stack (i.e. sources of funding), and is (i) located in a one hundred (100) year flood plain; (ii) in a historic district; (iii) is eligible to be listed in the National Register of Historic Places; or (iv) is listed in the National Register of Historic Places, the draft 24 CFR Part 58 Environmental Review that concludes that the Project is ready to publish a FONSI (finding of no significant impact) as required at Tab 9.
9. Market Demand Study required at Tab 12.
10. Capital Needs Assessment as may be required at Tab 25.

Hard copy Application materials must be in eight and one-half by eleven (8 ½ x 11) format, placed in one (1) adequate sized three (3) ring binder, indexed and tabbed to correspond with the Tabs as described in Section 2.9 of this Plan. ~~Exceptions: The only exception are items of significant volume (such as an Appraisal, Market Demand Study or Capital Needs Assessment), which may be submitted as separate bound items.~~

- ~~1. All drawings/plans may be included unbound if they do not lend themselves to the eight and one half by eleven (8 ½ x 11) formats. All such plans must be in the smallest practical (readable) format. The maximum acceptable drawing size is C size.~~
- ~~1. Items of significant volume (such as an Appraisal, Market Demand Study or Capital Needs Assessment) may be submitted as separate bound items.~~
- ~~1. The Phase I Report, shall be submitted as follows:
 
  - ~~• Hard Copy: The body of the report or an executive summary thereof that includes the certification of the professional preparing the report, the site description, findings and conclusions. This typically totals approximately thirty (30) pages or less.~~
  - ~~• Electronic Copy: The Phase I Report in its entirety including all records reviews and appendices.~~~~

Each Application must comply with the format and content of this Plan. ADOH may reject any Application or Application information that does not conform to the requirements of this Plan or is submitted after the Deadline Date. In the event that there is a discrepancy with respect to any information provided in the Application materials (where both an electronic and hard copy are required), ADOH will consider the hard copy Application document as the primary source document. ADOH retains the sole discretion in determining and interpreting whether an Application or Project meets state law, federal law or the Plan criteria, terms, conditions or definitions.

All documents in the Application and each later submittal (acceptance of Reservation, Ten Percent (10%) Test, Equity, 8609, etc.) shall be originals ~~(not copies) except where applicable law requires that~~

~~the Applicant retain the original where requested in this Plan or specifically requested by ADOH. Applicants shall make every effort to ensure that documents submitted are easy to read, and wherever possible shall convert original electronic documents to a pdf format, rather than scan them. Documents that are not easy to read, in ADOH's sole discretion, shall be rejected by ADOH. ADOH, in its sole discretion, may request that such documents be replaced with legible documents. Except where other specific written direction from ADOH is provided, all submittals to ADOH must be in hard copy and electronic format.~~

## 2.5 Eligibility Requirements

ADOH will evaluate all Applications in a competitive review process except those financed with tax exempt bonds. ADOH shall deny an Application for Tax Credits that fails to meet eligibility requirements regardless of its score. Applications that meet the eligibility requirements must be scored and then reviewed for threshold requirements under their appropriate Set-Aside category, if any.

**The following criteria must be met in order to meet the eligibility requirements:**

### A. Application Submittal and Fees

One (1) original Application organized in the prescribed sequence and format, as required by this Plan, must be accompanied by a \$5,000 Application fee and any Gap Financing Fee if Gap Financing is requested. The Gap Financing Application (Form 3-1) must be submitted at the time of Application to be eligible for financing. ADOH will deem an Application ineligible if an Application fee or Gap Financing Fee payment does not clear to ADOH's deposit account.

### B. Application Workshop

Developer, Co-Developer or Consultant must submit a certificate of attendance from the ~~2016~~2017 LIHTC Application Workshop.

### C. Developer Compliance Training

Developer, Co-Developer or Consultant must attend Compliance Training as defined in this Plan at a minimum of every five (5) years. Developer must provide a Compliance Training certificate as a part of the ~~2016~~2017 LIHTC Application. The compliance overview held at any LIHTC Application workshop is not sufficient to meet Compliance Training requirements. The training course must be a two (2) day certification class designed to support an exam. The exam is optional. Training certificates issued at previous LIHTC application workshops are no longer valid for meeting this training requirement.

### D. Authorized Signatures

All documents that require a signature must be signed by the Applicant's authorized representative. Electronic signatures are permitted if preceded by "/s/" or other indications that an electronic signature is intended. Applicant must be an existing legal entity authorized to

conduct business in Arizona and in good standing with the applicable Arizona state agency for the type of Applicant entity. ADOH will not consider forms signed on behalf of an entity that is not duly formed or by a representative without authority.

**E. Current Accounts**

At the time the Application is submitted, no member of the Development Team may be in default on a low-income housing financial obligation to ADOH, HUD, or to any Local Government or Public Housing Authority in Arizona.

**F. Satisfactory Progress and Compliance**

ADOH may reject Applications for Projects having Development Team members that did not meet the requirements of a previous year's Plan. In addition, ADOH may reject Applications from any Developer who has failed to comply with the Tax Credit requirements and conditions in previous Applications or Projects including, but not limited to, payments due on ADOH loans or payment of any other fees as described in Section 6 of this Plan.

**G. Acknowledgement and Consent from Local Government**

ADOH will notify the Local Government where the Project is located and request that the Local Government provide a letter of acknowledgement and consent to the Project pursuant to A.R.S. §35-728(C). The Local Government will be required to respond to ADOH within thirty (30) calendar days from the date of the letter. An Application will not be deemed automatically ineligible in the event that the Local Government either fails to provide the letter or otherwise indicates that the proposed Project is unfavorable. ADOH will consider the reason or basis for local opposition and determine whether it conflicts with A.R.S. §35-728(C), and/or whether the objectionable characteristic(s) can be mitigated, before determining that a Project is ineligible for an Allocation of Tax Credits.

**H. Project Team Disqualification**

ADOH may disqualify any Applicant, Owner, Person with a Controlling Interest in either such entity, Agent, or management agent who:

1. has been denied participation in the past ten (10) years by any federal or state agency in any housing development program;
2. within the past ten (10) years has been a debtor in a bankruptcy, or has been a party in a civil, administrative or criminal matter which resulted in an adverse fair housing settlement, an adverse civil rights settlement, or an adverse federal or state government proceeding and settlement against that party or a pattern of adverse civil proceeding and judgments against that party as evidenced by three (3) or more adverse judgments within the previous five (5) years;

3. has defaulted on a mortgage, or has a mortgage loan arrearage of three (3) months or more within the last five (5) years on any publicly subsidized project;
4. has been a member of the Development Team within the past ten (10) years in a project which previously received an allocation of tax credits but failed to meet standards or requirements of the tax credit allocation or failed to fulfill one (1) of the representations contained in the application for tax credits;
5. has been found to be directly or indirectly responsible for any other project within the past five (5) years in which there is or was uncorrected noncompliance with state or federal rules, regulations or standards for more than three (3) months from the date of notification by the ADOH or any other state allocating agency;
6. has outstanding compliance issues with HUD or ADOH;
7. has been involved in any project awarded tax credits in which a Final Allocation (8609) has not been issued where there has been a ~~material change~~ **Material Change** in the project, general partners or managing members, that ADOH did not approve in writing beforehand;
8. has been removed by the ADOH from the ownership of a project that is subject of an Application; or
9. is not in good standing with the ADOH.

A disqualification under this Section will result in an individual or entity involved not being allowed to participate in the ~~2016~~2017 cycle and may also result in the ADOH removing from consideration any Application where they are identified.

## **2.6 ~~2016~~2017 Set-Asides**

In the event that there is more than one (1) qualified Application in a Set-Aside category, ADOH will allocate Tax Credits first to the highest-scoring Applications (other than in the State Special Project Set-Aside) meeting all eligibility, threshold, and underwriting requirements in the order of Set-Aside categories below. Applicants that request consideration in a Set-Aside category must have a minimum score of 125 to qualify for each category, and no one Project awarded Tax Credits under the ~~2016~~2017 Set-Aside categories will receive more than \$1,750,000 in Tax Credits through this Plan. Applicants not selected in a Set-Aside category will be evaluated with other Applications for the remaining available Tax Credits.



<p>SUPPORTIVE HOUSING</p>	<p>Up to two (2) projects totaling at least sixty (60) Units of Permanent Supportive Housing for Chronically Homeless, either:</p> <p>Projects that have a minimum of thirty (30) Units set aside for Chronically Homeless people with a preference for veterans. Rents shall be designated at thirty percent (30%) AMI and supported with Rental Assistance; or</p> <p>One (1) project with sixty (60) Units set aside for Chronically Homeless people with a preference for veterans. Rents shall be designated at thirty percent (30%) AMI and supported with Rental Assistance. (See Section 2.9(S)/Tab 19).</p>
<p><del>BALANCE OF STATE</del></p>	<p><del>Two (2) Projects located in Balance of State Areas; each Project located in a separate Balance of State COG Area (“NACOG”, “WACOG”, “SEAGO” and “CAG”).</del></p>
<p>TRIBAL</p>	<p>This Set-Aside is up to the Maximum Reservation Per Project that may be used for more than one (1) Project located on Tribal Land with a preference for veterans. A maximum of \$1,750,000 will not be exceeded in this Set-Aside. No partial awards will be made under this Set-Aside.</p>
<p><del>BALANCE OF STATE</del></p>	<p><del>Two (2) Projects located in Balance of State Areas; each Project located in a separate Balance of State COG Area (“NACOG”, “WACOG”, “SEAGO” and “CAG”).</del></p>
<p>NON-PROFIT</p>	<p>Ten percent (10%) of the State’s annual credit is Set-Aside for “Non-Profit Projects” as defined in this Plan. Only Non-Profit Projects that meet all of the threshold requirements in Section 2.9(G) will be eligible for an Allocation of Non-Profit Set-Aside credits. If a Non-Profit Project qualifies for an Allocation in another Set-Aside, as stated in this Section 2.6, it will also contribute to satisfying the ten percent (10%) of the State’s annual credit requirement for the Non-Profit Set-Aside.</p>
<p>STATE SPECIAL PROJECT</p>	<p><del>THIS SET ASIDE IS SUSPENDED FOR 2016.</del>—ADOH may award one (1) Project in the Department’s sole discretion that does not score high enough to receive an Allocation in the other Set-Asides or the General Pool but scores at least one hundred twenty-five (125) points and meets general and specific goals, threshold and underwriting requirements of this Plan. Criteria will include:</p> <ol style="list-style-type: none"> <li>1. Leveraging other funds to maximize outcome.</li> <li>2. Provides housing and services to underserved population.</li> <li>3. Housing and services are unique to the area.</li> </ol>

SECTION 811 PROJECT RENTAL ASSISTANCE	Project(s) with the highest score meeting the criteria in Tab 29 will be considered for this Set-Aside for up to <del>sixty-four (64)</del> <u>thirty-nine (39)</u> Units receiving HUD Section 811 Rental Assistance, depending upon funding availability. If Project(s) which qualified for an Allocation in another Set-Aside include a request for HUD Section 811 Rental Assistance, the amount of Rental Assistance available for this Set-Aside shall be reduced accordingly.
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## 2.7 Project Scoring

Project scoring means review of the Applicant’s self-scores by verifying that support for the points claimed is provided in the Application, based on the criteria set forth in this Plan. Applicant may only submit one (1) score sheet for consideration by the ADOH. ADOH will award or deduct points based solely on the information submitted in the Application. An Applicant must provide documentary support as proof and evidence of the points claimed, as mandated in Section 2.9 of this Plan. ADOH may deny or deduct a claim for points if the correct forms or required information to support the points claimed are not submitted, or are not submitted at the correct tab, or if information available to ADOH negates a claim for points. ADOH will not consider waiver requests with respect to any scoring category stated in this Section 2.7.

Point Scoring Summary	Maximum Points	QAP Location
Developer Experience	10	Sections 2.7(A), 2.9(H), Tab 8
Project Readiness	15	Sections 2.7(B), 2.9(I), Tab 9
Service Enriched Location	17.5	Sections 2.7(C), 2.9(M), Tab 13
Sustainable Development	19	Sections 2.7(D), 2.9(Q), Tab 17
Transit Oriented Design	35	Sections 2.7(E), 2.9(R), Tab 18
Occupancy Preferences	20	Sections 2.7(F), 2.9(T), Tab 20
<u>Cost Efficiency</u>	<u>15</u>	<u>Section 2.7(G), 2.9(U), Tab 21</u>
Targeting Low Income Levels	35	Sections 2.7(H), 2.9(V), Tab 22
Local Government Contribution	5	Sections 2.7(I), 2.9(X), Tab 24
Affordable Housing Preservation	5	Sections 2.7(J), 2.9(Y), Tab 25
Historic Preservation	1	Sections 2.7(J), 2.9(Y), Tab 25
QCT or DDA	1	Section 2.7(K), Form 3
Rural Area Project	15	Section 2.7(L), Form 2, <u>Form 3</u>
Applicant Entity	5	Section 2.7(M), Form 3
Project Based Rental Assistance	10	Sections 2.7(N), 2.9(Z), Tab 26
Waiver of Qualified Contract	10	Sections 2.7(O), 2.9(AA), Tab 27
Community Revitalization	1	Sections 2.7(P), 2.9(BB), Tab 28
<b>Total Maximum Points</b>	<b><u>204.5</u><del>219.5</del></b>	



**ADOH will score Projects in the following categories:**

<b>A. Developer Experience</b>	
<b>Up to 10 points</b>	<b>Section 2.9(H)/Tab 8</b>
LIHTC Experience: Up to ten (10) points are available to Developers and Co-Developers who demonstrate that they have experience in the development of LIHTC or Federally Subsidized low income housing projects based on criteria below:	
One (1) Project Placed in Service	2 points
Two (2) Projects Placed in Service	4 points
Three (3) Projects Placed in Service	6 points
Four (4) Projects Placed in Service	8 points
Five (5) or more Projects Placed in Service	10 points

<b>B. Project Readiness</b>	
<b>15 points</b>	<b>Section 2.9(I)/Tab 9</b>
<b>(New Construction Projects or mixed Rehabilitation/New Construction Projects where a minimum of fifty percent (50%) of the Units are New Construction)</b>	
Fifteen (15) points are available if the applicable Local Government agency has completed its design review and has granted its final site plan approval (wherein no further site design review is required and the next step is to develop and submit engineering and construction documents for review and approval) or equivalent for the Project. Tribal Applicants who are not required to obtain final site approval from the Tribe, the Bureau of Indian Affairs and other governmental agencies must provide documented approval from the appropriate agency of the site plan in order to qualify for points in this scoring category.	

<b>C. Service Enriched Location</b>		
<b>Up to 17.5 points</b>	<b>Section 2.9(M)/Tab 13</b>	
Project is located within an <b>Urban Area</b> :		
Up to seventeen and one-half (17.5) points are available to Projects with existing facilities in the below categories that are located within one (1) mile or less in a straight line radius of the Site and specifically serve the proposed resident population.		
Grocery Store: (maximum 5 points)	That is WIC Vendor	5 points
	Without WIC contract	4 points
Schools (Households with Children Project only):		5 points

Senior Center (Housing for Older Persons Project only):	5 points	
VA Health Care Center (Veterans Project only); Hospital, Urgent Care Clinic or Federally Qualified Health Center (all Projects):	2.5 points	
Recreation Center or Public Park:	2.5 points	
Public Library:	2.5 points	
Project is located within a <b>Balance of State Area</b> :		
Up to seventeen and one half (17.5) points are available to Projects with existing facilities in the below categories that are located within a two (2) mile straight line radius of the Site and specifically serve the proposed resident population.		
Grocery Store: (maximum 5 points)	That is WIC Vendor	5 points
	Without WIC contract	4 points
Schools (Households with Children Project only):	5 points	
Senior Center (Housing for Older Persons Project only):	5 points	
VA Health Care Center (Veterans Project only); Hospital, Urgent Care Clinic or Federally Qualified Health Center (all Projects):	2.5 points	
Recreation Center or Public Park:	2.5 points	
Public Library:	2.5 points	

<b>D. Sustainable Development</b>	
<b>19 points</b>	<b>Section 2.9(Q)/Tab 17</b>
This scoring category is available for Projects that are following one (1) of the below approaches to Sustainable Development.	
Nineteen (19) points are available to Projects that are pursuing <a href="#">certification from Energy Star®, Enterprise Green Communities</a> , the Gold certification path for the LEED for Homes program ( <a href="#">LEED v4</a> ) or the <a href="#">Gold certification path for the 2012 National Green Building Standard™</a> .	
Ten (10) points are available to Projects that follow the performance-based path for energy efficiency based on the Home Energy Rating System (“HERS”) index beyond the baseline index of sixty-seven (67). If Applicant chooses the HERS approach, Applicant may gain up to an additional nine (9) points by choosing prescriptive elements from the Materials and Indoor Air Quality options (up to seven (7) points), and/or Water Efficiency options (up to two (2) points).	

Up to nineteen (19) points are available to Projects that follow the prescriptive-based path. Use the Section below to calculate prescriptive-based path points. **NOTE: The Prescriptive Path below will be discontinued beginning with the 2018 Qualified Allocation Plan.**

**Materials and Indoor Air Quality (Up to 7 points)**

System Component	Construction Use	2016/2017 Sustainable Criteria	Points Available
Material Selection	New and Rehab	All adhesives applied on site utilize zero (0) VOC products, except those applied to the building exterior.	1
Flooring	New and Rehab	Hard surface flooring materials used throughout the dwelling Units (excludes sheet vinyl).	2
Exhaust Fans	Rehab	Install power vented bath fans that exhaust to the exterior.	1
Exhaust Fans	Rehab	Install power vented range hoods that exhaust to the exterior.	1
Fresh Air	New and Rehab	Install an energy-recovery ventilator ("ERV") in the dwelling Units.	2
Smoke-free Development	New and Rehab	Enforce a "no smoking" policy (including electronic smoking devices) in all common and individual living areas in all buildings and offer a designated smoking area outdoors on property.	2
		No smoking (including electronic smoking devices) on property.	4
Fabricated in the State of Arizona	New and Rehab	<p>Fabricated in the State of Arizona (.5 point each, capped at a maximum of 2 points):</p> <ul style="list-style-type: none"> <li>• Cabinets (boxes, doors, drawers, etc. all fabricated in AZ).</li> <li>• Exterior wall finish system of building (at least fifty percent (50%) manufactured in AZ).</li> <li>• Countertops (fabricated and finished in AZ).</li> <li>• Windows (at least seventy-five percent (75%) of total windows are locally assembled).</li> <li>• Doors (at least seventy-five percent (75%) of total doors are locally assembled).</li> </ul>	2

		<p><b>NOTE:</b> At equity closing, Applicant must provide product cut sheets of each material listed above stating the location of fabrication.</p>	
Environmentally Preferred Products (EPP)	New and Rehab	<p>Environmentally Preferred Products: Install materials with a minimum of twenty percent (20%) post-consumer recycled content, and/or wood products that are FSC certified, and/or reclaimed materials (.5 points each, capped at a maximum of 2 points):</p> <ul style="list-style-type: none"> <li>• Flooring (minimum of forty-five percent (45%) of total flooring).</li> <li>• Cabinets.</li> <li>• Concrete (minimum twenty-five percent (25%) fly ash).</li> <li>• Countertops.</li> <li>• Window frames<u>ing</u>.</li> <li>• Roofing (minimum of fifty percent (50%) of total roof).</li> <li>• Insulation (minimum of seventy-five percent (75%) of total insulation).</li> <li>• Engineered Wood (dimensional lumber): substitute engineered wood alternatives such as lvl, glulam, built-up box beams, etc. for all framing lumber larger than two by ten (2 x 10). Posts up to six by six (6 x 6) are excluded.</li> </ul> <p><b>NOTE:</b> At equity closing, Applicant must provide product cut sheets of each material listed above stating the EPP characteristics of each.</p>	2
Waste Management	New and Rehab	<p>Implement a waste reduction plan and reduce or divert construction waste (not including demolition waste) from the landfill or incinerators by recycling twenty-five percent (25%) of all construction waste by weight.</p>	1
		<p>Implement a waste reduction plan and reduce or divert construction waste (not including demolition waste) from the landfill or incinerators by recycling seventy-five percent (75%) of all construction waste by weight.</p>	2

<b>Water Efficiency (Up to 2 points)</b>			
Toilets	New and Rehab	Dual flush or 1.1 GPF or less toilets throughout.	1
Water Distribution	New and Rehab	Install an on-demand hot water recirculation system with the main recirculation loop insulated (R-4 or greater) or install a structured plumbing system maintaining less than twenty (20) feet branch length between heat source and all hot water fixtures. For two (2) story Units maintain less than thirty (30) feet of branch length.	1
Irrigation	New and Rehab	Install a recycled gray water, roof water, collected site run-off or water from a municipal recycled water system for the irrigation system.	2
Turf	New and Rehab	In landscaping areas, use no turf or artificial turf only.	1
<b>Energy Efficiency (Up to 10 points)</b>			
Thermal Performance: Roof	New and Rehab	Improve the U/R value of the roof/ceiling insulation system by fifteen percent (15%) over the 2012 or later International Energy Conservation Code® (“IECC®”) requirements for the climate zone or install spray foam insulation at the roof deck that meets the 2012 or later IECC requirements for the climate zone.	2
Thermal Performance: Roof II	New and Rehab	Radiant barrier on all residential roofs - emissivity rating of point one (0.1) or lower.	.5
Thermal Performance: Wall	New and Rehab	Improve the U/R value of the wall system by fifteen percent (15%) over the 2012 or later IECC® requirements for the climate zone.	2
Reduced Heat Island Effect (*Applicable to warm climate locations only with less than	New and Rehab*	Roofing: Install roofing materials with high reflectivity and high emittance ratings for a minimum of seventy-five percent (75%) of roof area.  Low Slope roof (2:12 and less); minimum Solar Reflective Index “SRI”) of seventy-eight (78).	2

4,000 Heating Degree Days ("HDD")		Steep Slope roof (greater than 2:12); minimum SRI of twenty-nine (29).	
	New*	Paving: Use open grid pavement and/or light-colored, high-albedo materials with a minimum SRI of greater than or equal to twenty-nine (29) for at least thirty percent (30%) of the site's hardscaped area.	2
	New*	Plantings: Locate trees or other plantings to provide shading for at least fifty percent (50%) of sidewalks, patios and driveways within fifty (50) feet of the residential units. Shading must be calculated for noon August 1 <sup>st</sup> when the sun is directly overhead, based on five (5) years' growth.	2
Passive Solar Design	New*	Shading: Design shading for at least eighty percent (80%) of the south, west and east facing windows that is appropriate for the climate zone.	.5
		Orientation: Optimize the orientation of the building (or at least seventy-five percent (75%) of the square footage in the multi-building campus) such that the ratio of southern wall area to west (or east) facing wall area is equal or greater than 2:1.	.5
		Clerestory Windows: Provide clerestory windows for optimized day lighting, ventilation, and passive solar heating where appropriate, for at least fifty percent (50%) of the square footage of the Project.	.5
		Thermal Mass: Provide internal, exposed thermal mass (i.e. tile floor, concrete floor, internal cmu wall) with a surface area that is at least fifteen percent (15%) of the net square footage of each dwelling Unit. Thermal mass must be located in at least seventy-five percent (75%) of the dwelling Units and in any community spaces.	.5
Renewable Energy	New and Rehab	One (1) or multiple renewable energy systems large enough to off-set the estimated residential	8

(i.e. Solar PV and Solar Thermal)		annual energy load by ten percent (10%) or more and maximized use of incentives.	
		One (1) or multiple renewable energy systems large enough to off-set the estimated residential annual energy load by five percent (5%) or more and maximized use of incentives.	4
		Site, design, engineer and wire the development to accommodate installation of solar PV in the future, so that all that is remaining is to install solar panels and connect them to the existing electrical panels.	1.5
		One (1) or multiple renewable energy systems large enough to off-set the estimated common area energy load by fifty percent (50%) or more and maximized use of incentives.	4
Windows	New and Rehab	Install high performance windows that meet or exceed the <del>2012 or later IECC criteria for the</del> "U" value and Solar Heat Gain Coefficient ("SHGC") <u>of the Energy Star Program Requirements for Residential Windows, Version 6.</u>	2
Duct Leakage	New and Rehab	Keep the system (including air handler and ducts) entirely within the conditioned envelope or install a ductless system.	1.5
High Efficiency Heating, Ventilation and Air-Conditioning (HVAC)	New and Rehab	Install a very high efficiency HVAC system with a minimum SEER rating of sixteen (16) <u>in all Units.</u> <u>All Furnaces</u> must be greater than or equal to ninety-four (94) AFUE and <u>all</u> boilers must be greater than or equal to ninety (90) AFUE. <del>*All Units.</del>	3
Water Heating	New and Rehab	Install an energy efficient hot water distribution system that meets one of the following requirements: <ul style="list-style-type: none"> <li>• Electric water heater: EF ≥ point nine five (0.95).</li> <li>• Gas water heater: EF ≥ point six five (0.65).</li> <li>• Gas tankless water heater: EF ≥ point eight (0.8).</li> </ul>	1.5



		<ul style="list-style-type: none"> <li>• Electric tankless water heater: EF <math>\geq</math> point nine nine (0.99).</li> <li>• Heat pump water heater.</li> </ul>	
Lighting	New and Rehab	Install an Energy Star advanced lighting package using only Energy Star labeled fixtures. The advanced lighting package consists of a minimum of one hundred percent (100%) Energy Star hard-wired indoor fixtures or lighting fixtures with LED bulbs. Ceiling fans, if any, must be Energy Star rated.	2

<b>E. Transit Oriented Design</b>	
<b>Up to 35 points</b>	<b>Section 2.9(R)/Tab 18</b>
Project is located in a certain proximity of a Frequent Bus Transit System (See Section 2.9(R)(1)(I)):	15 points
Project is located in a certain proximity of High Capacity Transit Station (See Section 2.9(R)(1)(II)):	20 points
Door to Door Transportation at no cost to residents that is available at least twice weekly or on call (See Section 2.9(R)(2)). On call service must be provided within twenty-four (24) hours of making the reservation. These points are only available for projects in Balance of State Areas.	5 points

<b>F. Occupancy Preferences</b>	
<b>Up to 20 points</b>	<b>Section 2.9(T)/Tab 20</b>
<b>Households with Children</b>	
Five (5) points are available to Projects in which thirty (30%) of the total Units are offered on a preferential basis to households with children and are three (3) or four (4) bedroom Units. Applicants may select from the following services to qualify for up to fifteen (15) additional points for providing services: <i>(Applicant must qualify for the initial five (5) points available in this scoring category in order to obtain any additional points available.)</i>	
Child Care Center is located at or within a one (1) mile straight line radius of Project.	1 points
On-site, or Contiguous and Accessible to the Project, before and/or after school educational assistance program provided by a <del>qualified service provider</del> <b>Qualified Service Provider</b> for a minimum of 2 hours each day that school is in session.	5 points

