

## EXHIBIT E – LOW INCOME HOUSING TAX CREDIT APPLICATION REQUIREMENTS

A. Application for Tax Credit Reservation or Tax-exempt Bond Conditional Commitment shall Include:

1. Complete application form (current year), including, but not limited to:
  - a) Complete breakdown of the funds anticipated. Sponsor must provide a letter of intent or commitment from the Lender(s) and Syndicator(s) for the investment of all required equity and loan funds in the development. Said document(s) to identify and outline the specific terms (i.e., pricing, costs, structure, equity injection schedule, required reserves, etc.) either being offered or proposed by the Lender(s) and Syndicator(s) (See Section 7.3.13 of the Allocation Plan).
  - b) If applicable, documentation regarding the terms and conditions of proposed subsidies.
  - c) Documentation substantiating utility allowance calculations.
  - d) If requesting points for experience, out-of-state sponsors will be required to provide references from HFA's acknowledging the sponsor's Section 42 track record and that their developments are in compliance. The Sponsor will provide IHFA with the authorization to contact these agencies.
  - e) 15-year pro forma which demonstrates appropriate debt service coverage each year to be deemed economically feasible. If HOME funds are requested, a 30-year pro forma is required.
2. Narrative description of the development;
3. Market Study and Feasibility Requirements. Sponsors will be required to obtain their market study from a provider who is listed on the Association's approved market study provider's list. For clarification purposes, a previously completed MAI appraisal can be used to establish market feasibility, for acquisition/rehabilitation developments, provided; 1) the appraisal report is less than six months old, and 2) the appraisal addresses the development's ability to sustain existing occupancy. An update will be allowed up to six months after the original market study/appraisal has expired, although in no instance will the Association accept a market study/appraisal beyond 12 months of the original date. The market feasibility criteria established within the plan will be strictly enforced as each application is reviewed. Please insure that the market feasibility report contains adequate support of its conclusion regarding projected incremental "new unit" demand within their targeted market area, and specifically addresses the following required topics within the analysis:

- Analyze and evaluate the existing market place – using comparable existing and proposed developments; LIHTC and market rate developments (types, unit size and design characteristics, rents, vacancies, development timeframes for proposed developments, etc.);
- Projection for absorption must be adequately supported by the incremental “new unit demand” for the type and design of the proposed development. In addition, the analysis must evaluate the overall effect of the proposed development on the existing rental market of the targeted area;
- Affordability analysis must compare the proposed LIHTC units with comparable market rate units. In the event the analyst does not specifically justify a projected comparable rent, but rather provides a broad range of rents for the comparables, please be advised that the Association will establish affordability by using the low end of the range;
- Proposed developments which are designed for, and are dedicated to, a targeted market segment (i.e., elderly) will be required to provide a targeted feasibility analysis; and
- Proposed developments which contain commercial space must provide an evaluation which substantiates the commercial demand, vacancy rate(s), and lease rate(s) for comparable commercial space within the market area that the development is proposed.

Criteria for Market Feasibility: A current Market Study (no more than 6 months old), or an update dated no more than six months from the expiration of the original Market Study, researched and prepared by an independent professional firm which recommends and justifies the overall market area demand for new housing units by addressing all aspects of marketability including but not limited to:

- Market composition between home owners and renters;
- Geographic definition and analysis of market area;
- Existing competing developments;
- Developments in the market area which are under construction and/or in the pipeline to be developed – with anticipated dates of completion and availability to the public;
- Vacancy rates of both market units and low-income units in the market area;
- Capture rate analysis of target population;
- Absorption (taking into account both existing and proposed for both low-income and market rate developments). The analyst must include a description of the effect of the sponsor’s proposed development on the market area;
- Income levels in targeted market area;

- Community profile (addressing employment and population growth projections);
- Site analysis and opinion (including an analysis of how the site will enhance or detract from development marketability). Analyst must visit the proposed site;
- Analysis of local industry(s) – i.e., projected growth, stabilization, downsizing, etc;
- Tax credit rents (as compared to market rents for comparable units);
- Market and low-income housing unit demand currently needed, as well as the anticipated need at the time that the proposed development will be completed;
- A description of development including:
  - Development amenities;
  - Number of units;
  - Unit type; and
  - Unit size.

If there are no local comparable units, the study should utilize comparables from other nearby communities.

Should the study or update not provide a definitive conclusion regarding new unit market demand, the housing sponsor will fail the market study threshold and the application will be returned.

**Note:** The Association is hereby notifying the Housing Sponsor that the contents of the market study may and can be disclosed to the general public. The party requesting this information may be assessed a nominal fee.

