

**LOW-INCOME HOUSING
TAX CREDIT**
DRAFT

2003 State Qualified Allocation Plan



Administered by the Alabama Housing Finance Authority

**LOW-INCOME HOUSING TAX CREDIT
2003 DRAFT STATE QUALIFIED ALLOCATION PLAN**

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I. LOW-INCOME HOUSING TAX CREDITS

The Low-Income Housing Tax Credit (LIHTC) 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 investors is a dollar-for-dollar reduction in federal tax liability.

To receive LIHTCs, 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) has developed and implemented this Tax Credit Allocation 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 includes ranking each project in accordance with its location, fulfillment of housing needs, project and applicant characteristics, participation of local tax-exempt organizations and targeting persons on public housing waiting lists;
- Develop an evaluation process whereby preference is given to projects which serve: (1) the lowest income tenants, and (2) qualified tenants for the longest period(s); and
- Develop compliance monitoring procedures to test for noncompliance with the provisions of Section 42 and for notifying the Internal Revenue Service (IRS) of noncompliance.

A. Development of Selection Criteria

Since 1992, AHFA has been responsible for preparing the Comprehensive Housing Affordability Strategy for the State of Alabama and is currently a participant in the Consolidated Plan process. The Consolidated Plan provides a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

Prior to making an assessment relating to the housing needs of the state, AHFA prepared an extensive list of interested relevant parties 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 submitted, AHFA then compiled the information for inclusion within the Consolidated Plan. The data used in the Consolidated Plan has been drawn from the 1990 Census. A current analysis of the 2000 Census is underway and should be complete by mid-2003.

The Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies the housing needs associated with special needs groups (minorities, single-parent families, the elderly, people with disabilities, mental illness, or AIDS/HIV and homeless persons).

The Consolidated Plan 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.”

Additionally, the Consolidated Plan has been updated with historical AHFA data, including a list of HOME and Tax Credit projects placed in service and/or committed by AHFA since the 1990 Census. Findings from the 2000 Census will dictate some additional updating of the state Consolidated Plan in the months ahead. The new Census data however is not expected to dramatically alter the state's affordable housing priorities. Great unmet needs still exist and AHFA will use available resources to address them.

While state HOME funds and LIHTCs provide hundreds of traditional affordable housing units across Alabama each year, the overwhelming majority of beneficiaries have been families and, in some cases, the elderly. Meeting those needs is consistent with Consolidated Plan findings and the need for additional family units and elderly units should remain strong for the unforeseen future.

B. Establishment of Housing Priorities

AHFA has established certain housing priorities to be used in the distribution of Tax Credits. In establishing these housing priorities for the 2003 allocation cycle, AHFA seeks to promote:

- Projects that add to or significantly upgrade the existing low-income housing stock;
- Projects which, without Tax Credits, would not likely set aside units for low-income tenants;
- Projects which use additional assistance through federal, state, or local subsidies; and
- Balanced distribution of Tax Credits throughout the state in terms of geographical regions, counties, urban area, and rural areas.

C. Project Selection Criteria

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 for funding using the Low-Income Housing Tax Credit program. AHFA is required to provide such individual a reasonable opportunity to comment on the project. Comments made by the executive officer will be considered by AHFA, along with other market information, to determine the feasibility or viability of the project.

While a lack of expressed support does not mean that the project is necessarily opposed by the community, more consideration is given to projects which are able to demonstrate support from the communities they will ultimately serve. AHFA recognizes that having community support can also reduce the "NIMBY" (Not-In-My-Backyard) issues that may accompany an affordable housing project.

AHFA is required to evaluate each application to determine which projects should receive tax credits. Applicants must complete the following basic steps:

1. A complete application must be submitted to AHFA. The application package contains a checklist outlining items necessary to complete the application. The application is deemed complete if all pages are submitted on original forms with

original signatures, legible, and all applicable spaces are fully completed. All AHFA provided forms/documentation (see application checklist) must be submitted with the application in original form with original signatures. These forms/documentation must be submitted in numerical order behind the index pages, which are included in the application package. The application should not be in a binder or spiral binding. Failure to meet any of the above instructions will result in point deductions in the Point Scoring System (see Section III (B)(1)). If an application remains incomplete after notification by AHFA of the missing documents and expiration of the time allowed for submission of said items, the application will be rejected, and no further consideration will be given.

2. Qualified multifamily residential rental projects must meet the basic occupancy and rent restrictions required of Section 42.

When Tax Credits are combined with HOME funds the project must meet the occupancy and rent restrictions required in Section 42 and the HOME regulations, whichever is more restrictive.

Residential rental projects must be on a single site or contiguous sites. Sites *may be considered* contiguous if separated only by one neighborhood street. Mobile homes and scattered site developments do not qualify. Intermediate care facilities, group homes, and congregate care facilities are not allowed. In addition, any residential rental unit that is part of a hospital, nursing home, sanitarium, lifecare facility, or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for Tax Credits under Section 42. Projects with combined HOME funds and Tax Credits must contain no more than 56 units. Further, projects applying for Tax Credits must contain no fewer than 12 units. An exception to this requirement will apply if the project is a proposed HUD or USDA Rural Development rehabilitation.

All residential rental units must be under common ownership, deed, financing and property management.

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

3. Market feasibility. The proposed rental project must meet basic market feasibility requirements. A market study conducted by an independent third party market analyst must, at a minimum, document the following criteria. **Please refer to the AHFA's Market Study Certification Form that is included in the application package for detailed market study requirements.**

- a) Project's market area;
- b) Supply analysis;
- c) Demand analysis;
- d) Market feasibility of the proposed rent structure;
- e) Analysis of the relationship between supply and demand; and
- f) Summary of salient facts and conclusions.

