

DRAFT 2021 HOUSING CREDIT QUALIFIED ALLOCATION PLAN

DRAFT



Alabama Housing Finance Authority
2021 Housing Credit Qualified Allocation Plan
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ADDENDA

- Addendum A - Alabama Housing Finance Authority’s 2021 Point Scoring System
- Addendum B - Alabama Housing Finance Authority’s Environmental Policy Requirements
- Addendum C - Alabama Housing Finance Authority’s Design Quality Standards and Construction Manual
- Addendum D - Alabama Housing Finance Authority’s Compliance Monitoring Procedures, Requirements and Penalty Criteria

I. HOUSING CREDITS

The Housing Credit program encourages and promotes investment in affordable rental housing for low-income households. Through these investments, the number of housing units is increased, and the quality of existing housing units is significantly upgraded. The primary benefit to Investor Owners is a dollar-for-dollar reduction in federal tax liability.

To receive Housing Credits, a project must qualify under federal rules contained in Section 42 of the Internal Revenue Code of 1986 (Section 42).

The Alabama Housing Finance Authority (AHFA), as the designated administrator of the Housing Credit program since 1987, has developed and implemented this Qualified Allocation Plan (QAP or Plan) for the State of Alabama in compliance with the rules set forth in Section 42. AHFA is required by Section 42 to:

- Develop selection criteria to be used in determining housing priorities for the State. The selection criteria include ranking each Project in accordance with its location, housing needs characteristics, fulfillment of housing needs, project and applicant (or sponsor) characteristics, public housing waiting lists, tenant populations with Special Needs or individuals with children, public housing waiting lists, projects intended for eventual tenant ownership, energy efficiency and historic nature.
- Develop an evaluation process whereby preference is given to projects that serve: (1) the lowest income tenants, (2) qualified tenants for the longest period(s) and (3) projects which are located in Qualified Census Tracts and contribute to a concerted community revitalization plan.
- Develop compliance monitoring procedures to test for compliance with the provisions of Section 42 and for notifying the Internal Revenue Service (IRS) of non-compliance.

A. Development of Selection Criteria

AHFA has been responsible for preparing a housing needs assessment and strategy for the State of Alabama since the HOME Investment Partnerships Program (HOME) was created. In 1992, AHFA prepared the first Comprehensive Housing Affordability Strategy (CHAS) as a prerequisite for Alabama to receive federal dollars for affordable housing. Prior to submitting the CHAS to the U. S. Department of Housing and Urban Development (HUD), AHFA prepared an extensive list of interested relevant stakeholders from which to gather information, and mailed letters of inquiry, questionnaires and surveys to various state agencies, service providers, housing directors and individuals. Based on the information gathered, along with data from the relatively new 1990 U.S. Census, AHFA then compiled a blueprint document for creating affordable housing across the State.

Beginning in 1995, HUD abandoned the CHAS and created the Consolidated Plan process in an effort to blend its four Community Planning and Development (CPD) programs - Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) - into a single submission process. AHFA, as administrator of the HOME Program, was deemed responsible for writing the housing portion of the new document. The State Consolidated Plan provided a detailed overview of how the State planned to utilize its annual Community Planning and Development funding to meet economic development objectives, provide affordable housing, and address other Special Needs. As a contributor, AHFA offered a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

The early State Consolidated Plan submissions relied on figures from the 2000 U.S. Census. Once the 2010 U.S. Census became available, the State relied upon the newer figures. While Alabama, like all states, has experienced fluctuations in population, income, and other critical Census-tracked data between 1990 and 2000 and between 2000 and 2010, one realization has not been altered – many in our State are still poor (our state’s 17% poverty rate ranks 47th among the 50 states), and thousands of Alabama families and households need a decent, safe and affordable place to live. A great many unmet needs still exist, and AHFA will use the limited resources available to address as many unmet needs as feasible across the State.

The State Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies housing needs for groups with Special Needs.

A demographic analysis performed for the first State Consolidated Plan (and still true today) concluded “that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the State’s most populous urban and metropolitan counties, but the greatest concentration of need is observed in the rural counties located in the southern portion of the State, the Black Belt in particular.”

A component of the State Consolidated Plan, the Analysis of Impediments to Fair Housing Choice, was updated in 2014 and submitted for HUD’s review and approval with the Consolidated Plan in 2015. Currently, ADECA is requesting proposals for conducting the State of Alabama’s PY 2020-2024 Analysis of Impediments to Fair Housing Choice, which will be prepared pursuant to HUD’s guidelines and will be included with the PY 2020-2024 Five Year Consolidated Plan for CDBG, ESG, HOME, HOPWA, and the HTF programs.

The purpose of developing the Analysis of Impediments to Fair Housing Choice is to identify impediments to fair housing choice existing within Alabama’s non-entitlement communities so as to determine courses of action designed to address those impediments. The Analysis of Impediments to Fair Housing Choice identified 10 primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for 8 of the identified impediments. To that end, AHFA will encourage and offer Fair Housing training in efforts to measurably overcome the identified impediments. Alabama’s Consolidated Plan and the Analysis of Impediments to Fair Housing are available at www.adeca.alabama.gov.

Additionally, the State’s Consolidated Plan continues to be updated with historical AHFA data, including a list of HOME and Housing Credit projects Placed in Service and/or committed by AHFA since those programs began. The new Census data did not dramatically alter the State’s affordable housing priorities. While State HOME Funds provide hundreds of traditional affordable housing units across Alabama each year, the primary beneficiaries have been families and the elderly. Meeting those needs is consistent with the Consolidated Plan findings, and the need for additional family units and elderly units remains strong.

Annually, subject to the availability of Housing Credits, AHFA will provide a draft of the QAP for public comment. AHFA will begin the annual process by providing public notice that the draft QAP is available for review at www.ahfa.com. This public notice will be published in major statewide newspapers, will be posted online at www.ahfa.com, and will be delivered by email to all who have registered with AHFA to receive its email

notifications. AHFA will also provide a public notice, which notice may be included in the initial notice or circulated separately by all the same means, of the date and time of a public hearing at which AHFA will present a brief description of the draft QAP and accept comments from the public, both orally and in writing. AHFA will provide a number of copies of the draft QAP for those in attendance. For a period of 30 days following the public hearing, AHFA will continue to accept written comments from all interested parties regarding the draft QAP. After providing the public notices, conducting the public hearing, completing the 30-day public comment period, and giving due consideration to all comments received, AHFA will publish a final version of the QAP at www.ahfa.com that will be accompanied by a summary of all public comments received and AHFA's responses. To finalize the QAP for each year, AHFA must present the final QAP for approval by the applicable state and federal authorities.

B. Establishment of Housing Priorities

This QAP seeks to ensure that, where economically feasible, every county in Alabama, regardless of population size and other factors, will have an opportunity to compete for funding to address its unmet housing needs, with the understanding that respective county stakeholders should proactively engage to a) provide additional funding sources and incentives as available, b) help to remove regulatory and discriminatory barriers, and c) seek experienced Housing Credit and HOME development partners to assist in creating affordable housing solutions for their respective communities. AHFA has established certain housing priorities that affect the distribution of Housing Credits. In the current application cycle, AHFA seeks to promote the following housing priorities (not in order of preference):

- Projects that add to or significantly upgrade the existing affordable housing stock
- Projects that, without Housing Credits, would not likely set aside units for lower income tenants, inclusive of tenants with disabilities and/or those who are homeless
- Projects that use additional assistance through federal, state, or local subsidies
- Projects that promote healthy living and tenant quality of life by providing tenant services such as blood pressure screening, CPR and first aid training, promoting nutrition and healthy eating, budget counseling and various other quality of life services
- Balanced distribution of the Housing Credits throughout the State in terms of geographical regions, counties, urban, and rural areas

C. Application Criteria

All determinations, calculations, judgments, assessments or other decisions made by AHFA under this QAP, including without limitation its Addenda and related Application Instructions and forms, shall be made in AHFA's sole and absolute discretion.

In accordance with Section 42(m)(1)(A)(ii) of the Internal Revenue Code, AHFA is required to notify the chief executive officer (or equivalent) of the local jurisdiction within which an applicant has submitted an application request for funding under the Housing Credit program. AHFA is required to provide such officer a reasonable opportunity to comment on the proposed project. Providing notice of the opportunity to comment satisfies AHFA's legal obligations. Comments received are informational only and are subject to AHFA's Open Records Policy.

While a lack of expressed support does not mean that the project is necessarily opposed by the chief executive officer (or equivalent), AHFA recognizes that obtaining community support may mitigate the negative connotations that sometimes accompany an affordable housing project. Accordingly, applicants should make reasonable efforts to assess and solicit the support from all applicable parties and verify that the proposed project meet's local zoning requirements before submitting an application to AHFA.

AHFA is required to evaluate each application to determine which projects should receive Housing Credits. To facilitate the evaluation process, all applicants must complete the following basic steps:

1) Submit a complete application to AHFA during the current Competitive Application Cycle(s), as designated by AHFA, or submit a complete Non-Competitive Application. All or any portion of the application may be required to be submitted online. After application submittal, AHFA will conduct a completeness review. The application will be deemed complete if the Application Package contains, at a minimum, the following:

- All required AHFA-provided forms for current year application. The application forms will be posted at www.AHFA.com prior to the beginning of the application cycle. AHFA will post these forms as they become available, and applicants should check www.AHFA.com regularly in order to begin work on the required forms as soon as possible. All AHFA-provided forms should be completed pursuant to instructions, legible and with all applicable spaces fully completed.
- All required third-party documents in form and content acceptable to AHFA. Refer to the application checklist and the current Application Package and Application Instructions for the complete list of required documents as provided at www.AHFA.com.
- All required AHFA-provided and third-party forms and documentation must be in numerical order behind blue index pages. The Application Package should be provided in a format per AHFA written instructions.

After the completeness review, if an applicant has failed to submit and/or complete the items described in this Section I.C.(1) (inclusive of items requiring clarifications), AHFA will contact the applicant via email regarding any missing and/or incomplete items.

If an applicant during a Competitive Application Cycle receives an email from AHFA identifying missing and/or incomplete items or documents, the applicant must submit all missing and/or incomplete items or documents in form satisfactory to AHFA (along with the required fee for each such item or document as specified in Section I.D.(2)) within 7 business days after receipt of the email from AHFA. If the applicant fails to submit the missing and/or incomplete items when required or fails to pay the required fees or if the applicant's fee payment is rejected for insufficient funds, the application will be terminated and will receive no further consideration.

If an applicant that has submitted a Non-Competitive Application receives an email from AHFA identifying missing and/or incomplete items or documents, the applicant must submit all missing and/or incomplete items or documents in form satisfactory to AHFA (along with the required fee for each such item or document

as specified in Section I.D.(2)) within 30 business days after receiving the email from AHFA.

If AHFA determines during the completeness check that any application has an aggregate total of 8 or more missing and/or incomplete items, the application will be terminated automatically by AHFA, and AHFA will notify the applicant by email of this termination.

AHFA shall deliver notices of missing and/or incomplete items to each applicant at the primary and secondary email addresses provided by the applicant in its application, and all deadlines for response shall be calculated from the date such email notice is sent. Each applicant is solely responsible for providing correct and valid email addresses (primary and secondary) in its application, for ensuring that both email addresses remain active on an ongoing basis, and for monitoring both email addresses for notices from AHFA.

AHFA performs the completeness check solely in order to determine whether any materials required under this Section I.C.(1) or under the threshold items described in Section II.C are missing and/or incomplete. The completeness check does not include a review of any point scoring items, any material environmental items (except to the limited extent described in Addendum B) or any other item not specifically described in this paragraph.

- 2) Provide evidence that the project is a Qualified Affordable Housing Project for multifamily rental housing that meets the basic occupancy and rent restrictions required by Section 42.

When Housing Credits are combined with HOME Funds, the project must meet the occupancy and rent restrictions required for both in Section 42 and the HOME regulations and adhere to the regulations that are more restrictive.

Multifamily rental housing projects must be on a single site or contiguous sites. Sites may be considered contiguous if separated only by one neighborhood street.

Under this QAP, the following projects do not qualify for Housing Credits:

- Mobile home developments
- Intermediate care facilities
- Group homes
- Congregate care facilities

In addition, any multifamily rental housing unit that is part of a hospital, nursing home, sanitarium, life care facility, or intermediate care facility for the mentally and/or physically handicapped that is not for use by the general public is not eligible for Housing Credits under Section 42.

A prior-funded Housing Credit-only AHFA project must have completed, on or before the date of application submittal, the entire 15-Year Compliance Period in order to be eligible to submit a current year application for Housing Credits.

A prior-funded Housing Credit combined with AHFA HOME funds Project must have completed, by the date of application submittal, the entire 20-Year Affordability Period and closed a 15-year extension of the project's original

HOME Loan (or have re-paid in full the outstanding principal amount of the HOME Loan, including all accrued interest) to be eligible to submit a current year application for Housing Credits.

Applications for proposed projects applying for Housing Credits must contain a minimum of 12 units. Applications for proposed projects applying for Housing Credits combined with HOME Funds must contain a minimum of 12 units up to a maximum of 56 units. Applications for Multifamily Housing Revenue Bonds must contain a minimum of 12 units.

All residential rental units must be under common ownership, deed (or long-term lease), financing and property management.

Applicants cannot submit an application for more than one phase of the same proposed project in the same application cycle.

- 3) Provide evidence acceptable to AHFA that the proposed project meets the current AHFA Market Study Certification requirements and related Application Instructions. The market study must be conducted by an independent third-party market analyst that has conducted a market study for a prior application submitted to AHFA for Housing Credits, HOME Funds, or Multifamily Housing Revenue Bonds or has received prior written approval from AHFA to submit a market study for the current application cycle. A current list of market analysts who have conducted market studies for prior applications is available at www.AHFA.com. The market study must also meet AHFA's market feasibility and analysis requirements, which include, at minimum, the following criteria:

- (i) The project's market area must be clearly defined and supported;
- (ii) The supply analysis of comparable subsidized or non-subsidized developments must include, but not be limited to, vacancies, amenities and rental rates;
- (iii) The demand analysis must convincingly demonstrate a need for the proposed type of housing;
- (iv) The market feasibility of the proposed rent structure must demonstrate that there is a rent advantage over non-subsidized housing in the defined market area;
- (v) The analysis of the relationship between supply and demand must demonstrate an acceptable absorption rate; and
- (vi) The summary of important facts and conclusions as provided in the market study must include a statement from the market analyst clearly stating, in the analyst's professional opinion, whether the project as proposed will be successful

The market study must demonstrate an adequate market for the proposed units and that the proposed project would not adversely impact any existing AHFA projects or create excessive concentration of multifamily units.

AHFA will review the market study submitted, in-house documentation collected by AHFA from onsite compliance audits, market information submitted by Rural Development, audited financial statements, and applicant-submitted project budgets in order to determine if there is an adequate need for the proposed project.

AHFA will terminate an application based on any one of the following market criteria:

- (i) The proposed project's capture rate is above 35%
 - (ii) All Active AHFA Projects in the defined market area must have an overall average stabilized vacancy rate of 15% or above.
 - (iii) A determination by AHFA that the proposed project's market will not support the proposed project and/or the proposed project will have a clear long-term negative impact on an existing AHFA-funded development(s) in the same market.
 - (iv) The market study contains Misleading Information.
- 4) Demonstrate that the project is financially feasible. The project must meet certain financial feasibility requirements as defined in Section II.E.(1)(iii) of this QAP.
 - 5) Demonstrate adequate infrastructure capacity evidenced by the proposed project's utility documentation provided in the Application.
 - 6) Demonstrate the likelihood of sustained 30-year compliance with Section 42 based on the following criteria: (a) the market study demonstrates a need for the project as proposed, (b) the application demonstrates that the project is financially feasible as defined in Section II.E.(1)(iii) at the time of application and (c) the Ownership Entity and Management Company demonstrate their respective financial capacity and experience consistent with Section 42 requirements related to development and compliance guidelines.

D. Fees

The following fees, as applicable, must be paid with a business check or certified funds and made payable to Alabama Housing Finance Authority. Cash or personal checks will not be accepted:

- 1) Application Fees:
 - (i) A *non-refundable fee* must accompany the Application Package at the time of application submission.
 - a) For applicants with up to eight Responsible Owners applying in a single application:
 - A. \$10,000 if (x) each Responsible Owner has **fewer than 3** Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA and (y) any Responsible Owner has one or more multi-family rental projects financed from non-AHFA sources.
 - B. \$7,500 if each Responsible Owner has **3 or more** Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA, regardless of whether any Responsible Owner has other multi-family rental projects financed from non-AHFA sources.
 - C. \$7,500 if (x) each Responsible Owner has **fewer than 3** Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA and (y) no

Responsible Owner has any multi-family rental projects financed from non-AHFA sources.

- (ii) \$2,000 for all AHFA-Approved CHDO applicants applying for HOME Funds regardless of the number of Placed in Service projects allocated by AHFA.
- (iii) Multifamily Housing Revenue Bond Application a \$7,500 *non-refundable fee* must accompany the Application Package submitted for consideration for a Declaration of Official Intent.
- (iv) An additional application fee will be due at the time of application submission for application(s) that have Ownership Entities exceeding 8 Responsible Owners. The amount of the fee will be \$1,000 per each Responsible Owner (individual/entity) exceeding 8. This fee does not apply to the Investor Owner.

All application fees are non-refundable. If an application fee is returned due to insufficient funds, the application will terminate.

In addition to the non-refundable application fee(s), AHFA may require the applicant to provide additional funds in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates having to pay or to reimburse AHFA for any third-party costs incurred during the application review and analysis process. Third-party fees include without limitation, legal fees, architect and engineers' fees, consultant (construction, environmental or otherwise) fees, and any other third-party report (construction, environmental or otherwise) fees related to the review of any third-party report(s) submitted by the applicant. These amounts must be paid by applicant within 5 business days of the invoice date.

Any unused portion of the additional funds collected will be returned to applicant without interest once all third-party invoices have been submitted and refund amount is determined.

- 2) Missing and/or Incomplete Items (Excludes Threshold Requirements and Material Environmental Findings): Applicants are required to submit their final and complete Application Packages by the submission deadline. If an applicant receives an email from AHFA regarding missing and/or incomplete items identified during AHFA's completeness check under Section I(C)(1), and the applicant elects to submit, complete or clarify these items within the time required by Section I(C)(1), the applicant's delivery of the missing and/or incomplete items or clarifying information must be accompanied by payment in full of a fee calculated based on the following schedule:

Missing and/or Incomplete Documents	Required Fee	Missing Item Occurrence
Missing and/ or incomplete application document(s)	\$2,000 per document	1 occurrence per document
Incomplete third-party report ¹	\$2,000 per report	1 occurrence per document

¹ Applicant can supply missing and/or incomplete items with respect to environmental reports only to the extent permitted by Addendum B, and this table applies only to such items.

Requests for additional information or clarification of third-party report(s) ¹	\$2,000 for 5 or more per report	1 occurrence for 5 or more clarifications (or requests for additional information) per report
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If the applicant fails to pay the full amount of the required fee upon delivery of these items or information or if the applicant’s fee payment is rejected for insufficient funds, the application will be terminated and will receive no further consideration.

Any application with an aggregate total of 8 or more missing item occurrences will result in the automatic termination of the application by AHFA and the applicant will be notified by AHFA via email.

An applicant may pay the above-referenced fee(s) in order to cure missing and/or incomplete items only to the extent that they are identified by AHFA in connection with the completeness check under Section I.C.(1). If an application has missing and/or incomplete items that are not included in the items reviewed by AHFA during the completeness check, the missing and/or incomplete items cannot be cured after the application is submitted and will have an adverse impact on the application, including without limitation a loss of points under the Point Scoring System or termination of the application without opportunity to cure.

A complete list of AHFA’s fees (from notification of approval of allocations through the Extended Use Period) is located at www.AHFA.com.

E. Amendments

AHFA is entitled to amend this QAP as required by the promulgation or amendment of Section 42, HOME Rules and Regulations, or both, from time to time or to implement new features or provisions of Section 42, the HOME Rules or their applicable regulations. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

F. Defined Terms

Capitalized terms used in this QAP and not otherwise defined herein shall have the meanings assigned in the AHFA Defined Terms – Multifamily Funding Programs available at www.AHFA.com or as regulations or other context require. Singular terms include the plural as well as the singular, and vice versa. Certain defined terms used in this QAP are located at www.AHFA.com. Such defined terms may be amended at any time with public notice.

G. Website Links

ALL WEBSITE LINKS IN THIS QAP ARE PROVIDED SOLELY FOR CONVENIENCE. IT IS THE RESPONSIBILITY OF THE APPLICANT OR ITS ENVIRONMENTAL PROFESSIONAL (EP) TO VERIFY THAT THE CORRECT WEBSITE HAS BEEN ACCESSED AND THAT THE CURRENT VERSION OF ALL APPLICABLE INFORMATION HAS BEEN IDENTIFIED, REVIEWED AND COMPLIED WITH.