4. Legal description;
5. Location map;
6. Sketch plan of site, typical unit layout, building elevations.
7. Evidence of initial site control (purchase agreement, option);
8. Evidence of approved zoning or, if unavailable, evidence of application for permissive zoning;
9. Résumés for development team members, including addresses, telephone numbers and contact persons;
10. Certifications or other documentation required to substantiate eligibility for Selection Criteria Points;
11. Applicable Association fees;
12. Nonprofit Organizations – Articles of Incorporation and IRS documentation of status;
13. Previous Experience Summaries for the Developer and Management Agent;

14. Proposed Management Agreement, Comprehensive Management Plan and Manager's Questionnaire;
15. If applicable, evidence of Real Estate Tax Waiver or Reduction signed by appropriate official;
16. If applicable, written evidence of available Volume Cap for tax-exempt bond issuance (for tax-exempt bond developments only); and
17. Acquisition Rehabilitation developments must provide the following additional information:
  - a) A current independent third party MAI appraisal\* that includes both an "as is" restricted-rent value and an "as is" market value (net of appraiser recommended repairs and dollar balance of replacement reserves) of the existing development with land value broken out separately;

\* For clarification purposes, a previously completed appraisal can be used to determine property value, provided; 1) the appraisal report is less than six months old, and 2) the appraisal comprehensively addresses the requirements listed above. An update will be allowed up to six months after the original market study has expired, although in no instance will the Association accept an appraisal beyond 12 months of the appraisal's original date.

If acquisition tax credits are not requested, this item will not be required)

- b) Complete description of the rehabilitation work proposed for the development and the time frame in which completion of rehabilitation is expected.
- c) A line item cost estimate detailing acquisition, displacement costs, and proposed rehabilitation. For a building to be considered substantially rehabilitated, the "hard" rehabilitation costs during any 24-month period must equal or exceed an average of \$20,000 per unit. Hard rehabilitation costs include site work, rehabilitation costs for physical improvements to the property, and construction contingency. (It should be noted that contractor profit, contractor overhead, general requirements, and soft costs will not be considered in this definition of hard rehabilitation costs.);
- d) Three years of the most current financial statements for the existing development and a current year-to-date operating statement;
- e) An architect's certification indicating that the development will, when rehabilitated, provide decent, safe, and sanitary dwellings which meet Housing Quality Standards (24 CFR 982.401), all applicable local, state, and federal laws including Fair Housing laws and the Americans With Disabilities Act and local building codes. Said certification must state the anticipated R-factor of Insulation in walls, ceilings, and floors at rehabilitation completion;
- f) A plan for covering the costs and logistics of displacement for all persons impacted by the rehabilitation; and

- g) If applicable, a letter of acknowledgement and/or commitment from the provider (HUD, USDA, RD, etc.) that the current housing subsidy will continue in force, or be extended for a given period of time. The letter needs to include the following:
  - Maturity date of contract/subsidy;
  - Rental assistance dollar amount
- h) Level I Environmental Report conducted by a professional firm approved by the Association that includes, but is not limited to assessment of risks relating to lead-based paint, asbestos, and radon;
- i) Physical needs assessment conducted by a licensed architect to determine the need for replacement reserves and the remaining useful life of appliances, floor coverings, doors, and all major building components including roof structures, windows, foundations, plumbing, heating, electrical systems, and air conditioning;
- j) If acquisition tax credits are requested, and the acquired property is not substantially financed, assisted, or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, any housing program administered by HUD or the Rural Housing Service of the Department of Agriculture, or any other similar state housing programs, a CPA opinion letter stating that the ten year rule requirements have been met or that an IRS waiver is appropriate will be required.

18. Applications for Additional Tax Credit:

Please refer to Section 4.8 of the Allocation Plan to determine when an application for additional tax credit may be submitted.

Applications for noncompetitive additional tax credit do not require Items 2-17, and applications for competitive additional tax credit do not require items 4-17, if originally submitted information is still current, but must provide the following information:

If increased development costs are the result of hard construction cost increases and a contractor contract has already been executed, the Association will require that the following items accompany the application for additional credit:

- Copies of any change orders associated with the increased costs; and
- Comprehensive explanation and justification by the Sponsor for the need to amend the original construction contract.

