

2002

LOW-INCOME HOUSING TAX CREDIT PROGRAM

ALLOCATION PLAN

FOR THE

STATE OF IDAHO

ALLOCATING AGENCY:

Idaho Housing and Finance Association

Final Approval by:
Idaho Housing and Finance Association
Board of Commissioners

December 13, 2001

The Honorable Dirk Kempthorne, Governor, State of Idaho

on _____

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SECTION 1 – INTRODUCTION

1.1 Designation of Association

The Low-Income Housing Tax Credit was created under the provisions of the Tax Reform Act of 1986 to encourage the development of rental housing for low-income households. The Idaho Housing and Finance Association is the Allocating Agency (hereinafter referred to as the "Association") by Executive Order from the Governor, is the designated administrator of the tax credit with the responsibility of allocating the state's annual credit ceiling in accordance with an approved, qualified Allocation Plan. Section (§) 42 of the Internal Revenue Code, as amended, specifies the requirements of a qualified plan. For developments financed by tax exempt bonds where the development owner seeks tax credits, a separate set of requirements is provided in Section 12.

1.2 Revision of Existing Plan

This revised plan was approved by the Association's Board of Commissioners on November 15, 2001, with final approval on December 13, 2001, and subsequently by the Honorable Dirk Kempthorne on _____, following public hearings in Boise, Idaho, on August 29, 2001 and December 10, 2001, after appropriate notice as required by law. This revised Plan is to be effective January 1, 2002.

1.3 Interpretation

Reference Sections and other subdivisions are to the designated Sections and other subdivisions of the Plan. The headings of this Plan are for convenience only and do not define or limit the provisions hereof. Words of any gender shall be deemed and construed to include correlative words of the other genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate.

1.4 Tax Credit Administration Standards

In June 1992 a Tax Credit Task Force was established to examine the administration of Tax Credits on a nationwide basis. The Tax Credit Task Force was charged with the responsibility to develop a common set of standards whereby all HFA's would adopt and apply these standards in evaluating applications for housing credits. In April 1993 the Task Force recommended a set of standards which were adopted by the National Council of State Housing Agencies (NCSHA), and have been incorporated in the Idaho Housing and Finance Association's Qualified Allocation Plan and underwriting analysis of Tax Credit Applications.

SECTION 2 - PLAN OVERVIEW

2.1 Application Periods

Idaho's Tax Credit Allocation Plan establishes a competitive process, whereby low-income housing tax credits may be awarded to developments which address low-income housing priorities throughout the state. The state's tax credit ceiling, \$1.75 per capita and any amounts carried forward or returned to the Association from a prior year, will be available during three Application Periods. Tax credit will be available for reservation in Periods I, II and III. In Period II, certain unreserved set-aside credits and any unreserved non-targeted credit will be available.

2.2 Application Process

During the Application Process, sponsors competing for tax credit reservations must supply documentation in accordance with specific application requirements, and tax credit reservation recipients must qualify for and make application for tax credit commitments and tax credit allocation certifications or carryover allocations in accordance with the Association's requirements and timetables. Refer to Section 4 for additional requirements.

2.3 Housing Priorities

The Allocation Plan utilizes Special Needs Set-Asides and a Selection Criteria Point System to target specific low-income housing priorities pertinent to Idaho as designated by Idaho's housing needs assessment and to comply with the selection criteria and preference categories mandated by the amended federal program regulations. Applications will be ranked under the point system with tax credit reservations being granted to those developments receiving the highest number of points. Developments will be disqualified if they do not meet a minimum threshold of 200 points, fails to provide evidence of (1) management capacity and (2) affordability for low-income households, or are deemed by the Association, at its sole discretion, to be (1) economically infeasible or (2) located in a market area which does not support the proposed development.

2.4 Development Evaluation

Pursuant to §42 of the Internal Revenue Code, as amended, credits reserved for a development may not exceed the amount necessary for the financial feasibility of the development and its viability throughout the credit period. As mandated by Congress, a Development Evaluation will be made for each complete application received by the Association, and further evaluations will be conducted for reservation recipients as they move through the allocation process.

2.5 Cost Certification

Final allocation of credit shall be conditioned upon receipt of Cost Certification or the owner's submission of information verifying costs dependent upon the size and circumstances of the development.

2.6 Architectural Requirements

All developments which receive Low-Income Housing Tax Credit Allocations shall be constructed in accordance with the Association's minimum Architectural Requirements as well as all applicable local, state, and federal laws. Federal law includes the Fair Housing Act Amendments of 1988 which provide specific guidelines for multifamily dwellings in regard to minimum handicapped accessibility and adaptability. Sponsors shall obtain a certification from their architect which shall be included in the development's architectural drawings indicating that the development meets said local, state, and federal laws as well as the minimum requirements set forth in this Plan. Additionally, an Architect Certification confirming that the development has been built in accordance with the drawings must be submitted to the Association with the Owner's application for a Placed-in-Service Tax Credit Allocation Certification. Certification formats are provided in Exhibits C and D. The Association assumes no responsibility to inspect developments for compliance with said laws.

2.7 Site Visits

Association staff and their consulting architect have the right to visit developments during the construction period and development sponsors shall grant access to the development upon 24-hour notification.

2.8 Allocation Limitations

Allocation Limitations have been provided to promote effective utilization of the tax credit resource.

2.9 Compliance Monitoring

In accordance with federal regulations, all developments receiving tax credit allocations beginning in 1987 are subject to Compliance Monitoring that will be conducted by the Association. Noncompliance will be reported to the Internal Revenue Service as required by §42 of the Internal Revenue Code.

SECTION 3 - APPLICATION PERIODS

3.1 Application Round Closing Dates

Sponsors must submit a complete Application for Low-Income Housing Tax Credit Reservation during the following specified application periods.

APPLICATION PERIODS
CURRENT YEAR CREDIT

APPLICATION DEADLINE

I

FEBRUARY 15, Friday

II

Application rounds will be announced as deemed necessary to effectively utilize the housing credit giving a 30-day notice.

SUCCEEDING YEAR CREDIT

III

September 3, Tuesday. (Allocation of succeeding year credit is subject to all current year credit being allocated.)

3.2 Availability of State Tax Credit Ceiling

The state's credit ceiling consists of per capita credit, returned credit, unallocated credit carried forward from previous years and credit received from the National Pool. This credit ceiling is made available during scheduled application periods each year.

3.2.1 Per Capita Credit

Exhibit A contains a Tax Credit Distribution Summary providing information about the per capita credit available during each Application Round.

3.2.2 Returned Credit and Carryforward Credit

Association may re-allocate returned credit and may carry forward credit in accordance with §42 of the Code.

- a) All credit carried forward from the previous year or returned to the Association before October 1 will be available during the first application period or the period directly following receipt of the credit.
- b) To prevent loss of credit or prohibition of participation in the National Pool, the Association, at its sole discretion and without a competitive round or prior notification, may (1) select a new development(s) which meets threshold requirements and whose sponsor is prepared and able to meet all carryover requirements and/or (2) assign credit to developments with current year credit which have demonstrated acceptable, increased costs at the time of commitment in the following situations:
 - (1) Current year credit previously reserved or committed is returned after October 1st or;
 - (2) Current year credit remains unreserved after October 1st.
- (c) Credit received after October 1st which, in accordance with §42 regulations may be carried forward, may, at the Association's sole discretion, be allocated to developments which have received current year commitments which are lower than the amount required by the development as determined by the gap analysis or eligibility defined in the Development Evaluation section hereof. Such allocations will be made only to the extent that development feasibility is jeopardized by increased costs acceptable to the Association.

3.2.3 National Pool Credit

The application period for National Pool credit will close within 45 days of the receipt of the award of such credit from the Internal Revenue Service.

3.3 Reservations Not Accepted by Sponsors

Credit reserved by the Association during any application period which is not accepted by the sponsor will be available during the next scheduled application period.

3.4 Public Notice

The Association will advertise statewide, via legal notice, the dollar amount of available tax credits prior to each competitive application period, indicating the types and amounts of set-asides, but is not required to provide any further notice to any party or participant.

SECTION 4 - APPLICATION PROCESS

4.1 Application Requirements

Complete applications must be submitted to the Association at each stage of the allocation process:

- Stage 1. Reservation,
- Stage 2. Commitment, and
- Stage 3. Allocation Certification (Placed-in-Service).

Complete applications shall include the requisite supporting data listed in Exhibit B and any information required in the application form. The Association may, at its sole discretion, request additional information as deemed necessary for a fair and accurate evaluation.

Material changes to the application will not be accepted after the application round deadline.

After the issuance of a tax credit reservation, applications that are submitted, for processing for a commitment, and later for an allocation certification will be evaluated under this Qualified Allocation Plan. This will include an evaluation of all thresholds, i.e., market study, economic feasibility, management capacity, affordability and selection criteria points. Furthermore, the aggregate Selection Criteria Points established by the Association at the time of the initial tax credit reservation must be maintained throughout each evaluation stage of the allocation process.

The housing sponsor is not allowed to materially change the original application that was submitted prior to the application round deadline, or at any other time, which is to include the commitment stage and allocation certification stage, with the one exception stated as follows:

If circumstances beyond the control of the housing sponsor have an effect of reducing the selection criteria points scored on their application, the Association will allow the housing sponsor to substitute other point scoring categories to replace the lost points in order to maintain their original score established by the Association at the time of Tax Credit reservation.

4.2 Sponsor's Responsibility to Submit Complete Application

The sponsor shall bear full responsibility for submitting its application in accordance with the requirements of the Code and the Plan and shall be deemed to have full knowledge of such requirements regardless of whether or not a member of the Association's staff responds to a request for assistance from the sponsor or otherwise provides a sponsor assistance with respect to all or a portion of the sponsor's application. **(Applications must include the executed Sponsor's Certification which is included as part of the application form.)**

4.2.1 Development Team

Sponsors must clearly identify all members of the development team, providing résumés as specified in the application. The experience of the development team is a major factor in development selection. The Association may reject applications if the development team does not demonstrate experience in affordable multifamily housing development or require that the sponsor secure assistance from experienced developers. Changes in general partner(s), management company, developer and/or housing sponsor must be approved in writing by the Association through the reservation, commitment, and carryover periods.

4.3 Association's Staff Assistance

The Association's staff may, in good faith, attempt to respond to questions and offer assistance to sponsor during the application process, but shall be in no way obligated to, at any time, inform any sponsor as to deficiencies in the sponsor's application.