H. Notices and Communications

From the date of application submission through the end of the Extended Use Period, AHFA will deliver all notices or other communications under the Housing Credit program to the owner contact or contact email, as applicable, designated in the Application Instructions. All notices or communications sent to the contact information designated in the Applicant Instructions will be considered validly delivered for all purposes of the Housing Credit program, including without limitation the calculation of applicable deadlines. Each applicant or recipient is solely responsible for designating correct contact information in the Application Instructions and for updating that designation as needed. In no event will AHFA be deemed to receive constructive notice of a change in contact information by any means or communication outside of the Application Instructions as updated in accordance with this paragraph. For the avoidance of doubt, this paragraph governs all notices and communications under the Housing Credit program to all applicants or recipients of Housing Credits, regardless of the specific term used to describe them in a particular Housing Credit program document, which may include applicant, owner, project owner, Ownership Entity or any term or phrase of equivalent meaning.

I. Definitive Requirements

The version of this QAP that is approved by the AHFA Board of Directors, approved by the Governor of the State of Alabama and posted on www.ahfa.com as the qualified allocation plan for a particular application cycle, together with all related materials posted on www.ahfa.com, shall contain the final and definitive requirements for the Housing Credit program for that application cycle. Information from prior application cycles, including comments at public hearings and feedback on applications, is not applicable to subsequent application cycles. It is the responsibility of the applicant or its EP to identify and review the final, definitive requirements for each application cycle in order to ensure that they have been reviewed and complied with. This QAP is in effect until repealed or replaced.

II. ALLOCATION PROCESS

A. Application Cycle

The dates of the application cycle (or cycles, if more than one) will be determined by AHFA on an annual basis. All individuals who have requested to be on the email distribution list as described in Section II.B. will receive notification of the cycle via Constant Contacts. Notice of the cycle will also appear at www.AHFA.com and in no less than 4 newspapers throughout Alabama. Prospective applicants are encouraged to visit the website regularly for updates in addition to the email notification process.

To apply for Housing Credits, an applicant must complete the applicable AHFA multifamily funding application, which is available online at www.AHFA.com.

All correspondence and inquiries regarding the application are to be directed to the following:

Alabama Housing Finance Authority
Attn: Multifamily Division
P. O. Box 242967
Montgomery, Alabama 36124-2967
www.AHFA.com
ahfa.mf.application@ahfa.com

Phone Number: (334) 244-9200
Fax Number: (334) 279-6957

Applications received during a Competitive Application Cycle will be evaluated on a competitive basis.

AHFA may allocate Housing Credits without the use of a Competitive Application Cycle or the Point Scoring System to:

- Any project(s) financed using Multifamily Housing Revenue Bonds as a single or pooled transaction.
- Any project Placed in Service that has already received a Housing Credit allocation, has an Actual Cost Certification as described herein that indicates the need for an additional allocation, and has been approved for additional Housing Credits by AHFA.
- Any project eligible for Housing Credits pursuant to any waiver, exception, program or other special action by the Internal Revenue Service.
- Any project that must be funded to meet the nonprofit set aside requirement as specified in Section 42(h)(5) of Internal Revenue Code or the CHDO set aside as specified in the Final HOME Rule.

However, Ownership Entities for the projects listed above may be required to submit a complete Application Package and be subject to AHFA's threshold items, underwriting and cost requirements, in order to be considered for a Housing Credit allocation or additional allocation.

B. Email Distribution List

AHFA maintains an email distribution list for those interested in receiving notifications of application cycles and other AHFA Multifamily program activities. Visit www.AHFA.com to be added to the email list or you may submit a written request to the address specified in Section II.A. Changes or updates to contact information are the responsibility of each applicant or interested party who wishes to remain (or be placed) on AHFA's email distribution list.

C. Application Threshold Requirements

Although it is recognized that each application is different, certain standard requirements must be met by all applicants before the application can be considered for full evaluation. Upon application submittal, if AHFA determines that any threshold requirement is missing or fails to materially adhere to AHFA defined standards during the completeness review, the application will be terminated. A list of all threshold requirements and explanations is provided below:

- 1) Fee(s). If any fee(s) described in Section I.D. is not paid in full when due or is returned due to insufficient funds, the application will terminate.
- 2) Complete Application. The applicant must submit to AHFA a complete application as defined in Section I.C.(1) of this QAP. An application with 8 or more missing and/or incomplete documents will be terminated.
- 3) Existing Project Inspection. Applications with one or more Responsible Owners applying on a single application where each Responsible Owner has **fewer than 3** Placed in Service projects funded with Housing Credits and/or HOME Funds allocated by AHFA, AHFA will perform an on-site inspection. The applicant must provide, at the time of the application submission, a complete AHFA Schedule of

Real Estate Owned for each Responsible Owner.

Each such Responsible Owner must consent to an on-site inspection by AHFA (or by AHFA's designated consultant) of any of such Responsible Owner's existing projects, including physical inspections of buildings and units as deemed necessary by AHFA (or the AHFA designated consultant). AHFA will select 1 Non-AHFA Project for inspection based on the AHFA Schedule of Real Estate Owned submitted by the applicant. For applicants with Non-AHFA Projects in the State and/or out-of-State, the project selected for inspection may be in Alabama or in another state. All applicant Ownership Entities will be subject to the same AHFA requirements defined in attached Addendum D during the current application cycle.

For applicants with one or more Responsible Owners applying on a single application where each Responsible Owner has 3 **or more** Placed in Service projects funded with Housing Credits and/or HOME Funds allocated by AHFA, AHFA may schedule an on-site inspection if AHFA has not performed an on-site inspection in the current year. However, if AHFA determines there are sufficient and satisfactory on-site inspections for each Responsible Owner's current projects that were performed within 3 years prior to the date of Responsible Owner's application in the current application cycle and show that such projects were in compliance with AHFA requirements defined in attached Addendum D, AHFA reserves the right to waive the on-site inspection for any Responsible Owner listed in an application.

- 4) **Site Control.** If the applicant does not already own the property for which funds are requested at the time of application, the applicant must have Site Control. If the applicant is applying for Housing Credits only, Site Control may be evidenced by a sales contract, purchase option, or long-term leasehold. Because of regulations that impact the varying lengths of the approval process for each property and the significant risks to the applicant for failing to do so, AHFA requires, at or before application submittal: (i) that the applicant secure, at a minimum, (a) a sales contract with a closing date 6 months from the date of application submittal, with an option to extend the closing date an additional 6 months; (b) a 6 month purchase option with an option to renew for an additional 6 months; or (c) a long-term lease with a duration of at least thirty-five (35) years, and the selected form of agreement must comply with applicable Application Instructions; and (ii) if the proposed site is subject to any restrictions that allow any other person or entity, such as a homeowner's association or neighborhood design review board, to approve any aspect of the proposed Project (excluding construction-related approvals from local government that become necessary only if AHFA awards funding to the proposed project, e.g. building permit, traffic engineering approval, storm water drainage permit, architectural endorsement...), that the applicant disclose any such restrictions in its sales contract, purchase option or long-term lease and deliver evidence satisfactory to AHFA that all such approvals have been obtained. **If the applicant is applying for HOME funds in conjunction with Housing Credits, Site Control must be evidenced by a purchase option (not a sales contract or long-term lease), and the option must comply with the Site Control requirements set forth in the 2021 HOME Action Plan.**
- 5) **Evidence of Zoning based on Intended Use (Proper Zoning).** The applicant must provide evidence that the property owned (or to be owned) is properly zoned and consistent with the proposed project's use. AHFA does not consider the property zoned if final Zoning (but not including plans and specifications for issuance of

building permits) is contingent upon further city meetings, approvals and/or advertisement. Evidence must be in the form of a signed statement from the local jurisdiction where the property is located.

- 6) Market Study. The applicant must provide a market study at the time of the application submission (except for Multifamily Housing Revenue Bonds, which will require a market study prior to execution of the commitment). All market studies must be less than 6 months old. If the market study does not meet AHFA requirements at the time of application, the application will terminate as described in Section I.C.(3).
- 7) Environmental Site Assessment. The applicant must provide an Environmental Site Assessment at the time of application submission (except for Multifamily Housing Revenue Bonds, which will require an Environmental Site Assessment prior to execution of the commitment). The Environmental Site Assessment must meet at a minimum AHFA's Environmental Policy Requirements (Addendum B) for the Housing Credit and HOME Program requirements. If the Environmental Site Assessment does not meet AHFA's requirements with respect to material completeness at the time of application, the application will be terminated.
- 8) The Certification of Consistency with Consolidated Plan (Certification of Consistency). The Certification of Consistency should be submitted for Housing Credit applications that have a commitment for local HOME Funds from a Participating Jurisdiction. The Certification of Consistency should not be submitted for applicants applying for HOME Funds (except for an AHFA-Approved CHDO applying in a Participating Jurisdiction) or Housing Credits only. If the proposed project is in an area that is covered by a local Consolidated Plan, the applicant must have the Certification of Consistency completed by an authorized official of the Participating Jurisdiction. If the area is not covered by a local Consolidated Plan, the project will be governed by the State of Alabama's Consolidated Plan, and this Certification of Consistency is not required. In the event that the Certification of Consistency is signed by someone other than the designated person(s) listed at 2021 Consolidated Plan Coordinators found at www.AHFA.com, it is the responsibility of the Applicant to provide AHFA with evidence at the time of application that the signer is duly authorized to execute this Certification of Consistency.
- 9) Design Quality Standards and Construction Manual. All projects are required to meet AHFA's Design Quality Standards and Construction Manual for construction and rehabilitation of rental units (Addendum C). These are minimum standards and AHFA permits applicants to exceed these project standards. Any deviations from these standards must have the prior written approval of AHFA prior to submitting an Application Package for funding. A request for approval of a deviation, with all supporting documentation, must be submitted to AHFA at least thirty (30) days before the related application is submitted to AHFA.
- 10) Architect's Certification of Project Progress. For each Project (New Construction or Rehabilitation) that received a Reservation Letter or Binding Commitment-Future-Year's Credit Authority for Housing Credits and/or HOME Written Agreement in 2017 (or any prior year) that has not closed an AHFA HOME loan, submitted an Actual Cost Certification to AHFA, or been issued an 8609 by AHFA, the Project architect must certify as follows:
 - (i) New Construction: The Project's architect must certify that all building

foundation slabs, or crawl spaces, are in place.

- (ii) Rehabilitation: The Project's architect must certify that 90% of the units are Habitable or ready for immediate occupancy.

- 11) Minimum Rehabilitation Cost per Unit. The minimum rehabilitation threshold is (a) \$20,000 of hard construction cost per qualified Housing Credit unit for projects not previously funded by AHFA or (b) \$12,500 of hard construction cost per qualified Housing Credit unit for projects allocated previously by AHFA. The hard construction cost must be certified by a Capital Needs Assessment, which must be provided at the time of application submission for all applications for rehabilitation of an existing building(s). AHFA requirements for Capital Needs Assessments are located at www.AHFA.com. AHFA reserves the right to engage a third-party construction consultant at the applicant's expense to verify the proposed scope of work and related cost(s) as outlined by the proposed project's Capital Needs Assessment.
- 12) Flood Certification. The applicant must provide a Certified Boundary Survey including the flood certification indicating the map and panel number of the Flood Insurance Rate Map and the Flood Zone designation in form and in content as specified by AHFA.

Applicants applying only for Housing Credits. The Certified Boundary Survey and flood certification must indicate that no buildings (residential or any other use) on the site are located within the 100-year flood plain. Other portions of the site may be located in a flood plain but not in an area designated as a wetland (or stream, lake, or other water body), including any portions not considered part of the site but necessary for ingress and egress to the site. AHFA will allow the acquisition/rehabilitation of an existing building already located in a flood plain if acceptable evidence of flood insurance is provided at the time of application.

Applicants applying for Housing Credits combined with HOME Funds. The Certified Boundary Survey and Certification must indicate that no portion of the site (including areas necessary for ingress or egress) is located within the 100-year flood plain.

- 13) Site Location. AHFA will not consider any application (for a new construction Project or rehabilitation Project that is less than 50% Occupied) if the proposed Project is located within a radius of 2 miles (2-Mile Radius Requirement), as hereinafter defined, of any other Project approved by AHFA for funding in a prior year's cycle that has not been Placed in Service and/or is not 90% or more Occupied at the time of application for all Active AHFA Projects, excluding HOME only and/or HTF only funded AHFA Projects.

The radius must be determined by using a starting point at the centroid (geometric center) of the proposed Project's site and measured using Geographic Information System (GIS) maps. The 2-Mile Radius Requirement for each proposed Project must be clearly defined and depicted in the Market Study.

The following are exceptions to the 2-Mile Radius Requirement:

- (i) Applications for the rehabilitation of existing multifamily residential rental housing which is at least 50% or more Occupied at the time of application submittal.

- (ii) Applications that contain financing through HUD's Choice Neighborhoods, HUD Replacement Housing Factor Funds, Capital Fund Program funds or Promise Neighborhoods.
- (iii) Applications for the rehabilitation of an existing building(s) listed on the National Register of Historical Places.
- (iv) Applications to issue Multifamily Housing Revenue Bonds to finance the substantial replacement of previously existing multifamily housing that has been or will be demolished and removed within the past 5 years.
- (v) Applications to issue Multifamily Housing Revenue Bonds to acquire and rehabilitate a pool of three or more existing multifamily housing projects.

Upon request, AHFA will provide reasonable assistance in determining the occupancy of applicable Projects solely for purposes of applying the 2-Mile Radius Requirement. All information provided to applicants by AHFA may be based upon third-party information provided to AHFA.

AHFA determination of occupancy is final and binding on all applicants. AHFA is not responsible for errors or omissions in occupancy reported.

Note: If a Project has been allocated AHFA funds but has returned the Housing Credits before the start of the current application cycle, that Project will not be considered in determining the 2-Mile Radius Requirement.

- 14) Extended Use Period. All Projects must commit in writing to extend the Extended Use Period an additional 5 years for a total Extended Use Period of 35 years. Accordingly, projects will not be allowed to apply for a Qualified Contract until after the 19th year of the Extended Use Period, which is 4 years after the 15-year compliance period.
- 15) Owner-Provided Tenant Services. The owner must provide at least 3 of the AHFA-approved tenant services throughout the Extended Use Period. A list of AHFA-approved tenant services is available at www.ahfa.com.
- 16) Multifamily Housing Revenue Bonds. Any applicant applying for Housing Credits for a Project financed through the AHFA Multifamily Housing Revenue Bond program will be exempt from the extended low-income use requirement and the Point Scoring Process. However, the application must meet all of the QAP threshold requirements.

The Market Study and Environmental Assessment reports must be submitted within the time required by the AHFA Multifamily Housing Revenue Bond Policy requirements for application submission.

For rehabilitation of Projects previously funded by AHFA, AHFA will require a minimum rehabilitation expenditure of \$12,500 of hard construction costs per qualified Housing Credit unit. In no event may the minimum rehabilitation expenditure be less than the greater of (a) the amount required by Section 42 of the Internal Revenue Code or other applicable law, and (b) \$12,500 per qualified low-income unit. AHFA underwriting and cost requirements outlined in Section II.E.(1) of this QAP will also apply.

For rehabilitation of Projects not previously funded by AHFA, AHFA will require a minimum rehabilitation expenditure of \$20,000 of hard construction costs per qualified Housing Credit unit and will require that all such expenditures be

supported by a Capital Needs Assessment satisfactory to AHFA. AHFA requirements for Capital Needs Assessment are located at www.AHFA.com.

For any applicant having a single (first time AHFA funded) Project which received a Reservation Letter for Housing Credits and/or a HOME Written Agreement or other AHFA Program Funding in a current or prior application cycle, that Project must be (i) complete (construction/rehabilitation is 100% complete per the Quarterly Status Report effective as of the date of application), and (ii) have reached 90% occupancy at the time of application. Projects funded with HUD Replacement Housing Factor Funds and Capital Fund Program funds are exempt from this requirement.

Once AHFA has executed and delivered a written Declaration of Official Intent as specified in the Multifamily Housing Revenue Bond policy, AHFA will engage a third-party construction consultant to review and assess all rehabilitation applications. Applicants for Multifamily Housing Revenue Bond must pay the third-party fee required by Section I.D.(iii) at the time of the application. The third-party construction consultant will perform an on-site inspection of the proposed Project to determine the accuracy of the scope of work and related costs detailed in the Capital Needs Assessment submitted with the application. If any material findings and/or discrepancies documented by AHFA's consultant are not resolved to AHFA's satisfaction, the application will be terminated.

D. Negative Actions

Should any of the following actions occur after the application has been submitted and prior to approval by AHFA, consideration of the application will terminate unless otherwise provided below:

- 1) Site change or alteration of any kind or change of property ownership
- 2) Change in ownership of the Ownership Entity (e.g., addition of a new general partner/member or removal of an existing general partner/member)
- 3) Change in syndication structure, including without limitation a change in the role of the syndicator or in the distribution of allocated funds to others through syndication as stated in the application without prior written consent of AHFA
- 4) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or codes)
- 5) Change in the general contractor
- 6) Change in the Management Company
- 7) Change in the architect
- 8) If AHFA receives a determination from a federal, state or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's Non-AHFA Projects, AHFA may terminate the application
- 9) Any Development Team Member (listed in the application) who has instances of excessive, flagrant or uncorrected non-compliance within the timeframe provided by AHFA, Housing Credit, HOME, TCAP/Exchange, National Housing Trust Fund or Multifamily Housing Revenue Bond regulations on existing projects

- 10) Any Development Team Member listed in the application is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits
- 11) Applicant has a project that goes into foreclosure or has been foreclosed within the last 10 years
- 12) Any material adverse change relating to the Project or Responsible Owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate an application
- 13) Applicant (including all Development Team Members listed in the application) has any outstanding fee(s) due to AHFA on other projects; and/or
- 14) If AHFA determines that the applicant failed to materially adhere to AHFA's defined environmental standards as set forth in Addendum B, including without limitation, the failure by the applicant to identify any unsatisfactory environmental condition that the applicant (or any Responsible Owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions is not all-inclusive. The Application Package itself will list other necessary requirements via forms, related instructions and other items. AHFA will terminate consideration of an application if it determines that the application contains Misleading Information.

E. Application Evaluation

Section 42 requires AHFA to determine that the Housing Credit dollar amount allocated to a Project shall not exceed the amount necessary for the financial feasibility of the Project and its viability as a Qualified Affordable Housing Project throughout the Credit Period.

AHFA will make this determination 3 times: (a) at the time of application (b) upon review of the 10% Test and (c) at Actual Cost Certification.

AHFA follows a competitive process by which all applicants are objectively scored according to criteria specified in the QAP. AHFA strictly adheres to the policy and procedures of the QAP. Efforts to influence the outcome of the application process through lobbying efforts either directly (by the applicant) or indirectly (via the efforts of third parties on the applicant's behalf), will be futile, considered as a violation of the QAP and may result in the termination of the application. In addition, the applicant could be subject to civil or criminal liability. Each application must stand on its own merits.

- 1) Process of Evaluation. Provided each applicant has met the threshold requirements in Section II.C., each application will be subject to the following evaluation process:
 - (i) Completeness. The applicant must submit a complete application (see Section I.C.(1)) to AHFA.
 - (ii) Point Scoring. The application will be evaluated using the Point Scoring System included in Addendum A. The applicant will not receive points if the item(s) or document(s) required to qualify for points are missing and/or incomplete or fail to be submitted in the format as required per AHFA instructions.

- (iii) Determination of Financial Feasibility. The Project will be evaluated to determine its financial feasibility as hereinafter defined, including its financial viability as a qualified Housing Credit project throughout the Credit Period.

At minimum, AHFA will evaluate a proposed project's financial feasibility based on the following criteria:

- a) the extent to which the project's sources of funds equals the project's uses of funds
- b) the extent to which the proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service
- c) the reasonableness of total project costs, taking into account AHFA's hard and soft cost standards and AHFA's minimum Design Quality Standards and Construction Manual
- d) the proposed repayment terms (including interest rate, total debt and loan term) for all proposed debt (hard and soft) in connection with the proposed project

AHFA will determine the financial feasibility of the project based on an amount of Housing Credits equal to the lesser of the amount requested by applicant or the amount that is determined by AHFA. Because AHFA is permitted to allocate only the resources necessary to make a project financially feasible, AHFA cannot and should not be expected to fund the full amount requested by an applicant, especially in those cases where an applicant proposes to complete a higher than normal cost development which far exceeds AHFA minimum Design Quality Standards and Construction Manual. Therefore, AHFA will allocate Housing Credits based on the lesser of the amount requested by applicant or the Housing Credit amount that is determined by AHFA to be necessary to make a project financially feasible and will evaluate financial feasibility on this basis.

AHFA's determination of the appropriate amount of Housing Credits is not a representation or warranty as to the financial feasibility of any project and may not be relied upon as such by the applicant, Responsible Owner, developer, Investor Owner, lender or any other person. The amount of Equity contributed by Investor Owners to a project partnership shall not be less than the amount generally contributed by Investor Owners to similar projects based on current market conditions. In the event that the Ownership Entity receives less Equity proceeds than the amount which should be reasonably obtained based on prevailing market rates, AHFA will underwrite each project's projected Equity proceeds based on the prevailing market rate. Any equity deficits will become the responsibility of the Ownership Entity to contribute. In the event of a surplus in Equity, AHFA may reduce the amount of Housing Credits allocated to the Project at the time of Actual Cost Certification as described herein to avoid over subsidizing the Project.

