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**TENNESSEE HOUSING DEVELOPMENT AGENCY**

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**Low-Income Housing Tax Credit**  
**Qualified Allocation Plan**

**2001**

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**January 19, 2001**

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**Part I: Introduction**

The Tennessee Housing Development Agency (“THDA”) is responsible for administering the Low-Income Housing Tax Credit program in Tennessee. The Low-Income Housing Tax Credit program was created by the Tax Reform Act of 1986 under Section 42 of the Internal Revenue Code of 1986, as amended (“Section 42”), to encourage the construction and rehabilitation of housing for low-income individuals and families. Under Section 42(m), THDA is required to develop a Qualified Allocation Plan (“Allocation Plan”) to define the process by which it will allocate an annual amount of Low-Income Housing Tax Credits (“Tax Credits”) in Tennessee.

This document is the Allocation Plan required by Section 42. This Allocation Plan incorporates all requirements of Section 42 unless more stringent requirements, as permitted under Section 42, are included. A public hearing was held to solicit comments. “**Exhibits**” are documents which accompany this Allocation Plan and which provide additional information. “**Attachments**” are forms or documents which must be submitted as part of the Initial Application. Exhibits, the Initial Application Form, and Attachments are all considered part of the Allocation Plan. The Allocation Plan has been approved by the THDA Board of Directors and adopted by the Governor of Tennessee.

**Part II: Goals and Objectives**

The goal of this Allocation Plan is to use the Tax Credits allocated to Tennessee for 2001 to the fullest extent possible to create, maintain, and preserve affordable rental housing for low-income households. Tax Credits are not intended to provide the primary or principal source of financing for a development, but are intended to provide financial incentives sufficient to fill “gaps” which would otherwise exist in developing affordable rental housing for low income households. Specific objectives of this Allocation Plan are to:

1. Make rental units affordable to households with as low an income as possible and for the longest time period possible;
2. Encourage the construction or rehabilitation of rental units in the areas of Tennessee with the greatest need for affordable housing;
3. Encourage development of appropriate housing units for persons with special needs, including the elderly and persons who are homeless or have disabilities;
4. Discourage allocation of Tax Credits to developments for which Tax Credits are not necessary to create, improve, or preserve rental housing for low-income persons;
5. Allocate only the minimum amount of Tax Credits necessary to make a development financially feasible and to ensure its viability as a qualified low-income development throughout the credit period;
6. Encourage Non-Profit entities to develop rental housing for low-income households;
7. Encourage energy efficient construction and rehabilitation;
8. Encourage fair distribution of Tax Credits among counties and developers or related parties;

9. Improve distribution among developments of varying sizes to ensure that developments with a smaller number of housing units receive fair consideration; and
10. Allocate Tax Credits fairly.

### **Part III: Tax Credits Available**

#### **A. Total Tax Credits**

The total amount of Tax Credits available for allocation in Tennessee for 2001 is the total of the following:

1. \$1.50 x Tennessee's population;
2. Any unallocated credits from previous year;
3. Any returned credit from previous years; and
4. Any amount allocated to Tennessee by the IRS from the National Pool.

For purposes of calculating the initial Non-Profit Set-Aside and any of the other Set-Asides, the amount against which the percentages will be applied will be the sum of items 1, 2, and 3 above.

#### **B. Set-Asides**

Each development will be identified as qualifying for an allocation of Tax Credits in one or more of the "Set-Aside" categories described below, if all of the eligibility requirements specified in Part VII-A-2 are met for the relevant Set-Aside. For example, a development may qualify for the Non-Profit Set-Aside, the Small Development Set-Aside, and the Rural Set-Aside. Many other combinations are also possible. The method by which these Set-Asides will be applied is described in Part VIII-E of this Allocation Plan.

1. Non-Profit Set-Aside
  - a. Qualified Non-Profits (see Part VII-A-2-a of this Allocation Plan) will be considered for an allocation of Tax Credits from the Non-Profit Set-Aside.
  - b. Ten percent (10%) of the total amount of Tax Credits available for allocation in Tennessee is reserved for qualified Non-Profit applicants as required by Section 42(h)(5).
  - c. **THDA reserves the right to make additional allocations of Tax Credits from any available Set-Aside to qualified Non-Profit applicants to meet the requirements of Section 42(h)(5).**
2. Public Housing Authority Set-Aside
  - a. Up to ten percent (10%) of the sum of Part III-A-1, -2 and -3 will be available for developments submitted by Public Housing Authorities and which qualify for this Set-Aside (see Part VII-A-2-b).
  - b. Any amount of Tax Credits allocated to Public Housing Authority developments will be deducted from the amount of Tax Credits set-aside for developments in the appropriate related category (Non-Profit, Small Developments, Urban, or Rural) as applicable.
  - c. For 2001, only Public Housing Authority Initial Applications meeting all the eligibility requirements specified in this Allocation Plan will be accepted. If these Initial Applications meet all the requirements of this Allocation Plan, the amount of the Public Housing Authority Set-Aside will be divided proportionately among the eligible Initial Applications based on the amount of credits requested per application, or the maximum credits the application is eligible to receive per unit, whichever is less, to the total amount requested by all applications requesting credits from the Public Housing Authority Set-Aside.

- d. Tax Credits allocated to a development under this Part III-B-2 will not be counted against the limits by county or by developer specified in Part IV-A and -C.
  3. Small Developments Set-Aside
    - a. Up to ten percent (10%) of the sum of Part III-A-1, -2 and -3 will be set-aside for developments with 25 or fewer units on a single site (see Part VII-A-2-c).
    - b. Any amount of Tax Credits allocated to developments in the Small Developments Set-Aside will be deducted from the amount of Tax Credits set-aside for developments in the appropriate related category (Non-Profit, or Urban or Rural, as applicable).
  4. Urban and Rural Set-Asides
    - a. Urban Set-Aside: Sixty-eight percent (68%) of the sum of Part III A-1, -2 and -3 above after the Non-Profit Set-Aside is deducted is available for allocation to developments in the Urban Set-Aside (see Part VII-A-2-d);
    - b. Rural Set-Aside: Thirty-two percent (32%) of the sum of Part III A-1, -2 and -3 above after the Non-Profit Set-Aside is deducted is available for allocation to developments located in the Rural Set-Aside (see Part VII-A-2-e).
- C. THDA reserves the right to revise the amount of Tax Credits available for each Set-Aside based on requirements imposed by Congress or the IRS, and consistent with the intent of the various Set-Asides.**

#### **Part IV: Limits on Amount of Tax Credits Available**

##### **A. By County**

The maximum amount of Tax Credits that may be allocated to developments in any one **urban** county shall not exceed one million five hundred thousand dollars (**\$1,500,000**). The maximum amount of Tax Credits that may be allocated to developments in any one **rural** county shall not exceed one million dollars (**\$1,000,000**). **Exhibit 1** to this Allocation Plan identifies urban and rural counties.

##### **B. By Development**

The maximum amount of Tax Credits that may be allocated to a single development shall not exceed five hundred thousand dollars (**\$500,000**). THDA reserves the right, in its sole discretion, to determine whether Initial Applications received reflect a single development or multiple developments for the purpose of applying this limitation. In making this determination, THDA will consider the physical location of developments; the relationships among owners, developers, management agents, and other development participants; the structure of financing; and any other information which might clarify whether Initial Applications reflect a single development or multiple developments.

##### **C. By Developer or Related Parties**

1. The maximum amount of Tax Credits that may be allocated to a single applicant, developer, owner, consultant, or related parties shall not exceed one million dollars (**\$1,000,000**). THDA reserves the right, in its sole discretion, to determine whether related parties are involved for the purpose of applying this limitation.
2. An applicant, developer, owner, consultant, or related party may not submit more than one Initial Application or be involved in more than one development per county with respect to 2001 Tax Credits. THDA reserves the right, in its sole discretion, to determine whether related parties are involved for the purpose of applying this limitation.

**D. By Unit**

1. Per Unit Maximum (4% Tax Credit)

<u>Number of Units</u>	<u>Maximum Tax Credits per Unit</u>
1 – 25	\$2,925
26 – 72	\$2,700
73 or more	\$2,565

2. Per Unit Maximum (9% Tax Credit)

<u>Number of Units</u>	<u>Maximum Tax Credits per Unit</u>
1 – 25	\$6,500
26 – 72	\$6,000
73 or more	\$5,700

3. No development is guaranteed the amount of Tax Credits reflected in 1 and 2 above. THDA will evaluate Initial Applications in accordance with the requirements of this Allocation Plan and Section 42 to determine the actual amount of Tax Credits appropriate for a particular development, which amount may be less than, but never more than, the amounts reflected in 1 and 2 above.

**E. For Financial Feasibility**

**Section 42(m)(2) requires that THDA not allocate more Tax Credits than necessary for the financial feasibility of a development and its viability as a qualified low-income housing development.** THDA reserves the right, in its sole discretion, to reject Initial Applications for Tax Credits when THDA determines that the proposed development is not financially feasible or does not need Tax Credits. THDA also reserves the right, in its sole discretion, to reserve or allocate an amount of Tax Credits less than the amount requested in an Initial Application in a Carryover Application or in a Placed in Service Application. THDA’s determination under Section 42(m)(2) shall not be construed to be a representation or warranty by THDA as to the financial feasibility, viability, or lack thereof, of any development.

Tax Credits allocated pursuant to this Allocation Plan are not intended to provide the primary or principal source of financing for a development, but are intended to provide financial incentives sufficient to fill “gaps” which would otherwise exist in developing affordable rental housing for low and very-low income households. The maximum obtainable rents supported by the market study will be expected to support reasonable operating expenses and maximum mortgage debt service prior to Tax Credits filling any financial “gaps”. When rents for Tax Credit units in an Initial Application, a Carryover Application or a Placed in Service Application are below the maximum rents supported by the required market study, such rents, reflected as a percentage of maximum rents permitted under Section 42, must be maintained throughout the Compliance Period.

**Part V: Limits On Developer and Consultant Fees, and Contractor Profit, Overhead, and General Requirements**

**A. Limit on Developer Fees and Consultant Fees**

1. The combined total of developer and consultant fees (Attachment 15: Development Costs; #10, columns B & C) which may be included in the determination of the amount of Tax Credits for a particular development cannot exceed five percent (5%) of that portion of eligible basis attributable to acquisition (before the addition of the developer and consultant fees), and cannot exceed fifteen percent (15%) of that portion of eligible basis attributable to new construction or to rehabilitation (before the addition of the developer and consultant fees). Construction Advisory or Construction

Supervision fees listed separately from the maximum allowed Contractor Fees will be considered as a Consultant and will be included in Consultant Fees.

2. No points will be awarded under Part VII-B-4 if the Initial Application reflects a combined total of developer and consultant fees in excess of two percent (2%) of the eligible basis attributable to the acquisition cost of the development.
3. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total of developer fees, consultant fees, and contractor profit, contractor overhead, and general requirements, which may be included in the determination of the amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%) of eligible basis of that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed twenty-five percent (25%) of that portion of eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).

