2009
Tax Credit Exchange and Assistance Program

Policies and Procedures

OVERVIEW

The Indiana Housing and Community Development Authority (IHCDA) and its designated Financing Service Agents (FSA's) require a written Low Income Housing Tax Credit (LIHTC) Exchange and Assistance Program Policies and Procedures statement. This requirement is based on the regulatory belief that there are important policy guidelines that need to be established and followed by everyone associated with an FSA and that they should be in writing for the benefit of IHCDA. Further, this same internal regulatory logic requires that these policies be followed by IHCDA and the FSA's and therefore, will be enforced upon each designated FSA's Syndication & Underwriting Department and FSA's Asset Management Department. Each FSA and IHCDA may conduct separate annual examinations to confirm compliance with the stated LIHTC Exchange and Assistance Program Policies and Procedures.

The LIHTC Exchange and Assistance Policies and Procedures are directives, both explicit and implicit, that specify the objectives of each FSA and the appropriate means to accomplish these objectives. These policies are broad, precedent-setting decisions that allow for guidance for future transactions. The LIHTC Exchange and Assistance Policies and Procedures are a set of purposes, principals, and rules of action that will guide the FSA's routine daily activities on the behalf of IHCDA.

DEFINITIONS

Applicant: An Applicant is a recipient of a 2007, 2008, 2009, or 2010 reservation of LIHTC.

Construction Completion: Defined as when all of the following are complete:

(i) lien-free completion of construction of the Project in accordance with the approved plans and specs sufficient for all residential rental units to be "placed in service" within the meaning of the Code; and

(ii) issuance of all permanent certificates of occupancy permitting immediate occupancy of all residential rental units; and

(iii) Architect's Substantial Completion Certification that the Project is completed in accordance with the plans and specifications; and

(iv) receipt by the FSA of a certification by the Owner that the representations and warranties contained in the Loan Agreement are true and correct as of the date of the request.

Davis Bacon: The Davis-Bacon Act of 1931 is a United States federal law which established the requirement for paying prevailing wages on public works projects, including HOME and CDBG but not including LIHTC. All federal government construction contracts, and most contracts for federally assisted construction over $2,000, must include provisions for paying workers on-site no less than the locally prevailing wages and benefits paid on similar projects.

Financial Forecasts: FSA approved Financial Forecasts shall be attached to the Loan Money Agreement at the time of closing of the Loan Money.

Loan Agreement: All agreements evidenced by closing documents among the owner of the Project Property, IHCDA and the FSA. These also include any extended use agreements.

Loan Money: The funds provided by IHCDA to a Partnership under the Tax Credit Exchange and Assistance Program.

Owner: The General Partner or the Managing Member of the Project Property Partnership or Company.

Project Property Partnership or Company: The partnership or LLC that owns the Project.

Stabilization: Is defined as the later to occur of the following:

(i) breakeven operations, which is defined as 90% occupancy for 90 days at underwritten rents and expenses as determined by the FSA,

(ii) conversion of all construction financing to permanent financing,

(iii) FSA's receipt and approval of the third party review of all of the first year's tenant files for compliance with the Code and State requirements at a Partnership cost not to exceed $50 per file, which cost will be borne by the Project Property,

(iv) receipt of the Accountant's Final Cost Certification acceptable to the FSA,

(v) 100% of the LIHTC units have been qualified with tenants pursuant to the Code

(vi) FSA's receipt of an annual owner certification by the Owner that the representations and warranties contained in the Loan Agreement are true and correct as of the date of the request of funds.

GENERAL OBJECTIVE

Prior to an award of Loan Money by IHCDA in any Project Property, the FSA must provide information to IHCDA so that it can determine that such an award (including elements such as the developer , its principals, sponsors, and affiliates) is consistent with the business purpose of the Project Property and is in substantial compliance with the Policies and Procedures. In connection with such determination, the FSA must have examined and approved (or accepted as satisfactory) the items and documentation provided in accordance with the Policies and Procedures (and any other relevant items and documentation).

Priority Projects:

1. A 2007 or 2008 ready-to-proceed tax credit development (new construction or acq/rehab) that has been unsuccessful in securing all or part of the equity investment required to make the development financially feasible.
   a. Developments located outside of a Midwestern Disaster Area County will be eligible to exchange all or a portion of their tax credits to fill existing financing gaps or to allow developments that cannot find traditional tax credits equity the ability to be completely funded by an IHCDA direct loan.
   b. Developments located within a Midwestern Disaster Area County will be eligible to exchange a portion of their tax credits or request additional funding to fill existing financing gaps by an IHCDA direct loan.

2. A 2009 or 2010 ready-to-proceed tax credit development, new construction or acquisition/rehabilitation that has received a reservation of credits and has been unsuccessful in securing a portion of the equity investment required to make the development financially feasible. Development will be eligible to exchange a portion of their tax credits or request additional funding to fill existing financing gaps by an IHCDA direct loan.

