

STATE OF ALASKA

ALASKA HOUSING FINANCE CORPORATION

GOAL PROGRAM

(Greater Opportunities for Affordable Living Program)

RATING AND AWARD CRITERIA PLAN

(Qualified Allocation Plan)

Effective May 19, 2009

Low-Income Housing Tax Credits (LIHTC)

HOME Investment Partnerships Program (HOME)

Senior Citizens Housing Development Fund (SCHDF)

May 19, 2009

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PURPOSE

The rating and award criteria outlined herein has been prepared by the Alaska Housing Finance Corporation (AHFC) to establish the criteria which will be used to award Greater Opportunities for Affordable Living (GOAL) Program funds. This program contains three funding sources:

1. Low-Income Housing Tax Credits (LIHTC),
2. Home Investment Partnership Program (HOME) funds,
3. Senior Citizen's Housing Development Fund (SCHDF)*

*Additional capital development funds available for senior housing development, provided by AHFC's funding partners, will be synonymously treated as SCHDF requests for the purpose of this Qualified Allocation Plan.

The rating and award criteria established herein, also referred to as the Qualified Allocation Plan (QAP), complies with the requirements of Title 26, U.S.C. Section 42 of the Internal Revenue Service Code, as amended ("Section 42").

OVERVIEW

AHFC's policy is to encourage the responsible development of housing for seniors, lower-income persons and families through the allocation of GOAL program funds. **A separate policy and procedures manual for the GOAL program is available from AHFC.** (See www.ahfc.us).

Additionally, AHFC's policy is to minimize any adverse impact on existing residents of buildings that will be acquired or rehabilitated with GOAL program funds. Where relocation of existing residents will occur as the result of GOAL program funding, **a relocation assistance plan will be required from all applicants.**

In determining the appropriate amount of GOAL program funds to be awarded, AHFC will consider the sources and availability of other funds, the reasonableness of development and operating costs, anticipated project operating revenue, and the expected proceeds from the sale of LIHTCs (if applicable).

Fair Housing and Civil Rights Statement

It is a requirement of receipt of any funding under the GOAL program that any owner/developer/borrower and any of its employees, agents or sub-contractors understands and agrees that it is the total responsibility of the owner to adhere to and comply with all Federal Civil Rights legislation inclusive of the Fair Housing Laws, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act as well as any state or local Civil Rights legislation along with any required related codes and Laws. Should AHFC not specify any requirements, such as design, it is none the less the owners responsibility to be aware of and comply with all non-discrimination provisions relating to race, color, religion, sex, handicap, familial status, national origin and any other classes protected in Alaska. This includes design requirements for construction and rehabilitation, Equal Opportunity in regard to marketing and tenant selection (affirmative marketing procedures) and reasonable accommodation and modification for those tenants covered under the law.

Definitions

“Accessible unit” – a unit or property that is in compliance with the design requirements for all multi-family properties covered under the Fair Housing Act Amendments of 1989. Generally refers to the egress into a unit and the ability of a person in a wheelchair to maneuver within the unit.

“Community revitalization plan” – a local comprehensive planning document that specifically includes community revitalization as a priority or defines community revitalization efforts that are consistent with that comprehensive document. If no comprehensive planning document is prepared in a community, then a letter from the chief executive officer of the local government attesting to a proposed housing project’s role in achieving community revitalization will substitute. If the applicant asserts the project is part of a community revitalization effort, the applicant must show how the project moves the market towards market stability and health.

“Difficult to Develop Area (DDA)” – a federally designated high cost area that enables an LIHTC project to qualify for a 130% basis boost.

“Equipped unit” - all the requirements of an accessible unit have been satisfied plus the unit is equipped with grab bars, roll-under counters, bathrooms with roll-in or seated shower stalls or tubs, and other applicable equipment for persons with hearing or vision disabilities.

“GOAL (Greater Opportunities for Affordable Living)” - a term used to describe the three funding programs (Low-Income Housing Tax Credits (LIHTCs), Home Investment Partnership Program (HOME) funds, and the Senior Citizens Housing Development Fund (SCHDF) that have been combined into one application process.

“HOME (Home Investment Partnerships Program)” – a program of the U.S. Department of Housing and Urban Development (HUD) which provides grant funds administered by AHFC for the development of affordable low-income housing.

"Homeless" - a person is considered homeless if he/she resides in places not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings (on the street); in an emergency shelter; and in transitional or supportive housing for homeless persons who originally came from the streets or emergency shelters. In any of the above places but is spending a short time (up to 30 consecutive days) in a hospital or other institution.

Or:

Is being evicted within a week from a private dwelling unit and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.

Is being discharged within a week from an institution, such as a mental health or substance abuse treatment facility or a jail/prison, in which the person has been a resident for more than 30 consecutive days and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.

Is fleeing a domestic violence housing situation and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing.

Is an individual(s) who lacks a fixed, regular and adequate nighttime residence and includes: children and youths who are sharing the housing of other persons due to loss of housing, economic hardship, or similar reason; are living in motels, hotels, trailer parks, or camping grounds due to the lack of alternative adequate accommodations; are living in emergency or transitional shelters; are abandoned in hospitals; or are awaiting foster care placement.

“Leverage” – Sources of funds outside of the GOAL program used for project development. For the purpose of this QAP, leverage includes contributions such as: debt instruments, donated labor “sweat equity”, foregone taxes, donated land and / or building(s). To be considered leverage, sources and uses must balance. For example, if a \$300,000 parcel of land is entirely donated to the project, there must be a line item in the cost section of the development budget under land purchase for \$300,000, and an offsetting source line indicating \$300,000 in donated land.

“Low-Income Housing Tax Credits (LIHTC)” – a program of the Internal Revenue Service administrated by AHFC which provides federal tax credits to owners of low-moderate income affordable housing.

“Operating reserve” – an amount of money included as part of the development budget to be used as a cushion against unforeseen changes in operating expenses and income for a project in future years.

“Qualified Census Tract” – a federally designated area that has a relatively high cost of housing development relative to the income of the residents. Enables a LIHTC project located in this area to receive a 130% basis boost.

“Rental Development Analysis Workbook” - An electronic application tool used by AHFC to evaluate project proposals which illustrates:

- 1) all of the costs associated with the development of a project,
- 2) the sources of funds, and subsidy limits, that may be used to pay for the development,
- 3) the operating expenses (utilities, taxes, insurance, etc.) associated with managing and maintaining a rental property,
- 4) the anticipated revenue to be obtained from the property,
- 5) the capacity of the project to support debt instruments,
- 6) the project’s performance throughout time under various assumptions.

“Replacement reserve” – also known as a reserve for capital replacement. An amount of money used to pay for major capital expenses that occur during the life of the project, such as boiler replacement, roof repairs, appliance replacement, etc.

“Rural community” – defined under state statute as a community with a population of 6,500 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 1,600 or less that is connected by road or rail to Anchorage or Fairbanks and at least fifty (50) statute miles outside of Anchorage or twenty-five (25) statute miles outside of Fairbanks. In this definition, a connected by road’s does not include a connection by the Alaska Marine Highway System.

“Senior Citizen’s Housing Development Fund (SCHDF)” – An AHFC funded program approved in annual appropriations by the Alaska State Legislature. Program funds may be

granted to not-for-profit organizations for senior housing that meets the state definition of “senior household.”