#### **B. Limit on Contractor Fees, Profit, Overhead and General Requirements**

1. The total contractor fees, including contractor profit, contractor overhead and general requirements shall be limited to fourteen percent (14%) of total allowable site work, plus accessory buildings plus either new building hard costs or rehabilitation hard costs. The structure of this fee is limited to the following:

Contractor profit: may not exceed six percent (6%)

Contractor overhead: may not exceed two percent (2%)

Contractor general requirements

(including building permits, payment

and performance bonds, and tap fees): may not exceed six percent (6%)

Total Contractor fees may not exceed fourteen percent (14%)

2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total for contractor profit, overhead, and general requirements, developer fees and consultant fees which may be included in the determination of the amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%) of eligible basis on that portion of the development attributable to acquisition (before the addition of the fees), and cannot exceed twenty-five percent (25%) of that portion of eligible basis attributable to new construction or to rehabilitation (before the addition of the fees).

### **Part VI: Initial Application Submission**

#### **A. Initial Application Requirements**

A complete Initial Application must be submitted in accordance with Part VI-B by the Initial Application deadline specified in Part VI-C. To be considered complete, an Initial Application must meet **ALL** of the following requirements:

1. Have content, formatting and pagination identical to that of the attached Initial Application Form;
2. Bear original signature(s) as specified in Part VI-D;
3. Include all required Attachments and supporting documentation, with all such Attachments and supporting documentation containing correct, complete, and consistent information as required in this Allocation Plan and bearing original signatures to the extent specified in Part VI-D;
4. Have no missing information or any information that is erroneous, incomplete or inconsistent;
5. Include a complete original and two complete copies;

6. Be submitted by the Initial Application deadline specified in Part VI-C; and
7. Include a certified check in the amount of all fees required with the Initial Application as specified in Part XIII.

#### **B. Initial Application Delivery**

An Initial Application must be identified as a “Tax Credit Application” and be delivered to:

**Tennessee Housing Development Agency  
Suite 1114  
404 James Robertson Parkway  
Nashville, TN 37243-0900**

Initial Applications may be delivered to THDA by mail, in person, by courier, or by other means of physical delivery. **(Applications by express delivery services should be sent to the address above but at Zip Code 37219-1505.)** Telecopy, facsimile, or other transmission or delivery of “copies” or “representations” of the Initial Application or other documents **will not be accepted.**

THDA assumes no responsibility for late delivery or delivery to locations other than stated above. **Only those Initial Applications arriving at the location stated above by the Initial Application deadline specified in Part VI-C will be considered.**

#### **C. Initial Application Deadline**

**No Initial Applications will be accepted after 1:00 p.m. Central Time on Monday, March 26, 2001. No Initial Applications will be accepted at any location other than the location specified in Part VI-B.**

- **No erroneous, missing, incomplete or inconsistent supporting documentation or Attachments, or clarifications to the Initial Application, supporting documentation, or Attachments, or any other materials required in the Initial Application or in support of the Initial Application will be accepted after the Initial Application deadline except as specified in Part VIII-B.**

#### **D. Original Signatures Required**

All forms and documents provided by THDA to be completed as part of the Initial Application must bear **original** signatures (in any color ink except black) where signatures are required. No photocopies, telecopies, or other reproductions of documents with signatures will be accepted on these forms and documents.

#### **E. Local Government Notification**

THDA will notify the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).

## **Part VII: Initial Application Eligibility and Scoring**

### **A. Eligibility Determination**

THDA will evaluate each Initial Application that meets the requirements of Part VI to determine whether the following eligibility requirements are met:

#### 1. Minimum Score Required

To be eligible, an Initial Application must obtain a **minimum score of 250 points** as determined by THDA in accordance with Part VII-B.

#### 2. Special Set-Asides

a. Non-Profit Set-Aside: To be eligible for Tax Credits from the Non-Profit Set-Aside, an Initial Application must contain information satisfactory to THDA demonstrating that the development proposed in the Initial Application involves a qualified non-profit organization. To be qualified, a non-profit organization must meet ALL of the following:

- (i) The organization must be a *bona fide* non-profit organization, as evidenced by the following:
  - (A) The organization must be an IRS 501(c)(3) or 501(c)(4) entity;
  - (B) The organization must be organized and existing in the State of Tennessee or if organized and existing in another state, must be qualified to do business in Tennessee;
  - (C) The organization must: (i) not be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside; (ii) not be controlled by a for-profit organization; and (iii) not have any staff member, officer or member of the board of directors who will materially participate, directly or indirectly, in the proposed development as or through a for-profit entity; and
  - (D) The organization must be engaged in the business of developing and building low-income housing in Tennessee and must have been so engaged during all of calendar year 1999 and calendar year 2000.
- (ii) The organization must (directly or through a partnership), prior to the reservation of Tax Credits: (i) own all of the general partnership interests of the ownership entity of the development; or (ii) own, alone or with other non-profits who meet all of the requirements of this Part VII-A-2-a, one hundred percent (100%) of the stock of a corporate ownership entity of the development; or (iii) own, alone or with other non-profits who meet all of the requirements of this Part VII-A-2-a, one hundred percent (100%) of the stock of an entity that is the sole general partner or sole managing member of the ownership entity of the development proposed in the Initial Application;
- (iii) The organization must be materially participating (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the “compliance period” (as defined in Section 42(i)(1)).
- (iv) To demonstrate eligibility under this Part VII-A-2-a, ALL of the following must be submitted as part of the Initial Application:
  - (A) A copy of the IRS determination letter clearly stating the organization’s status as an IRS 501(c)(3) or 501(c)(4) entity; and
  - (B) A Certificate of Existence from the Tennessee Secretary of State’s Office dated not more than thirty (30) days prior to the date of the Initial Application; and
  - (C) **Attachment 17**; and
  - (D) **Attachment 18**.



b. Public Housing Authority Set-Aside:

An Initial Application may qualify for the Public Housing Authority Set-Aside in one of two ways, either through a public housing authority (“PHA”) without use of the HOPE VI Revitalization Program (the “HOPE VI Program”) or through a PHA using the HOPE VI Program.

(i) To qualify for the Public Housing Authority Set-Aside without use of the HOPE VI Program, an Initial Application must contain information satisfactory to THDA demonstrating that the development proposed in the Initial Application involves a qualified PHA. To be qualified, a PHA must meet ALL of the following:

(A) The PHA must (directly or through a partnership), prior to the reservation of Tax Credits: (1) be the sole general partner or the sole managing member of the ownership entity of the development; or (2) own, alone or with qualified non-profits who meet all requirements of this Qualified Allocation Plan, one hundred percent (100%) of the stock of a corporate ownership entity of the development; or (3) own, alone or with qualified non-profits who meet all requirements of this Qualified Allocation Plan, one hundred percent (100%) of the stock of an entity that is the sole general partner or sole managing member of the ownership entity of the development proposed in the Initial Application;

(B) The PHA must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the “compliance period” (as defined in Section 42(i)(1));

(C) The PHA must be acting solely within the geographic area of its jurisdiction.

(D) To demonstrate eligibility under this Part VII-A-2-b, an attorney’s opinion letter, in the form of Attachment #\_\_\_\_ must be submitted as part of the Initial Application:

(ii) To qualify for the Public Housing Authority Set-Aside using the HOPE VI Program, the Initial Application must contain the following:

(A) A copy of the HOPE VI Revitalization Grant Assistance Award (form HUD-1044) which identifies the PHA receiving the HOPE VI grant and the amount of the grant;

(B) A letter from the Executive Director of the identified PHA certifying that: (1) the development proposed in the Initial Application is identified in the PHA’s approved HOPE VI application or Revitalization Plan; (2) the housing units are an essential element of that Plan; and (3) the Tax Credits for the development proposed in the Initial Application are an essential component of the financing plan for the PHA’s HOPE VI Program; and

(C) A copy of the HUD approved redevelopment plan.

(iii) An Initial Application may qualify for the Public Housing Set-Aside under Part VII-A-2-b-(i) or under Part VII-A-2-b-(ii), but not both. Only one Initial Application for one development in the jurisdiction of the relevant PHA will be considered.

c. Small Developments Set-Aside: The Initial Application must be for a development with twenty-five (25) or fewer total-housing units on a single site.

d. Urban Set-Aside: To be eligible for consideration in the Urban Set-Aside, the development must be located in one the urban counties of Tennessee (Metropolitan Statistical Area or “MSA” counties) shown on **Exhibit 1** to this Allocation Plan.

e. Rural Set-Aside: To be eligible for consideration in the Rural Set-Aside, the development must be located in one of the rural counties of Tennessee shown on **Exhibit 1** to this Allocation Plan.

3. Non-compliance

- a. To be eligible, individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application must not have any involvement (either directly or indirectly) with the developer or the ownership entity of any prior Tax Credit development which has an event of noncompliance under Section 42 or under the restrictive covenants recorded in connection with such development. Ineligibility due to noncompliance shall be in effect for the calendar year in which the non-compliance was reported to IRS by Form 8823 and for the following calendar year. THDA will determine, in its sole discretion, whether an event of noncompliance exists which has not been cured.
- b. **Attachment 19** must be submitted as part of the Initial Application to demonstrate eligibility under this Part VII-A-3.