Midwestern Disaster Area Counties:

Adams	Bartholomew	Brown	Clay	Daviess	Dearborn	Decatur
Gibson	Grant	Greene	Hamilton	Hancock	Hendricks	Henry

Huntington	Jackson	Jefferson	Jennings	Johnson	Knox	Lawrence
Madison	Marion	Monroe	Morgan	Owen	Parke	Pike
Posey	Putnam	Randolph	Ripley	Rush	Shelby	Sullivan
Tippecanoe	Vermillion	Vigo	Washington	Wayne		

REQUEST FOR LOAN MONEY

An Applicant shall submit an application to IHCDA for Loan Money to fund the Project Property. Loans will be used to fill financing gaps created by reducing permanent loans, additional funds estimated for federal funding requirements such as Davis-Bacon, or a reduction in credit pricing. The request shall include, at a minimum, the following items:

1. Request letter
2. Current Financial Forecasts
3. Verification that the applicant was unable to secure tax credit equity, despite good faith efforts
4. Project status report detailing the current status of the project, such as loan commitments, plans and specs, construction contract, permitting
5. Other items deemed necessary by IHCDA to determine if the project qualifies for Loan Money

The starting point for the Financial Forecasts of a Project is the last application submitted to IHCDA (the “Tax Credit Application”). Major variances from that budget must be approved by the FSA and IHCDA. The amount of requested Loan Money will be the lesser of: (1) the amount of equity shown in the Tax Credit Application or (2) the amount required to defer 50.00% of the Development Fee.

IHCDA will retain a FSA to administer and provide asset management services to IHCDA for Developments that exchange 100% of their tax credits for the Loan Money. IHCDA may retain an FSA to administer and provide asset management services for Developments that exchange less than 100% of their tax credits or request additional IHCDA Loan Money. Intermediaries who purchase any portion of the tax credits and receive an allocation of funds derived from the exchange of credits or TCAP will be required to provide IHDCA with an annual asset management report.

The Applicant will submit current projections and a request to IHCDA for a swap of tax credits to Loan Money. As part of the request the developer will also request an approved FSA. IHCDA will review the package and assign an FSA to the project, using the priority request from the developer for guidance. The FSA will administer the closing, funding of all draws, and the asset management of the Project during the Compliance Period. **The applicant must not contact any FSA for any reason or comment on the request package prior to IHCDA assigning an FSA.**

The assigned FSA will review the submitted information to create an underwriting review package for IHCDA. The FSA will recommend a final financing structure to IHCDA, of which the Loan Money will be a source. Upon approval by IHCDA, the FSA will issue an award letter to the Applicant and begin the Loan Money closing process.

IHCDA APPROVED FINANCIAL SERVICE AGENTS:

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TYPES OF FINANCING

- Loan Money – The General Partner will be permitted to return up 100% of the annual credits, in exchange for a loan equal to the amount of the annual tax credit equity. The total amount of the loan will be the lesser of the total equity value returned or the amount identified in the 2007 or 2008 Carryover Agreement.

- Gap Financing – The General Partner will be permitted to request Gap Financing for shortfalls in the equity investment stated in the Tax Credit Application. If the gap is a result of falling pricing, the proposed price will appear in a spectrum from .55 to .75 based on, but not limited to, the following items:
    - Strong real estate markets
    - Uncomplicated financing structure
    - Developer strength
    - Project demographics

  Developments that include all of these features will be considered for higher end pricing; those with 1-3 of any of the above features will be considered lower end pricing.

<u>LOAN MONEY TERMS</u>

- Non-amortizing 30 year cash flow loan with the unpaid balance due at maturity,
- 0% interest rate
- IHCDA will agree to subordinate the Loan Money in priority to lender in first lien position

<u>AFFORDABILITY PERIOD:</u>

- 30 year affordability
- Owner agrees to waive the Section 42 Qualified Contract Provisions

<u>PROJECT OWNERSHIP</u>

Structure

The ownership of the Project Property must be a partnership or limited liability company, duly organized and validly existing under the laws of its state of formation.

The FSA and IHCDA will not have any ownership in the Project Property. The owners Project Property Partnership will assign a security interest of their ownership posititions to the FSA as collateral against recapture of the Loan Money from the Treasury or HUD.

Loan —General Requirements

IHCDA and the FSA will loan the funds to the Partnership via Loan Agreements. The Loan Agreement must contain provisions that comply substantially with the policies and procedures detailed herein.

<u>Fees/Responsibility of Fees:</u>

a. IHCDA Application Fee: $1,500

b.	Loan Fee:	None
c.	Legal Fees:	The Partnership will pay the legal fees associated with closing the Loan documents. These fees will be paid at closing.
d.	Third Party Reports:	The Partnership will pay the costs of all third party fees.
e.	FSA Fee:	A preset FSA fee will be charged to the Partnership, and funded by the Loan Money, and
f.	Asset Management Fees:	Annually paid will be in the *greater* amount of 1) $5,000 or 2) $100 per unit.