Special purpose or high cost housing applications that exceed construction and soft costs of other applications received must be supported with other subsidy sources, especially in those cases where proposed costs significantly exceed those of other projects that meet AHFA's minimum

Design Quality Standards and Construction Manual. AHFA fully expects that any proposed application submitted will include sufficient other subsidy sources needed to leverage AHFA's limited Housing Credit and HOME Funds.

AHFA will require a minimum Debt Service Coverage ratio of 1.20:1 (1.05:1 for projects financed with Rural Development funds or with any non-AHFA HUD funds) for Housing Credit development debt financing that would foreseeably result in foreclosure if not repaid. AHFA will determine the allowable operating expense based on historic and current Housing Credit properties' financial statements.

AHFA will require the Project to establish and maintain throughout the Extended Use Period a minimum operating reserve. The operating reserve will be an amount equal to four months of the projected first year operating expenses (including replacement reserve payments) plus two months of debt service.

AHFA will require the Project to establish and maintain throughout the Extended Use Period a minimum replacement reserve account of (a) \$250 per unit annually for new construction projects for the elderly, and (b) \$300 per unit annually for all other projects. AHFA will consider the existing reserve balances for Rural Development projects that will remain in the project and controlled by Rural Development. AHFA will make the final determination of the amount of reserves accepted when the project submits an Actual Cost Certification.

Additional underwriting criteria and assumptions that are market-driven, such as interest rates, Housing Credit pricing, and project operating expenses will be available at www.AHFA.com prior to the application cycle.

Applicants seeking Housing Credits in a Competitive Application Cycle will be underwritten using the same criteria, regardless of project type or location unless project is located in a Qualified Census Tract or Difficult Development Area.

Projects being financed through AHFA's issuance of Multifamily Housing Revenue Bonds combined with Rural Development 515 funds and projects previously funded with HOME Funds or Rural Development 515 funds combined with Housing Credits will be underwritten for financial feasibility on a project-by-project basis.

(iv) Credit Worthiness. AHFA will perform credit examinations of the individual(s) and review trade reports for all businesses comprising the proposed development team involved in the development and operation of the Project. The application must contain sufficient documentation to obtain all applicable credit and trade reports. If these reports prove to be less than satisfactory, including but not limited to the finding of federal tax liens, bankruptcies, judgements, etc., the application will be terminated.

(v) Reasonableness of Project Costs.

a) Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed at the

determination of AHFA. Additional information and documentation (verified by AHFA and/or an AHFA third-party consultant) may be required to substantiate the reasonableness of the cost, including without limitation information regarding proposed costs which significantly exceed AHFA minimum Design Quality Standards and Construction Manual. Any allocation of Housing Credits, regardless of funding type or project type, will be determined using AHFA's assessment of cost and overall application feasibility.

- b) AHFA determines reasonableness of project costs by comparing aggregate cost data based on all applications received, historical cost certification, cost data of completed projects, and current cost data provided by AHFA third-party construction consultant reports. After evaluating all the data, reasonable standard project hard construction costs and soft costs are established for each application cycle.
 - c) AHFA reserves the right to request certification or verification in a form acceptable to AHFA of any line item cost at any time between the application cycle and Actual Cost Certification.
- 2) Carryover Allocation Agreement – Test. For purposes of the 10% Test, AHFA requires that a Carryover Certificate be provided to verify that each project has met the requirement that 10% of the reasonably expected basis has been expended in the manner required by the Carryover Allocation Agreement for Housing Credits. AHFA reserves the right to request certification or verification in form and content satisfactory to AHFA of any line item cost included in the expected basis to satisfy the 10% Test.
- 3) Actual Cost Certification. When the Project is Placed in Service, AHFA requires that the Actual Cost Certification be prepared by an independent Certified Public Accountant. AHFA will evaluate the financial feasibility and confirm the completion of construction or rehabilitation of the Project when the Ownership Entity submits the Project's Actual Cost Certification package for issuance of the IRS Form 8609 (available at www.AHFA.com). AHFA will review the Actual Cost Certification package and perform an on-site inspection prior to issuing the IRS Form 8609. AHFA reserves the right to engage a third-party professional for services (accounting, legal, environmental, architectural, construction and/or any other professional deemed necessary) to review the Actual Cost Certification package and/or perform an on-site property inspection prior to issuing the IRS Form 8609. AHFA will not issue the IRS Form 8609 until all issues regarding the Actual Cost Certification package are resolved to AHFA's satisfaction. The Ownership Entity will pay or reimburse AHFA for any third-party costs incurred during the Actual Cost Certification review and analysis process.

In addition, AHFA may require the applicant to provide advance or additional deposits, and to increase or replenish such deposits, in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates incurring under this paragraph. These amounts must be paid by applicant within 10 business days of the invoice date.

F. Developer and Builder Fees

- 1) Developer Fee (New Construction and Rehabilitation). The developer fee, which includes the developer's overhead and profit plus consultant fees and the Ownership Entity's profit, cannot exceed 15% of the total project costs (excluding the developer fee).
- 2) Developer Fee (Acquisition). The developer fee cannot exceed 15% of the total acquisition cost of the property. The developer fee on Rural Development projects will be capped at 8% of the total acquisition cost of the property.
- 3) Builder Fee. The builder fee, which includes builder profit and overhead, should not exceed 8% of the construction costs, excluding the fee. General requirements must be cost-certified and, as a general rule, should not exceed 6% of the total construction costs. Items included in general requirements will be consistent with HUD and USDA Rural Development regulations.

G. Housing Credit Allocations

All AHFA commitment(s) of Housing Credits to approved projects is contingent upon AHFA's receipt of a Housing Credit allocation from the Treasury Department and Internal Revenue Service and is subject to any change in applicable laws or regulations. Each approved commitment may be reduced or terminated if AHFA does not have available the expected amount of Housing Credits or if there is a change in applicable laws or regulations. AHFA shall have no liability whatsoever to any Ownership Entity if AHFA's allocation of Housing Credits to such Ownership Entity is impacted by a change in AHFA's QAP or in applicable laws or regulations.

AHFA reserves the right to issue commitments for future-year Housing Credit allocations on current year projects only. Any election by AHFA to future advance Housing Credits in any given year does not imply or guarantee that AHFA will future allocate Housing Credit in any subsequent year(s).

Any Housing Credit allocation allocated will be calculated first by using AHFA's determined Eligible Basis as defined in Section 42 of the Internal Revenue Code.

- 1) Four-Percent Credit. AHFA will calculate the Housing Credit allocation at a maximum of 4% of AHFA's determined Eligible Basis if the Project is financed with Multifamily Housing Revenue Bonds or constitutes a qualifying acquisition.

For projects not located in a Qualified Census Tract and/or Difficult Development Area, AHFA will underwrite all applications using a 4% Housing Credit rate. For projects located in a Qualified Census Tract and/or Difficult Development Area, AHFA will underwrite the applications using a 3-month average of the applicable credit percentage. If legislation is enacted that allows the Housing Credit rate(s) to be fixed rate(s), the applicable fixed rate(s) will be used.

- 2) Nine-Percent Credit. AHFA will calculate the Housing Credit allocation at a maximum of 9% of AHFA's determined Eligible Basis for any new building or substantial rehabilitation of an existing building.

Under Section 42(d)(5)(B)(v), AHFA may designate one or more buildings in a project to receive an increase in Eligible Basis in order for the building(s) to be financially feasible as part of a Qualified Affordable Housing Project and shall be treated as located in a Difficult Development Area. AHFA will consider

designating a building(s) in an application as being located in a Difficult Development Area and the designated buildings(s) may receive an increase in Eligible Basis if AHFA determines that the project requires an additional increase in Eligible Basis to be financially feasible and the project meets 1 of the following criteria:

- (i) The applicant is applying for HOME Funds, and AHFA is providing both the first and second mortgage loans; or
 - (ii) The proposed Project has closed a 15-year extension of the project's original AHFA HOME loan.
- 3) Ownership Entity & Project Housing Credit Cap. AHFA will establish a maximum amount of Housing Credits (Housing Credit Cap) an applicant and a project will be allocated. The intent of the Housing Credit Cap is to promote fair and objective administration of the Housing Credit program by ensuring that no Ownership Entity or Responsible Owner (including their Related Parties) and no individual Project can receive an excessive share of the available Housing Credits in any application cycle.

No single project will be allocated Housing Credits in excess of 12% of the State's current Housing Credit Ceiling, as defined in Section 42(h)(3)(c) of the Internal Revenue Code and no Ownership Entity, Responsible Owner or any of their Related Parties shall be allocated Housing Credits in excess of 12% of the Housing Credit Ceiling. Regardless of each Responsible Owner's percentage of ownership in a Project, 100% of the Project's Housing Credit allocation will count towards the Housing Credit Cap for all Responsible Owners.

The Housing Credit Cap will be determined by the amount of Housing Credits the Project is eligible to receive using AHFA's determined Eligible Basis, including any permitted increase in Eligible Basis. In all circumstances, all Housing Credits received in the current Competitive Application Cycle will count toward each Responsible Owner's Housing Credit Cap.

When Housing Credits are combined with HOME Funds, no Ownership Entity, Responsible Owner or their Related Parties shall be allocated HOME Funds in excess of 20% of the State's current HOME Fund allocation. Regardless of the percentage of ownership in a project, 100% of the project's HOME Fund allocation will count towards the Housing Credit Cap.

- 4) Identity of Interest. AHFA requires that the applicant identify the existence of an Identity of Interest with any other party to the project including the sale of real estate.

Parties that have an Identity of Interest are presumed to be sufficiently related for them to be treated as a single applicant for purposes of the Housing Credit Cap. As described below, AHFA may in its discretion, identify other parties whose relationship is sufficiently close to cause them to be treated as a single applicant for purposes of the Housing Credit Cap. A significant factor in the evaluation will be whether, based on the facts and circumstances, a primary purpose of a party's involvement in a project appears to be avoidance of the Housing Credit Cap.

The following relationships constitute an Identity of Interest for purposes of identifying Related Parties in order to apply the Housing Credit Cap:

- (i) Individual persons are considered related to each other (a) if they have

any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, and mother-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or (b) if one individual is an employer, by common law or otherwise, of the other.

- (ii) Entities are considered related to each other (a) if any director, shareholder, partner, member or any other type of Responsible Owner of any Ownership Entity would be considered a related individual (under item (a) above) to any director, shareholder, partner, member or any other type of Responsible Owner of another Ownership Entity, (b) if the Ownership Entity has the ability to control another Ownership Entity, or (c) if the Ownership Entity owns a material interest in another Ownership Entity. An Ownership Entity will be presumed to control another Ownership Entity if it has a percentage of ownership in the other Ownership Entity or the ability to appoint a percentage of the members of the other Ownership Entity's governing body (i.e., board of directors, board of trustees, partners, managers, etc.) that would permit it to control the other Ownership Entity either by operation of law or by agreement. A material interest means any ownership interest in excess of 20% of the stock, partnership interests, membership interests or other forms of ownership of any Ownership Entity; provided, however, that ownership interests held by Housing Credit investors, Housing Credit syndicators or special administrative partners or members shall be disregarded for purposes of 20% test.
- (iii) Without limiting the above, a trust will be considered related to any individual or Ownership Entity if any trustee, trustor, grantor, settlor, beneficiary, permissible distributee, any person or entity serving a role similar to the foregoing, or any person holding power of appointment (general or limited) over trust property would be considered related to the individual or entity under items (a) or (b) above.
- (iv) Any other relationship which, while not specifically listed above, is determined to constitute an Identity of Interest because it is a relationship at least as close as an Identity of Interest described above or because it would permit an allocation that violates the intent of the Housing Credit Cap. For example, the facts and circumstances relating to relationships involving a former employer and employee or longstanding business partners could be determined to constitute an Identity of Interest.

H. Notification of Approval

Applicants may be notified of the allocation decisions via email notification, by a letter of non-selection, or an approval letter. In addition, allocation recipients will be listed at www.AHFA.com. Applicants approved for allocations will be issued a Reservation Letter. After notification and prior to the issuance of the Reservation Package, applicants selected for allocations will have 30 days to submit a Certificate of Existence from the Secretary of State and IRS Form #SS-4 Assignment of Employer Identification Number. The Reservation Letter will outline the requirements that must be met in order for an Ownership Entity to receive Housing Credits. Failure to accept the Reservation Letter on a timely basis or to comply with its terms will cause the reservation to be automatically terminated.

Any applicants that are not selected for funding may schedule a conference call or meeting with AHFA staff to discuss the reasons their application was not selected for funding. The call or meeting must be scheduled and held within 4 weeks of the date of the notification

letter from AHFA. Once the call or meeting has concluded, AHFA will not have any further discussion regarding the application.

I. Progress Requirements After Reservation

The Reservation Letter outlines actions and time constraints that must be met by the Ownership Entity to receive the Housing Credits. The Ownership Entity must deliver each item listed in the Reservation Letter on or before the deadline specified for that item. The deadlines outlined in the Reservation Letter will be enforced. A list of the required items is provided at www.AHFA.com. Requests for extensions must be submitted on the AHFA-provided forms with the required fees, which are found at www.AHFA.com. Failure to comply with any one of the deadlines (in whole or in part) and/or providing incomplete or unacceptable content of the requirement document(s) will cause the Reservation Package to be automatically terminated.

- 1) The Ownership Entity must incur more than 10% of the reasonably expected basis in the project by the deadline outlined in the Carryover Allocation Agreement.
- 2) The Ownership Entity must submit AHFA's HOME/Low-Income Housing Tax Credit Status Report as required.
- 3) The Ownership Entity must place the project in service by December 31, 2023, or request an extension of the Placed in Service Date, if eligible, under IRS Revenue Ruling 2007-54, by December 1, 2023.
- 4) Within 180 days after the Placed in Service Date, the applicant must provide:
 - (i) The Actual Cost Certification package (available at www.AHFA.com).
 - (ii) Cost Certification Fee.
 - (iii) Compliance Fee.
- 5) The Ownership Entity must close its permanent financing and receive IRS Form 8609 from AHFA no later than the end of the first year of the Credit Period.
- 6) If any unforeseen or unusual environmental condition(s) not otherwise identified after completing AHFA's environmental requirements is discovered with respect to a project that received an award of HOME Funds, Housing Credits, or both under this plan or the plan for any prior year, and such unforeseen environmental condition(s) results in the inability of the project to Place-in-Service by the deadline established under Section 42, AHFA may elect to exchange the Housing Credits allocated to the project for a current or future year allocation of Housing Credits, subject to the Ownership Entity's payment of the environmental extension penalty specified at www.AHFA.com and the Ownership Entity's compliance with Addendum B and with all other conditions specified by AHFA based on the specific nature of circumstances of the project.

AHFA is under no obligation to issue 8609s for any year if the Actual Cost Certification package is received after December 1st of such year.

J. Negative Action after Notification of Approval Until Receipt of IRS Form 8609s

Should any of the following actions occur after the notification of approval of Housing Credits, the allocation will be terminated unless otherwise provided below:

- 1) Site change--a change from the original site location or a change in property ownership will not be allowed under any circumstances. Any change in the site configuration or size from what was originally proposed in the application must have prior written consent from AHFA;
- 2) Change in ownership--a change in the parties involved in the Ownership Entity (e.g., addition of a new general partner/member or removal of an existing general partner/member) without prior written consent of AHFA. Examples of situations in which consideration may be given for a change in Ownership Entity include, but are not limited to: death or bankruptcy. Even if an exceptional circumstance occurs in which AHFA will consider the removal of a Responsible Owner from an Ownership Entity, including death or bankruptcy, that change in ownership will not be approved if the project would have received a lower score in the application process if the Responsible Owner proposed to be removed had not been included in the application at the time of submission. This test is applied without taking into account any persons or entities nominated to be substituted in place of the Responsible Owner being removed. Any person or entity, including syndicators, that attempts to circumvent this requirement, may be subject to debarment from all AHFA programs;
- 3) Change in syndication structure--a change in the role of the syndicator or in the distribution of funds/allocation to others through syndication as stated in the application without prior written consent of AHFA;
- 4) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or regulatory codes);
- 5) Change in the general contractor without prior written consent of AHFA;
- 6) Change in the Management Company without prior written consent of AHFA;
- 7) Change in the architect without prior written consent of AHFA;
- 8) If AHFA receives a determination from a federal, state or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's existing Non-AHFA Projects, AHFA may terminate the application;
- 9) Any Development Team Member listed in the application who has instances of excessive, willful neglect or uncorrected (within the time required by AHFA) non-compliance with AHFA, Housing Credit, HOME, TCAP/Exchange or Multifamily Housing Revenue Bond regulations on existing projects;
- 10) Any Development Team Member listed in the application who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;
- 11) Applicant has a project that is in foreclosure or has been foreclosed in the past 10 years;

- 12) Any material adverse change relating to the Project or Ownership Entity. AHFA will determine whether the change(s) is material and/or adverse and further reserves the right to terminate the allocation based on the effect of said change(s) in comparison to original application approved by AHFA;
- 13) Applicant (including all Development Team Members listed in the approved application) has outstanding fees due to AHFA; and/or
- 14) If Housing Credits are combined with HOME Funds and the Environmental Site Assessment review by AHFA (or AHFA's consultant) identifies any unsatisfactory environmental condition that the applicant (or any Responsible Owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions prior to or after reservation is not all-inclusive. The Reservation Letter itself will list other necessary requirements. AHFA will terminate a reservation if it determines that any Misleading Information was supplied to AHFA in connection with the project.

If an applicant requests or receives a reservation of Housing Credits combined with a commitment of HOME Funds, the more restrictive requirements (Housing Credit or HOME, as applicable) will apply to the applicant, the application and the project. For example, if a project has requested or received a reservation of Housing Credits combined with a commitment of HOME Funds and the project fails to satisfy requirements for either the Housing Credits or the HOME Funds, then both the reservation of Housing Credits and the commitment of HOME Funds may be terminated. Under no circumstance can an application or reservation for combined Housing Credits and HOME Funds be decoupled in order to circumvent the more restrictive requirement(s) as determined by AHFA.

K. Change in or Denial of Housing Credit Allocation

The application evaluation described in Section II.E. of the QAP may result in a possible change in the amount of Housing Credits allocated to a project or denial of the total allocation altogether due to, but not limited to, one of the following reasons:

- 1) AHFA determines that the application contains Misleading Information.
- 2) Conditions in the Reservation Letter are not met
- 3) Changes in the actual cost of the project
- 4) Obtains additional subsidies or financing other than those disclosed in the application
- 5) Additional syndication proceeds other than those disclosed in the application
- 6) Appraised value of the Project is not equal to or higher than the purchase price based on the sales contract provided at the time of application
- 7) Subsequent regulations issued by Treasury Department or the IRS pertaining to Section 42
- 8) Applicant's failure to notify AHFA promptly of any material or adverse changes in the original application. Material or adverse changes include, but are not limited to, applicant's loss of Site Control, rights of way, ingress and egress, environmental issues, adverse change in the financial condition of the applicant,

and applicant's inability to perform tasks proposed in the application by the deadline set by the applicant and further set or agreed to by AHFA

L. Memoranda of Understanding

The United States Department of Agriculture Memorandum of Understanding (USDA MOU), executed August 14, 1997, between AHFA and USDA Rural Development, will apply to applicants seeking both Housing Credits and Rural Development loan assistance. USDA Rural Development will provide a copy of the USDA MOU to applicants for their guidance when combining assistance provided by both agencies.

The HUD Memorandum of Understanding (HUD MOU), executed August 30, 2000, between AHFA and HUD, will apply to applicants seeking both Housing Credits and HUD loan assistance. The HUD MOU gives AHFA the authority to conduct the subsidy layering review to determine if excess federal funds are being used in the project.

M. Disclosure

AHFA will attempt to request all information necessary to make informed decisions regarding Housing Credit allocations. Therefore, it is in the best interest of all parties involved with the process to disclose completely and accurately all information regarding each proposed project. AHFA acknowledges that errors and misjudgment sometimes occur and simply requests that the applicant notify AHFA of any errors that may occur upon discovery.

III. COMPLIANCE MONITORING

Section 11407 (b)(10) of the Omnibus Budget Reconciliation Act of 1990 provides an effective date of January 1, 1992, for qualified allocation plans to contain compliance monitoring procedures required by Section 42 (m)(1)(B)(iii). These compliance monitoring procedures apply to all buildings Placed in Service in Alabama that have received allocations of Housing Credits as determined by Section 42 and related Treasury Regulations. An outline of AHFA's Compliance Requirements is located in the AHFA Compliance Manual available at www.AHFA.com. A description of AHFA's basic compliance monitoring procedures and requirements are described per the attached Addendum D.

