

LOW INCOME HOUSING TAX CREDIT PROGRAM APPLICATION

DELAWARE STATE HOUSING AUTHORITY
STATE OF DELAWARE

Part I
Tax Credit Allocation

Development Name: _____

Development Location: _____ City: _____ County: _____

Census Tract Number: _____ Zip: _____

Applicant Name: _____

Address: _____ Phone No.: () _____

City: _____ State: _____ Zip: _____

I. LEGAL STATUS OF APPLICANT:

Corporation _____ Nonprofit _____ Profit _____
Partnership _____ General _____ Limited _____
Individual _____ Local Government _____ Limited Liability Company _____
Joint Venture (list each principal owner) _____

Name(s) of Ownership Entity

Legal Status* - Currently Exists () To Be Formed ()
Estimated Date _____

Federal ID Number/Individual's Social Security Number _____

II. ALLOCATION REQUEST:

By submitting this application, you are requesting a Tax Credit allocation for **2009**. At least 10% of the projected cost of development must be expended as of the latter of the date which is **twelve months** after the date that the allocation was made or the close of the year for which the Tax Credit allocation is made.

* Attach Articles of Incorporation, By-Laws, Limited Liability Company Agreements, Partnership Agreements and Tax Status as Exhibit 1.

III. SOURCES OF EQUITY OR DEBT - Check one or more of the following:

- () A. No federal subsidy is being used in the development of the project.
- () B. A federal subsidy, in the form of a grant, is being provided as an equity source.
Amount _____ Source _____
- () C. A federal subsidy is being provided in the form of a loan.
Amount _____ Source _____ Interest Rate _____

IV. DEVELOPMENT CLASSIFICATION - The maximum Credit percentage rate is determined by the type of development being proposed for the Low Income Housing Tax Credit. Please indicate the classification(s) that best describes your proposed development. Applicants requesting both the acquisition Tax Credit and the rehabilitation Tax Credit should indicate the appropriate classification for each.

- () A. New Housing Creation - Includes new construction and conversion of non-residential use to residential use. Credit is based on qualified development costs excluding land or acquisition costs. **Minimum** Credit percentage rate is **9%**.
- () B. Substantial Rehabilitation - Units that have been occupied within the last three years. An expenditure of the greater of **\$6,000** of qualified basis per low-income unit or **20%** of unadjusted basis is required. DSHA has further defined substantial rehabilitation in the definition section of the Qualified Allocation Plan, and, DSHA reserves the right to further adjust the minimum substantial rehabilitation requirement. Expenditures must be allocable to low-income units.
- () C. Acquisition Cost of an Existing Building - The 30% present value Credit for acquisition of an existing building can only be claimed if at least minimum required rehabilitation (greater of **\$6,000** per low-income unit or **20%** of unadjusted basis) is being done at the same time. Basis of the acquisition Credit is the cost of acquisition minus land value. Developments are eligible for the 30% present value Credit only if the date of acquisition is 10 years **(ten year rule)** or more after the later of the date the building was last placed in service or the date of the most recent nonqualified substantial improvements. **Federally subsidized properties currently utilizing HUD Section 8, Section 221(d) 3, Section 221 (d) 4, Section 236, USDA Section 515 and any other housing program administered by HUD or the Rural Housing Service of the Department of Agriculture will be exempt from the ten-year rule.** For the acquisition Tax Credit, "placed in service" is when ownership is transferred. However, the Credit period for the acquisition Credit does not begin until the first taxable year that the owner can take the rehabilitation Credit.

() D. New Construction or Substantial Rehabilitation of Existing Housing receiving Federal Subsidy through Tax-exempt Bond Financing - Any type of tax-exempt financing provided by state or local governments is also considered a federal subsidy. In addition, developments which obtain tax-exempt bond financing under the private activity cap, for 50% or more of the aggregate basis of the building and land, the sponsor will receive a 30% of present value Credit without applying for the Credit under the LIHTC allocation cap.

Subsidy Type: Tax-Exempt Bonds (not under the private activity cap); Tax-Exempt Bonds (under private activity cap).