“Special Needs Populations” – defined as households with persons with mental or physical disabilities, the homeless, and persons earning less than 30% of the median income for their area.

“Senior Citizen” – households must meet the definition established in the Fair Housing Act Amendments of 1989.

“Third-party” - means a person or organization which is not related to the sponsor of the application or the project developer.

“U.S. Department of Agriculture- RD Section 515 program” – a federal program for low-income rental housing which provides low-interest financing and rental assistance to private for-profit or not-for-profit owners/developers.

“Very-low income” – families at or below 50% of the area median income adjusted for family size.

QAP Considerations:

Federal QAP Characteristic Factors:

26 U.S.C. Section 42 requires that AHFC consider the following project characteristics when selecting applications that receive LIHTCs:

- Housing Needs Characteristics;
- Sponsor Characteristics;
- Project Characteristics, including whether the project includes the use of existing housing as a part of a community revitalization plan;
- Tenant populations of households with children;
- Targeting of Individuals on Public Housing Waiting Lists;
- Targeting of Populations with Special Housing Needs;
- Project Location;
- Projects intended for eventual tenant ownership;
- The energy efficiency of the project;
- The historic character of the project.

Federal QAP Preference:

26 U.S.C. Section 42 (IRS Code) also establishes the following preferences for the LIHTC program:

- Projects that serve the lowest income tenants;
- Projects that are obligated to serve qualified tenants for the longest period of time.
- Projects that are located in a qualified census tract (as defined in subsection 42 (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan.

These preferences and characteristics are consistent with the AHFC's corporate mission and the State of Alaska's Housing and Community Development Plan (HCD Plan). They are incorporated as part of the entire GOAL program, including: LIHTC, HOME, and SCHDF.

AHFC will award points in the rating process to projects that commit to meeting these objectives.

State of Alaska Priorities:

State of Alaska priorities include projects:

- That meet specific market criteria, as defined by AHFC;
- Developed by applicants/sponsors who demonstrate the greatest capability to carry out the project;
- That maximize the use of GOAL program funds by having only the amount of subsidy necessary, over and above the amount of debt that can be supported, to make the project financially feasible (from both a developmental and operational viewpoint);
- Leveraging GOAL program funds with other funding sources, including those which qualify as “match” under 24 CFR part 92 of the HUD regulations;
- Maximizing the energy efficiency of the project
- That address the highest need in the local rental market for housing;
- Targeting “special needs populations” (i.e. persons who experience mental or physical disabilities, homeless persons, and families whose income does not exceed 30% of the area median income, adjusted for family size);
- Including larger units (i.e., greater number of bedrooms) for families;
- That are located in “rural” communities, as defined by AHFC;
- Providing meaningful training and employment opportunities for Alaskans.

AHFC will award points in the rating process to projects that address these priorities.

Set-asides

The award of LIHTC program funds is subject to the following set-asides:

1. Tax-Exempt Organizations:

There will be a set-aside of 10% of the available low income housing tax credit annual funding reserved for projects sponsored by eligible 501(c) (3) tax-exempt organizations who have as one of their tax-exempt purposes, the provision of low-income housing. This set-aside is mandated under 26 U.S.C. Section 42(i) (5), the Internal Revenue Service Code. If no projects qualify for this 10% set-aside, this amount will either be carried forward into the following year or returned to the national pool.

2. USDA Rural Development Section 515 and 538 projects, HUD Section 8 Contract Project Based Rental Assistance Projects:

There will be a set-aside of 1/3rd of the available low income housing tax credits in the first round of annual funding for these set-aside projects in the GOAL program. LIHTC awards under this set-aside will **only** be offered if the set-aside amount will generate enough LIHTC proceeds to establish feasibility, based on the sources and uses identified in the underwriting analysis. If this set-aside will not generate enough equity to provide feasible development (based on the award review), the set-aside amount will not be offered and will instead be re-allocated. In years where AHFC uses a portion of the state tax credit cap to engage in demonstration projects, this set-aside level will be re-evaluated by staff and may be adjusted downward.

3. Other Purposes:

AHFC, at its discretion, may use the annual state tax credit cap, or portion thereof, to engage in demonstration projects that fulfill the mission of AHFC and are consistent with this qualified allocation plan and the requirements of 26 U.S.C. Section 42 of the Internal Revenue Service Code.

Threshold Requirements

To be considered for GOAL Program funding **all project proposals** must meet the following **minimum requirements**:

1. No supplemental funding request while prior year(s) awards are tied up in a project. This threshold will apply if a previously funded project encounters a funding gap beyond the amount identified in a prior award review for feasibility and can no longer proceed with the equity available. In such cases, the applicant will be required to return all previously awarded funds to the GOAL program. The applicant will then be eligible to apply for the entire amount of funding necessary to result in a feasible project.
2. All new construction projects must be in compliance with 15 AAC 154.090 construction and thermal standards.
3. No T1-11, board and batten, or similar type of wood siding may be used on any exterior wall surfaces.
4. All low-income housing tax credit project proposals must have a completed and comprehensive Market Study documenting the demand and need for the proposed units. Non-LIHTC projects will be required to demonstrate need for the proposed development either through a Market Study or an alternative form of demonstrated demand and need approved by AHFC.
5. The project must demonstrate acceptable community support which must be evidenced by written letters of support from the local government, community council(s), etc.
6. All projects with 5 or more units must provide a minimum of 5% of the total unit count (fractional units rounded up), specifically equipped for persons with physical disabilities. All projects with 5 or more units must provide a minimum of 2% of the total unit count (fractional units rounded up), equipped for persons with sensory impairments. Separate units must satisfy these threshold conditions. Consequently, in a six-unit project at least

one unit will need to be equipped for physical disabilities and a separate unit will also need to be equipped for persons with sensory impairments.

7. For all projects with 20 or more units, 5% of total units (fractional units round down) must be set aside for a “special needs” population that is not required to be served as a condition of the funding source requested. Special needs populations for this section are defined as: households with persons with mental or physical disabilities, the homeless, and persons earning less than 30% of the median income for their area. Note: Projects exclusively requesting SCHDF program funds may not satisfy this requirement by targeting persons earning 30% of the median income.
8. Units must be constructed or rehabilitated to the applicable standard as required by the specific program under which funds are requested and must meet the requirements of the funding program and any of the following applicable laws:
 - a. Americans with Disabilities Act
 - b. U.S. Fair Housing Amendments Act of 1989
 - c. Alaska Statute AS 18.80.240
 - d. Local Government Ordinances
9. The application package must include the following material and all other materials required under the annual notice of funding availability, unless otherwise approved in writing by AHFC:
 - a. Completed application forms and all applicable certifications;
 - b. Submission of all required application material;
 - c. Payment of all applicable application fees;
 - d. Sufficient data, in AHFC’s opinion, to determine the financial feasibility and long-term viability of the project.
 - e. Sufficient data, in AHFC’s opinion, to determine that the applicant and project are eligible to receive the GOAL program funding source requested.
 - f. Applicant is considered to be a “responsible bidder.”