4.4 Incomplete Applications

Incomplete applications will not be accepted.

4.5 Application Fees

Sponsors must submit required fees as set forth in the application form at each stage of the application process.

4.6 Stepped-Up Requirements at Year-End

Reservation applications for current year credit received during the final application period may, at the Association's sole discretion, be required to meet commitment application requirements because of year-end time constraints (see Exhibit B for further details).

4.7 Requirements for Developments Previously Relinquishing Credit

Sponsors reapplying for credit for developments which have previously received tax credit reservations or allocations and have been removed from the application process or have failed to be placed-in-service because of site control, zoning or financing issues must submit, with their reservation application, evidence (acceptable to the Association) substantiating that such issues have been resolved.

4.8 Requests for Additional Credit

Sponsors who have received credit reservations may apply for additional credit if there is an increase in their development costs which is directly related to Eligible Basis. However, developer fees will be held to the same amount as reflected on the original application.

4.9 Application Thresholds

Applications must meet market study, economic feasibility, management capacity, affordability, and point thresholds to be ranked under the Selection Criteria System. Applications failing to meet these thresholds will be returned to the sponsor without an analysis of points by the Association.

4.9.1 Market Study Threshold

Applications submitted for developments in locations where marketability is, at the sole discretion of the Association, deemed questionable will be returned to the sponsor. Sponsors must submit a current (no more than six months old) market study for review by the Association. Sponsors are required to obtain their market study from a provider who is listed on the Association's approved market study provider's list. The Association may also draw from other resources in making a determination of marketability. Market Study requirements are listed in the application requirement section, Exhibit B. If the Sponsor has a concern regarding the conclusion or specific content within the study, then they will be afforded the opportunity to submit their comments to the Association.

Note: The Association is hereby notifying the Housing Sponsor that the contents of the market study may be disclosed to the general public. The party requesting this information may be assessed a nominal fee. See Section 13.1.6 regarding other matter which may be disclosed to the public.

4.9.2 Economic Feasibility

- Applications received during each Application Period will be reviewed and evaluated in accordance with accepted underwriting practices. Developments deemed economically infeasible by the Association, at its sole discretion, will be returned. In making a determination of economic feasibility, the Association will evaluate operational and developmental projections set forth in Section 8, Development Evaluation. The Association has established a minimum annual operating cost per unit of \$2,800 (inclusive of replacement reserves). Any developments utilizing less than the minimum will be adjusted to the Association's minimum of \$2,800 per unit.

4.9.3 Management Capacity Threshold

Sponsors must submit a comprehensive management plan, a previous experience summary in affordable housing for the proposed management agent, and the management agent questionnaire. The Association requires that developments receiving Low-Income Housing Tax Credit be managed by property managers with previous experience in affordable housing. Determination of capacity will be made at the sole discretion of the Association, and applications will be returned if there is insufficient information for the Association to make such determination. Any change in the management company subsequent to reservation and throughout the lease up period, must be approved by the Association. Failure to secure such approval may result in forfeiture of the tax credit. The management plan should include, but is not limited to, the following:

Management Agent Résumés:

- Indicate experience with affordable housing programs (Section 42, Section 8, Rural Development, etc.);
- Ongoing continuing education training;
- Staff must include an experienced occupancy specialist; and
- Documentation of organization structure.

Proposed Management Plan:

- Indicate on-site managers;
- Resident-Management relations;
- Owner-Management company arrangements;
- Syndication-Management company arrangements;
- Maintenance personnel and procedures;
- Model units;
- Leasing agents;
- Units designated for staff;
- Social Services Programs;
- Rent collection procedures & policies;
- House Rules;

- Copy of Affirmative Fair Housing Marketing Plan;
 - ✓ Provision for staff training;
 - ✓ Advertising; and
 - ✓ ADA concerns.
- Termination of lease and eviction procedures; and
- Written procedures for sponsor eligibility screening.

Copy of residential lease forms and applications proposed to be utilized for the development.

Copy of tenant income certification form for determining resident eligibility.

Oversight and Compliance Agreement (if applicable or required by syndication company).

4.9.4 Selection Criteria Point Threshold

Applications must achieve 200 points or the application will be returned.

4.9.5 Affordability Threshold.

The maximum tax credit rents, as disclosed in the maximum rent tables, less an allowance for tenant-paid utilities, must be **less than** the market rents for comparable units in the area where the development is to be located. If this test of affordability cannot be met, the housing sponsor would need to reconfigure the development with affordable rents based on the 50% area median income levels.

If the housing sponsor fails to follow this procedure, the Association will return the application. Refer to the market study requirements under Exhibit B-3.

- Should the market study address only a range of rents, the affordability threshold will be calculated based on the minimum of the range.

Acquisition/Rehab

Applications submitted to the Association that pertain to the acquisition and rehabilitation of an existing affordable housing development that has an existing Project Based Assistance (PBA) contract in place, **will not** have to meet the Affordability Threshold as described in the Qualified Allocation Plan. All other thresholds and requirements within the Qualified Allocation Plan must be met as disclosed. The development must retain and have in place the continuance of the existing PBA contract on the development to qualify for tax credits and will be required to maintain the development at a rent level that will be the lesser of: Fair Market Rent (FMR) or rent levels at 50% AMI should the PBA contract expire.

The housing sponsor is subject to meeting the requirements as disclosed under Section 42(g)(2)(B)(i) and Section 42(g)(2)(E).

4.10 Development Ranking

In the ranking process, developments receiving the highest number of points will be selected to receive tax credit reservations. In the event there are equally competing developments,

the selection will be determined at the sole discretion of the Association. Applications which fail to meet the Selection Criteria point threshold or fail to demonstrate economic feasibility, management capacity, or affordability will be returned to the sponsor. Such sponsors may reapply in subsequent application periods

4.11 Reservations

The Association will issue, to the extent possible, reservations for tax credits within 90 days of the final application date or such longer time period established by the Association. Sponsors must accept the reservations within 10 days of the date of issuance unless they are requesting a re-evaluation.

4.11.1 Partial Reservations

No partial reservations will be made.

4.11.2 Waiting List Developments

If developments do not receive a reservation during a given Application Period, they will be placed on a waiting list for consideration during the next Application Period, if the sponsor so desires. No chronological priority will be granted to waiting list applications. Any material changes in a waiting list application will require a new application in the next application period and payment of an additional application fee. Waiting list applications will expire when all of the state's annual credit ceiling and succeeding year credit (designated as available) has been reserved or at the end of the calendar year, whichever is first.

4.11.3 Succeeding Year Credit Utilization

At its sole discretion, the Association may enter into agreements for reservations of succeeding year credit.

4.12 Posting of Assurance

If the developer of a proposed development has not previously completed a Low-Income Housing Tax Credit development pursuant to a reservation of credit to the developer from the Association, or if the developer's experience is limited to developments which have been completed with assistance from consultants or co-developers, the developer will be required to post a cash deposit, letter of credit or performance bond in a form acceptable to the Association as follows:

- The greater of 10% of the annual tax credit reserved or \$10,000 posted at the time the tax credit reservation is accepted. If additional credit is subsequently awarded, the amount of the bond will be raised accordingly.
- Once the development has been placed-in-service, the posting of the assurance instrument may be cancelled upon the prior written approval from the Association.

If construction of the development is not commenced as set forth in the development schedule presented by the developer at the time of application, the developer must agree to return the credit to the Association and forfeit the bond. The Association will reduce the amount of the bond by any fees which the sponsor has paid in connection with the credit award. See Developer Guide for sample formats; Bond (TC-12) or Letter of Credit (TC-12A).

4.12.1 Previous Experience Certification

The sponsor must provide a previous experience summary which clearly identifies all previous experience and affiliations with consultants and co-developers.

4.12.2 Waiver or Modification of Requirement

The Association, in its sole discretion, reserves the right to waive or modify the performance bond requirement in situations where the requirement does not further the goals of the Low-Income Housing Tax Credit program.

4.13 Notice to Local Officials

Upon granting a reservation, the Association will notify the mayor or the county commissioners of the plans for the development in their locale. The local official may comment on the development and such comments, if made, will be evaluated on a case by case basis.

4.13.1 Letters of Community Support

The Association intends to notify local public officials, and/or public housing agencies, of proposed housing developments submitted by housing sponsors that are within their market area for tax credits under the Association's Tax Credit Allocation Plan. The notification will include a brief profile of the development and will permit their input, support and/or comments as it pertains to the housing development. Such input may be considered in the underwriting of the development during the application process.

Public Official comments, if made, represent only one factor of many considerations in evaluating a proposed development. Such comments are primarily intended to assist in evidencing a need for the proposed housing.

The housing sponsor may elect to submit a letter of community support with their tax credit application and are encouraged to do so in accordance with the plan. The public official and/or public housing director submitting the letter of community support for the housing development should address in their letter of support the following issues:

- Support for affordable housing;
- Support for the development of additional housing units as proposed; and
- Acknowledgement that there is a need for additional rental units.

Letters of community support will not be accepted from public officials and/or public housing agencies that have a relationship or material involvement in the proposed development.

4.14 Term of Reservation

Those developments receiving a reservation in Periods I, and III must comply with all conditions thereof within 90 days in order to receive a tax credit commitment. The expiration dates for reservations made during Application Period II will be determined on a case-by-case basis. The Association may, at its sole discretion, make the Carryover Allocation subject to tax credit commitment requirements approved by the Association.

4.15 Reservation Extensions

Reservation extensions beyond the initial term will be granted at the sole discretion of the Association with strong consideration given to the availability of credit, the number of new development applications and the advancement of said developments. Furthermore, extensions will be granted only if evidence is provided to substantiate compliance with all commitment requirements within the control of the developer. (See Application Exhibit D for Reservation Extension fee.)

4.16 Commitments

Applications for commitments must be submitted by the date reflected in the Reservation Agreement. The Association will issue commitments within 30 days of receipt of a complete application.

4.17 Deadline for Carryover Allocation Certification

On or before November 15 of each year, Tax Credit Commitment recipients for Round I and the previous year's final round must submit an Owner's Certificate and Agreement for Carryover Allocation.

On or before December 6 of each year, Tax Credit Commitment recipients for Round II must submit an Owner's Certificate and Agreement for Carryover Allocation, unless the recipient requests in writing a six month extension to complete the "10% test". This provision is only available to Round II recipients.