On-site, or Contiguous and Accessible to the Project, computer training targeted to adults and available for all residents every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 points
On-site, or Contiguous and Accessible to the Project, job training, search assistance and/or placement every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	2 points
On-site, or Contiguous and Accessible to the Project, quarterly Financial Literacy Classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site monthly nutrition classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> . Nutrition classes may be presented by incorporating cooking demonstrations that showcase recipes to prepare nutritious meals.	1 point
On-site assistance with Case Management services (Permanent Supportive Housing Project only).	5 points
On-Site, or Contiguous and Accessible to the Project, Benefits Specialist as needed.	1 point
On-site, or Contiguous and Accessible to the Project, a Food Pantry.	3 points
On-site Service Coordinator for a minimum of forty (40) hours per month.	5 points
<b>Housing for Older Persons Project</b>	
Five (5) points are available to Housing for Older Persons Projects. The Applicant must not propose Units with more than two (2) bedrooms. The Project must offer Supportive Services. Applicants may select from the following services to qualify for up to fifteen (15) additional points for providing services: <i>(Applicant must qualify for the initial five (5) points available in this scoring category in order to obtain any additional points available.)</i>	
On-site monthly nutrition classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> . Nutrition classes may be presented by incorporating cooking demonstrations that showcase recipes to prepare nutritious meals.	1 point
On-site quarterly Financial Literacy Classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site, or Contiguous and Accessible to the Project, computer training targeted to adults and available for all residents every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On- site weekly no-cost transportation services provided to residents.	3 points
On-site, or Contiguous and Accessible to the Project, health promotion/disease prevention/recreation/wellness classes or blood pressure or other health screening	2 points

every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	
On-Site, or Contiguous and Accessible to the Project, Benefits Specialist as needed.	1 point
On-site, or Contiguous and Accessible to the Project, a Food Pantry.	3 points
On-site Service Coordinator for a minimum of forty (40) hours per month.	5 points
<b>Veterans Project</b>	
Five (5) points are available to Projects in which at least fifty percent (50%) of the Units in the Project will serve Families with at least one (1) veteran, and a minimum of twenty-five (25) units shall be set aside to serve the target population. Families may include households with one (1) or more persons, but may not be used to exclude households with children. The Project must offer Supportive Services. Applicants may select from the following services to qualify for up to fifteen (15) additional points for providing services: <i>(Applicant must qualify for the initial five (5) points available in this scoring category in order to obtain any additional points available.)</i>	
Child Care Center is located at or within a one (1) mile straight line radius of Project. (Project must offer at least thirty percent (30%) of total Units on a preferential basis to households with children.)	1 point
On-site, or Contiguous and Accessible to the Project, before and/or after school educational assistance program provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> for a minimum of two (2) hours each day that school is in session. (Project must offer at least thirty percent (30%) of total Units on a preferential basis to households with children.)	5 points
On-site, or Contiguous and Accessible to the Project, computer training targeted to adults and available for all residents every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site, or Contiguous and Accessible to the Project, quarterly Financial Literacy Classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site assistance with Case Management services.	5 points
On-site or Contiguous and Accessible to the Project, job training, search assistance and/or placement every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	2 points
On-Site, or Contiguous and Accessible to the Project, Benefits Specialist as needed.	1 point
On-site, or Contiguous and Accessible to the Project, habilitation/life skills training within two months of intake provided by a <del>qualified service provider</del> <u>Qualified</u>	1 point

<u>Service Provider</u> . (Project must target households experiencing chronic homelessness.)	
On-site, or Contiguous and Accessible to the Project, a Food Pantry.	3 points
On-site Service Coordinator for a minimum of forty (40) hours per month.	5 points
<b>Special Populations Project</b>	
Five (5) points are available to Projects in which twenty-five percent (25%) of the Units in the Project will serve Special Populations. The Project must offer Supportive Services. Applicants may select from the following services to qualify for up to fifteen (15) additional points for providing services: <i>(Applicant must qualify for the initial five (5) points available in this scoring category in order to obtain any additional points available.)</i>	
On-site, or Contiguous and Accessible to the Project, a Food Pantry.	3 points
On-site habilitation/life skills training within two months of intake provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site, or Contiguous and Accessible to the Project, Benefits Specialist, as needed.	1 point
On-site, or Contiguous and Accessible to the Project, job training, search assistance and/or placement every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	2 points
On-site, or Contiguous and Accessible to the Project, quarterly Financial Literacy Classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site, or Contiguous and Accessible to the Project, computer training targeted to adults and available for all residents every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> :	1 point
On-site Service Coordinator a minimum of forty (40) hours per month.	5 points
On-site assistance with Case Management services.	5 points
<b>Mixed Occupancy</b>	
Five (5) points are available to Projects which set aside one hundred percent (100%) of the Units for two (2) of the four (4) occupancy categories above: Households with Children, Housing for Older Persons, Veterans and/or Special Populations. The Units that are set aside for each occupancy category must meet the requirements to obtain the initial five (5) or ten (10) points for each category selected, as applicable, in order to qualify for the initial five (5) points in the Mixed Occupancy category. Applicants may select from the following services to qualify for up to fifteen (15) additional points for providing services: <i>(Applicant must qualify for the initial five (5) points available in this scoring category, in order to obtain any additional points available.)</i>	

Child Care Center is located at or within a one (1) mile straight line radius of Project (Households with Children must be one (1) of the occupancy preferences).	1 point
On-site, or Contiguous and Accessible to the Project, before and/or after school educational assistance program provided by a <del>qualified service provider</del> <u>Qualified Service Provider for a minimum of two hours</u> each day that school is in session (Households with Children must be one (1) of the occupancy preferences).	5 points
On-site, or Contiguous and Accessible to the Project, computer training targeted to adults and available for all residents every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site quarterly Financial Literacy Classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	1 point
On-site monthly nutrition classes provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> . Nutrition classes may be presented by incorporating cooking demonstrations that showcase recipes to prepare nutritious meals.	1 point
On-site, or Contiguous and Accessible to the Project, health promotion/disease prevention/recreation/wellness classes or blood pressure or other health screening every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> (Older persons must be one of the occupancy preferences).	2 points
On-site, or Contiguous and Accessible to the Project, job training, search assistance and/or placement every two (2) months provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> .	2 points
On-site assistance with Case Management services for residents (Veterans or Special Populations must be one (1) of the occupancy preferences).	5 points
On-site, or Contiguous and Accessible to the Project, Benefits Specialist, as needed.	1 point
On-site habilitation/life skills training within two months of intake provided by a <del>qualified service provider</del> <u>Qualified Service Provider</u> (Veterans or Special Populations must be one (1) of the occupancy preferences).	1 point
On-site weekly no-cost transportation services provided to residents (Older Persons must be one (1) of the occupancy preferences).	3 points
On-site, or Contiguous and Accessible to the Project, a Food Pantry.	3 points
On-site Service Coordinator a minimum of forty (40) hours per month.	5 points

**G. INTENTIONALLY LEFT BLANK**Cost Efficiency

<b>Up to 15 points</b>	<b>Section 2.9(U)/Tab 21</b>
<p><u>For purposes of scoring in this Cost Efficiency scoring category, Applications will be ranked against other Projects of the same type: New Construction Urban, New Construction Suburban, New Construction Balance of State, and Rehabilitation of Urban, Suburban and Balance of State (i.e., all Rehabilitation against all Rehabilitation Projects). Each Application will be ranked from the lowest to the highest Total Development Cost "TDC" per square foot of Residential Floor Area as calculated by Form 21 and defined in this Plan. Points shall be awarded as follows:</u></p>	
Project with the lowest TDC per square foot of Residential Floor Area:	15 points
Project with the second lowest TDC per square foot of Residential Floor Area:	10 points
Project with the third lowest TDC per square foot of Residential Floor Area:	5 points
<p><u>Projects that include new construction and rehabilitation components (including adaptive re-use) will be ranked against the Project type of the component with the larger amount of Residential Floor Area. As set forth in the Definitions section of this Plan, and as calculated by Form 21, the Residential Floor Area used to calculate the TDC per square foot of Residential Floor Area is the lesser of: 1) the minimum square footage of the Unit in Exhibit D or 2) the actual square footage of the Residential Floor Area ( i.e., such as may be the case in Rehabilitation Projects-)].</u></p>	

<b>H. Targeting Low Income Levels</b>	
<b>35 points</b>	<b>Section 2.9(V)/Tab 22</b>
<p>Select the percentage (%) of restricted Low-Income Units per the Area Median Gross Income (AMGI). POINTS WILL BE DETERMINED BASED UPON AUTOMATIC CALCULATIONS IN FORM 22. ALL UNITS IN THE PROJECT, INCLUDING EMPLOYEE UNITS ARE INCLUDED IN THE CALCULATION.</p>	
Low Income Units at fifty percent (50%) AMGI or less	Low Income Units at forty percent (40%) AMGI or less
<b>BALANCE OF STATE AREAS</b>	
40% + = 15 points 21% - 39% = 10 points 10% - 20% = 5 points	30% + = 20 points 16% - 29% = 15 points 5% - 15% = 10 points
<b>URBAN AREAS</b>	
45% + = 15 points 21% - 44% = 10 points 10% - 20% = 5 points	35% + = 20 points 16% - 34% = 15 points 5% - 15% = 10 points

<b>I. Local Government Contribution</b>	
<b>5 points</b>	<b>Section 2.9 (X)/Tab 24</b>

Projects are eligible to receive five (5) points for a Local Government Contribution of new funding towards the Development Budget that is committed to the Project by ~~a~~the Local Government as of the Application Due Date in an amount based upon the population of the jurisdiction as follows:

Percentage of Total Construction Cost:	Population not Greater Than:
1%	50,000
2%	100,000
3%	200,000
4%	400,000
5%	550,000
6%	More than 550,000

<b>J. Affordable Housing Preservation, Historic Preservation and Capital Needs Assessment</b>	
<b>Section 2.9(Y)/Tab 25</b>	
<b>Affordable Housing Preservation</b>	5 points
Multifamily Projects placed in service prior to 2001 and: 1) for which income restrictions were imposed due to LIHTC or other federal HUD or USDA Affordable Housing funding towards the Development Budget; or 2) receive Project Based Rental Assistance for a minimum of sixty percent (60%) of the Units.	
<b>Historic Preservation Project</b>	1 point
One (1) point is available for Historic Preservation Projects. Historic Preservation Project does not need to qualify for points under the Affordable Housing Preservation scoring category to qualify for this point as a Historic Preservation Project.	

<b>K. QCT or DDA</b>	
<b>1 point</b>	<b>Section 2.9(C)/Tab 3</b>
One (1) point is available to Projects located within a QCT or DDA as designated in Exhibit E.	

<b>L. Rural Area Project</b>	
<b>15 points</b>	<b>Section 2.7(L)/Form 3</b>
Projects located in Rural Areas.	15 points

<b>M. Applicant Entity</b>



<b>5 points</b>	<b>Section 2.7(M)/Form 3</b>
Five (5) points are available to Projects in which the Applicant is the ownership entity that will receive the LIHTCs and is the final Owner of the Project. Applications wherein the “Applicant” is identified as the partner, general partner, a member, managing member or officer of the final Owner may not claim points under this category.	

<b>N. Project Based Rental Assistance</b>	
<b>10 points</b>	<b>Section 2.9(Z)/Tab 26</b>
Projects that have project based Rental Assistance, at the time of Application, for at least eighty percent (80%) of the Units.	

<b>O. Waiver of Qualified Contract</b>	
<b>10 points</b>	<b>Section 2.9(AA)/Tab 27</b>
Ten (10) points are available to Applicants who waive their right to apply for a Qualified Contract.	

<b>P. Community Revitalization</b>	
<b>1 point</b>	<b>Section 2.9(BB)/Tab 28</b>
One (1) point is available to Applicants with Projects located in a HUD designated Neighborhood Revitalization Strategy Area (NRSA), community with a Promise Zone designation at the time of Application, community designated revitalization area included in a current HUD-approved 5 Year Consolidated Plan or Indian Housing Plan.	

**2.8 Tiebreaker**

In the event two (2) Projects have the same adjusted competitive score, ADOH will reserve Tax Credits to the Project according to the following tiebreaker criteria:

First, to Applicants with the most efficient use of tax credits calculated by dividing the total tax credits requested (Form 3, Page 1) by the total number of LIHTC Units including any employee unit(s) included in Eligible Basis. (Total Units on Form 22 less Market Rate Units and any employee units that are not in Eligible Basis on Form 22). Second, to Applicants in order of the time the hard copy original Application was date stamped and received by ADOH.

**2.9 Threshold**

Applications must include a minimum “Threshold” of information in Tabs 1 through 29 to advance to the underwriting stage and to be considered for a scoring category, Set-Aside, Waiver, Gap Financing, etc. Applications not containing the threshold of information for any point category will

be disqualified from that point category. All Facilities, transportation and services claimed for points must be in place as of the Deadline Date to submit the Application. ADOH may make written inquiries in order to verify and or clarify the information submitted, but Applicant may only provide missing information to specifically address a request for information from the ADOH. Applicants must respond by the deadline included in the inquiry to avoid disqualification. ADOH may verify representations, information, and data in an Application with public information, independent reports and statistics available through recognized subscription services. ADOH will consider such supplemental documentation received from the ADOH inquiries or verifications for threshold and underwriting purposes only, and will not consider the supplemental information in scoring the Application. Documentation must be included at the specified TAB (“TAB” or “Tab”) as noted below if Applicant is seeking points in the applicable Project scoring category. In its sole discretion, ADOH may consider clarifying information submitted in a particular TAB with other information submitted in the Application. Despite a competitive score, Applications may be denied an award of Tax Credits based on a failure to meet Threshold requirements.

INSERT two (2) copies of Form 0 “Application Receipt Form” in front of Tab 1. One (1) copy will be provided to the Applicant at submission. The second will remain with the Application submission. Applicants who do not personally deliver the Application will receive a scanned copy of the receipt via email.

**A. TAB 1: Cover Letter, Form 1 - Project Schedule and Waiver of Requirement Requests**

1. Cover Letter. Applicant must provide a cover letter that describes the Project, the target AMGI and rent structure, public benefit, any special characteristics, a Scope of Work narrative and any other information deemed pertinent.
2. Insert Form 1 - Project Schedule.
3. Insert Certificate from ~~2016~~2017 Application Workshop (See Section 2.5(B)).
4. Insert Certificate evidencing Developer Compliance Training (See Section 2.5(C)).
5. Waiver of Requirements. With the exception of Section 2.7 Scoring, and Threshold items, Applicants may request that ADOH waive specific requirements of this Plan. With the exception of waiver requests for Tab 14 (Utility Allowance), waiver requests must be submitted with the Application and shall be supported by a detailed narrative explanation sufficient to permit ADOH to determine that: 1) waiver of the requirement is consistent with I.R.C. § 42, its implementing regulations and IRS guidance; 2) waiver of the requirement accomplishes the purposes and objectives of this Plan; and 3) the waiver must not adversely affect the feasibility of the Project. Each waiver request must be submitted on a separate sheet of paper and inserted at this tab. ADOH considers requests for waivers on a case by case basis and waivers may be denied in the ADOH’s sole discretion. In the event that a waiver request is granted, ADOH will notify the Applicant in writing at the time of the award letter.

**B. TAB 2: Self-Score Sheet and Set-Aside Election**

1. Insert executed Form 2 “Self-Score Sheet”.
2. Insert executed Form 2-1 “Set-Aside Election”. An Applicant may designate one (1) or more Set-Aside categories. Applications that fail to demonstrate the requisite Applicant or Project characteristics for a designated Set-Aside will not qualify for a Reservation of Tax Credits in that Set-Aside category.

**C. TAB 3: Application and Certifications**

1. Complete and execute Form 3. In order to receive the point identified in Section 2.7(K) for a Project located in a QCT listed on Exhibit E, Applicant must also provide a map showing the location of the Project in the QCT using the Qualified Census Tract Locator tool which may be found at the following website: <http://www.huduser.org/qct/qctmap.html>.
2. Complete, execute and insert the Gap Financing Application (Form 3-1) behind Form 3. Applicant must include the Gap Financing Fee with the Gap Financing Application. Gap Financing Applications that do not include the Gap Financing Fee with the Application submission do not meet the eligibility requirements in Section 2.5 and will not be reviewed by the ADOH.
3. Complete, execute and insert the Applicant Certification and Indemnification (Form 3-2) behind the Gap Financing Application (Form 3-1).
4. ADOH reserves the right to require the submittal of IRS Form 8821, “Tax Information Authorization”, for each entity listed on Forms 8-2, authorizing ADOH as “Appointee” to receive from the IRS available information regarding any entity in which the Developer or Co-Developer have a Controlling Interest and the conduct of its business with the IRS relating to the Low-Income Housing Tax Credit Program. Such information received from the IRS may be used by ADOH in its sole discretion to disqualify an Application pursuant to this Plan.

**~~D. TAB 4: CPA Opinion~~**

~~Applicant must provide, on CPA letterhead and in substantially similar form to Exhibit B, an opinion which includes all reductions to Eligible Basis such as solar credits, historic tax credits and grants.~~

**~~F. TAB 5: Legal Opinion~~**

~~The Applicant must include a legal opinion stating that the Project meets the requirements of I.R.C. § 42 and that the Project has not been Placed in Service prior to the LIHTC Application date. The legal opinion must be provided by an attorney, on professional letterhead, in accordance with Arizona Supreme Court Rules 31 and 33 (requiring that an attorney licensed to practice law in Arizona provide the opinion on the formation of any Arizona entity listed in the opinion) and~~

~~must at a minimum address the issues stated in Exhibit C. If the attorney's professional letterhead includes a business address outside of Arizona, the opinion should include an acknowledgement that an attorney licensed to practice law in Arizona provided the opinion with respect to the portions that necessitate the opinion of an attorney licensed in Arizona, and the name of the attorney who wrote or reviewed that portion of the opinion.~~

~~If Acquisition Credits are being requested in connection with an Acquisition/Rehabilitation Project only, the legal opinion must clearly address the ten (10) Year Rule regarding the eligibility for Acquisition Credits. If the legal opinion submitted in the Application does not meet the requirements of I.R.C. § 42, ADOH may require the Applicant to update the legal opinion.~~

#### **4.D. TAB 6: Legal Formation, Licensing and Business Registration**

The Applicant must include evidence that the Applicant, Owner (if formed), Developer and Co-Developer are duly formed legal entities authorized to transact business in the State of Arizona and in good standing with the Arizona Corporation Commission or the Office of the Secretary of the State of Arizona. If the documents provided under 2.9(F)(1-4) below do not specify an individual or individuals who is/are authorized to sign on behalf of the Project, provide a board resolution or equivalent document specifying the name of the person who is authorized to act on behalf of the Project. The person specified must be authorized by a group or a person other than themselves.

1. Corporations. If the Applicant, Developer or Co-Developer is a corporation, provide the Articles of Incorporation and Bylaws. If the Applicant, Developer or Co-Developer was incorporated in Arizona, provide a certificate of good standing issued by the Arizona Corporation Commission confirming the legal existence of the entity as of the date of the certificate ("Certificate of Good Standing") and dated not earlier than thirty (30) calendar days prior to the Deadline Date. Applicants, Developers and Co-Developers incorporated in another state and doing business in Arizona must submit a certificate of good standing or its equivalent from the state of incorporation confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Deadline Date and a certificate of good standing to transact business in Arizona ("Certificate of Authority") for such foreign corporation, issued by the Arizona Corporation Commission and dated not earlier than thirty (30) calendar days prior to the Deadline Date.
2. Limited Partnerships. If the Applicant, Developer or Co-Developer is a limited partnership, provide an executed copy of the limited partnership agreement. If the Applicant, Developer or Co-Developer is a limited partnership organized under the laws of Arizona, provide a certificate of existence issued by the Arizona Secretary of State confirming the legal existence of the entity ("Limited Partnership Certificate of Existence") and dated not earlier than thirty (30) calendar days prior to the Deadline Date. Applicants, Developers and Co-Developers organized under the laws of another state and doing business in Arizona must submit the

following: a limited partnership certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity, dated not earlier than thirty (30) calendar days prior to the Deadline Date, and an Arizona Certificate of Authority from the Arizona Secretary of State dated not earlier than thirty (30) calendar days prior to the Deadline Date.

3. Limited Liability Companies. If the Applicant, Developer or Co-Developer is a limited liability company, then provide the Articles of Organization (or its equivalent) and Operating Agreement. If the Applicant, Developer or Co-Developer is organized under the laws of Arizona, provide a certificate of good standing existence, issued by the Arizona Corporation Commission confirming the legal existence of the entity (“LLC Certificate of Good Standing”), dated not earlier than thirty (30) calendar days prior to the deadline date. Applicants, Developers, and Co-Developers organized under the laws of another state and doing business in Arizona must submit the following: a certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Deadline Date and an Arizona Certificate of Good Standing issued by the Arizona Corporation Commission for such foreign limited liability company dated not earlier than thirty (30) calendar days prior to the Deadline Date.
4. Housing Authorities. If the Applicant, Developer or Co-Developer is a Public Housing Authority, then provide the bylaws of the Public Housing Authority and a copy of the resolution or ordinance from the government entity that authorized the formation of the Public Housing Authority.
5. Signature Block. Provide a signature block for the Project Owner who will sign the Carryover Allocation Agreement.

#### **J.E. TAB 7: Non-Profit Organization Information**

Projects competing in the Non-Profit Set-Aside must provide the information and materials described in this section. The Applicant must complete and execute Form 7, certifying that the Non-Profit Organization is the Developer. Both the Developer and any Co-Developer(s) must be Non-Profit Organizations. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its sole purpose Affiliate. Applicant must be a qualified non-profit organization as defined under I.R.C. § 42(h)(5)(C). The Non-Profit Organization cannot be formed by a member (or an Affiliate) of the Development Team for the principal purpose of being included in the Non-Profit Set-Aside. The Non-Profit Organization cannot be formed by one (1) or more individuals of for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside. Applicant must provide information on the owners, directors, officers, and any Person with a Controlling Interest in itself, its general partner and the owners of the general partner. ADOH requires that the Non-Profit Organization provide:

1. IRS documentation of I.R.C. § 501(c)(3) or 501(c)(4) status (for a Non-Profit Organization formed under Tribal governing law and that is not required under Tribal governing law to obtain IRS documentation of its status, the Tribal agency may submit documentation that the Tribal Non-Profit organization is formed and maintained in a substantially similar manner as an organization formed and maintained under I.R.C. § 501(c)(3) or (4)).
2. A copy of the Non-Profit Organization's Articles of Incorporation and Bylaws and all relevant amendments, one (1) of which must contain a description of the Non-Profit Organization and its activities that include the fostering of low-income housing in its Articles of Incorporation or Bylaws, as may be amended. If the Articles of Incorporation and Bylaws do not specify an individual or individuals by name who is/are authorized to sign on behalf of the Non-Profit, provide a board resolution or equivalent document specifying the name of the person who is authorized to act on behalf of the Non-Profit. The person specified must be authorized by a group or a person other than themselves.
3. Evidence that it or its officers or members have experience in developing or operating low-income housing.
4. Evidence (in the letter of intent received from the investment syndicator) that it holds the right of first refusal to acquire the Project following the fifteen (15) year Compliance Period.
5. If more than one (1) Non-Profit Organization is participating in the Project, provide evidence that each Non-Profit Organization has developed an operating plan for the Project covering its role in developing and managing the Project, including its participation in the Developer Fee, its control of Project reserves, its strategy for maintenance, replacement, and renovation, and its oversight of marketing and of compliance with I.R.C. § 42.
6. The names of board members of the Non-Profit Organization.
7. The sources of funds for annual operating expenses and current programs.
8. Evidence of financial capacity and solvency in the form of Financial Statements for the prior two (2) full calendar years.

**K.F.      TAB 8: Development Team**

The Applicant must demonstrate that the Development Team possesses the experience and financial capacity necessary to undertake and complete the Project, and that the Developer and/or Co-Developer, as applicable, have developed Projects of comparable size, financial complexity and whether or not the Development Team has experience with Affordable Housing programs.

1. Municipalities incorporated under A.R.S. §9-101 et seq. and counties formed under A.R.S. §11-101 et seq. and/or affiliated entities of such municipalities or counties may not participate as an Applicant or Developer without the participation of a non-governmental Co-Developer.
2. The following items must be provided in Tab 8:



- a. Applicant must insert a completed Form 8.
- b. Applicant must include an organizational chart that describes the relationship whether through ownership, control or contract between the Applicant, Developer, Co-Developer and Owner.
- c. Applicant must insert a completed Form 8-1, including a signed acknowledgement regarding any property in the process of foreclosure or that was foreclosed as described in Section 2.5(I). The Person listed with the experience must be the Developer or Co-Developer to obtain Development Experience points in Section 2.7(A). If a Person identified on Form 8-1 is an individual, that individual must be the principal contact for the Project and be personally overseeing and actively involved in all aspects of the development of the Project through 8609s.
- d. Applicant must insert a completed Form 8-2 for each state, including Arizona, where the Developer (and Co-Developer, if applicable) has projects.
- e. Insert a completed Form 8-3 for the Developer and Co-Developer (where applicable). Provide the information requested for all real estate that is owned by the Developer (and Co-Developer, where applicable) or for entities in which the Developer (and Co-Developer, where applicable) have a Controlling Interest, regardless of location and whether or not the real estate is Affordable Housing.
- f. Applicant must include a copy of the legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement. If the limited partnership agreement, operating agreement, or development services agreement has not been finalized, then ADOH will accept a provisional agreement with a warranty that the requisite authority will be made a part of any such agreement at the time of closing with the Tax Credit Equity Investor and the construction lender.
- g. Applicant must provide a narrative describing the experience of the Development Team as it relates to the development of the proposed Project, and include resumes of the specific officers or supervisory employees of the Developer (and Co-Developer(s), if applicable) who possess the knowledge and experience required by this paragraph and as otherwise necessary to support a claim for points for Developer experience. Applicant must demonstrate the Development Team's prior, successful housing experience and engage the services of housing professionals, such as architects, appraisers, attorneys, accountants, contractors and property managers with demonstrable tax credit and housing experience. Applicant may demonstrate the housing professional's experience through firm resumes. The narrative must also provide a breakdown listing the specific roles and responsibilities of the Developer and Co-Developer(s), where applicable.



- ADOH may request a copy of the development agreement if it determines that it would be beneficial in its review of the Project.
- h. Developers must have the financial capacity to successfully complete and operate the proposed Project. Applicant must include evidence of financial capacity and solvency in the form of Financial Statements of the Developer for the prior two (2) full calendar years.
  - i. The Developer identified in the Application must demonstrate, in Forms 8-1 and 8-2, that it has developed the Project(s) for which it is requesting points in the Developer experience category from concept through lease up, conversion of the construction loan, and issuance of IRS Forms 8609 for Tax Credit Projects. (Copies of the Forms 8609 are not required to be included in the Application.)
  - j. Applicant must provide explanation of an identity of interest designated under Development Team Information on Form 3 Item 6. Applicant should note that the Developer must identify the existence of an identity of interest with another party to the Development Team.
  - ~~k. Applicant must insert a Compliance Monitoring Plan that describes how the Project will meet the requirements of I.R.C. § 42, the requirements of other applicable housing programs, and state and local requirements.~~
  - l. The Applicant must demonstrate that the entities responsible for operation and management of the property possess the training and education necessary to comply with all applicable program requirements. See Section 8 of this Plan for specific compliance monitoring requirements.
  - m. l. Marketing Plan. The Applicant must include an affirmative marketing plan in the Application that is dated no earlier than ninety calendar days prior to the Application Due Date and is completed in accordance with fair housing requirements and demonstrates how the Project will meet lease up requirements consistent with I.R.C. § 42 and any requirements of the Equity Investors and permanent lenders to the Project. The marketing plan must specifically address any potentially adverse demographic, rent-up or capture rate information in the Application for the primary market area identified in the Market Demand Study. If Applicant has designated certain Units for a certain population, the marketing plan must indicate how the population will be targeted. All projects must include the HUD Affirmative Fair Housing Marketing Plan (HUD Form 935-2a), which may be obtained through the following website:  
<http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf>
- In the event that the Project is at less than seventy-five percent (75%) occupancy after six (6) months from the Placed in Service date, the Owner is strongly encouraged to contact

the local Public Housing Authority to occupy the units from the current, public housing waiting list.

n.m. Tenant Selection Plan. If a wait list is anticipated, the Applicant must include a tenant selection plan that outlines the collaboration and selection processes for tenant referrals from any service providers, as well as how the waiting list will be maintained.

**L.G. TAB 9: Acquisition, Site Control, Environmental Review and Site Plan Approval**

1. Projects involving Acquisition - Appraisal Requirements.

Applicant should refer to Section 7.1(C)(4)(a) of this Plan regarding the land and, if applicable, building value(s) that will be accepted in the Development Budget.