Addendum A

Alabama Housing Finance Authority's

2021 QAP Point Scoring System

WITHOUT LIMITING ANY OTHER PROVISION OF THIS QAP, ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

The point scoring system described in this Addendum A and related provisions of the QAP (Point Scoring System) will allow AHFA to award points to projects that best meet the identified housing priorities for the State of Alabama. The Point Scoring System will rank each project in two sections (Points Gained and Points Lost). The ranking of each project will be determined by taking the Points Gained section and deducting the Points Lost section to get an overall project score. The Point Scoring System will largely determine which projects should be allocated. Applicants will be required to score their applications using the current year HOME/Housing Credit Point Scoring form provided by AHFA. This point scoring form must be submitted to AHFA as part of the Application Package.

Any points gained category referenced herein or in other sections of the current QAP or the current HOME Action Plan are specific to the current program year and may not be carried (or brought) forward to (or from) any future (or past) program year by any entity, individual or application.

AHFA has established a housing priority in order to achieve a balanced distribution of Housing Credits and HOME Funds throughout the State in terms of geographical regions, counties, urban, and rural areas. AHFA will achieve this priority by allocating Housing Credits and HOME Funds generally to only one project per county. This allocation methodology, used over time, has helped to ensure that counties and cities across the State have received a share of AHFA allocation of funds proportionate to their respective populations.

Please note that applicants may apply for Housing Credits combined with HOME Funds only for new construction projects, which are not eligible for the rehabilitation points described in this Point Scoring System.

Project Selection Procedures:

Allocation Selection:

1. The highest scoring project per county with ownership by an AHFA-Approved CHDO will be funded until the regulatory 15% CHDO set-aside has been met.
2. The highest scoring Housing Credit project and/or HOME project combined with Housing Credits will be allocated per county until all available 2021 Housing Credits and HOME Funds have been allocated, subject to the following exception. **AHFA will allocate Housing Credits to 2 projects in the same county or city only if both projects score high enough to be funded, are otherwise eligible to be funded under this QAP, and one of the projects being considered has all of the following attributes at the time of application: (i) has received a HOME Loan from AHFA, (ii) has at least 85% occupancy, and (iii) has either (a) repaid the HOME Loan in full, or (b) has closed a 15-year extension of the debt evidenced by the outstanding HOME loan.**
3. If all available 2021 Housing Credits have been allocated and there still remains available HOME Funds, the highest scoring HOME project combined with Housing Credits may be allocated per county, subject to a future-year Housing Credit allocation.

Projects with a net score of less than 70 points (Points Gained less Points Lost) will not be considered for allocation.

In the event of a tie between two or more applications, the projects will be ranked in the following order to determine which application will receive priority:

1. In the event there is a tie in scoring among two or more applications, then a recommendation will be made for the application that has the least amount of aggregate participation by any one Responsible Owner. Aggregate participation is defined as the total of all Housing Credit and HOME/Housing Credit applications recommended for allocation in the current application cycle.
2. If a tie(s) still remains, priority will be given to the application that has applied for HOME Funds.
3. If a tie(s) still remains, priority will be given to the application located in a county with the least total number of units in (a) Active AHFA Projects, and (b) projects that have received Housing Credit allocations from AHFA but have not Placed in Service.
4. If a tie(s) still remains, priority will be given to the Responsible Owner who has not been required to schedule an additional on-site compliance inspection at a project, at any time prior to the project's standard inspection cycle, as the result of a material finding of non-compliance, a failure to maintain or provide complete records, a failure to provide on-site access to compliance staff, or unresponsiveness to AHFA's compliance program.
5. If a tie(s) still remains, priority will be given to the project that is located in a Qualified Census Tract and is supported by a revitalization plan approved by the governing body of the local jurisdiction within 5 years before application submittal. To be eligible for this priority, the application must include copies of the relevant excerpted pages from the revitalization plan, including referenced defined terms, with specific references highlighted (no more than 10 pages).
6. If a tie(s) still remains, priority will be given to the application for a project that is intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, townhomes or a combination thereof to be eligible. To be eligible for this priority, the applicant must complete the AHFA-provided Homeownership Conversion Proposal and provide a plot plan and counseling agreement in form and content acceptable to AHFA.
7. In the event there is a tie in scoring among two or more non-profit Responsible Owner applications, then a recommendation will be made for the application that has the least amount of aggregate participation by any one Developer. Aggregate participation is defined as the total of all Housing Credit and HOME/Housing Credit applications recommended for allocation in the current application cycle.
8. If a tie(s) still remains, priority will be given in accordance with a drawing that will be held the next business day after the applications are submitted. The drawing will be held in AHFA's boardroom to determine the order of awards in the event of a tie. An impartial person will be selected to draw. The drawing will be open to the public and the results will be posted on AHFA's website at the conclusion of the drawing.

AHFA reserves the right to deny a Housing Credit allocation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a Housing Credit allocation be made irrespective of the ranking order established by the Point Scoring System, based on the amount of Housing Credit allocation needed relative to the amount of allocation available for the project to be financially

feasible.

Regardless of strict numerical ranking, the Point Scoring System does not operate to vest in an applicant or project any right to a reservation or allocation of Housing Credits in any amount. AHFA will in all instances reserve and allocate Housing Credits consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

A. POINTS GAINED

1.) Project Characteristics (Maximum 78 Points)

(i.) Type of Construction (Maximum 33 Points)

- (a.) A maximum of 25 points in aggregate will be given to projects that provide extra unit/project amenities. Refer to the application and its instructions for the distinction between an extra amenity and a required amenity. Only the extra amenities listed below will be eligible for points. If a project receives an allocation of Housing Credits and fails to provide any extra amenity in the manner represented in the Application Package, the project and its Responsible Owners will be subject to point penalties and other sanctions in accordance with this QAP.

4 Points will be given for each of the following extra amenities:

- Clubhouse/Community Building/Community Room (*Must have at a minimum a kitchen (with refrigerator/freezer, cabinets and a sink with counter space), community meeting room (with seating and activity areas commensurate to total number of units), restrooms, community TV with cable, satellite or streaming services with a minimum of 42 inch screen TV, and wireless internet service. A community laundry must be provided if not providing a washer/dryer in each unit and the community laundry must contain at least 1 washer and 1 dryer for every 25 units proposed in the project.*)
- Washer/Dryer provided in each unit (*3-7 cu. ft. capacity. Washer must be Energy Star rated.*)
- Exterior Security Package *The Exterior Security Package for the Project must include, at a minimum, the following:*
 - Alarm (sound and/or third-party monitored) system at the clubhouse/community building, resident manager's office and laundry.
 - Camera/Video monitoring system to provide visibility of all pedestrian and vehicular traffic of all main Project entry and exit points, parking lot and Project amenities.
 - Lighting of all project amenities, parking lot(s), and all Project entry and exit points.
- Unit Security Package (*Each unit must have an alarm on all entry doors and windows*)
- Storm Shelter (*Must meet the International Code Council National Storm Shelter Association Standard for the Design and Construction of Storm Shelters (ICC-500 August 2008) Standards*)
- Playground (*Must provide commercial grade playground equipment with a minimum of 3 play activities*)
- Outdoor Fitness Activity Area (*Must provide 3 separate types of commercial grade outdoor fitness equipment with a minimum of 3 exercise activities. An instructional sign on the usage of fitness equipment must be placed by each type of fitness equipment*)
- Covered Picnic Pavilion (*Minimum of 2 tables with attached bench seating and*

2 grills with a permanent cover)

3 Points will be given for each of the following extra amenities:

- Computer center (*two or more computers with printer and internet access*)
- Splash Center (*at least 500 square feet*) which includes at a minimum a spray zone and pad and 3 above ground water features.
- Exercise/Fitness room with equipment (*Room must be no less than 144 square feet and provide a minimum of 3 separate types of commercial grade exercise/fitness equipment*)
- Covered bus stop shelter (minimum 6' wide by 12' long) with 2 fixed bench seating underneath same cover (*Must be separate/independent of the mail kiosk unless location allows for proper access of bus to pick-up and drop off*)
- Access Gate (*Must be on all entry points of project if more than one*)
- Walking Trail with Benches (*5 feet wide concrete and minimum of 1/4 of mile long*) (*Must be separate from required sidewalks*)

2 Points will be given for each of the following extra amenities:

- Basketball court (*Must have break-away rim and shatter-proof backboard*)
- Picnic area (minimum of 168 square feet of concrete slab for each picnic table) with grills (*1 grill (permanently fixed) 1 picnic table with attached bench seating for every 14 units proposed in the project*). Rooftop area with 1 picnic table with attached bench seating for every 14 units proposed in the project.
- Storm doors (*Must be aluminum construction*)
- Emergency Pull Cord/Call Button (*Minimum of 1 in each unit*)
- Attached bike rack (*1 per building including the community building*) (*Rack must be permanently installed on concrete in such a way that sidewalk traffic is not impeded*)
- Gazebo (Minimum 16' x 16') (*Minimum of 1 picnic table with attached bench seating*)

New Construction Projects Only (Maximum of 8 Points)

- (b.) 4 points will be given for storm windows; thermal break insulated windows or extruded vinyl windows and insulated exterior doors. Windows must be Energy Star Rated.
- (c.) 4 points for full brick/cementitious siding, stucco, cultured stone or concrete masonry unit (CMU) products (No Exterior Insulation Finishing System is acceptable).

Multifamily units (*two or more units in a building*)

A minimum of 40% of each building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. The remaining 60% can be cementitious siding, stucco, or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

All entry areas into the apartment (including covered breezeways, porches, balconies, and patios) must have brick, cementitious siding, stucco, cultured stone or CMU to be considered full brick.

Single-family units (*single unit/detached building*)

A minimum of 50% of the building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. Each exterior wall must contain brick up to the bottom of the first floor windows on a two-story unit or the window sill of a one-story unit. The remaining 50% can be cementitious siding, stucco, cultured stone or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

Rehabilitation Projects Only (Maximum of 8 Points)

- (a.) 2 points will be given for replacing all entry doors with insulated exterior doors and replacing all windows with thermal break insulated windows or extruded vinyl windows. Windows must be Energy Star rated.
- (b.) 2 points will be given for replacing all kitchen cabinets and countertops.
- (c.) 2 points will be given for replacing all plumbing fixtures.
- (d.) 2 points will be given for replacing all HVAC equipment

All points for rehabilitation construction items will be verified by the Capital Needs Assessment and Architect's Certification submitted. Both documents must be certified by the project Architect.

(ii.) Energy/Water Conservation and Healthy Living Environment
(Maximum of 8 Points in Aggregate)

3 points will be given for each of the following:

- HVAC of 15 SEER (HSPF 9.0) or above.
- Energy Star rated "cool roof" shingles or metal roof with a fifty (50) year warranty.

2 points will be given for each of the following:

- Kitchen range hood ventilation to be vented to the exterior and equipped with a damper.
- EPA's Partnership Program "WaterSense" labeled water closet, bathroom faucets and showerheads.

1 point will be given for each of the following:

- Low Volatile Organic Compounds (VOC) wall finishes (maximum VOC levels of 50 grams/liter).
- Low VOC flooring finishes (maximum VOC levels of 100 grams/liter).
- Energy Star rated LED lighting in the kitchen.

(iii.) Rent Affordability (Maximum 10 Points)

- (a.) **New Funds.** A maximum of 5 points in aggregate will be given to projects which have a commitment for the AHFA approved sources of new funds listed below. Regardless if the funds are loaned (required repayment) or granted to the project, 100% of the total amount of funds committed for points must be a permanent source of funds. Existing funds that are assumed and/or term(s) extended do not qualify for points under these criteria. To qualify for these points, the application must include

a fully executed firm commitment from the entity that will be loaning or granting the funds to project.

- (1.) A maximum of 5 points will be given to projects that have a commitment for AHFA-approved sources of new funds from the following list: Federal Home Loan Bank for Affordable Housing Program (AHP) funds (AHP funds must be in the form of a grant), HOME Funds (not awarded by AHFA), USDA Rural Development 515 funds, CDBG (Entitlement, State, Mitigation and Disaster Recovery Programs), CHOICE Neighborhood funds and/or NeighborhoodWorks Capital Grant.

5 points – \$16,001+ per unit

4 points – \$12,001 - 16,000 per unit

3 points – \$8,001 - 12,000 per unit

2 points – \$4,000 - 8,000 per unit

- (2.) A maximum of 3 points will be given to projects that have a commitment for AHFA-approved sources of new funds from the following list: Capital Fund Program, Public Housing Sales Proceeds and HUD Replacement Housing Factor Funds.

3 points – \$30,001+ per unit

2 points – \$16,000 - 30,000 per unit

- (b.) **Existing Funds.** A maximum of 3 points will be given to projects that have a letter from USDA stating that the applicant appears to meet the eligibility requirements for the transfer/assumption of an existing USDA Rural Development 515 loan. Letter may further state that further processing and final underwriting must be completed in accordance with USDA Rural Development requirements.

3 points – \$30,001 + per unit

2 points – \$10,000 - 30,000 per unit

- (c.) **Rental/Operating Subsidies.** A maximum of 2 points will be given to projects that have a commitment for rental/operating subsidies from USDA Rural Development, HUD or a Public Housing Authority (PHA) based on a written agreement providing additional rental/operating subsidies.

- USDA Rural Development commitment must be for at least 25% of the total proposed units to receive the points.
- HUD (HUD through PHA) commitment must be for at least 25% of the total proposed units to receive the points.

(iv.) **Tenant Needs** (Maximum 5 Points)

- (a.) 1 point will be given to projects with 100% of the units in the project designed, equipped and set-aside for the elderly. (For elderly definition, see the AHFA Compliance Manual available at www.AHFA.com)

- (b.) 1 point will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the low-income units having three or more

bedrooms. If an applicant chooses 100% elderly, the applicant will not receive additional points for three or more bedrooms. Rehabilitation of existing multifamily rental units must already have the required three or more bedrooms to receive the points.

- (c.) 2 points will be given to projects that set-aside a minimum of 5% of the total proposed units for tenants with disabilities or homeless populations. The units must be actively marketed and rented to households with at least one tenant with a disability or a tenant transitioning from being homeless. A marketing and preference plan and an executed Memorandum of Understanding will be required if the Project is approved for funding.
- (d.) 1 point will be given to projects that have committed in writing to target households on the public housing waiting list.
- (e.) 1 point will be given to projects that provide at a minimum 5% of the dwelling units be designed and constructed to be readily accessible to individuals with mobility impairments. An additional 2% of the dwelling units must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

(v.) **Project Type** (Maximum 9 Points)

- (a.) A maximum of 8 points will be given for the rehabilitation of a project with an existing AHFA HOME loan that matures prior to or within the year covered by the applicable QAP. In order to be eligible for these points, the project must meet one of the following criteria:

8 points – If the proposed project has re-paid 100% of the AHFA HOME loan (principal and interest).

6 points – If the proposed project has closed with AHFA a 15-year extension of the project's original AHFA HOME loan.

- (b.) 4 points will be given for rehabilitation of existing buildings if application provides sufficient evidence that the project qualifies for the Alabama Historic Rehabilitation Tax Credit or Federal Historic Tax Credit.
- (c.) 1 point will be given for rehabilitation of existing multifamily residential rental housing, replacement of multifamily housing or replacement of previously existing multifamily housing. Previously existing multifamily housing is defined as multifamily housing that has been demolished and cleared within the last 5 years or will be demolished and cleared for the construction of new replacement housing on the same site, except for replacement of existing multifamily housing owned by public housing authorities, which may be constructed on the same site or a new site.

(vi.) **Location** (Maximum 13 Points)

- (a.) Points Gained for Site Selection

(1.) Neighborhood Services (Maximum 10 Points)

2 points will be given for each of the following neighborhood services located within 3 miles of the site. Distance will be measured by odometer from the automobile entrance of the proposed project site to the closest automobile entrance to the parking lot of the applicable neighborhood service. Projects located in a federally declared disaster county may receive points for

neighborhood services, if the neighborhood service is currently under construction and funded in whole or part by Federal or State disaster funds. The applicant must provide sufficient evidence of both requirements. Duplicate neighborhood services will not be eligible for additional points. Points will only be given for the neighborhood services listed below. If AHFA cannot locate a service due to incorrect directions, 1 point will be deducted for each service where incorrect directions are provided. (Refer to the Application Site/Project Information Form for instructions on providing directions from site, and a general definition of services eligible for points).

Grocery Store	Pharmacy or Drug Store
Convenience Store	Bank or Credit Union
Hospital or Doctor Office	

(2.) Census Tract Location (Maximum 3 points)

A maximum of 3 points will be given to a project located in a Census tract where the Median Family Income from the 2010 Census data (2010 ACS 5 Year) is equal to or higher than the following percentages (rounded down) of the county's 2018 Annual Median Family Income published by HUD:

- 1 point – 80% to less than 90%
- 2 points – 90% to less than 100%
- 3 points – 100% or more

(b.) Points Deducted for Site Selection

(3.) Negative Neighborhood Services (No Maximum)

There is not a limit on the amount of points that can be deducted for negative neighborhood services.

5 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive. (Refer to Negative Neighborhood Services as defined in the Application Instructions)

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plant
Wastewater treatment facility	Industrial
Distribution facility	Airport
Electrical utility Substation	Prison or Jail
Railroad	Solid waste disposal
Adult video/theater/live entertainment	

*Please note: Points will not be deducted for properties located adjacent to a railroad, if the noise levels are acceptable (outside noise level < 65 dB; interior

noise level < 45 dB). AHFA will rely on the noise level assessment required in the environmental report submitted with the application.

2 points each will be deducted if any of the following incompatible uses listed are within .3 mile of the site. The list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plant
Wastewater treatment facility	Airport
Prison or Jail	Solid waste disposal

Points will not be deducted for a prison, jail, or detention facility if it is co-located with a police station or similar law enforcement office.

(4.) Accessibility (Maximum 2 points Deducted)

2 points will be deducted if the condition of the streets and sidewalks are unsatisfactory. The width of the streets and the difficulty of access to the proposed site will be taken into consideration.

2.) Applicant Characteristics (Maximum 20 Points)

(i.) 5 points will be given to applicants with participation of minorities or women. To qualify for the points for participation of minorities or women, the application must meet one of the following requirements:

- Minorities or women have ownership in the Ownership Entity or any Responsible Owner;
- Applicant guarantees at least 10% of the total building cost is awarded to minority- or women-owned businesses.

In all cases, the minority or female individual(s) must serve as the general partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner, or must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include, but are not limited to, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services. The name and address of the company and the anticipated contract amount must be listed at the time of application on the form provided by AHFA in the Application Package in order to receive the points.

(ii.) 5 points will be given to Ownership Entities with a Responsible Owner that currently owns and has previous successful experience in the development of Active AHFA Projects that received a Housing Credit Reservation Letter or HOME Written Agreement in 2000 or later.

These 5 points will also be given (without duplication) to Ownership Entities with one or more Responsible Owners that have listed Non-AHFA Projects that were Placed in Service in 2006 or later. The Ownership Entity must list each Non-AHFA Project on the Responsible Owner's AHFA Schedule of Real Estate Owned included in the application.

Special limited partners do not qualify for these points. Mobile home developments, hospitals, sanitariums, life care facilities, or intermediate care facilities are not considered

multifamily housing for purposes of qualifying for points. The Responsible Owner may include experience gained as a Responsible Owner in another firm, but not as an employee of another firm. Applicants must currently own the properties listed for development points.

5 points = (500+ units or 5+ projects)

- (iii.) 10 points will be given to applicants with sound, experienced managing agents of low-income multifamily housing. This experience is defined by the highest number of units or projects (with at least 20% of the units being considered low-income) currently managed. Only those units in projects that are considered low-income units will be counted in this total.

10 points = (1000+ units or 10+ projects)

All points relating to Applicant Characteristics will be awarded to the Ownership Entity identified in the application based on the characteristics of (a) for a for-profit Ownership Entity, its Responsible Owners who are individuals, and (b) for non-profit Ownership Entities, the Ownership Entity itself.

B. POINTS LOST

In addition to the points gained, each application submitted by an Ownership Entity may be subject to point deductions. Point deductions resulting from each existing AHFA-Project (approved and/or Placed in Service) will be based on AHFA's QAP and HOME Action Plan for the applicable year and will cover all non-compliance with AHFA documents, executed agreements, audits and inspections that is identified during the period from January 1st through December 31st of the year immediately preceding the current QAP or HOME Action Plan Year. Point deductions for non-compliance identified between January 1st and December 31st of each year will take into account whether or not the Ownership Entity or other Responsible Owner completes corrective actions, follow up inspections or other verification of compliance within the deadline required by AHFA, even if the deadline falls after December 31st of such year. Points lost will be assessed based on the following criteria:

1.) Existing AHFA- Project(s) Approved and/or Placed-In-Service (No Maximum)

- (i.) 5 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity altered an approved project in any manner different from the approved project's original application without prior written consent from AHFA.
- (ii.) 5 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity or the Management Company identified in the application is not in compliance with and/or has any uncured failure to meet a requirement specifically listed in any AHFA document(s), the AHFA HOME Loan Restructuring Policy or any applicable agreement(s) without prior written consent from AHFA.
- (iii.) 2 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity or the Management Company identified in the application for any of the following with respect to Davis Bacon requirements on any AHFA-Project (approved and/or Placed in Service):
- No response on outstanding issues for over 6 months
 - The general contractor is unable to submit payrolls, causing an escrow account to be established
 - Outstanding issues remain over 2 years from the date of the notice to proceed
 - Failure to provide AHFA the Section 3 report on the required date

- Failure to provide AHFA the HUD 2516 report on the required date

2.) Non-Compliance after the Initial On-Site Inspection (No Maximum)

Applications are subject to point deductions for failure to comply with the Compliance Requirements as outlined in (Addendum D) Compliance Monitoring Procedures, Requirements and Penalty Criteria.