Loan Money Disbursement:

a. Closing of the Loan Agreement: 90% of the proceeds of the Loan Money shall be disbursed on a draw basis to fund hard and soft costs of the Project Property. Requirements for closing of Loan Money:

1. Executed Construction Loan documents
2. Closing on all Project sources
3. Receipt of a commitment for a permanent loan with a locked, fixed interest rate
4. Title Insurance with applicable endorsements
5. Approved Market Study and Appraisal
6. Approved Environmental reports
7. Construction-related documentation: GC Contract/GMP, Resume, Financials, Construction Budget, Construction Schedule
8. Building Permits
9. Partnership or LLC formation documents
10. Survey
11. Architect Agreement
12. Plans and Specifications (including Site Plan)
13. Purchase Contract, Deed and Closing Settlement Statement
14. Property Management Documentation – Management Agreement, Resume, Management Plan, & Form of Tenant Lease
15. Formation Documentation for Principals of Partnership/LLC
16. Developer Formation Documentation
17. Financial Statements for all Guarantors and principals of the Partnership/LLC
18. Development Agreement
19. Consultant Agreement
20. All applicable insurance certificates – Builder's Risk, Property, Liability, Fidelity Bond
21. Additional documents as determined by the FSA

b. Draw Funding: Loan Money not funded at close shall be advanced on a draw request basis based upon construction completion and supported by AIA forms G702 and G703 or the equivalent, and certified by the architect, the Owner, and the FSA as the construction consultant. The draw package must also contain additional documents as determined by the FSA to support the draw request.

The FSA shall have rights to approve all construction draws, irrespective of the source of funding. Change orders shall require the approval of the FSA.

c. Final Funding: 10% of the Loan Money shall be paid upon achievement of Stabilization.

Cash Flow Distributions – During Operations

"Above The Line" operating expenses of the Partnership must include payment of Asset Management Fees, which also shall be calculated with the DCR test. In addition, the Project Property Partnership shall contain a priority payment from net cash flow to the FSA, or an affiliate thereof, for ongoing asset management and oversight costs. This priority payment shall accrue without interest until paid.

Annual Cash Flow shall be paid out in the following order and priority based on % of credits exchanged:

Developments that exchange a portion of their credits for IHCDA Loan Money (i.e. side-by-side)

(1) First, to a Limited Partner to the extent of any amount to which the Limited Partner is entitled to receive from Cash Flow as payment to satisfy any payment required pursuant to §5.10 hereof;
(2) Second, to repay any unpaid loans made by a Limited Partner pursuant to §2.6 hereof;
(3) Third, to pay the Asset Manager any accrued Asset Management Fee that was not paid "above the line";
(4) Fourth, to pay any unpaid, deferred Developer Fee
(5) Fifth, to the General Partner to repay unpaid loans made by the General Partner;
(6) Sixth, to the Operating Reserve Account until such time as such account is equal to the Operating Reserve Amount and to the Replacement Reserve to fund any arrearages of payments thereto;
(7) Seventh, 50% of the remaining balance to repay all current and accrued principal of the IHCDA Loan Money;

(8) Eight, after making the payments described above, the remaining Cash Flow, if any, if any, shall be distributed to the Partners of the Partnership.

Developments that exchange 100% of their credits for IHCDA Loan Money

(1) First, to pay the Asset Manager any accrued Asset Management Fee that was not paid “above the line”;
(2) Second, to pay any unpaid, deferred Developer Fee
(3) Third, to the General Partner to repay unpaid loans made by the General Partner;
(4) Fourth, to the Operating Reserve Account until such time as such account is equal to the Operating Reserve Amount and to the replacement Reserve to fund any arrearages of payments thereto;
(5) Fifth, 50% of the remaining balance to repay all current and accrued principal of the IHCDA Loan Money;
(6) Sixth, after making the payments described above, the remaining Cash Flow, if any, if any, shall be distributed to the Partners of the Partnership.

Cash Flow Distributions – Upon Sale or Refinance

Developments that exchange a portion of their credits for IHCDA Loan Money (i.e. side-by-side):

(1) First, to any Limited Partner to repay any unpaid loans made by such Limited Partner;
(2) Second, to any Limited Partner to the extent of any amount to which the Limited Partner is entitled to receive to satisfy any payment required;
(3) Third, to any Limited Partner an amount equal to the amount of any federal, state or local income tax liability which would be imposed upon such Limited Partner as a result of the sale or refinancing, assuming that such Limited Partner is subject to the highest marginal federal, state and local income tax rates (the **“Exit Taxes”**)
(4) Fourth, to the payment of any accrued and unpaid Asset Management Fee;
(5) Fifth, to the payment of any debts and liabilities (including any unpaid fees) owed to the Partners or Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to the Partners and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent

applicable: (i) unpaid loans (on a pro rata basis) by the General Partners; and (ii) amounts treated as loans and not yet repaid; and

(6) Sixth, to the payment of any outstanding deferred Developer Fee;

(7) Seventh, 50% of the remaining balance to repay the Loan Money to IHCDA;

(8) Eight, after making the payments, the balance of Net Cash from Sales and Refinancings, if any, shall be distributed to the Partners of the Partnership.

Developments that exchange 100% of their credits for IHCDA Loan Money:

(1) First, to the payment of any accrued and unpaid Asset Management Fee;

(2) Second, to the payment of any debts and liabilities (including any unpaid fees) owed to the Partners or Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to the Partners and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) unpaid loans (on a pro rata basis) by the General Partners; and (ii) amounts treated as loans and not yet repaid; and

(3) Third, to the payment of any outstanding deferred Developer Fee;

(4) Fourth, 50% of the remaining balance to repay the Loan Money to IHCDA;

(5) Fifth, after making the payments, the balance of Net Cash from Sales and Refinancings, if any, shall be distributed to the Partners of the Partnership.