- a. New Construction Project. A land only Appraisal of real property must be provided as part of the Application submittal. A land Appraisal is not required for Donated Land on a New Construction Project or on leased land.
- b. Acquisition/Rehab Project or Adaptive Re-use Project. The Appraisal must include separate values for the land and the buildings. Projects with single-family detached homes must include a separate valuation and inspection of at least twenty-five percent (25%) of each unit type and condition in the Appraisal. If an additional appraisal is required under Section 2.9(I)(A)(4) below, ADOH shall randomly select the units for inspection from lists of each unit type.
- c. Tribal Project. Projects on tribal land may submit cost-based appraisals utilizing the appraisal guidebook published by U.S. Department of Housing and Urban Development, Valuation Analysis for Single Family One- to Four-Unit Dwellings, Directive 4150.2, including an estimate of depreciation on improvements using an economic age-life method of estimating depreciation using the following assumptions:
  - 1) The total Economic Life shall be forty-five (45) years based upon Marshall and Swift life expectancy estimates for a low cost house. Improvements with an Actual Age greater than forty-five (45) years are not eligible for an Acquisition/Rehabilitation Project unless they have undergone sufficient rehabilitation within the past forty-five (45) years bringing them to a condition that otherwise demonstrates that the improvements should not be demolished and re-constructed.
  - 2) The Effective Age should be the Actual Age of the improvements, unless documented improvements have been made to reduce the Effective Age. However, the lack of typical maintenance may increase the Effective Age of the improvements. Documentary evidence of the improvements (such as proof of payment of invoices) shall be included in the Appraisal.

- 3) The Replacement Cost estimate shall be taken from the most recently published Marshall and Swift's Residential Cost Handbook.
- d. Appraisal Validation. In the event that the Appraisal submitted with the Application is not acceptable to ADOH in its sole discretion, ADOH will select a second appraiser who will provide an Appraisal at the Applicant's expense to determine whether the valuation provided in the Applicant's submitted Appraisal is reasonable. If the variance between the first and second Appraisals is less than five percent (5%) without rounding, ADOH will use the value in the first Appraisal in its Application stage underwriting. If the variance is five percent (5%) or more without rounding, ADOH will use the value in the second Appraisal in its Application stage underwriting of the Project. If the Applicant wishes to appeal the second Appraisal, the Applicant may request that a third Appraisal be performed at its expense. The third Appraiser shall be mutually agreed upon by the first two (2) appraisers, and the third Appraisal shall be used in ADOH's Application stage underwriting.
2. Site Control.

Only Projects meeting the requirements under Section 2.7(B) with at least fifty percent (50%) of the total Units built as New Construction shall receive Project Readiness points.

The property on which the Project is to be built or rehabilitated must be zoned for the proposed use with no additional zoning approvals required as of the Deadline Date to submit the Application. To establish Site Control for threshold requirements, the Applicant must submit the following to ADOH:

a. All Applications on Non-Tribal Land.

A "Title Commitment" or "Title Report" if Applicant already owns the property, for the property dated within sixty (60) calendar days of the date of the Application by a title insurer licensed in Arizona. The title commitment must not include any conditions or requirements materially and substantially adverse to the feasibility of the Project.

b. Non-Government Land.

*Purchase Contract or Options*

- 1) If the Applicant has a binding commitment to transfer control or ownership of the land to the Owner or Applicant, then the Applicant must submit a copy of the executed commitment. As of the Application Due Date, the only remaining contingency in a binding commitment that is in the Seller/Lessor's control may be a condition of receipt of tax credits. No other conditions will be accepted.
- 2) If a purchase contract, or purchase option is submitted, a copy of the agreement must be submitted and the relevant agreement must provide for either a closing date or an

initial term lasting until the period ending no less than one hundred eighty (180) calendar days after the Deadline Date for submittal of the Application. If more than one (1) Project is included in the purchase contract, it must include a breakdown of costs associated with each of the Projects.

- 3) If Applicant is requesting ADOH Gap Financing, HOME or CDBG funding from any source:
  - i. A purchase option must include language that it is subject to a determination by the recipient on the desirability of the property for the Project as a result of the completion of the environmental review in accordance with 24 CFR Part 58 and the cost of the option is limited to a nominal portion of the purchase price.
  - ii. A conditional purchase contract must include language similar to the following:

*“Notwithstanding any other provision of this Contract, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until ADOH (and/or other Responsible Entity, as applicable) has provided Purchase and/or Seller with a written notification that: (1) it has completed a federally required environmental review and its request for release of federal funds has been approved and, subject to any other Contingencies of this Contract, (a) the purchase may proceed, or (b) the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property; or (2) it has determined that the purchase is exempt from federal environmental review and a request for release of funds is not required. ADOH (and/or other Responsible Entity, as applicable) shall use its best efforts to conclude the environmental review of the property expeditiously.”*

As of the 24 CFR 58.22 effective date for the Project, conditional purchase contracts may only be used for the acquisition of existing multifamily residential properties.

#### *Land Lease*

- 1) If the Applicant has entered into a lease agreement, the lease agreement must be submitted. The lease must include a provision that the owner of the land will execute the LURA, encumbering the real property titled in the name of the owner. The lease must specify a specific rental amount and a term equal to or longer than the Extended Use Period.

#### *Land Lease Option*

- 1) If a lease option is submitted, a copy of the agreement must be submitted and the relevant agreement must provide for either a closing date or an initial term lasting until the period ending no less than 180 calendar days after the Deadline Date for submittal of the Application. The lease to be entered into must be attached and

specify a specific rental amount, a term equal to or longer than the Extended Use Period, and provide for the owner of the land to execute the LURA, encumbering the real property titled in the name of the owner.

*Land Owned by Applicant or Owner*

- 1) An Applicant or Owner who holds fee title to the property must provide a copy of the recorded deed listing the Applicant or Owner as the grantee and a final settlement statement prepared by the title company evidencing the purchase of the property. Estimated settlement statements will not be accepted.
- c. Government Land - Non-Tribal.
- 1) In addition to all of the requirements for non-governmental property in Sections 2(a) - (e) above, Applicant must provide evidence that the local governing body has approved all terms of the land transfer or lease.
  - 2) In cases requiring the use of powers of eminent domain by the Local Government, the Applicant must enclose evidence that a condemnation lawsuit has been filed for the specific parcels or real property upon which the Project may be situated together with the court's order of possession. Applicant must also include a resolution for the Local Government action on such condemnation.
- d. Tribal Land.
- 1) For Projects located on Tribal Land, where the Applicant has not yet entered into a lease agreement, Applicant must establish legal control of the property by submitting:
    - i) an agreement between the Project Owner and the Tribe to enter into a lease of specific real property for a term at least equal to the duration of the LURA, ii) a resolution of the Tribe (or TDHE as applicable) authorizing the Tribe (or TDHE) to enter into the submitted agreement. The agreement to enter into a lease must also specify a rental amount and provide that the Tribe (or TDHE) will execute the LURA.
  - 2) For Projects located on Tribal Land where the Applicant has entered into a lease agreement, attach evidence that the Tribal land has been leased and all necessary approvals from the Tribe, the Bureau of Indian Affairs and other governmental approvals (as applicable) have been secured. The lease must specify the specific real property being leased, a specific rental amount, a term equal to or longer the duration of the LURA, and that the Tribe (or TDHE) will execute the LURA.
  - 3) For Tribal leases only, ADOH may consider the length of the lease to be the original term of the lease plus the term of any option to renew, provided that the option to renew is held solely by the Applicant.

- 4) For off-reservation Tribal Lands that are established by a federal public law, Applicant must also submit documentation of the federal public law that establishes that the property qualifies as Tribal Land.
  - 5) For all Projects located on Tribal Land, submit a title status report from the Bureau of Indian Affairs at the time of the Equity Closing package described in Section 2.11.
3. Environmental Reviews.

Except as specified below, the Phase I Assessment and HUD Format Environmental Review are due 120 days from the date of the Reservation letter.

At Application, an ASTM E 1527-13 Phase I Assessment (with asbestos and lead paint reports if a rehabilitation), is required for all LIHTC projects. LIHTC projects that are partially funded with federal funds (HOME, CDBG, federal project based Rental Assistance) also require the completion of a HUD Format Environmental Review in accordance with 24 CFR 50 and 24 CFR 58. The ASTM E 1527-13 Phase I Assessment should be completed first because it provides information for the HUD Format Environmental Review.

- a. The Phase I Assessment may not be dated more than one (1) year prior to the Application Due Date if submitted with the Application. The lead based paint report may not be dated more than twenty-four (24) months prior to the Application due date if submitted with the Application. If the Phase I identifies issues and/or the need for remediation, further testing or a Phase II, Applicant must submit in the Application a remediation plan or proposal for further testing, Phase II and/or studies. Applicant's Form 3 - Development Budget, must also include the costs associated with the need for further testing Phase II or additional studies.
- b. At Application, if the Application includes Federal or State funding in the capital stack (i.e., funding sources), Projects located in a one-hundred (100) year flood plain and/or which are subject to a historic review process located in a historic district or area that has been zoned as an historic area, or include buildings which are listed or eligible to be listed in the National Register of Historic Places, must submit a draft 24 CFR Part 58 Environmental Review that concludes that the Project is ready to publish a FONSI (finding of no significant impact).
- c. HUD Format Environmental Reviews (not required at Application) assess the effects of activities carried out with Federal funds, including project based Rental Assistance. The acquisition of property or any physical action taken on a proposed site prior to the completion of HUD Format Environmental Review precludes the ability to use federal funds such as HOME, CDBG, or project based Rental Assistance. HUD Format Environmental Reviews generally require between thirty (30) and 120 calendar days to complete, depending upon the type of activity and its location. Applicants are encouraged



to begin the HUD Format Environmental Review prior to a Reservation of Tax Credits if the Applicant anticipates any delays in obtaining a HUD Authority to Use Grant Funds by the deadline in Section 7.1(D).

4. Site Plan Approval.

- a. Only Projects meeting the requirements under Section 2.7(B) with at least fifty percent (50%) of the total Units built as New Construction will be considered for Project Readiness Points. Points under Section 2.7(B) are not available for Projects claiming points under 2.7(J) for Affordable Housing Preservation.
- b. Applicant must attach Form 9 evidencing the Local Government's (or Tribe's) final site plan approval. In order to receive points for Project Readiness, site D design review must have been completed and Project must have received final site plan approval (wherein no further site design review is required and the next step is to develop and submit engineering and construction documents for review and approval) or equivalent approval from the Local Government or Tribe with jurisdiction over the land.

M.H. **TAB 10: Planning and Zoning Verification**

Applicant must:

1. Provide evidence that the property on which the project is to be built or rehabilitated is zoned for the proposed use at the time of application with no additional zoning approvals required.
2. Insert a completed Form 10, signed by an Authorized Signatory of the Local Government.
3. For new construction, provide will-serve letters for water and sewer dated within 180 calendar days of the Application Due Date signed by an Authorized Signatory of the utility provider acknowledging that the utilities provided is anticipated to meet the needs of the Project. If the proposed construction activity includes acquisition/rehabilitation, adaptive re-use, or acquisition/demolition, Applicant may provide a utility bill from utility provider dated within sixty (60) calendar days of the Application due date, evidencing that services are presently available to the Project and will continue to serve the Project upon completion of construction.

N.I. **TAB 11: Financial Ability to Proceed**

Applicant must demonstrate that the Developer has funding sources necessary to complete the Project to such a point that the ADOH can properly issue the Form 8609. Applicant must provide the following documentary support:

1. Letter of Interest or Intent from Tax Credit Syndicator. A Letter of Interest or Intent from a Tax Credit syndicator proposing the terms and pricing of purchase of Tax Credits allocated to the Project.



2. Letters of Interest or Intent from Other Sources of Financing. Copies of Letters of Interest/ Intent or term sheet from all sources of financing that defines: the amount of the loan, interest rate (also the proposed interest rate to be used for underwriting, if the interest rate is expressed as a spread over an index), all points charged, amortization period, (if applicable), term of the loan, loan-to-value factor, minimum debt service coverage allowable (not required if the permanent lending source is a governmental or Tribal entity), all commitment and/or origination fees, and a description of all other fees directly attributed to the funding of the loan. Soft loans should also include the terms of any applicable deferred payment terms and/or forgiveness provisions. Federal funds that are forgivable will be deducted from Eligible Basis.
3. Pro Forma and Operating Expenses. Include a fifteen (15) year pro forma. See Section 7.1 for assumptions relating to operating expenses that must be included in the pro forma. Rehabilitation projects must submit three (3) years of historical operating financials, if available. The pro forma submitted at Application does not need to be signed by lenders or syndicators, but it must be consistent with the Letters of Intent that are submitted with the Application.
  - a. The pro forma must reflect the rent structure in the Application, all lenders' assumptions such as principal and interest payments, cash flow obligations, non-rental income, detailed operating expenses, required reserves, annual fees and debt service coverage ratio.
  - b. If the pro forma reflects negative cash flow in any year, the Application must demonstrate the funding and utilization of an operating deficit escrow account or describe the source of the operating deficit funds. A commitment from the entity funding the operating deficit reserve/escrow funds must be included with the other funding source documents.
  - c. The pro forma may reflect rental assistance if supported by the other funding source documents.
  - d. Applicants proposing operating expenses that are not compliant with Section 7 of this Plan must submit at least two (2) forms of data supporting the feasibility and reasonableness of the operating expenses stated in the pro forma (for example, comparable Project information as illustrated in a Market Demand Study, IREM information or National Apartment Association information). ADOH may require submission of the audited Financial Statements for comparable Projects owned by the Applicant. Rehabilitation Projects may use the required three (3) years of historical information as evidence of operating expense assumptions if the proposed operations are not compliant with Section 7 and the need for rehabilitation is not due to deferred maintenance. In addition, the proposed management agent shall certify that the Operating Expenses are reasonable for the Project, as required under Section 7.1(C)(2)(e).

- e. The pro forma income and expense amounts must increase each year at a rate of two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligation amounts must increase each year at a rate of three percent (3%). ADOH will consider waiver requests for these assumptions if required by a syndicator or lender and the request is supported by documentation that justifies the proposed assumptions.

**Θ.J. TAB 12: Market Demand Study**

The Applicant must include a Market Demand Study that meets the requirements of Exhibit L, Market Demand Study guide.

**Ρ.K. TAB 13: Service Enriched Location**

1. Insert a completed Form 13 at the front of Tab 13. The information for each Facility claimed must be complete in order to receive the points for that Facility. Facilities for which incomplete information is listed on Form 13 will not be awarded points for that Facility.
2. Applicant must provide an eight and one-half by eleven (8 1/2 x 11) Google Earth aerial map for each of the following Facilities claimed for points, demonstrating that each is located within a one (1) mile straight line distance or two (2) mile straight line distance from the edge of the Project property line, as applicable to the Urban or Balance of State Project location.

The Applicant may calculate distance from the Project to the Facility from the edge of the Project property line closest to the Facility. The distance from the Project property line to the Facility must be accurately demonstrated to ADOH using Google Earth aerials with a distance line and Google Earth's calculation of the distance in feet, not miles. The results should be able to be duplicated during ADOH's review of the Application.

In the event the Project is comprised of Scattered Sites, Applicant must demonstrate that the Facility is within the required distance to the site that contains most of the housing Units. In the event that the Scattered Sites all contain an equal number of units, ADOH will award points based upon the one site that would earn the most points in conjunction with Tab 18.

In addition, each Facility must be located at a fixed location, be clearly identified by name on the applicable Google Aerial map along with the category within which the Applicant is claiming points. See Exhibit A for requirements for mapping the Project and facilities.

- a. Existing LIHTC ~~or~~ and any other governmental subsidized housing developments within five (5) miles of the Project site. (Applicant should note that this is not a point requirement, but is required to be provided within this Section).
- b. Grocery Store. Applicant must provide evidence of full scale grocery store/supermarket or neighborhood meeting the QAP definition of Grocery Store. Applications claiming points for Grocery Stores that are not listed in the QAP's definition of Grocery Store must provide evidence that it meets the entire definition in order to be awarded points.

Evidence may be in the form of Grocery Store advertisements, internet information, and/or a letter on company letterhead from the Grocery Store manager, but must be able to be verified by ADOH during its review of the Application. Applications claiming points for a Grocery Store that is a WIC Vendor must provide evidence that the Facility is a WIC Vendor by inserting the Page from the WIC Vendor List posted ~~at-on one of the following~~ websites provided with the WIC Vendor definition in the Definitions section of this Plan, which identifies that the WIC Vendor claimed for points is contracted with WIC or the Inter Tribal Council of Arizona as of the Application Due Date: <http://www.azdhs.gov/documents/prevention/azwic/az-wic-vendor-list.pdf>.

- c. Schools (only for Projects that are seeking points as a Household with Children). Applicant must provide evidence of an elementary, junior high (if applicable), high school, K-12 or charter school or alternative school rated "B" or better by the Arizona Department of Education in its list of school letter grades for 2014. In lieu of a school within the applicable one (1) or two (2) mile distance, ADOH will award points for a school if the Project is located within an existing school boundary line for the school rated "B" or better by the Arizona Department of Education identified in the preceding sentence and the Applicant inserts a school boundary map showing the location of the Project within the school boundary. However, schools without school boundary lines must be within the applicable one (1) or two (2) mile distance to qualify for points.
  - d. Senior Center (only for Projects that are seeking points for a Housing for Older Persons Project). Applicant must provide evidence of community or senior center operated by a Local Government or third party Non-Profit Organization that provides on-site daily programs and services during the week specifically designed for the Older Persons population.
  - e. Hospital, Urgent Care Clinic, Federally Qualified Health Center, or VA Health Center.
    - 1) Hospital. Applicant must provide evidence that twenty-four (24) hour emergency, cardiac services, major surgery and overnight care are provided.
    - 2) Urgent Care Clinic. Applicant must provide evidence that the Facility meets the criteria stated in the QAP definition of Urgent Care Clinic.
    - 3) Federally Qualified Health Center. Applicant must provide evidence that the Facility meets the criteria stated in the QAP definition of Federally Qualified Health Center by inserting the Page from one (1) of the two (2) search engines identified in the definition that identifies the Federally Qualified Health Center claimed for points as of the Application Deadline Date.
    - 4) VA Health Center. (Points available for Projects claiming points as a Veterans Project only.) Applicant must provide evidence that the Facility meets the criteria stated in the QAP definition by inserting the Page from the search engine identified in the

definition that identifies the VA Health Center claimed for points as of the Deadline Date to submit the Application.

- f. Recreation Center or Public Park. Applicant must provide evidence that the Facility meets the criteria below:
  - 1) Recreation Center. Applicant must provide evidence that the entity operating the Facility, the cost to program participants, and the programs offered meet the requirements of the QAP definition.
  - 2) Public Park. Applicant must provide evidence that the Public Park is operated by a governmental entity or Tribe.
- g. Public Library: Applicant must provide evidence that the Facility meets the QAP definition. Libraries that charge a fee to obtain a library card will not receive points for this category.

**Q.L. TAB 14: Utility Allowance Schedule**

1. Utility allowances shall be based on the energy consumption model (Treas. Reg. § 1.42-10(b)(4)(ii)(E)) and must be prepared by a qualified professional as described in this paragraph. For purposes of this Section 2.9(N), a qualified professional is a Certified RESNET Home Energy Rater who is in good standing with the Residential Energy Services Network (“RESNET”). Furthermore, the qualified professional must not be related to the building owner, Property Manager or any other entities owned or controlled by these parties within the meaning of I.R.C. § 267(b) or § 707(b).
  - a. Existing-Non-Rehab Projects. For existing properties that are not being remodeled/rehabilitated, the qualified professional shall obtain from the appropriate utility companies actual utility bills for the previous twelve (12) months of building operation and calculate the average, total utility bill for each unit type for the property. Once approved, the new utility allowances are to be utilized for building operation and rent calculations for the property and must be updated and submitted annually to ADOH using the same process outlined in this paragraph.
  - b. Existing-Rehab Projects. For existing properties that are being remodeled/rehabilitated, a Certified RESNET Home Energy Rater shall perform an energy analysis for the property following the RESNET Home Energy Rating System Standards. The analysis shall establish an estimated utility allowance for each unit type based on the implementation of all ADOH approved improvements. After all improvements have been made and all necessary verification testing and inspections have been completed, a RESNET “confirmed rating” or “sample rating” shall be issued for the Project.

- c. New Construction Projects. For new construction properties, a Certified RESNET Home Energy Rater shall perform an energy analysis for the property following the RESNET Home Energy Rating System Standards. The analysis shall establish an estimated utility allowance for each unit type based on the implementation of all ADOH approved design requirements. At Project final, and completion of all necessary verification testing and inspections, a RESNET “confirmed rating” or “sample rating” shall be issued for the Project.
  - d. For Existing-Rehab and New Construction Projects, the Owner must submit to ADOH documentation that the “confirmed” or “sampled” rating is completed and include a report of the utility allowance estimates for each unit type. Once approved, the estimated utility allowances are to be utilized for the first year of building operation and rent calculations.
  - e. For Existing-Rehab and New Construction Projects, at the conclusion of the first year of operation utilizing the utility allowance estimates, the qualified professional shall obtain from the appropriate utility companies actual utility bills for the previous twelve (12) months of building operation. The professional shall calculate the average actual utility bill allowance for each unit type for the property. The Owner must submit to ADOH a report of the average actual utility allowance for each unit type. Once approved, the new utility allowances are to be utilized for building operation and rent calculations for the property and must be updated and submitted annually to ADOH using the same process outlined in this paragraph.
2. ADOH has determined that the energy consumption model shall be used to conform to the requirements under 24 CFR 92.252(d). All Applicants, with the following exceptions, shall be required to submit a utility allowance prepared by a Certified RESNET Home Energy Rater:
- a. Projects supported by USDA Rental Assistance or Section 8 HAP Contracts must submit copies of the most recent USDA/HUD approved utility allowance and rent schedule, with a letter from the issuing authority dated no sooner than sixty (60) calendar days prior to the Deadline Date to submit the Application, confirming the date of the most recent utility allowance.
  - b. Projects with 100% Owner paid power (and if applicable, gas,) are not required to submit a utility allowance schedule.
  - c. Projects for which a Controlling Interest is held by a Public Housing Authority are permitted to use the method required by HUD to determine a utility allowance for their programs.
  - d. Projects where a Local Government is providing HOME or CDBG funds may use the method prescribed by the Local Government for the HOME-assisted or CDBG-assisted

Units only, which shall not be 100% of the Units. Therefore, these Projects will be required to submit the utility allowance prepared by the RESNET Certified Home Rater for the non-assisted Units.

**R.M. TAB 15: Property Design Standards, Drawings and Plans**

Insert Form 15, Architect's Certificate, stating that the architect has read Exhibit D Year ~~2016~~2017 Mandatory Design Standards for Multifamily Rental Housing, and certifies that the Project complies with the requirements.

The Applicant must include preliminary drawings and renderings of the development including:

1. A schedule prepared by the architect that includes:
  - a. Residential Floor Area of buildings
  - b. Residential Gross Floor Area of buildings
  - c. Non-Residential Floor Area
  - d. Non-Residential Gross Floor Area
  - e. Total Project Square Footage (Net and Gross)

Refer to the definitions in this Plan for specific information regarding what is included in each of the terms above. Residential Floor Area plus Non-Residential Floor Area does not equal Total Project Square Footage.

2. A site plan showing the site topography, general development of the site, streets bordering the site, the building and parking location. Outdoor amenities claimed ~~for points~~ on Form 3 must be shown on the site plan.
3. The building layout and net floor area for Projects proposing a Community Facility or Community Services Facility, and the areas for programs under Section 2.7(F), in any Community Services Facility,
4. Plans and elevations for each proposed building and clubhouse.

**S.N. TAB 16: INTENTIONALLY LEFT BLANK**

**T.O. TAB 17: Sustainable Development**

Insert Form 17, signed by the architect certifying that the following are included in design documentation/specifications: 1) all sustainable development products/ systems applying for points under Section 2.7(D) are included in design documents/specifications; 2) energy Efficiency standards outlined in the ADOH Year ~~2016~~2017 Mandatory Design Standards for Multifamily Rental Housing, (Exhibit D). If claiming points for environmentally preferred products or products fabricated in Arizona, cut sheets must be provided in the equity underwriting submission. Form 17 must be resubmitted along with the Application for final Allocation of Tax



Credits certifying that all sustainable development products/systems claimed for points at Application were installed.

If the Applicant has selected LEED for Homes Gold Certification for this Project scoring category, the Applicant must provide 1) a letter from architect confirming that Project is pursuing the LEED for Homes Gold Certification path and 2) a copy of the LEED for Homes Project Checklist that has been completed by the architect or LEED Green Rater showing sufficient points to obtain the LEED for Homes Gold Certification. The checklist may be obtained from the U.S. Green Building Council.

#### 1. Prescriptive Categories.

These categories were developed in conjunction with the LEED for Homes, and Enterprise Sustainable Communities, Inc., a 501(c)(3) organization (“Enterprise Sustainable Communities”). For clarifications on individual line items and terms, refer to the LEED for Homes reference guide: <http://www.usgbc.org/resources/leed-homes-reference-guide> and the Enterprise Sustainable Communities criteria 2008: <http://www.enterprisecommunity.com/resources/ResourceDetails?ID=66641.pdf>.

To be awarded any Sustainable Development points under Section 2.7(D), specific sustainable product details, building methods/applications and/or systems are required to be listed on Form 17 at the time of the initial Application and at final Tax Credit Allocation.

The architect and/or builder is required to list all of the Sustainable Development products, building methods and energy systems corresponding to the respective point categories claimed, and specify and ensure the use of all claimed Sustainable Development products.

##### a. Energy Inspections.

**The following inspections and testing must be completed for all projects. If requesting inspections from FSLHES, FSLHES will require ten (10) business days’ notice prior to scheduling inspections and confirmation that the construction superintendent is available to accompany the FSLHES representative throughout the entire inspection.** Inspections will include:

- 1) A minimum of ten percent (10%) of units shall be randomly selected for testing and inspections. HERS Raters shall follow Chapter 6 of the RESNET National Home Energy Rating Standards.
- 2) Pre-Insulation/Drywall Phase.
  - I. The building’s air/pressure barrier shall be continuous and unbroken at all walls separating conditioned from unconditioned space;
  - II. All insulation shall be in full contact with the air/pressure barrier, minimizing gaps, voids, compression, misalignment, and wind intrusion;



III. If duct leakage is measured pre-drywall, leakage shall be measured in accordance with Section 3(b) below;

IV. Verify windows have a low-e coating.

3) Final Inspection.

I. Measured envelope leakage shall be less than or equal to one (1) CFM50 per ft<sup>2</sup> of CFA;

II. Duct leakage:

i. If duct leakage is measured at final inspection, leakage to outdoors shall be less than or equal to two (2) CFM per 100 ft<sup>2</sup> of conditioned floor area (CFA) or a total leakage less than or equal to four (4) CFM per 100 ft<sup>2</sup> of CFA when tested at a pressure differential of twenty-five (25) Pa across the entire system, including manufacturer's air handler enclosure. If the air handler is not installed, leakage to outdoors shall be less than or equal to one (1) CFM per 100 ft<sup>2</sup> of CFA or a total leakage less than or equal to three (3) CFM per 100 ft<sup>2</sup> of CFA;

ii. Alternatively, the FSLHES may test for duct leakage using the pressure pan testing method, with each supply/return testing at or below 1.0 pascal;

iii. Unless the entire new air distribution system, including the manufacturer's air handler enclosure, is located entirely within the building thermal envelope, duct leakage testing is required;

III. Each bedroom shall be tested to confirm that room pressures, with respect to the main body of the unit, is at or below three point zero (3.0) pascals;

IV. Verify CO detector is installed (if applicable);

V. Verify that HVAC equipment meets ADOH standards: minimum fourteen (14) SEER for air conditioners; minimum fourteen (14) SEER and eight (8) HSPF for heat pump; and minimum eighty (80) AFUE for gas furnaces.

b. Energy Inspection Processes.

There are two (2) processes depending upon the existing involvement of a RESNET Certified Home Energy Rater ("HERS Rater") and/or a LEED Green Rater.

The reviews in Processes 1 and 2 below shall be limited to the energy efficiency requirements of the QAP as described in:

1) QAP Section 2.9(Q)(1)(A)(1-3);

- 2) Form 17 exhaust fans and fresh air under Materials and Indoor Air Quality (if claimed for points);
- 3) Form 17 Energy Efficiency selections claimed for points;
- 4) Exhibit D Sections (IX)(G) and XI (all energy efficiency items).