In either event, the Owner's Certificate and Agreement for Carryover must be accompanied by an Accountant Certification of basis for purposes of the "10+% test," substantially in the format of the Certification provided in Exhibit F. The Association reserves the right to review said certifications for reasonableness and may refuse to accept certifications based on that review. If the Association has received complete Owner's documentation, a carryover allocation will be issued no later than December 31st of each year.

4.18 Placed-In-Service (Allocation Certification) Application

Developments which are placed-in-service during the same year in which the reservation was received must submit an Application for Tax Credit Allocation Certification within 60 days after the permanent loan is closed. Developments which receive Carryover Allocations must apply to the Association for a Low-Income Housing Credit Allocation Certification (IRS Form 8609) within 60 days after permanent loan is closed. Developments which fail to apply for Allocation Certification by the deadlines specified above will be subject to a \$1,000 penalty. The Association will issue 8609s within 30 days of application provided the application is complete upon submission.

4.19 Memorandum of Understanding With Rural Development

In accordance with its Memorandum of Understanding, the Association and Rural Development will share information submitted for developments utilizing Low-Income Housing Tax Credits and Rural Development funding.

4.20 Requirements for Rehabilitation Developments

Rehabilitation development sponsors must evidence that the cost of acquisition, displacement and rehabilitation are reasonable. Specific requirements for rehabilitation developments are set forth in Exhibit B. Funding sources must include a first-lien, permanent

loan which maximizes the debt carrying capacity of the development. Acceptable development cost for rehabilitation projects will be evaluated separately from our normal benchmark costs evaluation, assuming the sponsor's provides adequate information for analysis. Insufficient information provided will result in the Association using standard benchmark data.

4.21 Succeeding Year Credit Application Round

During Application Period III, sponsors may compete for succeeding year credit provided all current year credit is reserved or committed. If all current year credit is not reserved or committed, the Association may select, from the applications submitted, a development(s) which meets threshold requirements and can meet carryover allocation requirements before year end. Remaining applications will be subject to a competitive selection process to receive reservations of succeeding year credit.

SECTION 5 - SPECIAL NEEDS SET-ASIDES

5.1 Special Needs Set-Asides

The Association has established Special Needs Set-asides for developments which target low-income housing needs or which have certain designated characteristics.

5.2 Nonprofit Set-Aside

At least 25% of the per capita tax credit will be set aside for qualified nonprofit organizations. If sufficient applications are not received, only the federally mandated 10% set-aside will be applicable; any additional unreserved credit will be available for non-targeted developments. Unused, federally-mandated nonprofit credit cannot be reserved to for-profit sponsors. Refer to Exhibit A for distribution summary.

- a) At its sole discretion, the Association may provide latitude in the Sponsor's application and/or provide appropriate assistance in order to facilitate allocation of the nonprofit set-aside.

5.2.1 Federally Mandated 10% Set-Aside

Federal program regulations require a minimum 10% annual set-aside to developments where a qualified nonprofit organization is to own an interest in such developments. In order to qualify for the federally mandated non-profit credit set-aside, an organization must meet the following requirements:

- a) the organization must be tax exempt under 501(c)(3) or 501(c)(4) of the Internal Revenue Code;
- b) the fostering of low-income housing must be one of its organizational purposes;
- c) such organization must be determined by the Association not to be affiliated or controlled by a for-profit organization;
- d) the organization must own an interest in the development (directly or through a partnership);
- e) the organization must materially participate in the development and operation of the development throughout the compliance period;

- f) the development must be perpetually affordable;
Perpetual Affordability is defined as the economic life of the property without major rehabilitation being required, or 40 years, whichever is longer.
- g) the nonprofit organization or its wholly-owned subsidiary or affiliate must have a majority ownership of the general partner ownership and be the managing general partner; and
- h) at the end of the initial fifteen-year compliance period, a qualified 501(c)(3) nonprofit organization or local governmental agency must have a first right of refusal to purchase the property at a price which provides for a reasonable return on investment (generally not exceeding 25% per year), including any tax consequences of the limited partner(s) or co-general partner, and the balance of outstanding indebtedness.

The Association will place the additional requirements below, which are not required by the federal mandate, but are required by the Association.

- a) the sponsor is a resident of Idaho and is a tax-exempt organization as defined by §42 of the Internal Revenue Code;
- b) the managing general partner and all co-general partners of the owner or the parent corporation of the managing general partner and all co-general partners of the owner must be tax exempt organizations under Section 501(c)3 or 501(c)4 of the Internal Revenue Code;
- c) the resident means that the entity is organized under the laws of Idaho and maintains its principal office in Idaho at the time of application;
- d) the principal office is defined as a staffed office physically situated in Idaho in which one or more principals maintains a regular, daily office from which they conduct their business; or
- e) the sponsor is a nonprofit housing authority and/or tribal authority which complies with requirements of (a) through (d) above.

5.2.2 Competition in Non-Targeted Category

Nonprofit organizations may also compete for non-targeted tax credits.

5.2.3 Safe Harbor Guidelines

In order to meet the safe harbor guidelines prescribed by the Internal Revenue Service, all developments receiving nonprofit set-aside credit must designate at least 75% of the residential units as affordable to persons at or below 60% of the area median income.

5.3 USDA Rural Development Set Aside

10% of the annual per capita tax credit ceiling will be set aside for developments financed and/or guaranteed by USDA Rural Development funds and located in rural communities with populations not exceeding 10,000 as set forth in the most recent census report. This set aside does not apply to cities adjacent to one or more other cities if both populations, when added together, exceed 10,000. The set-aside will be available on a statewide basis during Application Period III if sufficient applications are received, otherwise, it will be available for all other qualified applications.

5.4 Authority to Reduce Set-Asides

If maintaining the set-asides listed above jeopardizes the Association's ability to effectively allocate credit during the calendar year, the Association may eliminate or reduce the set-asides to federally mandated levels.

SECTION 6 - SELECTION CRITERIA POINT SYSTEM

NOTE: Do not include manager unit(s) in any calculations in Section 6.

6.1 Competitive Ranking

All developments that meet and pass the application thresholds by the Association, including those competing for set-asides, will be ranked according to the number of points received through a Selection Criteria Point System which has been determined by the state's low-income housing priorities as designated by Idaho's housing needs assessment, and which includes the categories required under amended §42 of the Internal Revenue Code:

- a) Development Location;
- b) Housing Needs Characteristics;
- c) Development Characteristics;
- d) Sponsor Characteristics;
- e) Tenant Populations with Special Needs;
- f) Tenant populations of individuals with children;
- g) Public Housing Waiting Lists; and
- h) Developments intended for eventual tenant ownership.

6.2 Point Threshold

Developments must achieve at least 200 points to receive a credit reservation. Developments with less than 200 points will be disqualified. The Association may, at its sole discretion, waive this requirement after Application Period I for current year credit. The aggregate Selection Criteria Points established by the Association at the time of the initial tax credit reservation must be maintained throughout each evaluation stage of the allocation process or the tax credits will become nullified. Refer to Section 4.1.

6.3 Rounding

When determining points awarded in categories which stipulate certain percentages or numbers, fractions will not be considered except in cases where the calculation results in numbers of units, in which case any fraction will be rounded upward to the next whole number.

6.4 Selection Criteria

1. Developments which, due to prepayment of federally assisted mortgages or loss of rental assistance, may revert to market use, provided the proposal meets the rehabilitation requirements set forth in Section 4.2020
2. Sponsor is a resident of Idaho and is a tax-exempt organization as defined by §42 of the Internal Revenue Code or a local governmental agency. 15

The managing general partner and all co-general partners of the owner or the parent corporation of the managing general partner and all co-general partners of the owner must be tax exempt organizations under Section 501(c)3 or 501(c)4 of the Internal Revenue Code.

Resident means that the entity is organized under the laws of Idaho and maintains its principal office in Idaho at the time of application.

Principal office is defined as a staffed office physically situated in Idaho in which one or more principals maintains a regular, daily office from which they conduct their business.

3. Developments which are located in Urban Renewal Neighborhoods where the renewal program addresses housing. (Sponsor must supply certification from local, authorized official.)..... 10
4. Developments which give preference to persons on housing authority waiting lists or who have housing assistance vouchers or certificates. (Letter from PHA acknowledging the preference notification by the sponsor and stating the percentage of units for which the preference will be given.)

Preference given for 30% to 60% of total units..... 5

Preference given for greater than 60% of total units 10

5. Developments with mix of Low-Income and Market-Rate units. Such developments shall have 10% or more market-rate units:
 - 10-19% of total units are market rate units 5
 - Greater than 19% of total units are market rate units 10

6. Sponsor is a resident of Idaho 15

Sponsor is defined to include the owner and the managing general partner and all co-general partners of the owner or the parent corporation of the managing general partner and all co-general partners of the owner.

Resident means that the entity is organized under the laws of Idaho and maintains its principal office in Idaho at the time of application.

Principal office is defined as a staffed office physically situated in Idaho in which one or more principals maintains a regular, daily office from which they conduct their business.

7. Developments designed for special needs populations (elderly, handicapped, mentally ill, developmentally disabled) and/or which provide continuing supportive services to assist families in becoming more self-sufficient or which address identified tenant needs as follows:..... 15

Special Needs:

- a) Developments with 25% of the rent restricted units designed solely to provide independent living opportunities for persons with mental, physical or developmental disabilities provided there is a Supportive Services Plan, as defined below, with an established organization to provide services for such persons. (Copy of the Plan must be included in application), **OR**
- b) Developments which provide 100% of the housing units designed and dedicated for persons 62 years of age or older. Persons with disabilities may also be eligible occupants. (A copy of the Supportive Services Plan, as defined below, which illustrates how the development will provide services needed by the tenant population must be submitted in the application), **OR**
- c) Developments designed and operated for occupancy where at least 80% of the units are occupied by at least one person 55 years of age or older, and where there is the existence of significant facilities and services specially designed to meet the physical or social needs of older persons. Housing Sponsor will provide a Supportive Services Plan, as defined below.

Supportive Services:

The costs of the services provided must be funded outside the operations of the property.

Self-sufficiency is defined as the ability to improve economic stature to decrease reliance on government assistance.

(Sponsors must provide a narrative response to the issues outlined in the LIHTC application.) It is at the sole discretion of the Allocating Association to ascertain whether points will be awarded in this category.

Sponsors must provide a definitive Supportive Services Plan, a firm commitment from a supportive services provider, and documentation from the provider as to their background and experience, in providing the proposed services. The services to be provided must be offered on an on-going and regular basis, i.e., monthly or weekly, and not just once a year, in order to be considered for points.