Applications with Responsible Owners that have Non-AHFA Projects, whether in the State and/or out-of-State, will be subject to the same AHFA requirements defined in attached Addendum D (Health and Safety, Unit, Site, Exterior and Common Area Deficiencies). The 4 point threshold in Addendum D does not apply to Non-AHFA Project(s).

DRAFT

Addendum B

Alabama Housing Finance Authority's Environmental Policy Requirements

WITHOUT LIMITING ANY OTHER PROVISION OF THIS HOUSING CREDIT QUALIFIED ALLOCATION PLAN (QAP), ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

Alabama Housing Finance Authority ("AHFA") requires that a project-specific Phase I Environmental Site Assessment ("ESA") Report be submitted for each application. The Phase I ESA Report must be prepared by a qualified third-party Environmental Professional ("EP") as defined by 40 C.F.R. § 312.10(b) and adhere to the guidelines, requirements and format described herein.

For All Applications made to AHFA:

A Phase I ESA must be completed by an EP and include all of the components described in Addendum B1, including without limitation, many components that are in addition to what is required by the ASTM E1527-13 Standard for Phase I ESAs. Failure to fully comply with and include in the Phase I ESA all of the AHFA-required elements will result in delays in processing or termination of the Application Package. AHFA requires that the applicant engage the EP in accordance with the terms set forth in the engagement letter in Addendum B-2, a copy of which must be included as Appendix I of the Phase I ESA. Because many of the required elements of the Phase I ESA take time to complete, AHFA strongly recommends that applicants engage an EP and begin preparing the Phase I ESA as early as possible in the process of preparing an application.

If a Phase I ESA for a project either (a) identifies a Recognized Environmental Condition (which includes, but is not limited to, controlled recognized environmental conditions and historical recognized environmental conditions (hereinafter collectively referred to as ("RECs")), and/or (b) recommends additional testing, investigation or a Phase II ESA Report be conducted, any and all Phase II ESA Reports and Addenda or additional testing reports that are prepared by the EP to address the RECs identified must be included at the time the Phase I ESA is submitted to AHFA. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA; must be completed in accordance with the most current versions of ASTM E1903-11, Alabama Environmental Investigation and Remediation Guidance (AEIRG), and the Alabama Risk Based Corrective Action Guidance Manual (ARBCA); and must sufficiently demonstrate that all environmental conditions associated with the project are appropriate for **unrestricted** residential use as defined by the Alabama Department of Environmental Management ("ADEM") under Alabama Administrative Code regulation 335-15-1.02(ddd) (with the sole exception that AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility). If a Phase I ESA identifies an environmental condition that is ruled out as a REC, the Phase I ESA must provide sufficient explanation and all supporting data to demonstrate that the environmental condition is not a REC. AHFA reserves the right to terminate any application if it determines that the EP failed to identify environmental conditions as RECs and addressed, where appropriate, in a Phase II ESA. AHFA further reserves the right to terminate any application if it determines that the EP failed to sufficiently demonstrate that a project is appropriate for **unrestricted** residential use in compliance with the most current versions of ASTM E1903-11, AEIRG, or ARBCA. AHFA will not consider any sites for funding that are listed on or proposed to the National Priority List ("NPL") or State equivalent State Hazardous Waste Site ("SHWS") (Superfund sites).

Two versions of all reports must be submitted as follows: a complete bound (3 ring binder) color hard copy

(with each appendix separately tabbed) and an **exact, complete, color copy** in digital form, the text of which shall be in a searchable format. At the time of application submittal, the applicant must pay a non-refundable application fee as specified in the QAP and HOME Action Plan. Pursuant to those plans, AHFA may select and engage third-parties (e.g., an EP, legal counsel, and/or designated consultant) to review and comment on the Phase I ESA or the Phase II ESA Report submitted by the applicant. In addition to the non-refundable application fee(s), AHFA may require the applicant to provide additional funds in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates to pay or reimburse AHFA for any third-party costs incurred during the application review and analysis process. AHFA will submit an invoice to the applicant which shall be paid by the applicant within 7 business days of the invoice date. Any unused portion of any additional payments made by applicant related to third-party review, shall be returned to applicant without interest once all third-party invoices have been submitted and a refund amount is determined. During the course of the AHFA environmental review process, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the All Appropriate Inquiry (“AAI”) 40 CFR 312 and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). To the extent that an updated Phase I ESA Report is required, the applicant will be solely responsible for these costs, fees, and related expenses. During the AHFA review process, any report(s) submitted for which AHFA (or AHFA’s designated consultant) determines materially fails to comply with AHFA Environmental Policy Requirements, current ASTM standards, or applicable environmental regulatory requirements will result in the termination of the related application.

Application Completeness Requirements:

Upon submittal of the Phase I ESA Report, AHFA will conduct a completeness review to determine whether or not the report is complete and complies with the Environmental Policy Requirements.

If during its completeness review AHFA determines that an application in a Competitive Application Cycle for HOME Funds and/or Housing Credits is missing any materials required by the Environmental Policy Requirements or that the materials included in the report fail to materially adhere to AHFA’s defined standards, the application will terminate and will not be considered for funding during that scoring cycle. If during the completeness review AHFA determines that all documentation required by the Environmental Policy Requirements has been provided and that the application materially adheres to AHFA’s defined standards but that additional information or clarification is required in order for AHFA to complete its full evaluation of the Environmental Policy Requirements, AHFA will contact the applicant via email. When contacted, the applicant must submit requested items within 7 business days or the application will terminate and will not be considered for funding during that scoring cycle.

If in response to a request from AHFA for additional information or clarification, the applicant provides materially different or new information or documentation that was required by this Environmental Policy to have been submitted at the time of application submission, AHFA reserves the right to terminate the application. For clarity, the following are considered Material Environmental Items that must be submitted at the time of application and will not be accepted after the application submission deadline: (1) all environmental testing data collected for a proposed project, including without limitation, testing of soil, groundwater, sediment, soil gas, ambient air, asbestos, and lead-based paint; (2) any required wetland delineation studies or assessment reports; (3) any required Jurisdictional Determination from the U.S. Army Corps of Engineers; and (4) all remediation or mitigation plans to address any environmental issues identified (or that should have been identified) in the Phase I ESA and Phase II ESA reports. Furthermore, if an applicant wishes to provide information from any local, state, or federal agency pursuant to any item submitted to AHFA by the applicant pursuant to these Environmental Policy Requirements, all such information must be provided at the time of application and be in the form of a formal written communication from the agency to the applicant or its counsel or EP. If the agency information references or expresses approval of any methods, processes or other information, all information that is referenced or purportedly approved, including exhibits or addenda and related correspondence, must be provided at the time of application. After the date of initial application, AHFA will not consider or review any

communications to the applicant related to these Environmental Policy Requirements from any local, state, or federal agency regardless of when or in what form it was received.

If during its completeness review AHFA determines that an application for tax-exempt volume cap (whether or not the applicant requests Housing Credits awarded without a Competitive Application Cycle) is missing any materials required by the Environmental Policy Requirements or that the materials included in the application fail to materially adhere to AHFA's defined standards, the applicant will have up to 30 days after notification from AHFA to resolve any outstanding issues. A Commitment Agreement for Multifamily Housing Revenue Bonds will not be issued until all defined environmental requirements are met to AHFA's complete satisfaction.

All environmental issues identified (or that AHFA determines should have been identified) in the Phase I ESA and Phase II ESA reports must have been fully abated or mitigated (or include with the application a written remediation plan approved in writing by ADEM) in a manner that is compatible with **unrestricted** residential use (as defined by ADEM under Alabama Administrative Code regulation 335-15-1.02(ddd), with the following sole exceptions (a) AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility) and is acceptable to AHFA in all respects before submittal of the application; and (b) for Housing Credit projects only, AHFA will permit the use of a permanent passive vapor mitigation system as part of a Voluntary Cleanup Plan approved in writing by ADEM under Alabama Administrative Code regulation 335-15-4-.04 prior to submission of the application where the source or sources of potential vapor intrusion is or are located entirely off-site and the ADEM approval of the Voluntary Cleanup Plan states that no future compliance monitoring will be required.

Excepting only plans for radon resistant new construction, all remediation or mitigation plans to resolve **any** environmental issues identified in a Phase I ESA or Phase II ESA must be submitted to AHFA in writing upon submittal of the application and include: (a) details regarding the specific remediation plan; (b) all applicable final regulatory authority approvals required for the implementation of the remediation plan; (c) a detailed line item summary of estimated costs with supporting quotes; (d) information regarding the expected source of funding for conducting the remediation activities; (e) a projected schedule for approved remediation activities; and (f) a copy of any proposed environmental covenants documenting any planned institutional or engineering controls.. To the extent there are conflicting or inconsistent guidelines or methods between regulatory agencies concerning the environmental matter at issue, the EP shall follow the most stringent standard and certify that this standard has been satisfied.

All information provided by the applicant must be satisfactory to AHFA and may be subject to the fees as outlined in the applicable QAP or HOME Action Plan and/or at www.AHFA.com.

After the Reservation, HOME Written Agreement, and/or Declaration of Official Intent:

If any unforeseen environmental condition(s) is discovered with respect to a project that has already received an award of HOME Funds, Housing Credits, and/or Multifamily Housing Revenue Bonds, and such environmental condition(s) would have caused the project to fail to meet the Environmental Policy Requirements if discovered prior to award, then (a) if AHFA determines that the environmental condition(s) should have been discovered by the applicant or its Responsible Owners during the application process, AHFA will terminate the award and require all HOME Funds or Housing Credits to be returned to AHFA, or (b) if AHFA determines that the environmental condition(s) arose through no fault of the applicant and could not reasonably have been discovered during the application process, AHFA may allow the Ownership Entity for the project to remediate the environmental condition(s) at the Ownership Entity's sole cost and expense, including without limitation the fees and expenses of any EP and/or attorney engaged by AHFA in connection with the project, as necessary in order for the applicant to comply with the Environmental Policy Requirements and all other conditions specified by AHFA based on the specific nature of circumstances of the project. If AHFA determines under the foregoing standards that an applicant is eligible to take remedial actions with respect to any unforeseen environmental condition(s), the applicant will be permitted to do so

only if the applicant provides the following items to AHFA within 30 days, in compliance with the following requirements (the “Remedial Action Requirements”):

1. Estimate of total remediation costs (including itemized quotes from any third party contractors) and schedule for completion of remediation from a qualified environmental professional;
2. Evidence that the project will remain financially feasible and capable of being completed within the time required by the type of funding received; provided, however, that if AHFA permits the Ownership Entity to remediate an unforeseen environmental condition(s) and the time required for such remediation results in the inability of the project to Place-in-Service by the deadline established under Section 42 and AHFA, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the applicant’s payment of the environmental extension penalty specified at www.AHFA.com; and
3. Evidence that the applicant has sufficient financial resources to complete the remediation and the project by the required deadline. AHFA will require an applicant to provide a deposit in order to ensure that AHFA’s expenses in connection with any remediation will be paid on a timely basis.

For a project that receives an award of HOME Funds, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the AAI and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). If an updated Phase I ESA Report is required, the applicant will be solely responsible for all costs, fees and related expenses. If any environmental condition(s) is discovered with respect to the updated Phase I ESA Report that was not present, discovered or disclosed at the time of the initial Phase I ESA Report and such environmental condition(s) causes the project to fail to meet the Environmental Policy Requirements, the applicant must comply with AHFA’s Remedial Action Requirements as specified above.

During the AHFA review process, if AHFA (or AHFA’s designated consultant) determines that the ESA Report(s) fails to comply with AHFA’s requirements, the ASTM standards or applicable environmental regulatory requirements, this determination will result in termination of the award and the return of HOME Funds and/or Housing Credits if not corrected promptly after written notice.

NEPA Environmental Assessment (Projects Selected for HOME Funding):

Each project that receives HOME Funds must undergo an environmental assessment in accordance with the requirements of the National Environmental Policy Act (“NEPA environmental assessment”) in accordance with 24 C.F.R Part 58. The Ownership Entity of a project that receives an award of HOME Funds will be required to provide certain additional studies, reports and documentation necessary for AHFA to complete the NEPA environmental assessment. AHFA will notify the Ownership Entity of the NEPA environmental assessment requirements at the time of award of HOME Funds. For more information about an Ownership Entity’s submission requirements for the NEPA environmental assessment process, please review the AHFA Environmental Assessment Checklist and Guidance (Projects Selected for HOME Funding) at www.AHFA.com. Although these items are not required to be provided until after an award of HOME Funds, AHFA strongly encourages applicants and their EPs to review the items prior to submitting an application to insure that there are no environmental or other conditions at the project site that would lead to the termination of the award pursuant to 24 C.F.R. Part 58.

“Choice-Limiting Activities” and Other Activities Prohibited:

Applicants for HOME Funding

NEPA requires that no “choice-limiting activities” occur relating to the proposed project or at the project site **from the time the applicant submits a HOME Program application to AHFA until the NEPA**

environmental assessment process is complete (see 24 C.F.R. § 58.22). The applicant must take all actions necessary to ensure that no participant in the development process (including the applicant, Ownership Entity, all Development Team Members, contractors, subcontractors, current property owner(s) or any other person) commits non-HUD funds or undertakes an activity that would have an adverse environmental impact or limit the choice of reasonable alternatives relating to the proposed project or project site.

For projects applying for HOME Funds (regardless of whether any other form of funding is received), prohibited “choice-limiting activities” include, but are not limited to, acquiring, purchasing, rehabilitating, demolishing, converting, leasing or repairing all or any portion of the project as well as disturbing the ground or commencing any form of construction at the project site. All such choice-limiting activities are prohibited during the NEPA environmental assessment period that (a) begins with delivery of the application to AHFA and (b) ends with AHFA’s issuance of the Notice to Proceed, which typically occurs at the pre-construction meeting conducted at AHFA’s offices in Montgomery.

If choice-limiting activities occur at a proposed project or project-site seeking HOME Funds during the prohibited period, regardless of whether the applicant consented to the activity or had knowledge of it, the application will terminate and will not be considered for funding. AHFA reserves the right to inspect a project-site at any time after submittal of an application to confirm that no choice-limiting activities are taking place.

Applicants for Housing Credits

AHFA also prohibits certain post-application activities on projects applying for low-income housing tax credits (“Housing Credits”). For projects applying for Housing Credits or a tax-exempt volume cap allocation (but do not receive HOME Funds), prohibited post-application activities include, but are not limited to, acquiring, changes in property ownership, rehabilitating or converting all or any portion of the proposed project or project-site as well as disturbing the ground (other than geotechnical soil borings upon advance notice to AHFA) or commencing any form of construction at the proposed project or project-site. All such post-application activities are prohibited during the review period that (a) begins with delivery of the application to AHFA and (b) ends with a written notification from AHFA that the environmental review process has been completed.

If the aforementioned prohibited activities occur at a proposed project or project-site seeking Housing Credits during the prohibited period, regardless of whether the applicant consented to the activity or had knowledge of it, the application will terminate and will not be considered for funding. AHFA reserves the right to inspect a project-site at any time after submittal of an application to confirm that no prohibited activities are taking place.

Addendum B-1
AHFA Requirements

NOTE: ALL REQUIREMENTS BELOW MUST BE PRESENTED IN THE DESIGNATED SECTIONS AND APPENDICES OF THE PHASE I ESA REPORT.

NOTE: THE LINKS TO GOVERNMENT AGENCY WEBSITES IN ADDENDUM B ARE PROVIDED SOLELY FOR CONVENIENCE. IT IS THE RESPONSIBILITY OF THE APPLICANT OR ITS EP TO VERIFY THAT THE WEBSITE CONTAINS THE CURRENT VERSION OF THE APPLICABLE STANDARDS CITED HEREIN.

UNLESS OTHERWISE SPECIFIED BELOW, EVERY PHASE I ESA REPORT SUBMITTED TO AHFA MUST AT TIME OF APPLICATION:

1. Comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA's Environmental Policy Requirements.
2. Include a complete legal description (e.g., metes and bounds) of the entire project-site and the exact project-site acreage. A tax map identifying the parcel that is the subject of the application must also be included in Appendix A of the Phase I ESA. If applicable, the Phase I ESA should state that the proposed project-site does not include the entire tax parcel, and in such instances, the outlines of the proposed project-site must be accurately illustrated on the tax map. The project-site boundaries must be clearly marked and consistent on all figures.
3. Be completed and certified as to its accuracy, completeness and in conformance with the ASTM Standards and AHFA Policy Requirements by an "Environmental Professional" as defined in X2 of the ASTM Standard.
4. Include a statement that the report can be relied upon by AHFA.
5. Pursuant to Section 4.6 of the ASTM Standard and 40 CFR 312.20, the following components of every Phase I ESA must be updated if they are greater than 180 days old:
 - a. interviews with owners, operators, and occupants;
 - b. searches for recorded environmental cleanup liens;
 - c. reviews of federal, tribal, state, and local government records;
 - d. visual inspections of the property and of adjoining properties (include photographs taken during the visual inspection); and
 - e. declaration by the Environmental Professional (EP) responsible for the assessment or update.
6. Be in the AHFA Required Environmental Report Format (Addendum B-3).
7. Include a database search. **IMPORTANT:** The facilities required to be searched and the search distances for ASTs, USTs, delisted NPLs, historic auto facilities, and historic dry cleaners (as specified in Addendum B-3) required by AHFA are more stringent than the default search distances based on ASTM E1527-13. The results and EP's analysis of the database search must be described in the text of the Phase I ESA report and include a sufficiently detailed rationale for why each facility listed in the database search should or should not be identified as a REC. Facilities ruled out RECs may be summarized as a group; however, AHFA reserves the right to reject summaries that do not sufficiently address any facilities listed in the database search results
8. If the proposed project involves rehabilitation, removal, or demolition of any structures the following items must be addressed (with associated cost estimates for each and documentation within project budget to account for these costs):

- a. **Asbestos Testing:** If suspect asbestos-containing materials (“ACM”) are present in any structures, asbestos testing must be performed to document the presence or absence of ACMs in every structure. Testing is to be conducted by accredited inspectors meeting the requirements presented in 40 CFR 763 Subpart E, Appendix C and TSCA Title II in accordance with the Asbestos Hazardous Emissions Response Act (AHERA) requirements and also EPA’s National Emission Standards for Hazardous Air Pollutants (NESHAP) regulations. All asbestos testing results must be included in the Phase I ESA at the time of application submittal. AHFA requires the Phase I ESA to include a statement that all friable and non-friable ACM in deteriorated condition will be completely abated. If funded, a plan for complete abatement by a qualified asbestos contractor of all friable and non-friable ACM in deteriorated condition in all structures will be required. An asbestos contractor’s listing may be obtained from the Alabama Department of Environmental Management (“ADEM”) at 334-271-7700 or at <http://www.adem.state.al.us>. Non-friable ACMs may be managed in place if in an intact condition, and if any proposed rehabilitation activities will not disturb the non-friable ACMs. If funded, a site-specific Operations & Maintenance Plan will be required if non-friable intact ACMs are to be left in place. Asbestos standards are located at ASTM E-2356, EPA: Clean Air Act, CERCLA, & OSHA 29 CFR Part 1926.1101.
 - b. **Lead-Based Paint (“LBP”) Testing:** For all buildings built prior to 1978, a LBP testing report must be included in the Phase I ESA. AHFA requires the Phase I ESA include a statement that all LBP will be completely abated (eliminated) by a licensed LBP contractor. If funded, the plan for LBP abatement will be required. If any structures are planned to be demolished, in lieu of a LBP testing report, it is acceptable to provide a plan for abatement via demolition that includes the appropriate management and disposal of waste in accordance with applicable solid waste regulations and the preparation of any required post-demolition clearance report compliant with applicable state, federal, and local regulations. A list of licensed LBP contractors can be obtained from the Alabama Department of Public Health (“ADPH”) at www.adph.org. Lead-Based Paint standards: US Department of HUD “Guidelines for the Evaluation and Control of Lead Paint Hazards in Housing”: Chapter 7 of https://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/lbp/hudguidelines.
 - c. **Mold:** Visually check for the presence of mold and notate your findings. If mold is present or suspected to be present, the Phase I ESA shall provide recommendations for abatement and confirmation air sampling following removal.
9. All reports must include information on the following:
- a. **Radon:** Report the Alabama Department of Public Health radon zone for the county in which the project is located.² New Construction projects in all zones will require radon resistant new construction practices in all buildings pursuant to the radon requirements in the most recent version of HUD’s Multifamily Accelerated Processing (MAP) Guide.³ Radon testing results must be provided for all rehabilitation projects in zones 1 and 2 in accordance with the most recent version of HUD’s Multifamily Accelerated Processing (MAP) Guide.
 - b. **Wetlands:** For purposes of the Phase I ESA Report, wetlands, streams, lakes, and other water bodies are defined according to the U.S. Army Corps of Engineers Wetlands Delineation Manual (1987) and related guidance documents. The Phase I report must include a United States Fish & Wildlife Service (“USFWS”) National Wetlands Inventory (NWI) Map with project-site boundaries clearly marked and consistent with the boundaries on all other figures. The EP must also field verify to confirm whether or

² <http://www.adph.org/radon/Default.asp?id=6413>

³ <https://www.hud.gov/sites/documents/4430GHSGG-BM.PDF>

not the project-site contains wetlands, streams, lakes or other water bodies, including both jurisdictional “waters of the United States” and non-jurisdictional waters and wetlands. If on any portion of the project-site (including integral offsite development areas) evidence of any wetlands, streams, lakes or other water bodies are suspected to be present (based on the EP’s field observations, aerial photographs, water bodies shown on the USGS topographic map, wetlands or other aquatic resources on the NWI map, or hydric soils or soils with hydric components on the soils map for the site), and a delineation report for the project-site is prepared by a qualified professional to demonstrate the absence of wetlands, streams, lakes, or other water bodies on the site, a Jurisdictional Determination (JD) from the U.S. Army Corps of Engineers will also be required to confirm the absence of wetlands, streams, lakes, or other water bodies. If the project-site is to be subdivided from or is a smaller tract of an existing tax parcel so as to remove all wetlands, streams, lakes, or other water bodies from the project-site, a JD from the U.S. Army Corps of Engineers will also be required. Any delineation studies or assessment reports prepared for the project site or adjoining properties by the EP must be submitted with the application and the field work completed within 180 days prior to application submittal; or, in the alternative, a previously obtained, valid JD for the entire project site or adjoining properties (along with all supporting documentation reviewed by the U.S. Army Corps of Engineers in connection with the JD) may be submitted with the application. To the extent a JD must be obtained for the project site, the JD must be included with the Phase I ESA Report at the time of submission.