Non-energy efficiency related items on Form 17 are not included in this process and are reviewed by ADOH or its designated representative. Contact the ADOH Project Specialist assigned to the Project when all items have been installed. Non-energy efficiency related items include:

- I. Material and Indoor Air Quality items not related to energy efficiency such as Material Selection, Flooring, Smoke-Free Development, Fabricated in the State of Arizona, Environmentally Preferred Products (EPP), Waste Management; and all Water Efficiency items.
- 1) Process 1: HERS Rater/LEED Green Rater Inspections.

Projects which include a HERS Rater or LEED Green Rater for any of the following reasons shall follow Process 1.

- I. Project received points in Tab 17 for the performance based path or the LEED for Homes Gold Certification path.
- II. HERS Rater performed an energy analysis to provide an Energy Consumption Model utility allowance which was submitted at Tab 14 of the LIHTC Application.
- III. HERS Rater performed an energy analysis required under Exhibit D(XI).

- i. Notification.

Developer or its designated representative shall contact FSL Home Energy Solutions (FSLHES) at [FSLHES@fsl.org](mailto:FSLHES@fsl.org) to inform FSLHES that the project team includes a HERS Rater or LEED Green Rater.

Developer shall provide FSLHES with the following documents:

a) Full Set of Plans and Specifications in PDF format, with a copy to the ADOH Project Specialist assigned to the Project. Additional information such as photos shall be provided upon request.

a)b) Supplemental documentation that verifies the specification required in Form 17 for each system component claimed for points. For example, rather than "Energy Star windows" provide supporting documentation of the U factor and SHGC of the windows.

b)c) \_\_\_\_\_ Copy of all energy analyses completed to date and project scope of work including:

- ✓ Utility allowance analysis (included at Tab 14 of LIHTC Application).
- ✓ Energy Analysis (required by Exhibit D(XI)(F) for rehabilitation projects), if applicable.
- ✓ LEED for Homes Gold Certification checklist (if applicable).

e)d) \_\_\_\_\_ Contact information for the HERS Rater/LEED Green Rater.

d)e) \_\_\_\_\_ Documentation that the applicable HERS Rater/LEED Green Rater is fully credentialed and in good standing with RESNET and USGBC, as applicable. If the HERS Rater is doing less than 100% testing of every Unit, they must also be working with an accredited RESNET Sampling Provider. Screenshots or printouts from the following websites for RESNET Rater(s) and USGBC LEED Green Rater will provide the necessary documentation to be submitted to FSLHES. FSLHES will look up the Sampling Provider information based upon the screenshot/printout from the registry of raters that is provided for the RESNET Sampling Provider. Therefore, submitting a screenshot from the Sampling Provider list is not necessary.

- ✓ RESNET (Rater): <http://www1.resnet.us/registry/raters.aspx>
- ✓ USGBC (LEED Green Rater): <http://www.usgbc.org/people>
- ✓ RESNET (Accredited Sampling Provider):  
[http://www.resnet.us/professional/programs/rating\\_sampling\\_providers](http://www.resnet.us/professional/programs/rating_sampling_providers)

ii. Plan Review.

FSLHES shall review plans and specifications and provide a report to ADOH, Developer and the applicable HERS Rater/LEED Green Rater. The Developer shall ensure that the information and details in the report are disseminated to construction field staff. The report will include the following items:

- a) New Construction. Identify any concerns related to codes and ADOH standards described in the QAP and Exhibit D.
- b) Rehabilitation. Identify any concerns related to codes and ADOH standards described in the QAP and Exhibit D. The report will provide specific references to United States Department of Energy Standard Work Specifications (“SWS”) for measures included in the scope of work. The

SWS are important for getting critical details installed correctly and for proper implementation of measures included in the scopes of work.

iii. Pre-Drywall Review.

- a. Projects which received points for the LEED for Homes Gold Certification path shall use the LEED Green Rater and HERS Rater to perform testing, inspections, and program requirement verifications under the LEED program. They do not need to be submitted to FSLHES or ADOH.

Projects utilizing a HERS Rater shall have the HERS Rater perform the inspections outlined in the QAP. Once the Project passes the inspections, the HERS Rater shall submit the inspection report to FSLHES for review. (If sample testing and inspection protocols are followed, the HERS Rater's inspection report should demonstrate that the appropriate number of units were tested as required by Chapter 6 of the RESNET National Home Energy Rating Standards.) FSLHES will review the inspection report and submit a report on the review to ADOH.

iv. Final Review.

Projects which received points for the LEED for Homes Gold Certification path shall submit the LEED for Homes Gold Certificate to ADOH.

Projects utilizing a HERS Rater shall have the HERS Rater perform the inspections outlined in the QAP. Once the project passes the inspections, the HERS Rater shall submit the inspection report to FSLHES for review. (If sample testing and inspection protocols are followed, the HERS Rater's inspection report should demonstrate that the appropriate number of units were tested as required by Chapter 6 of the RESNET National Home Energy Rating Standards.) FSLHES will review the inspection report and submit a report on the review to ADOH.

Additional review may be performed by FSLHES, upon ADOH request, to investigate any issues or concerns.

2) Process 2 - FSLHES Inspections.

Projects which received points in Tab 17 for the prescriptive categories path, and for which no energy analysis by a HERS Rater has been performed, either to determine a utility allowance and/or under Exhibit D(XI), shall follow Process 2.

i. Notification.

Developer or its designated representative shall contact FSL Home Energy Solutions (FSLHES) at [FSLHES@fsl.org](mailto:FSLHES@fsl.org) to inform FSLHES that the Developer

is not working with a HERS Rater or LEED Green Rater to complete inspections.

Developer shall provide FSLHES with the following documents:

a) Full Set of Plans and Specifications in PDF format, with a copy to the ADOH Project Specialist assigned to the project. Additional information, if requested.

b) Copy of project scope of work (if rehabilitation).

c) Copy of project schedule with critical construction milestones.

d) Copy of Form 17 and list showing pages where each of the items claimed for points may be found in the Plans and Specifications.

ii. Plan Review.

FSLHES shall review plans and specifications and provide a report to ADOH, and Developer. The Developer shall ensure that the information provided with the report is disseminated to construction field staff. The report will include the following items:

a) New Construction. Identify any concerns related to codes and ADOH standards described in the QAP and Exhibit D.

b) Rehabilitation. Identify any concerns related to codes and ADOH standards described in the QAP and Exhibit D. The report will provide specific references to United States Department of Energy Standard Work Specifications (SWS) for measures included in the scope of work. The SWS are important for getting critical details installed correctly and for proper implementation of measures included in the scope of work.

iii. Pre-Drywall Review.

a) Developer shall schedule pre-drywall inspection with FSLHES at least ten working days prior to anticipated drywall installation.

b) FSLHES shall perform the inspections described in the QAP and Exhibit D.

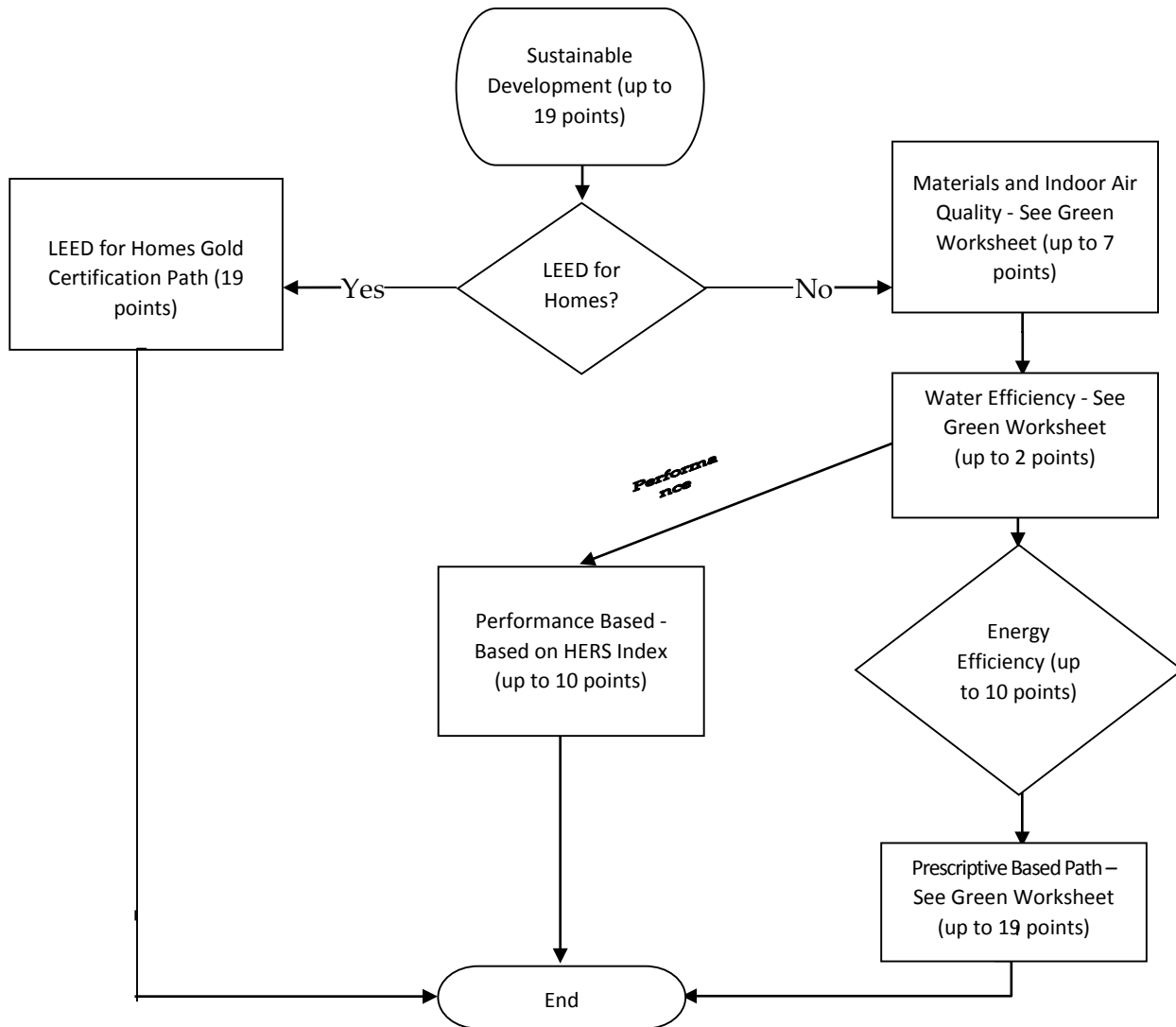
c) Construction superintendent shall accompany FSLHES during the inspection.

d) If the project fails inspection, FSLHES shall provide guidance regarding measures the contractor should take to pass during the next inspection, and inform the ADOH Project Specialist that the Project failed the inspection.

- e) If the Project passes inspection, FSLHES will provide a report the ADOH and Developer confirming that the project passed the inspection.
- iv. Final Review.
  - a) Developer shall schedule final inspection with FSLHES at least ten working days prior to anticipated certificate of occupancy.
  - b) FSLHES performs the inspections described in the QAP and Exhibit D.
  - c) (The construction superintendent shall accompany FSLHES during the inspection.)
  - d) If the Project fails inspection, FSLHES shall provide guidance regarding measures the contractor should take to pass during the next inspection, and inform the ADOH Project Specialist that the Project failed the inspection.
  - e) If the Project passes inspection, FSLHES will provide a report the ADOH and Developer confirming that the Project passed the inspection.

Additional review may be performed by FSLHES, upon ADOH request, to investigate any issues or concerns.

There are three (3) available paths for obtaining the Sustainable Development points as shown on the following diagram:



For Projects that use the LEED for Homes Gold Certification path, a copy of the LEED for Homes Gold Certification checklist completed by the architect or LEED Green Rater must be included with the Application to obtain points. The checklist may be obtained through the U.S. Green Building Council.

All non-LEED Projects must include Form 17 at the time of Application to apply for Sustainable Development points. Submit cut sheets for EPP and Fabricated in the State of Arizona products at the time of the equity closing submission. Product detail must be sufficient enough to allow ADOH to verify the appropriate products and/or materials being used to meet the proposed Sustainable Development criteria proposed in the Application in the proposed product/system. If actual products are changed during construction, the applicable cut sheets must be submitted to ADOH with the bi-monthly report for approval and the product must meet or exceed the



requirements for points in that scoring category than the product that was submitted at Application.

## 2. Performance Based Path

For Projects that use the performance-based path for energy efficiency, provide verification demonstrating the projected energy efficiency of the least efficient dwelling Units.

- a. In New Construction Projects, two (2) points will be awarded for each Home Energy Rating System (HERS) point below the baseline HERS Index of sixty-seven (67), with a maximum score of ten (10) points (i.e. a HERS Index of sixty-two (62)).
- b. In Rehabilitation Projects, perform an energy analysis utilizing a Certified RESNET Home Energy Rater following the RESNET Home Energy Rating System Standards. The HERS Rater must evaluate the building to establish a HERS Index for the existing building condition, then preparing an energy improvement report which identifies cost-effective energy improvements that achieve a minimum of fifteen percent (15%) reduction in energy usage over the existing building condition. The HERS Index that equates to a fifteen percent (15%) reduction, excluding the use of renewable energy, is the baseline required by ADOH. One (1) point will be awarded for each HERS Index point reduction below the baseline, excluding the use of renewable energy, with a maximum score of up to ten (10) points. For example, if an existing building has a HERS Index of 120, a fifteen percent (15%) reduction would equal a baseline HERS Index of 102 ( $120 \times 0.85$ ) that the Project must minimally achieve. If this same Project actually achieved a HERS Index of 95, it would be awarded seven (7) points ( $102 - 95$ ).

The projected, pre-construction HERS index must be submitted again to the ADOH once the construction drawings have been completed and the final confirmed HERS Index must be submitted at 8609 submission. This category is available for Projects that have a maximum of four (4) residential stories. Common areas must use construction materials and methods consistent with those used in the dwelling Units.

To verify the projected HERS score at the time of Application, Applicant must provide a certification from a Certified RESNET Home Energy Rater that the Project's schematic design has been reviewed and it is possible for Applicant to achieve the projected HERS Index score. In the event Applicant does not meet the projected HERS Index score, ADOH will withhold issuance of 8609s until Applicant provides ADOH with a method to improve the energy efficiency of the building, excluding the use of renewable energy, to achieve the approved projected HERS Index score and the improvements have been completed.

For renewable energy system points, a separate additional financial worksheet must be provided showing all of the applicable financial incentives including, but not limited to: energy tax credits (include syndication agreements for valuing these credits), power purchase

agreements (include PPAs, if applicable), federal, state and local tax deductions, enhanced/accelerated depreciation values, manufacturers' rebates and property tax assessment exemptions, credits or offsets. See Form 17.

The same Sustainable Development specification list must be resubmitted in conjunction with Form 15 - Architect's Certificate affirming that all of the specified materials, methods or systems listed were in fact included in the Project. Be advised that failure to include all scored elements will result in a loss of eligibility for funding on future ADOH projects under Section 2.5(H)(4) of this Plan.

Applicants who are following the performance path to claim points for Sustainable Development shall comply with the notification and plan review Sections 2.9(Q)(1)(B)(1)(1) through 2.9(Q)(1)(B)(1)(2) above.

#### **U.P. TAB 18: Transit Oriented Design**

Applicants may earn points in the Transit Oriented Design scoring category by meeting the requirements under Section 2.9(R)(1) and/or 2.9(R)(2) as applicable under Section 2.7(E). Insert the applicable Form 18 and/or 18A.

1. The Project must be located at or within the distances stated below of a Frequent Bus Transit System or a High Capacity Transit Station. Distance is measured from the closest edge point of the Project property line to the closest edge point of the bus stop or transit station. Applicant must provide:
  - a. A map to scale, using Google Earth aerials with a distance line and Google Earth's calculation of the distance in feet, not miles, evidencing that the proposed site is within the required distance in relation to the Frequent Bus Transit System or High Capacity Transit Station, and
  - b. A transportation schedule published by the transit authority with stops and frequencies evidencing that all requirements in this Section are met for each transit oriented design type. Scattered Site Projects will be scored based upon the site that contains most of the housing units. In the event that all sites have an equal number of housing units, the site that scores the best in conjunction with the points in Tab 13 will be used to determine the score in this section.
    - 1) Frequent Bus Transit System. A "Frequent Bus Transit System" must meet the below listed frequency of stops and travel depending on the location of the Project. The bus route corridor must also provide one (1) or more bus stops that are at or within a quarter (1/4) mile (1,320') straight line radius of the proposed site and the transit agency must confirm that there currently are no plans to move the route(s) to a different corridor or to reduce bus service map and stops. Bus routes that do not meet these criteria are not a "Frequent Bus Transit System." A "headway" as used in this

Plan, means the time interval between two (2) buses traveling in the same direction on the same route.

I. "Frequent Bus Transit" for a Project located in the Greater Phoenix Area must have:

- i. Minimum thirty (30) minute weekday headways 6:00 a.m. to 6:00 p.m.
- ii. Minimum one (1) hour headways 6:00 a.m. to 6:00 p.m. on weekend days.
- iii. Minimum fifteen (15) hours of service on weekdays; minimum twelve (12) hours on weekend days.

II. "Frequent Bus Transit" for a Project located in Tucson is defined as:

- i. Minimum thirty (30) minute weekday headways 6:00 a.m. to 6:00 p.m.
- ii. Minimum one (1) hour headways 6:00 a.m. to 6:00 p.m. on weekend days.
- iii. Minimum twelve (12) hours of service on weekdays; minimum ten (10) hours on weekend days.

III. "Frequent Bus Transit" for a Project located in the Balance of State is defined as:

- i. For municipalities with populations of 25,000 persons or more:
  - a) Minimum one (1) hour weekday headways 9:00 a.m. to 5:00 p.m.
  - b) Minimum eight (8) hours of service on weekdays.
- ii. For municipalities with populations under 25,000:
  - a) Minimum two (2) hour weekday headways 9:00 a.m. to 3:00 p.m.
  - b) Minimum six (6) hours of service on weekdays.
- iii. The most recent population of the Census Designated Place, city or town as identified by the United States Census Bureau's quick facts population estimate published at <http://quickfacts.census.gov> as of January 1, ~~2016~~2017 shall be used to determine the population of municipalities identified in Section 2.9(R)(1)(I)(c)(i) and (ii).

2) High Capacity Transit. Proposed site is to be located at or within a half (1/2) mile (2,640') straight line radius of a High Capacity Transit Station. Applicant must provide map to scale as shown in Exhibit A to this Plan.

I. A High Capacity Transit Station ("High Capacity Transit Station") includes:

- i. all existing light rail transit stations.
- ii. the funded ~~three point two (3.2) mile light rail extension into north Phoenix along North 19<sup>th</sup> Avenue to West Dunlap Avenue~~ 50th Street Station.

~~○ the six (6) mile light rail extension to downtown Mesa, Arizona which includes the funded light rail extension through Mesa Drive and the funded light rail extension to Gilbert Road.~~

~~iv.iii.~~ the commuter rail.

~~v.iv.~~ the intercity rail.

~~vi.v.~~ the three point nine (3.9) mile streetcar route in Tucson, Arizona, from the Warren Avenue/Helen Street stop at the eastern end of the streetcar line in the Arizona Health Sciences and University Medical Center area, to the Linda Avenue/Cushing Streetcar Stop at the western end of the streetcar line in the Gadsden Development area.

3) Door to door transportation. Projects located in Balance of State Areas may provide door to door transportation to qualify for points in this category. The transportation must be at no charge to the resident. Applicant should insert Form 18A specifying the vehicle type, cost and source to purchase the vehicle, and committing one (1) of the following types of Door to Door Transportation to qualify for points in this category:

- I. A commitment from a third party provider to provide transportation to residents from the site to pre-scheduled visits to Grocery Stores or other retail shopping centers with at least 5,000 square feet or a combination of smaller retail locations aggregating at least 5,000 square feet. A specific schedule with at least two (2) round trips per week and the transportation route must be attached.
- II. A commitment by the Owner to provide and operate a vehicle that will transport residents:
  - i. to appointments or shopping within a ten-mile radius of the site on an on-call basis with twenty-four (24) hour notice. The service must be available to residents for at least two (2) round-trip rides per week; or
  - ii. from the site to pre-scheduled visits to Grocery Stores or other retail shopping centers with at least 5,000 square feet or a combination of smaller retail locations aggregating at least 5,000 square feet. The commitment must include a specific schedule with at least two (2) round trips per week and the transportation route.

#### **V.Q. TAB 19: Supportive Housing Development**

The Supportive Housing Set-Aside is a minimum of sixty (60) Units of Permanent Supportive Housing for Chronically Homeless. ADOH will award the category in either two (2) separate Projects having a minimum of thirty (30) Units set aside for Chronically Homeless people with a preference for veterans or one (1) Project with sixty (60) Units set aside for Chronically Homeless

people with a preference for veterans. Rents shall be designated at thirty percent (30%) AMI and supported with Rental Assistance.

Eligible under this category is a Permanent Supportive Housing Project utilizing the Housing First model with Supportive Services. Supportive Services can include but are not limited to, health care, substance abuse treatment, mental health treatment, employment counseling, supported employment, connections with mainstream benefits like Medicaid and other benefits.

1. Assuming that evidence meeting the threshold requirements of Section 2.9(S)(2)(a) through 2.9(S)(2)(f) below are provided as well as meeting the other QAP requirements, Applications will be ranked in the order of the level of the commitment for Section 2.9(S)(2)(c) Rental Assistance, and then by the number of Units dedicated to Chronically Homeless people, until at least sixty (60) Units of Permanent Supportive Housing for Chronically Homeless receive an Allocation.

If only one (1) Project requesting the Permanent Supportive Housing Set Aside has an executed contract for project based Rental Assistance, that Project, if it complies with and fulfills all other applicable requirements of this Plan will receive the Allocation. If more than one (1) Application submitted includes an executed contract for project based Rental Assistance, the Application among them with the highest number of Units dedicated to Chronically Homeless people will receive the Allocation. If both the level of commitment and the number of Units dedicated to Chronically Homeless people are the same, the Application among them with the highest QAP score will receive the Allocation. Some examples of levels of commitment, which are not all inclusive, include the following in order of highest consideration:

- a. An executed contract (binding commitment) for project based Rental Assistance, either public (issued in accordance with 24 CFR 983.51(b)(1)) or private;
  - b. A letter of interest specifying the terms of the contract with a firm date to enter into a contract, which if public, conforms with 24 CFR 983.51(b)(1);
  - c. A letter from a government entity, as described in 2.9(S)(2)(c) below.
2. The threshold requirements for Permanent Supportive Housing Project (PSHP) are as follows:
    - a. A minimum of thirty (30) housing units, or sixty (60) units if one (1) project, that are dedicated to Chronically Homeless people with rents designated at thirty percent (30%) AMI. Highest priority in this Set-Aside will be given to the PSHP that meets the requirements herein and has the most housing Units dedicated to Chronically Homeless people.
    - b. Documented support for the PSHP from the Local Government in which the PSHP is located.

- c. Adequate financial support must be in place in order for the PSHP to be viable. Residents of PSHP are charged thirty (30%) of their income, if any, for rent. Rental Assistance will be required. Adequate rental support must be demonstrated at Application by documentation. To show the level of commitment, Applicants must submit evidence of one (1) or more of the following; an executed contract (binding commitment) for project based Rental Assistance, either public (issued in accordance with 24 CFR 983.51(b)(1)) or private; a letter of interest specifying the terms of the contract with a firm date to enter into a contract, which if public, conforms with 24 CFR 983.51(b)(1); a letter from the Local Government stating 1) availability of vouchers; 2) Annual Housing Plan defining process for project-basing vouchers; and 3) targeted population; or other evidence of privately funded assistance. Rental Assistance must be shown in the Rental Analysis Worksheet in Form 3. A Rental Assistance contract, confirming the commitment to provide Rental Assistance to the PSHP, shall be submitted to the ADOH at equity underwriting and approved by ADOH.
- d. Supportive Services provider must provide a Supportive Services plan as outlined in Exhibit N and demonstrate proven capacity and experience to serve Chronically Homeless people.
- e. The PSHP must be designed to meet the needs of the population being served using the Housing First model recommendations provided in the Corporation for Supportive Housing's June 2009 publication entitled "Recommendations for Designing High-Quality Permanent Supportive Housing" such as secured point of entry to the building(s), community room spaces, Supportive Services commensurate to the number of units, overflow drains and similar features that create a safe living environment.
- f. A preference for veterans must include: 1) a commitment to make available Case Management services to address the bio-psycho-social needs of tenants including connection to veteran-specific services and resources as part of its Supportive Services plan and 2) a veteran-specific outreach plan. The service provider listed in the Supportive Services plan must have a minimum of two (2) years' experience providing the required services stated in this paragraph. Letters of support and collaboration from the nearest Veterans Administration Hospital or community based outreach clinic and the Arizona Department of Veterans Services are required to demonstrate coordination of veteran-specific resources and services.

**W.R. TAB 20: Occupancy Preferences**

1. Households with Children.
  - a. Projects in which thirty percent (30%) of all Units are reserved for households comprised of individuals with children and are three (3) or four (4) bedroom Units are eligible for the



- initial five (5) points in this scoring category. If each of the following complete exhibits are provided at this Tab, up to an additional fifteen (15) points are available:
- 1) A description of the Project's specific design elements and facility programs that serve the needs of individuals with children.
  - 2) Form 20 for each service provider committing Supportive Services under Section 2.9(T)(A)(4) below.
  - 3) Insert a site plan showing where each service will be provided.
  - 4) Insert completed Form 20A - 20L (as applicable) for each Supportive Service committed to the Project. Other documents that may contain this information (i.e. brochures, and other narrative descriptions) will not be accepted for these points, except where expressly requested in Form 20A - 20L. Applicant must also provide any additional documents requested in each Form 20A - 20L in order to receive the points claimed for the services committed on the form.
  - 5) Insert a budget for Supportive Services that includes an itemized breakdown of funding sources and associated uses. Costs for Supportive Services must be reflected as a separate line item in the annual operating costs on Page 5 of Form 3. If Supportive Services are funded by a third party, evidence that the funding will be available to the Project through the Compliance Period should be inserted at this Tab 20.
- b. If claiming points for a Child Care Center, Applicant must provide:
- 1) Form 20D completed by the Child Care Center manager;
  - 2) A Google Earth aerial that demonstrates the distance from the Project to the service facility from the edge of the Project property line closest to the facility and includes a distance line and Google Earth's calculation of the distance in feet, not miles. The results should be able to be duplicated during ADOH's review of the Application.
  - 3) If the Child Care Center is operated by a Local Government, provide evidence of this, otherwise insert evidence that the Child Care Center is licensed by the Arizona Department of Health Services as a Child Care Provider, by providing supporting documentation from the following website:  
<http://hsapps.azdhs.gov/ls/sod/SearchProv.aspx?type=CC>
2. Housing for Older Persons.
- a. Applications proposing Housing for Older Persons Projects in which all Units include two (2) or fewer bedrooms are eligible for the initial five (5) points in this scoring category. The Project must offer Supportive Services that promote the residents' quality of life and independence while providing efficient delivery of Supportive Services to the residents.



If each of the following complete exhibits are provided at this tab, up to an additional fifteen (15) points are available:

- 1) A description of the Project's specific design elements and facility programs that serve the needs of Older Persons.
  - 2) Form 20 for each service provider committing Supportive Services under Section 2.9(T)(2)(A)(4) below.
  - 3) Insert a site plan showing where each service will be provided.
  - 4) Insert completed Form 20A - 20M (as applicable) for each Supportive Service committed to the Project. Other documents that may contain this information (i.e. brochures, and other narrative descriptions) will not be accepted for these points except where expressly requested in Form 20A - 20M. Applicant must also provide any additional documents requested in each Form 20A - 20M in order to receive the points claimed for the services committed on the form.
  - 5) Insert a budget for Supportive Services that includes an itemized breakdown of funding sources and associated uses. Costs for Supportive Services must be reflected as a separate line item in the annual operating costs where indicated on Page 5 of Form 3. If Supportive Services are funded by a third party, evidence that the funding will be available to the Project through the Compliance Period should be inserted at this Tab 20.
3. Veterans Project.
- a. Projects in which fifty percent (50%) of the total Project units will serve Families with at least one (1) veteran, with a minimum of twenty-five (25) Units set aside to serve the target population, and offer Supportive Services are eligible for the initial five (5) points in this scoring category. If each of the following complete exhibits are provided at this Tab, up to fifteen (15) additional points are available:
    - 1) A description of the Project's specific design elements and facility programs that serve the needs of veterans;
    - 2) Form 20 for each service provider committing Supportive Services under Section 2.9(T)(3)(A)(4) below.
    - 3) Insert a site plan showing where services will be provided.
    - 4) Insert completed Form 20A - 20L (as applicable) for each Supportive Service committed to the Project. Other documents that may contain this information (i.e. brochures, and other narrative descriptions) will not be accepted for these points except where expressly requested in each Form 20A - 20L. Applicant must also

provide any additional documents requested in each Form 20A - 20L in order to receive the points claimed for the services committed on the form.