Note: *The Regulatory Agreement will restrict use of the development in accordance with this section.*

- 8. Family developments which designate at least 5% of the low-income units to three-bedroom or larger units for households earning no more than 50% of area median income. Such developments must provide all appropriate amenities for children and families (i.e., open space, playground, laundry, etc.):

Greater than 5% of the low-income units consist of units which are three-bedroom or larger targeted at 50% AMI 10

- 9. Developments which preserve existing low-income units 10

“Preserve” is defined as a development that will be converted to market rate units at the end of its affordability regulatory agreement.

- 10. Developments located outside the Boise MSA..... 10

11.	Acquisition/Rehab developments “without” an existing or proposed Project Based Assistance contract	15
12.	Acquisition/Rehab Developments “with” an existing Project Based Assistance Contract that will be retained under the new ownership	20
13.	Developments located outside of a Difficult to Develop Area. (This category recognizes the economic difficulty of funding without the Difficult to Develop Area allowance.).....	10
14.	Developments located in cities where no other project has a Low-Income Housing Tax Credit Reservation, Commitment, or Allocation	10
15.	Developments located in counties where no other project has a Low-Income Housing Tax Credit Reservation, Commitment or Allocation.	10
16.	Developments with developer fees less than the maximum identified under Section 8.3.5 will be awarded the following:	
	3% (or more) below maximum	10
17.	Developments demonstrating that the tax credit proceeds available to the development equal or exceed the net present value of the 10-year credit value as follows:	
	\$.02 above current market as determined by Association.....	10
	\$.05 above current market as determined by Association.....	15
	\$.08 above current market as determined by Association.....	20
	Note: At the sole discretion of the Association, current market pricing will be periodically determined during the allocation year to adhere to market trends.	
18.	Developments which utilize private grants or other state or federal housing assistance programs, with the exception of tax exempt bonds, HOME and Association funds, in conjunction with the tax credit (i.e., CDBG; Rural Development; FHLB Affordable Housing Program, etc.).....	10
19.	Community based developments which receive local government assistance in an amount not less than 5% of the total development cost (i.e., land donations, cash, or tax increment financing). For purposes of this category, CDBG funds are not considered as eligible assistance.	20
20.	Readiness Points:	
	a) Evidence of Zoning approval for development as intended or Conditional Use Permit, if applicable. (Developments requiring zone changes or annexation do not meet the readiness criteria.	10
	b) Site control by general partner or limited partnership as evidenced by earnest money agreement or other legal documents evidencing site control.....	10
21.	a) Previous program sponsors who have consistently completed their §42 Idaho development(s), and who are maintaining their development(s) in compliance with tax credit regulations. Completed development(s) are defined as development(s) which have received a Certificate of	

Occupancy, and development(s) will be deemed in compliance unless a review has evidenced substantial noncompliance; **OR** 15

- b) Resident sponsors who have previous housing development experience (at least a 24-unit multifamily complex) in the State of Idaho 5

Sponsor is defined to include the owner and the managing general partner and all co-general partners of the owner or the parent corporation of the managing general partner and all co-general partners of the owner.

Resident means that the entity is organized under the laws of Idaho and maintains its principal office in Idaho at the time of application.

Principal office is defined as a staffed office physically situated in Idaho in which one or more principals maintains a regular, daily office from which they conduct their business.

- 22. Developments with 36 or fewer units in rural areas with populations of not more than 10,000 as defined in most recent census report. The adjusted census data should not be more than 18 months old and be updated from a reliable source (i.e., State of Idaho Department of Commerce, U.S. Census Bureau). This category does not apply to cities adjacent to other cities if both populations, when added together, exceed 10,000..... 10

- 23. Developments that utilize the 30% present value credit only and not in conjunction with the 70% Present Value Credit..... 10

6.5 Preference Points

The Code also requires that, during the selection process, preference is granted to developments which serve the lowest income tenants and/or which are obligated to serve low-income tenants for the longest periods and/or located in a qualified census tract. Accordingly, the Association will grant preference points to eligible developments as follows:

- 1. Developments which are obligated to provide low-income use beyond the eighteenth (18th) year of the compliance period. This obligation requires that owners of such developments may not invoke the sale provision (for the purpose of converting to market-rate use prior to the end of the thirty (30) year extended use commitment) until one (1) year before the final year of obligation and thereafter shall be subject to the three (3) year provisions regarding eviction and rent increase:

Example: 2 points for each year beyond 18 years, up to 44 points (i.e., 20 yrs. = 2 yrs. x 2 = 4 points)

This obligation will be set forth in the Regulatory Agreement.

Note: This obligation does not release owners from the extended use commitment which provides for compliance with §42 regulations for 15 years beyond the initial 15-year compliance period.

- 2. Developments with units designated for persons with incomes at or below 30% of the median income (rents for such units must be restricted to appropriate 30% median income levels). Manager's unit not included in calculation.
 - Developments with 50 or less units where at least 5% of the restricted units are at 30% AMI rent levels..... 20
 - Developments with 51 or more units where at least 10% of the restricted units at 30% AMI rent levels 20

Note: Units targeted at 30% area median income households will not receive additional points in the 40% or 50% area median income categories which follow.

- 3. Developments with units designated for persons with incomes at or below 40% of the median income (rents for such units must be restricted to appropriate 40% median income levels). Manager's unit not included in calculation.
 - Developments with 50 or less units where at least 5% of the restricted units at 40% AMI rent levels..... 20
 - Developments with 51 or more units where at least 10% of the restricted units at 40% AMI rent levels 20

Note: Units targeted at 40% area median income households will not receive additional points in the 50% area median income category which follows.

- 4. Developments with units designated for persons with incomes at or below 50% of the median income (rents for such units must be restricted to appropriate 50% median income levels). Manager's unit not included in calculation
 - Developments with 50 or less units where at least 60% of the restricted units at 50% AMI rent levels 20
 - Developments with 51 or more units where at least 55% of the restricted units at 50% AMI rent levels 20

- 5. Developments located in a qualified census tract 10

Note: The Regulatory Agreements for developments designating units under preference item 2, 3, and 4 above will state the number of units restricted to lower rent levels. Rent restrictions will be effective for such units during the initial compliance period and the extended use period.

Sponsors are expected to disperse units targeted for 30% and 40% area median income households throughout the development to the extent possible taking into consideration other programmatic requirements. The Association will review the allocation of units as proposed in the site plan provided and may, at its sole discretion, require a different allocation. Allocating such units so that one building(s) is/are 100% occupied by households at 30% or 40% of area median income is not recommended.

6.5.1 Economic Feasibility

Financial pro formas for developments receiving points in Section 6.5 categories 2, 3, and 4 above must demonstrate economic feasibility. By awarding the

preference points in Section 6.5 Categories 2, 3, and 4 above, the Association encourages sponsors to provide as many deep rent-skewed units as possible. Sponsors must carefully assess the impact of the lower rents on their development to be certain they have not jeopardized feasibility in an attempt to achieve a high point score. If the Association, at its sole discretion, determines that a development fails to demonstrate economic feasibility based upon the Association's underwriting parameters, the application will be returned to the sponsor without an analysis of points by the Association regardless of potential points which the development might have achieved.

SECTION 7 - NATIONAL POOL CREDIT

7.1 Credit Available From the National Pool

Unused housing credit for all states is assigned to the National Pool for allocation among qualified states. States which qualify to receive National Pool credit are those states which successfully allocated their entire housing credit ceiling in the preceding year. Credit from the National Pool must be allocated prior to the end of the calendar year in which it is received or the credit expires and cannot be reallocated by any allocation agency.

7.2 Special Allocation Procedures

In order to effectively allocate National Pool Credit to qualified developments under the time constraints attached to said credit, the following rules and regulations will apply to sponsors applying for National Pool credit.

- a) Applications for Low-Income Housing Tax Credit for National Pool Credit shall be subject to the standard rules and regulations of the Allocation Plan with the following exceptions:
 1. The \$1,000,000 limitation set forth in Allocation Limitations, Section 13, is hereby waived for applications received during the round that includes National Pool Credit. **This waiver is limited to one application per sponsor/developer or "related entities" as defined in Section 13.1.1 and will be included in the cumulative credits for future tax credit rounds as defined in Section 13.**
 2. Previous participant points in Selection Criteria 6.4(20) will not apply to applications received for National Pool Credit; however, Criteria 1 through 19, and 21 through 23 and all preference point criteria will apply.
- b) The following Selection Criteria will be added for applications received for National Pool Credit:
 1. Developments which meet all of the requirements necessary to receive a commitment (except items provided by the Association) will receive an additional 15 points. (Refer to Commitment Requirements in Exhibit B.)
 2. Developments which meet all of the requirements necessary to receive a Carryover Allocation will receive an additional 15 points. (Refer to Carryover Requirements in Exhibit B.)
 3. Previous program sponsors who have consistently completed their §42 Idaho development(s), and who are maintaining their development(s) in compliance with tax credit regulations will receive an additional 30 points. (Completed development(s) are defined as development(s) which have received a

Certificate of Occupancy, and developments(s) will be deemed in compliance unless a review has resulted in substantial noncompliance).

SECTION 8 - DEVELOPMENT EVALUATION

8.1 Evaluation of Developments to Determine Credit Awarded

Developments which are selected through the Selection Criteria Point System will be evaluated to determine the amount of tax credit applicable to that development. Pursuant to amended §42 of the Internal Revenue Code, the amount of credit available for a development may not exceed the amount necessary for its financial feasibility and its viability throughout the credit period. Allocating agencies must also consider the reasonableness of developmental and operational costs as an additional factor in making determinations as to the proper amount of credit to be allocated. Reasonable costs are amounts necessary to develop or manage an affordable housing complex which are neither excessive nor deficient.

8.2 Evaluations Stipulated by Section 42 of the Code

Regulations require that allocating agencies conduct evaluations at three specific times to determine the amount of applicable credit:

- a) Upon receipt of an Application for Low-Income Housing Tax Credit Reservation;
- b) Prior to granting a Tax Credit Commitment; and
- c) No earlier than 30 days prior to awarding the Tax Credit Certification, IRS Form 8609.

8.3 Evaluation Components

During each evaluation, the Association will determine the amount of credit to be reserved, committed or allocated by considering the following components of each development:

- a) Developmental costs; and
- b) Funding sources available to the development for construction and permanent financing:
 1. Loans,
 2. Grants,
 3. Tax Credit Proceeds,
 4. Owner Equity; and
 5. Subordinate debt.