The applicant must provide a market study demonstrating an adequate market for the proposed units. If AHFA does not agree with applicant's market study or feels

that the proposed project would adversely impact existing projects or create excessive concentration, AHFA reserves the right to obtain, at the applicant's expense after prior notice, a market study or other information from an independent consultant for AHFA's consideration in resolving the matter.

4. Financial feasibility. The project must meet certain financial feasibility requirements. See Section II E (1)(c)(page 9) of this Tax Credit Allocation Plan.
5. Prove adequate infrastructure capacity within the city (or county) in which the proposed project is/will be located.
6. Likelihood of sustained 15-year compliance with Section 42.

D. Amendments

AHFA is entitled to amend this Tax Credit Allocation Plan, including compliance monitoring provisions, as required by the promulgation or amendment of Section 42, HOME Rules and Regulations, or both, from time to time. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

E. Future-Year Binding Commitments

AHFA reserves the right to issue reservations for future year Tax Credit allocations.

II. AHFA ALLOCATION PROCESS

A. Application Cycles

The dates of application cycles will be determined by AHFA on an annual basis. All individuals who have requested to be on the mailing list (see Section II B) will receive notification of the cycles by mail. Notice of the cycle will also appear in *The Birmingham News*, *The Huntsville Times*, *The Mobile Press Register* and *The Montgomery Advertiser*.

Persons wishing to apply for Tax Credits must request and complete the AHFA Multifamily Funding application. Applications may be obtained by letter request. All correspondence and inquiries are to be directed to the following:

Alabama Housing Finance Authority	
Attn: Multifamily Division	Phone Number: (334) 244-9200
P. O. Box 230909	Fax Number: (334) 244-9214
Montgomery, Alabama 36123-0909	

Applications received during a cycle will be evaluated on a competitive basis. A \$500.00 non-refundable fee must accompany the application. The fee must be in the form of a cashier's check or certified funds.

Please note: Regardless of the funding decisions, the application fee is non-refundable.

AHFA may, at its discretion, allocate Tax Credits without the use of application cycles

or the point scoring system to:

- Any project receiving State HOME funds;
- Any project financed by tax-exempt bond financing;
- Any project financed by HUD's HOPE VI Program;
- Any project placed in service that has already received a Tax Credit allocation, has a final cost certification that indicates the need for additional allocation, and has been approved for additional credits by AHFA; and
- Any other program(s) deemed eligible by AHFA.

However, owners for the projects listed above may be required at AHFA's discretion to submit a complete application and be subject to AHFA's threshold items and AHFA's underwriting and cost requirements in order to be considered for a Tax Credit allocation or additional allocation.

B. Mailing List

AHFA's mailing list is updated annually. Therefore, anyone not on the AHFA's mailing list and wishing to receive notifications of application cycles and other related AHFA activities must request to be placed on the mailing list. That *written* request must be sent to the aforementioned address. AHFA will contact everyone on the mailing list each year to request updated information and to determine if anyone wishes to be removed from the mailing list.

C. Application Threshold Requirements

Although AHFA recognizes that each application submitted is different, certain standard requirements **must be** met by all applicants before the application can be considered. These include:

1. 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 as evidenced by a purchase option. Because of regulations that impact the varying lengths of the approval process for each property, AHFA strongly suggests that the applicant secure, at a minimum, a six-month purchase option with an option to renew for an additional six months.
2. Proper Zoning. The applicant must provide evidence that the property owned/to be owned is properly zoned and consistent with the proposed project's use. (AHFA does not consider the property zoned if 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.
3. Market Study. The applicant must provide a market study conducted by an independent third party market analyst with a signed Certification of Market Study Requirements Form provided by AHFA in the application package.
4. Certification of Consistency with the Consolidated Plan. (HOME/Tax Credit only) If the proposed project is in an area that is covered by a local Consolidated Plan (see instructions for list), the applicant must have the certification of consistency completed by an authorized official of the participating jurisdiction. If not, the project will be under the State of Alabama's Consolidated Plan and a letter will not

be required. *Applications applying for Tax Credits only do not have to provide certification.*

5. Design Quality Standards. All projects are required to meet **AHFA's Design Quality Standards, (Addendum A)**. These are minimum standards. AHFA will permit projects to exceed these standards. Each applicant may construct the proposed project in a manner that reflects applicant goals or that exceeds local building codes.
6. Minimum Rehabilitation. The minimum rehabilitation threshold is \$6,000 in hard construction costs per qualified low-income unit.
7. Flood Certification. The applicant must provide a completed FEMA Standard Flood Hazard Determination Form from a nationally recognized flood data service or from a licensed surveyor that no portion of the property is located within the 100-year flood plain.

Any applicant applying for a Tax Credit allocation for a project financed with tax-exempt bonds, does not have to compete in the point scoring process. However, the application must meet all of the Tax Credit Allocation Plan's required threshold items and AHFA's underwriting and cost requirements.

D. Negative Actions

Should the following actions occur after the application has been submitted to AHFA, consideration for the application will terminate:

- a) Site change;
- b) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner or removal of an existing general partner) without prior written consent of AHFA;
- c) 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;
- d) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by local regulatory codes);
- e) Change in the general contractor without prior written consent of AHFA;
- f) Change in the management company without prior written consent of AHFA;
- g) Change in the architect without prior written consent of AHFA;
- h) Instances of excessive or flagrant non-compliance on applicant's existing projects;
- i) Any staff or 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 Low-Income Housing Tax Credits;
- j) Applicant has a project with AHFA that is in foreclosure or has been foreclosed; and/or
- k) Any material adverse change relating to the project or owner or any factual information supplied in connection with the application proves to be incorrect or fraudulent.