I. The Supportive Services must include: 1) a commitment to make available Case Management services to address the bio-psycho-social needs of tenants including connection to veteran-specific services and resources as part of its Supportive Services; and 2) a veteran-specific outreach plan.

II. The service provider listed to provide the Supportive Services must demonstrate a minimum of two (2) years' experience providing the required services stated in paragraph (a) directly above. Developments with project-based HUD VASH vouchers will be considered as having met this standard because HUD VASH includes Veterans Administration provided Case Management services.

5) Letters of support and collaboration from the nearest Veterans Administration Hospital or community based outreach clinic and the Arizona Department of Veterans Services to demonstrate coordination of veteran-specific resources and services.

6) Insert a budget for Supportive Services that includes an itemized breakdown of funding sources and associated uses. Costs for Supportive Services must be reflected as a separate line item in the annual operating costs where indicated on Page five (5) of Form 3. If Supportive Services are funded by a third party, evidence that the funding will be available to the Project through the Compliance Period should be inserted at this Tab 20.

#### 4. Special Populations Project.

a. Projects in which twenty-five percent (25%) of the total Project units will serve recipients of Section 811 Rental Assistance identified in Tab 29 or another identified Special Needs Population and offer Supportive Services are eligible for the initial five (5) points in this scoring category. If each of the following complete exhibits are provided at this Tab, up to fifteen additional (15) points are available:

1) A description of the Project's specific design elements and facility programs that will be integrated with the needs of the Special Needs Population. The description shall also specifically address the Fair Housing Act.

Under the Fair Housing Act, a privately funded housing Project may establish a preference for people with certain disabilities. However, pursuant to Section 504, a Project that receives federal financial assistance may exclude non-disabled persons only if there has been a specific need established for housing for the disabled populations listed in the Special Needs Population definition in this Plan. Moreover, homeless individuals, victims of domestic violence, and individuals suffering from

chronic substance abuse are not necessarily disabled, although a preference for these groups is generally allowed under the Fair Housing Act.

- 2) Form 20 for each service provider committing Supportive Services under Section 2.9(T)(4)(A)(4) below.
  - 3) Insert a site plan showing where services will be provided.
  - 4) Insert completed Form 20A - 20L (as applicable) for each of the Supportive Services committed to the Project. Other documents that may contain this information (i.e. brochures, and other narrative descriptions) will not be accepted for these points except where expressly requested in Form 20A - 20L. Applicant must also provide any additional documents requested in each Form 20A - 20L in order to receive the points claimed for the Supportive Services committed on the form.
    - I. The Supportive Services must include: 1) a commitment to make available Case Management services from a provider with at least two (2) years' experience, to address the tenant's health and human service needs including connection to population-specific services and resources as part of its Supportive Services and 2) a population-specific outreach plan.
  - 5) Letters of support and collaboration that demonstrate coordination of population-specific resources and services.
  - 6) Insert a budget for Supportive Services that includes an itemized breakdown of funding sources and associated uses. Costs for Supportive Services must be reflected as a separate line item in the annual operating costs where indicated on Page five (5) of Form 3. If Supportive Services are funded by a third party, evidence that the funding will be available to the Project through the Compliance Period should be inserted at this Tab 20.
5. Mixed Occupancy.
- a. Five (5) points are available to Projects that set aside units for a combination of any two (2) of the four (4) occupancy categories in Section 2.9(T) above. Projects with mixed occupancy must qualify for the initial five (5) points for each of the two (2) categories claimed in order to qualify for the initial five (5) points in this section. (Applicant must qualify for the initial five (5) points available in this scoring category in order to obtain any additional points in this section.)

If each of the following complete exhibits are provided at this Tab, up to fifteen (15) additional points are available:

- 1) A description of the Project's specific design elements and facility programs that serve the needs of each of the two (2) occupancy preferences claimed for points and how the

two (2) occupancy preferences will be combined to create a functionally cohesive project. The description shall also address the Fair Housing Act.

Under the Fair Housing Act, a privately funded housing Project may establish a preference for people with certain disabilities. However, pursuant to Section 504, a Project that receives federal financial assistance may exclude non-disabled persons only if there has been a specific need established for housing for the disabled populations listed in the Special Needs Population definition in this Plan. Moreover, homeless individuals, victims of domestic violence, and individuals suffering from chronic substance abuse are not necessarily disabled, although a preference for these groups is generally allowed under the Fair Housing Act;

The Housing for Older Persons preference may not be used for a mixed occupancy project unless one (1) of the three (3) requirements in the Housing For Older Persons Project definition applies to the Project. Under those statutes, a maximum of twenty (20%) of the occupied Units could potentially be Mixed Occupancy Units that give preference to another Occupancy Preference listed above.

- 2) Form 20 for each service provider committing Supportive Services under Section 2.9(T)(5)(A)(4) below.
- 3) Insert a site plan showing where services will be provided.
- 4) Insert completed Form 20A - 20M (as applicable) for each Supportive Service committed to the Project. Other documents that may contain this information (i.e. brochures, and other narrative descriptions) will not be accepted for these points, except where expressly requested in Form 20A - 20M. Applicant must also provide any additional documents requested in each Form 20A - 20M in order to receive the points claimed for the services committed on the form. Mixed Occupancy projects that claim points for Veterans must meet the requirements of Section 2.9(T)(3)(A)(4)(a) and (b), and provide letters of support required under Section 2.9(T)(3)(A)(5).
- 5) Insert a budget for Supportive Services that includes an itemized breakdown of funding sources and associated uses. Costs for Supportive Services must be reflected as a separate line item in the annual operating costs on Page five (5) of Form 3. If Supportive Services are funded by a third party, evidence that the funding will be available to the Project through the Compliance Period should be inserted at this Tab 20.

~~X.S.~~ **TAB 21: ~~INTENTIONALLY LEFT BLANK~~COST EFFICIENCY**

Insert completed Form 21. In the event that the Application is awarded points in this Cost Efficiency scoring category, and construction or other costs increase for which there is no contingency in the Development Budget, the Applicant will be required to re-allocate a portion of the Developer Fee to the line item for which the cost increased, and decrease the amount of Developer Fee necessary to absorb the increased cost, so that the Total Development Budget is not increased. Such re-allocated Developer Fee will not be considered to be Deferred, but rather the Developer Fee shall be reduced.

Developers and/or Co-Developers of a Project with cost increases that exceed the amount of their total Developer Fee listed in the Development Budget in Form 3 of the Application will not be eligible to claim points for any cost efficiency scoring category that may be included in future OAPs for a period of five years.

#### **Y.T. TAB 22: Targeting Low Income Levels**

Up to thirty-five (35) points are available for Projects which set aside units for rental exclusively for persons with incomes at or below forty percent (40%) and/or fifty percent (50%) of the Adjusted Gross Median Income (AMGI) for the entire Compliance Period and Extended Use Period (as those terms are defined in the 20162017 QAP, and Internal Revenue Code Section 42(h)(6)(D) for the Project), or until sold to a qualified lease-holding tenant under conditions approved by the ADOH. Units set aside for persons with incomes at thirty percent (30%) of AMGI must have Rental Assistance.

Points will be awarded based upon the table in Section 2.7(H) as automatically calculated in Form 22. Employee units (whether or not included in the common area or removed from the Applicable Fraction for the building) shall be counted as sixty percent (60%) AMGI units for scoring purposes. Individual units may not be counted under more than one (1) category. If one hundred percent (100%) of the units are set aside at forty percent (40%) or below, the Project will receive the full thirty-five (35) points.

Insert completed Form 22. The information provided in Form 22 will be binding on the Applicant in the event that the information provided in Form 22 is inconsistent with Form 3.

#### **Z.U. TAB 23: Eventual Tenant Ownership**

Applicants may propose a Project with an ownership proposal. The ownership proposal must demonstrate that one hundred percent (100%) of the Project is designed for eventual home ownership. This is not a scoring category.

1. Tenant lease purchase Projects are limited to single family, duplex, four-plex or townhome style Projects.
2. Project must be designed at the time of Application for eventual home ownership and demonstrate that the design will meet the subdivision and building code requirements,

including fire department requirements of the Local Government that exist at the time of Application, as evidenced by a letter from the Local Government.

3. Submittal Requirements.

- a. A letter of intent from a) a qualified Non-Profit Organization, b) tenant cooperative, c) resident management corporations, d) tenants or e) government agencies to purchase the Units.
- b. A detailed description of the ownership proposal to include:
  - 1) An exit strategy that incorporates a valuation estimate/calculation per I.R.C. § 42;
  - 2) Home-ownership financial counseling services;
  - 3) How the eligible tenants will be identified and offered a right of first refusal;
  - 4) How the Units will be priced in accordance with I.R.C. § 42(i)(7);
  - 5) The manner in which homebuyer assistance will be generated by the Applicant or Owner and provided to the homebuyer; and
  - 6) A draft of the proposed sale agreement.

4. Post Allocation Requirements. Projects proposing eventual tenant ownership will be required to execute and record an LURA that indicates the provisions set forth above for the remaining Compliance Period. The additional fees associated with eventual tenant ownership legal review are stated in Section 6.4 of this Plan.

**AA-V. TAB 24: Local Government Contribution**

Points will be awarded for Projects in which the Local Government is providing a contribution of new funding towards the Development Budget in an amount equal to or greater than the percentage of the Total Construction Cost listed in Section 2.7(I) based upon the most recent population of the Census Designated Place, city or town as identified by the United States Census Bureau's quick facts population estimate published at:

<http://quickfacts.census.gov/qfd/states/04000.html> as of January 1, ~~2016~~2017. The Local Government contribution by a city, town or county, or an agency, department or similar sub-unit thereof, shall be in the form of a committed cash contribution, HOME contribution, CDBG contribution, loan, donation of land, or waiver of fees. A "loan" must be a cash flow loan or deferred for the duration of the fifteen (15) year Compliance Period.

Points will not be awarded for a Local Government contribution that:

1. requires the Applicant to make improvements beyond the right of way that is adjacent and contiguous to the land upon which the Project will be built; or

2. is a waiver of development fees that the Project would not otherwise incur, such as new construction development fees on a rehabilitation project.

Committed Local Government contributions towards the Development Budget are expected to include the following documents for the type of contribution listed but alternative documents may be submitted for ADOH evaluation. Any documents submitted must evidence a commitment for scoring purposes under this Tab 24 and all of which must indicate the amount and sources (i.e. ~~2016~~2017 HOME funds) of the contribution, and such commitment may only be contingent upon an allocation of ~~2016~~2017 Tax Credits:

1. Donation of Land. Contract or award letter from the unit of Local Government with jurisdiction or ownership of the land contingent upon LIHTC award and a resolution from the unit of Local Government body that authorizes the donation. An Appraisal is required along with the Purchase and Sale Agreement (that is only contingent upon receiving the Tax Credits) to document the amount of the Local Government Contribution. The Local Government must indicate that it has reviewed and approved the Appraisal upon which the value of the donation is based; such approval may be included in the contract, the award letter, or a separate letter.
2. Cash Contribution or Non-Federal Cash Flow or Deferred Loan. Contract or award letter from the unit of Local Government contingent upon LIHTC award and a resolution from the unit of Local Government that authorizes the contribution or cash flow or deferred loan. The contract or award letter must include the terms of the Local Government Contribution, and no payments except cash flow may be required during the Compliance Period.
3. HOME or CDBG Contribution. Contract or award letter from the unit of Local Government contingent upon LIHTC award and/or a resolution from the unit of local government that authorizes the contribution of HOME or CDBG. The award letter may also be contingent upon adherence to statutory requirements under the regulations that are applicable to the source of funding being provided. The contract or award letter must include the terms of the Local Government Contribution, and no payments except cash flow may be required during the Compliance Period.
4. Development Fee Waivers. Letter from the unit of Local Government with jurisdiction to waive development fees and the resolution from the unit of Local Government that authorizes the development fee waivers.

**BB-W. TAB 25: Affordable Housing Preservation, Capital Needs Assessment and Historic Preservation**

1. Affordable Housing Preservation. Projects claiming points for the Project Readiness scoring category under Section 2.7(B) are not eligible for points in the Affordable Housing Preservation scoring category. The only Projects that shall qualify for points in this scoring



category are those that include the Rehabilitation of residential housing (currently operational) that were last placed in service prior to 2001 and for which 1) income restrictions were imposed through a Land Use Restriction Agreement or CC&Rs due to LIHTC, federal or Local Government Affordable Housing funding, or 2) receive Project Based Rental Assistance for a minimum of sixty percent (60%) of the Units. In order to qualify for points, Applicant shall submit each of the following:

- a. Form 25.
  - b. Most recent Certificate of Occupancy or Forms 8609 evidencing the year the Project was placed in service. Tribal Projects may provide evidence of the HUD Date of Funding Availability (“DOFA”) if a Certificate of Occupancy does not exist for the building.
  - c. Evidence of current Project Based Rental Assistance evidencing that at least sixty percent (60%) of the Units receive Project Based Rental Assistance, if applicable.
  - d. Copies of the Use Restrictions evidencing that income at the Project has been restricted due to LIHTC, federal or Local Government Affordable Housing funding.
- A. A Capital Needs Assessment (“CNA”) is required as a threshold item for each Project that includes rehabilitation or adaptive re-use of a building. The Application must include supporting documentation that validates the credentials of the licensed professional preparing the CNA.
- a. The rehabilitation improvements and the amount of rehabilitation and/or adaptive re-use costs will be based on the CNA. ADOH shall utilize the services of an independent cost estimator in determining whether the rehabilitation and/or adaptive re-use costs are reasonable and meet the requirements of this Plan. The Applicant will be responsible for the costs of the cost estimator. Cost of rehabilitation (including adaptive re-use) per Unit is determined by dividing “Total Direct Construction Costs” on Form 3 by the number of Units.
  - b. Applications for Projects with existing tenants must be supported by a relocation plan. The relocation plan must comply with the Uniform Relocation Assistance Act, 42 U.S.C. § 4621, et seq. The relocation plan must detail the actual dates that required notices are anticipated to be issued. The Project budget and the relocation plan must both include an estimate of all associated relocation costs including, but not limited to, temporary relocation, permanent relocation and replacement housing payments.
  - c. The CNA report must be prepared by a qualified professional (architect or engineer) who has no financial interest in the Project and no identity of interest with the Developer. For purposes of this Scoring Category, a “qualified professional” is a licensed professional architect or engineer, who can substantiate a minimum of five (5) years’ experience providing CNA reports in accordance with ADOH standards, and who performs the

assessment and supplies ADOH with their professional opinion of the property's current overall physical condition. The preparer must insert Form 25 in the front of the CNA certifying that it meets these requirements. CNAs must conform to each of the requirements in Section 2.9(Y)(2)(c) - 2.9(Y)(2)(e)(vii) (including the Form 25 certification). The CNA must include the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property's use and its structural or mechanical integrity. Furthermore, the CNA must examine and analyze the following building components:

- 1) Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities and lines.
  - 2) Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system and drainage.
  - 3) Interiors, including Unit and common area finishes (carpeting, vinyl tile, interior walls, paint condition, etc.), Unit kitchen finishes and appliances, Unit bathroom finishes and fixtures and common area lobbies and corridors.
  - 4) Mechanical systems, including plumbing and domestic hot water, HVAC, electrical and fire protection.
  - 5) Elevators (if applicable).
  - 6) Provide building life cycle study that lists each building component, the base cost and opinions of probable cost immediately (critical repair item), within two (2) years, and within ten (10) years along with an analysis of the reserves for replacement needed to fund long-term physical needs of the Project, accounting for inflation, the existing reserves for replacement balance and the expected useful life of major building systems.
- d. The CNA must also include the following major parts:
- 1) All health and safety deficiencies or violations of ~~housing quality standards~~Uniform Physical Conditions Standards ("UPCS") under 24 CFR 5.705, requiring immediate remediation. If the Project has tenants, these repairs are to be made a first priority.
  - 2) Repairs, replacements, and significant deferred and other maintenance items that need to be addressed within twenty-four (24) months of the date of the CNA. Include any necessary redesign of the Project and market amenities needed to restore the property to the standard outlined in this Plan and Exhibit D.
  - 3) Repairs and replacements beyond the first two (2) years that are required to maintain the Project's physical integrity over the next twenty years, such as major structural systems.

- e. The professional preparing the CNA report must:
- 1) Conduct site inspections of a minimum of thirty-five percent (35%) of all Units. Units must be randomly sampled but must also include a pro-rata portion of each type of Unit while taking into consideration the Unit size mix, e.g., one-bedroom, two (2) bedroom, etc. All vacant Units must be inspected.
  - 2) Identify any physical deficiencies as a result of 1) visual survey; 2) review of pertinent documentation; and 3) interviews with the property owner as of the date of the CNA, management staff, tenants, community groups, and government officials.
  - 3) Identify physical deficiencies, including critical repair items, two (2) year physical needs, and long-term physical needs. These must include repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that would limit the expected useful life of major components or systems.
  - 4) Explain how the Project will meet the requirements for accessibility to persons with disabilities. Identify the physical obstacles and describe methods to make the Project more accessible, and list needed repair items in the rehabilitation plan.
  - 5) Prepare a rehabilitation plan, addressing separately all two (2) year and long-term physical needs.
  - 6) Conduct a cost/benefit analysis of each significant work item in the rehabilitation plan (items greater than \$5,000) that represents an improvement or upgrade that will result in reduced operating expenses (e.g., individual utility metering, extra insulation, thermo-pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of building systems.
  - 7) The assessment must include a site visit and physical inspection of the interior and exterior of the units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs/improvements and an examination of invoices, contracts or work orders relating to the repairs/improvements over the last twenty-four (24) months, pending repairs, and existing or chronic physical deficiencies. Any information from the interview must be included in the CNA. The assessment must also consider the presence of hazardous materials on the site.
- B. Historic Preservation Project. For this type of Project, regardless of request for points under this section, Applicant must submit:

- a. Letters from the Certifying Local Government and State Historic Preservation Office (SHPO) indicating No Adverse Effect or that the Adverse Effect is mitigated, as required by Section 106 of the National Historic Preservation Act.
- b. Evidence that the Project: 1) consists of one (1) or more structures individually listed in the National Register of Historic Places as evidenced by a letter from the National Parks Service, SHPO or Tribal equivalent thereof; or 2) consists of one (1) or more structures certified by the National Parks Service, SHPO Office or certified local government as contributing to a Register District (a Register District is a designated area listed in the National Register or listed under state statute or local ordinance as substantially meeting the requirements for listing of districts in the National Register); or 3) the Project located within an area that has been zoned as an historic area as evidenced by a copy of the municipal zoning ordinance that was adopted on or before the Deadline Date and a letter from the local municipality indicating that the design will meet the requirements outlined in the zoning ordinance.

~~CC.X.~~ **TAB 26. Project Based Rental Assistance**

Projects claiming points for project based Rental Assistance must include documentation of Rental Assistance for at least eighty percent (80%) of the units, and commitments for continuing rental payments. Documentation must include a description of the term of the commitment and provisions for renewal. Rental Assistance that is not in the form of vouchers for each Unit must provide a financial analysis that demonstrates that the Rental Assistance provided meets the definition in this Plan. ADOH in its sole discretion will determine the viability of the Project based upon the Rental Assistance documentation provided.

~~DD.Y.~~ **TAB 27: Waiver of Qualified Contract**

In the event the Applicant desires to waive its option to obtain a Qualified Contract pursuant to IRC Section 42(h)(6)(E)(i)(II), Applicant must insert a completed Form 27, signed by Applicant in order to obtain the points.

~~EE.Z.~~ **TAB 28: Community Revitalization**

Applicant must submit a completed Form 28, indicating whether the Project is located in a HUD designated Neighborhood Revitalization Strategy Area (NRSA) pursuant to 24 CFR 91.215(g) and designated in a five (5) year plan developed in accordance with HUD CPD Notice 96-01 which contains a distinct neighborhood or geographic area targeted for revitalization, or federally designated Promise Zone, or HUD approved 5 year Consolidated Plan or HUD approved Indian Housing Plan and provide supporting documentation from HUD to evidence that the Project is located therein.

~~FF.AA.~~ **TAB 29: Units Requesting HUD Section 811 Rental Assistance**

(referred to in this Tab 29 as "811 Units")

Tab 29 includes the requirements for Applicants who request consideration under the Section 811 Project Rental Assistance Set-Aside (“HUD 811 Set Aside”). For the HUD 811 Set Aside, ADOH will only consider Projects which reserve from twenty percent (20%) to twenty-five percent (25%) of the Units for extremely low-income households (thirty percent (30%) AMI), where at least one (1) person has a Developmental Disability, who is between the ages of eighteen (18) and sixty-one (61), and is eligible for community-based long term care services provided by Arizona Long Term Care System (ALTCS) under Title XIX of the Social Security Act (“Program Participants”). Projects awarded in this Set-Aside will receive HUD Section 811 Rental Assistance administered by ADOH in the amount that is available to ADOH from the HUD Section 811 Program (“811 Program”). Project locations are limited to Maricopa and Pima counties.

Projects selected to receive HUD Section 811 Rental Assistance must comply with the applicable Section 811 Project Rental Assistance Demonstration Program Cooperative Agreement, and all applicable exhibits thereto (collectively “PRA”), which shall be incorporated into this Plan and be made available upon written request.

Some examples of HUD requirements incorporated in the PRA include but are not limited to the following:

1. Davis Bacon Labor Standards
2. Environmental Requirements and Environmental Assurance (under Part 50)
3. Lead Based Paint
4. Barrier Free/Accessibility Requirement

Program Participants will be selected by the Department of Economic Security, Division of Developmental Disabilities (DES/DDD) from adults enrolled in ALTCS. Program Participants will have a Support Coordinator and, at a minimum, an annual, Individual Support Plan that identifies the medically necessary services and supports that are needed by the individual.

Through the 811 Program, ADOH will provide Rental Assistance to Projects awarded through this set aside. Subject to funding availability, ADOH estimates that Rental Assistance is available for up to sixty-four (64) 811 Units which must comprise no less than twenty percent (20%) and no more than twenty-five percent (25%) of the Units in each Project that receives an award under this 811 Set-Aside. Projects with the highest score meeting the following threshold criteria will be selected:

1. Twenty percent (20%) to twenty-five percent (25%) of the total Units are dedicated to extremely low-income households (thirty percent (30%) AMI), where at least one (1) person has a Developmental Disability, is between the ages of eighteen (18) and sixty-one (61), and is eligible for community-based long term care services provided by ALTCS under Title XIX of the Social Security Act to Program Participants (which shall be indicated on Form 3).

2. If the Project is selected for the Section 811 Project Rental Assistance Set-Aside, ADOH will provide to the Owner, a template Tenant Selection Plan that conforms to the PRA which shall be used at the Project during operations to select the tenants who receive Section 811 Rental Assistance.
3. Project amenities including unit accessibility is conducive for the Program Participants (which shall be inserted in the description of the Project's specific design elements at Tab 20). At minimum, the Project must include the following: 1) a community room with kitchen facilities sufficient to serve and seat at least thirty (30) persons; 2) three (3) private offices at least ten (10) feet by ten (10) feet reserved for DES/DDD case managers.
4. In addition to the requirements of the Fair Housing Act, the greater of ten percent (10%) or two (2) of the 811 Units must be fully Type "A" accessible Units. The remaining 811 Units must be fully adaptable to be converted to Type "A" accessible Units. All 811 Units must have roll-in showers.
5. Projects awarded under this Set-Aside must be located within one-fourth (¼) mile of a Frequent Bus Transit System and/or one-half (½) mile of a High Capacity Transit Station.
6. The Owner must have or retain a Property Management Company with Section 8 housing experience to manage the Section 811 Project Rental Assistance Project. The Property Management Company must not have any "flags" in HUD's Active Partners Performance System ("APPS").

The rent allowed for the 811 Units will be set at the HUD Fair Market Rent ("FMR") level for one (1) and two (2) bedroom units. ADOH requires a mix of thirty percent (30%) one (1) bedroom Units and seventy percent (70%) two (2) bedroom Units. It is anticipated that single and/or multiple member families will be served with two (2) bedroom Units because they require the assistance of live-in aides and/or an additional bedroom for medical equipment. The actual Rental Assistance provided to the Project will be adjusted to the actual FMR in place at the time of the execution of a Rental Assistance Contract ("RAC") with the Owner of the Project.

Applicants requesting 811 Units should include rents and income levels that do not anticipate receipt of the 811 Units, so that the Project is feasible with, or without the 811 Units. However, Applicants should indicate for which Units the Section 811 Rental Assistance is being requested by indicating "811" in the "Source of Rental Assistance" column on Page 6 of Form 3.

## 2.10 Carryover Allocation

Projects that will not place buildings in service before December 31, ~~2016~~2017, must request a Carryover Allocation Agreement (the "Carryover Agreement") by submitting the Reservation Fee by the specific deadline information below no later than July 1, 2016 unless otherwise provided in the Reservation letter and the following documents within 120 calendar days from the date of the



Reservation Letter (the “Carryover Allocation Agreement Request Deadline”). ADOH will perform its second underwriting at this time.

Each of the documents submitted by the Carryover Allocation Agreement Request Deadline will be reviewed by the ADOH, as the second phase of the Application. In the event that any of the documents submitted under this Section 2.10 of this Plan does not meet the requirements of this Plan or negatively impacts the underwriting feasibility of the Project, ADOH may, in its sole discretion, provide five (5) business days to cure the deficiency. If the deficiency is not cured within the five (5) business days provided, ADOH will cancel any Reservation of Tax Credits that was extended to the Project and may, in its sole discretion, contact the next highest scoring Project to determine whether it is possible to reserve Tax Credits to that Project for the sole purpose of maximizing the Allocation of Tax Credits available in the current Tax Credit year.

Failure to satisfy the requirements below by the Carryover Allocation Agreement Request Deadline and execute the Carryover Agreement by the Deadline Date in the Reservation letter may result in cancellation of the Reservation of Tax Credits. The person signing the Carryover Agreement must have authority to bind the Owner. ADOH will not execute the Carryover Agreement until the Owner has met all the requirements listed below in addition to any additional requirements as may be described in the Reservation letter.

All documents submitted for the Carryover Allocation Agreement Request shall be in electronic format and uploaded to the ADOH Rental Development Portal. In addition, the documents requested in Section 2.10(B), (M) and (N) below shall also be provided in hard copy format.

A. Updated Form 3 that includes ADOH adjustments made during Application scoring.

~~A.B.~~ Updated original notarized Owner Certification and Indemnification

~~B.C.~~ Current Certificate of Good Standing or Certificate of Existence, as applicable for Owner, or if previously provided, Applicant must provide a new Certificate within thirty (30) calendar days of submittal.

~~C.D.~~ Updated project schedule.

~~D.E.~~ IRS Documentation for Employer Identification Number (“EIN”).

~~E.F.~~ Receipt of the Reservation Fee by the deadline specified in the Reservation letter.

G. Rehabilitation Projects: copy of RESNET analysis in Exhibit D Section XI(F) (within 90 calendar days).

H. CPA Opinion: Applicant must provide, on CPA letterhead and in substantially similar form to Exhibit B, an opinion which includes all reductions to Eligible Basis such as solar credits, historic tax credits and grants.



