

Exhibit Z

Supplemental Allocation Set-Aside Credit Application Materials

\$900,000.00 of the State's annual low-income housing tax credit authority is designated as the Supplemental Allocation Set-Aside and is reserved by and for the Director of ADOH to allocate in the Director's sole discretion to projects that need additional credits because of material errors of ADOH or projects with severe hardships. The amount that may be allocated by the Director under this subparagraph may also be supplemented by the amount of credits returned that were originally reserved in prior allocation years.

- (1) **SEVERE HARDSHIP.** Requests based on severe hardships may be submitted from January 1st through August 15th of the allocation year, or until funds are exhausted, along with an additional supplemental credit application fee of \$2,500. Hardship requests must be documented to the satisfaction of ADOH and must demonstrate the existence of an unforeseeable hardship or emergency situation where the completion of the project would be jeopardized without an award of additional tax credits. Severe hardship credits are only provided for material costs that are outside of the Developer's control, such as concrete, wood products, petroleum products, and copper

- (2) **MAXIMUM CREDIT ALLOCATION.** Applicants cannot apply for a supplemental allocation of tax credits if they have already received the maximum credit allocation allowed by eligible basis limits in the year that the application for supplemental allocation is made. In determining whether a supplemental allocation will be reserved to a project, ADOH will also consider the amount of gap financing intended or pledged to the project.

The following information is required to be included in the application submission for an allocation of Supplemental Allocation Set-Aside Credits:

- 1) Cover letter that includes:
 - a. Narrative explanation of hard cost overruns resulting from market driven factors (i.e. increases in labor, material costs, change orders) that are unforeseen and outside of the control of the applicant/developer (include any supporting documentation).
 - b. Narrative explanation of the effect the cost overruns have on the project, i.e. risk of non-completion of the project.
- 2) Updated Form 3 (department form)
- 3) Evidence of construction hard-cost overruns