An evaluation will be conducted on the development to determine if the housing sponsor has received better lending terms than what was submitted at the time of application and reservation. If this is the case, a reduction of tax credits will result due to the improved lending terms.

- c) Percentage of the tax credit dollar amount used for development costs other than the cost of intermediaries (Intermediary costs are defined as: syndication related organizational costs.);
- d) Projected operating income and expense, cash flow and tax benefits;

- e) Maximum tax credit eligibility;
- f) Debt Service Coverage Ratio compared to lender requirements or commercial lending practices, as applicable;
- g) Development Reserves; and
- h) Contractor overhead and profit.

8.3.1 Developmental Costs

Developmental cost will be evaluated against industry cost standards, average costs of competing developments and the Association's cost standard. Developments with unusual costs (i.e., retaining walls, senior developments, etc.), or costs which may exceed the Association's cost standard, must provide information acceptable to the Association which justifies such excess costs. Developments with excessive costs will be subject to adjustments to the amount of tax credit requested. The Association's goal is to utilize the tax credit resource to promote the development of quality multifamily rental housing. Applications which propose developments with construction costs, which are substantially below costs typical in the marketplace, will be rejected.

8.3.2 Cost Standard

The Association's cost standard shall be based upon the costs of multifamily units in each of the four Idaho regions adjusted periodically by the inflation rate recommended by Marshall & Swift, or other industry standards approved by the Association. This standard will apply to all developments regardless of unit type (i.e., single family dwellings located in subdivisions or large scattered site developments will be limited to the multifamily benchmark).

8.3.3 Tax Credit Proceeds

The Association will use current market guidelines in estimating proceeds expected from tax credit. The method of marketing (i.e., private placement, national syndication or utilization by the sponsor) shall determine the floor the Association will consider in determining the amount of net proceeds available to the development exclusive of sales commissions, legal fees, syndication costs, etc.

At the time an application is submitted prior to the application round by the housing sponsor for a reservation of credit, a copy of the letter of intent and the proposal by the syndicator is required. See Exhibit B, (A)(1)(b), for further requirements under this section.

A copy of the final Placement Memorandum or Syndication Agreements must be provided to the Association no later than the date the sponsor applies for placed-in-service allocation.

8.3.4 Adjustments to Credit Allocations

When actual tax credit proceeds are determined, there may be adjustments to the credit reserved or committed. (The credit will not be increased beyond the amount originally reserved unless a new application is submitted and successfully competes for additional credit.) Tax credits will not be allocated to developments

in excess of the amount necessary to fund the equity gap as determined by the Association using the value of the credit (expressed as a percentage of the total 10-year credit). In no event will the value of the credit be calculated at an amount which is less than that determined at the time of commitment. If actual development costs or funding sources differ substantially from the projections submitted in the application, the Association may reduce the final credit allocation or the Sponsor may establish development reserves (subject to Association limitations) to offset the deficit if the development has sufficient credit eligibility. The conditions for such reserve accounts will be determined on a case-by-case basis.

8.3.5 Developer Fees

Developer fees may not exceed the percentages as identified in the table below. Developer fee shall include: Developer overhead and profit and consultant fees for services normally performed by the developer. In the event of increases in development costs during the allocation process, developer fees will be restricted to the same amount as reflected on the original application.

Total Development Cost*	Maximum Development Fee
Less Than \$3 Million	14%
\$3 to \$5 Million	12%
More than \$5 Million	10%

*Total Development Cost does not include Developer Fee or Development Reserves.

8.3.6 Increased Basis for High Cost Areas

Additional eligible basis will be considered for developments located in HUD designated "Difficult to Develop Areas" and "Qualified Census Tracts" if deemed necessary for viability of the development by the Association provided, however, that the amount of credit allocated to a development will be limited by the evaluation process.

8.3.7 Reserves (Escrows) Included in Development Costs

Development reserves included in the development budget shall be included in the gap analysis only to the extent that development reserves plus developer fee do not exceed the maximum developer fee limitation. Exceptions may be allowed if reserves are required by syndicators or lenders and the funds are designated specifically for the development's operations or improvement and are not returned to the developer or general partner.

8.3.8 Contractor Fees

Contractor fees shall be limited to 14% of construction costs, and typically be segmented as follows:

Type	Maximum Fee
General Requirement	6% of Construction Costs
General Overhead	2% of Construction Costs
Contractor Profit	6% of Construction Costs
TOTAL CONTRACTOR FEES	14% of Construction Costs

Construction costs include site work, new construction or rehabilitation (excluding contractor profit, overhead, and general requirements) and contingency.

8.3.9 Architect’s and Engineering Fees:

Fees shall be limited to a percentage of construction costs as follows:

Service	Maximum Fee
Architect Fee	4% of Construction Costs
Engineering Fee	4% of Construction Costs
Total	8% of Construction Costs

Construction costs include site work, new construction or rehabilitation (excluding contractor profit, overhead, and general requirements) and contingency.

8.3.10 Identity of Interest: In cases where the development team consists of entities whose individual principals are also principals in other entities of the development team, and thus must be identified in the application as having an “Identity of Interest”, the following general rule will apply.

Developer and contractor fee will be limited in any case where a potential identity of interest can be determined to exist, (as set forth in the chart below). Such identities may be considered automatically to occur in the following cases:

1. The Sponsor, Developer or Consultant have any principals in common with the Contractor.

Principals are defined as individual owners, shareholders, directors, officers, employees, or authorized representative of said legal entity.

Total Development Cost*	Developer Fee	Contractor Fee
Less than \$3 Million	14%	10%
\$3 Million to \$5 Million	12%	9%
More than \$5 Million	10%	8%

*Total Development Cost does not include Developer Fee or Development Reserves.

8.3.11 Operating Expenses, Replacement Reserves and Debt Service Coverage

The Association will review the projected operating expenses (refer to 4.9 Application Thresholds), replacement reserves* and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, or facts obtained from other appropriate sources. Sponsors are urged to carefully review operational cost pro formas and include only achievable loan terms in their applications. Sponsors must include real estate taxes in their operating expenses, unless evidence of a perpetual real estate tax waiver (throughout the terms of permanent financing) is submitted with the application. Sponsors must also include costs of on-site resident manager’s unit.

*Replacement reserves shall be the greater of: 1) The replacement reserve requirement as established by the Tax Credit Syndicator; or 2) \$200 per unit annually for a family development (\$175 per unit annually for a seniors development).

8.3.12 Subordinate Debt

Sponsors who are proposing subordinate debt must include the terms of the loan, and pro formas must reflect the ability to repay the subordinate debt within the debt service ratio required by the first lien lender or recognized industry debt service coverage ratios for combined debt.

8.3.13 Sources and Uses

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, etc.) either being offered or proposed by the Lender(s) and Syndicator(s) (See Exhibit B, Section A1b).

8.3.14 Amenities

Sponsors shall disclose the costs of a swimming pool and/or hot tub in the application under "site costs – other," as the Association considers this as a luxury development amenity and at the sole discretion of the Association, may or may not be counted as part of eligible basis. The Association will review this amenity as it pertains to competing developments in the market area and its inclusion in basis will depend on local market conditions and the Association's assessment.

- On-site community laundry facility will be required to be constructed solely for the benefit of the tenants.
- Any development amenities will be solely for the use of the development and, therefore, shared or common-use agreements are not acceptable (i.e., community rooms, laundry facilities, etc.)

8.4 Factors Limiting the Credit Reservation

The amount of Credit reserved, committed and finally allocated to a development will be the lesser of:

- a) The Maximum tax credit eligibility of the development;

Maximum tax credit eligibility is the maximum amount of credit justified by a development's qualified basis taking into consideration any difficult-to-develop allowance and the tax credit percentage rate.

- b) The amount necessary to fill the funding gap;

The funding gap is the difference between total development costs (exclusive of syndication related costs) less all available funding sources provided such sources are within reasonable industry norms (i.e., financing for the development has been maximized when evaluating rate, term, debt service coverage, loan to values etc). The funding gap will be covered by tax credit proceeds giving a net-present value to the 10-year credit based upon the method of marketing (public, private or sponsor utilization).

- c) The amount of credit which generates no more than a 20% annual internal rate of return. If the annual internal rate of return exceeds 20%, the annual credit will be reduced. For purposes of this calculation, internal rate of return will be calculated over a 15-year period recognizing capital contributions, all development benefits including

tax losses, after-tax cash flow, and tax credits without consideration of residual property value or remaining debt.

8.5 Requests for Re-Evaluation

If a development sponsor disagrees with the Association's findings regarding the denial or amount of tax credit reservation, the Sponsor may take one of the following actions:

- a) accept the Association's denial of credit or any recommended credit reservation or commitment;
- b) withdraw his/her application; or
- c) request a re-evaluation of the Association's decision in writing within seven (7) days of receipt of the Association's findings, by submitting a written request to the Tax Credit Department, Idaho Housing and Finance Association, P. O. Box 7899, Boise, Idaho 83707-1899.

In the event the sponsor makes a re-evaluation request, the 10-day period for reservation acceptance will be extended. Sponsors who accept the reservation are by such acceptance acknowledging acceptance of the Association's determination of the credit amount.

8.6 Appeal Process

If after receipt of the Association's re-evaluation, the sponsor wishes to appeal the decision, they may do so no later than seven days after the receipt of the re-evaluation findings by providing a concise outline addressed to the Association's President/Executive Director at P.O. Box 7899, Boise, Idaho 83707-1899. The appeal of a sponsor is deemed filed when it is received by the President/Executive Director at the said address. Failure to file a timely appeal shall constitute a waiver of the right to an appeal. The President/Executive Director shall review the appeal and may, if requested in writing by sponsor, schedule an informal hearing with the sponsor to allow the sponsor to present additional information and to ask questions of the Association's staff. The President/ Executive Director may assign another staff member to conduct the informal hearing. The President/Executive Director will make a good faith effort to respond to the appeal within 20 days from the date of receipt. In the event an appeal is filed, the President/Executive Director may delay the award of the credit to other sponsors until he has had a chance to review the appeal.

SECTION 9 - COST CERTIFICATION

9.1 Applicability of Cost Certification

Prior to issuance of the Low-Income Housing Credit Allocation Certification (IRS form 8609), for developments requesting Allocation Certification beginning in 1994, the Association will require a cost certification prepared by an independent third-party Certified Public Accountant which meets the Association's requirements for the following developments:

- a) Developments with 11 units or more; or
- b) Developments where there exists an identify of interest between the contractor and the developer.