I. Legal Opinion: The Applicant must include a legal opinion stating that the Project meets the requirements of I.R.C. § 42 and that the Project has not been Placed in Service prior to the LIHTC Application date. The legal opinion must be provided by an attorney, on professional letterhead, in accordance with Arizona Supreme Court Rules 31 and 33 (requiring that an attorney licensed to practice law in Arizona provide the opinion on the formation of any Arizona entity listed in the opinion) and must at a minimum address the issues stated in Exhibit C. If the attorney's professional letterhead includes a business address outside of Arizona, the opinion should include an acknowledgement that an attorney licensed to practice law in Arizona provided the opinion with respect to the portions that necessitate the opinion of an attorney licensed in Arizona, and the name of the attorney who wrote or reviewed that portion of the opinion.

If Acquisition Credits are being requested in connection with an Acquisition/Rehabilitation Project only, the legal opinion must clearly address the ten (10) Year Rule regarding the eligibility for Acquisition Credits. If the legal opinion submitted in the Application does not meet the requirements of I.R.C. § 42, ADOH may require the Applicant to update the legal opinion.

J. Compliance Monitoring Plan: Applicant must insert a Compliance Monitoring Plan that describes how the Project will meet the requirements of I.R.C. § 42, the requirements of other applicable housing programs, and state and local requirements.

K. Marketing Plan: The Applicant must provide an affirmative marketing plan that is dated no earlier than the Reservation Letter and is completed in accordance with fair housing requirements and demonstrates how the Project will meet lease up requirements consistent with I.R.C. § 42 and any requirements of the Equity Investors and permanent lenders to the Project. The marketing plan must specifically address any potentially adverse demographic, rent-up or capture rate information in the Application for the primary market area identified in the Market Demand Study. If Applicant has designated certain Units for a certain population, the marketing plan must indicate how the population will be targeted. All projects must include the HUD Affirmative Fair Housing Marketing Plan (HUD Form 935-2a), which may be obtained through the following website:

<http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf>

In the event that the Project is at less than seventy-five percent (75%) occupancy after six (6) months from the Placed in Service date, the Owner must contact the local Public Housing Authority to occupy the units from the current, public housing waiting list.

L. An ASTM E 1527-13 Phase I Assessment (with asbestos and lead paint reports if a rehabilitation), is required for all LIHTC projects. LIHTC projects that are partially funded with federal funds (HOME, CDBG, federal project based Rental Assistance) also require the completion of a HUD Format Environmental Review in accordance with 24 CFR 50 and 24 CFR 58. The ASTM E 1527-13 Phase I Assessment should be completed first because it provides information for the HUD Format Environmental Review.

- a. The Phase I Assessment may not be dated more than one (1) year prior to the date of the Reservation letter. The lead based paint report may not be dated more than twenty-four (24) months prior to the date of the Reservation letter. If the Phase I identifies issues and/or the need for remediation, further testing or a Phase II, Applicant must submit the remediation plan, Phase II and/or studies identified in the Phase I with the Carryover Allocation Request. Applicant's Form 3 - Development Budget, must also include the costs associated with the need for further testing Phase II or additional studies.
- b. The body of the Phase I Assessment or an executive summary thereof that includes the certification of the professional preparing the report, the site description, findings and conclusions must be submitted in hard copy and electronic formats. The balance of the Phase I Assessment including all records reviews and appendices may be submitted in electronic format.
- M. If the Project includes Federal funds or Project Based Vouchers in the capital stack (i.e., funding sources), provide a HUD Part 58 Environmental Assessment that is ready to publish a FONSI/RROF (finding of no significant impact/request for release of funds). HUD Format Environmental Reviews assess the effects of activities carried out with Federal funds, including project based Rental Assistance. *The acquisition of property or any physical action taken on a proposed site prior to the completion of HUD Format Environmental Review precludes the ability to use federal funds such as HOME, CDBG, or project based Rental Assistance.* HUD Format Environmental Reviews generally require between thirty (30) and 120 calendar days to complete, depending upon the type of activity and its location, so Applicants are encouraged to begin the HUD Format Environmental Review prior to a Reservation of Tax Credits in order to meet the Carryover Allocation Request Deadline.

## 2.11 Equity Closing

The following items are required to be submitted at least thirty (30) days prior to the equity closing. ADOH will perform its ~~second~~ third underwriting at this time. All documents must be uploaded to the ADOH Rental Development Portal. Where specifically stated, documents must also be provided in hard copy format.

Applicants may not close on equity until receipt of ADOH's written notification that the Equity Closing submittal has been approved.

A. Updated notarized Owner Certification & Indemnification (Hard copy required.)

A.B. Updated Form 3 that includes terms and conditions under which the Project will close.

C. Evidence of land ownership.

D. Updated title report.

- B.E. If the Land has been purchased, a copy of the settlement statement.
- C.F. Final documents for all sources of financing for the Project including documents that support the eligibility of deferred Developer Fee in basis. (Hard copy required.)
- G. A fifteen (15) year pro forma signed by the senior lender (or the syndicator/investor if the Project is funded one hundred percent (100%) by equity) that exclusively reflects the following language verbatim: “We acknowledge that this pro forma financial statement substantially matches the assumptions used in our underwriting”.
- D.H. Flow of funds using ADOH’s form (Exhibit I).
- E.I. Complete Syndication or investor agreement, including all exhibits.
- F.J. Executed construction contracts. (Hard copy required.)
- G.K. Building permits (within five (5) days of closing on the construction loan).
- H.L. Submit evidence that a PDF of the plans and specifications for the Project have been submitted to FSLHES. Submit a PDF copy of the plans and specifications that were approved by the Local Government’s planning department to ADOH.
- I.M. Construction lender’s appraisal. (Hard copy required.)
- J.N. Form 15 - Architect Certification evidencing compliance with Exhibit D Mandatory Design Guidelines and Sustainable Development points.
- K.O. Updated project schedule (Form 1).
- L.P. GANNT Chart with construction schedule.
- M.Q. Any unpaid fees owed to ADOH.
- N.R. Eight by ten (8 x 10) photograph of an erected sign at the construction site listing all sources of financing. The sign must be a minimum size of twenty-four (24) inches high by thirty-six (36) inches wide, include a minimum five (5) inch high ADOH logo and text printed at a minimum seventy-two (72) point font. An individual ADOH sign does not have to be provided if incorporated into a larger group sign.
- O.S. A resume demonstrating that the Property Management Company possesses the experience and capacity to manage the Project as required by I.R.C. § 42, the requirements of other applicable federal and state programs, and this Plan. In determining whether the Property Management Company identified in the Application has the requisite experience and capacity, ADOH will consider the following:
1. Whether the Property Management Company will make staff available to the Project that have managed Tax Credit properties for a period of five (5) years or more;

2. Whether the Property Management Company will make staff available to the Project that have industry-standard training and are certified to manage Tax Credit properties;
3. Whether the Property Management Company has unresolved compliance issues at two (2) or more properties within the period beginning two (2) years before the date of the deadline for submittal of the Application;
4. Whether the Property Management Company has managed Section 8 properties (Section 811 Projects);
5. Whether the Property Management Company has any “flags” in the HUD APPS system (Section 811 Projects).

~~P.T.~~ \_\_\_\_\_ Insert a completed Form 8-4 “Management Company Experience.”

~~Q.U.~~ \_\_\_\_\_ Insert a completed Form 8-5 “Authorization for Release of Information,” for the Property Management Company.

~~R.V.~~ \_\_\_\_\_ HUD Authority to Use Grant Funds, if Project includes Federal funding from any source or project based Rental Assistance.

~~S.W.~~ \_\_\_\_\_ Evidence of Rental Assistance award, if applicable.

X. Subsidy layering review, as applicable for federally funded projects. (Hard copy required.)

Y. If requesting a subsidy layering review, evidence that ADOH, the Local Government providing the Federal funds, and HUD are listed as authorized users of all third party reports (i.e. appraisal) in the reliance provision of the report.

Z. If receiving ADOH Gap Financing, a Certification that there is no pending litigation against the Owner, Developer and (if applicable) Co-Developer.

~~T.AA.~~ For Projects claiming Historic Tax Credits, a copy of any master lease, complete Syndication or investor agreement for any master tenant entity and all pro-formas, flow of funds and other such documents as may be requested by ADOH. (Hard copy required.)

~~Completed Tenant Selection Plan, as applicable.~~

~~U.BB.~~ \_\_\_\_\_ Additional documents, if requested by ADOH.

## 2.12 Ten Percent (10%) Cost Test Requirements

The IRS requires that Owners of Projects receiving a Tax Credit Allocation which are not Placed in Service in the year their Allocation is made must meet the Ten Percent (10%) Cost Test to have a valid Carryover Agreement. The Ten Percent (10%) Cost Test due date will be twelve (12) months from the issuance of the Tax Credit Reservation Letter.

To satisfy the Ten Percent (10%) Cost Test, the Owner must demonstrate it has incurred or expensed by the Deadline Date stated in the Reservation letter qualified costs in an amount that is greater than

ten percent (10%) of the reasonably expected basis in the Project (including land costs) at the close of the second calendar year. If I.R.C. § 42(h)(1)(E)(ii) is more restrictive, it will govern.

The following items are required to be submitted for the Ten Percent (10%) Cost Test.—~~ADOH will perform its third underwriting at this time:~~ All documents are to be uploaded to the ADOH Rental Development Portal.

- A. Updated Form 3.
- B. Independent auditor's report (Exhibit F).
- C. Certification of costs incurred (Exhibit F-1).

### 3. FOUR PERCENT (4%) TAX CREDITS WITH TAX-EXEMPT BOND FINANCING

#### 3.1 Determination of Tax Credits for Tax-Exempt Bond Projects

I.R.C. § 42(h)(4) allows low-income housing Projects financed with tax-exempt bonds to be eligible for four percent (4%) Tax Credits if they meet the minimum requirements of the law and the Plan. Applications for Projects financed with tax-exempt bonds may be submitted to ADOH as soon as Applicants receive confirmation of volume cap Allocation from the Arizona Commerce Authority (phone: (602) 845-1200). [Information regarding the bond lottery process and links to reach the Program Manager or Bond Counsel may be found at the following website: http://www.azcommerce.com/incentives/private-activity-bonds/](http://www.azcommerce.com/incentives/private-activity-bonds/)

At the time of Initial Application, Applicants sponsoring tax-exempt bond financed Tax Credit Projects will be required to pass all eligibility requirements stated in Section 2.5 of this Plan, adhere to all general regulations set forth in this Plan and comply with all applicable requirements under Sections 5 and 7 of this Plan. Applications for eligible tax-exempt bond projects may be submitted and ADOH may allocate such Tax Credits outside the normal Application round. Applicants applying for Tax Credits pursuant to I.R.C. § 42(h)(4) are not subject to the Maximum Reservation Per Project, or Sections 2.7 (scoring), 2.8 (tie-breaker), and 2.9(H)(A) (municipal development team) and 7.2(A)(2) of this Plan. [Applications submitted under this Section 3 must include all non-scoring Application exhibits under Section 2.9, and all document requested under Sections 2.10 and 2.11 of this Plan.](#)

Applicants should anticipate receiving an initial response thirty (30) days after submission of an Application. Applications that are incomplete or that do not meet the underwriting requirements in this Plan will be returned and the Applicant will need to re-submit a new Application with the applicable fee. The review of an Application for a Determination of Qualification under I.R.C. § 42(m)(1)(D) may be combined with any tax-exempt bond hearing pursuant to A.R.S. Section 35-726(E).

Tax-exempt bond financed Projects may receive Tax Credits in the full amount of their Eligible Basis only if at least fifty percent (50%) of the Project's "aggregate basis" of any building and land upon which the building is located is financed with tax-exempt bonds. Gap financing is generally not available for Tax-exempt Bond Projects. Applicant should consult with ADOH to determine whether funds are available prior to submitting an Application. Tax-exempt bond Projects with funding gaps, requesting Gap Financing through ADOH must submit an Application for such Gap Financing at the same time that the Applicant submits its Tax Credit Application. Applicant must include the Gap Financing Fee with the Gap Financing Application (Form 3-1). The procedures followed by ADOH in processing Applications for bond-financed projects are set forth below.

#### A. Upon Application

1. ADOH may review Tax Credit Applications at any time of the year after the Applicant has received ~~a final bond resolution from the bond issuing authority~~confirmation of volume cap Allocation from the Arizona Commerce Authority. An Applicant must submit a complete Tax Credit Application, at least thirty (30) calendar days prior to any hearing that may be conducted pursuant to A.R.S. § 35-726(E) (“§35-726(E) hearing”). If no §35-726(E) hearing is required, the Applicant must submit a complete Tax Credit Application at least sixty (60) days prior to the desired bond closing date. The Applicant must use the current year Tax Credit Application forms. The Application must be accompanied by the appropriate Application fee.
2. To fully utilize four percent (4%) Tax Credits for tax-exempt bond Projects, the Applicant must include a letter from a certified public accountant or tax attorney at ~~Tab 4~~Section 2.10 - “CPA Opinion,” that certifies that fifty percent (50%) or more of the Projects aggregate basis of any building and land upon which the building is to be located is “financed” by the tax-exempt obligation.
3. ADOH will determine whether the Applicant and the Project comply with all eligibility requirements of the Plan.
4. The Applicant must submit evidence that the Project complies with IRC §42(h)(4)(A)(i) and (ii).
5. ADOH will perform the first of two (2) feasibility analyses to determine the amount of credits necessary for the viability of the Project. ADOH’s feasibility analysis will include an underwriting of the Project in accordance with ADOH’s current standards as set forth in this Plan. For Projects subject to the requirements of A.R.S. §35-726(E), ADOH underwriting will include a comparison of the Application submitted for the §35-726(E) hearing before making a Determination of Qualification of Tax Credits.

6. The Applicant must pay all required fees to ADOH when due.

Upon approval of the Application, ADOH will issue a Determination of Qualification letter. If the Project has not closed within six months of the date of the Determination of Qualification letter, the letter will expire and the Applicant will need to submit a new Application with a Material Change fee.

**B. After Volume Cap Allocation for the Bonds Determination of Qualification Letter**

~~1. Upon receipt of evidence of Volume Cap Allocation, ADOH may issue a Determination of Qualification letter if the Project has been approved by ADOH.~~

2.1. Upon closing, The Applicant must submit to ADOH a written election statement, referencing I.R.C. § 42(b)(1)(ii)(II) on ADOH’s form. This election statement must certify that the



Applicant has chosen to lock in the applicable percentage as of the Placed in Service date or as of the month that the tax-exempt bonds are issued. If the latter is elected:

- a. The certification must specify the percentage of the aggregate basis of the building and the land on which the building is located financed with tax-exempt bond proceeds;
- b. The certification must state the month in which the tax-exempt bonds are issued;
- c. The certification must state that the month in which the tax-exempt bonds are issued is the month elected for the applicable percentage to be used in the building;
- d. The certification must be signed by the Applicant;
- e. The Applicant must provide the original notarized election statement to ADOH before the close of the 5<sup>th</sup> calendar day following the end of the month in which the tax-exempt bonds are issued. If this certification is not received by that date, then ADOH must use the percentage based on the Placed in Service date; and
- f. The Applicant must provide ADOH with a signed statement from the governmental unit that issued the tax-exempt bonds that certifies: 1) the percentage of the aggregate basis of the building and the land on which the building is located that is financed with tax-exempt bond proceeds; and 2) the month in which the tax-exempt bonds were issued.
- f.g. The Applicant must provide ADOH with a Certification of Determination from the governmental unit that issued the tax-exempt bonds pursuant to IRC Section 42(m)(2)(D) on ADOH's form.

### C. Final Tax Credit Allocation

The Applicant must submit to ADOH:

1. A completed submittal of all exhibits (except non-applicable scoring items) required under Section 5.1 of this Plan.
2. An opinion of the Applicant's certified public accountant or tax attorney that fifty percent (50%) or more of the aggregate basis for any building included within the Project and the land on which the building is located are financed with tax-exempt bonds.
3. An opinion of the Applicant's counsel that the Project is eligible to receive Tax Credits under I.R.C. § 42(h)(4).

At this point ADOH will perform the final feasibility analysis of the Project. Projects that fail to submit the materials described in this Section 3.1(C) to ADOH on or before the period ending three (3) years after the date of the Determination of Qualification letter described in paragraph (B)(1) of this Section are subject to additional fees as provided in Section 6.5 of this Plan.

### D. LURA and Consent and Subordination Agreement

The Applicant must submit to ADOH the recorded LURA and Consent and Subordination Agreement for the Project along with certifications that:

1. The tax-exempt bonds issued to finance all or a portion of the Project have received an Allocation of the state's private activity bond volume cap pursuant to 26 U.S.C. § 146;
2. Evidence that the Project complies with IRC §42(h)(4)(A)(i) and (ii) and;
3. The governmental unit which issued the tax-exempt bonds made a determination under rules similar to those set forth in I.R.C. § 42(m)(2)(A) and (B) that the housing credit dollar amount for the Project does not exceed the amount necessary for the financial feasibility of the Project and its viability as a qualified low-income housing Project throughout the credit period.

**E. Form 8609**

If the requirements of I.R.C. § 42, State law and this Plan are satisfied, ADOH may issue I.R.C. Form 8609 for the Project at the applicable credit percentage under I.R.C. § 42(B)(2) and may file the original of the election statement with the original of the Form 8609 with the appropriate IRS Form 8610.

## 4. GENERAL REGULATIONS

### 4.1 False Filing

An Application, including all exhibits, appendices and attachments thereto, made to ADOH for an award of low-income housing Tax Credits, including any materials filed at a later time with ADOH in connection with an Application, is considered to be an “instrument” for the purposes of A.R.S. § 39-161. According to that statute, knowingly including any false information in or with the Application is a class six (6) felony. Such an act may also result in barring the Applicant and Development Team members from future awards of low-income housing Tax Credits. In addition, false filing may be subject to the provisions of A.R.S. § 13-2311 (designating as a class five (5) felony the conduct of business with any department or agency of this state by knowingly using any false writing or document).

### 4.2 Satisfactory Progress

- A. Applicants who have previously received a Determination of Qualification, Reservation or Allocation in Arizona or any other state must make Satisfactory Progress and be in substantial compliance with the requirements of federal law with respect to all prior Projects before ADOH may consider a new Application. If the Applicant fails to demonstrate Satisfactory Progress, ADOH may cancel the Reservation or Allocation of Tax Credits and reject any new Application from the same Applicant, Development Team and any Person with an ownership interest in the Applicant or a member or members of the Applicant or Development Team.
- B. Applicants that have received previous Allocations must demonstrate Satisfactory Progress. Applicants that have not closed on construction loans before December 31st of the calendar year following the year of Allocation are not eligible for future awards without a written waiver request explaining the circumstances causing and justifying the delay. Waivers for any delay will be granted or denied by ADOH in its sole discretion. All Applicants that have received a Determination of Qualification or Reservation, Carryover Allocation or Allocation will be required to report on Project progress, using the “Bi-Monthly Performance Report,” accompanied by a brief narrative, every sixty (60) calendar days after receipt of the Determination of Qualification, Reservation, Carryover Allocation or Allocation. Applicants with Projects that include Tax Credits that have not received a final Allocation must make a written request for an approval of the deviation from the approved project schedule submitted with the Application. Projects that are not proceeding according to the original Project schedule submitted to the ADOH, and approved amendments, may be subject to revocation due to lack of Satisfactory Progress.
- C. ADOH may monitor both the progress and quality of construction. If progress or quality has not been satisfactory to the ADOH, ADOH may report significant deficiencies to any funding source

(including LIHTC investor or syndicator), to other members of the Project team, and to the Applicant, and the Project may be subject to revocation due to lack of Satisfactory Progress.

### 4.3 Return of Credits

If at any time ADOH concludes that a Project no longer meets the requirements of I.R.C. § 42 or this Plan, ADOH may cancel a Reservation, a Carryover Allocation Agreement or a Determination of Qualification(s). Tax Credits that were reserved in a competitive round will be considered returned to ADOH. In the event that ADOH requires a return of a Tax Credit Reservation, ADOH will give notice to the Applicant. ADOH may deny or revoke a notice of eligibility for four (4%) tax-exempt bond credits, Reservation or Carryover Allocation for nine percent (9%) tax credits for any Project. Denial or revocation may occur at ADOH's sole discretion, due to actions taken by the Applicant, Affiliate or Project Owner up to the Placed in Service date, for any of the following reasons:

- A. Subsequent regulations issued by Department of Treasury or the Internal Revenue Service.
- B. Information submitted in the Project Application to ADOH is determined to be fraudulent and/or misleading.
- C. Failure to pay fees, including late fees, described in Section 6.
- D. Failure to make Satisfactory Progress as defined in Section 4.2 of this Plan or failure to meet the deadlines stated in this Plan.
- E. Instances of curable or incurable noncompliance existing at any time during the Compliance Period and the Extended Use Period for any federal or state subsidized Project located in any state.
- F. Failure by an Applicant or Owner to promptly notify ADOH of any material or adverse changes from the original Application.
- G. Material Changes without written approval of ADOH.
- H. Change in the Unit design, square footage, Unit mix, number of Units, and number of buildings described in an Application for Tax Credits without the written approval of ADOH.
- I. Debarment by HUD or other federal and state programs, bankruptcy, criminal indictments and convictions.
- J. Failure to comply with federal or state fair housing laws.
- K. Other cause demonstrating the failure of the Applicant or the Project to be qualified or meet the requirements of federal or state law or the requirements of the applicable Tax Credit program.

### 4.4 Extended Use Period

Pursuant to I.R.C. § 42, the state requires that all recipients of Tax Credits enter into an initial fifteen (15) year compliance requirement and an additional extended use restriction for at least an additional

fifteen (15) years after the initial compliance requirement, extending the total commitment to a minimum of thirty (30) years. Prior to the issuance of Form 8609(s), the Owner of the Project must execute and record with the county recorder where the Project is located, a LURA which must constitute a restrictive covenant running with the property upon which the Project is located. The agreement must be in the form provided by the ADOH and is available from ADOH upon request. All Amenities, Design Features and Tenant Services promised in the Application will be identified in the LURA and will be inspected with each Compliance on-site inspection.

#### **4.5 Material Changes**

Material changes may be approved by ADOH after an allocation of LIHTC in accordance with this section. Development Team members with Controlling Interest in the Project must deliver a Project as described in the Application for Tax Credits unless ADOH approves a ~~material change~~Material Change request in writing.

##### **A. Material Change**

In order to obtain ADOH approval of a Material Change, the Applicant must submit a written request to ADOH explaining the change and the reasons justifying the change. A \$1,500 Administration Fee must accompany the written request. ADOH will not consider the request unless the fee is included. Because of ADOH's statutory mandate to award Tax Credits only to the extent they are necessary for Project feasibility, the Applicant must communicate in writing any proposed Material Change in the Project immediately to ADOH for an assessment of the impact on the Project. The written request must include the Applicant's reasons under I.R.C. § 42 or in this Allocation Plan for believing that the change is permissible. Projects applying for a Material Change will be underwritten to the standards in the Allocation Plan of the year that Tax Credits were awarded. The Applicant must submit to ADOH written approvals of the Material Change from the Local Government, the lender, and the syndicator as discussed below.

##### **B. Specific Material Changes**

1. Change of Location and Use. ADOH will not allow an Applicant to change the location of a Project once the Application has been submitted. Notwithstanding the foregoing, ADOH may allow Project relocation prior to the Carryover Allocation of Tax Credits if the new site for the Project is within the census tract specified in the Application, ADOH receives the written approval of the Local Government, and the need for relocation was unforeseeable and beyond the Developer's control at the time of Application. If an Applicant changes the location of a Project without the written approval of ADOH, ADOH may revoke the Tax Credits determined for the Project. A change in the use of a Project (e.g., Housing for Older Persons, family) after the Application has been submitted may not be allowed except with the written approval of both the Local Government and ADOH.

2. Changes to Principals. Substitution of a general or limited partner, or a syndicator or permanent lender may constitute a Material Change, and therefore, must be reviewed by ADOH.
3. ~~Complex-Other~~ Material Changes. ~~Complex-Other~~ Material Changes that involve a change in what is proposed in the Application, including but not limited to a change in Project design such as change in amenities, change in sustainable features, change in the number of units, in the amount of borrowed funds, the uses of funds in excess of \$250,000 or in the sources of funds will be reviewed following the guidelines below:
  - a. Unforeseeable circumstances or the imposition of extraordinary governmental rules and regulation, if fully documented and justified, may be viewed as reasons to approve a Material Change.
  - b. A request for Material Change will be denied if it results in a change in the Project score, the eligibility for a Set-Aside or failure of the Project to meet eligibility or threshold requirements.
  - c. Notwithstanding subparagraph b, above, ADOH may approve a request for a Material Change as necessary to further the goals of this Plan.
  - d. When the Material Change involves a restructuring, all commitments (i.e. Set-Asides, amenities) must be proportionately the same as at time of Application.

#### **C. Project Name Change**

In the event Applicant changes the name of a Project at any time prior to the completion of construction or any time thereafter through the Compliance Period and Extended Use Period, Applicant must notify ADOH and obtain ADOH's written approval of the name change. A name change may cause the Department to revise legal documents and other relevant Project specific documents. Applicant agrees to cooperate in any revisions the ADOH feels are necessary to reflect the name change.

#### **D. Failure to Obtain ADOH Approval**

If the Project fails to obtain ADOH's prior written approval to a Material Change, ADOH may recapture or reduce all or part of the Tax Credits determined or reserved for the Project.

#### **4.6 Disclaimer and Limitation of Liability**

- A. ADOH makes no representations to the Applicant, Developer, Owner, Syndicator or to any other Person as to Project eligibility or compliance with the Code, IRS treasury regulations or any other laws or regulations governing the LIHTC program.
- B. ADOH makes every effort to ensure that the references in this Plan are accurate. All references in this Plan to cells, line items and columns on forms are subject to amendments as forms are

updated periodically. All references to URL webpages are subject to amendment as they are periodically updated by their webmasters.

- C. Applicants, Development Team members, lenders, Equity Investors and syndicators participate in the Tax Credit program at their own risk. No member, officer, agent or employee of ADOH or the State will be liable for any claim arising out of, or in relation to, any Project or the Tax Credit program, including claims for repayment of construction, financing, carrying costs, any loss resulting from a decision of the IRS, or consequential damage or loss of any kind incurred by an Applicant, Development Team member, lender, Equity Investor, syndicator, or any other Person. Applicants shall be required to execute a release and indemnification of ADOH and related parties as part of the Application of Tax Credits and as a condition of final Allocation of Tax Credits.
- D. Disclosures. Public disclosure of LIHTC Applications shall be as provided by Title 39, Chapter 1 Article 2 of the Arizona Revised Statutes. Applicants must only enter confidential information such as taxpayer identification numbers at the specific locations required by the Application materials or the QAP. All information included in an Application submitted to ADOH is subject to disclosure to the public unless specifically exempted from disclosure by statute. Applicants must redact confidential information from documents if the information is not specifically required by ADOH. ADOH may redact information or withhold records that are protected from disclosure pursuant to Arizona law.



## 5. FINAL TAX CREDIT ALLOCATION

ADOH makes a final determination of the amount of Tax Credits at the time the Project is Placed in Service in accordance with the requirements of I.R.C. § 42. For the Final Tax Credit Allocation, the Project must submit final Tax Credit Allocation materials to ADOH as required by I.R.C. § 42. ADOH evaluates the Project's final costs and the amount of revenues from the sale of the Tax Credits. ADOH's final evaluation may require review of documentary support for development costs including, but not limited to, invoices, canceled checks and contracts. ADOH, in its sole discretion, may reduce credits based on its final evaluation and require a return of Tax Credits to ADOH.

Immediately upon construction completion, Applicant shall request the Final Tax Credit Allocation materials from the ADOH Project Specialist. Delays in requesting this package may delay the issuance of the IRS Form 8609.