The above list of negative actions is not all-inclusive. The application package itself will list other necessary requirements.

E. Application Evaluation

1. Process of Evaluation. Each application submitted will be subject to the following evaluations:
 - a) Completeness. Applications will first be examined for completeness. Should an application not be complete as defined on page 5, Section C, Part I of this Tax Credit Allocation Plan, it will receive point deductions. If the application is still incomplete after time has been given to submit the missing or deficient items, the application will be rejected, and no further consideration will be given.
 - b) Point Scoring System. Once the application is checked for completeness, the application will be further evaluated using the Point Scoring System included in Section III.
 - c) Financial Feasibility. Once the application is point-scored, the project will then be evaluated to determine its financial feasibility, including examining the market in which the project is located and performing an initial review of costs in connection with the proposed sources of funds.

AHFA will require a minimum debt service coverage ratio of 1.15 (1.05 in USDA RD properties) for Tax Credit development debt financing that would foreseeably result in foreclosure if not repaid. For purposes of this standard, debt service coverage is defined as the ratio of a property's net operating income (rental income less operating expenses and reserve payments) to forecloseable, currently amortizing debt service obligations. AHFA will determine the allowable operating expense based on historic and current Tax Credit properties' financial statements.

AHFA will require the project to establish and maintain throughout the compliance period a minimum operating reserve. The operating reserve will be an amount equal to six months of the projected first year operating expenses.

AHFA will require the project to establish and maintain throughout the compliance period a minimum replacement reserve of \$250 per unit annually (for seven years).

AHFA's determination of the appropriate amount of Tax Credits is not a representation or warranty as to the financial feasibility of such project, and may not be relied upon as such by the applicant, owner, developer, investor, lender or any other person.

The amount of equity capital (net syndication proceeds) contributed by investors to a project partnership shall not be less than the amount generally contributed by investors to similar projects in current market conditions. In the event that the project owner receives less equity capital than the amount, which should be obtained based on current market conditions, AHFA will underwrite each project at the current market rate. Any equity deficits will become the responsibility of the owner to contribute.

- d) Credit Worthiness. AHFA will perform credit investigations of the individuals

and trade reports of business involved in the development and operation of the project. If these reports prove to be less than satisfactory, the application may be rejected.

- e) Reasonableness of Project Costs. Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed solely at the discretion of AHFA. Additional information and documentation (verified by AHFA and/or AHFA's designee) may be required to substantiate the reasonableness of the cost. Any allocation made will be determined using AHFA's assessment of cost.

AHFA requires a cost certification made by an independent CPA verifying that the owner has met the 10% test as required by the Carryover Allocation Agreement for Tax Credits. 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 final allocation of the Tax Credit. When the project is placed in service, AHFA requires the final cost certification to be made by an independent CPA.

- 2. Frequency of Evaluation. Applications will be evaluated at least three times:

- a) At submission;
- b) When the allocation is made; and
- c) When the project is placed in service.

F. Developer and Builder Fees

- 1. Developer Fee (New Construction and Rehab). The developer fee, which includes the developer's overhead and profit plus consultant fees and the owner's profit, should not exceed 15% of the total project costs (excluding the developer fee).
- 2. Developer Fee (Acquisition). The developer fee on acquisition costs only will be determined based on the following scale:

<u>Per Unit Hard Construction Costs</u>	<u>Maximum Developer Fee</u>
\$6,000-\$8,000 rehab expenditures	5%
\$8,001-\$10,000 rehab expenditures	10%
\$10,001 and over rehab expenditures	15%

*The acquisition fee on Rural Development projects will be capped at 8%.
A capital needs assessment will be required on all rehabilitation properties.*

- 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.
- 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. "Identity of Interest" is defined by HUD and is repeated in the application

instructions contained in the AHFA's Multifamily Funding Application package.

G. Tax Credit Allocations

Any Tax Credit allocation awarded will be calculated first by using AHFA's computed eligible basis.

1. Four Percent Credit. AHFA will compute the Tax Credit allocation at a maximum of 4% of AHFA's determined Eligible Basis if the project is (or will be):
 - a) A Federally Subsidized Project. A new building or substantial rehabilitation of an existing building shall be treated as federally subsidized for any taxable year if, at any time during such taxable year or any prior taxable year, there is or was outstanding any obligation the interest on which is exempt from tax under Section 103, or any below-market federal loan, the proceeds of which are or were used (directly or indirectly) with respect to such building or the operation thereof;
 - b) A HOME-Financed Project unless the owner elects to rent at least 40% of the units in the project to tenants at 50% of the area median income; and/or
 - c) Any Qualifying Acquisition.
2. Nine Percent Credit. The computed Tax Credit allocation will be a maximum of 9% of AHFA's determined Eligible Basis for any new building or substantial rehabilitation of an existing building that is not federally subsidized.
3. Ceilings. No single project will be allocated Tax Credits in excess of 12% of the state's 2003 credit ceiling, and no related entities, principals or individuals thereof shall be allocated Tax Credits in excess of 12% of the state's credit ceiling. Regardless of each individual owner's percentage of ownership in a project, 100% of the project's Tax Credit allocation will count towards all caps for all owners.

There will be an exception to the project cap and owner cap for a development located in a Qualified Census Tract. This exception only applies to one project. There will be an exception to the owner cap for 4% Tax Credit projects.

When Tax Credits are combined with HOME funds, no related entities, principals or individuals shall be allocated HOME funds in excess of 15% of the state's 2003 HOME fund allocation. Regardless of the percentage ownership in a project, 100% of the project's HOME fund allocation will count towards all caps.