() E. Acquisition of a Distressed Federally Assisted Project - A distressed federally assisted project is one that is in danger of the mortgage being assigned to HUD or Rural Housing Service or one in which a claim will be made against a federal mortgage insurance fund. Credit is based on the acquisition cost minus land value. The Credit percentage rate is 30% of present value on qualified acquisition and 9% rate for rehabilitation expenses if rehabilitation expenditures are at least \$6,000 per unit or at least 20% of the unadjusted basis per low-income unit. Type of development: Section 236; RHS 515; Section 221(d)(3); Section 8 New Construction; other.

Please provide a detailed summary of how the development would qualify as a distressed federally assisted development as Exhibit 32.

V. CALCULATING THE TAX CREDIT:

The maximum amount of the Low Income Housing Tax Credit that a development can receive is determined by applying the annual Tax Credit percentage rate against the "qualified basis" of the property. The two key phrases that are important in calculating the amount of the Credit are "eligible basis" and "qualified basis".

The "eligible basis" is the eligible development costs such as new construction expenditures, rehabilitation expenditures, and building acquisition expenditures. Certain deductions from these cost elements must be made, including the cost or value of the land underlying the development and the value of any federal or other grants.

The "qualified basis" is the portion or percentage of the eligible basis that qualifies for the Tax Credit. The "applicable fraction" is determined and then multiplied against the "eligible basis" to obtain the "qualified basis".

The "applicable fraction" is the lower of the "unit fraction" or the "floor space fraction". The unit fraction is the percentage of the units in the building that are qualified low-income units. The "floor space fraction" is the percentage of total rentable building floor space contained in the qualified low-income units.

The cost of facilities and extra amenities such as common areas, parking facilities, and recreation equipment can be included in the eligible basis of the development, as long as

there is no separate fee for the use of these facilities and they are available to all tenants on a comparable basis. Federal **or other Grants** financing qualifying costs, other non-qualifying financing, the value of any commercial space, costs associated with any non-qualifying units of higher quality, and any historic tax credits must be subtracted from the uses of funds.

The following depicts the steps in calculating the maximum amount of Tax Credit that the development may receive. However, Credit allocations may not exceed the amount necessary for the financial feasibility of the development.

1. Eligible basis - Development costs that are eligible expenditures for obtaining Tax Credits.
2. Applicable fraction - Percentage of the building representing qualified low-income units, based on lesser of floor space ratio or unit ratio.
3. Qualified basis - Eligible basis multiplied by applicable fraction.
4. Tax Credit percentage rate - Maximum percentage of 30% value based on applicable federal rate for acquisition credits **and tax-exempt bond properties and a minimum of 9% for new construction and rehabilitation credits.**
5. Tax Credit amount - Tax Credit percentage rate times the qualified basis. Tax Credit amount can be taken annually for 10 years.

VI. TAX CREDIT RESERVATION REQUEST:

Complete the formula for determining the annual Tax Credit allocation request. Developments, where an existing property is acquired needing substantial rehabilitation, are eligible for both the rehabilitation and acquisition Tax Credit. Rehabilitation of acquired properties must be completed and ready for occupancy within 24 months from the date of acquisition.

Developments, which are new construction or substantial rehabilitation, need to complete Section A - New Construction or Rehabilitation Tax Credit Request. Applicants must complete Section A & B when a property is acquired and substantial rehabilitation is being done.

A. New Construction or Rehabilitation Tax Credit Request**

1. Development Basis	\$ _____	(To qualify for Tax Credits, the development costs for new construction and rehabilitation must be the greater of \$6,000 per unit or 20% of the unadjusted basis)
(-) Less land value or less acquisition cost	\$ _____	(Cost of acquisition or imputed or acquisition land value)
(-) Less federal/other grants being applied to development costs and other ineligible costs (i.e. historic tax credits, commercial space, higher quality units, etc.)	\$ _____	The amount of the federal/other grants are not included in the eligible basis)
(-) Less non-depreciable costs**	\$ _____	(Non-depreciable costs must be subtracted from Development Basis in determining Eligible Basis. Examples of such costs are Tax Credit application, allocation and reservation fees, permanent financing costs/fees, syndication fees, marketing fees, any fees directly associated with operations and contingency)
(-) Less non-eligible fees	\$ _____	(Developer, Contractor or other fees exceeding eligible basis limits or DSHA limits)
2. Total Eligible Basis	\$ _____	(Development Basis less land cost, federal grants/loans below AFR, and non-depreciable costs)
3. Times (x) applicable fraction	\$ _____	(Lesser of, percent of units or fraction percent of floor space, which are, designated low-income units. Minimum of 20% of units for tenants gross incomes at or below 50% of median; or 40% of units for tenants with gross incomes at or below 60% of median)
4. Qualified Basis	\$ _____	(Portion of Eligible Basis qualified for Tax Credit)
5. Times (x) Tax Credit percentage rate	\$ _____	*
6. Annual Tax Credit allocation requested	\$ _____	