### 5.1 Requirements for Issuance of Final Allocation (IRS Form 8609)

For buildings that are Placed in Service as part of a qualified Project (by December 31st following the twenty-four (24) months of closing of the bonds or from issuance of a Carryover Allocation), and upon compliance with all requirements of the Code and ADOH, ADOH shall issue an IRS Form 8609 for each building as of the time the building is Placed in Service. ADOH shall issue the Form 8609 after the Applicant: 1) receives a letter from ADOH's Compliance Department stating that all (if any) issues from the initial monitoring visit have been cleared; 2) fully pays all fees; and 3) submits the items described below via the ADOH Rental Development Portal. The documents required in hard copy format must be submitted in eight and one-half by eleven (8 1/2 x 11) format, bound in a three (3) ring binder, and tabbed accordingly:

- A. Updated Form 3.
- B. A fifteen (15) year pro forma starting with the Placed in Service date.
- C. Updated Final Appraisal of the Project prepared by the permanent lender. (Hard copy required.)
- D. All certificates of occupancy, issued by the appropriate governmental authorities, for qualifying buildings that must indicate the dates the buildings were Placed in Service and the addresses of those buildings.
- E. A general contractor cost certification in the form of an independent auditor's report prepared by the Certified Public Accountant who is certifying the final cost of the Project according to general accepted accounting principles for Projects with more than ten (10) Units.
  - a. The General Contractor must complete a General Contractor's Certification on ADOH's form, which must be submitted to ADOH with an unqualified audit report from the independent Certified Public Accountant who is preparing the final cost certification of the Project. Complete instructions and forms are included in Exhibit H.

D.F. A final cost certification in the form of an independent auditor's report prepared by a Certified Public Accountant certifying the final cost according to generally accepted accounting principles for Projects with more than ten (10) Units as required by IRS Regulation 1.42-17, as follows:

1. The auditor must certify to ADOH the full extent of all sources of funds and all development costs for the Project including any federal, state, and local subsidies that apply (or that the Applicant expects to apply) to the Project.
2. The auditor must prepare the required schedule of development costs based on the method of accounting used by the Applicant for federal income tax purposes, and it must detail the Projects total costs as well as those costs that may qualify for inclusion in eligible basis under I.R.C. § 42.
3. The Applicant must make the required certifications on the Certificate of Actual Costs Form satisfactory to ADOH. See Exhibit G. IRS Regulation 1.42-17 also requires that Projects with greater than ten (10) units submit a Certified Public Accountant's audit report on the schedule of Project costs.
4. The cost certification shall include a note explaining any unexpended costs and a calculation of anticipated permanent loan costs.

E.G. The Applicant's building-by-building tax credit computation (on ADOH form Table A).

F.H. A letter from the permanent lender summarizing the terms and conditions of the permanent loan. Upon closing of the permanent loan, the Applicant must submit copies of the executed promissory note, recorded deed of trust, and recorded consent and subordination agreement.

G.I. Copies of the restrictive covenants from any gap financing from other sources. (Hard copy required.)

H.J. A promissory note from the Owner payable to the Developer in an amount sufficient to cover any Deferred Developer Fee. Other forms of obligation to pay may be substituted if allowed under the definition of Deferred Developer Fee and if they include the following: 1) the interest rate; 2) the term of repayment; 3) the source of repayment and proof that the source of repayment is supported by cash flow projections or a binding commitment from a party capable of repayment; and 4) if there is a lien, language stating that the lien is subordinate to other liens relating to permanent financing.

I.K. The LURA for compliance with I.R.C. § 42(h)(6) in a form of a declaration of covenants, conditions and restrictions effective for a period of at least thirty (30) years satisfactory to ADOH shall be executed and recorded prior to the time of the final Tax Credit Allocation. The LURA shall specify the Units Set-Aside for lower income tenants and the percentage of median income tenants

served, both of which must be consistent with the project described in the Application. The amenities, design features and Supportive Services promised in the Application will be identified in the LURA and will be inspected with each Compliance on-site inspection.

1. Evidence of that recording must be presented to ADOH before the issuance of IRS Form 8609(s).
2. Applicants who desire to have the LURA completed and recorded by the end of the year must request it by no later than November 1<sup>st</sup>. Any requests submitted after the November 1<sup>st</sup> deadline may not be completed by the end of the year.
3. All agreements to be signed and recorded by December 31<sup>st</sup> must be submitted to ADOH not later than December 1<sup>st</sup> of that same year.

~~J.L.~~ One (1) eight by ten (8 x 10) inch color photograph of at least one (1) of the Project's buildings with signage.

~~K.M.~~ A completed form stating the Project's first credit year (ADOH provided form).

~~L.N.~~ Fully executed partnership, operating, or joint venture agreements and other agreements between the Project and the Equity Investor and all attachments and exhibits, thereto. (Hard copy required.)

~~M.O.~~ An Equity Investor certification letter (ADOH sample form provided).

~~N.P.~~ Written certification from the architect that the Project meets the design standards of this Plan (see Exhibit W-1).

~~O.Q.~~ Calculation of the "Construction Gross Area" prepared and certified by a licensed architect or engineer with no identity of interest with the Applicant or Developer.

~~P.R.~~ Completed and signed certification from the contractor (Contractor's Certificate - Exhibit W-2) that the Project was built in compliance with the plans and specifications provided by the architect and as described in the Application.

~~Q.S.~~ Completed and signed Placed in Service Acknowledgement (ADOH provided form) for each building in the Project.

~~R.T.~~ Certification from FSLHES that the Project complies with the energy standards of this Plan (e-mail FSLHES at [FSLHES@fsl.org](mailto:FSLHES@fsl.org)) or certification of LEED Silver or better.

~~S.U.~~ Completed Exhibit X - Operational Risk Management (ADOH provided form).

~~T.V.~~ Proof of flood insurance, or verification that property is not located in a flood zone.

~~W.~~ Updated title report.

~~U.X.~~ Copy of Settlement Statement for acquisition, if not previously provided.

~~V.Y.~~ \_\_\_\_\_ Completed and executed Form 17. The architect is required to certify that all specified green point criteria have been met. Supporting details such as contracts, work orders, delivery receipts, etc., are required to be submitted to certify green products were incorporated into the Project as planned.

~~W.Z.~~ \_\_\_\_\_ Final Allocation Fee.

~~AA.~~ \_\_\_\_\_ As built survey, drawings and specifications of completed Project.

~~X.BB.~~ \_\_\_\_\_ If the Project has received ADOH Gap Financing, Certification on ADOH's form that there is no pending litigation against the Owner, Developer or Co-Developer.

and

~~Y.CC.~~ \_\_\_\_\_ Any additional information requested by ADOH.

## 5.2 Final Allocation Underwriting

Prior to the issuance of IRS Form 8609(s), ADOH underwrites the Project using the information provided in Section 7. In addition to the limitation regarding Eligible Basis, ADOH limits the total amount of Tax Credits to the amount computed under the Gap Analysis, so Projects are not awarded Tax Credits in excess of the amount necessary to make the Project feasible. Unreasonable costs, changes in financing sources, funding amounts, or excess equity may reduce the final amount of Tax Credits and, or ADOH Gap Financing.

In the event that changes in the Project result in a failure to maximize Permanent Debt as required under Section 7.1(C)(3)(b), ADOH will require one of the following remedies to cure the deficiency:

1. Reduce Tax Credits
2. Increase the Permanent Loan
3. Increase Deferred Developer Fee
4. Reduce ADOH Gap Financing

If any Person participating in the Project Owner has any outstanding compliance issues on the subject Project or on any other project in Arizona or any other state, such compliance issues must be resolved by the Owner of the project prior to issuance of Forms 8609.

**6. FEES**

All fees set forth in this Section 6 are non-refundable.

ADOH assesses all non-refundable fees described herein for the purpose of covering the costs and expenses of processing an Application to the point where the Applicant may receive a Final Tax Credit Allocation. If an Application, Reservation, or Carryover Allocation is denied due to action or inaction by the Applicant, the fees are nonetheless due and payable to ADOH upon demand. Notwithstanding ADOH’s determination of the amount of the final Tax Credit Allocation, no Reservation Fee and Final Tax Credit Allocation Fee shall be refundable by ADOH.

**5.16.1 Tax Credit Application Fee**

A Tax Credit Application fee of \$5,000 is due to ADOH at the time of submission of the Application. Tax Credit Applications will not be accepted unless accompanied by this fee.

**5.26.2 Gap Financing Review Fee**

A Gap Financing review fee in the amount of \$1,500 shall be due and payable at Application.

**5.36.3 Reservation Fee, Determination of Qualification Fee, and Final Allocation Fee**

A payment totaling ten percent (10%) of the annual amount of Tax Credits is due and payable to ADOH as follows:

Fee	Percent of the Annual Amount of Tax Credits	Due and Payable
Reservation Fee (nine percent (9%) Tax Credits)	Eight percent (8%) (non-refundable)	Within thirty (30) days of the issuance of the Reservation letter
Determination of Qualification Fee (four percent (4%) Tax Credits with Bonds)	Eight percent (8%) (non-refundable)	Within thirty (30) days of the issuance of the Determination of Qualification letter
Final Tax Credit Allocation Fee (all Tax Credit Projects)	Two percent (2%) (as adjusted to be no higher than the greater of ten percent (10%) of the final Tax Credit Allocation or the amount previously paid at Reservation or Determination of Qualification)	At final allocation and prior to issuance of 8609(s).

#### **5.46.4 Tenant Ownership Fees**

Applicants with Applications that include tenant ownership shall pay an additional \$4,000 legal review fee at the same time that they pay the Determination of Qualification or Reservation Fee.

#### **5.56.5 Late Fees**

ADOH charges a Carryover Allocation and Ten percent (10%) Test late fee of \$250 per day for information received after the Deadline Date specified by ADOH in the Reservation Letter. Information not received by the close of business of the deadline established by ADOH may result in the Project not receiving a Carryover Allocation. In extreme circumstances, such as a late Reservation of Tax Credits, ADOH may waive the late fees.

ADOH charges a late fee of \$250 per day for Projects that fail to submit the documents required in Section 3.1(C) of this Plan on or before the period ending three (3) years after the date of the Determination of Qualification letter described in Section 3.1(B)(1) of this Plan.

#### **5.66.6 Administration Fees**

An Administration Fee in the amount of \$1,500 is due and payable to ADOH: 1) if an Owner or Applicant requests additional underwriting after a Reservation has been made; and 2) in the event that an Owner or Applicant requests approval of a Material Change.

#### **5.76.7 Compliance Monitoring Fees**

Every Applicant for a Project that receives an Allocation must pay to ADOH an annual, non-refundable Compliance Monitoring Fee. The timing and amount of the annual Compliance Monitoring Fee is as described in this Section unless the LURA applicable to the Project property specifically provides otherwise. Beginning January ~~2016~~2017, and until a subsequent QAP becomes effective, the annual Compliance Monitoring Fee shall be \$70 per Low-Income Unit, and is due annually whether or not a physical inspection is conducted on the property. Payment of the Compliance Monitoring Fee is part of the Annual Report and is due and payable by no later than March 15<sup>th</sup>.

ADOH assesses a \$100 late fee for every thirty (30) days that the Applicant is delinquent in paying the monitoring fee after March 15<sup>th</sup>.

#### **5.86.8 Energy Inspection and Plan Review Fees**

An energy inspection and/or plan review fee is due and payable for all Projects with the submittal of the equity closing package in Section 2.11 of this Plan. Projects for which energy inspection process 1 under Tab 17 is applicable for prescriptive path, LEED path, or performance based path projects shall remit a plan review fee of \$750. Projects for which energy inspection process 2 under Tab 17 is applicable shall remit an inspection and plan review fee of \$1,500. The energy inspection and plan review fee includes one pre-insulation/drywall phase inspection (see Section 2.9(Q)(1)(A)(2)) and one

final inspection (see Section 2.9(Q)(1)(A)(3)). Each subsequent re-inspection shall incur an energy re-inspection fee of \$750 per visit.



## 7. UNDERWRITING

ADOH's underwriting review process of Applications for Tax Credits focuses on the feasibility and the long-term viability of the Project. ADOH reserves and allocates Tax Credits at the minimum level needed to realize the financial feasibility and viability of a Project consistent with the requirement of I.R.C. § 42 and this Plan throughout the end of the Extended Use Period.

### 7.1 Underwriting Financial Evaluation Requirements

- A. A Project will undergo the underwriting process a minimum of four (4) times: 1) prior to issuing a binding Reservation, 2) prior to issuance of a Carryover Allocation, 3) prior to admission of the Equity Investor/Partner into the ownership entity, ~~3) at ten percent (10%) Test for a Carryover Allocation (if applicable)~~, and 4) at submission of documents requesting a Form 8609. ADOH may request, at any time, updated information needed to perform an interim underwriting and evaluation if a Material Change has occurred as defined in Section 4.5. **Upon an increase in tax credit pricing or other financing terms and conditions which increase the total sources to the Project, ADOH shall reduce the amount of ADOH Gap Financing and Tax Credits to the amount needed by the Project under the Development Budget submitted at Application, as approved by ADOH during initial underwriting, unless a Material Change has been approved.**
- B. Based on information submitted and other relevant information available, ADOH analyzes and, if necessary, adjusts the financial considerations in accordance with this Plan. ADOH will review development costs, permanent financing sources and amounts, public funding amounts, Developer Fees, projected rents, projected Operating Expenses, vacancy rates, and other financial considerations of a Project as necessary in accordance with this Plan, and reserves the right to contact lenders and syndicators directly to obtain additional information, if needed. Based on its review ADOH may make adjustments as necessary to ensure that proposed sources and uses of funds and other financial considerations are reasonable. ADOH will allocate an amount of Tax Credits and ADOH Gap Financing, if required, based on its determination. ADOH may deny an Application for Tax Credits, revoke a Reservation of Tax Credits, or deny an Application for a final Allocation of Tax Credits if ADOH concludes that:
1. Sources of funds are insufficient to finance the total development costs of the Project;
  2. Applicant fails to maximize its primary debt;
  3. Operating revenues are insufficient to ensure the viability of the Project through the end of the Compliance Period according to the standards described in this Plan;
  4. The Project does not generate sufficient income to cover Operating Expenses and debt service;
  5. The Application is inconsistent with the requirements of I.R.C. § 42 and A.R.S §§ 35-728(B), (C) and 41-3953;

6. The Application is inconsistent with applicable federal law including without limitation the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), the program requirements for any source of funding and any requirements or conditions described in an applicable notice of funding availability;
  7. The Application fails to reasonably meet the underwriting standards and guidance described in this QAP;
  8. The information submitted is insufficient to permit ADOH to make a determination on the Project's feasibility and long term viability;
  9. A submittal contains material errors and inconsistencies including without limitation incorrect or contradictory information, incorrect numbers, and mathematical errors; or
  10. A Project is collateralized by real property that is financed with Tax Credits or other government soft funds.
- C. ADOH Underwriting Threshold Requirements and Standards. (See Tab 11: Financial Ability to Proceed for additional requirements.)
1. Rental Analysis - Form 3. ADOH restricts costs in the operating budget to the costs directly associated with operating the Project.
    - a. Rental Analysis. Project rents shall:
      - 1) Not exceed the maximum allowable permitted under I.R.C. § 42; and
      - 2) Undergo verification against the Market Demand Study with any adjustments to rent made during the underwriting process to be in line with the market. Adjustments may affect the amount of tax credits reserved for a Project, ADOH Gap Financing or the amount of the primary mortgage.
    - b. Additional Monthly Income.
      - 1) ADOH restricts miscellaneous monthly income to no more than \$20 per Unit per month.
      - 2) Rental assistance may be considered as additional income if supported by the funding source documents at Tab 19 for a Permanent Supportive Housing Project.
    - c. Vacancy. ADOH will underwrite to a vacancy rate as stated in the Market Demand Study, but in no event will the vacancy rate be greater than ten percent (10%). A Project may be deemed unfeasible with a vacancy rate greater than ten percent (10%). If the ADOH does not agree with the conclusions of the Market Demand Study, the ADOH reserves the right to commission an additional independent market study, at the expense of the Applicant, and to rely on those findings.

- d. Replacement Reserves. ADOH underwrites replacement reserves for new construction of Housing for Older Persons Projects at the rate of \$250 per Unit per year and other new construction projects and all acquisition/rehabilitation projects at \$350 per Unit per year. Replacement Reserves must also be shown on the Project pro forma beginning in year one (1) and must increase at three percent (3%) per year during the Compliance Period.

## 2. Annual Operating Expenses - Form 3

ADOH underwrites annual Operating Expenses for new construction Projects at \$4,200 per Unit per year and for acquisition/rehabilitation Projects at \$4,500 per Unit per year, not including replacement reserves and resident Supportive Services. Any employee Unit, whether or not it is rent-commanding, is included in the calculation of Operating Expenses. The \$4,200 and \$4,500 Operating Expense assumptions also assume that the utilities for the Units will be broken down as follows: 1) tenants will pay for power and gas in their Units, and 2) water, sewer and trash expenses will be borne by the Owner.

Waivers will be required for an operating budget that is more than \$100 per unit per year higher or lower than this standard. Waivers for operating budgets that are higher than the standard must demonstrate that the additional costs are reasonable and necessary for project operations. Waivers will only be considered where the Developer can demonstrate by providing past operating statements from similar properties over which the Developer has a Controlling Interest, which demonstrate capacity to operate the Project within the proposed operating budget without deferred maintenance.

- a. Land Lease. Lease payments for land are an Operating Expense and are not permitted to be included in the Development Budget. ADOH reserves the right to order a third party valuation of the lease payment at the Applicant's expense.
- b. Replacement Reserves. ADOH underwrites replacement reserves for new construction of Housing for Older Persons Projects at the rate of \$250 per Unit per year, and other new construction projects and all acquisition/rehabilitation projects at \$350 per Unit per year. Replacement reserves must also be shown on the Project pro forma beginning in year one (1) and must increase at three percent (3%) per year during the Compliance Period.
- c. Costs for Supportive Services will be considered an additional annual Operating Expense. An operating budget that includes Supportive Services must equal the sum of the annual Operating Expenses plus the annual cost for the Supportive Services. If the permanent lender is including the cost of Supportive Services in the sizing of the loan, it should be noted in the loan commitment letter.
- d. Applicant must include property taxes in annual Operating Expenses with the formula used to calculate the real estate taxes shown in Section 15 of Form 3. If the property is exempt from property taxes, the Applicant must submit a written certification confirming

- the exemption from the county treasurer or assessor's office or the governmental entity having taxing authority over the Project.
- e. The proposed management company must submit a statement at time of application confirming that the Operating Expense projections are reasonable.
  - f. ADOH does not include asset management fees in ordinary annual Operating Expenses.
  - g. ADOH may underwrite to higher operating costs for Projects proposing specialized or unique characteristics such as rehabilitation of buildings located in historic areas.
3. Project Pro forma/Cash Flow Analysis
- a. Yearly Increases. Revenues and expenses shown on the pro forma must increase annually at two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligations must increase at three percent (3%) per year. An exception may be permitted if operating subsidy is provided by USDA/RD or HUD to guarantee break-even operations of the Project. A waiver request must be submitted with the LIHTC Application.
  - b. Debt Service Requirement. ADOH will expect the Applicant to maximize its lending sources by paying at least the maximum mortgage payment supportable by Project net operating income as described hereafter. The amount of the primary loan shall be fully amortized for no less than twenty-five (25) years, with a loan term of no less than the Compliance Period, written at a competitive market rate of interest and the annual debt service coverage ratio ("DSCR") shall be no less than one point two zero (1.20) for each year of operation during the Compliance Period and no more than one point one five (1.15) on the earlier of: the date the Extended Use Period expires or the year the loan matures. (The DSCR is the quotient obtained by dividing the annual net operating income by total annual debt service payments for the primary mortgage.) ADOH will also consider modifying, or as modified by the debt service coverage and loan-to-value ratios based upon those established by the lender in the Commitment Letter or Letter of Interest/Intent, and approved by the ADOH. Tax Credits will be adjusted, if necessary, to assume financing requiring maximum mortgage payments or such other maximum mortgage payment as is approved by the ADOH. Mortgage terms (i.e. interest rate and amortization period) will be taken from the lender's Commitment Letter or Letter of Interest or Intent.
    - 1) Financing provided by a non-arm's length lender must be on terms at least as favorable as competitive market rate product provided to other Projects within the same tax credit round. Inclusion of prepayment penalties, or other penalties that allow the non-arm's length lender to foreclose or create excessive interest accruals will

not be permitted. The interest rate may not be higher than the highest arm's length primary debt transaction in the 2017 Tax Credit round.

2) The amount and terms of any debt to be assumed must also be shown on page 7 of Form 3.

3) All terms of any construction loan to perm loan must be disclosed.

b.c. ADOH may reduce the amount of Tax Credits and/or ADOH Gap Financing and maximize the amount of primary debt financing. ADOH may consider information gathered to determine whether the Applicant has committed the maximum amount of private sources of funds available to the Project.

e.d. ADOH may consider a minimum debt service ratio of one point one five (1.15) for Projects with commitments for loan guarantees or rental assistance through HUD or the United States Department of Agriculture Rural Development Authority.

d.e. Secondary debt from an unrelated third party with a hard payment that is not based upon cash flow will be included in the calculation of the Debt Service Requirement in Section 7.1(C)(3)(b) above.

e.f. The cost of Supportive Services should be paid from cash flow and fall below the first lien holder's permanent loan and secondary debt in Section 7.1(C)(3)(e) in priority of payment unless other committed sources to fund Supportive Services are documented in the Application.

f.g. A reasonable investor/syndicator asset management fee may be permitted as an expense payable from available cash flow after all items in Section 7.1(C)(3)(b)-(f).

g.h. The Deferred Developer Fee (included in Eligible Basis) shall be paid from cash flow and fall below the cost of Supportive Services paid from cash flow in priority of payment. The Applicant must provide evidence that the Deferred Developer Fee will be paid to avoid a reduction in eligible basis.

i. ~~Soft-Subordinate~~ debt (including ADOH Gap Financing) shall fall below the first lien holder's permanent loan, secondary hard debt, the cost of Supportive Services, the investor's asset management fee, and Deferred Developer Fee in priority of payment. Local Government financing shall follow ADOH Gap Financing in priority of payment. ~~A pari passu split of available cash flow with a Local Government will be considered on a case by case basis through a waiver request.~~ All ~~other~~ soft financing, including Seller Carryback loans and related party loans shall fall below ADOH Gap Financing and Local Government financing in priority of payment. The Applicant must provide evidence that any Federal soft debt will be repaid to avoid a reduction in eligible basis. Projects for which a soft Local Government deferred loan is the primary debt, and for which no

- provisions for payment from cash flow during the Compliance Period are included in the loan terms, will be required to defer sufficient Developer Fee to meet the Debt Service requirements in Section 7.1(C)(3)(b) above.
- j. Debt Service Reserve. The Project will be required to fund a Debt Service Reserve with all cash remaining after paying the Operating Expenses, Deferred Developer Fee, reasonable Asset Management fee to the investor, and Supportive Services in the event that:
- 1) ADOH's pro forma for the Project anticipates a debt coverage ratio of lower than one point one five (1.15) in any year prior to loan maturity on the primary debt, or
  - ~~1~~2) ADOH's pro forma for the Project anticipates a debt coverage ratio of lower than one point zero (1.0) in any year prior to the loan maturity of the primary debt plus all subordinate ADOH and Local Government financing after paying the Deferred Developer Fee, reasonable Asset Management Fee to the investor and Supportive Services costs funded from property operations.
4. Development Budget - Form 3. Applicants shall disclose all uses of development funds including, but not limited to, funds used to build commercial and/or retail space. Costs are limited to those that are necessary to build the Project. All sources, including reserves and contingency items, must be funded from cash sources that are dedicated to the Project. With the exception of the Lease-Up Reserve, Letters of credit and cash from operations are not acceptable financing sources to cover financing gaps in the Development Budget.
- a. Acquisition costs for each Project type shall be limited to lowest of: the original purchase price with documented extension fees and documented reasonable carrying costs, the appraisal submitted with the application and the construction lender's appraisal submitted prior to equity closing. The "building" cost on Line 3 of Form 3 Page 8 through 11 will be limited to the "As-Is" market value assuming market rental rates. "As-If" prospective values are not an acceptable form of valuation for determination of acquisition costs.
    - 1) Projects which include Acquisition/Demolition and New Construction Projects components are limited to the "As If" Vacant Land value. The value of buildings to be demolished (or torn down to the foundation) shall not be included in the Development Budget.
    - 2) An upfront capitalized payment of a land lease may not be included in the Development Budget.
  - b. Construction Contingency. Applications shall include a minimum hard cost contingency of five percent (5%) of the Total Direct Construction Cost line item for New Construction and seven percent (7%) of the Total Direct Construction Cost line item for all other project types. The maximum hard cost contingency for all project types is ten percent (10%) of



the “Total Direct Construction Cost” line item. Rehabilitation projects and Acquisition/Demo projects may also include a hazardous waste contingency of up to seven percent (7%) of the “Total Direct Construction Cost” line item.

- c. Construction Loan Finance Costs Limits. ADOH evaluates construction loan finance costs based on information provided in Commitment Letters and Letters of Interest or Intent submitted in the Application. ADOH may compare an Applicant’s stated costs to industry standards and other Applications submitted during the tax credit round and may make adjustments to the development budget during the underwriting process.
  - 1) ADOH will allow construction loan finance costs up to a maximum of two percent (2%) of the construction loan amount as stated in the Commitment letter or Letter of Interest or Intent prepared by the construction lender.
  - 2) The maximum construction interest allowable in Eligible Basis shall be calculated as follows: construction loan amount multiplied by the MONTHLY Interest Rate, divided by two (2), multiplied by the number of months in the construction phase.
  - 3) ADOH will reduce the construction loan costs and/or interest reserve allowed in the development budget if it determines the size of the construction loan is overstated and/or the interest rate is in excess of industry standards. If ADOH reduces the size of the construction loan, it shall also adjust other Development Budget line items affected by the reduction in the loan size.
- d. Primary Mortgage Financing Costs Limit. ADOH evaluates primary mortgage financing costs based on the information provided in the Commitment letters and Letters of Interest or Intent submitted in the Application. ADOH may compare an Applicant’s stated costs to industry standards and/or other Applications submitted during the tax credit round and may make adjustments to the development budget during the underwriting process. Origination and loan fees are capped at two percent (2%) of the primary loan amount.
- e. Developer Fee Limits. For the purpose of the limits in the table below, the Developer Fee also includes overhead and profit, construction management fees, non-profit fees and consultant fees as part of the total Developer Fee. The total amount of Developer Fee that can be included in Line 116 of the Development Budget shall be limited as set forth in the table below. The total Developer Fee may be reduced if Total Eligible Basis is decreased, but the total Developer Fee submitted at Application shall not be increased.

Developer Fee Limits As A Percent of Total Eligible Basis in Cost Categories I-IV of the Development Budget	
Number of Units	Percent Allowed
1 - 30	Seventeen percent (17%)



31 - 60	Fifteen percent (15%)
61+	Fourteen percent (14%)

- 1) ADOH will allocate ten percent (10%) of the total Developer Fee to the four percent (4%) Eligible Basis column for Projects claiming four percent (4%) Acquisition Credits.
  - 2) Up to forty percent (40%) of the Developer Fee may be deferred for a term no greater than fifteen (15) years to cover a gap in funding sources at final allocation underwriting in Section 5 of this Plan. Applicants claiming points under Section 2.7(G) Cost Efficiency shall defer no more than five (5%) of the Developer Fee at Application. Payment projections of the Deferred Developer Fee must not negatively impact the cash flow operations of the project. Applicant must demonstrate that the Deferred Developer Fee is entitled to be included in eligible basis.
  - 3) On or before the date that the equity closing package is submitted for underwriting, municipalities incorporated under A.R.S. §9-101 et seq. or county formed under A.R.S. §11-101 et seq. and/or affiliated entities of such municipalities or counties shall submit evidence that the amount and uses of its portion of the Developer Fee have been approved by the City Council, Board of Supervisors or Governing Board, as applicable.
- f. Builder Profit, Overhead and General Requirement Limits. These limits are calculated as a percentage of the Eligible Basis of line item "Subtotal Direct Construction Costs" as set forth in the table below:

*NOTE: General Requirements include Project-related site costs such as temporary fencing, utilities to the site during construction, job site supervision, job site office and similar costs.*

Builder’s Profit, Overhead and General Requirements	Percent of Costs				
	1 - 15	16 - 31	31 - 46	46 - 61+	61+
Project size in Units	1 - 15	16 - 31	31 - 46	46 - 61+	61+
Builder’s profit	06.00	05.75	05.50	05.25	05.00
Builder’s overhead	03.00	02.75	02.50	02.25	02.00
General requirements	06.00	05.75	05.50	05.25	05.00
Total maximum percentage	15.00	14.25	13.50	12.75	12.00

- g. Architectural and Engineering Fees. Architectural and engineering fees, including design and inspection costs that can be included in Eligible Basis shall be limited to \$4,500 per Unit for acquisition/rehabilitation and the limits in the following table for new construction, acquisition/demolition/new construction or adaptive re-use. The limits include architectural design and construction administration, structural engineering, civil engineering, mechanical engineering, electrical engineering, plumbing engineering, landscape architecture, green consultant/LEED rater, and geotechnical engineering (including the soils report), and the cost of architectural design and civil engineering associated with re-zoning (prior to Application) and site plan approvals. ADOH may make reasonable reductions in the architecture budget if all of the above services are not required for the Project. Applicants with extensive off-site civil engineering in remote areas may request a waiver, with justification and other sources to fund the off-site civil engineering and construction costs.