H. Notification of Approval

The applicant will be notified of AHFA's decision in the form of a reservation letter. The Reservation Letter will outline actions by which owners, if they accept the terms, must abide. Failure to abide by the terms of the reservation will automatically terminate such reservation.

I. Progress Requirements After Reservation

From the date of the reservation, the applicant has the outlined time constraints set forth below in which to obtain the following items. Failure to comply with any one of the items may cause the reservation to be automatically terminated:

1. Within 10 days of the date of the Reservation Letter, the applicant must:
 - a) Submit the Certificate of Existence from the Secretary of State (must be dated prior to execution of the reservation letter).
 - b) Submit the original executed Reservation Letter acknowledging acceptance of the terms and conditions.
 - c) Remit a cashier's check or certified funds in an amount equal to 10% of the first years Tax Credit allocation.
 - d) Carryover Allocation Agreement.

2. Within 30 days of the date of the Reservation Letter, the applicant must:
 - a) Submit a legally binding commitment for construction and permanent financing which details the specific terms of funding and repayment and is not subject to further approval of the creditor's board or credit committee.
 - b) Submit an executed binding commitment for syndication in form and content acceptable to AHFA.
 - c) Submit evidence that an application for a Site Appraisal and Market Analysis (SAMA) or Multifamily Accelerated Process (MAP) has been made if the project is to be financed by HUD.
 - d) Syndicator Relevant Experience Form in an AHFA provided form.

3. Within 60 days of the date of the Reservation Letter, the applicant must:
 - a) Provide final stamped plans and specification.
 - b) Provide a site specific soils report.
 - c) Provide a Certified Survey bound within the Plans and specifications.
 - d) Provide standard form of agreement between owner and the architect.
 - c) Provide the utility letters.

4. Within 90 days of the date of the Reservation Letter, the applicant must:
 - a) Provide certified organizational documents.
 - b) Provide a copy of the complete to-be-built appraisal.
 - c) Provide phase I environmental.
 - d) Provide construction cost Estimate summary.
 - e) Provide detailed construction schedule.
 - f) Provide standard form of agreement owner and contractor (AIA form)

5. Within 120 days of the date of the Reservation Letter, the applicant must:
 - a) Submit a copy of executed construction note or agreement.
 - b) Take full possession of the site as evidenced by the warranty deed.
 - c) Provide original recorded Declaration.
 - d) Submit a copy of the building permit.
 - e) Provide proof of construction commencement evidenced by copy of Owner's Notice to Proceed to project's General Contractor.

- f) Provide Title Insurance Policy.
- 6. Within 6 months of the date of the Carryover Allocation, the applicant must incur more than ten percent (10%) of the reasonably expected basis in the project.
- 7. Within 60 days after the project is placed in service, the owner must provide AHFA with the Actual Cost Certification package.
- 8. Within the first-year credit period the owner must close the first mortgage and receive the IRS Form 8609 from AHFA.

AHFA is under no obligation to issue 8609s for the current year if the package is received after December 2, 2003.

J. Negative Action After Reservation until the Placed-in-Service Date

Some actions on the part of the applicant will cause the reservation to be terminated:
See Section II (D)(page 8) of the Tax Credit Allocation Plan.

K. Change in or Denial of Tax Credit Allocation

The evaluations listed in Section II (E)(2) of the Tax Credit Allocation Plan may result in a possible change in the amount of Tax Credits allocated to a project or denial of the total allocation altogether due, but not limited to, one of the following reasons:

1. Information in the application submitted is determined to be incorrect or fraudulent;
2. Conditions in the Reservation Letter are not met;
3. Changes in the actual cost of the project;
4. Applicant obtains additional subsidies or financing other than those disclosed in the application;
5. Additional syndication proceeds other than those disclosed in the application;
6. Subsequent regulations issued by U.S. Treasury or the IRS pertaining to Section 42; and/or
7. 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, adverse change in the financial condition of the applicant, 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 Memorandum of Understanding ("USDA MOU"), executed August 14, 1997, between AHFA and USDA Rural Development, will apply to applicants seeking both Tax Credits and RHS 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 Memorandum of Understanding ("HUD MOU"), executed August 30, 2000, between AHFA and HUD, will apply to applicants seeking both Tax 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 Tax Credit allocations. Therefore, it is in the best interest of everyone concerned 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. Any modification made by the applicant to the final cost certification after AHFA has issued IRS Form 8609 is subject to a re-processing fee. Said modification must be acceptable to AHFA in order for the amended 8609 to be issued.

III. POINT SCORING SYSTEM

Through the point scoring system, AHFA will award points to projects that best meet the identified housing priorities for the State.

The point scoring system will rank each project in two categories. The ranking of the project will be determined by adding the two section scores together and deducting any points lost to get an overall project score. The point scoring system will largely determine which projects should be funded.

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

In the event of a tie between two or more applications, the application located in a county that has not received funds in the current cycle by a higher scoring application will be funded. However, if there still remains a tie, AHFA will conduct a drawing to determine the application that will be funded. The drawing will occur during AHFA's Board meeting in which the Tax Credit allocations are scheduled for consideration by the Board. An impartial person will be selected to draw. The owners of the application are not required to be present.

AHFA reserves the right to deny a Tax Credit reservation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's sole determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a Tax Credit reservation be awarded out of the ranking order established by the points earned, based on the amount of Tax Credit allocation needed relative to the amount of funding available or the financial feasibility and /or viability of the project.

AHFA reserves the right to allocate credits in a manner that yields equitable distribution of credits throughout the State.