LOAN AGREEMENT—MANDATORY REQUIREMENTS

The Loan Agreement must comply strictly with the following mandatory requirements.

Mandatory Powers of FSA: The Loan Agreement must assign the following powers to FSA

a. The right to cause the Owner to remove the property manager and appoint a new property manager in circumstances where the FSA or IHCDA determines that the same is necessary to protect the interests of the Project Property;

b. In addition to the periodic reports specified in the Loan Agreement, the right to receive any other information and reports regarding the financial and physical condition of the Project Property as may be reasonably requested by the FSA or IHCDA;

c. The right to approve the appointment of any property manager for the Project Property (subject to any required lender or governmental agency approval);

d. The right to remove the Owner in the event of any gross negligence, willful misconduct, breach of fiduciary duty, breach of any material provision of the Loan Agreement, or (subject to customary cure periods) upon the bankruptcy or insolvency of the Developer;

e. The right to approve any proposed sale, exchange, lease (other than leases of dwelling units to individual tenants in the ordinary course of business), mortgage, pledge refinancing, or other disposition of the Project Property (or any portion thereof) or any material asset of the Partnership;

f. The right to approve the withdrawal of the Owner from the Partnership;

g. The right to approve disbursement requests;

h. The right to access the Project Property for site inspections.

Other Mandatory Requirements: No loan in any Project Property may be made unless the following requirements are satisfied:

a. The Loan Agreement must obligate the Owner to include in all leases of dwelling units to individual tenants a provision obligating such tenants to notify the property manager immediately of any suspected water leaks, moisture problems, or mold in dwelling units or common areas of the Project Property;

b. The Loan Agreement must not contain any confidentiality provisions; and

c. The Owner must comply with all Section 42 rules and regulations.

d. The Loan Agreement must contain a reporting section to detail those items needed on a timely basis to be received, reviewed and approved by the FSA.

Guaranties:
A creditworthy obligor acceptable to the FSA will provide the following guarantees to be included in the Loan Agreements:

a. Project Completion

i. A guaranty of completion of the construction or rehabilitation of the Project Property in accordance with the approved plans and specifications and in a good and workmanlike manner, free and clear of all mechanics', materialmens, or similar liens and the satisfaction of all financial and non financial obligations of the Partnership through Stabilization.

ii. Guaranty must be unlimited

iii. Amounts paid by the obligor in satisfaction of the Project Completion guaranty are not reimbursable.

b. Operating Deficits

i. A guaranty of payment of operating deficits during the Compliance Period commencing upon the expiration of the Project Completion Guaranty.

ii. Obligation must be sufficient to cover six months of the sum of projected operating expenses, replacement reserve funding, and must-pay debt service payments.

iii. Advances to cover operating deficits must bear no interest and must be repayable solely from cash flow or sale or refinancing proceeds.

c. Loan Money Repurchase

i. The guarantors shall guarantee repayment of any and all Loan Money plus any and all penalties if Loan Monies are recaptured by the Treasury. The obligation is unlimited in size and duration.

Defaults:

The project shall be in default for the following reasons, plus additional standard default provisions to be included in the Loan Agreements. The penalties and remedies for defaults include the following items:

a. The Project Property is not placed in service by the date required by any lender or governmental agency;

b. Funding of all permanent financing is not achieved within twelve months following the projected date of construction completion (or within such longer period as permitted under the permanent financing commitments);

c. At any time before Stabilization an action is commenced and successfully executed to foreclose, abandon, or permanently enjoin the construction of the Project Property

d. Non-achievement of minimum set-aside test and/or the rent restriction test by the end of the first year of the hypothetical credit period;

e. Financing commitments are withdrawn and comparable commitments are not received within a reasonable period; or

f. Stabilization has not occurred within 18 months of construction completion

g. The project is in violation of any other Section 42 requirements other than (d) above

<u>OWNER</u>

Reputation/Experience

The Owner, any Affiliate of the Partnership that guarantees the performance of obligations detailed in the Policies and Procedures (a "***Guarantor***"), and any other individuals or entities identified by the FSA whose continued participation in the development, ownership, and operation of the Project Property and the Partnership is an essential factor in the anticipated success of the Project Property (the Guarantor(s) and any other such individuals or entities are referred to herein, collectively, as the "***Key Principals***").

Financial Standing

<u>Owner:</u> The financial standing of the Owner and the Key Principals (collectively, the "Owner") must be fully investigated by the FSA. Prior year financial statements must be obtained and reviewed (last three years, if available).

<u>Contingent Liabilities:</u> All contingent liabilities and guarantees of the Owner must be fully described in the financial statements.