Architectural and Engineering Fee Limits for New Construction, Acquisition/Demolition/New Construction and Adaptive Re-use Projects	
Number of Units	Per Unit Allowed
1 - 30	\$9,000
31 - 60	\$8,000
61+	\$7,000

- h. Capitalized Reserve Requirements. The Development Budget must include capitalized reserves as follows:
  - 1) Lease-up Reserve. Four (4) months of Operating Expenses plus four (4) months of primary debt service must be shown in the Development Budget. All funds remaining in the lease-up reserve account at the time the Project reaches ninety-five (95%) occupancy must be used first to pay capital costs including Deferred Developer Fee with any balance remaining to be placed in the operating reserve. The partnership

agreement or operating agreement must contain language restricting the use of these funds as indicated and providing control of the funds to the Equity Investor.

- 2) Operating Reserve. Four (4) months of operating expenses plus four (4) months of primary debt service must be shown in the Development Budget. Operating reserve funds must remain in an account solely for Project use during the Project Extended Use Period, unless recapitalized through a refinance upon completion of the fifteen (15) year Compliance Period. The Applicant must include a narrative explaining how the operating reserve will be established. Funds in the operating reserve account are used solely to cover Project operating expenses when revenues are not sufficient. The partnership agreement or operating agreement must contain language restricting the use of these funds.
  - i. Replacement Reserve. The Development Budget may include an annual replacement reserve in the following amounts: \$250 per Unit per year for new construction of Housing for Older Persons Projects, and \$350 per Unit per year for other new construction and all acquisition/rehabilitation and adaptive/re-use Projects. Replacement reserves capitalized in the Development Budget shall not exceed an amount equal to one (1) year of replacement reserves. Replacement reserves, including annual deposits less amounts spent on eligible replacements, must remain in an account solely for Project use during the Project Extended Use Period unless recapitalized through a refinance upon completion of the fifteen (15) year Compliance Period. Funds in the replacement reserve account are used solely to cover the replacement of capitalized cost items.
  - j. Equity Pricing. The ADOH will conduct a survey of tax credit Equity Investors to determine appropriate pricing assumptions to establish the equity pricing that will be used for underwriting purposes. ADOH will establish two (2) equity pricing amounts, one (1) for Balance of State Areas and one (1) for Maricopa and Pima Counties. Projects may be underwritten using the greater of the ADOH equity pricing or the Applicant's equity pricing as indicated in the tax credit syndicator/equity investor Letter of Interest or Intent. The equity pricing amounts will be announced at the Application Workshop.
5. A tax credit Application submitted during any round may only include one (1) set of proposed funding sources. The ADOH will not consider multiple financial scenarios submitted with the original Application.
6. A Project will be ineligible for allocation if any of the committed funding sources in the Application will not be available in an amount or under the terms described in the Application. The ADOH may waive this limitation if the Project otherwise demonstrates financial feasibility, as determined through a Material Change Request pursuant to Section 4.5 of this Plan. Commitments for funding sources may not include any terms that would reduce the amount committed.

7. If the Project includes the Federal Home Loan Bank’s Affordable Housing Program (AHP) as a source in the Application, the Project must submit the AHP application prior to ADOH’s announcement of tax credit reservations. In the event that the AHP funds are not awarded, ADOH will provide the Applicant a period up to one hundred fifty (150) days from Reservation to secure an alternative source of permanent soft funding before making a determination that the Project is ineligible to receive an allocation of tax credits in the 20162017 round.

D. ADOH Gap Financing and Layering Analysis.

1. ADOH Gap Financing. ADOH may, in its sole discretion and subject to funding availability, provide up to \$500,000 in State Housing Fund for Gap Financing in accordance with the most recent State Housing Fund Program Summary and Application Guide. Projects with Total Construction Costs (line 55 on Form 3 column 1) in excess of the following per square foot limits are ineligible for ADOH Gap Financing. The maximum Total Construction Costs shall be determined by multiplying the following price per square foot costs (specific to project type) by the Total Project Square Footage. ADOH will further limit (i.e. reduce) Total Construction Costs for rehabilitation costs (including adaptive re-use) to those determined to be reasonable by the independent cost estimator as outlined in Section 2.9(Y)(2)(a). Applicant must provide the documents requested by ADOH or its independent cost estimator in order to determine the reasonableness of rehabilitation costs.

Project Type	Construction Cost per Square Foot
Balance of State Project	\$122.75
Suburban Project	\$128.28
Urban Project	\$135.47
Housing for Older Persons-Balance of State Project	\$132.93
Housing for Older Persons-Suburban Project	\$146.20
Housing for Older Persons-Urban Project	\$165.03

For example, Total Project Square Footage is 80,000 square feet, the maximum allowable construction cost for a Balance of State Project to be eligible for Gap Financing is calculated as follows:

*80,000 square feet x \$122.75 equals \$9,820,000 for Total Construction Cost allowable on Line 55 Column 1 of Form 3 Pages 8 through 11.*

- a. Applicants that request Gap Financing from ADOH must include a Gap Financing Application (Form 3-1) and include the Gap Financing Fee. The Gap Financing Application may be downloaded from ADOH's website. The Gap Financing Application must be included at Tab 3, behind Form 3.

ADOH reserves Gap Financing from the amount identified in its budget for competitive 9% LIHTC Projects until those funds are exhausted in the order that Projects are awarded according to Section 2.2(A) of this Plan. In the event that an Application qualifies to receive an award of Tax Credits based upon its score, meets eligibility and threshold requirements, and demonstrates a strong market demand, but would not meet underwriting requirements without an award of ADOH Gap Financing for which ADOH Gap Financing funds are unavailable, ADOH will provide the Developer ten-business days to secure a commitment for an alternate source of permanent soft funds before making a determination not to award Tax Credits to that Project. In the event that such Developer fails to secure a commitment for an alternative source of permanent soft funds, ADOH continue to move down the list of Applications in scoring order to the next highest scoring Application that does not require ADOH Gap Financing, and otherwise meets all requirements of this Plan. In ADOH's sole discretion, Applicants with USDA or HUD-insured loans may not be eligible for ADOH HOME funds unless guarantees or equivalent security are provided to ensure full collateralization of the ADOH Gap Financing for the entire period of affordability.

**Applicants who receive a reservation for ADOH Gap Financing must complete the Environmental Review and receive an Authority to Use Grant Funds within one hundred fifty (150) days of Reservation and prior to execution of a Funding Agreement for State Housing Fund Gap Financing. Applicants must submit to ADOH a copy of the Environmental Review and the Authority to Use Grant Funds by the deadline. If this deadline is not met, ADOH may deny the request for ADOH Gap Financing and revoke the Applicant's Allocation of tax credits.**

**Developers and Co-Developers with a Controlling Interest in past Projects that have deferral requests that were denied (in whole or in part) by ADOH for ADOH loans, and for which a payment is due according to ADOH's underwriting of the past Project, and remains unpaid as of the Application Due Date, are not eligible for ADOH Gap Financing in the 2017 Tax Credit round. Approved deferral requests, or deferral requests that have been submitted, but for which no determination has yet been issued by ADOH are eligible for ADOH Gap Financing.**

**If ADOH Gap Financing is awarded to a Project, all loan and related documents must be fully executed and recorded (if applicable) prior to the start of construction or the Project may lose the award of Gap Financing. The required documents include, but are**

**not limited to, the Environmental Review, Release of Funds, Promissory Note, Deed of Trust, Covenants Conditions and Restrictions and the Funding Agreement.**

**Applicant must also evidence that the Equity Partner or Equity Investor has agreed to the terms, conditions, and repayment schedule of an award of ADOH Gap Financing through a provision in the partnership or operating agreement, including priority of payment that is only subordinate to the primary debt (first mortgage and secondary hard debt), Supportive Services, investor's asset management fee, and Deferred Developer Fee that is included in eligible basis. If Applicant fails to secure the Equity Partner/Investor approval, as evidenced in the partnership or operating agreement, ADOH may deny or revoke ADOH Gap Financing.**

2. Layering Analysis. A layering analysis shall be performed during the underwriting process:
  - 1) prior to issuing a Reservation;
  - 2) prior to execution of the partnership or operating agreement;
  - 3) at the Ten Percent (10%) Test; and
  - 4) at final underwriting for issuance of the 8609. ADOH takes into account all public subsidies in its layering analysis. Federal regulations prohibit the layering, or excessive use, of Federal Subsidy for any Project or activity. ADOH will coordinate with other public funding agencies that, by regulation or practice, undertake layering reviews of Projects proposed to be funded with Tax Credits.

During the layering analysis review, the ADOH may reduce the amount of ADOH Gap Financing and may also reduce Tax Credits if it determines that the Project has excess sources of permanent funds.

- E. Market Demand Study Analysis. ADOH may limit the number of developments in a specific market or geographical area if ADOH determines that there is insufficient demand or that a proposed Project would cause an adverse impact on existing Low Income Housing developments. In the event that multiple Applications are submitted for a market area that cannot support multiple projects, ADOH may select one (1) or more Applications that best address market demand or that have less negative impact on existing Projects. If multiple Applications are submitted for a targeted market area that serves different populations (e.g., Housing for Older Persons or households with children), ADOH will analyze the Applications to ensure that no Project will be redundant or have an adverse impact on other Applications or existing Projects. ADOH may refuse to reserve Tax Credits to any Project if, ADOH determines that the targeted market area cannot support the Project. Applicant should refer to Section 2.2(B) for further guidance.

ADOH may deny an application due to market conditions for the following reasons:

1. Market Demand Study does not comply with requirements in Exhibit L.
2. Market Demand Study fails to demonstrate strong new market demand for the type of low-income housing proposed.

3. Market Demand Study fails to address all salient features of a Project including, but not limited to, market rate units, multiple-use projects, commercial/retail or other non-affordable components and location in a high crime area.
4. Market Demand Study that fails to clearly describe the effective date or fails to specifically identify the age of all data and third party information, including but not limited to, demographic information and rates of population change, rental market, vacancy data and the dates of any interviews.
5. The number of Units proposed in the Application may adversely affect the financial viability of existing housing stock in the primary market area.
6. Market Demand Study fails to objectively and explicitly justify the limits of the primary market area consistent with the requirements of the Exhibit L.
7. The Market Demand Study fails to describe reasonable and appropriate ameliorating considerations for negative market information including, but not limited to, vacancy rates that exceed underwriting standards, high property or violent crime rates, and excessive gross or net capture rates.

Should ADOH determine the Market Demand Study supplied with the Application is unsatisfactory and requires additional information, the Market Demand Study shall be updated at the sole expense of the Applicant. ADOH may verify information and conclusions in the Market Demand Study through alternative sources.

## 7.2 Calculation of Tax Credits

Tax Credits are awarded based on the lesser of two (2) calculations, the Eligible Basis Analysis or the Gap Analysis. Both methods are included in Form 3.

A. Eligible Basis Analysis. Tax Credits are calculated by multiplying the Eligible Basis by one hundred ~~thirty~~ percent (~~130~~100%) (~~ADOH has elected under I.R.C. § 42(d)(5)(B)(v) to designate the entire State for this boost~~) times the Applicable Fraction times the Applicable Percentage. ADOH has elected to designate the following types of Projects as requiring an increase in credit of up to one hundred thirty percent (130%) as needed for feasibility, under I.R.C. § 42(d)(5)(B)(b):

- Projects qualifying for participation in the Supportive Housing Set-Aside, by meeting all of the requirements in Section 2.9(Q) of this Plan.
- Projects on Tribal Land.
- Urban Projects with structured parking that are located within-1/2 mile of a High Capacity Transit line.

1. Adjustments to Eligible Basis shall be made for the following reasons:

- a. Project qualifies under I.R.C. § 42(d)(5)(B)(i)-(iv) for an increase in credit.



- ~~a~~.b. Federal grant funds used to finance costs pursuant to I.R.C. § 42(d)(5)(A).
- ~~b~~.c. Amount of non-qualifying/nonrecourse financing pursuant to I.R.C. § 42(b)(1), 49(a)(1)(A).
- ~~c~~.d. Non-qualifying units and/or excess costs related to units above the average quality standard for a Low-Income Unit pursuant to I.R.C. §42 (d)(3)(A).
- ~~d~~.e. Cost allocable to nonresidential mixed use square footage.
- ~~e~~.f. Historic or solar tax credits.
- ~~f~~.g. Development costs exceeding the limits set forth in this Plan.
- ~~g~~.h. \_\_\_\_\_ Costs associated with unapproved waivers.

2. Maximum Allowable Eligible Basis for Total Construction Costs (*no waivers will be considered for this item*)

- a. The maximum allowable Eligible Basis for Total Construction Cost shall be determined by multiplying the following price per square foot costs (specific to project type) by the Total Project Square Footage. ADOH will further limit the Eligible Basis for rehabilitation costs (including adaptive re-use) to those determined to be reasonable by the independent cost estimator as outlined in Section 2.9(Y)(2)(a). Applicant must provide the documents requested by ADOH or its independent cost estimator in order to determine the reasonableness of rehabilitation costs.

Project Type	Total Construction Cost per Square Foot
Balance of State Project	\$122.75
Suburban Project	\$128.28
Urban Project	\$135.47
Housing for Older Persons-Balance of State Project	\$132.93
Housing for Older Persons-Suburban Project	\$146.20
Housing for Older Persons-Urban Project	\$165.03

For example, if the Total Project Square Footage is 80,000 square feet, the total Eligible Basis for Total Construction Cost for a Balance of State Project is calculated as follows:

80,000 x \$122.75 = \$9,820,000 total Eligible Basis in the nine percent (9%) Eligible Basis plus the four percent (4%) Eligible Basis columns allowable on Line 55 Total Construction Cost of Form 3 Pages 8 through 11. Applications must meet this limit on Eligible Basis and the

limit on Total Construction Cost in Section 7.1(D) of this Plan in order to be eligible for ADOH Gap Financing.

A.B. Gap Analysis. In addition to the limitation regarding Eligible Basis as discussed above, Projects are not awarded credits in excess of the amount necessary to make the Project feasible. ADOH will calculate the amount of annual Tax Credits reserved for a Project by taking the lesser of Eligible Basis (calculated as described above) and the net annual credits needed after subtracting all sources of permanent funds, then adjusting for credit pricing and Equity Partner/Investor ownership percentages.

If the United States Congress acts to ~~reinstate~~ establish a the ~~ninefour~~ percent (94%) credit rate floor for 4% Tax Credits so that it is applicable to ~~all~~ Projects receiving a ~~2016~~2017 LIHTC Allocation (~~assuming that two (2) years continue to be allowed for Projects to be placed in service~~) ~~the such ninefour~~ percent (94%) credit rate will be used to underwrite all eligible Projects receiving a 4% Tax Credit.

If ~~the ninea four~~ percent (94%) credit rate floor is not ~~reinstated~~ established for 4% Tax Credits, ADOH will establish a credit rate to be used for underwriting based on an average of the monthly rates published by the U.S. Internal Revenue Service. The ADOH established credit rate will be announced at the Application Workshop and must be included in the Application. If credit rates are trending upward, ADOH may at its discretion use the credit rate that is published for the month during which Reservations are issued to determine the final tax credit award amount and adjust ADOH Gap Financing requested. If applicable, Projects with ~~2016~~2017 credits that have been forward allocated will be underwritten at the ADOH established credit rate.

## 8. COMPLIANCE MONITORING

### 8.1 Project Compliance Monitoring

#### A. Monitor and Inspect

ADOH is required to monitor and inspect Projects for compliance with I.R.C. § 42, Treasury Regulation 1.42-5, the QAP, and the terms of and provisions of the LURA. Generally, ADOH monitors to ensure: 1) Low-Income Units are rent restricted and occupied by qualifying tenants; 2) the property as a whole is suitable for occupancy; 3) the Owner is keeping and retaining the necessary records; and 4) the Project meets the requirements (Set-Asides, income restrictions, rent skewing, affordability period, design features, amenities and services, etc.) described in the Application for Tax Credits. All funding sources (including LIHTC investor or syndicator) will be notified of all compliance issues. The initial monitoring shall occur prior to issuance of the Forms 8609.

#### B. Publish and Institute Monitoring Procedures

The I.R.C. also requires that ADOH publish and institute monitoring procedures as part of the Plan. This compliance monitoring procedure applies to all Projects to which ADOH has allocated Tax Credits. Accordingly, Projects allocated Tax Credits since January 1, 1987, are subject to compliance monitoring except as specifically provided by the Code.

#### C. Compliance Manual and Training Requirements

1. Compliance Manual. ADOH has prepared a Low-Income Housing Tax Credit Program Compliance Manual for all Program participants. The manual describes ADOH's compliance monitoring procedures and reporting requirements. ADOH's website, [www.azhousing.gov](http://www.azhousing.gov), includes samples of all annual reports, certifications, and other documents relevant to compliance monitoring.
2. Management Agent Compliance Training. Management Agent Compliance Training is offered by ADOH on the Compliance Manual and Owners'/managers' compliance responsibilities. Property Manager must attend and be certified annually on ADOH compliance monitoring. Property Managers must submit a Compliance Training certificate with the Project annual report to ADOH.

#### D. Fees

The Code also allows ADOH to collect fees from Owners to cover the cost of administering the compliance-monitoring program. Annual Compliance Monitoring Fees are set forth in Section 6 above.

**E. Registration with Social Serve**

Applicants who receive an Allocation must agree to register the units with socialserve.com and maintain such registration with socialserve.com for the duration of the Compliance Period.

**8.2 Compliance Monitoring Requirements**

The Owner of a qualified LIHTC Project for which Tax Credits are allowable is required to comply with the following:

**A. Qualified Tenants**

Low-income Units must be occupied by tenants who meet income eligibility standards described by the Code. Tenants occupying Low-Income Units must be income qualified as required by the Code.

**B. Rent Restrictions**

The rents charged for Low-Income Units must be restricted as required by the Code.

**C. Distribution of Units**

Projects must allocate the low and moderate-income Units among the different sized Units. Low and moderate-income Units shall be distributed throughout the Project so that tenants of those Units may have equal access to and enjoyment of all common facilities of the Project.

**D. Uniform Physical Condition Standards**

The Owner must maintain the Project property in compliance with physical conditions standards that include local building codes.

**E. Annual Report**

By no later than March 15th of each year the Owner must submit the annual report that contains the following:

1. Payment of the Compliance Monitoring Fee described in Section 6.7.
2. The Annual Owner's Certification Form described in Section 8.2(H) on a form provided by ADOH.
3. A PDF format copy of the Owner's audited Financial Statements (balance sheet, profit and loss and cash flow statements) for the preceding year evidencing financial capacity and solvency.
4. The annual Utility Allowance Schedule.
5. Management Agent's Annual Compliance Training Certificate described in Section 8.1 (C)(2).
6. An updated Property Contact Sheet on a form provided by ADOH.

7. Effective January 1, 2015, all LIHTC Multi-Family Housing developments are required to enter tenant events annually using the ADOH online system.

For new Projects: The first Annual Report is due the first year after the calendar year that was elected by the Owner to begin taking Tax Credits, as evidenced by the First Year Credit Election Form submitted with the Final Allocation package described in Section 5.1 of this Plan. For example, if the first credit year is 2017, the first report is due March 15, 2018.

#### **F. Record Keeping**

The Owner must maintain accurate records for each building in the low-income housing Project. These records must include:

1. The total number of Residential Rental Units in the building, including the number of bedrooms and the square footage of each Residential Rental Unit.
2. The total number of Low-Income Units in the building.
3. The total number of occupants in each Low-Income Unit.
4. The rent charged on each Residential Rental Unit in the building, including any utility allowance.
5. The Low-Income Unit vacancies in the building.
6. The number and household eligibility criteria for all special Set-Aside units in the building.
7. The rentals of the next available Units in each building including when and to whom rented.
8. The character and use of the non-residential portion of the building that was included in the building's Eligible Basis under the Code (i.e. facilities that are available on a comparable basis to all residents and for which no separate fee is charged for use of the facilities or facilities reasonably required by the Project).
9. Documentation regarding the Eligible and Qualified Basis of each building as of the end of the first year of the Tax Credit period.
10. For each low-income household:
  - a. Completed rental application, including the tenants' certification of assets.
  - b. Tenant income certification form, including all required signatures.
  - c. Documentation supporting each household's income certification (third party verifications, asset certification, asset documentation and verification if more than \$5,000 in value).
  - d. Documentation of student status.

e. For Housing for Older Persons Projects, the tenant file must include proof of date of birth and/or proof of the qualifying disability, if applicable.

f. The initial lease showing a minimum term of six (6) full months.

f.g. Household demographics, including age(s) of occupants, income, race, ethnicity, and disability status.

11. Current-year utility allowance schedule.

12. Documentation from a medical doctor licensed in Arizona or prepared by a social service or health service agency that qualifies a tenant for the Special Needs Population and any documentation that identifies any special accommodations that the tenant may require.

### **G. Record Retention**

Owners are required to keep all records for each building for a minimum of six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The Owner must retain the records for the first year of the credit period for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

### **H. Annual Owner Certification**

The Owner must certify the following, under penalty of perjury, at least annually through the end of the Compliance Period:

1. The Project complied with the requirements for special Set-Asides on which the Allocation was based (i.e. twenty percent (20%), thirty percent (30%), forty percent (40%), or fifty percent (50%) AMGI), as applicable.
2. At least twenty percent (20%) of the Residential Rental Units in the Project are both rent restricted and occupied by individuals whose income is fifty percent (50%) or less of the AMGI; or at least forty percent (40%) of the Residential Rental Units in the Project are both rent restricted and occupied by individuals whose income is sixty percent (60%) or less of the AMGI.
3. The Owner/Agent has received an annual tenant income certification (commonly called the "TIC") form from each low-income resident and verifying documentation to support that certification.
4. The entire Project/building was occupied by LIHTC residents and the IRS has or has not provided a waiver for the annual recertification of resident income.
5. Each Low-Income Unit was rent restricted as defined in the Code.
6. All Units in the Project are for use by the general public and are not used on a transient basis.

7. Each building in the Project is in decent, safe, and sanitary condition and in good repair taking into account local health, safety, building codes, and HUD's Uniform Physical Condition Standards, see 24 CFR 5.703.
8. All resident facilities included in the Eligible Basis of any building in the Project were provided on a comparable basis without a separate fee to all residents in the Project.
9. There was no change in the applicable fraction of any building in the Project (or if there was a change, a description of the change). (Applicable fraction is defined as the percentage of Qualified Basis in a building or the percentage of tax credit floor space to rentable floor space in a building, whichever is less.)
10. There has been no change in any building's Eligible Basis under the Code (or that there has been a change, with an explanation of the change).
11. A LURA is in effect for Projects receiving Allocations on or after January 1, 1990.
12. The Project complied with the requirements of all federal or state housing programs (e.g., RD assistance, HOME, Section 8, tax-exempt financing), as applicable.
13. If the Owner received its Allocation Set-Aside for Projects involving "qualified Non-Profit Organizations," the Non-Profit entity is a qualified Non-Profit Organization under I.R.C. Section 42(h), received no less than twenty-five percent (25%) of the Developer Fee, and materially participated in the operation of the development within the meaning of I.R.C. § 469(h).
14. If a Low-Income Unit in the Project becomes vacant during the year, reasonable attempts are made to rent that Unit or the next available Unit of comparable or smaller size to residents having a qualifying income before any Unit in the Project is rented to a resident not having a qualifying income.
15. If the income of the residents of a Low-Income Unit increases above one hundred forty percent (140%) of the limit allowed in the Code, the next available Unit of comparable or smaller size shall be rented to residents having a qualifying income.
16. For buildings with four (4) Units or less, whether any of the Units in the building were occupied by the Owner or a Person related to the Owner for the preceding year.
17. Whether, for the preceding year, the Project was the recipient of a federal grant or other Federal Subsidy that would cause a reduction in eligible basis.
18. The state or local government unit responsible for making building code inspections did not issue a report of a violation for the Project for the preceding twelve (12) month period.
19. The Owner has not refused to lease a Unit to a rental applicant due to the rental applicant holding a HUD Section 8 voucher or certificate.



20. The Project has received no finding of discrimination under the Fair Housing Act (an adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency or an adverse judgment from a Federal court).
21. The Owner has not evicted or terminated the tenancy of any existing tenant of any Unit (other than for good cause) or increased the gross rent with respect to a Unit not otherwise permitted.

**I. Reviews and Inspections**

Before ADOH issues the IRS Form 8609 or the end of the second calendar year following the year the last building in a Project is Placed in Service, whichever is first, ADOH conducts on-site inspections of all new buildings in the Project and, for at least twenty percent (20%) of the Projects Low-Income Units, ADOH inspects the Units and reviews the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units.

1. ADOH conducts on-site inspections of all buildings in each low-income housing Project at least once every three (3) years, beginning after the Placed in Service date. For at least twenty percent (20%) of the Project's Low-Income Units selected by ADOH, ADOH inspects the Units (including a sample of vacant Units) and reviews the low-income certifications, the documentation supporting such certifications, and the rent record.
2. ADOH follows HUD's inspection protocol under 24 CFR § 5.703 in conducting physical inspections. ADOH selects Units for physical inspection and reviews files only at the time of the on-site visit.

**J. Miscellaneous Owner Responsibilities**

In addition to the responsibilities described in this Section, the Owner must:

1. Obtain ADOH approval prior to any change in ownership. (See Section 6.6 for Administrative Fee associated with this Material Change.)
2. Obtain ADOH approval prior to any change in the management agent.
3. Notify ADOH prior to any change in Project name.
4. Perform annual tenant recertification as required by the LURA.
5. Establish the utility allowance as required by Treas. Reg. 1.42-10.
6. Comply with the program requirements relating to the source of any funding to the Project and the Fair Housing Act (42 U.S.C. § 3601 et seq.), the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794).

**K. Liability**

The Owner is responsible for compliance with the requirements of the Code and the QAP. ADOH shall not be liable to third parties for claims arising from an Owner's failure to comply with the requirements of the Code or the QAP.

**L. Correction of Non-Compliance Condition**

1. ADOH shall provide written notice of noncompliance to the Owner if:
  - a. **ADOH has not received a complete annual certification report with attachments by the due date.**
  - b. **ADOH finds that the Project is out of compliance with any of the provisions of the Code or the terms and provisions of the LURA.**
2. The Owner shall have thirty (30) calendar days from the date of notice of noncompliance to correct the annual certification report. The Owner shall have ninety (90) calendar days from the date of notice of noncompliance to correct other issues. ADOH may grant an extension of up to 180 calendar days to complete corrective action if the Owner demonstrates good cause for the extension to the satisfaction of ADOH.
3. ADOH is required to file IRS Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS within forty-five (45) calendar days of the end of the allowable correction period. ADOH must report all noncompliance issues whether corrected or not. ADOH may explain the nature of the noncompliance or failure to certify and state whether the noncompliance has been corrected. The IRS, not ADOH, shall make any determinations as to the applicability of recapture penalties.
4. In the event that the Owner fails to take corrective action within the cure period described in Section 8.2(K)(2), ADOH may commence legal action to enforce the duties and obligations of the Owner described in the LURA.
5. ADOH must perform inspections of the Project and perform on-site audits of the resident certification forms and supporting documentation throughout the first fifteen (15) years of the Compliance Period and any agreed-upon extended Compliance Period. ADOH shall notify the Owner in writing of the scheduling of any such inspection or audit.