A. POINTS GAINED

1. Project Characteristics (Maximum 90 Points)

a. Type of Construction (Maximum 29 Points)

- A maximum of 5 points (1 point each) will be given to projects which provide extra unit/project amenities such as common laundry facilities, washer/dryer connections in each unit, gazebo, community TV, etc. Refer to the application for distinction between an *extra* amenity and a *required* amenity.
- 3 points will be given for solid sod, which must be provided a minimum of 20 feet from all sides of every building and between all buildings and paved areas. Landscaping around the building is allowed.
- 3 points will be given to projects that promote energy conservation by exceeding the standards of the Council of American Building Officials Model Energy Code, as verified by the project architect.
- 3 points will be given to projects that are designed and built to exceed a 15-year maintenance-free exterior standard, as verified by the project architect.

New Construction Projects Only

- 3 points will be given for all on-site paved areas, which must be concrete (a soils report prepared by a geotechnical engineer is required).
- 3 points will be given for a 30-year roof as evidenced by manufacturer's warranty.
- 3 points will be given for storm windows and insulated exterior doors or Thermal break insulated windows and insulated exterior doors.
- 3 points for full brick/cementitious siding, stucco, or concrete masonry unit (CMU) products (no EIFS is acceptable). A minimum of 60% of each exterior wall of the building shall be brick. The remaining 40% 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, or CMU to be considered full brick.
 1. *One story buildings* - Full brick is defined as "brick exterior facades from finished grade elevations to eave line."
 2. *Two or more story buildings* - Full brick is defined as "brick exterior facades from finished grade elevation to the bottom of the second floor windows."
- 3 points will be given for underground utilities.

Rehabilitation Projects Only

- 3 points will be given for replacing existing roof with a 30-year roof as evidenced by manufacturer's warranty.

- 3 points will be given for replacing all entry doors with insulated exterior doors and replacing all windows with storm windows or thermal break insulated windows.
- 3 points will be given for replacing all kitchen cabinets, countertops, and appliances.
- 3 points will be given for replacing all plumbing fixtures and water heaters.
- 3 points will be given for replacing all HVAC equipment.

b. Rent Affordability (Maximum 24 Points)

- 6 points will be given to projects which commit to renting 100% of the total units at the 50% rent level or fair market value, whichever is less throughout the compliance period. **This election only restricts the rents charged and does not effect or change the income election of the property.**
- 5 points will be given to projects, which have a commitment for existing federal, state and municipal subsidies, Historic Tax Credits, FHLB, or other government assistance (**AHFA HOME funds are not considered for points**). These subsidies should reduce the cost of the project or debt service. This may be achieved by providing donated land, low interest rate loans or long term financing. (**See Instructions for requirements**)
- 5 points will be given to projects which have committed in writing to extend the low-income set-aside, at a minimum, five years beyond the 15 years required by law (minimum 20 year low-income set-aside).
- A maximum of 5 points will be given if there is a commitment for rental assistance to the low-income units. Welfare, unemployment compensation, and Social Security payments are not eligible under this section.
 - 5 points (Project-based rental assistance, the assistance must be available for 100% of the qualified units and be based on the tenant's income. For example, USDA RD and HUD programs.)
 - 3 points (For owner-financed project-based rental assistance, the assistance must be at least an equivalent of \$50.00 per unit per month for a minimum of 25% of the low-income units (rounded up) for at least ten consecutive years.) *At the end of ten years, any unused funds should remain available to assist tenants throughout the compliance period.*
- 3 points will be given to projects; which elect to designate 100% of the rental units for low-income housing tenants. *All tenants must be at or below 60% of Area Gross Median Income ("AGMI").*

c. Special Needs Housing (Maximum 13 Points)

- 4 points will be given to projects with 100% of the units in the project designed, equipped and set-aside for elderly, or people with disabilities.
- 4 points will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the units having three or more bedrooms. **(If an applicant chooses 100% elderly, the applicant will not receive points for three or more bedrooms.)**
- A maximum of 3 points (1 point each) will be given to applicants that provide services and/or activities for the tenants free of charge. In order for the service to be eligible for points, the owner must pay for the service, provide a place for the service, or provide transportation to the service. One point will be awarded for each fully completed Tenant Service form (see application package).
- 2 point will be given to projects which have committed in writing to target households on the public housing waiting list.

d. Readiness Issues (Maximum 12 Points)

- 4 points will be given to applicants with evidence of attendance at the AHFA sponsored HOME/Tax Credit Training Seminar. The attendant must be a member of the development team.
- 4 points will be given for evidence that the applicant has secured construction and permanent financing sufficient to complete the project, as evidenced by a firm letter of commitment from a lending institution. The borrower must accept the commitments, if required by the lending institution. A general letter of interest or support is *not* a firm commitment. To be considered a commitment, the document must contain the terms, conditions, interest rate, disbursement conditions, security requirements, and repayment provisions and be signed by an authorized representative of the lending institution. The commitment may be subject to an allocation of Tax Credits or HOME funds. The commitment may not be subject to final credit approval by the lending institution.
- 2 points will be given for dated and executed organizational documents.
- 2 points will be given for evidence of availability of *all* utilities to the site or evidence that they will be provided electricity, gas, water, sewage, and telephone. *The sewage letter must state whether there is capacity to serve the proposed units.*

e. Project Type (Maximum 10 Points)

- 4 points will be given for rehabilitation of existing low-income housing (e.g. USDA RD and HUD). A minimum of \$10,000 per unit of hard construction cost must be completed in order to receive points.
- 3 point will be given for applicants that apply for a four-percent (4%) credit only. (The four-percent (4%) Acquisition credit does not qualify for the points)
- 2 points will be given to HUD and USDA RD “distressed” properties. AHFA defines “distressed” properties as being in risk of foreclosure. A letter from

HUD or USDA RD must be submitted with the application stating the reason property is “distressed”.