9.1.1 Cost Certifications Completed by Other Fund Providers

If a cost certification has been provided for a lender, syndicator, Rural Development or HUD, a copy of such certification will be acceptable to the Association providing it meets the Association's requirements. In lieu of such certification, the form contained in Exhibit G shall be submitted to the Association. In any event, all certifications must include a certification signed by the accountant and acceptable to the Association which clearly indicates the method of certification and addresses all identities of interest.

9.2 Requirements

The Cost Certification shall include the following:

- a) The accountant preparing the cost certification must certify that all costs are related to the development and do not include costs for organization, syndication or professional fees or consultant fees related to syndication.
- b) All fees, including the developer fee, which are paid to the developer or to an entity with an identity of interest with the developer must be clearly identified. If all or a portion of the developer fee is deferred, copies of the promissory note or other substantiation of the validity of the fee must be provided.
- c) If the land is purchased from a related party, the owner must submit an appraisal to substantiate fair market value.
- d) Legal fees related to land acquisition must be clearly identified.
- e) Interest expense related to land must be clearly identified.
- f) The sources of all funding including loans and terms of said loans, tax credit proceeds, developer equity and all other sources must be certified.

9.3 Small Developments Excepted From Cost Certification

Prior to issuance of the Low-Income Housing Credit Allocation Certification (IRS form 8609), for developments requesting Allocation Certification beginning in 1994, the Association will require that owners of developments with 10 units or less where there does not exist an identity of interest between the contractor and the developer submit to the Association the following:

- a) Copies of all invoices and evidence of payment for all owner costs not included in the Construction Contract.
- b) Copies of all professional and consultant contracts and evidence of payment for related fees.
- c) Copy of the construction contract and schedule of values conforming to the Construction Specification Institutes Uniform System (see Exhibit E).
- d) Copies of all closing statements for land purchase and an appraisal establishing the fair market value of land purchased from a related party.
- e) Copies of all financing commitments, loan closing statements, guarantees, etc. and evidence of payment of all related fees.
- f) Statements of interest from the construction lender or other financing sources.

- g) Interest expense related to land must be clearly identified.
- h) Legal fees related to land acquisition must be clearly identified.
- i) All other information necessary for the Association to clearly identify the costs reflected on the application for Allocation Certification.
- j) Miscellaneous costs in the aggregate not exceeding \$2,500 will not require invoices or evidence of payments.
- k) Certification of tax credit proceeds documented by supporting statements from the syndicator.

9.3.1 Compilation of Cost Verification Data

Cost Verification information must be compiled in an orderly fashion in accordance with cost categories set forth in the Low-Income Housing Tax Credit Application, utilizing the form set forth in Exhibit G.

9.4 Authority to Determine Maximum Qualified Basis

The Association may challenge the costs provided in the Certification; impose the limitations set forth in this Plan and at its sole discretion determine the maximum qualified basis against which credit is allocated.

SECTION 10 - ARCHITECTURAL REQUIREMENTS

10.1 Threshold Architectural Requirements

In addition to local, state and federal laws, developments receiving tax credit allocations must, at a minimum, meet the requirements adopted by the Association as set forth below and to be certified by the architect (refer to Exhibit C and Exhibit D):

- Minimum Property Standards for Housing (HUD Handbook 4910.1)
Reference: <http://www.hud.gov/fha/sfh/mps/4910/4910pdf.html>
- Model Energy Code
Reference: <http://www.huduser.org/publications/destech/model.html>
- Fair Housing Accessibility Guidelines (3/6/91)
Reference: <http://www.hud.gov/fhefhag.cfm>
- Section 504 of the Rehabilitation Act
Reference: http://www.access.gpo.gov/nara/cfr/waisidx_00/24cfr8_00.html
Reference: <http://www.hud.gov/progdsc/s-504.cfm>
- Americans with Disabilities Act (ADA)
Reference: <http://www.usdoj.gov/crt/ada/adahom1.htm>
- Uniform Federal Accessibility Standards (UFAS)
Reference: <http://www.hud.gov/fha/sfh/mps/4910/4910.html>
Reference: <http://www.access-board.gov/ufas/ufas-html/ufas.htm>

SECTION 11 - DEVELOPMENT REVIEW

11.1 On-Site Visits

Association personnel or the Association's consulting architect may make on-site visits of the development during construction provided sponsor receives 24-hour notification. Said visits shall not interfere with construction progress.

11.2 Disclaimer of Liability

The Association assumes no responsibility to make inspections during construction and assumes no liability for construction quality or code compliance. The standards set forth above are minimum requirements for tax credit developments but do not imply that such minimum standards assure minimum health or safety requirements. These are the responsibility of state and local jurisdictions and/or the development sponsor.

SECTION 12 - DEVELOPMENTS FINANCED BY TAX-EXEMPT BONDS

12.1 Eligibility

If 50% or more of a development's aggregate basis of buildings and land are financed with tax-exempt bonds issued by the Association or other housing authorities, the development may receive a maximum 30% present value credit calculated against the development's qualified basis without causing a reduction in the state's annual credit ceiling. Tax Exempt Bond developments are governed by the Tax Exempt Bond administrative plan and subject to evaluation within the guidelines of this Qualified Allocation Plan.

12.2 Processing

Sponsors of developments financed by tax-exempt bonds must make application for tax credits and such developments must address housing needs set forth in the Selection Criteria Point System or Special Needs Set-Asides. Developments to be financed by the issuance of Bonds by the Association shall be reviewed by the Association under the procedures and requirements sent forth in this Allocation Plan, provided that such developments **will not be required to compete in the same funding round** with other tax credit developments. An Association Bond financed development will be permitted to receive tax credits only if it receives more points in the process than the other development(s) proposed for the area or the professionally prepared market studies indicate that there is market demand for both the Bond financed development and the other developments in the funding round which are to be located in the area. In any event, the Bond financed development must meet the minimum threshold requirements under the Allocation Plan in order to receive tax credits. For developments financed by Bonds issued by an entity other than the Association, that Bond issuer, rather than the Association, shall determine that the development meets the minimum threshold requirements of this Allocation Plan and shall receive and approve and forward to the Association the Cost Certification for the development under this Allocation Plan. The Bond issuer shall be required to certify to the Association regarding the allocation of tax credits to the Development under this Allocation Plan and as to the sources and uses of funds, the proceeds of funds generated by reason of the tax benefits, the use of housing credit dollar amounts, the compliance with Cost Certification requirements and other matters required under Section 42 of the Code.

- Housing Sponsor is encouraged to request a copy of the Tax Exempt Bond administrative plan for additional requirements.

12.3 Allocation Requirements

These developments will be subject to Development Evaluations and Cost Certification and the amount of credit applicable to the development will be established by the Association. Consideration will be given to the sources and uses of the funds, any proceeds generated by reason of tax benefits, the total financing planned for the development and the percentage of the housing credit dollar amount used for development costs other than the cost of intermediaries. For developments financed by the Association, provided the Association approves the sponsor's application, a Conditional Commitment will be issued stating the credit determination of the Association subject to eligibility and compliance with §42 and related regulations. The Conditional Commitment must be accepted and returned to the Association within ten (10) days of issuance and accompanied with the appropriate fee.

SECTION 13 - ALLOCATION LIMITATIONS

13.1 Allocation Limitations

During the allocation process, the following limitations shall apply:

13.1.1 Limitation on the Amount of Credit Awarded to Any One Sponsor or Developer

Except as provided in the allocation of National Pool Credit, (Section 7), the maximum annual tax credit allocation for any one sponsor or developer or any "related entities"* utilizing credits, not only under the state credit ceiling, but those credits outside the state credit ceiling, shall be \$1,000,000 of cumulative credits which include the current year reservations, commitments, and carryover allocations not yet placed-in-service. This limitation is effective during Application Periods I, II, and III, but may, at the sole discretion of the Association, be waived if sufficient applications are not received and approved. In the event of co-sponsorship of a development, the tax credit amount awarded to the development will be proportionately divided between the co-sponsors and then be added to their respective cumulative tax credits not yet placed-in-service.

In application Rounds I, II, and III application(s) from any one sponsor or developer or any "related entities" may not exceed \$1,000,000. In the event such applications are received, they will all be returned without analysis by the Association.

* An entity is a "related entity" if a relationship exists between the sponsor, developer, general contractor, general partners or limited partners and such entity which would result in the disallowance of losses between related persons under Sections 267 or 707(b) of the U.S. Internal Revenue Code of 1986 as amended or if a sponsor, general contractor or developer, or the shareholders, members, general partners or limited partners thereof, own more than 10% of another entity which is a sponsor, general contractor or developer of a development.

13.1.2 Limitation on Transfers

Tax Credit Reservations, Commitments and/or Carryover Allocations may not be transferred. It is anticipated that the developer and the general partner(s) designated in the application will participate in the development of tax credit developments, and any unapproved changes in developer or general partner status may result in forfeiture of the reservation, commitment or carryover allocation. An exception to this requirement will be made in the event the

development is perpetually affordable and the Association is aware of, and agrees to, the anticipated transfer at the time of reservation.

13.1.3 Site and Development Specificity

Tax Credit Reservations and Commitments are site and development specific unless written approval of change is obtained from the Association. Changes in development composition or changes in the project site may be approved provided the development remains within the same market area, and the development continues to achieve selection criteria points equal to or greater than those awarded to the original development. Material development changes or a site change will necessitate a re-evaluation of the development, and Sponsors will be required to submit a revised application and an additional application fee. Those developments in the reservation stage will continue to be subject to the original reservation expiration date. (See Development Relief (Section 15.3) for any exceptions.)

13.1.4 Association's Right to Reject Applications

Notwithstanding anything else herein to the contrary, the Association reserves the right:

- a) to reject any application for a tax credit if, in its sole discretion, the proposed development is not consistent with the goals of providing decent, safe and sanitary housing for low-income persons as set forth in its enabling legislation or does not meet the requirements of §42 of the U.S. Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder or, the Association may impose additional conditions on the application of any development in order that such development can meet said requirements;
- b) at its sole discretion, to reject or discount applications from previous program participants who have failed to complete their developments in accordance with the applications and/or certified plans presented to the Association; who have failed to effectively utilize allocated tax credits; or who have §42 developments in substantial noncompliance.
- c) to reject applications which, in the sole discretion of the Association are not consistent with the proper and effective utilization and allocation of the housing credit under the Allocation Plan and §42 of the Code; and
- d) to verify all information submitted in the application and to reject any applications which include misrepresentations or information which is not readily verifiable (the Association is under no obligation to conduct such verifications, but may do so at its option).