4. Developments

- a. The Initial Application must propose an eligible development. To be eligible, a development proposed in the Initial Application must meet ALL of the following:
  - (i) The development must be a qualified low-income housing development as defined in Section 42(g), containing qualified low-income buildings as defined in Section 42(c)(2) and low-income units as defined in Section 42(i)(3). THDA, in its sole discretion, may require opinions from relevant counsel regarding transitional housing for the homeless, single room occupancy units, service provision or other matters in connection with a determination of eligibility;
  - (ii) The development must have a minimum of twenty percent (20%) of the units designed in compliance with ADA standards to be adaptable for the elderly or persons with disabilities and built so that conversion for occupancy by the elderly or persons with disabilities can be readily accomplished. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609;
  - (iii) Proposed developments that include acquisition of existing properties must meet Section 42(d)(2) (10-year rule);
  - (iv) If the development proposed in the Initial Application is located on scattered sites, then the Initial Application must reflect that all sites are included under a common plan of financing and the scattered sites must be appraised as a single proposed development, using appraisal methodology appropriate for rental property as described in Part IX-B-7.
- b. A development which is part of a restructuring pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997 under the supervision of the Office of Multifamily Housing Assistance Restructuring is eligible to apply for Tax Credits in an amount which would not produce syndication proceeds in excess of seventeen percent (17%) of rehabilitation costs required under that program.
- c. The following types of developments are not eligible for Tax Credits:
  - (i) Developments presently having or proposed to have development-based subsidies under the Section 8 Moderate Rehabilitation program, unless the subsidies are tied to developments utilizing the Stewart B. McKinney Homeless Assistance Act;
  - (ii) Developments that have been part of "Bargain Sales" with a "step-up" in sales price paid to an intervening Non-Profit;
  - (iii) Developments containing units that are not for use by the general public, including, but not limited to, hospitals, nursing homes, sanitariums, life care facilities, trailer parks, or intermediate care facilities for persons with mental and physical disabilities; or

- (iv) Developments in which continual or frequent nursing, medical, or psychiatric services are provided. Examples include, but are not limited to, hospitals, nursing homes, sanitariums, life care facilities, or intermediate care facilities for persons with mental and physical disabilities.
  - d. **Attachment 20 must be submitted** as part of all Initial Applications to demonstrate eligibility under this Part VII-A-4.
  - e. **Attachment 21 must be submitted** as part of any Initial Application that proposes acquisition of an existing property to demonstrate eligibility under Part VII-A-4-a-(iii).
5. Existing, Incremental, and New Developments
- a. Developments which received reservations/allocations of Tax Credits under the 2000 Qualified Allocation Plan and which are not proposing additional housing units will be considered “existing” developments. Developments which have received reservations/allocations of Tax Credits under the 2000 Qualified Allocation Plan but which are proposing additional housing units will be considered “incremental” developments. All other developments will be considered “new” developments.
  - b. Initial Applications proposing “incremental” developments will be reviewed, evaluated and scored based solely on the costs, characteristics, and other elements of the development attributable to the housing units added pursuant to the Initial Application submitted for 2001 Tax Credits. None of the costs, characteristics, or other elements attributable to the existing development will be considered, evaluated, or scored. If Tax Credits are allocated to an “incremental” development, the limitations specified in Part IV, the limitations specified in Part V, and the limitations specified in Part VII-A-8, will apply, based on the cumulative amount of Tax Credits allocated to the entire development for 2000 and 2001 and the cumulative costs of the development. Developments which received an allocation through the Small Developments Set-Aside will not be allowed to propose adding new units to that development as an incremental development.
  - c. If there are sufficient qualified Initial Applications for “new” developments and/or “incremental” developments, Initial Applications for “existing” developments will not be reviewed or scored, and the application fee will be returned.
  - d. If Tax Credits are allocated to an “existing” development, the limitations specified in Part IV, the limitations specified in Part V, and the limitations specified in Part VII-A-8, will apply, based on the cumulative amount of Tax Credits allocated to the entire development for 2000 and 2001 and the cumulative costs of the development.
6. Development Participants
- a. All development participants must be identified in Sections 3, 4, and 5 of the Initial Application and on **Attachment 6**, which must be submitted with the Initial Application.
  - b. **Attachments 4A, 4B or 4C** must be fully completed and submitted with the Initial Application for the Ownership Entity identified in Section 3 of the Initial Application. If the copies of Attachments 4A, 4B, or 4C included in the Initial Application do not contain enough pages to fully describe the Ownership entity identified in Section 3 of the Initial Application, make additional copies of the relevant portions of **Attachments 4A, 4B, or 4C**, as needed, and complete all additional pages until no entities and only individuals are identified.
  - c. **Attachments 5A, 5B or 5C** must be fully completed and submitted with the Initial Application for the Developer Entity identified in Section 4 of the Initial Application. If the copies of Attachments 5A, 5B, or 5C included in the Initial Application do not contain enough pages to fully describe the Developer entity identified in Section 5 of the Initial Application, make additional copies of the relevant portions of **Attachments 5A, 5B, or 5C**, as needed, and complete all additional pages until no entities and only individuals are identified.

- d. An **Attachment 22** (Disclosure Form) must be included for each individual identified in **Attachments 4A, 4B, and 4C** for the Ownership Entity and for each individual identified in **Attachments 5A, 5B, and 5C** for the Developer Entity. Each Disclosure Form must include responses to each question and must bear the original signature of the individual, in their individual capacity.
- e. An Initial Application is ineligible if:
  - (i) **Attachment 4A, 4B, or 4C** is not fully completed and submitted; or
  - (ii) **Attachment 5A, 5B, or 5C** is not fully completed and submitted; or
  - (iii) **Attachment 6** is not fully completed and submitted; or
  - (iv) **Attachment 22** is not fully completed, with an original signature, in an individual capacity, and submitted for each individual identified in **Attachment 4A, 4B, or 4C** and **Attachment 5A, 5B, and 5C**; or
  - (v) **Attachment 22** for any individual shows that any one of the following is true for that individual:
    - (A) A felony conviction of any type within the last ten (10) years;
    - (B) A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency;
    - (C) Currently in bankruptcy; or
    - (D) Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.

#### 7. Property Control

- a. To be eligible, an Initial Application must demonstrate control of the property on which the development proposed in the Initial Application is to be located (the “property”). Acceptable documentation must be in full force and effect, fully executed and include a correct legal description for the property. A copy of any one of items (i)-(iv) below must be part of the Initial Application:
  - (i) Recorded instrument of conveyance (warranty deed, quitclaim deed, trustee deed, court order) evidencing title to the property vested in (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;
  - (ii) Acceptable evidence demonstrating the ability to acquire the property through the power of eminent domain by (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;
  - (iii) Contract for sale or a contract for a 99-year ground lease, which contract must show that the ground lease, when executed, will meet the requirements specified in Part VII-A-7-a-(v), executed by (A) the owner of record of the property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed; or

- (iv) An option to purchase or an option for a 99-year ground lease, which option must show that the ground lease, when executed, will meet the requirements specified in Part VII-A-7-a-(v), executed by (A) the owner of record of the property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed.
- (v) A ground lease for the property must have a minimum term of 99 years with no provisions for termination or reversion prior to the expiration of the extended use period as defined in Section 42(h)(6)(D).
- b. Documentation required as part of the Initial Application to demonstrate eligibility under this Part VII-A-7:
  - (i) A copy of one of the items identified in Part VII-A-7-a above,
  - (ii) A copy of the recorded deed for the property evidencing title vested in the person or entity who executed the document required in Part VII-A-7-a above as owner or a commitment for title insurance evidencing that title to the property is vested in the person or entity who executed the document required in Part VII-A-7-a above as owner.
- c. Copies of assignments of contracts or options without copies of the underlying contract or option that meets the requirements set forth above will not be accepted.
- 8. Maximum Total Development Costs Per Unit

The applicant must demonstrate that the total development costs per unit proposed, on average, do not exceed \$90,000 per unit in Urban counties and \$69,900 per unit in Rural counties (see **Exhibit 1**). These limits represent the maximum total development costs per unit allowed to be submitted in an Initial Application and do not imply that such proposed costs will be accepted as reasonable in evaluating the financial feasibility of the development or in determining an amount of Tax Credits which may be reserved or allocated for a development.

## **B. Scoring Initial Applications**

Applicants, Initial Applications and developments that meet all eligibility requirements stated above will be evaluated according to the scoring criteria specified below based on the information provided in each Initial Application. **A minimum of 250 points of the 411 points available is required for an Initial Application to be eligible for further consideration** under this Allocation Plan.

THDA will award points only if an Initial Application is complete, contains all required documentation, no documentation is incomplete, erroneous, or inconsistent and is submitted by the application deadline, all as specified in Part VI of this Allocation Plan. If documentation is incomplete, erroneous, or there are inconsistencies between Attachments or other supporting documentation and the Initial Application form itself or any other type of inconsistency, THDA will not award points for the scoring category which was incomplete, in error, or inconsistent. Completion, correction, or clarification of such items will be subject to the requirements of Part VIII-B and -C.

### **1. Development Location and Housing Needs: Maximum 75 Points**

- a. Developments located in counties where the annual median income is less than 80% of the state median (**Exhibit 2**): *15 points*
- b. Developments in census tracts or in counties with the greatest rental housing need (**Exhibit 3**): *Maximum 20 points*
- c. Developments in counties that have received the lowest aggregate per capita allocation of Tax Credits since 1995 (**Exhibit 4**): *Maximum 25 points*
- d. Developments located completely in a THDA designated Bicentennial Neighborhood (**Exhibit 5**): *15 points*

- e. Developments located wholly in a Qualified Census Tract or a Difficult to Develop Area as designated by HUD in accordance with Section 42 (d)(5) (**Exhibit 6**): **5 points**

**2. Development Characteristics: Maximum 100 Points**

- a. Development of rental units: **Maximum 50 points**
  - (i) New Construction: **50 points**
  - (ii) Conversion of a building from use other than housing (i.e. school, office building, warehouse, etc.) to affordable rental housing: **40 points**
  - (iii) Preservation of existing affordable rental housing through major rehabilitation (hard rehabilitation costs equal to more than 50% of total development cost): **for rehabilitation only: 35 points; for acquisition and rehabilitation: 40 points**
  - (iv) Preservation of existing affordable rental housing through minor rehabilitation (hard rehabilitation costs equal to at least 25% but less than or equal to 50% of total development cost): **for rehabilitation only: 10 points; for acquisition and rehabilitation: 15 points**

***For developments containing a combination of the characteristics above, points will be prorated based on the percentage of units in each category.***

- (v) Developments consisting wholly and completely of existing housing which is part of an approved community revitalization plan **for developments involving acquisition and rehabilitation or rehabilitation only: 1 point**
- b. Developments designed and built to promote energy conservation by meeting the standards of the Council of American Building Officials Model Energy Code. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609: **10 points**
- c. Developments designed and built to meet a 15-year maintenance-free exterior standard. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609: **10 points**
- d. Developments designed and built with a minimum of 60% brick exterior. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice: Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609: **15 points**
- e. Developments with low total development costs per square foot as determined by the total development costs from Attachment #15, Development Costs, Column A, #12 Total, divided by the Total Heated square Footage of the total development from the bottom line of Attachment #1. **Maximum 15 points; choose only one**
  - \$70.01 or more per square foot -- **0 points**
  - \$65.01 to \$70.00 per square foot -- **5 points**
  - \$60.01 to \$65.00 per square foot -- **10 points**
  - \$60.00 or less per square foot -- **15 points**

**3. Sponsor Characteristics: Maximum 55 Points**

- a. If none of the following has occurred in Tennessee at any time during calendar year 1999 or calendar year 2000 with respect to individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application: **50 points**
  - (i) A reservation of Tax Credits was issued and accepted for a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, yet a Carryover Allocation was not obtained; or
  - (ii) A Carryover Allocation was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, yet an IRS Form 8609 was not obtained; or
  - (iii) An allocation of Tax Credits was made to a development that the individuals identified above were involved with (either directly or indirectly) through developer or owner, but the development failed to meet the minimum set-aside for low-income tenants as specified in the land use restrictive covenants.
- b. Ability to finance the development (Submit **Attachment 24** as part of the Initial Application): **Maximum 5 points; choose only one**
  - (i) Developments with a firm loan commitment for construction: **5 points**
  - (ii) Developments with a firm loan commitment for permanent financing: **5 points**
  - (iii) Developments with a firm commitment from lending entities for developments using competitive state or Federal loans or grants (i.e.: Notification of commitment from Rural Development State Director for Rural Development (formerly FmHA) applications; SAMA letter for HUD 221(d)(4)): **5 points**

Non-regulated institutions must submit most recent audited financial statements. Financial statements must be adequate to demonstrate that lender has the financial capabilities to fund the loan, as determined by THDA. Pass through lenders or execution of Attachment #24 by an entity who expects to broker the loan will not qualify the applicant for these points.