10. Reasonableness of the project's development and operational data will be assessed based on the extent that application materials support the project's developmental and operational numbers provided in the Rental Development Analysis Workbook. Key points that AHFC will look for in the application materials to make this assessment will include:

- a. Are cost estimates supported by a credible third-party bid(s) and/or estimate(s)? Examples include bids and/or cost estimates supplied by an architect, appraiser, materials supplier, etc.
- b. Is third-party support for the project's anticipated rents, vacancy rate, and operating expenses included?
- c. Have all funding sources been confirmed and / or substantiated by written documentation? In assessing this item, AHFC will consider the following, listed in order of priority:
 - i. Whether written lending commitments have been provided;
 - ii. Whether tax credit proceeds (if applicable) accurately reflect current tax credit market sale rates;
 - iii. Whether a tax credit purchase commitment is provided;
 - iv. Whether letters of interest from other proposed funding sources have been provided.
- d. Does the project schedule and written development narrative demonstrate a clear understanding on the part of the applicant for successful housing development in the proposed site's market? Are development concepts and reasonable assurances that the project can be successfully implemented within the proposed time frame valid?

11. Low-income Housing Tax Credit projects: Under IRS Regulations 1.42-17, AHFC must evaluate the financial feasibility of a project at three separate phases during the development of the project. The three stages are:

1. application,
2. allocation (carryover or issuance of 8609)
3. placed in service date.

The final evaluation for the issuance of the IRS Form 8609, "Low income Housing Credit Allocation Certification," must occur after the placed in service date.

Under IRS Regulation 1.42-17, owners must certify to all sources and uses of funds and the total financing planned for the project. Section 1.42-17 also specifies the type of information that must be provided by the owner and reviewed by AHFC as part of the evaluation.

For purposes of the evaluation done at allocation (carryover and 8609), the schedule of costs prepared by the owner must also include a Certified Public Accountant's audit report on the schedule. The CPA's audit must be conducted in accordance with generally accepted auditing standards. The audit report must be unqualified.

This requirement also pertains to all tax-exempt bond-financed projects that are seeking credit under the provisions of this allocation plan.

Pre-Application Review Process

In late Spring, AHFC announces a pre-application round for the GOAL program funds. Only successful pre-applicants that have been invited to apply in the full competition will be eligible for GOAL program funding in the full application process. During the pre-application process, AHFC will evaluate the following and determine whether or not a project proposal should be invited forward into the full competition:

- Market Feasibility: Is there sufficient need and / or demand for the proposed project?
- Whether city, borough or census area population data will be used to determine the point values for the proposed project under Sections 4(b)-(c) of the Rating Criteria outlined in this Qualified Allocation Plan.
- Whether or not changes to the project design, scope, and / or funding mix are necessary and / or appropriate (as determined by AHFC).
- Whether or not the proposal can reasonably be expected to be constructed with the proposed funding mix and development team.
- Whether or not penalty points should be assessed.
- Project Team and Sponsor Capacity: Pre-applicants will need to establish that sufficient capacity exists to develop and operate the proposed project. Demonstration of the following will be required to clear threshold during the pre-application review:

Development Team Member	Threshold Level: <u>Proposals will not be invited forward into the full application process unless the following are demonstrated</u>
Developer	Minimum three years of successful development experience. Two years of this experience must involve projects using the requested sources.
Project Sponsor	Two Years of Audited or un-Audited Financial Statements.
Property Management Team	Minimum three years of successful property management experience. Two years of this experience must involve multi-family rental properties with the requested funding sources.

Successful pre-applications will be invited forward into the full GOAL competition. Penalty points, necessary changes to the project identified in the pre-application review, and reasons why unsuccessful pre-applicants were not invited forward into the full application process will be communicated at the close of the pre-application round.

Full Application Evaluation Review Process

Each application received by AHFC will be reviewed by staff to determine whether the minimum application submission requirements have been satisfied by the applicant ("**threshold evaluation**"). If the applicant fails to submit the required application materials by the deadline established by AHFC, the application may be denied any further review or consideration.

Full Application Evaluation

Applications that pass the threshold evaluation will be evaluated according to the objective review criteria defined in this Qualified Allocation Plan (QAP).

Application Review Process

Funding Considerations

The CEO may use considerations other than the point ranking to make the final funding awards. These considerations are:

1. Minimum levels of funding necessary, in AHFC's opinion, to result in a financially feasible project, including a recommendation of no funding if sufficient debt can be supported;
2. The maximum legal and AHFC annual programmatic funding limits;

3. Distribution of GOAL funds in such a manner to maximize the number of financially feasible projects which receive funding, even though this may result in the award of funds or tax credits outside of actual application rankings established by the rating process.
4. Increasing the spread of projects by geographic location.
5. A different amount of GOAL program funds for a project than requested by the applicant may be recommended in order to: avoid over subsidizing, to maximize the leverage of all GOAL program resources, and to satisfy the requirements of award review assumptions made by AHFC in the feasibility review.
6. "Responsible bidder" AHFC reserves the right to reject or assess negative points to any grant application or request for funding from any applicant who has failed to perform or is partnered with a person or organization which:
 - a. failed to perform any previous grant or contract with AHFC, or has previously failed to perform properly or to complete on time contracts of a similar nature;
 - b. qualifies or changes terms and conditions of the Notice of Funding Availability (NOFA), applicable restrictive covenants or loans in such a manner that is not responsive to the purpose sought by AHFC in issuing the NOFA, covenants or loans;
 - c. submits an application that contains faulty specifications or insufficient information that, in the opinion of AHFC, makes an application non-responsive to the NOFA;
 - d. submits a late application;
 - e. has not signed the application;
 - f. is not in a position to perform the work proposed in the application;
 - g. habitually and without just cause neglected the payment of bills or otherwise disregarded its obligations to subcontractors, material suppliers, or employees;
 - h. has shown a consistent practice of non-compliance with State and federal rules that govern housing development programs;
 - i. who has unpaid taxes due to the State of Alaska or the U.S. government;

- j. has a conflict of interest with the applicant and board member or employee of AHFC;
- k. AHFC determines that the application is not in AHFC's best interest.

In those cases where the funding decision approved by AHFC's Executive Director/Chief Executive officer varies from that requested by the applicant, the applicant will be given notice of AHFC's intent to award the alternative funding reservation and/or award, and will be allowed to accept or reject the offered funding package. If the applicant rejects the funding package offered, no additional consideration will be given to the applicant during the funding cycle, and the declined GOAL program funds may be offered to another qualifying applicant(s). An applicant may have the right to appeal this decision under 15 AAC 151.830 and 15 AAC 150.220.

For any allocation of LIHTC that is made outside the priorities and selection criteria established by AHFC in this allocation plan, a written explanation will be made available to the general public, upon request.

AHFC reserves the right to deny GOAL funds to any applicant, regardless of that applicant's point ranking if, in AHFC's sole determination, the applicant's proposed project is not financially feasible or viable. Additionally, GOAL funds may be awarded out of the ranking order established by the points earned. In such cases, this recommendation shall be based on the amount of GOAL funds requested, relative to the amount of funding available, as well as other selection criteria identified within the rating criteria plan.