**For tax-exempt bond developments, the Conditional Commitment will be conditioned upon the delivery of the following items once construction starts:**

- a) Copy of recorded deed to the development site to be used as evidence that sponsor has purchased the property and ownership is vested in the name of the entity requesting the Allocation;
- b) If an identity of interest exists between the Sponsor and the Seller of the property, a copy of a fair market appraisal by a licensed appraiser conducted within the last 12 months;
- c) Copy of IRS Confirmation of Tax Identification Number for the partnership;
- d) Evidence of permissive zoning;
- e) Copy of executed Architect Contract;
- f) Copy of executed Development Agreement specifying the developer fee and method of payment;
- g) If applicable, copy of executed contract or agreement for consultant services which sets out services provided as well as fee structure;
- h) Copy of executed Construction Contract;
- i) Original Preliminary Architect's Certification that states the development's design meets all Association requirements and all local, state and federal laws including Fair Housing Laws. Said certification shall be in the format attached as Exhibit C;
- j) A copy of the firm financing commitment for construction financing; and
- k) Rehabilitation developments must provide the following additional information:
  - Level I Environmental Report conducted by a professional firm approved by the Association that includes, but is not limited to assessment of risks relating to lead-based paint, asbestos, and radon; and
  - A physical needs assessment conducted by a licensed architect to determine the need for replacement reserves and the remaining useful life of appliances, floor coverings, doors, and all major building components including roof structures, windows, foundations, plumbing, heating, electrical systems, and air conditioning.

**B. Request for Tax Credit Carryover Allocation Shall Include:**

- 1. Owner's Certificate and Agreement;
- 2. Updated Tax Credit Application, including Sponsor Certification (Pages 1-21 and Exhibit G of the application);
- 3. Updated documentation substantiating utility allowance calculations;
- 4. Certification of investment in development to-date together with a Certified Public Accountant certification that the 10% test has been met. Said certification shall be in the format attached as Exhibit F;

5. Copy of recorded deed to the development site to be used as evidence that sponsor has purchased the property and ownership is vested in the name of the entity requesting the Carryover Allocation;
6. If an identity of interest exists between the Sponsor and the Seller of the property, a copy of a fair market appraisal by a licensed appraiser conducted within the last 12 months;
7. Copy of IRS Confirmation of Tax Identification Number for the partnership;
8. Applicable fees;
9. Copy of the Limited Partnership Agreement or LLC Operating Agreement, as amended; and
10. Low-Income Housing Tax Credit Regulatory Agreement (re: extended use commitment and, if applicable, regulations covering set-aside units for lowest income tenants); must be signed by sponsor.

The Tax Credit Carryover Allocation will be conditioned upon the delivery of the following items once construction starts:

- a) Evidence of permissive zoning;
- b) Copy of executed Architect Contract;
- c) Copy of executed Development Agreement specifying the developer fee and method of payment;
- d) If applicable, copy of executed contract or agreement for consultant services which sets out services provided as well as fee structure;
- e) Copy of executed Construction Contract;
- f) Original Preliminary Architect's Certification that states the development's design meets all Association requirements and all local, state and federal laws including Fair Housing Laws. Said certification shall be in the format attached as Exhibit C;
- g) A copy of the firm financing commitment for construction financing; and

1-Year Extension: In the instance a 1 year extension (from the date of allocation) to complete the 10% test has been given (See Section 4.13), items 1, 2, 7, and 8 will be required on or before November 15th of the same year the reservation was issued, and items 3, 4, 5 (if applicable), 6, 9, and 10 will be due no later than 1 year after the date of the Carryover Allocation. In completing the Owner's Certificate and Agreement for Carryover Allocation and the accompanying "Exhibit B", the Owner must estimate accumulated basis to date. Also be advised that the Owner must maintain site control in their name (as evidenced by a land purchase agreement) for a period of time not less than the expiration of the extension.

C. Application for Tax Credit Certification (Placed-in-Service Developments) Shall Include:

1. Updated tax credit application, including Sponsor Certification (page 1-21 and Exhibit G of the application);
2. Updated documentation substantiating utility allowance calculations;
3. Certificate(s) of Occupancy;
4. Applicable fees;
5. Original recorded Low-Income Housing Tax Credit Regulatory Agreement;
6. Final permanent loan closing documents, in particular a copy of the Note, recorded Deed of Trust, and Owner's Title Policy;
7. Original Cost Certification by Certified Public Accountant in accordance with the Allocation Plan (see Exhibit G of the Allocation Plan for format);
8. Original Certification from Architect that the development is built in accordance with all applicable local, state and federal laws, including, but not limited to the Fair Housing laws as they pertain to handicapped accessibility and adaptability and those requirements of the Association set forth in this Allocation Plan (See Exhibit D of the Allocation Plan for format);
9. Copy of Placement Memorandum or Syndication Agreement indicating tax credit proceeds available to the development together with a contribution schedule;
10. Copy of all organizational documents, including the Limited Partnership Agreement, as amended, or LLC Operating Agreement;
11. Statement from syndicator which sets forth all fees paid to the syndicator in connection with the syndication; and
12. Current Rent Roll.