- i. **FOR ANY PROJECTS INVOLVING HOME FUNDS:** No portion of the project-site may contain wetlands, streams, lakes, or other water bodies (which also includes waters of the United States) including any integral offsite development areas (e.g., offsite areas required for ingress, egress, or parking). If AHFA’s review of the EP’s field observations, aerial photographs, topographic map, NWI map, or soils map indicate the potential presence of wetlands, streams, lakes, or other water bodies at the site, and the presence of all such water bodies is not sufficiently ruled out in the Phase I ESA Report, AHFA reserves the right to terminate the application.
- ii. **FOR ANY PROJECTS INVOLVING HOUSING CREDITS ASSOCIATED WITH THE REHABILITATION OF EXISTING MULTIFAMILY RESIDENTIAL RENTAL HOUSING ONLY (BUT NOT NEW CONSTRUCTION PROJECTS INVOLVING HOME FUNDS OR HOUSING CREDITS):** The project-site may contain wetlands, streams, lakes or other water bodies including any integral offsite development areas (e.g., offsite areas required for ingress, egress, or parking). HOWEVER, if on any portion of the project-site (including integral offsite development areas) evidence of any wetlands, streams, lakes or other water bodies are suspected to be present (based on the EP’s field observations, aerial photographs, water bodies shown on the USGS topographic map, wetlands or other aquatic resources on the NWI map, or hydric soils or soils with hydric components on the soils map for the site), a JD from the U.S. Army Corps of Engineers must be submitted with the application indicating that no future activities conducted in connection with the project-site (including without limitation demolition, construction, rehabilitation, and operation) will not impact any jurisdictional waters and will not require any permits administered by the U.S. Army Corps of Engineers.
- c. **Floodplains (100 year (zones A or V), 500 year (zone B)):** The Phase I ESA must include a FEMA Flood Insurance Rate Map (Firmette) with site boundaries clearly marked and consistent with the boundaries on all other figures. For Housing Credit Only projects, no buildings (residential or any other use) on the site can be located within the 100 year

floodplain. AHFA will allow an existing acquisition/rehabilitation rental property to be located in a floodplain as long as acceptable evidence of flood insurance is provided at time of application. For any projects receiving HOME Funds, no portion of the site (including integral offsite development areas) can be located within the 100 year flood plain.

- d. Noise Abatement & Control: The Phase I ESA must include (1) a completed HUD “Noise (EA) - Partner Worksheet” found at:

<https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control/>; and (2) a completed HUD “Day/Night Noise Level Calculator” assessment found at: <https://www.hudexchange.info/resource/2830/day-night-noise-level-assessment-tool/>.

The noise level identify whether:

- There a civil airport within five miles of the site.
- There a military airport within 15 miles.
- There a major road within 1,000 feet of the site.
- There a railroad track within 3,000 feet.
- Anticipated noise levels must be measured from the project-site boundaries. All outside noise levels must be < 65 dB and all interior noise levels must be < 45 dB (“Acceptable Noise Levels”).

For all projects involving HOME Funds that exceed Acceptable Noise Levels, mitigating measures MUST be incorporated into the project to reduce anticipated noise levels below Acceptable Noise Levels utilizing HUD approved mitigation measures. See generally, <https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control/>.

For all projects involving Housing Credits (but not HOME Funds) that exceed Acceptable Noise Levels, mitigating measures SHOULD be incorporated into the project to the FULLEST EXTENT PRACTICABLE and in accordance with HUD environmental criteria and standards contained in Subpart B (Noise Abatement and Control) of 24 CFR Part 51 and related guidance.

If in accordance with the above, mitigation measures are proposed to reduce noise levels at the project site below Acceptable Noise Levels, a noise mitigation plan must be submitted with the Phase I ESA. The noise mitigation plan must include: (a) details regarding the specific plan and its compliance with all applicable HUD noise mitigation guidelines (b) estimated mitigation costs and (c) sound transmission classification tool (STraCAT) and/or barrier performance module; found at:

<https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control/>.

- e. Airport Clear Zones & Accident Potential Zones: The Phase I ESA must (1) include both a completed HUD “Airport Hazards - Partner Worksheet” and a completed HUD “Airport Runway Clear Zones – Partner Worksheet” found at: <https://www.hudexchange.info/programs/environmental-review/airport-hazards>, and (2) attach a map (e.g., Google Earth or Google Street map) indicating the location of the project site and any airport(s) in the vicinity of the project site. AHFA will not approve an application for HOME Funds if any part of the project site is located within the runway protection zone/clear zone of a civilian airport (RPZ/CZ) or accident potential zone of a military airport (APZ). Note: Civil clear zone is 2,500 feet (0.47 miles) from the end of the runway (RPZ/CZ);

military clear zone is 15,000 feet (2.8 miles) from the end of the runway (APZ). The Phase I ESA must answer the following questions:

- Is the project site located within an RPZ/CZ or APZ?
- Is the site located within a flight path?
- What is name of and distance to the airport nearest to the project site?

10. Aboveground Storage Tanks: **All** aboveground storage tanks (ASTs) containing 100 or more gallons of explosive or flammable liquid or gas within 1 mile of the project site must be identified in the Phase I ESA Report via database search AND field verification. The report should separately describe ASTs not listed on the database search but identified via field verification. The Phase I ESA Report must describe the contents, size, and distance of each AST to the nearest perimeter point of the project site. The EP must certify that the EP field-verified the distance of the ASTs to the nearest perimeter point of the project site. The Phase I ESA Report must also demonstrate that an acceptable separation distance (“ASD”) between any ASTs and the perimeter of the project site will be met for people as well as buildings using the HUD-approved ASD calculations. If any ASTs are determined to be less than the HUD-approved ASD, the Phase I ESA must describe HUD-approved mitigation measures proposed to be installed and a cost estimate for any such measures.⁴

11. The EP must obtain from the Applicant a completed X3 User Questionnaire to include with the Phase I ESA Report.

The EP must complete Addendum B-4 (The Letter of Reliance) on the EP’s letterhead and submit as Appendix H. REQUIREMENTS FOR EVERY PHASE II ESA SUBMITTED TO AHFA:

1. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA Report (including any RECs that AHFA determines should have been identified in the Phase I ESA but were not); must be completed in accordance with the most current versions of ASTM E1903-11, AEIRG, and the ARBCA Guidance Manual; and must demonstrate that all environmental conditions associated with the project are appropriate for unrestricted residential use (as defined by ADEM under Alabama Administrative Code regulation 335-15-1.02(ddd), with the sole exception that AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility). For clarity, AHFA will not accept any proposed future institutional or engineering controls on the proposed site other than a prohibition on the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility.
2. If the EP believes or contends that any Chemicals of Concern (“COC”) detected are consistent with or in line with “background conditions,” the EP shall provide a basis for such an opinion. Methods for doing so include, but are not limited to, the U.S.G.S. studies for COCs in the same geographic region and sufficient background samples to be analyzed and evaluated under the current version

⁴ Attach the results of the HUD ASD Calculator tool found at:

<https://www.hudexchange.info/programs/environmental-review/asd-calculator>. Acceptable mitigation measures can be found at <https://www.hudexchange.info/resource/2762/acceptable-separation-distance-guidebook/>.

Complete and submit the HUD “Explosives - Partner Worksheet” found at: <https://www.hudexchange.info/environmental-review/explosive-and-flammable-facilities/>.

of AEIRG.

REQUIREMENTS FOR EVERY REMEDIATION OR MITIGATION PLAN SUBMITTED TO AHFA:

1. Excepting only plans for radon resistant new construction, for all remediation or mitigation measures that have been or are recommended to be performed to resolve any environmental issue identified in a Phase I ESA or Phase II ESA, the following must be submitted at the time of application: (a) details regarding the specific remediation plan; (b) all applicable final regulatory authority approvals required for the implementation of the remediation plan; (c) a detailed line item summary of estimated costs with supporting quotes; (d) information regarding the expected source of funding for conducting the remediation activities; (e) a projected schedule for approved remediation activities; and (f) a copy of any proposed environmental covenants documenting any planned institutional or engineering controls.
2. To the extent there are conflicting or inconsistent guidelines or methods between regulatory agencies concerning the environmental matter at issue, the EP shall follow the most stringent standard and certify that this standard has been satisfied.

(MUST BE ON ENVIRONMENTAL PROFESSIONAL'S LETTERHEAD)

Addendum B-2

Engagement Letter

Click here to enter a date.

[Applicant]

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Applicant

Development Name

Development Address

Dear [Applicant]:

Please accept this letter setting forth the terms of engagement (“Engagement Letter”) under which our Firm will provide environmental consulting services to you and your company for purposes of conducting a Phase I ESA Report [or subsequent Environmental Reports] for the Development Project at the designated address set forth above.

It is our Firm’s understanding that the nature and scope of the environmental professional services to be provided to you are as follows:

1. Our Firm has been engaged by [APPLICANT] to conduct a Phase I ESA at the Development location specified above in conformance with the scope and limitations of both the ASTM E1527-13 (“ASTM Standards”) and AHFA’s Environmental Policy Requirements.
2. Our Firm certifies that the Phase I ESA Report will be conducted and completed by an Environmental Professional (as defined by 40 C.F.R. § 312.10(b)) and the Phase I ESA, once completed, will also be certified in this same manner.
3. Our Firm understands that the information contained in the Phase I ESA Report will be used by Alabama Housing Finance Authority (“AHFA”) in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the Phase I ESA Report in its entirety as if it were originally issued to AHFA. While AHFA will be entitled to rely upon the Phase I ESA Report in its entirety, the Applicant will be solely responsible for any and all fees and expenses associated with completing this scope of engagement.
4. Our Firm understands the AHFA Insurance Requirements that are required for this scope of work and these insurance requirements have been satisfied and addressed as follows:
 - a. The Firm has Professional Liability and/or Errors and Omissions insurance coverage in the minimum amounts of One Million Dollars (\$1,000,000.00) per event or occurrence;
 - b. The Firm has Worker’s Compensation Insurance and Public Liability Insurance for bodily injury and property damage which may be suffered by third parties and members of the public in the minimum amounts of One Million Dollars (\$1,000,000.00) per event or occurrence; and⁵
 - c. The Firm has Comprehensive General Liability and Property Damage Insurance for bodily injury and property damage in the minimum amounts of One Million Dollars (\$1,000,000.00).

Our Firm understands that it shall provide a copy of its Insurance Certificate or Accord

⁵ Where applicable, it is acceptable for the following to be used instead: Per the attached documentation, the Firm has only [#] employees and is exempt from Alabama Workers’ Compensation Laws.

demonstrating that it satisfies the AHFA Insurance Requirements and listing or scheduling AHFA as an additional insured for the Comprehensive General Liability and Property Damage insurance policies.

5. Our Firm understands that to the extent recommendations are being provided by the EP to the Applicant concerning Phase I ESA work to be performed, mitigation or abatement measures, or additional assessment (“Additional Work”), those recommendations for Additional Work shall be provided to AHFA at the time of Application. Further, our Firm understands that the Applicant shall not have the authority to authorize or instruct the EP or our Firm to implement such recommendations without AHFA’s express written concurrence.
6. Our Firm also understands that once the Applicant submits its Application to AHFA, none of the Applicant, the EP (or our firm), the current property owner or any agent of said parties may undertake or conduct any Choice Limiting Activity at the Development project site. For avoidance of doubt, our Firm will seek written authorization for any Additional Work from AHFA before proceeding. In addition, our Firm understands that once the Applicant submits its Application to AHFA, our Firm shall not engage in communications with the Applicant and or any governmental or regulatory agencies concerning Additional Work and any related activities concerning the Development project site without first obtaining written authorization from AHFA (except when responding to any written request by AHFA to the Applicant for additional information regarding or clarification of the Phase I ESA). Our Firm appreciates the opportunity to work with the Applicant and AHFA in undertaking the Phase I ESA engagement and looks forward to working with you.

Addendum B-3

AHFA Required Environmental Report Format

TABLE OF CONTENTS

1.0 SUMMARY.....

1.1 PHASE I ESA.....

1.2 TIER 1 VAPOR ENCROACHMENT SCREENING (must include discussion).....

1.3 AHFA NON-SCOPE SUMMARY.....

1.4 RECOMMENDATIONS (If there is a potential for contamination to be present on the site, regardless of on-site or off-site sources of the contamination, recommendations for additional testing or assessment must be included)

1.5 OTHER

2.0 INTRODUCTION.....

2.1 PURPOSE OF SERVICES (MUST state EP understands that the purpose of the Phase I ESA is to ascertain whether the property is environmentally suitable for construction/rehabilitation of multi-family residential housing)

2.2 DETAILED SCOPE OF SERVICES

2.3 SIGNIFICANT ASSUMPTIONS.....

2.4 PROJECT-SPECIFIC LIMITATIONS AND EXCEPTIONS

2.5 SPECIAL TERMS AND CONDITIONS

2.6 RELIANCE (Must indicate AHFA can rely on report).....

2.7 PASSAGE OF TIME AND VALIDITY OF REPORT.....

3.0 SITE DESCRIPTION.....

3.1 SITE LOCATION (latitude and longitude) AND LEGAL DESCRIPTION (metes and bounds) ..

3.2 SITE AND VICINITY GENERAL CHARACTERISTICS.....

3.3 CURRENT USE OF THE PROPERTY

3.4 DESCRIPTIONS OF ROADS, STRUCTURES, AND OTHER IMPROVEMENTS ON THE SITE

3.5 CURRENT USE OF ADJOINING PROPERTIES

4.0 USER-PROVIDED INFORMATION.....

4.1 TITLE RECORDS

4.2 ENVIRONMENTAL LIENS OR ACTIVITY AND USE LIMITATIONS (EP accepts responsibility for and obtains search results as explained in Section 6.2 of ASTM Standard)

4.3 SPECIALIZED KNOWLEDGE.....

4.4 COMMONLY KNOWN OR REASONABLY ASCERTAINABLE INFORMATION

4.5 VALUATION REDUCTION FOR ENVIRONMENTAL ISSUES

4.6 OWNER, PROPERTY MANAGER, AND OCCUPANT INFORMATION

4.7 OTHER

5.0 RECORDS REVIEW.....

5.1 DATABASE REPORT (Discuss **all** listed regulated facilities, other notable facilities, and orphan facilities)

 5.1.1 Search Distances - from latitude and longitude (ASTM distances plus Delisted NPL one mile, AST one mile, UST 0.5 mile, LUST 0.5 mile, Historic Auto Facilities 0.5 mile, and Historic Dry Cleaners 0.5 mile)

 5.1.2 Mappable Sites (EP must field-verify the distance to any facilities identified)

 5.1.3 Unmappable Sites.....

5.2 STANDARD ENVIRONMENTAL RECORD SOURCES (Check with local government, library, fire department, courthouse, etc.)

5.3 ADDITIONAL ENVIRONMENTAL RECORD SOURCES

5.4 PHYSICAL SETTING SOURCE(S).....

 5.4.1 Topography, Surface Water, and Hydrogeology.....

 5.4.2 Geology

 5.4.3 Soils.....

5.5 HISTORICAL USE INFORMATION ON THE PROPERTY (include all documents in Appendix D).....

 5.5.1 Property Ownership and Site History (provide detailed narrative)

 5.5.2 Aerial Photographs.....

 5.5.3 City Directories

 5.5.4 Sanborn® Fire Insurance Maps.....

 5.5.5 Historical Topographic Maps.....

 5.5.6 Other Historical Sources

 5.5.7 Historical Summary & Data Gaps.....

5.6 HISTORICAL INFORMATION REGARDING ADJOINING PROPERTIES

5.7 DOCUMENT ALL SOURCES CHECKED

5.8 OTHER.....

6.0 SITE RECONNAISSANCE

6.1 METHODOLOGY AND LIMITING CONDITIONS

6.2 GENERAL SITE SETTING.....

6.3 EXTERIOR OBSERVATIONS

6.4 INTERIOR OBSERVATIONS

6.5 ADJOINING PROPERTY RECONNAISSANCE.....

6.6 RECOGNIZED ENVIRONMENTAL CONDITIONS IDENTIFIED DURING SITE RECONNAISSANCE

7.0 INTERVIEWS.....

7.1 STATE AND LOCAL GOVERNMENT OFFICIALS (MAYOR, FIRE DEPARTMENT, LOCAL HISTORICAL SOCIETY, ETC.) (Interviews will be conducted first in person, if unavailable then by phone, then via written communication. Verify which method used and include name, contact information, and date of interview)

7.2 APPLICANT/DEVELOPER

7.3 USER QUESTIONNAIRE

7.4 PROPERTY OWNERS

7.5 SITE MANAGER, OCCUPANTS, & LOCAL RESIDENTS

7.6 OTHERS

8.0 EVALUATION (FINDINGS, OPINIONS, AND CONCLUSIONS)

8.1 PHASE I ESA.....

8.2 ADDITIONAL INVESTIGATIONS, LIMITATIONS, EXCEPTIONS, DEVIATIONS, AND DATA GAPS.....

8.3 SIGNIFICANT ASSUMPTIONS.....

8.4 CONCLUSIONS AND ASTM STATEMENT (Must certify EP conducted the Phase I ESA in accordance with ASTM Standard and AHFA’s Environmental Policy Requirements) (Must state whether the property is suitable for or may satisfy the residential use standard based upon EP’s best professional judgment)

8.5 EP STATEMENT (40 CFR PART 312) AND SIGNATURE

8.6 OTHER

9.0 ADDITIONAL AHFA REQUIRED ELEMENTS.....

9.1 TIER 1 VAPOR ENCROACHMENT SCREENING (ASTM E2600-15).....

9.2 ASBESTOS

9.3 LEAD-BASED PAINT.....

9.4 MOLD.....

9.5 RADON

9.6 WETLANDS

9.7 FLOODPLAINS

9.8 NOISE ABATEMENT & CONTROL

9.9 AIRPORT CLEAR ZONES & ACCIDENT POTENTIAL ZONES (Must provide detailed summary for each item).....

9.10 OTHER

10.0 REFERENCES

APPENDICES

APPENDIX A FIGURES (SITE BOUNDARIES MUST BE CLEARLY MARKED AND CONSISTENT ON ALL FIGURES)

- i. GOOGLE EARTH MAP
- ii. TAX MAP
- iii. SITE LOCATION MAP
- iv. SCHEMATIC SITE PLAN
- v. TOPOGRAPHIC MAP
- vi. NATIONAL WETLANDS INVENTORY MAP
- vii. FLOOD INSURANCE RATE MAP

NOTE: Items i, ii., and iii. must include:

- a). An area large enough to display the location of the site and adjoining properties including existing streets.
- b). Identification of environmental concerns, where applicable, including off-site sources or locations that have the potential to adversely impact the property.
- c). Boundaries of floodplains, wetlands, drainage features, jurisdictional waters, and/or potential waters of the State on or potentially impacted by proposed activities at the site.)
- d). A North arrow.