Application Award Process

Each applicant will receive an "Intent to Award" for the proposed GOAL program funding awards upon AHFC's executive director/chief executive officer's approval (or amendment) of the recommendations made by staff after the objective scoring has been completed and the projects have been ranked. Applicants may appeal the funding decision in accordance with AHFC regulations (15 AAC 151.830, 15 AAC 151.220 or 15 AAC 154.060, as applicable). Subsequent to any appeals processes, AHFC will issue a notice of award to successful applicants.

Application Rating and Ranking Criteria

The following criteria and associated points will be utilized to rate and rank applications received for GOAL program funds:

1. Project Location (Up to 20 Points)

- a. Project is located in an area qualifying as "rural," as defined in this Qualified Allocation Plan (15 Points)
- b. Project is located in a Qualified Census Tract (as defined by HUD, under 42(d)(5)(c)) **and** is considered to contribute to a community revitalization plan (see definition of "community revitalization plan") (5 Points)

2. Project Design (Maximum 40 points)

- a. Energy Efficiency (10 Points)
 - i. Project will exclusively use certified Energy Star appliances (5 points)
 - ii. Project commits to achieving a Five Star Plus energy rating under the Building Energy Efficiency Standard (BEES), or to acquire Energy Star Certification. (5 points)
- b. Availability of Larger Units for Households with Children (Maximum 5 Points)

Points will be awarded to applications based on the percentage of units in the project with three or more bedrooms, according to the following rating scale:
Percentage (%) of total Units with 3 or more bedrooms X 5 points.

Example: A 10-unit project in which 8 of the project's units contained three, four or five bedroom units and the remaining units were efficiencies or one-bedroom units would receive 4 points (80% X 5 points).

c. Number of Units Equipped for Persons with Physical Disabilities and Sensory Impairments (5 Points)

Number of units equipped above the minimum **threshold requirement for GOAL program funding** and that exceed the minimum number required by federal fair housing law, state or local law, or any additional funding sources and program requirements applicable to the project.

Calculation:

$$\text{Points} = \frac{\text{Number of Additional Units Equipped}}{\text{Total Number of Units in Property} - \text{Required Number of Equipped units}} \times 5$$

To receive points in this criteria, the units must be constructed or rehabilitated to the applicable standard required by the specific program under which funds are requested, i.e., Fair Housing Act (all programs); Section 504 requirements (HOME), or if specific program requirements do not apply, to the standard established in the Americans with Disabilities Act (all common areas).

All projects must meet the requirements of the following laws:

- Americans with Disabilities Act
- U.S. Fair Housing Amendments Act of 1989
- Alaska Statute AS 18.80.240
- Local Government Ordinances

d. Rehabilitation Project (Maximum 15 points)

Five points will be awarded to all projects involving rehabilitation. For the purpose of this section, rehabilitation, at minimum, must consist of some sort

of building renovation and / or demolition and reconstruction where a building is currently located at the project site. An additional 10 points will be awarded based on the hard construction cost per unit, according to the following schedule:

<u>Hard Cost Per Unit</u>	<u>Points Earned</u>
For acquisition with rehabilitation, or rehabilitation:	
\$15,000 – 25,000	2
\$25,001 – 35,000	4
\$35,001 – 45,000	6
\$45,001 - 50,000	8
\$50,001 and above	10

- e. Development of tenant safety and storage facilities - (2 Points)
 - i. Tenant storage facilities are included in the project design – (1 point)
 - ii. At least one of the following tenant safety features is included in the project design: locking medicine cabinets, gun safes, secured entryways for buildings with residential units accessible through common hallways – (1 point).

- f. Service enriched housing which incorporates substantive social services which are appropriate to the tenant population, on an ongoing basis – (3 points). Points are only available if households with physical and / or mental disabilities, or homeless persons will be served by the proposed project.

3. Project Characteristics (Maximum 37 Points)

Points will be awarded to applications that exhibit certain desired characteristics in accordance with the following:

- a. Project Serves the Lowest Income Tenants (Maximum 10 Points)

Points will be awarded for targeting up to 50% of the project’s households at or below 50% of the area median income beyond the level required by the most restrictive funding source in the project budget (including non-GOAL sources).

Points can be gained in this category by either: 1) adding additional set-aside units at or below 50% of the area median gross income (AMGI), and / or 2) converting already required 50% AMGI set-asides into 30% AMGI units.

Calculation Method

A = Number of 50% set-aside units in project **beyond** the number required by the most restrictive fund source.

B = Number of 50% set-aside units required by the most restrictive funding source that are being lowered to 30% units for deeper income targeting.

C = Number of 30% units required by the most restrictive funding source

D = Number of units in project

$$\frac{[(A+B) - C]}{(D \times 50\%)} \times 10 = \text{Score, (10 points Maximum)}$$

Example: A 100 unit project is requesting HOME funds and LIHTCs. The HOME funds require that 40 units be set-aside at 50% AMGI. If the project sponsor sets aside 20 units at 50% of the AMGI, 20 units at 30% AMGI, and leaves 60 units available for market rate rentals, the applicant will have satisfied the 40-50 test for HOME funding and the 20-50 test for LIHTCs. In this scenario, the points assigned would be:

$$\frac{[(0+20) - (0)]}{(100 \times 50\%)} \times 10 = 4 \text{ points}$$

i. Exemptions for Senior Citizens Housing Development Fund (SCHDF) Requests

Senior project applications which exclusively request SCHDF program funds will be rated in accordance with the rating criteria plan, excluding this criteria. Senior organizations must establish rental policies, i.e., affordable unit (restricted income

and rent) versus market rate units, in accordance with the need in their area and their organizational principles.

b. Extended Low-Income Project Use (1 Point)

i. One (1) point will be awarded to applications that commit the project to an extended low-income use equaling 30 years. An extended use agreement or other similar agreement, as determined to be appropriate by AHFC, is required.

ii. **Exemptions for Senior Citizens Housing Development Fund (SCHDF) Requests**

Senior project applications which exclusively request SCHDF program funds will be rated in accordance with the rating criteria plan, excluding this criteria.

c. Projects which Serve Special Needs Populations (5 Points Maximum)

Points will be awarded for projects committing additional units (up to 50% of the project) to special needs populations (defined below) above those commitments already required by their funding sources and the GOAL program.

Calculation:

$$\text{Points} = \frac{\text{\# of special needs units not already required by funding source(s)}}{(\text{\# of Units in Project} \times 50\%)} \times 5$$

A "Special Needs" person or family consists of one or more of the following:

- Persons with a mental or physical disability;
- Persons/families whose annual income does not exceed 30% of the area median income, as determined by HUD, adjusted for family size. Note Projects exclusively requesting SCHDF program funds will be excluded from earning points under this section for targeting households at or below 30% of area median income;
- Homeless persons (may include persons "overcrowded" as defined by AHFC).

d. Project Mix (5 Points Maximum)

Projects located in a census tract where 51% or more of the households have income greater than the Area Median Gross Income (defined by HUD)

Points	2	3	4	5
Percentage of Units = Low Income	70	80	90	100

Projects located in a census tract where at least 20% of the households have income less than 30% of the Area Median Gross Income (defined by HUD)

Points	2	3	4	5
Percentage of Units = or above Market Rate	20	40	60	80

e. Projects Intended for Eventual Tenant Ownership (5 Points)

For any project that is designed and operated so that the units will be eventually sold to the tenants, five (5) points will be awarded. In order to receive points in this category, applicants must provide documentation showing a comprehensive plan for tenant home ownership counseling which includes maintenance techniques for the home. In addition, the sponsor will agree to place resale restrictions on the units, as determined to be appropriate by AHFC.

f. Preference in Occupancy for Homeless Families (Maximum 3 points)

Three (3) points will be awarded to any applicant that commits to giving a preference to homeless families (including single individuals) in the tenant selection process for a GOAL funded project. "Homeless" is defined in the Definitions section of this Plan.

g. Public Housing Waiting Lists (3 Points)

Three (3) points will be awarded to applications that contain a **written commitment** to give priority to households on waiting lists for subsidized housing. A commitment means establishing gross rents below the "Fair Market

Rent” limits established by the U.S. Department of Housing and Urban Development **AND** establishing a referral relationship a local office of AHFC and / or a local Indian Housing Authority. Applicants must describe how a referral relationship will be achieved. If no AHFC office or Indian Housing Authority is available to effectively provide referrals to the project, no points will be awarded under this section.