13.1.5 Limitation of Liability

No member, officer, agent or employee of the Idaho Housing and Finance Association nor any other official of the State of Idaho, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relation to, the allocation of Low-Income Housing Tax Credits or the approval or administration of this plan.

13.1.6 Disclosure of Application Information.

All information contained in an application and submitted with an application may be disclosed to the public by the Idaho Housing and Finance Association, with the exception that appraisals, if any, provided by a third party to IHFA may be exempt from disclosure under the Idaho Public Records Act. However, in all events, the sponsor agrees that any market feasibility study submitted to IHFA shall be open to disclosure to the public, and the sponsor shall make whatever arrangements are necessary with the preparer of such study in order that such study may be disclosed. A "market feasibility study" is defined as a study required in order to assist the sponsor and/or IHFA to determine a need for, and marketability of, affordable units in the area where the development is to be located. An "appraisal" is defined as a study that includes a determination of the market value of the project for lending purposes.

13.1.7 Association Evaluation Is Not a Warranty

Issuance of a Tax Credit Reservation, Tax Credit Commitment, Tax Credit Carryover Allocation or Low-Income Housing Allocation Certification (IRS 8609) by the Association shall not constitute or be construed as a representation or warranty as to the feasibility or viability of the development or the development's ongoing capacity for success or any conclusions regarding any matter of federal or state income tax law.

SECTION 14 – COMPLIANCE

14.1 Compliance Monitoring

Effective January 1, 1992, all developments receiving Low-Income Housing Tax Credits beginning in 1987 are subject to compliance monitoring and reporting procedures as outlined in the Association's Low-Income Housing Tax Credit Compliance Manual. Said procedures are by this reference incorporated as part of the Allocation Plan. The monitoring procedures have been established to meet the requirements of §42 of the Internal Revenue Code and are subject to amendment to conform with Internal Revenue Service compliance monitoring requirements.

14.2 Compliance Procedures

The Association's compliance procedures include requirements for annual reporting and certification by owners; random inspections of at least 20% of all placed-in-service developments each year to review development tenant files, conduct random tenant interviews and to make a physical inspection; and IRS notification in the event of noncompliance.

14.3 Compliance Monitoring Fees

Owners shall, upon receipt of the Association's billings, promptly pay for all of the Association's inspection fees and costs.

14.4 Compliance Manual

Specific compliance guidelines, the monitoring and reporting requirements and fee schedule are included in the Low-Income Housing Tax Credit Compliance Manual which is available to all development owners upon request.

SECTION 15 - AMENDMENTS TO ALLOCATION PLAN; MISCELLANEOUS

15.1 Plan Amendments

Upon approval by the Association's Board of Commissioners and in compliance with all applicable procedural requirements of §42 of the Internal Revenue Code, the Association may, prior to or during the allocation year, amend the Allocation Plan when changes are necessary to administer the Low-Income Housing Tax Credit Program to effectively serve the low-income housing needs in the state and to conform with amendments to §42 of the Internal Revenue Code. All program participants will be notified of amendments in writing.

15.2 Inconsistencies With Section 42

If any provision of this Allocation Plan is inconsistent with the provisions of amended §42 of the Internal Revenue Code, including any future amendments thereto, or any existing or new regulations governing the tax credit, the plan will be amended accordingly and the Association's Board of Commissioners, the Governor and all program participants will be notified, in writing, of such amendments.

15.3 Development Relief

The Association may at its sole discretion, provide relief and/or assistance under this Allocation Plan, including without limitation, the return and reallocation of tax credit to accommodate a delayed construction schedule for developments that encounter hazards or disasters that may include floods, fire, or other acts of God that may delay the timely completion of the development. This may also include the disapproval or denial from local or public officials in regards to the development site.

SECTION 16 - HUD ASSISTED DEVELOPMENTS

16.1 Reductions of Credit Required by Subsidy Layering Requirements

Sponsors who receive Tax Credit Reservations or Allocations of Low-Income Housing Tax Credit in combination or conjunction with some form of HUD assistance are subject to Subsidy Layering Review requirements under §42 911 or §42 102 related to such transactions and the tax credit or HUD assistance may be reduced as necessary to satisfy HUD in accordance with its established subsidy layering guidelines.

16.2 Safe Harbor Limitations

Subject to development evaluation and a determination that Safe Harbor limitations will prohibit the development of the development, the published Safe Harbors in §42 911, Subsidy Layering Review Guidelines, will be, to the extent allowable, raised to "ceiling" standards for developer fees and syndication expenses. The builder's profit will be reviewed under the alternative methodology which corresponds with the limitations set forth in the Evaluation Section 8 herein.

EXHIBIT A: TAX CREDIT DISTRIBUTION SUMMARY

APPLICATION PERIOD I:	<u>AVAILABLE PER CAPITA CREDIT</u>
* Non-targeted Tax Credit	25% of annual per capita authority plus balance from Period III.
* Nonprofit Set-Aside	10% of annual per capita authority plus balance from Period III if applications are received, otherwise it will be reduced with any excess available for all qualified applications.
* Rural Set-Aside	Balance from Period III if applications are received, otherwise it will be available for all qualified applications.
APPLICATION PERIOD II:	
* Remaining Credit	Balance of current year available to all qualified applications.
APPLICATION PERIOD III: (Succeeding Year Credit)	
* Non-targeted Tax Credit	50% of estimated per capita credit
* Nonprofit Set-Aside:	15% of estimated per capita credit
* Rural Set-Aside	10% of estimated per capita credit

EXHIBIT B: APPLICATION REQUIREMENTS

A. Application for Tax Credit Reservation Shall Include:

1. Complete application form, including, but not limited to:
 - a) Complete, detailed breakdown of estimated development costs.
 - b) 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, etc.) either being offered or proposed by the Lender(s) and Syndicator(s) (See Section 8.3.13).
 - c) Certification of proposed subsidies.
 - d) Time schedule including planning, construction and lease-up.
 - e) Complete summary of sources of funds for the development.
 - f) Pro forma operating statement.
 - g) Documentation substantiating utility allowance calculations.
 - h) Preliminary financing plans.
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 appraisal can be used to establish market feasibility, provided; 1) the appraiser is listed on the Association's approved list, 2) the appraisal report is less than six months old, and 3) the appraisal comprehensively addresses the requirements contained in Section 3 of this Exhibit. 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 100% dedicated to, a targeted market segment (i.e., age 55 and over) will be required to provide a

targeted feasibility analysis.

Criteria for Market Feasibility: A current Market Study (no more than 6 months old) 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 homeowners and renters.
- 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 and turnover rates.
- Absorption (taking into account both existing and proposed for both low-income and market rate developments). Finally, 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 review for additional need and demand for units at the 60% AMI level which should include a discussion and analysis of vacancy at the 60% AMI level.
- 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 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. Site plan must designate the number of units, number of bedrooms, and income target in each building;
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. Management Agreement, Comprehensive Management Plan and Manager's Questionnaire;
15. Résumés for key staff members of the Developer and Construction Contractor;
16. If applicable, evidence of Real Estate Tax Waiver or Reduction signed by appropriate official; and
17. Rehabilitation developments must provide the following additional information:
 - a) Complete description of the rehabilitation work proposed for the development and the time frame in which rehabilitation is expected to be completed.
 - b) A line item cost estimate detailing acquisition, displacement costs, and proposed rehabilitation.
 - c) Three years financial statements for existing development including a current operating statement.
 - d) 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 American's 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.
 - e) A plan for covering the costs and logistics of displacement for all persons impacted by the rehabilitation.

Note: If year-end time constraints are an issue, applications submitted in Application Period II may, at the Association's sole discretion, be required to include part or all of the supporting data listed for applications for Commitments for Tax Credit (see item B below). Sponsors must check with the Association prior to submitting applications after August 31 to determine what expanded requirements will be applicable.

B. Application for Commitment of Tax Credits Shall Include:

1. Complete application;
2. All documentation required to evidence compliance with Reservation conditions including but not limited to:
 - a) Evidence of continuing site control as well as a fair market appraisal by a licensed appraiser conducted within the last 12 months when an identity of interest exists between the Sponsor and the seller of the property.
 - b) Copy of Construction Loan Application submitted to Lender, if available.
 - c) Evidence of permissive zoning.
3. 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;
4. Executed copy of contract or agreement for consultant services which sets out services provided as well as fee structure;
5. Executed copy of Architect Contract;
6. Development Agreement specifying the developer fee and method of payment;
7. Partnership Agreement and Certificate of Limited Partnership;
8. Copy of IRS Tax Identification Number for the partnership;
9. Preliminary Architect Certification (Exhibit C); and
10. Rehabilitation development must provide the following additional information:
 - a) Level I Environmental Report conducted by a professional firm approved by the Association which includes, but is not limited to assessment of risks relating to lead-based paint, asbestos, and radon.
 - b) 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.

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

1. Complete application, including but not limited to:
 - a) Certification of Development Costs by the Developer.
 - b) Updated Operating Statement.
 - c) Certification of use of Tax Credit proceeds.
 - d) Certification of all subsidies.
2. Certificate(s) of Occupancy;
3. Applicable fees;

4. Copy of recorded, Low-Income Housing Tax Credit Regulatory Agreement;
5. Final permanent loan closing documents, i.e., Note, Deed of Trust, copy of owner's title policy;
6. Copy of Cost Certifications by Certified Public Accountant or owner verifications in accordance with the Allocation Plan;
7. Certification from Architect that the development has been built in accordance with the plans submitted to the Association, and 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 for format.);
8. Copy of Placement Memorandum or Syndication Agreement indicating tax credit proceeds available to the development together with a contribution schedule;
9. Copy of all organizational documents, including the Limited Partnership Agreement, as amended, or LLC Operating Agreement;
10. Statement from syndicator which sets forth all fees paid to the syndicator in connection with the syndication; and
11. Current Rent Roll.

D. Request for Tax Credit Carryover Allocation Shall Include:

1. Owner's Certificate and Agreement;
2. Updated Summary of Development Costs;
3. Certification of investment in development to date together with an accountant or legal counsel certification that 10% test has been met;
4. Certification that sponsor has purchased the property and ownership is vested in the name of the entity requesting the Carryover Allocation;
5. Recorded deed to the development site;
6. Applicable fees;
7. Copy of the Certificate of Partnership or assumed business name; and
8. Copy of the Limited Partnership Agreement, as amended.