- 1 point will be given for applicants that propose a project intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, or townhomes to be eligible for points. Projects consisting of townhomes must be exactly 12 units to be eligible for points

f. Location (Maximum 2 Points)

- 2 points will be given to projects located in qualified census tracts, the development of which contributes to a concerted community revitalization plan. A copy of the written Revitalization Plan’s applicable pages must be submitted with the application package.

2. Applicant Characteristics (Maximum 10 Points)

- 4 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:
 - a. Minorities or women have ownership in the project;
 - b. Minority- or women-owned business or individual(s) (is/are) listed as the developer on page 2 of the application;
 - c. Applicant/Owner guarantees at least 10% of the total building cost (line 19 of the Estimated Cost Certification) is awarded to minority- or women-owned businesses.

*In all cases the minority or female individual(s) must have at least a 50% ownership interest as the project’s general partner or 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.***

- A maximum of 3 points will be given to owners (individual(s), corporation(s), or in the case of a limited partnership, the general partner(s)) who have previous successful experience in the development of multifamily housing. The owner may include experience gained as an owner in another firm, but not as an *employee* of another firm.

3 points (3+ projects)

2 points (2 projects)

1 point (1 project)

- A maximum of 3 points will be given to applicants with sound experience as managing agents of **low-income** housing. This experience is defined by the highest number of units currently managed or has previously managed. Only

those units in projects that are considered low-income units will be counted in this total.

- 3 points (101+ units)
- 2 points (49-100 units)
- 1 point (24-48 units)

B. POINTS LOST

1. Incomplete Application (No Maximum Points Lost)

If threshold documentation is missing or a threshold requirement is not met at the time AHFA receives the application, the application will no longer be considered. AHFA may request a clarification of a threshold requirement and determine if complete at AHFA’s discretion.

One (1) point per missing or incomplete document will be deducted from an applicant’s score if AHFA, during the completeness check, must notify the applicant of any document(s), which must be submitted. If the documents are not received by the specified time, the application will no longer be considered.

2. Project Location (Maximum Loss of 9 Points)

Point deductions for project location is cumulative to a maximum of 9 points.

- 5 points will be deducted for applications located in counties that AHFA funded a project (excluding HOME only projects) in the 2002 application cycle. The applicable counties are:

Baldwin	Cherokee	Clarke	Dallas
Jefferson	Lauderdale	Lee	Limestone
Madison	Marshall	Montgomery	Morgan
Pike	Tuscaloosa		

- 3 points will be deducted for applications located in counties that AHFA funded a project (excluding HOME only projects) in the 2001 application cycle. The applicable counties are:

Baldwin	Calhoun	Elmore	Etowah
Greene	Jackson	Jefferson	Lauderdale
Lee	Limestone	Madison	Marshall
Montgomery	Morgan	Pike	Tuscaloosa

- 1 points will be deducted for applications located in counties that AHFA funded a project in the 2000 application cycle. The applicable counties are:

Autauga	Baldwin	Barbour	Butler
Calhoun	Colbert	Crenshaw	DeKalb
Elmore	Houston	Lamar	Lawrence
Limestone	Macon	Madison	Marion
Mobile	Monroe	Morgan	Perry

Applications for the rehabilitation of existing residential housing will not be subject to point deductions in any county.

AHFA will not consider an application that is submitted in Baldwin, Jefferson, Madison, Mobile, and Montgomery counties unless all AHFA 2000, 2001, and 2002 funded projects within a 3 mile radius of the proposed site have been placed in service and are 90% occupied at the time of application. Projects funded with Tax Credit only, Tax Credit combined with HOME funds, and tax exempt Bonds combined with Tax Credit will be considered within the 3-mile radius. Projects funded with HOME only funds will not be considered.

AHFA will not consider an application that is submitted in a county (Excluding HOME only projects) that AHFA funded in 2000, 2001, and 2002 unless all AHFA 2000, 2001, and 2002 projects within a 1-mile radius of the proposed site have been placed in service and are 90% occupied at the time of application. Projects funded with Tax Credit only, Tax Credit combined with HOME funds, and tax exempt Bonds combined with Tax Credits will be considered within the 1-mile radius. Projects funded with HOME only funds will not be considered.

AHFA will provide reasonable assistance in determining occupancy of applicable projects, upon request. All information provided to applicants by AHFA will be based upon third party information reported to AHFA. AHFA will confirm occupancy of all applicable projects at the time of application.

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

3. Compliance (Maximum Loss of 15 Points)

- A maximum of 10 points will be deducted if the applicant's existing projects are not in compliance with Section 42, the HOME Regulations or AHFA's policies and procedures.
- A maximum of 5 points will be deducted if the applicant has not met the Davis-Bacon requirements on any existing project.

See breakdown of points for both existing projects and existing Davis-Bacon files.
(Addendum B)

4. Returned Credits

- 10 points per project will be deducted if a 1995 or later project was not or has not been placed in service within 24 months of receiving the reservation.
- 5 points per project will be deducted if a 1996 or later project received a reservation for Tax Credits but did not meet the minimum 10% carryover requirement that resulted in returned credits.

Point deductions for returned Tax Credits only apply to the Tax Credit allocation cycle following the year the Tax Credits were returned.