Net Worth

Guarantor Net Worth: The Guarantor must maintain a net worth sufficient to cover current and future liabilities, equal to the greater of $500,000 or 20% of the Projects total Loan Money Proceeds, 20% of which must be in liquid assets. Each of the foregoing requirements may be satisfied on an aggregate basis when there is more than one Guarantor. If the Guarantor lacks sufficient net worth and liquidity to comply with the foregoing guidelines, additional safeguards will be implemented. These safeguards should take the form of (a) development fee deferred until construction completion or (b) cash reserves securing the obligations of the Guarantor, or a combination of (a) and (b), as deemed appropriate by the FSA. In addition, the Guarantor may post letters of credit from an acceptable to the FSA in satisfaction of these requirements.

The Owner must at all times have a net worth (not including its partnership interest or any sums owed by the Partnership) satisfactory to FSA and in all events sufficient to satisfy its obligations to the Partnership. The Owner must demonstrate the ability and financial resources to pay holding costs, professional fees, any pre-settlement costs, and thereafter to carry the Project Property to permanent loan closing.

Credit Standing

Development Team: The Owner, developer, the general contractor, the property manager, and any other members of the development team must not be the subject of any materially adverse governmental or private inquiry, proceeding, or litigation.

Credit Checks: Detailed credit and background checks must be obtained for the Owner and guarantors. The geographical scope of the checks shall correspond to the range of activities of the relevant entities.

The detailed credit and background checks must include, but not be limited to, investigations over the last 10 (ten) years of records relating to:

Bankruptcy or Insolvency
Suits and Judgments
Criminal Proceedings
State/Federal Tax Liens
Negative News Media
Negative HUD Actions

All detailed credit and background checks must be no more than six (6) months old as of the date of the anticipated closing of the Loan Money in the Project Property.

The cause and resolution of all negative findings must be fully explained and supporting documentation must be available to IHCDA.

Community Support

The Developer must inquire about, identify, and disclose to FSA any material opposition to (or materially adverse investigation of) the Project Property, the Developer, or any other partners.

Real Estate Owned Schedule

Statements of real estate owned must be collected for the Developer. This schedule shall include, but not be limited to, a listing of all real estate ownership, percentage of ownership, construction status, debt service coverage, and occupancy rates.

DEVELOPMENT TEAM MEMBERS

The Owner must have identified a reliable and qualified development team, with strong multifamily and Code Section 42 experience.

The involvement in the Project Property of any tenant cooperative must be limited to the capacity of nonbinding advisor to the property manager.

The Owner must demonstrate that any other partner has a good reputation and the financial capability to perform its obligations under the Loan Agreement.

Contractor

The general contractor must meet all current licensing requirements.

If the general contractor is unrelated to the Developer, then the general contractor must secure construction completion in the event of unforeseen problems during construction by one of the following:

(a) A Letter of Credit equal to or greater than 15% of the construction contract amount; or

(b) 100% payment and performance bonds

The construction contract must be on an AIA approved form and must provide for a guaranteed maximum price. The Partnership must be a party to the construction contract.

Property Manager

The property manager must have experience in the subject market and submarket. The property manager must have experience in LIHTC's and Section 42 compliance and be in good standing with IHCDA.

The property manager may be an affiliate of the Owner, if appropriate; provided that if the property manager is an affiliate of the Owner, the property management agreement must provide that such agreement will terminate if the Owner is removed under the terms of the Loan Agreement.

Staffing must be adequate based on the size and social needs of the Project Property.

Payroll expenses for each property must be projected on a stand-alone basis assuming no economies of scale or shared staffing with other properties under common management or ownership. These expenses must be reasonable within the market for similarly qualified employees.

Any social services or tenant programs must be fully explained to FSA, including the cost allocations and management responsibilities.

Architect

The architect must carry Errors and Omissions insurance and must meet all current licensing requirements.

The architecture contract must be on an AIA approved form. The Partnership must be a party to such contract.

PROJECT PROPERTY CRITERIA

Development Fee

(a) The inclusion of development fees must be supported by a development services agreement that recites in reasonable detail the development services provided, sets forth a schedule for accrual of the development fee as specified benchmarks are achieved, and clearly identifies the terms of payment of the fee.

(b) The inclusion of other fees to service providers must be supported by evidence that the services (A) were actually performed and (B) were not duplicative of the services for which the development fee is being paid (or for which, in a customary transaction, the development fee would be paid).

(c) The inclusion of other fees will not be paid to entities related to the General Partner or the Developer except where the General Contractor is a related party and is entitled to general overhead, builder profit, and general requirements.

(d) The cash developer fee will be paid as follows:

i. 30% at close of Loan Money
ii. 10% during construction, paid prorata with construction completion
iii. 30% at Construction Completion
iv. 30% at Stabilization and Final Inspection

(e) A minimum of 50% of the developer fee must be deferred

Land Acquisition

(a) A copy of the recorded deed must be obtained.

(b) Purchaser must have (1) made a cash down payment of at least 10% of the purchase price, or (2) financed the purchase with a recourse purchase money note and must have a net worth sufficient to cover at least 10% of the purchase price.

(c) A copy of the purchase contract(s) and settlement statements.

Zoning

The site must meet all zoning and land use requirements (including unit density and parking availability) to permit the contemplated improvements and uses (or approval of required variances must be reasonably anticipated within six months).