**4. Developer and Consultant Fees: Maximum 30 Points**

- a. Initial Applications reflecting a combined total developer and consultant fees (as defined in Part V-A) based on eligible basis attributable to acquisition costs in excess of 2%: **0 points**
- b. Initial Applications reflecting a combined total developer and consultant fee (as defined in Part V-A) based on eligible basis attributable to acquisition costs of 2% or less and developer's and/or consultant's fees based on eligible basis attributable to rehabilitation or new construction (see Part V-A) with the following limits:

Developer and Consultant Fees for New Construction and <u>Rehabilitation Costs Only</u>		<u>Points</u>
0% - 4.99%		<b>30 points</b>
5% - 9.99%		<b>20 points</b>
10% - 13%		<b>10 points</b>

**5. Special Housing Needs: Maximum 15 Points**

- a. Development with units designed and built for large families, (i.e., three or more bedrooms). Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609.

<u>Percent of Units</u>	<u>Points</u>
8%-10%	<b>10 points</b>
above 10%	<b>15 points</b>

- b. At least fifty percent (50%) of the units designed and built for single room occupancy. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609: **15 points**;
- c. One hundred percent (100%) of the units designed, built and occupied by the elderly (minimum age 55 years) or physically disabled. Certification from the design architect will be required on developments of 11 units or more, from contractor on 10 units or fewer, following the issuance of the Reservation Notice. Confirmation from the supervising architect or contractor, as appropriate, will be required prior to issuing the IRS Form 8609. **5 points**.
- d. An Initial Application may meet the requirements for more than one of the preceding special needs categories, but **no more than 15 points will be awarded**.
- e. **A unit may not be counted as satisfying more than one special needs category. That is, a unit which is intended for occupancy by the elderly may not also be counted as a unit designed for persons with disabilities. Each unit may be counted only once, in only one category.**

**6. Lowest Income Preference: Maximum 80 Points**

- a. (i) Election to set aside a minimum of ten percent (10%) of the units for households with incomes no higher than fifty percent (50%) of the area median income: **30 points**

**OR**

- (ii) Election to set aside a minimum of twenty percent (20%) of the units for households with incomes no higher than fifty percent (50%) of the area median income: **40 points**

**Chose only one; a.(i) OR a (ii)**

- b. The following election may be made **in addition to or in place of** the election in Part VII-B-6-a above:

- (i) Election to set aside a minimum of sixty percent (60%) of the units for households with incomes no higher than sixty percent (60%) of the area median income: **40 points**

**OR**

- (ii) Election to set aside a minimum of eighty percent (80%) of the units for households with incomes no higher than sixty percent (60%) of the area median income: **50 points**

**Chose only one; b.(i) OR b.(ii)**



**7. Extended Use Preference or Tenant Ownership: Maximum 20 points**

*Choose only one below, a. OR b.*

a. Extended Use Preference: **Maximum 20 Points**

A binding commitment to extend the point in time at which the written request specified in Section 42(h)(6)(I) may be given:

<u>Number of Years of Extended Use</u>	<u>Points</u>
At least 5 years	<b>20 points</b>
At least 4 years, but less than 5 years	<b>15 points</b>
At least 3 years, but less than 4 years	<b>10 points</b>

b. Eventual Tenant Ownership: **Maximum 5 points**

A binding commitment to offer the tenant of a single family building at the end of the fifteen-year tax credit compliance period a right of first refusal to purchase the property. The owner must provide to THDA a detailed plan with the Initial Application, specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the compliance period to provide sufficient funds to the tenant at the end of the compliance period for the down payment and the closing costs to purchase the unit. The plan will be required to be updated and submitted to THDA again for approval in year 13 of the compliance period. The Restrictive Covenant Agreement will contain provisions ensuring enforcement of this provision.

**8. Community Revitalization Preference: Maximum 1 point**

Developments located completely and entirely in a qualified census tract as described in Section 42(d)(5)(C) and the development of which contributes to an approved community revitalization plan.

**9. Public Housing Priority: 10 Points**

Marketing plans, lease-up plans, or operating policies and procedures which will give a priority to persons on Public Housing waiting lists or to persons with Section 8 Housing Choice Vouchers in counties with PHAs which currently have a 2001 waiting list with high Section 8 turnover as evidenced by PHA data. A confirmation letter from the PHA will be required with the Initial Application.

**10. Participation of Local Tax Exempt Organizations: 5 points**

Applicants must document participation from local tax-exempt organizations with involvement in the community where the development will be located by submitting a letter from the local tax-exempt organization specifically stating:

- (1) that the organization is tax-exempt;
- (2) what their involvement in the development will be;
- (3) that their charter and bylaws allows the activity or service proposed; and
- (4) their prior experience in the service proposed in the community where the development will be located.

**11. Tennessee Growth Policy Act: 20 points**

Applications with proposed developments located completely and wholly in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission. Counties with a metropolitan form of government in place on the deadline date for Initial Applications to be received by THDA and which are not subject to the Tennessee Growth Policy Act will automatically receive these 20 points.

## **Part VIII: Initial Application Eligibility and Scoring Review**

### **A. Notice to Applicants**

1. THDA will notify each applicant when the eligibility determination and scoring of their Initial Application is complete. All applicants will be so notified on or before May 11, 2001.
2. If THDA determines that an Initial Application meets all of the eligibility requirements of this Allocation Plan and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants may not submit additional items for the purpose of increasing their scores in a particular scoring category if the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application. The provisions of Part VIII-B do not apply.
3. If THDA determines that an Initial Application does not meet one or more of the eligibility requirements of this Allocation Plan or if the score assigned by THDA in any scoring category is less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of items that were erroneous, missing, incomplete, or inconsistent. THDA will also notify applicants if THDA determines that (i) any two or more developments proposed in two or more Initial Applications constitute a single development for purposes of applying the development limit specified in Part IV-B or (ii) developers or related parties reflected in two or more Initial Applications constitute a single entity for purposes of applying the developer or related party limitation specified in Part IV-C. This notice to applicants from THDA is referred to herein as the "Cure Notice".
4. **No rankings or scoring summaries with respect to Initial Applications received by THDA will be available until all cure periods have expired and the review process is complete.**

### **B. Cure Period**

1. Applicants receiving a Cure Notice may, in compliance with the requirements of this Part VIII-B, correct erroneous items, supply missing or incomplete items and/or may clarify any inconsistencies related to the specific items identified by THDA during a cure period which shall begin on the date of the Cure Notice and shall end at 4:00 p.m. Central Time, on the date specified in the Cure Notice, which date shall be five (5) business days from the date of the Cure Notice. The Cure Notice shall specify the means and methods by which erroneous items may be corrected, missing items supplied, incomplete items completed and inconsistencies clarified. Applicants may not submit additional items for the purpose of increasing their score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application.
2. If additional documentation to address items specified in the Cure Notice is not submitted in accordance with the requirements contained in the Cure Notice, then the determination as to eligibility and scoring made by THDA is determinative. The review process described in Part VIII-C is not available to applicants who do not submit additional documentation in accordance with the Cure Notice (including, without limitation, the time deadlines specified therein.).
3. The cure provisions of this Part VIII-B **do not apply** to Initial Applications that are not submitted in accordance with the requirements of Part VI-B and -C.
4. THDA will review all documentation submitted in accordance with the Cure Notice for each relevant Initial Application. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, meets all of the eligibility requirements of this Allocation Plan and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants may not submit additional items for the purpose of increasing their score in a particular scoring category where the THDA

assigned score is the same as or higher than the score assigned by the applicant in the Initial Application, taking into account documentation submitted in accordance with the Cure Notice. The provisions of Part VIII-C will not apply.

5. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, still does not meet any one of the eligibility requirements of this Allocation Plan or if the score assigned by THDA in any scoring category is still less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of items that remain erroneous, missing, incomplete, or inconsistent (the "Review Notice"). The Review Notice will specify the time period within which a request for review may be made.

### C. Review Process

1. Applicants who receive a Review Notice may submit, **in writing**, a request for review to the Executive Director of THDA. This request for review must be submitted in accordance with the Review Notice. A request for review will not be considered if no documentation was submitted or if documentation was not submitted in accordance with the Cure Notice (including, without limitation, the time deadlines therein).
2. The request for review must identify the eligibility item or scoring category to be reviewed, **the information in the Initial Application OR the documentation submitted during the cure period relevant to the scoring category in question**, and the reason the applicant thinks that the eligibility determination or scoring was in error. The request for review must contain no more than two 8 1/2 X 11 inch pages, with print on one side of each page, typed in 12 point font or larger (or legibly hand written). Requests not meeting this format will not be considered. No additional documentation may be submitted in connection with this request for review. No information submitted after the expiration of the relevant cure period specified in the Cure Notice for an Initial Application will be considered.
3. The Policy and Programs Committee of the Board of Directors of THDA (the "Policy and Programs Committee") will meet in special session on June 14, 2001, to evaluate the Initial Application, documentation submitted during the cure period, and THDA staff analysis thereof (the "Review Meeting"). The Policy and Programs Committee will consider whether the eligibility determination made or scoring assigned by THDA staff was in error or within the spirit and intent of this Allocation Plan. **Any contact with THDA staff, Executive Director, any member of the Policy and Programs Committee or any member of the THDA board by any person or entity on behalf of any Initial Application during this review period prior to the Review Meeting will be grounds for dismissal of the review request.** Applicants or representatives thereof may appear at the Review Meeting. The Policy and Programs Committee reserves the right to not consider a review request if the applicant or a representative are not present at the Review Meeting, in which case, the THDA staff determination stands and is not subject to further review. Notice of the decision of the Policy and Programs Committee will be mailed to the applicant no later than June 25, 2001.
4. If the Policy and Programs Committee determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, meets all of the eligibility requirements of this Allocation Plan with a score in each scoring category that is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants may not submit additional items for the purpose of increasing their score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application, taking into account documentation submitted in accordance with the Cure Notice. Requests for review that were not submitted in accordance with the Review Notice will not be considered. The provisions of Part VIII-C-6, -7, and -8 will not apply.