5. Site Selection (Maximum Loss of 13 Points)

- A maximum of 10 points will be deducted from the project's score for any detrimental characteristics on or adjacent to the site exist. These include, but are not limited to, utility substations, landfills, railroad tracks, major highways, industrial plants, topography inconsistent with proposed use, etc.
- A maximum of 3 points will be deducted on the following scale regarding the project's distance from a grocery store (Contains bread, milk, over the counter medicines) or pharmacy. See application instructions for the definition of services and for determining the distance from project:

<u>Distance</u>	<u>Point Deduction</u>
Over one mile	1 point
Over two miles	2 points
Over three miles	3 points

IV. 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 Low-Income Housing Tax Credits as determined by Section 42 and related Treasury Regulations (Reg.). The compliance monitoring procedures and requirements are as follows:

- A. AHFA will verify that the owner of a low-income housing project is maintaining records for each qualified low-income 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 Reg. §1.42-5(b)(1), incorporated herein by reference.
- B. AHFA will verify that the records documenting compliance with Section 42 for each year as described in Paragraph A above are retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year. AHFA will also verify that the records for the first year of the credit period are being retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.
- C. AHFA must receive from the owner of a low-income housing project written certification, under penalty of perjury, as provided in Reg. §1.42-5(c)(1) and other applicable HOME Regulations, which certification provisions are incorporated herein by reference. Owners must also supply a copy of the Schedule A (Form 8609) Annual Statement filed with the federal income tax return of the ownership entity. Both of these documents are to be submitted annually by May 1.
- D. AHFA will review the certifications described in Paragraph C above for compliance with the requirements of Section 42.

- E. AHFA will inspect at least 20% of the low-income housing projects each year and will inspect the low-income certification, the documentation the owner has received to support that certification, and the rent records for each low-income tenant in at least 40% of the low-income units in those projects. AHFA will determine which tenants' records are to be inspected, in accordance with Reg. §1.42-5(c)(2)(iii). AHFA will also conduct a physical inspection of at least 20% of the low-income units in projects selected for tenant file review.
- F. The owner must allow AHFA to perform an on-site inspection of any low-income building in the project through the end of the compliance period. This inspection is separate from any review of tenant files under Paragraph E and will include habitability requirements.
- G. AHFA will promptly notify the owner in writing if AHFA does not receive the certification described in Paragraph C, or is not permitted to inspect and review as described in Paragraphs D, E, and F, or otherwise discovers that the project does not comply with Section 42. In such event, the owner will be allowed a correction period to supply missing documentation or to correct noncompliance. This correction period begins the earlier of: (1) the date the notification is mailed or (2) the date of the inspection.
- H. AHFA will notify the IRS of an owner's noncompliance or failure to certify no later than 45 days after the end of the time allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. AHFA will notify HUD and/or the IRS by filing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance.
- I. AHFA will charge fees to cover the administrative expenses in monitoring compliance and to collect all expenses incurred in carrying out its duties as the Tax Credit agency, including but not limited to, reasonable fees for legal and professional services.
- J. During the compliance period, the owner will furnish to AHFA within 90 days of the close of each fiscal year a consolidated statement of financial position, an income and expense statement, and a rent roll of the project for that fiscal year. These items are to be certified by the owner.
- K. Compliance with requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. AHFA's obligation to monitor for compliance with the requirements of Section 42 does not make AHFA or the State of Alabama liable to any owner or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any owner for an owner's non-compliance therewith.
- L. Owners and managers must attend AHFA's compliance training within 150 days of receiving IRS Form 8609 from AHFA.
- M. Failure to comply with all of the accessible and adaptive design and construction requirements of the Fair Housing Act may result in loss of tax credits pursuant to 26 C.F.R. § 1.42-9.

Addendum A

Design Quality Standards Twelve (12) or More Units

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

Any deviations from these standards should have the prior written consent or approval of the Alabama Housing Finance Authority.

All projects must be designed in accordance with the applicable requirements of the Americans with Disabilities Act, Section 504 Requirements, Fair Housing and any local building codes.

2. Site Selection Criteria:

- A. Proposed sites contained within a 100-year flood plain are not permitted.
- B. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices.

- C. 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 one (1) soil boring per planned building location and a minimum total of two (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.
- D. Sites located outside municipal city limits:
 - 1. A proposed new construction site may be located outside a municipality’s city limit, but must be within the local police or sheriff jurisdiction.
 - 2. A proposed site 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.

3. Building Design Criteria

- E. Maximum Building Standards:
 - 1. The square footage of the Project’s community building must not exceed 2,500 square feet (inclusive of the office area, community laundry, mechanical room, restrooms, kitchens, porches, etc.).
 - 2. All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed servicing all upper level apartments. Design exceptions, or deviations, may be reviewed by AHFA on an individual basis.

F. Minimum Building Standards:

- 1. Minimum Apartment Unit Net Area Requirements:
 - a. “Net” area is measured from the **interior finished face** of the exterior wall to the **centerline** of the common, or party, wall.
 - b. 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	1,050 s.f.	120 s.f.
4 Bedroom	2	1,250 s.f.	120 s.f.

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

- 2. Exceptions to the minimum area requirements:
 - a. Projects with USDA Rural Development (formerly FmHA) financing;

- b. Single-Room Occupancy (“SRO”) projects; and
 - c. Rehabilitation of existing residential rental units.
3. For new construction, all units must include an exterior storage closet with a minimum area of 16 square feet.
 4. Exterior Building Standards:
 - a. Exterior Finishing Materials:
 1. 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 .042 and a lifetime non-prorated limited warranty (50 year) transferable; or
 - c. Cementitious siding.