In accordance with federal law, LIHTC and HOME funded projects may not refuse to lease to a holder of a certificate of family participation under the Section 8 Existing Voucher Program (Housing Choice Voucher) or to a holder of a comparable document evidencing participation in a HOME tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate, voucher, or comparable HOME tenant-based assistance document.

h. Senior Housing Preference (15 Points)

Fifteen (15) points will be awarded to projects exclusively devoted to providing housing to qualifying Senior households, as defined in this NOFA. If funding with income restrictions is a part of the development budget, no points will be awarded under this category.

i. Historic Preservation (1 Point)

One point for any "Historic Preservation" project consisting of one or more structures individually listed in the State or National Register of Historic Places, or; located within an area that has been zoned as an historic area; and the rehabilitation of which will be completed in such a manner as to be eligible for federal historic rehabilitation tax credits.

Required Documentation:

- i. A letter from the Department of the Interior's National Park Service ("NPS") verifying that the structures(s) are listed in the National Register of Historic Places or verification of the listing through the NPS website at www.cr.nps.gov/nr; or,

- ii. A letter from the State Historic Preservation Office evidencing that the rehabilitation is a certified rehabilitation which will be completed in a manner consistent with the historic character of the structure or the district in which the structure is located and eligible for (federal and/or state) historic rehabilitation tax credits.

4. Market Conditions (Up to 45 Points)

- a. Opportunity: for projects located in areas reported by the Alaska Department of Labor where (up to 15 Points):
 - i. Unemployment exceeds the state average by more than 5%: 0 points
 - ii. Unemployment is no more than 5% above the state average: 4 points
 - iii. Unemployment is no more than 3 % above the state average: 8 points
 - iv. Unemployment is no more than 1% above the state average: 10 points
 - v. Unemployment at least equal to the state average : 12 points
 - vi. Unemployment is 2.5% or more below the state average: 15 points

- b. Rental Market Strength (up to 15 Points) – Project must be located in a city, borough or census area covered by the Department of Labor Survey used to generate the Rental Market Indicators. If the proposed project is not located in a city, borough or census area covered by the Department of Labor Survey, the vacancy rate will need to be determined through a market study using the same methodology employed by the Department of Labor in their survey. The relevant city, borough or census area must contain at least three or more multi-family rental properties to receive points under this category.
 - i. Project is located in a survey area with vacancy rates exceeding 12% – 0 points
 - ii. Project is located in a survey area with vacancy rates of at least 10%, but less than 12% – 2 points
 - iii. Project is located in a survey area with vacancy rates of at least 8%, but less than 10% – 6 points
 - iv. Project is located in a survey area with vacancy rates of at least 7%, but less than 8% – 10 points

- v. Project is located in a survey area with vacancy rates of at least 6%, but less than 8% – 13 points
 - vi. Project is located in a survey area with vacancy rates lower than 6% – 15 points
- c. Location Trends: Population growth based on city, borough or census area of the proposed project: (up to 15 points) – points only available under this category if the project is located in a community with a population of at least 6,500.
- i. Population growth in the city, borough or census area over the past three years is greater than or equal to 15%: 15 points
 - ii. Population growth in the city, borough or census area over the past three years is at least 10% but less than 15%: 12 points
 - iii. Population growth in the city, borough or census area over the past three years is at least 5% but less than 10%: 10 points
 - iv. Population growth in the city, borough or census area over the past three years is at least 2.5% but less than 5%: 6 points
 - v. Population growth in the city, borough or census area over the past three years is at least 0% but less than 2.5%: 4 points

5. Underwriting (45 points)

An application must receive at least 11 of the total possible points in this category to receive any funding under the GOAL program. Points will be awarded based on the following subcategories:

- a. Pro Forma Analysis (26 Points)
 - i. Level to which project supports hard debt. To earn points under this section, hard debt means financing with scheduled payments, which cannot be deferred, beginning in the first year of the project operation.
 - 1. 6-8% of Total Development Costs (TDC) (10 points)
 - 2. More than 8% but less than 10% of TDC (14 points)
 - 3. 10% or more of TDC (18 points)
 - ii. Line items for the following have been correctly set in the Rental Development Analysis Workbook (RDAW) submitted in the application to

amounts at or below their respective limits: Developer Fee, Contingency, Contractor Overhead / Profit, and General Requirements. (3 points)

- iii. All line items in RDAW have been clearly described (5 points). Each time **any** line items exist for positive dollar amounts identified as only “other” or any similarly lacking description, two (2) points will be subtracted from the five points available under this category until points are no longer available under 3(a)(iii). The point floor for this category will be zero (0).
- iv. Penalty: RDAW Discrepancy. A five (5) point penalty will apply **if any** of the below are noted in the RDAW:
 - 1. Costs that AHFC determines will be incurred as part of the project development are not included in the budget (i.e. allocation fees for an LIHTC project are not included in the budget)
 - 2. Sources identified in the application materials are not fully accounted for in the RDAW
 - 3. Known sources do not equal (within \$10) known uses in the RDAW; for example, donated land shows up as a source but no offsetting cost is identified in the development budget. A penalty will not apply in this case if the gap between sources and uses is created by assumptions AHFC makes during the award review.

b. Developer Fee: (5 Points)

- i. Developer fee separately identifies developer overhead and developer fee in excess of overhead in separate line items (1 points)
- ii. No deferred developer fee is listed at or above 30% of the total developer fee (4 points)
- iii. Penalty: If the developer is not the project owner and the deferred developer fee is not repayable within 12 years **based on trending analysis** in the Rental Development Workbook (minus 2 points).

c. Debt Coverage Ratio (14 Points)

In the first year of operation a DCR:

- i. At or above 1.4 (in year 1) for hard debt service (6 points) – points only available if hard debt is issued for project development and this debt represents at least 2% of the Total Development Costs.
- ii. At or above 1.15 (in year 1) for all hard and soft debt service (8 points) – points only available if repayment expectation is shown in pro forma for both hard and soft debt in years 1-15 and the combined debt equals at least 6% of the Total Development Costs. The 1.15 DCR target for this point category does not presume, imply or require that all soft debt must be paid off at the end of year 15.

6. Project Leveraging (Maximum 20 Points)

Applicants must provide all requested information on non-GOAL contributions to the project development. These requirements will be outlined in the application materials.