APPENDIX B PROPERTY RECORDS AND USER QUESTIONNAIRE

APPENDIX C ENVIRONMENTAL LIEN/ACTIVITY USE LIMITATIONS RESEARCH

APPENDIX D ENVIRONMENTAL DATABASE REPORT

APPENDIX E HISTORICAL RECORDS DOCUMENTATION

APPENDIX F SITE AND VICINITY PHOTOGRAPHS

APPENDIX G INTERVIEW DOCUMENTATION (Document the interviewee's contact information and date of interview)

APPENDIX H AHFA RELIANCE LETTER (Addendum B-4 on EP letterhead)

APPENDIX I ENGAGEMENT LETTER/CONTRACT (Addendum B-2 on EP letterhead)

APPENDIX J PROFESSIONAL RESUMES/PERSONNEL QUALIFICATIONS

APPENDIX K AHFA-REQUIRED ELEMENTS:

K.1 VAPOR ENCROACHMENT SCREENING DOCUMENTATION IN COMPLIANCE WITH ASTM E2600-15

K.2 PROOF OF INSURANCE – AHFA MINIMUMS OR ABOVE (AHFA must be listed as Insured)

K.3 SUPPLEMENTAL DOCUMENTATION

DRAFT

MUST BE ON ENVIRONMENTAL PROFESSIONAL'S LETTERHEAD

Addendum B-4

Letter of Reliance

Click here to enter a date.

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, AL 36117

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Development Name

Development Address

Development City, State Zip

Please find enclosed the Phase I Environmental Site Assessment (ESA) Report [or subsequent Environmental Reports] for the subject property dated [Click here to enter a date] to the Alabama Housing Finance Authority (AHFA).

It is my understanding that the information contained in the ESA Report(s) will be used by AHFA in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the ESA Report in its entirety as if it were originally issued to AHFA.

I certify that the attached is a true, correct and complete copy of the ESA Report and that the report represents my professional opinion of the site as of this date. I also confirm the evaluation, recommendations, and conclusions contained in the ESA Report have been performed in conformance with the scope and limitations of both the ASTM E1527-13 (the ASTM Standards) and AHFA's Environmental Policy Requirements.

Last, I also certify by my signature below that (name) meets the definition of an Environmental Professional as defined by 40 C.F.R. § 312.10(b) and has performed the environmental investigations described above.

Sincerely,

Environmental Professional Name

Environmental Professional Company Name

Addendum C

 **Alabama Housing Finance Authority's
Design Quality Standards and Construction Manual**

DRAFT

TABLE OF CONTENTS

- I. Introduction
- II. Requirements for All Approved Projects
- III. Attached New Construction Rental Units
- IV. New Construction Single-Family Rental Units
- V. Attached Rehabilitation of an Existing Building
- VI. Inspections and Reports

WITHOUT LIMITING ANY OTHER PROVISION OF THIS QAP, ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

I. Introduction

All projects must be designed and constructed in accordance with the applicable requirements of the 2010 Americans with Disabilities Act Accessibility Guidelines, Section 504 of the Rehabilitation Act, Fair Housing Act, state and local disaster mitigation standards, 2009 or 2012 International Building Code- International Residential Code, 2009 International Energy Conservation Code for single-family homes, 2007 American Society of Heating, Refrigerating and Air-conditioning Engineers 90.2 for multifamily buildings and any more restrictive local building code requirements.

Any deviations from these standards must have the written approval of AHFA prior to submitting an application for funding. The request for approval, with all supporting documentation, must be submitted to AHFA at least 30 days prior to submitting a final application for funding. Once the project begins construction and through the end of construction of project, any deviation must have written approval before any work commences or any deviation is made on the construction site. Any deviation requested and approved will be charged the appropriate fee. A complete list of fees is located at www.AHFA.com.

II. Requirements for All Approved Projects

A. Site Specific Criteria:

- 1.) HOME proposed sites containing property within a 100-year flood plain are not permitted. Housing Credit and HOME Funds proposed sites and existing projects are not allowed to contain wetlands.
- 2.) New Construction projects in all zones will require radon resistant new construction practices in all buildings pursuant to the radon requirements in the most recent version of HUD's Multifamily Accelerated Processing (MAP) Guide.⁶ Radon testing results must be provided for all rehabilitation projects in zones 1 and 2 in accordance with the most recent version of HUD's Multifamily Accelerated Processing (MAP) Guide. For the most current radon information see: www.adph.org/radon.
- 3.) New Construction Rental Units: All new construction developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of 1 soil boring per planned building location and a minimum total of 2 soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.
- 4.) New Construction Single-Family Rental Homes: All developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of 1 soil boring for every 2 single family buildings and a minimum total of 2 soil borings at the planned paved areas of the development.

⁶ <https://www.hud.gov/sites/documents/4430GHSGG-BM.PDF>

A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.

- 5.) Rehabilitation of an Existing Building: Projects adding any new building foundations must submit a foundation specific soils report. The soils report must reflect the results of laboratory tests conducted on a minimum of one soil boring per planned building location and a minimum total of 2 soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.

B. Site Located Outside Municipal City Limits:

- 1.) A proposed new construction site or existing project may be located outside a municipality's city limit but must be within the local police or sheriff jurisdiction.
- 2.) A proposed site or existing project that is located in the police jurisdiction of a local municipality must comply with applicable Zoning restrictions as if located within that municipality's city limit.
- 3.) Domestic water and fire water service must be provided to the development by the local utility service provider.

C. Project Standards:

- 1.) Clubhouse/Community Building Standards:

The eligible square footage of the project's clubhouse/community building or space(s) is 3,000 square feet heated and cooled (inclusive of the office area, community laundry, community meeting room, restrooms, kitchens, etc.). The clubhouse/community building or space(s) may exceed 3,000 square feet heated and cooled but any square footage exceeding this amount will not be included in the Eligible Basis used to calculate the Housing Credit. The clubhouse/community building or space(s) is required to meet all applicable accessibility standards.

- 2.) Elderly Project Standards:

All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed to service all upper level apartments. Design exceptions, or deviations, must be reviewed by AHFA on an individual basis.

- 3.) Required Unit Amenities:

All projects are required to have the following unit amenities for all units:

- Range
- Refrigerator with Ice Maker
- Dishwasher
- Microwave
- Washer and Dryer Connections
- Heater
- Air Conditioner
- Ceiling Fans

All units must include an exterior storage closet with a minimum area of sixteen (16) square feet and either a single coated wire shelf that spans the length of the

closet or a grouping of smaller coated wire shelves. Developments designed with all interior unit access must provide the additional required exterior storage for each unit in the interior of the building(s). It may be located inside the unit, on the tenants' floor, or in a common area. All exterior and interior storage must be lockable.

4.) Modular Construction:

Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein. A modular home manufacturer's warranty must be provided.

5.) Drawing Submission Criteria:

The following documents must be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

a. Site Plan: The following items must be shown.

- i. Scale: 1 inch = 40 feet or larger for typical units.
- ii. North arrow.
- iii. Locations of existing buildings, utilities, roadways, parking areas if applicable.
- iv. Existing site/Zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
- v. All proposed changes and proposed buildings, parking, utilities, and landscaping.
- vi. Existing and proposed topography of site.
- vii. Finished floor height elevations and all new paving dimensions and elevations.
- viii. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
- ix. Provide an accessible route site plan with applicable details.

b. Floor Plans:

- i. Scale: 1/4 inch = 1 foot or larger for typical units.
- ii. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
- iii. Indicate the total gross square foot size, and the net square foot size for each typical unit.

For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

c. Elevations and sections:

- i. Scale: 1/8 inch = 1 foot or larger.
- ii. Identify all materials to be used on building exteriors and foundations.

d. Title Sheet:

Indicate Building Codes and Accessibility Standards that are applicable for the project.

III. Attached New Construction Rental Units

The following outline of minimum standards must be used in designing Housing Credit and HOME Funds projects of twelve or more attached units.

A. Minimum Building Standards:

1.) Minimum Apartment Unit Net Area Requirements:

Net area is measured from the **interior finished face** of the exterior wall to the **interior finished face** of the common or tenant separation wall.

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

<u>Unit Type</u>	<u>Number of Bathrooms</u>	<u>Minimum Unit Net Area*</u>	<u>Min. Bedroom Net Area</u>
1 Bedroom	1	725 s.f.	120 s.f.
2 Bedroom	1	900 s.f.	120 s.f.
2 Bedroom	1.5	925 s.f.	120 s.f.
2 Bedroom	2	975 s.f.	120 s.f.
3 Bedroom	2	1,200 s.f.	120 s.f.
4 Bedroom	2	1,455 s.f.	120 s.f.

**Note 1: Net unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2.) Exceptions to the minimum area requirements:

Single-Room Occupancy (“SRO”) projects

3.) Exterior Building Standards:

a. Exterior Finishing Materials:

i. Exterior building coverings: For new construction, very low maintenance materials are required. Acceptable materials include:

- a) Brick;
- b) High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
- c) Cementitious siding and trim material; or
- d) Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.

- ii. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
- iii. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
- iv. Materials for entry doors are to be metal-clad wood, fiberglass, or metal insulated construction. “Peepholes” and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have “thumb latch” on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
- v. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
- vi. Roof gable vents must be made of aluminum or vinyl materials.
- vii. All attics shall be vented.
- viii. All primary entries must be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide, and must be designed to divert water away from the entry door. Entry pads measuring 4 feet by 4 feet and made of impervious material with a slope that meets Fair Housing and ADA standards are required at each exterior entry.
- ix. All breezeways must be constructed of concrete floor/decking material.
- x. Exterior shutters are required on all 100% Brick or vinyl siding buildings.
- xi. Stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. All project steps must include a kick plate in between each step beginning at the first step nearest to the ground and ending at the nearest step at the balcony or landing. Handrails and pickets must be constructed from steel or aluminum.
- xii. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6” x 6” pressure treated columns concealed as noted above or properly sized columns of steel, fiberglass, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass, steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

b. Other Exterior Standards:

- i. Adequate exterior lighting is required in all covered exterior breezeways/walkways. Exterior lighting fixtures are required at all entry doors. The fixtures must be controlled from the interior of the unit. Exterior light fixtures at apartment unit entry doors in apartment buildings with enclosed, heated and cooled corridors are not required when the corridor lighting remains on all the time.

- ii. Address numbers are to be clearly visible.
- iii. One and one-half parking spaces per living unit required for family units, one space per unit for elderly units, two parking spaces for single family homes, and two parking spaces for each duplex, unless local code dictates otherwise, and no designated street parking allowed.
- iv. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
- v. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable municipal landscape ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. Landscaping around and between the buildings is allowed. At a minimum, provide one 2" caliper tree per unit and 6 1-gallon shrubs per unit.
- vi. Concrete curbing is required along all paved areas throughout the development site, including parking areas. (Valley curbs are not allowed)
- vii. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width.
- viii. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
- ix. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.
- x. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
- xi. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.
- xii. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, clubhouse/community building and amenities must be connected to the dwelling units by a sidewalk or walkway.
- xiii. Mailboxes, playground and all exterior project amenities must be on an accessible route as defined by the Fair Housing Guidelines. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
- xiv. No above ground propane tanks allowed on the site.
- xv. All utilities located on site must be underground.

- xvi. Storm Water retention basins (existing, shared and/or newly constructed) must be located within the property and include fencing around the entire perimeter with a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

4.) Interior Building and Space Standards:

a. Wall Framing:

- i. Walls may be framed using metal studs in lieu of wood.
- ii. Sound proofing or sound batt insulation is required between the stud framing in tenant separation walls. A sound rating of Sound Transmission Class (STC) 54 is required.
- iii. Sound proofing between floors is required to achieve a rating of (STC) of not less than 50 and an Impact Insulation Class (IIC) of not less than 50.

b. Insulation Requirements:

- i. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
- ii. Roof or attic insulation must have an R-38 minimum.
- iii. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

- i. A minimum 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
- ii. Each unit must be equipped with a 2.5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
- iii. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
- iv. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep and/or pre-manufactured millwork pantry cabinets that are 1' x 2'-6" deep with a minimum five shelves, located in or adjacent to the kitchen.
- v. A 4 foot long fluorescent light fixture is required.
- vi. All appliances must be Energy Star rated.
- vii. A grease shield is required behind ranges on the wall.

d. Bathroom Spaces:

- i. Tub/shower units must have minimum dimensions of 30-inch width by 60- inch length and be equipped with anti-scald valves.

Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with “factory- installed grab bars” where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.

- ii. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
 - iii. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6’-0” above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14” x 24”.
 - iv. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.
- e. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
- f. All interior doors to habitable spaces in unit(s) subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
- g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.
- h. Window treatments are required for all windows.
- i. Sliding glass doors are prohibited.
- j. Floor Finishes:
- i. Carpet materials must meet FHA minimum standards.
 - ii. Resilient flooring materials must meet FHA minimum standards.
- k. A minimum of two hard-wired with battery back-up smoke detectors are required per unit. Townhomes must have a minimum of 1 smoke detector upstairs.
- l. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
- m. All units pre-wired for cable television hook-ups in the living room and 1 per bedroom.
- 5.) Plumbing and Mechanical Equipment:
- a. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system.

Water heater T&P relief valve discharge must meet applicable building code requirements. Additionally:

- i. Electric water heaters must be high efficiency with a minimum 0.93 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .92 UEF for a 40-gallon tank.
 - ii. Gas water heaters must be high efficiency with a minimum 0.60 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .58 UEF for a 40-gallon tank.
- b. Through-wall HVAC units are not permitted in residential units except in efficiency units.
 - c. CPVC supply piping is not allowed for interior space in-wall or overhead services.
 - d. HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets with insulated walls located within the living unit. Water heaters are to be located within the living unit.
 - e. HVAC refrigeration lines must be insulated.
 - f. HVAC 14 SEER or greater must be used.

IV. New Construction Single Family Rental Homes

The following outline of minimum standards must be used in designing Housing Credit and HOME Program projects of twelve or more units and consist of single-family. All single-family homes must be new construction.

A. Minimum Building Standards:

- 1.) Minimum Unit Net Area Requirements:

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

Unit Type	Number of Bathrooms	Minimum Unit Net Area*	Minimum Bedroom Net Area*
3 Bedroom	2	1,200 s. f.	120 s. f.
4 Bedroom	2	1,455 s. f.	120 s. f.

**Note 1: Unit areas do not include outside storage, covered porches, patios, balconies, etc.*

- 2.) All single-family rental homes must have a minimum of 30 feet of building facing the front street. These 30 feet must be the sum of all front-facing dimensions adjacent to conditioned space and can include the “common” wall which is part of a front-facing garage as long as this wall is front-facing and conditioned on one side.
- 3.) All single-family rental homes must have a minimum of 30 feet front yard building set-back from the curb. Each home must have a minimum of 10 foot side yards. (Minimum width of lot shall be fifty (50) feet.) Both lot width and side yard

setbacks can be modified with the following exception: A 10 foot side yard setback on one lot side and a “zero lot line” setback on the other (thus, a forty (40) foot minimum lot width) will be allowed with a front-facing garage.

- 4.) All single-family rental homes must have a minimum of 3 different front and rear elevation designs. No identical front elevations may be built next to each other.
- 5.) All single-family rental homes must have a minimum of 3 different color schemes.

B. Exterior Building Standards:

1.) Exterior Finishing Materials:

- a. Exterior building coverings: Very low maintenance materials are required. Acceptable materials include:
 - i. Brick;
 - ii. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
 - iii. Cementitious siding and trim material; or
 - iv. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick decorative block or cultured stone must be used as an apron material.

- b. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
- c. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
- d. Materials for entry doors are to be metal-clad wood, fiberglass, or metal insulated construction. “Peepholes” and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have “thumb latch” on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
- e. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
- f. Roof gable vents must be made of aluminum or vinyl materials. All roof penetrations must be located on the rear most section of the roofline.
- g. All attics must be vented.
- h. Exterior shutters are required on all single-family homes.
- i. Units where a conventional wood frame foundation system is used, a non-wood “maintenance-free” composite decking material may be used at porches above a pressure treated wood framing system.

2.) Other Exterior Standards:

- a. Exterior lighting is required at entry doors.

- b. Address numbers are to be clearly visible.
- c. 2 parking spaces for each home.
- d. Metal flashing or 20 mil polyethylene when used in conjunction with self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
- e. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. All rental units must have minimum of 2 trees per unit and 12 1-gallon shrubs per unit.
- f. Concrete curbing is required along all paved areas throughout the development site, including parking areas. 6 inch raised curbs and gutter design is required. No valley curbs allowed.
- g. Sidewalk access to the front door and the driveway must be provided.
- h. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
- i. A minimum of 1 trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants. Individual trash receptacle at each home may be provided instead of a single trash dumpster.
- j. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
- k. All community parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.
- l. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, community building and amenities must be connected to the dwelling units by a sidewalk or walkway on one side of the street throughout the development.
- m. All driveways must be concrete.
- n. Mailboxes, playground and all exterior project amenities must be ADA accessible. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
- o. No above ground propane tanks allowed on the site.

- p. All onsite utilities must be underground.
- q. Storm Water retention basins (existing, shared and/or newly constructed) must be located within the property and include fencing around the perimeter with a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

C. Interior Building and Space Standards:

1.) Wall Framing:

Walls may be framed using metal studs in lieu of wood.

2.) Insulation Requirements:

- a. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
- b. Roof or attic insulation must have an R-38 minimum.
- c. Vapor retarders must be installed if recommended by project architect.

3.) Kitchen spaces:

- a. 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
- b. Each unit must be equipped with a 2.5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
- c. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
- d. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
- e. A 4 foot fluorescent light fixture is required.
- f. All appliances must be Energy Star rated.
- g. A grease shield is required behind ranges on the wall.

4.) Bathroom Spaces:

- a. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or

composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.

- b. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
- c. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
- d. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.

5.) Floor Finishes:

- a. Carpet materials must meet FHA minimum standards.
- b. Resilient flooring materials must meet FHA minimum standards.

6.) Other Interior Standards:

- a. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
- b. All interior doors to habitable spaces in unit(s) subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
- c. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom
- d. Window treatments are required for all windows.
- e. Sliding glass doors are prohibited.
- f. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.
- g. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.

7.) Plumbing and Mechanical Equipment:

- a. Electric water heaters must be high efficiency with a minimum 0.93 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .92 UEF for a 40-gallon tank.
- b. Gas water heaters must be high efficiency with a minimum 0.60 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .58 UEF for a 40-gallon tank.
- c. Through-wall HVAC units are not permitted in single-family homes.

- d. CPVC supply piping is not allowed for interior space in-wall or overhead services.
- e. HVAC refrigeration lines must be insulated.
- f. HVAC 14 seer or greater must be used. HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.

V. For Attached Rehabilitation of an Existing Building

The following outline of minimum standards must be used in designing Housing Credit (not applicable to projects with HOME Funds) projects of twelve or more units.

A. Minimum Building Standards:

1.) Minimum Apartment Unit Net Area Requirements:

Net area is measured from the interior finished face of the exterior wall to the interior finished face of the common or tenant separation wall.

1 Bedroom Unit	600 s.f.
2 Bedroom Unit	775 s.f.
3 Bedroom Unit	1,000 s.f.

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

No units may contain a bedroom of less than 90 square foot.

**Note 1: Net unit areas do not include outside storage, covered porches, patios, balconies, etc.*

B. Exterior Building Standards:

1.) Exterior Finishing Materials:

- a. Exterior building coverings: very low maintenance materials are required. Acceptable materials include:
 - i. Brick;
 - ii. High quality vinyl siding with a minimum thickness of .044 and a lifetime non- prorated limited warranty (50 year) transferable; or
 - iii. Cementitious siding and trim material.
 - iv. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.

- b. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.

- c. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
- d. Materials for entry doors are to be metal-clad wood, fiberglass, or metal insulated construction. “Peepholes” and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have “thumb latch” on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
- e. No Mansard Roofs are allowed. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
- f. Roof gable vents must be made of aluminum or vinyl materials.
- g. All attics must be vented.
- h. Exterior shutters are required on all 100% Brick or vinyl siding buildings.
- i. Handrails and pickets must be constructed from steel or aluminum.
- j. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6” x 6 pressure treated columns concealed as noted above or properly sized columns of fiberglass, steel, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass, steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

2.) Other Exterior Standards:

- a. Adequate exterior lighting is required at entry doors.
- b. Address numbers are to be clearly visible.
- c. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
- d. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. If bare spots or erosion exist in current landscaping, the area must be sodded. Landscaping around and between the buildings is allowed. 1 2” caliper tree per unit and 6 1-gallon shrubs per unit.
- e. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width
- f. A lighted project sign including the Fair Housing logo is required.

Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.

- g. A minimum of 1 enclosed on a minimum of 3 sides trash dumpster or compactor is required that is enclosed. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.
- h. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
- i. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the application by a geotechnical engineer.
- j. All sidewalks and walkways must be concrete and at least 36 inches wide. All public building, community building and amenities must be connected to the dwelling units by a sidewalk or walkway.
- k. Mailboxes, playground and all exterior project amenities must be on an accessible route as defined by the applicable accessibility standard(s). All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
- l. No above ground propane tanks allowed on the site.
- m. Storm Water retention basins (existing, shared and/or new construction) must be located within the property and include fencing around the entire perimeter with a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

3.) Interior Building and Space Standards:

a. Insulation Requirements:

Roof or attic insulation must have an R-38 minimum.

b. Kitchen spaces:

- i. A minimum 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
- ii. Each unit must be equipped with a 2.5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
- iii. New cabinets must have dual sidetrack drawers and no laminate

or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).