5. If the Policy and Programs Committee determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, still does not meet one or more of the eligibility requirements of this Allocation Plan or if the score assigned by THDA in any scoring category is still less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of items that remain erroneous, missing, incomplete, or inconsistent (the "Final Notice"). The Final Notice will specify the time period within which a request for review by the THDA Board of Directors may be made.
6. Applicants who receive a Final Notice may submit, **in writing**, a request to the Executive Director of THDA for review by the THDA Board of Directors. No additional documentation or information may be submitted in response to a Final Notice. A request for review will not be considered if documentation was not submitted during the cure period described in Part VIII-B above or if a request for review by the Policy and Programs Committee was not made.
7. The THDA Board of Directors is authorized, but is not required, to consider any such request for review. Whether requests for review will be heard and disposition of such requests, if any, by the THDA Board of Directors will take place on July 19, 2001, at the regularly scheduled meeting of the THDA Board of Directors. Applicants or representatives thereof may appear at the July 19, 2001 meeting.
8. If the THDA Board of Directors elects to consider a request for review, the final score for the Initial Application will be determined after the THDA Board of Directors takes action. If the THDA Board of Directors elects not to consider the request for review, or elects not to take action, the final score for the Initial Application is the score as determined following the action of the Policy and Programs Committee as specified in Part VIII-C-3 above.

#### **D. Final scoring and ranking of Initial Applications**

After the completion of the cure period and completion of the review process set forth above, the final score for each Initial Application will be determined. Each Initial Application will be listed in order of score and such rankings will be made available to all applicants. This ranking is not confirmation of a reservation of Tax Credits. Reservations will not be made until all set-asides have been applied and all limits have been applied.

#### **E. Application of Various Limits/Final Ranking**

Following the final scoring of each Initial Application, THDA will reserve the available amount of Tax Credits in the Non-Profit Set-Aside, in the Public Housing Authority Set-Aside, in the Small Developments Set-Aside, in the Rural Set-Aside, and in the Urban Set-Aside, based on the final scores assigned to each Initial Application and the amount of Tax Credits determined by THDA to be appropriate, according to the following procedures and provisions:

1. Non-Profit Set-Aside:
  - a. Based on the final scoring of Initial Applications, THDA will list, in ranking order, all developments qualifying in the Non-Profit Set-Aside, and will reserve Tax Credits beginning with the highest ranking Initial Application in the initial Non-Profit Set-Aside and will proceed down the ranking until the point is reached where the last complete reservation can be made. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-5-c-(ii).** (The limitations specified in Part IV will apply.) If there are not enough Tax Credits remaining in the initial Non-Profit Set-Aside to reserve the full amount requested for the next Non-Profit Initial Application in line, the difference between the balance remaining in the initial Non-Profit Set-Aside and the amount needed to make a full reservation will be drawn from the Rural and Urban Set-Asides in amounts proportional to the Urban and Rural Set-Aside amounts.

- b. After the initial Non-Profit Set-Aside is completely reserved, other qualified Non-Profit applicants who did not receive a reservation will be included and considered, along with other applicants, the Public Housing Authority Set-Aside, the Small Developments Set-Aside, the Urban Set-Aside, or the Rural Set-Aside, whichever is applicable.
  - c. **Tax Credits remaining in the initial Non-Profit Set-Aside after all of these steps will not be reserved for other Initial Applications.**
2. Public Housing Authority Set-Aside:
- a. The amount of Tax Credits reserved for any particular eligible and qualified Initial Application will be the lesser of: (i) the total amount of Tax Credits requested in the Initial Application proportional to all applications qualifying for and requesting credits from the Public Housing Authority Set-Aside, capped by the maximum amount of Tax Credits available in Part IV-B and -D, or (ii) the maximum amount of Tax Credits THDA determines an Initial Application may receive.
  - b. The limitations by specified in Part IV-B and -D will apply. Reservations made to Initial Applications pursuant to this subsection will be deducted from the Rural and Urban Set-Asides, as appropriate, based on the county in which the development is located.
3. Small Developments Set-Aside:
- a. If there are Initial Applications remaining for the Small Developments Set-Aside, THDA will list, in ranking order, qualified Initial Applications and will make reservations beginning with the highest ranking Initial Application and will proceed down the ranking until the point is reached when the last complete reservation has been made from the Set-Aside amount. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-5-c-ii.** (The limitations specified in Part IV will apply.) Reservations made to Initial Applications pursuant to this subsection will be deducted from the Rural and Urban Set-Asides, as appropriate, based on the county in which the development is located.
  - b. After the Small Developments Set-Aside is completely reserved, other qualified applicants for developments qualifying as Small Developments which have not received a reservation will be included and considered, along with other applicants, for either the Urban Set-Aside or the Rural Set-Aside, as applicable.
4. Rural and Urban Set-Asides:
- THDA will then list remaining qualified Initial Applications, in ranking order, in the Rural and Urban Set-Asides and will make reservations to qualified Initial Applications beginning with the highest ranking Initial Application in each Set-Aside and will proceed down the rankings in each Set-Aside category until the point is reached where the last complete reservation in each Set-Aside category has been made. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-5-c-ii.** (The limitations specified in Part IV will apply.)
5. Combining Remaining Tax Credits and Remaining Applications:
- a. Any Tax Credits remaining in the Rural Set-Aside and the Urban Set-Aside after steps 1 through 4 above are complete will be combined with any other Tax Credits that are unallocated for any reason (from Part III-A above).
  - b. All remaining qualified Initial Applications will then be listed, in ranking order, in two final lists: Non-Profit and Other. **Throughout the remainder of the reservations, THDA will ensure that at least ten percent (10%) of Tax Credits have been reserved to Non-Profit Initial Applications, even if a lower ranking Non-Profit Initial Application must be reserved Tax Credits before a higher-ranking Other Initial Applications.** THDA will reserve any remaining Tax Credits to the remaining Initial Applications beginning with the highest ranking Initial Application, subject to the priority for Non-Profit Initial Applications and the Set-Asides described in this Allocation Plan, and continuing down the lists until the last

complete reservation is made. **No partial reservations of Tax Credits will be made, except pursuant to VIII-E-5-c-ii.** (The limitations specified in Part IV will apply.)

- c. (i) If the steps above leave THDA with insufficient Tax Credits to make a complete reservation to the next highest ranking Initial Application, THDA will hold the Tax Credits remaining until enough Tax Credits have been recaptured or returned for a complete reservation to be made. THDA will then make a complete reservation to the next highest ranking Initial Application (The limitations specified in Part IV will apply.)
- (ii) If the Tax Credits remaining are likely to exceed one percent (1%) of the total Tax Credits available for reservation, thereby eliminating THDA from applying for Tax Credits from the National Pool in a subsequent year, then any remaining Tax Credits shall be offered as a partial reservation to the next highest ranking applicant, pursuant to this section, until the Tax Credits are accepted. (The limitations in Part IV will apply.) Acceptance of a partial reservation according to this provision would not classify a development as an “existing” application in subsequent years, but any limitation on Tax Credits per development in subsequent years would apply to any such partial reservation.

**6. Tax Credits remaining in the Non-Profit Set-Aside after all qualified Non-Profit Initial Applications have received reservations of Tax Credits, can not be reserved to other Initial Applications.**

**7. Tie Breaker**

In the event there is a tie between two or more Initial Applications at the cutoff for receipt of a Tax Credit reservation, the development requesting the least Tax Credits per unit will be given priority. If this first tie breaker still results in a tie, the Executive Director of THDA and the Chair of THDA, or his designee, will, in their sole discretion, determine which application will be given priority.

### **Part IX: Reservation of Tax Credits**

**A. Reservation Notice**

THDA will notify, in writing, each successful applicant of an initial reservation of Tax Credits (the “Reservation Notice”). In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. **The final amount of Tax Credits allocated to each successful applicant may be different from the amount requested in the Initial Application, the amount specified in the Reservation Notice or the amount reflected in a Carryover Allocation.** Allocations will be determined in connection with a Carryover Allocation and in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this Allocation Plan.

**B. Submission of Additional Information and Documentation**

The Reservation Notice will specify what additional information and documentation is required and will specify a date by which such information and documentation must be submitted to THDA. At a minimum, the applicant will be required to provide the following information and documentation by the date(s) specified in the Reservation Notice:

1. Firm commitment letters for construction financing, permanent financing, and competitive state or Federal loans or grants (i.e.: AD-622 for USDA/RD [formerly FmHA]; SAMA letter for HUD 221(d)(4)) in a form acceptable to THDA;
2. Most recent utility allowance documents (from USDA/RD [formerly FmHA], HUD, local PHA, or utility company) demonstrating the basis for calculations of utility costs for the size and type of units proposed;

3. Evidence from each service provider that all necessary utilities (i.e.: electricity, gas (if proposed development utilizes gas), sewer, and water) are available at the site;
4. Evidence from the appropriate municipal authority demonstrating that current zoning permits the development as proposed (as new construction, acquisition and rehabilitation, or rehabilitation only);
5. Detailed information about the syndication transaction;
6. For Initial Applications receiving points under Part VII-B-2-b, -c, or -d, and/or Part VII-B-5-a, -b, or -c, certification from the design architect or construction contractor, as applicable;
7. For Initial Applications requesting acquisition Tax Credits for five or more units, an “as is” market rate appraisal not including Tax Credit benefits. The appraisal must be performed by a Certified General Appraiser licensed in Tennessee. The appraisal cannot be based solely or largely on a “cost” approach to value, but must also consider market and income approaches to value. If the development is proposed for scattered sites, the scattered sites must be appraised as a single rental development, using appraisal methodology appropriate for rental property as described here. The acquisition cost for Tax Credit purposes shall not exceed the lesser of the purchase price or the appraised value. **Appraisals must be less than six months old at the time of submission in order to be acceptable;** and
8. Market Study:
  - a. A market study performed by an **independent third party** must be provided for all proposed developments. This study must support the need and demand for the type of housing proposed, including data on comparable units being 90% rent occupied, the market feasibility of the proposed rent structure, and must be in a form acceptable to THDA. The market study must include specific information which will be identified in the Reservation Notice.
  - b. For Initial Applications proposing rehabilitation, the market study must include a complete and detailed work plan showing all necessary and contemplated improvements and the projected cost.
  - c. **Market studies must be less than six months old at the time of submission in order to be acceptable.**
  - d. **Based on the information and analysis presented in the market study, and based on other information available to THDA, THDA may determine, in its sole discretion, that market demand is not sufficient to support the proposed development. If such a determination is made, THDA will cancel the Reservation Notice and recapture the Tax Credits pursuant to Part IX–E-1.**

### **C. Extension of Deadlines**

An extension of deadlines established in the Reservation Notice may be requested, **in writing**, to the Executive Director of THDA, so long as any such extension request is received on or before the deadline for which an extension is requested. In the sole discretion of the Executive Director, such requests may be granted if the applicant documents good cause for the request and demonstrates that new deadlines can be met. Deadlines established by Section 42 cannot be waived or extended.

### **D. Status Reports**

All developments with a Reservation Notice shall provide status reports outlining progress toward completion as requested and in a format as prescribed by THDA. Information requested will be development specific and may include such items as construction progress.