The Project Property must be in full compliance with the requirements of all governmental authorities having jurisdiction over it, and must conform in all respects to applicable laws and regulations, including housing code, zoning, Americans with Disabilities Act, “wetlands” and drug-free workplace laws and regulations.

Ownership and Title

The Owner must have acquired site control to ensure completion of the Project Property on a timely basis. Title must be good and marketable and must consist of fee simple title or a leasehold estate under a land/ground lease with at least 65 years remaining, and may be subject only to loans and other such liens, charges, easements, restrictions, and encumbrance that will not materially interfere with the Local Partnership's development, operation, and ownership (as determined for federal tax purposes) of the Project Property.

The Partnership must acquire an ALTA owner's title insurance policy insuring the Partnership's estate (including all appurtenant easements [e.g., necessary access easements and utility easements]) in an amount equal to the sum of the aggregate principal amounts of the permanent loans and the aggregate loan disbursements to the Partnership. A non-binding "pro-forma policy" is not sufficient. All easements, covenants, restrictions, encroachments, and other exceptions shown on Schedule B must be examined by legal counsel for FSA to confirm that they will not adversely affect the Project Property by encroachment or otherwise and the policy should comply with the requirements described below. However, the adequacy of title insurance must be determined on a case-by-case basis depending on the facts and circumstances of the specific Project Property and on the laws of the jurisdiction where the Project Property is located (and, to a lesser degree, the customs there). In addition, prior to the Loan Money being disbursed, a current title report must be reviewed and approved by FSA to confirm that there are no new title exceptions or other matters that might adversely affect the Project Property.

(a) Any "pre-printed" or "standard" exceptions must be deleted.

(b) Any property tax exception should be limited to taxes that are "not yet due and payable."

(c) Any tenant's rights exception should contain a qualification that such rights are "to leaseholds of parties in possession, as tenants only, under unrecorded leases."

(d) The following endorsements must be obtained:

(i) Access;

(ii) Contiguity (if the Project Property is comprised of adjoining lots);

(iii) Fairway;

(iv) Non-imputation (protecting the Partnership against the knowledge and the acts of all other partners, including any withdrawing partners, and against the operation of title exclusions 3(a) and 3(b));

(v) Owner's Comprehensive (with mineral rights coverage if applicable) protecting the existing improvements or, if the Project Property has yet to be constructed, protecting the planned improvements as shown on specified plans;

(vi) Separate Tax Lot;

(vii) Subdivision (if applicable);

(viii) Same as Survey; and

(ix) Zoning.

Environmental

A Phase I Environmental Site Assessment in conformance to the scope and limitations of ASTM E 1527-05 (or in conformance to superseding regulations that are expected to be promulgated by the United States EPA pursuant to section 232 of the Small Business Liability Relief and Brownfield's Revitalization Act) and any additional environmental reports recommended by the Phase I (collectively, the "ESA") must be obtained for the Project Property and the Owner must undertake to investigate and promptly remediate in strict compliance with all applicable laws, regulations, and/or governmental orders any environmental problems identified in such ESA (in a manner satisfactory to FSA).

As required by sections 11.7 and 1.1.1 of ASTM E 1527-05, the ESA must "include a conclusions section that summarizes all recognized environmental conditions" connected with the Project Property and summarizes the impact of such recognized environmental conditions. In addition, the ESA must address other appropriate environmental issues and "non-scope considerations" discussed in section 12 of ASTM E 1527-05 that are particular concerns for multifamily housing, including the possibilities of asbestos containing materials, radon, lead-based paint, lead in drinking water, mold, and unsatisfactory indoor air quality.

<u>Non Confirmation:</u> If the ESA does not confirm (a) the absence of recognized environmental conditions and other appropriate environmental issues and non-scope considerations (under section 12 of ASTM E 1527-05) (e.g., asbestos containing materials, radon, lead-based paint, lead in drinking water, mold, and unsatisfactory indoor air quality) and (b) the compliance of the Project Property with all environmental laws, regulations, and/or governmental orders, then the Owner must present an O&M plan or other remediation plan to treat, contain, or abate all such identified environmental problems in strict accordance with all environmental laws, regulations, and/or governmental orders prior to completion of the Project Property. All costs associated with any O&M or remediation plans must be contained in the Development Budget. Any O&M and/or other remediation plans must have received all necessary

approvals from governmental authorities with jurisdiction over the environmental problems in question.

Surrounding Land: Surrounding land use must also be investigated regarding potentially hazardous materials, including, but not limited to, underground storage tanks, agricultural uses and contaminants, landfill or dumping, and current and prior uses.

Supplements and Updates: The ESA (including any supplements or updates) must be addressed to the Partnership. It should also be addressed to FSA or should authorize reliance by FSA and its affiliates and / or partners. It should have an effective date not more than 180 days before the effective date of disbursement of the Loan Money to the Partnership. An older ESA may be acceptable, as determined on a case-by-case basis, with consideration given to whether the Partnership has been in control of the property since the date of the ESA and whether or not there is reason to suspect any new or remaining recognized environmental conditions of concern. In cases where an ESA older than the 180-day period is accepted, a current environmental database records search update with an interpretive letter from an environmental professional must be provided at the disbursement of the Loan Money to the Partnership to confirm that the public records do not reveal recognized environmental conditions.