* DSHA will underwrite and allocate **acquisition** credits based on applicable rate issued by the Treasury Department one (1) month prior to application submission and will utilize an equity factor dictated by market conditions. Applicants should use the same. **New Construction and rehabilitation credits will be a minimum of 9%**

B. Acquisition Tax Credit Request**

- | | | |
|---|----------|---|
| 1. Development Basis | \$ _____ | (Cost of acquisition) |
| (A) Less federal/ other grants | \$ _____ | (Tax Credits cannot be obtained for costs financed by a federal/ other grant) |
| (B) Less land value | \$ _____ | (Actual cost of land acquisition or appraised value) |
| (C) Less reserves | \$ _____ | (All reserves transferred with property are not included in basis) |
| (D) Less other | \$ _____ | |
| 2. Total Eligible Basis | \$ _____ | (Development Basis less federal/ other grants and land value) |
| 3. Times (x) applicable fraction | \$ _____ | (Lesser of, percent of units or percent of floor space, which are, designated low-income units. Minimum of 20% of units for tenants with gross incomes at 50% or less of median; or 40% of units for tenants with gross incomes at 60% or less if median) |
| 4. Qualified Basis | \$ _____ | (Portion of Eligible Basis qualified for Tax Credit) |
| 5. Times (x) Tax Credit percentage rate | \$ _____ | (*) |
| 6. Annual Tax Credit allocation requested | \$ _____ | |

C. Total Annual Tax Credit Request: \$ _____ (sum of Sections A and B)

****A WORKSHEET INDICATING HOW EACH LINE-ITEM IS CALCULATED MUST BE ATTACHED.**

The undersigned applies for the Tax Credits indicated in this application and represents that the property will not be used for any illegal or restricted purpose, and that all statements made in this application are true and are made for the purpose of obtaining a Tax Credit allocation. The applicant hereby certifies that he/she believes the development can be completed within the development budget set forth and operate the development within the operating budget set forth. In addition, the applicant certifies that the Sources and Uses of Funds includes the full amount of all federal, state or local subsidies/funds that are committed or anticipated for the development. Verification may be obtained from any source named in this application. The applicant understands that the Delaware State Housing Authority will retain the original or a copy of this application, even if an allocation is not granted.

The applicant further represents that if a Low Income Housing Tax Credit reservation is granted, as a result of this application, it will promptly furnish such other supporting information and documents as may be requested. In carrying out the development and operation of the development, the applicant agrees to comply with all applicable federal and state laws regarding unlawful discrimination and Low Income Housing Tax Credit Program rules and regulations. The Authority is not responsible for actions taken by the applicant in reliance on a prospective Tax Credit reservation. It is further understood and agreed by the Applicant that for the purpose of determining qualified developments and allocating the Tax Credits, the Delaware State Housing Authority can reduce, modify or reject any or all Low Income Housing Tax Credit allocation requests.

DISCLAIMER

The information contained herein is intended to provide guidance to the applicant in terms of the operations of the Qualified Allocation Plan. The information is not intended to be restrictive of DSHA with respect to the operation of the Low Income Housing Tax Credit Program. By submitting an application, the applicant acknowledges and agrees that statements contained in the Plan are subject to change by DSHA to reflect changes in applicable laws, regulations and or to otherwise maintain consistency with other DSHA programs, goals or policies. Any changes to the Plan pursuant to this section will be duly noticed with an opportunity for public comments.

I/we fully understand that it is a Class A misdemeanor punishable by fine up to \$2,300 up to 1 year in prison, restitution, and other conditions as the court deems appropriate, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 11, Delaware Code, Section 1233.

(Signature)

Date

(Print Name)

(Title)

(Legal Name of Applicant)