### **E. Recapture of Tax Credits During Reservation Period**

1. THDA will cancel a Reservation Notice for failure to fully satisfy conditions imposed in connection with the Reservation Notice and for failure to provide satisfactory information or documentation required by the Reservation Notice by the deadlines specified in the Reservation Notice. This means that the Tax Credits referred to in the Reservation Notice are not available for the development specified in the Reservation Notice and will be made available to other qualified developments. Deadlines specified in the Reservation Notice are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline or unless an extension has been granted under Part IX-C.
2. Tax credits made available through a Reservation Notice may be voluntarily returned. Any such return means Tax Credits are not available for the development referenced in the Reservation Notice.
3. Any Tax Credits recaptured either by cancellation of a Reservation Notice under Part IX-E-1 above or by voluntary return under Part IX-E-2 above will be reserved to the fullest extent practical to other qualified Initial Applications for Tax Credits as provided in this Allocation Plan.

### **Part X: Carryover Allocation**

#### **A. Qualifying for a Carryover Allocation**

A development with a Reservation Notice but which will not be placed in service by December 31, 2001 may be eligible for a Carryover Allocation. In order to qualify for a Carryover Allocation, the ownership entity identified in the Initial Application must have ownership of the property on or before December 3, 2001, and must have spent a minimum of ten percent (10%) of the reasonably expected basis in the development on or before May 1, 2002.

#### **B. Carryover Allocation Requirements**

1. To file for a Carryover Allocation, the owner must, no later than December 3, 2001:
  - a. Complete a Carryover Allocation Application (**Form furnished by THDA**);
  - b. Submit a copy of the recorded warranty deed showing ownership by the ownership entity identified in the Initial Application;
  - c. Submit any other development specific materials THDA may request;
  - d. Execute a Carryover Allocation document (**Form furnished by THDA**); and
  - e. Make an irrevocable gross rent floor election (**Form furnished by THDA**).
2. To meet the Carryover Allocation requirements, the owner must submit the Cost Certification (**Form furnished by THDA**) for the ten percent (10%) test no later than May 1, 2002.

#### **C. Tax Credits Available**

The amount of Tax Credits to be allocated by a Carryover Allocation will be determined by THDA in connection with an evaluation at the time a Carryover Allocation is requested and in accordance with Section 42(m)(2). **This amount may be different from the Tax Credit amount reserved in the Reservation Notice.**

#### **D. Recapture of Tax Credits During Carryover Period**

1. THDA will cancel a Carryover Allocation for failure to fully satisfy conditions imposed in connection with the Carryover Allocation. This means that the Tax Credits referred to in the Carryover Allocation are not available for the development specified in the Carryover Allocation and will be made available to other qualified developments. Deadlines specified in the Carryover Allocation are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline. Such Tax Credits are



recaptured by THDA, without further notice, effective as of the deadline established in the Carryover Allocation which was not met.

2. Tax Credits allocated by a Carryover Allocation may be voluntarily returned. Any such return means that Tax Credits are not available by the development referenced in the Carryover Allocation.
3. Any Tax Credits recaptured either by cancellation of a Carryover Allocation under Part X-D-1 above or by voluntary return under Part X-D-2 above will be made available as follows:
  - a. Any Tax Credits returned before October 1, 2001, will be reserved to other qualified Initial Applications for Tax Credits as provided in this Allocation Plan;
  - b. Any Tax Credits returned on or after October 1, 2001, will be reserved pursuant to an Allocation Plan for 2002, if available.

### **Part XI: Placed In Service**

#### **A. Placed In Service Requirements**

After all units in a development are placed in service, THDA will make a final allocation of Tax Credits and will issue IRS form 8609 only after receipt of the following in a form and with substance satisfactory to THDA, in its sole discretion:

1. Final Application (**Form furnished by THDA**);
2. Applicant's Verification Form for each building in the development (**Form furnished by THDA**);
3. Final Cost Certification of actual costs, incomes and expenses, including actual syndication profits, from an independent CPA licensed in Tennessee. (**Form furnished by THDA**);
4. Original Recorded Land Use Restrictive Covenants (**Form furnished by THDA**);
5. Copy of the recorded warranty deed indicating ownership;
6. Copy of closing document or Deed of Trust for permanent financing;
7. Certificate of Occupancy for each building;
8. Required Compliance Monitoring Fee; and
9. LIHTC Certificate of Compliance Training (**Form furnished by THDA**).

#### **B. Tax Credits Available**

The amount of Tax Credits allocated when a development is placed in service will be determined by THDA based on an evaluation of the above required information and documentation and in accordance with Section 42(m). **This amount may be different from the amount reserved in the Reservation Notice or allocated in the Carryover Allocation. THDA reserves the right to make adjustments in the amount of Tax Credits finally allocated based on the information submitted and Section 42 requirements.**

**Part XII: Developments to be Financed With Tax Exempt Bonds**

A development financed with tax-exempt bonds may be eligible for an allocation of Tax Credits outside the competitive process. The development must meet the following conditions:

- A. If fifty percent (50%) or more of the aggregate basis of a development is financed with tax-exempt bonds, the development is eligible to apply for Tax Credits outside the competitive allocation process described in this Allocation Plan. If less than fifty percent (50%) of the aggregate basis of a development is financed with tax-exempt bonds, the competitive allocation process described in this Allocation Plan applies. Either counsel or a Certified Public Accountant licensed in Tennessee must certify to THDA that this financing requirement is met.
  
- B. Developments which are not subject to the competitive allocation process must, nevertheless, make application for Tax Credits to THDA in 2001 based on bonds issued as a result of an allocation of 2001 volume cap by THDA. All such developments must meet all eligibility requirements of this Allocation Plan. THDA will, in its sole discretion, determine the appropriate amount of Tax Credits to be allocated, and will issue a Reservation Notice. In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. The final amount of Tax Credits allocated may be different from the amount specified in the Reservation Notice. Allocations will be determined in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this Allocation Plan any such allocation of Tax Credits will not count against the limits on Tax Credits by county or by developer specified in Part IV. All requirements of Section 42 and this Allocation Plan apply to such developments.**
  
- C. Initial Applications for developments pursuant to this Part XII will be subject to the minimum scoring requirements as stated in Part VII-B.
  
- D. Developments receiving Tax Credits pursuant to this Part XII will be subject to all fees and compliance requirements and procedures as described in this Allocation Plan.
  
- E. Initial Applications for developments pursuant to this Part XII may be submitted to THDA outside the initial application deadlines stated in this Plan.

**Part XIII: Program Fees**

**NOTE: NO FEES ARE REFUNDABLE**

**A. Application Fee**

<u>Number Of Units</u>	<u>Application Fee</u>
1-4	\$300
5-50	\$1,000
51-100	\$1,500
101 +	\$25 per unit

The Application Fee must be submitted with the Initial Application, and is **not refundable**, except as provided in Part VII-A-5-c.

## **B. Reservation Fee**

1. A Reservation Fee equal to 5.0% of the total annual Tax Credit amount approved by THDA is due by the date specified in the Reservation Notice.
2. **The Reservation Fee is not refundable.**

## **C. Fee to Amend Application During Reservation Period**

An amendment fee in an amount equal to the greater of \$500 or one half of one percent (0.5%) of the total amount of Tax Credits specified in the Reservation Notice must be received by THDA prior to any evaluation of proposed amendments or changes with respect to any information contained in the Initial Application. Payment of this fee does not guarantee approval of proposed changes or amendments. Only proposed changes or amendments that meet the requirements of Part XV-B, as determined by THDA in its sole discretion, may be approved.

## **D. Monitoring Fee**

1. When the development is placed in service, a compliance Monitoring Fee is due to THDA, payable in the form of a certified check (this fee also applies to USDA/RD [formerly FmHA] developments). The Monitoring Fee must be delivered to THDA prior to the release of IRS form 8609 for the development. The Monitoring Fees for developments receiving Tax Credits according to this Plan are as follows: \$400 per unit
2. Owners seeking to correct non-compliance will be charged additional fees to cover additional costs which may be incurred by staff to correct the non-compliance issue.
  - a. Reinspection of a file: \$200
  - b. Reinspection of a property:
    - (i) Standard mileage rate in effect by the State of Tennessee at the time of the reinspection from Nashville to the property and back to Nashville;
    - (ii) \$30 per day meal allowance for one staff person;
    - (iii) Lodging expenses as allowed under State of Tennessee travel regulations; and
    - (iv) Any other expenses incurred by THDA relating to the property reinspection.
  - c. Fees will be due to THDA prior to issuance of reinspection findings.
3. **Following the fifth year of monitoring for each development, THDA will evaluate the need for an additional Monitoring Fee. THDA may, at its sole discretion, charge a single additional Monitoring Fee not greater than the initial Monitoring Fee stated above. THDA will charge this additional Monitoring Fee only if the costs of monitoring for Tax Credit compliance, in the aggregate, appear likely to exceed the aggregate amount of initial Monitoring Fees collected. A decision by THDA to charge any such additional fee shall not constitute an amendment to this Plan.**

## **E. Late Fee for Failing to Submit Timely Compliance Certification Forms**

Owners failing to submit the required Owner's Annual Certification of Compliance forms and supporting documentation by the date required by THDA will be charged a late fee of \$100 per month, for each month, or portion of a month, until the Certification and supporting documentation is received and considered satisfactory by THDA, or until noncompliance is filed with the Internal Revenue Service. This fee will be due upon submission of the forms required. Receipt of Certification without the applicable late fee will be considered incomplete.

#### **Part XIV: Compliance Monitoring**

Compliance monitoring procedures apply to all buildings placed in service in Tennessee which have received Tax Credits allocated under Section 42. The current compliance monitoring procedures and requirements are as follows:

- A. Owners must certify annually (Owner's Annual Certification of Compliance) under penalty of perjury that:
1. The development meets the minimum requirements of the appropriately selected test (i.e. 40/60 or 20/50) per Section 42(g)(1);
  2. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development;
  3. The owner has received an annual income certification from each low-income resident and has documentation to support that certification;
  4. Each low-income unit is rent restricted under Section 42(g)(2);
  5. All low-income units in the development are for use by the general public and are not used on a transient basis in compliance with Section 42(i)(3)(B)(iii);
  6. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619 has occurred for this project;
  7. Each building in the development is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards) and the state or local government unit responsible for making local, health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project;
  8. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the development;
  9. All resident facilities included in the eligible basis under Section 42(d) of any building in the development, such as a swimming pool, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all residents of the development;
  10. If a low-income unit has been vacant during the year, reasonable efforts have been made to rent that unit to residents having a qualifying income and while the unit has been vacant no units of comparable or smaller size have been rented to residents not having a qualifying income;
  11. If the income of residents of a low-income unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of a comparable or smaller size was rented to residents having a qualifying income;
  12. An extended low-income housing commitment, as described in Section 42(h)(6), was in effect for the development and the development meets special provisions as outlined in the extended use clause. This includes the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. (Not applicable to buildings with tax credits from years 1987-1989.);
  13. If the owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5), that its non-profit entity materially participated in the on-going operation of the development within the meaning of Section 469(h);
  14. If the building is financed by USDA/RD (formerly FmHA) under the Section 515 program, the owner certifies that the building complies with the requirements for USDA/RD assistance.