- a. Leveraging points will be assigned based on the percentage total development costs (TDCs) that are being funded through GOAL program. Since LIHTCs do not generate equity until sold to a private investor, proceeds from the LIHTC awards will be counted as 40% GOAL program funds and 60% non-GOAL funds for the purpose of determining points in this category. Consequently, 60% of each dollar raised by selling LIHTCs can be used to determine leverage points under this category (see example below)
 - i. GOAL funds are equal to 55% or more of TDCs (0 points)
 - ii. GOAL funds are greater than 45% of TDCs but less than 55% (6 points)
 - iii. GOAL funds are between 35% and 45% of TDCs (8 points)
 - iv. GOAL funds are less than 35% of TDCs (10 points)

Example: A project with \$100 in total development costs requests \$20 in Grant funds, and \$50 in LIHTCs (10-year value) that will be sold at \$.80 / LIHTC (generating \$40 in LIHTC equity). The project will take out a loan for the

difference: loan value = $\$100 - (40+20) = \40 . GOAL contributions are: $\$20 + (40\% \times \$40) = \$36$. GOAL funds as a percentage of project costs would = $\$36 \div \$100 = 36\%$. This project would receive 8 points under this section for leverage.

- b. Up to 10 bonus points will be awarded to applications providing a written commitment for non-GOAL funding sources.

Calculation: Percentage of total project costs identified in the budget that are supported by written commitments x 14.28, rounded to the nearest hundredth. (10 points maximum).

7. Project Team Characteristics (Maximum 2 Points)

- a. A tax-exempt organization or Regional Housing Authority is involved in the project on a regular, continuous, and substantial basis in both the development and operation of the project (must be recognized as a tax-exempt organization by the Internal Revenue Service) (2 Points).
- b. Points will be deducted from the applicant's score in cases where a principal of the development, management or ownership entity identified in the application or subsequently used on the project, has been determined through monitoring reviews by AHFC to be in violation of program criteria, rules or regulations. Performance of the developer, owner, investor, property management firm, and all entities related by common ownership to the development team will be reviewed.

The penalty point review will be conducted during the threshold review as part of the "pre-application" process. The procedure will be based on a review of all grant/loan programs of AHFC and the Low-Income Housing Tax Credit Program. An applicant may have the right to appeal this decision under 15 AAC 151.830 and 15 AAC 150.220.

AHFC retains the right to amend the point penalties based on extenuating circumstances due to natural disasters, events outside the control of the sponsor/owner, or based on

the best interests of AHFC or the management of these programs. For the purpose of subtracting points under this criteria, the following schedule will be used:

- i. Late progress reports during the performance period of a grant (submitted 15 days after due date) will receive zero penalty points for the first occurrence, and 1 penalty point for each subsequent occurrence.
- ii. Health and Safety issues (based on UPCS inspection protocol) point deduction per project where an instance has been cited, is older than 3 months, and is still uncorrected at the time the pre-application is due:

Level 1 - 1 point

Level 2 - 2 points

Level 3 - 3 points

- iii. One point will be subtracted for each month that an AHFC mortgage payment is 30-days past-due (five points maximum). Penalty points for mortgage performance will be assessed against all members of the project ownership.
- iv. Issuance of an IRS Form 8823 or audit findings on grant programs which are older than 3 months and uncorrected by the time the pre-application is due. (3 penalty points for each qualifying project fitting this description)
- v. Unapproved (by AHFC), and uncorrected changes in the design or scope of a prior development from the original application scope that was proposed will result in a 3 point per instance point reduction. Once this penalty has been assessed in a competition, the same penalty will not be assessed in perpetuity on future applications (i.e. if assessed in year 1 competition, same penalty will not be assessed in year 2's competition for the same event that merited year 1's penalty points).

8. Job Training Program (Maximum 10 Points)

Up to 10 points may be awarded to an applicant committing to operate a job-training program that targets low and moderate-income families, during the construction of the project. The trainees must be prepared for meaningful employment opportunities after the program is completed. The training opportunities qualifying for points under this category must be related to the project development. Apprenticeship training in

a recognized trade union is one example. If an applicant receives points in this category, but fails to implement the training program, AHFC may recapture any reservation or funding commitment made from GOAL program funds.

- a. Applicants must provide letters of financial commitment for program operation, and signed memorandums of agreement between the project owner, the contractor, the training organization, and any other parties involved. **No points** will be awarded under this category without firm written commitments, and a detailed summary of the program which specifies the goals and objectives for the program, the number of training positions, the target group of people, how the program will be funded, the skills learned by the trainees, the duration of the training and what future employment opportunities will be available to trainees.
- b. Applicants will earn two (2) points for each individual being provided on-the-job-training during the project development. An additional two points will be earned for classroom training that includes at least 20 hours of instruction for at least two individuals. Classroom training must be delivered to the persons who will receive the on-the-job training. (maximum of 10 points).

PROJECT CHANGES AND NON-COMPLIANCE WITH RATING CRITERIA AFTER AWARD

AHFC will not approve any project changes pertaining to rating criteria that would modify the order in which applications were ranked during the rating process. AHFC will consider requested changes only if there is substantive reason, in AHFC's opinion to believe that in not approving the change, the financial feasibility of the project will be compromised.

All project characteristics proposed by the applicant become part of the extended use agreement (LIHTC program) or deed restriction (HOME & SCHDF programs) which are recorded on a funded project. Failure to meet any of these requirements which are incorporated in to the extended use agreement or deed restriction is considered a violation of this award plan (Qualified Allocation Plan for LIHTC). Such violations are considered reportable to the Internal Revenue Service (LIHTC program) as non-compliance, or in the case of HOME & SCHDF program funds (and not corrected in a timely manner), are events which may cause AHFC to demand repayment of the HOME and/or SCHDF program funds.

RATING AND RANKING CRITERIA SUMMARY		Maximum Points
Evaluation Criteria		
1. Project Location	<ul style="list-style-type: none"> i. Rural – 15 points ii. QCT w/ Community Revitalization – 5 points 	20
2. Project Design	<ul style="list-style-type: none"> i. Energy Efficiency – 10 points ii. Larger Units – 5 points iii. Equipped Units – 5 points iv. Rehab – 15 points v. Safety & Storage facilities – 2 points vi. Service enriched housing – 3 points 	40
3. Project Characteristics	<ul style="list-style-type: none"> i. Project Serves lowest income tenants – 10 points ii. Extended low-income use – 1 point iii. Special needs targeting – 5 points iv. Project Mix – 5 points v. Tenant ownership – 5 points vi. Homeless preference – 3 points vii. Public Housing Waiting List Preference – 3 points viii. Senior Housing Preference – 15 points ix. Historic Preservation – 1 point 	37
4. Market Conditions	<ul style="list-style-type: none"> i. Opportunity – 15 points ii. Rental Market Strength – 15 points iii. Location Trends – 15 points 	45
5. Underwriting – 11 point threshold	<ul style="list-style-type: none"> i. Pro forma – 26 points ii. Developer Fee – 5 points iii. Debt coverage ratio – 14 points 	45
6. Leverage	<ul style="list-style-type: none"> i. Percentage of GOAL funds - 10 points ii. Commitments Received – 10 points 	20
7. Project Team Characteristics	<ul style="list-style-type: none"> i. Non-profit participation – 2 points ii. Penalty points – no max 	2
8. Job Training Program		10
TOTAL POINTS		219

PROJECT COST AND FUNDING LIMITATIONS

The following cost limitations shall apply in determining a project's eligible basis, and the resulting amount of GOAL program funds that may be awarded. These cost limits shall not be exceeded unless substantive evidence, acceptable to AHFC, is supplied by the applicant to justify higher cost limitations.