All siding materials listed above are required to be 8 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick or decorative block must be used as an apron material.
 2. Prefinished fascia and soffit: Vinyl or aluminum panels should be used.
 3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, or aluminum.
 4. Materials for entry doors are to be metal-clad wood or hollow metal construction. “Peepholes” and deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have “thumb latch” on interior side. Double keyed dead bolt locks are prohibited. Minimum width of all exterior doors shall be 34 inches.
 5. Roofing materials: Anti-fungal shingles or metal roof with 25-year warranty or better should be used.
 6. Roof gable vents should be made of aluminum or vinyl materials.
 7. All primary entries should be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide, and should 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 minimum slope of 1/4 inch per foot are required at each exterior entry.
 8. Breezeways functioning as fire exits must be constructed of concrete floor/decking material.
 9. Exterior shutters are required on all 100% vinyl siding buildings.
 - b. Other Exterior Standards:
 1. Exterior lighting is required at entry doors.
 2. Address numbers are to be clearly visible.
 3. 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.
 4. Flashing is to be installed above all exterior door and window units.
 5. 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, all disturbed areas must be seeded. One 1 1/2” tree per unit. Six 1 gallon shrubs per unit.
 6. Curbing for paved areas is required throughout the proposed development site, including parking areas.
 7. Sidewalk access to all parking spaces must be provided.
 8. A project sign including the fair housing logo is required.

9. A minimum of one enclosed trash dumpster or compactor is required.
 10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
5. Interior Building and Space Standards:
- a. Wall Framing:
 1. Walls may be framed using metal studs in lieu of wood.
 2. Sound proofing or sound batt insulation is required between the stud framing in party walls. A sound rating of STC 54 is required.
 - b. Insulation Requirements:
 1. Exterior wall insulation should have an overall R-11 minimum for the entire wall assembly.
 2. Roof or attic insulation should have an R-30 minimum.
 3. Vapor retarders must be installed if recommended by project architect.
 - c. Kitchen spaces:
 1. 6 1/2-inch deep double bowl stainless steel sinks are required in each unit.
 2. Each unit must be equipped with a dry chemical fire extinguisher readily visible in the kitchen.
 3. New cabinets should 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).
 4. A pantry closet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in the kitchen.
 5. Fluorescent lighting is required.
 - d. Bathroom Spaces:
 1. Tub/shower units should have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves.
 2. Water closets should be centered 18 inches from sidewalls or vanity/lavatories.
 3. Mirror length should extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor.
 - e. Hallways should have a minimum width of 36 inches.
 - f. All interior doors to habitable spaces should have minimum width of 30 inches.
 - g. Overhead lighting is required in each room.
 - h. Window treatments are required for all windows.
 - i. Sliding glass doors are prohibited.
 - j. Floor Finishes:
 1. Carpet materials must meet FHA minimum standards.
 2. Resilient flooring materials must meet FHA minimum standards.
 - k. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.
6. Plumbing and Mechanical Equipment:
- a. Water heaters should be placed in drain pans with drain piping plumbed to the outside.
 - b. All water piping located on exterior walls and in attic space should be insulated. Water and sanitary waste lines should be located in interior walls or stubbed up through the floor.
 - c. Through-wall HVAC units are not permitted except in efficiency units or in offices.
 - d. CPVC supply piping is not allowed for interior space in-wall or overhead services.
 - e. HVAC units and water heaters are not permitted in attic spaces. Units must be placed in Mechanical Closets with insulated walls located in the living unit.

- f. HVAC refrigeration lines shall be insulated.
- g. HVAC 10 seer or greater should be used.

C. Modular Construction:

- 1. 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.
- 2. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein.
- 3. A modular home manufacturer's warranty must be provided.

4. Drawing Submission Criteria:

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

G. Site Plan: The following items should be shown.

- 1. Scale: 1 inch = 40 feet or larger for typical units.
- 2. North arrow.
- 3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
- 4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
- 5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
- 6. Existing and proposed topography of site.
- 7. Finished floor height elevations and all new paving dimensions and elevations.
- 8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
- 9. Site accessibility design requirements.

H. Floor Plans:

- 1. Scale: 1/4 inch = 1 foot or larger for typical units.
- 2. For projects requiring renovation and/or demolition of existing structures, show proposed changes to building components and design, identifying removal and new construction methods.
- 3. Show room/space layout, identifying each room/space with name and finished space size.
- 4. Indicate the total gross square foot size, and the net square foot size for each typical unit.
- 5. For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

I. Elevations and sections for new construction:

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

Addendum B

COMPLIANCE

Existing Project (Breakdown of Points Lost)

1. **1 point** deducted if the owner has a non-compliance issue that is not cured by the correction date set by the compliance department.
2. **5 points** deducted if the owner has continued and excessive non-compliance issues.
3. **10 points** deducted if the owner or management company have not made the tenant files available to AHFA to determine if the property is in compliance with applicable regulations.

Existing Davis-Bacon (Breakdown of Points Lost)

1. **1 point** deducted if Davis Bacon issues are outstanding for 6 months or more.

2. **3 points** deducted if contractor is unable to submit payrolls, causing escrow account to be established.
3. **5 points** deducted if Davis Bacon files on HOME Projects are outstanding over 2 years.

BOTH BREAKDOWNS OF POINTS LOST ARE NOT ALL INCLUSIVE. THERE MAY BE ISSUES OF NON-COMPLIANCE NOT INCLUDED ON THE LISTS WITH SECTION 42, HOME REGULATIONS, DAVIS-BACON, AND/OR AHFA REQUIREMENTS THAT MAY WARRANT POINT DEDUCTIONS UP THE MAXIMUM OF 15 POINTS.