Property Description: The property assessed by the ESA must include all property owned or leased by the Partnership and described on Schedule A of the owner's title insurance policy.

Utilities

All utilities necessary to construct and operate the Project Property must be available and the Project Property must have access to public water and a public sewage system.

Unit fuse panels must be circuit breakers.

Electrical amperage to all units in the Project Property must be at least 100 amps. Consideration must be given to increasing this minimum based on the number of bedrooms in each unit or if all apartment services are electric, such as cooking and air conditioning.

Access: The Project Property must be accessible via a paved roadway and must have direct access to a public street or highway, and adequate ingress and egress (especially as a consideration for emergency vehicle access). In addition, the Project Property should be in reasonable proximity to necessary infrastructure and community services, including retail, transportation, medical facilities and services, and schools.

Site Control

Purchase Agreements: Cost and conditions must be fully described to FSA and its counsel.

Ground Lease: Terms, cost, conditions and renewal/purchase options must be fully described to FSA and its counsel.

Agreements with Other Property Owners: Any agreement that burdens the Project Property or entitles the Partnership to use other property, such as a common area agreement, cross use agreement, or homeowners' association agreement, must be commercially reasonable in all respects, including the obligations placed on the Partnership and the compensation provided to the Partnership.

Amenities

The property amenities and unit amenities should be comparable or superior to comparable projects in the market. Any disadvantages should be fully disclosed to the FSA. All units should offer basic amenities, including frost-free refrigerators, dishwashers, disposals, ranges and cook tops, and window treatments. Exceptions will be considered if the Project Property must comply with historic rehabilitation requirements that prevent the development of adequate space for specific amenities. All units must have access to laundry facilities.

The Project Property should have a separate management office and community room for its tenants.

Security services available at the Project Property should be reasonable and adequate for the needs of the Project Property.

The Project Property must comply with all applicable laws, rules, orders, and regulations regarding fire prevention and safety features. This includes heat and hard-wired smoke detectors and common area fire extinguishers. All new construction and substantial rehabilitation projects must include sprinklers throughout all common areas and in each unit as specified by the code.

Units

Square footage per unit should be appropriate to the comparable market units.

The mix of unit types should be conducive to the anticipated tenant base and be fully supportable based upon ongoing market demand.

All units in the Project Property must include securable door and windows. All rooms must have reasonable access. All bedrooms must have exterior windows.

Neighborhood

All adjacent land use, including, but not limited to, vacant land, abandoned properties, or properties in disrepair, must be fully described to FSA, including future development and rehabilitation plans.

TRANSACTION UNDERWRITING

Debt Service Coverage

All projects utilizing foreclosable debt should have a minimum projected stabilized DSCR of 1.20:1.00, based on the income and expense projection and trending requirements outlined below, and approved by the FSA. Pro forma rents shall reflect a discount to market rents of at least ten percent. If the discount to market rents is smaller than ten percent, or if the income and expense projections and trending levels do not meet the requirements outlined below, then higher DSCR's will be required.

For purposes of the Policies and Procedures, a Project Property's projected stabilized DSCR for any month will be the ratio of projected operating cash flow to projected must-pay debt service, as determined by the FSA:

(a) Operating cash flow for any month will be determined as the excess of (i) gross rental receipts over (ii) all cash expenditures of the Project Property (including required reserve deposits and the FSA Asset Management Fee) other than required principal and interest payments on the loans and fees or expenditures to be paid from capital contributions. For purposes of determining operating cash flow, the cash expenditures of the Partnership described in clause (ii) of the preceding sentence will be determined by taking the sum of all of the Project Property's actual cash expenditures for the current and all prior months of the fiscal year and all anticipated cash expenditures for the remainder of the fiscal year and allocating the sum of such actual and anticipated cash expenditures ratably over the twelve months of the fiscal year.

(b) Debt service for any month will be determined as the amount of payments of principal and interest required under the loan documents to be made, but excluding payments of principal and interest funded by capital contributions or other permanent financing sources.

Financial Projections

The Owner must prepare, and the FSA must approve, detailed financial projections for the Project Property, including (at a minimum), the following schedules:

(a) Development sources and uses, including flow of funds;

(b) Initial lease up;

(c) Operating income and expense pro forma conforming to the Policies and Procedures described herein;

(d) Cash flow;

(e) Reserve balances;

(f) Operating income and expense pro-forma utilizing stressed factors such as a vacancy rate greater than underwritten factor, no income growth, or lower rents on unrestricted units; and

(g) Residual value, showing, at the maturity date of each mortgage loan, the aggregate mortgage loan balance and the anticipated value of the Project Property, determined by capitalizing projected net operating income at a capitalization rate supported by market data.

The operating income and expense pro forma and residual value analysis must be prepared using the guidelines detailed in this section.

(a) Vacancy

(i) A minimum of 7% for physical vacancy.

(ii) Additional losses due to bad debts, concessions, and other miscellaneous causes based upon comparables provided by the Owner and Property Manager.

(iii) Vacancy rates should be projected higher if so dictated by the market study, the appraisal, historical data, and/or a site visit.