1. Total Development Costs Limits (HUD 221(d)(3) and 4) Limits for Alaska):

The total development cost (total project cost minus cost of land) per unit will not exceed the HUD 221 (d)(3) mortgage limits by bedroom size unless substantive evidence (in AHFC's sole opinion) is presented to justify allowing an exception. For projects requesting HOME funds, please consult AHFC for the current per-unit subsidy limit. For the HOME program, the high-cost multiplier applied to the 221(d)(3) limits may not be applicable and a lower per-unit subsidy may be imposed for HOME funds. Please consult the AHFC website www.ahfc.state.ak.us ("download" section) for the most recent HUD 221 (d)(3) limits.

2. Developer/General Contractor Fees and Costs:

The maximum gross developer and contractor fee/overhead charged to the development may not exceed the amounts specified in the following table. Where an identity of interest exists between the developer, contractor, consultants or any other party to the development, the maximum developer and/or contractor fee may be further reduced to an amount determined to be appropriate by AHFC. AHFC may also reduce any fee that, in AHFC's opinion is higher than is justified for the project. Exceptions will be considered only if significant evidence is provided which suggests that the project is of a nature that warrants such higher fees.

Development Type	Maximum Gross Developer Fee/Overhead*	Maximum Gross Contractor Fee/Overhead**	General Requirements **	Maximum Contingency
New Construction	15%	10%	10%	5% of hard construction costs
Acquisition with Rehabilitation or rehabilitation Only	5% of Acquisition Costs and 15% of Rehabilitation Costs	10% of Rehabilitation Cost	10% of Rehabilitation Cost	10% of hard construction costs
Acquisition Only (HOME & SCHDF Programs only)	5% of Acquisition Cost	0%	0%	

*The maximum fee/overhead must be calculated against the total development cost of the project, net any payments to the developer or related parties.

** The maximum fee/overhead and general requirements is calculated against total construction cost.

Please refer to the program policy and procedures guide for the definitions of general requirements, and builder/contractor profit and overhead.

- i. low-income and market rate units.
 - ii. Certifications made by the Owner during the application process regarding project design and other building characteristics (e.g. accessibility for people with disabilities, use of non-residential space, etc.) that are part of the restrictive covenant recorded on the property.
3. The annual amount of eligible basis, the applicable **Consultant Fees and Cost of Intermediaries**

All payments made to consultants or other intermediaries who are performing tasks normally performed by a developer, are considered development overhead charges and must be included in the maximum 15% allowable for the developer fee and overhead.

4. **Operating Reserves**

Operating reserves that are funded with proceeds from the GOAL program are limited to an amount up to one year of the projects' total operating expenses, not including replacement reserves. This limitation may be waived at AHFC's discretion if it is considered to be in the best interests of the project or the GOAL program.

5. **Replacement Reserves**

All projects funded with GOAL funds will be required to maintain a minimum of \$300 per unit/per year replacement reserves for capital expenses (roof repair, boiler replacement, etc.). The replacement reserve account must be jointly controlled by the project owner and AHFC or some other secondary lender. This requirement will be subordinate to any terms or conditions placed on loan or grant financing associated with the project.

6. **HOME Rental Development Funds**

To receive HOME rental development funds, a minimum of 40% of the residential rental units in the development must be set-aside for families at or below 50% of the median income, adjusted for family size.

7. Limitations on SCHDF Project Funding

For grant requests over \$500,000, the underwriting analysis performed by AHFC for determining the recommended amount of senior housing grant funds will be based on analysis of the debt carrying capacity of the project. AHFC will use the underwriting criteria for its multi-family loan program to determine the potential amount of debt the project could support. Project income will be estimated by using the HUD established Fair Market Rent for the geographic location. The maximum SCHDF award will be the difference between the estimated debt capacity (loan amount) and total development costs.

8. Minimum Rehabilitation Costs

Under the LIHTC program, there is a minimum rehabilitation cost. The rehabilitation costs must be the greater of \$15,000 per unit or 10% of the "adjusted basis" of the building and must consist of work items that are more than just cosmetic in nature and include only physical items. Soft costs and financing costs may not be used to calculate the minimum rehabilitation cost.

ALLOCATION OF TAX CREDITS TO PROJECTS FINANCED WITH TAX-EXEMPT BONDS EXCEEDING 50% OF TOTAL PROJECT COSTS

Applicants may apply to AHFC for LIHTCs that are obtained automatically with the use of tax-exempt bond financing on a project. To be eligible for these "non-competitive" credits, more than 50% of the project costs must be financed with bonds that are exempt from taxes under the IRS Code (tax-exempt bond issue). The bonds must be issued subject to Alaska's private activity bond volume cap. Additionally, the project must be considered eligible for LIHTCs under Alaska's Qualified Allocation Plan (Rating and Award Criteria), including the minimum threshold requirements and points criteria.

All requirements of the competitive tax credit program pertain to the non-competitive program, including all application, processing and monitoring fees and the requirements regarding feasibility and viability.

COMPLIANCE MONITORING FOR SCHDF AND HOME

The SCHDF and HOME program have separate monitoring requirements that are not required under IRS statutes to be incorporated into this allocation plan. The compliance requirements for these programs are detailed in the policy and procedures manual for the GOAL program and in a compliance manual available from AHFC.

COMPLIANCE MONITORING PLAN FOR LIHTC PROJECTS

(a)(1)(A) **Monitoring Authority** - All projects -placed in service- since the 1986 enactment of the Low-Income Housing Tax Credit Program, are subject to monitoring for compliance with the rules and regulations of 26 U.S.C. Section 42.

(B) Compliance monitoring of all tax credit projects will be conducted by the AHFC, in accordance with the procedures outlined below. The Corporation's obligation to monitor for compliance with the requirements of Section 42 does not make the Corporation liable for an owner's noncompliance.

(C) The areas to be reviewed for compliance shall include, but are not limited to:

- iii. Tenant income qualifications, calculations and appropriate supporting documentation.
- iv. Gross rent payments and any components of the gross rent figure (including utility allowances, optional and non-optional charges).
- v. The project rental history of the fraction claimed for the property and compliance with habitability standards.