- B. THDA will conduct yearly on-site inspections of no less than 33% of developments receiving Tax Credits. We will review at least 20% of the prior year's tenant files for adherence to Section 42 occupancy and rent restrictions. We will conduct physical inspections of 20% of the units at every development to evaluate the suitability of the development for occupancy, taking into account local, health, safety, and building codes (or other habitability standards).
- C. As a part of the site inspection, a review will be conducted of the owner's marketing efforts to attract special needs populations and Section 8 applicants as outlined in the extended low-income housing commitment.
- D. Developments which may be, but are not required to be, exempt from annual on-site file reviews and physical inspections are those developments financed by the USDA/RD Section 515 loan program.
- E. THDA will charge fees to cover the administrative expenses of monitoring compliance and other expenses incurred in carrying out its duties as the Housing Credit Agency including but not limited to reasonable fees for legal and professional services.
- F. Owners will be allowed a 90-day correction period to provide missing documentation or to correct noncompliance. This correction period begins the earlier of the date notification specifying the missing documentation or the noncompliance is mailed, or the date of the inspection at which the missing documentation or the noncompliance is noted. An extension of up to 90 days may be requested in writing and may be granted by THDA if it is determined that there are extreme circumstances beyond the control of the owner.
- G. THDA will notify the Internal Revenue Service of an owner's noncompliance or failure to certify compliance no later than 45 days after the end of the time allowed for correction, whether or not the noncompliance or failure to certify compliance is corrected. THDA will notify the Internal Revenue Service by filing form 8823 Low-Income Housing Credit Agencies Report of Noncompliance.
- H. THDA has the right to inspect any low-income development during the compliance period including but not limited to on-site inspections and review of all records relating to compliance with Section 42 requirements. THDA may require copies of the tenant certifications and supporting documentation to be forwarded to THDA.
- I. Awareness of Section 42 provisions and compliance with requirements of Section 42 are the responsibility of the owner of the building for which the Tax Credits are allocated. THDA's monitoring of compliance with Section 42 does not make THDA or the State of Tennessee liable for an owner's noncompliance.
- J. THDA shall be entitled to amend the compliance monitoring provisions of this Allocation Plan and its Tax Credit Program as required by applicable federal statutes or regulations as amended, from time-to-time. Such amendment is expressly permitted by this Allocation Plan, and the making of such amendment will not require further public hearings. THDA, in accordance with Section 42, may impose additional requirements at its discretion in order to fulfill the objectives of its housing initiatives.
- K. Owners or their representatives are required to attend Owner's compliance training sessions provided by THDA within the 12 months prior to a development being placed in service. THDA may, under extraordinary circumstances, waive this requirement or extend the deadline, but will not issue the final allocating document (IRS form 8609) until such training has been completed.
- L. Owners or their management staff may be required to attend Manager's compliance training sessions provided by THDA after the final allocation and during the compliance period if it is determined that noncompliance exists which could be corrected by a better understanding of the requirements.

## **Part XV: Miscellaneous Provisions**

### **A. Amendments**

THDA may amend any part of this Allocation Plan following public notice and approval by the THDA Board of Directors.

### **B. Tax Credits Allocated to Specific Entities and Properties**

1. THDA reserves Tax Credits based solely on the information contained in the Initial Application. Claiming points in the Initial Application under Part VII-B is a representation and warranty by the applicant and all parties connected with the development proposed in the Initial Application with respect to each and every item for which points are claimed. The applicant and all parties connected with the development proposed in the Initial Application intend for THDA to rely on these representations and warranties for the purpose of complying with Section 42 and for awarding Tax Credits pursuant to this Allocation Plan. By submitting documents to THDA in an effort to obtain Tax Credits, the applicant and all parties connected with the development proposed in the Initial Application acknowledge and agree that (1) they are entering into a contract with THDA, and (2) they intend for THDA to rely on and seek enforcement of these representations with respect to any reservation or allocation of Tax Credits by any and all means available, including specific performance of all such representations and warranties, and (3) no changes may be made to any information contained in an Initial Application without the express written approval of THDA, which approval may be granted or withheld at THDA's sole discretion. No extensions or changes to timetables stated in this Allocation Plan, in any Reservation Notice, in any Carryover Allocation, in any Placed in Service documentation, or in any other documentation distributed or sent by THDA may be made without the express written approval of THDA, which approval may be granted or withheld at THDA's sole discretion.
2. Changes or amendments to an Initial Application will not be considered or approved after the Initial Application Deadline, except for changes or amendments identified by THDA during the Initial Application Cure Period may be made only in accordance with the requirements of Part VIII-B.
3. THDA will consider other changes or amendments, including, without limitation, site changes, ownership changes, developer changes or other changes that would affect eligibility or scoring of the Initial Application, only after a Reservation Notice has been issued by THDA and executed by the proper party as identified in the Initial Application and only after the Initial Application Cure Period and Review Process is complete. In addition, THDA will not consider proposed changes or amendments to an Initial Application unless all requirements contained in the Reservation Notice, including the payment of the Reservation Fee, are met to THDA's sole satisfaction and an Amendment Fee as specified in Part is received by THDA.
4. Once a Carryover Allocation document is issued by THDA, no further changes or amendments, including, without limitation, site changes, ownership changes, developer changes or other changes that would affect eligibility or scoring of the Initial Application are permitted until after all units in the development as proposed in the Initial Application are placed in service.

### **C. Cost Certifications and Market Studies**

Cost certifications and Market Studies must be completed by independent and unrelated third parties with **no** interest in any application or development except for an agreement to be paid reasonable fees for preparing the Cost Certifications and Market Studies. Persons or companies who serve or who have served as consultants or advisors to any parties identified in the Initial Application or related parties will not be considered to be independent. THDA will not accept cost certifications or market studies prepared by parties THDA has determined, in its sole discretion, are not independent.

#### **D. Deadlines**

Due to the competitive nature of the Tax Credit reservation and allocation process, time is of the essence of this Allocation Plan. Deadlines established in this Allocation Plan and set forth in Reservation Notices or Carryover Allocations will not be waived, except as set forth in this Allocation Plan. Deadlines required by Section 42 will not be waived. **Tax Credits will be recaptured if there is a failure to meet Allocation Plan requirements by established deadlines.** No person or entity shall be entitled to rely on any waiver or extension previously granted for the purpose of obtaining subsequent waivers or extensions.

#### **E. Document Review**

1. THDA will review and evaluate only those materials submitted in compliance with the requirements of this Allocation Plan. THDA will not evaluate any materials submitted outside the deadlines established for submission of such materials and will assume no obligation to request additional information from applicants for purposes of completing or supplementing Initial Applications for Tax Credits. Review by THDA of documents submitted with Initial Applications or other documents submitted in connection with the Tax Credit Program or Allocation Plan is for THDA's own purposes and is not for the purpose of advising, certifying, representing or warranting to others as to the feasibility or viability of any proposed development.
2. THDA makes no representations or warranties to applicants, developers, owners or anyone else as to compliance with Section 42, Treasury regulations, or any other laws or regulations applying to Tax Credits.

#### **F. No THDA Liability**

No member, officer, agent, or employee of THDA shall have any personal liability with respect to any matters arising out of, or in relation to, the allocation of Tax Credits or the monitoring of properties which have received Tax Credits.

#### **G. Enforcement**

In the event THDA seeks enforcement of the representation and warranties made by virtue of the submission of an Initial Application for Tax Credits or any other matter connected with any Tax Credits, THDA shall be entitled to recover all costs, expenses and fees, including without limitation, court costs, attorneys fees and staff time, from the applicant or any other party connected with the development proposed in the Initial Application.

#### **H. False Statements**

Tennessee Code Annotated, Section 13-23-133, makes it a Class E felony for any person to knowingly make, utter, or publish a false statement of substance or aid or abet another person in making, uttering, or publishing a false statement of substance for the purpose of influencing THDA to allow participation in the Tax Credit Program. Any and all statements contained in Initial Applications submitted to THDA for Tax Credits or otherwise made by an applicant or other person connected in any way with an Initial Application for Tax Credits are statements of substance.

**Part XVI: Adoption and Approval by the Governor**

I, Don Sundquist, the Governor of the State of Tennessee, do hereby signify my adoption and approval of this Qualified Allocation Plan for the distribution of Tax Credits in this State, in conformance with Section 42 of the Internal Revenue Code of 1986, as amended.

\_\_\_\_\_  
**Don Sundquist, Governor**

\_\_\_\_\_  
Date



## EXHIBIT 1

### COUNTIES IN URBAN AND RURAL SET-ASIDES

#### Counties in Urban Set-Aside

Anderson  
Blount  
Carter  
Cheatham  
Chester  
Davidson  
Dickson  
Fayette  
Hamilton  
Hawkins  
Knox  
Loudon  
Madison  
Marion  
Montgomery  
Robertson  
Rutherford  
Sevier  
Shelby  
Sullivan  
Sumner  
Tipton  
Unicoi  
Union  
Washington  
Williamson  
Wilson

#### Counties in Rural Set-Aside

All other Tennessee Counties

## **EXHIBIT 2**

### **TENNESSEE COUNTIES WITH MEDIAN INCOME BELOW 80% OF THE STATE MEDIAN INCOME, 2000**

Benton  
Bledsoe  
Campbell  
Claiborne  
Clay  
Cocke  
Fentress  
Grainger  
Grundy  
Hancock  
Hardeman  
Henry  
Houston  
Jackson  
Johnson  
Lake  
Lauderdale  
Lewis  
Macon  
McNairy  
Meigs  
Morgan  
Pickett  
Polk  
Rhea  
Scott  
Van Buren  
Wayne

### EXHIBIT 3

## COUNTIES AND CENSUS TRACTS WITH GREATEST RENTAL HOUSING NEED

### COUNTIES

#### GROUP 1 - 20 POINTS

Campbell  
Dickson  
Grundy  
Hardeman  
Knox  
Meigs  
Rutherford  
Shelby  
Tipton  
Washington

#### GROUP 2 - 17 POINTS

Anderson  
Bedford  
Carter  
Cheatham  
Chester  
Claiborne  
Clay  
Cocke  
Davidson  
Giles  
Hamblen  
Hamilton  
Hancock  
Haywood  
Houston  
Jackson  
Lauderdale  
Loudon  
Madison  
McMinn  
McNairy  
Putnam  
Rhea  
Roane  
Scott  
Sequatchie  
Sullivan  
Unicoi

#### GROUP 3 - 14 POINTS

Benton  
Blount  
Bradley  
Carroll  
Coffee  
Cumberland  
DeKalb  
Dyer  
Franklin  
Henderson  
Henry  
Humphreys  
Jefferson  
Johnson  
Lake  
Lewis  
Marion  
Maury  
Montgomery  
Morgan  
Obion  
Robertson  
Trousdale  
Union  
Weakley  
Wilson