NOTE: The Tax Credit Carryover Allocation will be conditioned upon commencement of construction and, prior to said commencement, delivery of the following items in accordance with the owner's development schedule as set forth in the Tax Credit Application:

- a) A copy of the executed Construction Contract.
- b) A complete set of drawings and specifications of the development including an Architect's Certification that the development 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.
- c) A copy of the firm financing commitment for construction financing.

EXHIBIT C: PRELIMINARY ARCHITECT CERTIFICATION

I have examined the drawings and specifications dated _____ prepared by _____
(architect) and related to the development known as _____
(development name) located in _____ (city, state).

Based upon this examination, to the best of my knowledge and belief, these documents conform to all local, state and federal laws designated as the development standard for the development, all local health, safety and building codes and those additional requirements as adopted by the Association and set forth below:

- Minimum Property Standards for Housing (HUD Handbook 4910.1)
- Model Energy Code
- Fair Housing Accessibility Guidelines (3/6/91)
- Section 504 of the Rehabilitation Act
- Americans with Disabilities Act (ADA)
- Uniform Federal Accessibility Standards (UFAS)

Date and Seal

Architect

Based on the foregoing representations by the Architect, the owner certifies that the development will be constructed in accordance with the requirements set forth above.

Date

Owner

EXHIBIT D: "AS-BUILT" ARCHITECT CERTIFICATION

I have inspected the development known as _____ (development name) located in _____ (city, state) and hereby certify that the development has been built in accordance with the drawings and specifications dated _____, ____ and prepared by _____.

Based upon this inspection, to the best of my knowledge and belief, the development has been constructed in conformance with all local, state and federal laws designated as the development standard for the development, all local health, safety and building codes and those additional requirements as adopted by the Association and set forth below:

- Minimum Property Standards for Housing (HUD Handbook 4910.1)
- Model Energy Code
- Fair Housing Accessibility Guidelines (3/6/91)
- Section 504 of the Rehabilitation Act
- Americans with Disabilities Act (ADA)
- Uniform Federal Accessibility Standards (UFAS)

Date

(Seal)

Architect

Based on the foregoing representations by the Architect, the owner certifies that the development has been constructed in accordance with the requirements set forth above.

Date

Owner

EXHIBIT E: CONSTRUCTION SPECIFICATION INSTITUTE'S UNIFORM SYSTEM

- Division 1 - General Requirements
- Division 2 - Site Work
- Division 3 - Concrete
- Division 4 - Masonry
- Division 5 - Metals
- Division 6 - Carpentry
- Division 7 - Thermal and Moisture Protection
- Division 8 - Doors and Windows
- Division 9 - Finishes
- Division 10 - Specialties
- Division 11 - Equipment
- Division 12 - Furnishings
- Division 13 - Special Construction
- Division 14 - Conveying Systems
- Division 15 - Mechanical
- Division 16 - Electrical
- Contractor's Overhead and Profit

EXHIBIT F: ACCOUNTANT/LEGAL COUNSEL CERTIFICATION

10% TEST FOR CARRYOVER ALLOCATION

CERTIFIED PUBLIC ACCOUNTANT'S LETTERHEAD

(Date)

Idaho Housing and Finance Association
565 West Myrtle
P.O. Box 7899
Boise, ID 83707-1899
And

_____ (the "Partnership")

Partnership Address

City, State, Zip

Subject: (Development name, development number)

At the request of the above-named sponsor, we have performed certain procedures as stated below with respect to the documents supplied to us by the General Partners. These procedures, which were specified by the General Partner, were performed to assure that appropriate items and amounts were included in the computation of the 10 percent carryover rule in accordance with Internal Revenue Code (IRC) §42(h)(1)(E) and 24 CFR 1.42-6 and any subsequent amendments.

The following procedures were performed:

- We examined the _____ (i.e., developer, architect, etc.) agreements with emphasis on the amount for inclusion as a liability as of _____, 20__.
- We examined documents and invoices relating to costs incurred as of (Month/Day/Year) for purposes of inclusion in the computation of the 10 percent carryover rule in accordance with IRC §42(h)(1)(E) and 24 CFR 1.42-6.
- We examined the Owner's Certificate and Agreement for Carryover Allocation.
- We examined the Reservation and/or Commitment of _____ Tax Credits issued by the Idaho Tax Credit Allocation Committee.
- We examined copies of title report, lease agreement, etc., as applicable.
- We examined the Development Agreement between _____ and _____.
- We examined the Settlement Statement showing the purchase of the land or land and existing building by _____ on _____, 20__ for \$_____.
- We examined invoices supporting costs incurred with respect to _____ through (Month/Day/Year).
- We examined total development costs as of (Month/Day/Year) (Exhibit B to the Owner's Certificate and Agreement Carryover Allocation.)

- We examined the Agreement for architectural and engineering services from _____ and a statement detailing the work completed as of (Month/Day/Year).

Internal Revenue Code ("IRC") §42 461 outlines the rules to be used when determining if a liability has been incurred for income tax purposes. The determination of when a liability has been incurred is provided by the "all events" test. IRC §42 461(h)(4) states that "The all events test is met with respect to any item if all events have occurred which determine the fact of the liability and the amount of such liability can be determined with reasonable accuracy." IRC 461(h)(2) adds the requirement that economic performance with respect to the item must occur. A contract is a common form of evidence that there is an obligation to make payment and often the contract states the amount to be paid and the services to be performed.

Thus a fee agreement which states a fixed amount to be paid for specific services performed should meet the conditions of the all events test for accrual of a liability. Economic performance must be established based on actual services rendered pursuant to the agreement.

The Development Agreement ("Agreement") stipulates that the Partnership (_____) promises to pay the Developer (_____) a fee for certain services to be rendered with respect to the development of _____. This Agreement acknowledges that not less than \$ _____ of the total Development Fee was earned prior to (Month/Day/Year) for services rendered to that point. Section _____ of the Agreement outlines the various obligations of the developer, and we have received representations from the General Partner as to which of these services had been performed as of (Month/Day/Year). The amount of \$ _____ shown above represents ____% of the total expected fee. Based on our review of the documents received, the benchmarks achieved as of (Month/Day/Year), the balance of services to be performed under the Agreement, and such other information and inquiry of the Owner as we have deemed to be reasonably required under the circumstances, we believe it is reasonable to conclude \$ _____ of the Development Fee had been earned as of (Month/Day/Year), and that such amount is reasonable. In addition, as there is an agreement which stipulates that not less than this amount was earned as of (Month/Day/Year), we believe that it is reasonable, although not free from challenge by the IRS, to accrue this amount as of (Month/Day/Year), for purposes of determining costs incurred as of (Month/Day/Year), as shown below.

The Agreement to provide certain architectural and engineering services, dated _____, 20__ stipulates that the Partnership (_____) promises to pay _____ (*architect*) a fee of \$ _____ for the services to be rendered with respect to the design, development and construction of _____. A statement from the architect describes the work completed by (Month/Day/Year). The \$ _____ amount shown below represents ____% of the total expected fee. Based on our review of the documents received, the benchmarks achieved as of (Month/Day/Year), the balance of services to be performed under the Agreement, and such other information and inquiry of the Owner as we have deemed to be reasonably required under the circumstances, we believe it is reasonable to conclude \$ _____ of the fee had been earned as of (Month/Day/Year), and that such amount is reasonable. In addition, as there is an agreement which stipulates that not less than this amount was earned as of Month/Day/Year), we believe that it is reasonable, although not free from challenge by the IRS, to accrue this amount as of (Month/Day/Year) for purposes of determining costs incurred as of (Month/Day/Year) as shown below.

Based on this above discussion, with our reservations noted concerning the development and architect fees, it is our opinion that at least \$ _____ of costs had been incurred by the Partnership as of (Month/Day/Year) as follows:

Land Acquisition	\$ _____
Architect/Engineering Fees	<i>(Sample Listing -not intended to be all inclusive)</i>
Other Engineering	
Financing/Settlement Fees	
Environmental	
Professional Fees	
Permits/Surveys	
Market Study	
Development Fee	\$ _____
Total	\$ _____

For purposes of determining the taxpayers' reasonably expected basis, 24CFR 1.42-6 defines such basis as the anticipated adjusted basis of land and depreciable real property, whether or not such amounts are included in eligible basis. The total basis of the development upon completion was expected to be, as of (Month/Day/Year) as follows:

Total Development Costs	\$ _____
Less:	<i>(Sample listing - not intended to be all inclusive)</i>
Working Capital/Rent-up Reserves	
Finance Fees	
Organizational Costs	
Personal Property	_____
Total Reasonably Expected Basis	\$ _____

Reasonably expected basis has been calculated from the Owner's Certificate and Agreement for Carryover Allocation and such inquiry of the owner as we have deemed to be reasonable and appropriate under the circumstances. Based on the above amount shown to meet the 10 percent test in accordance with Internal Revenue code §42(h)(1)(E) and 24 CFR 1.42-6 and any subsequent amendments, the Development needed to incur at least \$_____ of costs prior to (Month/Day/Year). Based on the computations above, costs of at least \$_____ had been incurred by _____ *(name of entity)* as of (Month/Day/Year), which is approximately _____% of the reasonably expected basis.

This report is intended solely for the use of those parties listed above and should not be relied on by any other party.

Tax Professional's Signature

EXHIBIT G: ELIGIBLE BASIS AUDIT FORMAT

Date:

Partners of: _____

Subject: Independent Auditor’s Report

We have audited the accompanying Statement of Actual and Eligible Basis Costs (the “Statement”) for _____ (the “Partnership”) as of _____, 20___. This Statement is the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of conforming with §42(d)(2) of the Internal Revenue Code (as amended), as discussed in Note 1 to the Statement, and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, such Statement presents fairly, in all material respects, the actual and eligible basis costs for the _____ as of _____, 20___, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the partners of _____, and should not be used for any other purposes.

Sincerely,

NOTES TO STATEMENT OF ACTUAL AND ELIGIBLE BASIS COSTS

1. CALCULATION OF ELIGIBLE BASIS

The accompanying Statement of Actual and Eligible Basis Costs was prepared in accordance with §42(d)(2) of the Internal Revenue Code (as amended) for the purpose of determining the eligible basis costs related to the construction of the _____, as prescribed by the _____. Such eligible basis costs were computed without regard to §42(d)(2) and §42(i)(2)(B) of the Internal Revenue Code (as amended), if applicable, and without regard to specific state rules, regulations, and interpretations associated with allocation guidelines.

2. RELATED PARTIES

The developer fee of \$ _____ has been accrued or paid to _____, the general partner of _____.