- vi. Affirmative marketing efforts

vii. Fair housing compliance

viii. Occupancy rules contained in Section 42

ix. Building code violation reports

x. Replacement Reserves

xi. Vacancy rates

xii. Property management certification

(b)(1) **Record Keeping** - The owner of a project receiving a credit allocation shall maintain project records (A - R, below) for six years past the due date (with extensions) for filing the federal income tax return for that year. **The records for the first year of the credit period must be 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.**

The records must include, but are not limited to, the following:

(A) the total number of residential rental units in the project (including the number of bedrooms and square footage of each residential rental unit);

(B) the percentage of residential rental units in the building that are low-income units;

(C) the rent charged on each unit in the project, including the utility allowance amount used and the method of calculation;

(D) the project rental history of all units and information that shows when and to whom the next available units were rented;

(E) annual income certifications for each low-income tenant and sufficient documentation to prove that annual income was calculated in a manner consistent with the requirements of Section 8 of the U.S. Housing Act of 1937;

(F) the character and use of the non-residential portion of the building(s) within the project (common areas, etc.) if included in eligible basis;

(G) the number of occupants in each low-income unit;

(H) the eligible basis and qualified basis of the building at the end of the first year of the credit period; and if in the following years the project has received additional federal funds reducing the eligible basis of the building(s);

(I) evidence that supports any of the project characteristics the Owner may have certified to, in his/her application for tax credits, to receive points in the ranking process;

(J) evidence supporting that the project Affirmative Marketing efforts are on going and directed towards the appropriate tenant population;

(K) evidence supporting that the project complies with the Fair Housing Act and does not discriminate in the provision of housing;

(L) evidence that the project has in place procedures to ensure compliance with the occupancy rules regarding full time students under the LIHTC program; and

(M) documentation detailing all building code violations and corrections noted within the prior 12-month period of time.

(N) Reserve Funds and any expenditures allowed under the reserve requirements.

(O) Annual accounting of Property Tenant Unit Vacancies

(P) Optional and Non-optional Charges to tenants.

(Q) Household demographic characteristics (HUD Form # 40097 or similar).

(R) Other Documents and data as required.

(2) Corporation Record Retention - The Corporation must retain the records and certifications used to review the projects for compliance, for three years after the end of the calendar year in which it receives them. If non-compliance is found, records and certifications related to that specific compliance review must be retained for 6 years beyond the filing of the IRS Form 8823.

(c)(1)(A) Monitoring Review Procedures - Upon request from the Corporation, the owner of the subject project shall submit project information required by the Corporation to complete a monitoring review. The required information is detailed in section (b)(1)(A-R), above. After receipt of the information described in section (b)(1)(A-R), the Corporation will review the documentation for compliance with 26 U.S.C. Section 42. The Corporation shall notify the owner within 15 working days of the completion of the review, as to the result of the initial review. If additional information is required by the Corporation to complete its review, the owner shall respond within 10 working days. A \$25 per day late fee may be assessed on owners who do not submit the requested compliance information within the deadlines established by the Corporation. Failure to respond will be considered non-compliance with program criteria and will be reported to the IRS.

(B) Monitoring Review Schedule – In the first year of the credit period, 100% of the tenant files and 20% of all units in the project will be reviewed during an on-site visit. Every third year there after, a minimum of 20% of all units in the project will be reviewed during an on-site visit. Annually, a compliance documentation review will take place. The following items will be submitted to the Internal Audit department for review:

- i. Owners Certificate of Compliance (HOME and / or LIHTC)
- ii. Unit History / Status Report
- iii. Rent Roll
- iv. Utility Allowances
- v. Affirmative Marketing Plan

- vi.** Building Violation Reports
- vii.** LIHTC Allocation Certificates (IRS Forms 8586, 8609, and 8609A)
- viii.** Student Household Statement
- ix.** Household Characteristics Form (HUD Form 40097 or similar)
- x.** Vacancy Summary
- xi.** Optional and Non-optional tenant charges
- xii.** Common area description
- xiii.** Replacement Reserve Fund

AHFC reserves the right to visit any project on an annual basis if the prior year's performance was determined to be less than satisfactory.

(C) Inspections - The Corporation has the right to perform audits which may include site inspections on any tax credit project during the full term of the agreed-upon extended use period or thirty (30) years, whichever is greater. The extended-use period is established an agreement, which is recorded as a restrictive covenant when the project is placed in service. The focus of the inspection(s) will include, but not be limited to, those items referred to in (a)(1)(C) and (b)(1)(A-R), above.

- a. For New Buildings – physical inspections will be conducted, in accordance with UPSC protocol, on at least 20% of the property's LIHTC-eligible units, all building exteriors, building systems, the property site and common areas.
- b. ii. For Existing Buildings – physical inspections will be conducted on at least 20% of the property's LIHTC-eligible units every three years, all building exteriors, building systems, the property site and common areas.

(D) Required Certifications - In addition to the required information referred to in sub-section (b)(1)(A-R) above, owners of tax credit projects shall submit annual certifications attesting to compliance with the requirements of Section 42, under penalty of perjury. The owner shall also certify that the residents of the low-income facilities were informed of the Corporation's right and intent to review tenant income certifications for compliance with Section 42 and the procedures of this section.

(d)(1)(A) **Calculating Family Income** - All families living in the designated low-income units of a building receiving tax credits must be income qualified. Owners of tax credit projects shall use the guidelines established by the Internal Revenue Service for projecting annual family income.

(e)(1)(A) **Notification of Non-Compliance** - If the Corporation does not receive the required certifications, is denied access to income certification forms, support documents, or rent records for any tenant family or unit, or finds general non-compliance with the requirements of Section 42, the owner will be immediately notified of the violation, in writing, and the time period for correcting it.

(B) **Correction Periods** - An owner shall have thirty (30) days from the date of the notice of non-compliance to correct the finding, except in the case of a missed certification where the cure period is 10 working days. For non-compliance found regarding health and safety issues, an Owner shall have no more than 24 hours from the hour of finding to correct the deficiency.

(C) **IRS Notification** - The Corporation will notify the Internal Revenue Service (IRS) of a finding of non-compliance within 45 days of the end of the correction period, regardless if the finding was corrected. The Corporation will also notify the IRS of instances of non-compliance that it becomes aware of that may have occurred prior to January 1, 1992.

(f)(1)(A) **Monitoring Fees** - An annual fee will be charged to all LIHTC projects for compliance monitoring. The monitoring fee shall be established by the Corporation and reviewed on a yearly basis to ensure it adequately covers the administrative cost of monitoring.

(B) The monitoring fee will be the greater of \$35 per tax credit unit per project or a minimum of \$250. Per unit LIHTC fee of \$35 applies to on-site reviews which include a physical inspection. The maximum compliance monitoring fee for each project will be \$3,000 per project. For LIHTC program developments, on-site reviews are required every 3rd year. Reviews may occur more often at AHFC's discretion due to poor compliance performance found at the development. During off-site administrative documentation reviews (desk reviews), the monitoring fee will be 50% of the on-site review fee. For projects that continue to exhibit poor performance, AHFC reserves the right to charge the actual cost to AHFC for conducting an annual audit for compliance.

(C) The monitoring fee for the first year of the credit period shall be payable upon issuance of the IRS Form 8609. For the following years, the monitoring fee shall be payable by the anniversary of the placed-in-service date for the project, or as requested in the compliance review "Notice Letter" issued by AHFC's Internal Audit department.

(E) Failure to pay monitoring fees when due will constitute a violation of the terms of the extended-use agreement under which a credit allocation is made. The project owners will be barred from receiving any future credit reservation and the Corporation will reserve the right to pursue legal action and/or the recapture of the credit allocation to the fullest extent permissible by state and federal law.

(g)(1) Monitoring Office Contact - All information specified under this section shall be submitted to:

Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, Alaska 99510
Attn: Internal Audit Department