#### GROUP 4 - 10 POINTS

Bledsoe  
Crockett  
Decatur  
Fayette  
Fentress  
Gibson  
Greene  
Hardin  
Hickman  
Lawrence  
Lincoln  
Macon  
Monroe  
Polk  
Sevier  
Smith  
Sumner  
Warren  
White  
Williamson

#### GROUP 5 - 7 POINTS

Hawkins  
Marshall  
Overton  
Pickett  
Van Buren

#### GROUP 6 - 4 POINTS

Cannon  
Grainger  
Moore  
Perry  
Stewart  
Wayne

**EXHIBIT 3 - Page 2**

**CENSUS TRACTS\***

<b>County</b>	<b>Tracts</b>	<b>Score</b>	<b>Tracts</b>	<b>Score</b>	<b>Tracts</b>	<b>Score</b>	<b>Tracts</b>	<b>Score</b>
Anderson	0212.01	20						
Blount	0108.00	20						
Bradley	0107.00	17						
Chester	9701.00	20						
Crockett	9611.00	14						
Davidson	0113.00	20	0120.00	20	0122.00	20	0123.00	20
	0140.00	20	0143.00	20	0145.00	20	0160.00	20
	0165.00	20						
Fayette	0603.00	14						
Gibson	9667.00	14	9669.00	17				
Greene	0909.00	14	0913.00	14	0914.00	14		
Hamilton	0002.00	20	0021.00	20	0027.00	20		
Hancock	9602.00	20						
Hawkins	0507.00	10						
Henry	9693.00	17	9697.00	17				
Hickman	9505.00	14						
Humphreys	1304.00	17						
Macon	9701.00	14						
Madison	0005.00	20	0009.00	20				
Marshall	9551.00	14	9553.00	10				
Montgomery	1007.00	17	1008.00	17	1009.00	17	1012.00	17
Morgan	1102.00	20						
Obion	9656.00	17						
Overton	9502.00	14						
Perry	9902.00	7						
Putnam	0008.00	20						
Robertson	0803.00	17						
Sevier	0810.00	17						
Sumner	0205.00	17	0207.00	14	0211.01	14		
Trousdale	0902.00	17						
Union	0403.00	17						
Wayne	9503.00	7						
Williamson	0508.00	14	0511.00	14				
Wilson	0307.00	17	0310.00	17				

\*This list includes only those census tracts whose scores are higher than the overall county score. If the census tract in which a development is proposed does not appear on this list, please refer to the list of counties on the first page of Exhibit 3 for calculating a score.

**EXHIBIT 4**

**COUNTIES WITH LOWEST AGGREGATE  
PER CAPITA ALLOCATIONS OF TAX CREDITS SINCE 1995**

**GROUP 1 -- 25 POINTS**

Anderson Megis  
Benton Monroe  
Bledsoe Moore  
Blout Morgan  
Cannon Obion  
Carroll Overton  
Carter Perry  
Cheatham Pickett  
Chester Polk  
Claiborne Scott  
Clay Sequatchie  
Cocke Smith  
Coffee Stewart  
Crockett Trousdale  
Decatur Unicoi  
DeKalb Van Buren  
Fayette Warren  
Franklin Wayne  
Gibson Weakley  
Grainger White  
Greene  
Hancock  
Hardeman  
Hardin  
Hawkins  
Henderson  
Hickman  
Houston  
Humphreys  
Jackson  
Johnson  
Lake  
Lauderdale  
Lawrence  
Lewis  
Lincoln  
Loudon  
Marion  
McNairy

**GROUP 2 -- 20 POINTS**

Campbell  
Grundy  
Hamilton  
Macon  
Montgomery  
Rhea  
Roane  
Sullivan  
Williamson

**GROUP 3 -- 15 POINTS**

Cumberland  
Davidson  
Haywood  
Jefferson  
Sevier  
Shelby

**GROUP 4 -- 10 POINTS**

Bedford  
Dyer  
Knox  
Putnam  
Robertson  
Sumner

**GROUP 5 -- 5 POINTS**

Fentress  
Giles  
Henry  
Madison  
Maury  
McMinn  
Rutherford  
Tipton  
Washington

**GROUP 6 -- NO POINTS**

Bradley  
Dickson  
Hamblen  
Marshall  
Union  
Wilson

**EXHIBIT 5**  
**THDA BICENTENNIAL NEIGHBORHOODS**

Beginning in 1996, THDA designated certain communities to receive special grant funding. These communities each identified a specific geographic area within their boundaries as “Bicentennial Neighborhoods.” For a Tax Credit Application to receive points for being within a Bicentennial Neighborhood, the development must lie entirely within the defined geographic boundaries of the designated Bicentennial Neighborhood.

For more information about the boundaries of these Bicentennial Neighborhoods, the communities and contact persons are listed below. THDA will also review any Application claiming to lie within the boundaries of a Bicentennial Neighborhood to confirm its eligibility for points claimed.

<u>Community</u>	<u>Contact Person</u>	<u>Telephone Number</u>
Brownsville	Ann Banks	901-772-6484
Chattanooga	David Berry	423-756-6212
Dandridge	Joseph Sullenberger	865-693-8091
Knoxville	Diana Lobertini	865-215-2120
Johnson City	Steve Baldwin	423-434-6291
Memphis	Juril Partee-Brown	901-576-7319
Nashville	Paul Johnson	615-252-8543
Rockwood	Jerry Clayton	423-354-6867

**EXHIBIT 6**  
**QUALIFIED CENSUS TRACTS AND**  
**DIFFICULT DEVELOPMENT AREAS**

<b>IRS Section 42(d)(5)(C) Qualified Census Tracts</b>
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**Metropolitan Areas**

**Chattanooga**

	Tract	Tract	Tract	Tract	Tract
Hamilton County	0002.00	0003.00	0004.00	0008.00	0011.00
	0012.00	0014.00	0015.00	0016.00	0019.00
	0020.00	0021.00	0023.00	0025.00	0027.00
	0031.00				

**Clarksville/  
Hopkinsville**

	Tract	Tract	Tract	Tract	Tract
Montgomery Co.	1008.00				

**Jackson**

	Tract	Tract	Tract	Tract	Tract
Madison County	0005.00	0008.00	0009.00	0010.00	0011.00
	0012.00				

**Johnson City/  
Kingsport/  
Bristol**

	Tract	Tract	Tract	Tract	Tract
Sullivan Co.	0401.00	0402.00			
Washington Co.	0607.00	0609.00			
Bristol City	0203.00				

**Knoxville**

	Tract	Tract	Tract	Tract	Tract
Anderson County	0207.00				
Knox County	0001.00	0002.00	0003.00	0004.00	0005.00
	0006.00	0007.00	0008.00	0009.00	0010.00
	0011.00	0012.00	0013.00	0014.00	0017.00
	0020.00	0024.00	0026.00	0029.00	
Union County	0402.01				

**Memphis**

	Tract	Tract	Tract	Tract	Tract
Fayette Co.	0601.00				
Shelby County	0002.00	0003.00	0004.00	0005.00	0006.00
	0007.00	0008.00	0009.00	0010.00	0013.00
	0014.00	0018.00	0019.00	0020.00	0021.00
	0022.00	0023.00	0024.00	0028.00	0036.00
	0037.00	0038.00	0039.00	0040.00	0041.00
	0044.00	0045.00	0046.00	0047.00	0048.00
	0049.00	0050.00	0051.00	0053.00	0054.00
	0055.00	0057.00	0058.00	0059.00	0060.00
	0061.00	0062.00	0065.00	0067.00	0068.00
	0073.00	0078.10	0081.10	0084.00	0090.00
	0103.00	0105.00	0222.20	0223.10	0227.98
Tipton Co.	0407.00				

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<b>Nashville</b>	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>
Davidson Co.	0104.02	0114.00	0118.00	0119.00	0123.00
	0124.00	0125.00	0126.00	0135.00	0136.00
	0137.00	0139.00	0140.00	0142.00	0143.00
	0144.00	0145.00	0146.00	0148.00	0159.00
	0160.00	0161.00	0162.00	0163.00	0164.00
	0165.00	0166.00			
Rutherford Co.	0416.00	0419.00			
Sumner County	0208.00				
Wilson County	0307.00				

### Non-Metropolitan Areas

	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>	<b>Tract</b>
Bradley County	0104.00	0107.00	0108.00		
Campbell Co.	9503.00				
Fentress Co.	9651.00				
Hamblen Co.	1003.00				
Hancock Co.	9601.00	9602.00	9603.00		
Haywood Co.	9807.00				
Henry Co.	9693.00				
McMinn Co.	9702.00				
Marshall Co.	9553.00				
Maury County	0105.00				
Putnam County	0008.00				

<b>IRS Section 42(d)(5)(C) Difficult Development Areas</b>
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None

For a full explanation of the methodology used to identify qualified census tracts and difficult development areas, refer to "Designation of Qualified Census Tracts and Difficult Development Areas", Federal Register, October 24, 1994, pp. 53518-53549.



# **EXHIBIT 7**

## **HUD FY 2001 INCOME LIMITS**

When released, this document will be available online at the following address:

[www.huduser.org/datasets/il.html](http://www.huduser.org/datasets/il.html)

## HUD MEDIAN INCOME CHART FOR TENNESSEE COUNTIES

Developer must elect one of the following for the development:

- \* At least 20% of the residential rental units to be rent restricted and occupied by individuals whose income is 50% or less of area median income; or
- \* At least 40% of the residential rental units to be rent restricted and occupied by individuals whose income is 60% or less of area median income

### **TO CALCULATE INCOMES:**

50% test: The income limits are shown as VERY LOW-INCOME on the HUD listing.

60% test: Multiply the VERY LOW-INCOME figure by 1.20 to get income level.

### **TO CALCULATE RENTS:**

To calculate rent limits including tenant-paid utilities for both the 50% and 60% tests, use the following method:

EFF: It is assumed that 1.0 person will live in the unit

Use income limit for one person

Divide by 12

Multiply by 0.30

Result is rent limit for efficiency unit

1 BR: It is assumed that 1.5 persons will live in the unit

Add income limits for one person and two persons

Divide by 2

Divide by 12

Multiply by 0.30

Result is rent limit for 1 bedroom unit

2 BR: It is assumed that 3.0 persons will live in the unit

Use income limit for three persons

Divide by 12

Multiply by 0.30

Result is rent limit for 2 bedroom unit

3 BR: It is assumed that 4.5 persons will live in the unit

Add income limits for four persons and five persons

Divide by 2

Divide by 12

Multiply by 0.30

Result is rent limit for 3 bedroom unit

4 BR: It is assumed that 6.0 persons will live in the unit

Use income limit for six persons

Divide by 12

Multiply by 0.30

Result is rent limit for 4 bedroom unit