- iv. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
 - v. A 4 foot fluorescent light is required.
 - vi. All appliances must be Energy Star rated.
 - vii. A grease shield is required behind ranges on the wall.
- c. Bathroom Spaces:
- i. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.
 - ii. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
 - iii. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6' - 0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
 - iv. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.
- d. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
- e. All interior doors to habitable spaces in unit(s) subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum clear width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
- f. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.
- g. Window treatments are required for all windows.
- h. Sliding glass doors are prohibited.
- i. Floor Finishes all flooring must be replaced:
- i. Carpet materials must meet FHA minimum standards.

- ii. Resilient flooring materials must meet FHA minimum standards.
 - j. A minimum of two hard-wired with battery back-up smoke detectors is required per unit. Townhomes must have a minimum of 1 smoke detector upstairs.
 - k. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
 - l. All units pre-wired for cable television hook-ups in the living room and 1 per bedroom.
- 4.) Plumbing and Mechanical Equipment:
- a. Electric water heaters must be high efficiency with a minimum 0.93 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .92 UEF for a 40-gallon tank.
 - b. Gas water heaters must be high efficiency with a minimum 0.60 Uniform Energy Factor (UEF) for a 30-gallon tank or minimum .58 UEF for a 40-gallon tank.
 - c. Through-wall HVAC units are not permitted in residential units except in efficiency units.
 - d. HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets located within the living unit. Water heaters are to be located within the living unit.
 - e. HVAC refrigeration lines must be insulated.
 - f. HVAC 14 seer or greater must be used. On single-family homes the HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.
 - g. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.

VI. Inspections and Reports

AHFA will engage a third-party construction consultant to review the final plans and specifications prior to construction for each approved project to ensure that it meets all applicable requirements of AHFA's Design Quality Standards and Construction Manual. The applicant/Ownership Entity, project architect and general contractor will certify that the project meets the federal Fair Housing Amendments Act, the Americans with Disabilities Act and all additional accessibility requirements at the time of the submittal of the final plans and specifications, the completion of the project and the issuance of the IRS Form 8609. In addition to the plans and specification review, AHFA has the right to inspect the project during the following phases of development:

- A. During construction;
- B. At the completion of construction and
- C. Prior to issuance of the IRS Form 8609.

The applicant will be responsible for the actual cost of work completed by AHFA designated consultants.

Addendum D

Alabama Housing Finance Authority's 2021 Housing Credit Qualified Allocation Plan

Compliance Monitoring Procedures, Requirements, Penalty and Suspension Criteria

As referenced in Section III “Compliance Monitoring” of the 2021 Housing Credit Qualified Allocation Plan (QAP), the AHFA Compliance department will conduct monitoring procedures and requirements to ensure Ownership Entity and Project compliance with Section 42 (m)(1)(B)(iii) of the Internal Revenue Code and all requirements as specified in the QAP.

I. Compliance Monitoring Procedures, Requirements, and Fees:

A. AHFA will require each Responsible Owner of a Housing Credit Project to maintain records for each qualified Housing Credit building in the Project. These records must show, for each year in the compliance period, the information required by the record-keeping provisions contained in Section 1.42-5 (b) of the Treasury Regulations, incorporated herein by reference.

B. By the 15th day of each month, each Ownership Entity must enter all tenant events into the AHFA DMS Authority Online (AHFA DMS) for the prior month. If, at the time of inspection, the tenant events in AHFA DMS do not match the information in the household file inspected by AHFA both the Ownership Entity and the Management Company (including owners and managers of the Management Company) will be subject to the penalty criteria as defined in Section II I 4 f herein.

By the first business day of February each year, all tenant events from January 1st through December 31st of the previous year must be placed into AHFA DMS. A point deduction, as described in Section II E 1 of Addendum D, will be applied to the Ownership Entity and the Management Company of a Project for failing to enter all tenant events as required.

C. By the first business day of March each year, AHFA must receive from each Responsible Owner of a Housing Credit Project an Annual Owner's Certification (AOC), under penalty of perjury, as provided in Section 1.42-5 (c)(1) of the Treasury Regulations. The AOC must be completed using AHFA DMS or other approved method as provided by AHFA's Compliance department. A point deduction as described in Section II E 2 of Addendum D will be applied if a Responsible Owner fails to submit an AOC by 5:00 p.m. CST on March 1st. Failure to submit an AOC to AHFA within 30 days after written notification of non-receipt by AHFA will result in a \$500 late fee. AHFA will notify the IRS of an Ownership Entity's failure to submit an AOC no later than forty-five (45) days after the end of the timeframe allowed for correction of the failure to certify. AHFA will notify the IRS by filing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance for the 15-Year Compliance Period. Additionally, AHFA may notify HUD if deemed appropriate. Once the AOC is received, AHFA will review for compliance with the requirements of Section 42.

D. Each Ownership Entity must submit to AHFA an annual financial statement and form Schedule A (filed with IRS Form 8609 for each year during the 15-Year Compliance Period) for each Project by the first business day of May of each year. All financial statements must be sent electronically by email, flash drive, thumb drive or memory stick. Failure to submit an annual financial statement of the Project and a copy of the Schedule A within 30 days after written notification of non-receipt by AHFA will result in a \$500 late fee.

- E. A copy of the IRS Form 8609 with Part II completed by the Ownership Entity must be submitted to AHFA the first year Housing Credits are claimed for a building. Failure to submit a copy of the IRS Form 8609 with Part II completed by the Ownership Entity to AHFA within 60 days after written notification of nonreceipt by AHFA will result in a \$500 fee.
- F. AHFA will inspect each required Housing Credit Project in accordance with the AHFA Compliance Manual located at www.AHFA.com.
- G. Each Ownership Entity must allow AHFA or its designated representative to perform additional on-site inspections of any Housing Credit unit or building in a Project through the end of the applicable Extended Use Period. These inspections are in addition to any review of tenant files or units under Paragraph F. Inspections performed outside of Paragraph F will be at the expense of the Ownership Entity. Each unit or building inspection will be performed using the Uniform Physical Condition Standards (UPCS) guidelines established by HUD. The UPCS standards and related definitions provided by HUD (<https://www.hud.gov/sites/documents/appendix2-finaldictionary.pdf>) provide guidance for at least five hundred twenty (520) compliance protocols.
- H. AHFA will promptly notify the Ownership Entity in writing if AHFA is not permitted to inspect Housing Credit Project units or buildings as described in Paragraphs F and G. Fees as described in Chapter 1 Section 1.4 of the AHFA's Compliance Manual will apply if a Project's records are not available for review during the date and time for which AHFA established with the Ownership Entity and/or Management Company.
- I. AHFA will promptly notify the Ownership Entity in writing if the Project does not comply with Section 42. The Ownership Entity will be notified in writing of the stipulated period to supply missing documentation or to correct noncompliance commencing on the date of the notification letter. AHFA will notify the IRS of an Ownership Entity's noncompliance no later than forty-five (45) days after the end of the timeframe allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance is corrected. AHFA will notify the IRS by filing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance for the 15-Year Compliance Period. Additionally, AHFA may notify HUD if deemed appropriate.
- J. AHFA will charge fees to cover the administrative expenses in monitoring compliance and the expenses incurred in carrying out its duties as the Housing Credit agency, including, but not limited to, reasonable fees for legal and professional services. (Reference Chapter 1 Section 1.4 of AHFA's Compliance Manual.)
- K. Compliance with the requirements of Section 42 is the responsibility of the Ownership Entity of the building for which the Housing Credits have been allocated. The Ownership Entity of each building for which the Housing Credits are allowed is also responsible for compliance with all the accessibility, adaptive design and construction requirements of the Fair Housing Act. Failure to comply with the requirements of Section 42 or the Fair Housing Act may result in the loss of Housing Credits pursuant to Section 1.42-9 of the Treasury Regulations.
- L. AHFA's monitoring of an Ownership Entity's compliance with the requirements of Section 42 and the Fair Housing Act does not make AHFA or the State of Alabama liable to any Ownership Entity or to any shareholder, officer, director, partner, member or manager of any Ownership Entity or of any entity comprising any Ownership Entity for an Ownership Entity's non-compliance therewith.

- M. It is the policy of AHFA to immediately report to the appropriate federal department and the cognizant inspector general of such department any indication of fraud, waste, abuse, or potentially criminal activity pertaining to federal funds.
- N. AHFA will report its compliance monitoring activities annually on IRS Form 8610.
- O. The Ownership Entity must submit a copy of any health, safety, or building code violation reports issued by any regulatory or third-party entity to AHFA's Compliance department. AHFA will apply applicable point deductions for items of noncompliance found in any third-party report in accordance with Section II I of this Addendum. If AHFA becomes aware of any health, safety, or building code violation reports issued by any regulatory or third-party entity which were not submitted to AHFA's Compliance department within 30 days of the date the Ownership Entity received the report, AHFA will charge the Ownership Entity a \$500 fee.
- P. If Ownership Entity/Responsible Owner or Management Company acquires a Project and discovers the Project will require extensive file corrections, building or unit repairs, it must submit a report to AHFA within 60 days of taking possession of the Project. The report, which must be in a form acceptable to AHFA, must include both sufficient details of the repairs to be completed and a deadline to complete the repairs. If the repairs are not completed by the deadline, the point deductions will be assessed as described in Section II of Addendum D.

II. Penalty Scoring and Suspension Criteria

- A. According to the UPCS standards and related definitions provided by HUD (<https://www.hud.gov/sites/documents//appendix2-finaldictionary.pdf>), there are at least five hundred twenty (520) compliance protocols which, if noncompliance is found, are reportable noncompliance items to the IRS. AHFA has identified specific compliance protocols in Section II I of this Addendum as automatic penalty point deduction items, which for the rest of this document will be referred to as point deduction items, when noncompliance is discovered.
- B. AHFA expects, at a minimum, that each Ownership Entity and Management Company will develop a routine inspection process to ensure the items defined in Section II I are regularly inspected by their respective staff on an ongoing basis. The point deduction item categories address health and safety concerns, sanitary nature and habitable living conditions of each unit and project, and AHFA standards for minimal record-keeping practices. Since AHFA will generally provide up to a 3-day notice when scheduling compliance inspections, no cure period will be allowed for the point deduction items defined under Section II I.
- C. An Ownership Entity or Management Company is required to notify AHFA immediately upon the occurrence of a disruption/discontinuation of any service/amenity or upon the occurrence of any property damage to the Project. Such notification is required to be in a report, in a form acceptable to AHFA, which details the circumstances as well as the plan of corrective action. The plan of corrective action must include both sufficient details of how the issue will be resolved and a deadline for resolution acceptable to AHFA. If the report is submitted immediately upon occurrence, AHFA initially will not deduct points. However, point deductions will be assessed against the Ownership Entity and Management Company (inclusive of owners and managers) if AHFA determines said report was not submitted timely or if the issue is not resolved by the deadline. If AHFA determines that the disruption/discontinuation of any service/amenity or the property damage is a result of deferred maintenance or negligence, appropriate point deductions will be assessed.

- D. Inspections will be performed by AHFA, its designated representative, or other unrelated third party. At the conclusion of the onsite inspection, AHFA will provide a general verbal summary of the deficiencies identified during the inspection to the representatives of the Ownership entity and/or the Management Company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the Ownership Entity will be required to cure all deficiencies.
- E. Point deductions for late or nonsubmittal of tenant data or AOC will be assessed to the Ownership Entity and Management Company (inclusive of owners and managers) for the 2022 Competitive Application Cycle and Non-Competitive Application cycle as follows:
- 1.) 1 point will be deducted for each Project for which the Responsible Owner or Management Company fails to enter required tenant data into AHFA DMS by 5:00 p.m. CST the first business day of February of each year.
 - 2.) 1 point will be deducted for each Project for which the Responsible Owner fails to submit a correct and complete AOC to AHFA's Compliance department by 5:00 p.m. CST the first business day of March of each year.
- F. Points will **not** be deducted from a 2021 applicant's score until the total of all point deductions accumulated during 2020 (January 1st through December 31st) exceeds 4 points. If an applicant's total of all point deductions is 5 points or more, then the total of **all** point deductions **will be** deducted from an applicant's score on their 2021 application(s).
- G. AHFA will review any third-party inspection reports received from any local, state, federal or financial entity/institution with an interest in the Project, which identify noncompliance issues as defined in the QAP. AHFA will assess applicable point deductions for items of noncompliance found in any third-party inspection report in accordance with Section II I of this Addendum.
- H. The following criteria will be applied to Ownership Entity and/or Management Company of record:
- 1.) Should any of the negative actions listed in Section II D or Section II J 2 of the 2021 QAP (not Section II D of this Addendum) occur after a 2021 Application Package has been submitted and prior to approval by AHFA, AHFA has the right to terminate the Application Package.
 - 2.) If an Ownership Entity is assessed a cumulative total of 10 points or more for all AHFA projects audited and/or inspected from January 1, 2020 through December 31, 2020, the Ownership Entity/Responsible Owner will be **suspended immediately** from applying for any AHFA-funded program (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds) from the time the Ownership Entity is notified of the suspension through December 31, 2021.
 - (a) Point deductions for health and safety deficiencies related to physical inspections completed after March 15, 2020 through December 31, 2020 will not be included in the total point deduction for the Responsible Owner as long as the Responsible Owner corrects the deficiency within 5 business days of AHFA's notification of the deficiency.
 - (b) Point deductions for submission of tenant data by the 15th day of each month will not be deducted for the Responsible Owner if the Responsible Owner provided a written request for an extension to upload data on a

quarterly basis for points deducted from March 15, 2020 through December 31, 2020.

- 3.) If an Ownership Entity/Responsible Owner is suspended after a 2021 Application Package has been submitted but prior to approval by AHFA, any Application Package for which the Ownership Entity/Responsible Owner is included will be **terminated immediately**.
- 4.) If a Management Company is assessed a cumulative total of 10 points or more for all AHFA projects audited and/or inspected from January 1, 2020 through December 31, 2020, the Management Company will be **suspended immediately** from participating in any AHFA-funded program applications (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds) from the time the Management Company is notified of the suspension through December 31, 2021.
 - (a) Point deductions for health and safety deficiencies related to physical inspections completed after March 15, 2020 through December 31, 2020 will not be included in the total point deduction for the Management Company as long as the Management Company corrects the deficiency within 5 business days of AHFA's notification of the deficiency.
 - (b) Point deductions for submission of tenant data by the 15th day of each month will not be deducted for the Management Company if the Management Company provided a written request for an extension to upload data on a quarterly basis for points deducted from March 15, 2020 through December 31, 2020.
- 5.) If a Management Company is suspended after a 2021 AHFA-funded program application has been submitted, and the application is later funded, the Ownership Entity for the newly-funded Project must replace the suspended Management Company with a Management Company which is **not** currently under suspension.
- 6.) If a Management Company is suspended, a representative of the Management Company **must** attend compliance training at the AHFA office at a mutually agreeable time. Any transfer of management requests which involve a suspended Management Company will be rejected until the suspended Management Company (inclusive of owners and managers) has completed a compliance audit/inspection year (January 1st through December 31st) without a suspension and a representative of the Management Company has attended the required compliance training at the AHFA office.
- 7.) If an Ownership Entity or Management Company fails to correct any noncompliance issues related to inspections within the AHFA specified timeline and/or annual certifications, both will be immediately suspended until the noncompliance issues are corrected.
- 8.) If an Ownership Entity is prohibited from participating for 5 consecutive calendar years, the Ownership Entity will be permanently banned from applying for any AHFA-funded programs (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds).
- 9.) If a Management Company is prohibited from participating on any application for 5 consecutive calendar years, the Management Company will be permanently banned from participating on any program applications for any AHFA-funded

programs (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds). Any transfer of management requests which involves a permanently banned Management Company (inclusive of owners and managers) will be rejected.

- I. The following point deduction items discussed in Subsections 1.), 2.), and 3.) below are not intended to supplant the UPCS standards and related definitions provided by HUD and/or applicable local or other building codes. Point deductions for funding applications in 2021 will be determined based upon audits and inspections conducted from January 1, 2020 to December 31, 2020 and will be based on the point deduction items listed in Addendum D of AHFA's 2020 QAP and HOME Action Plan.

The point deduction items listed below are applicable to audits and inspections conducted from January 1, 2021 to December 31, 2021 to the Ownership Entity and Management Company of record with AHFA at the time of the inspection.

Point deductions for this QAP will be based on the following methodology:

- 1.) Health and Safety Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for health and safety deficiencies, if cited as a finding at the time of inspection. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Health and Safety Deficiencies":*

(a) Project Site, Building Exterior and Common Areas

- (i) Exposed electrical wiring or electrical hazards in tenant accessible areas.
- (ii) Tripping hazards related to sidewalks, parking lots, or other accessible exterior routes.
- (iii) Missing, broken or loose handrails or steps.
- (iv) Boarded, broken or missing exterior windows or doors

(b) Units

- (i) Missing, non-charged or empty fire extinguishers (for Projects funded under the 1999 QAP and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (ii) Missing or non-working smoke detectors for more than twenty-five percent (25%) of the total units inspected. A missing or non-working smoke detector is defined as not having at least 1 operable smoke detector per floor for each unit inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (iii) Missing fire canisters above the cooktop surface or temperature limiting plates on the cooktop surface (applies to Projects funded under the 2013 QAP and thereafter) for more than twenty-five

percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.

- (iv) Exposed electrical wiring or electrical hazards in tenant accessible areas for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category which total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (v) Insect infestation (based on visible presence, damage or reports) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (vi) Failure to inform AHFA staff in advance of any inspection of any unit(s) of a Project which is currently infested and/or being treated for bed bugs or other similar infestation.
- (vii) Mold or mildew in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (viii) Boarded, broken, or missing interior windows or doors in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
- (ix) Missing, broken or loose handrails or steps.

2.) Project Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for each of the units inspected for any of the deficiencies listed below, if cited as a finding at the time of inspection. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows “Project Deficiencies”:*

- (a) A Project amenity listed in the Ownership Entity’s application which is found to be missing or damaged without evidence of immediate notification to AHFA.

3.) Unit Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for the Project or unit amenity deficiencies listed below, if cited as a finding at the time of inspection. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows “Unit Deficiencies”:*

- (a) Missing or disconnected stoves, dishwashers, or refrigerators.

- (b) A unit amenity listed in the Ownership Entity's application which is found to be missing or damaged in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
 - (c) Missing, improperly installed, affixed, or damaged cabinetry.
 - (d) A missing or damaged drawer in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
 - (e) Units which have been vacant for more than 30 days and are not immediately available for occupancy. A unit which is suitable for occupancy should at a minimum include removal of the previous household's items (furniture, clothing and trash), repairs completed to the walls and floors, cleaned carpets and walls and general maintenance completed to the unit which creates an overall market readiness.
 - (f) Noncompliance issues, that have not incurred an automatic point deduction, found in more than twenty-five percent (25%) of inspected units.
- 4.) Documentation or File Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for the documentation or file deficiencies listed below, if cited as a finding at the time of inspection. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Documentation or File Deficiencies":*
- (a) The failure to obtain an updated utility allowance which results in a household's gross rent being in excess of the applicable gross rent limit.
 - (b) Over twenty-five percent (25%) of the households in a Project are over the applicable income limit. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
 - (c) Over twenty-five percent (25%) of files selected for audit are missing. Any findings related to this category that is twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
 - (d) Over twenty-five percent (25%) of files selected for audit indicates that tenants are ineligible households due to student rule violations. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.
 - (e) Over twenty-five percent (25%) of the households in a Project were charged over the maximum applicable rents. Any findings related to this

category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.

- (f) If AHFA DMS Event Details are not updated by the 15th day of each month for the prior month's tenant events for more than twenty-five percent (25%) of the household files inspected either a \$100 fee must be paid by the date specified by AHFA or a 1 point deduction will occur. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II I 5 herein.

- 5.) Other General Deficiencies - 2 points per occurrence (or collectively per Project audited if the same deficiency is cited) will be assessed for other general deficiencies if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party and is uncured after the end of the written specified timeframe to cure the deficiencies. All timeframes for curing deficiencies will be submitted in writing. General deficiencies include all violations or deficiencies not listed in the preceding paragraphs that are cited as findings during the AHFA onsite audits.

- J. If an Ownership Entity/Responsible Owner with less than 3 Projects funded with AHFA Housing Credits or HOME Funds submits an application for funding, AHFA reserves the right to apply the penalty criteria as specified herein in Section II of Addendum D to non-AHFA funded Projects. Violations in reports provided by AHFA, its designated representative or other unrelated third-party reports will be subject to the penalty criteria as specified herein in Section II of Addendum D. The 4-point threshold in Section II F of Addendum D does not apply to non-AHFA funded Projects.