(b) Rental Income

(i) Trending: Trended over the full Compliance Period using an inflation factor of no greater than 2% and supportable by historical income trends in the market for similar product type;

provided, however, that for projects located in counties identified by HUD as zero-growth or negative growth areas and for which the pro forma assumes maximum permitted LIHTC rents, zero percent annual rental income growth until such time as FSA determines that increases in income levels in the relevant area will permit rent increases.

(ii) Third-Party Validation: Projected rental income must be validated by the market study and appraisal, as well as site visit data. In addition, projected rental income must accurately account for the effect of any tenant-income restrictions contained in any regulatory agreements, loan documents, or other agreements or requirements governing the Project Property.

(iii) Rent Advantage

(A) Low-Income Units: Pro forma rents per unit-type, combined with current unit-type utility allowance, should be at least 10% below market rate units in the primary market area, but cannot exceed the LIHTC maximum rents. If the discount to maximum allowable LIHTC rents is less than 10% for the 60% AMI units, the annual income trending factor must equal the lesser of 2% or the level supported by HUD FMR data for the preceding ten years.

(B) Market-Rate Units: Pro forma rents per unit-type, combined with current unit-type utility allowance, must be at least 10% below current market rents as supported by the market study and appraisal.

(c) Commercial Income: Commercial Income should not be included in calculating total projected income for the Project Property or the final DSCR.

(d) Other/Miscellaneous Income

(i) Such income can be taken into account only to the extent it is fully supported by historic operations, comparable market information, and other reasonable factors.

ii) Other/Miscellaneous Income must be described in detail and cannot include interest income or income from any other one-time events.

(e) Property Expenses

(i) Trended over the full Compliance Period using an inflation factor of at least 3% and supportable by historical expense trends in the market for similar product type.

(ii) Projected property expenses must be validated by the market study, comparable property expenses, appraisal, site visit data and any existing payment/expense agreements or schedules.

(iii) The trending factor for expenses must be applied to all operating expenses and replacement reserve deposits over the full Compliance Period.

(f) Management Fee: The property management fee must be consistent with market standards for comparable projects, and consistent with IHCDA limits, but no greater than 8%.

(g) Property Taxes

(i) Confirmation of tax abatement or PILOT Agreement must be obtained.

(ii) The underwritten estimate for property taxes should be validated by the ongoing expenses of comparable projects as well as prior or expected assessments.

(iii) For properties where tax abatement is subject to annual approval, or has not yet been approved, or will expire during the Compliance Period, sufficient reserves should be maintained to support the Project Property.

(h) Replacement Reserves: All underwriting analyses must include at least $250 per unit per annum for new construction projects and at least $300 per unit per annum for rehabilitation projects (or such greater amounts as may be required or recommended by any lender, governmental agency, or third-party engineering report). In all cases, these figures must be higher if property type, condition or market comparables so dictate. Funding of replacement reserves must be increased by an annual inflation factor of 3%.

(i) Net Operating Income: The projected net operating income should remain above a 1.10:1.00 Debt Coverage Ratio during the term of the Loan.

Capitalized Contingency and Reserves

Operating Deficit Reserve: A twelve (12) month Operating Deficit Reserve must be funded at the time of Stabilization. The amount is calculated on must pay debt service, all operating expenses and replacement reserves. The reserve shall be funded out of Loan Money proceeds and held at a location selected by the FSA. Uses of the reserve shall require the signatory approval of the FSA.

Lease-up Reserve: A reserve to fund projected lease-up period deficits will be required when indicated by the projected lease-up schedule or market data.

Hard Cost Contingency: All rehabilitation/construction estimates must be "hard" and based on completed plans and specifications provided by an architect or other qualified party providing architectural services. Construction hard cost contingencies should be 3% for new construction and 5% for rehabilitation. Such contingency amounts will be disbursed solely upon the approval of FSA on an "as needed basis" and confirmed by third party cost analysis.

Section 8

Underwriting of Housing Assistance Payment Contracts: Section 8 payments may only be taken into account in underwriting a Project Property to the extent such payments will be available to the Partnership during the remaining term of a housing assistance payments contract (a "HAP Contract") in existence on the date of disbursement of the Loan Money to the Partnership. If a HAP Contract will expire during the Compliance Period, no renewals may be assumed unless such renewal periods are available as a matter of law or contract on the date of disbursement of the Loan Money to the Partnership.

Restabilizing Reserves: When 20% or more of the units are covered by (a) 1-year renewable Section 8 contracts, (b) Section 8 contracts that are subject to annual appropriations, or (c) older Section 8 contracts (generally contracts originally executed prior to 1979) for which funding has been fully assured through the HAP Contract term and any renewal periods but where the Compliance Period exceeds the term of the Section 8 contract, a restabilizing reserve complying with the requirements outlined below must be established and maintained to facilitate the transition of Section 8 units to LIHTC units if the Section 8 contracts are not renewed (or funding is reduced or eliminated).

The initial balance in the restabilizing reserve should equal the greater of the Shortfall Amount calculated via the method described below or an amount sufficient to pay operating expenses and must-pay debt service for six months. The balance in the restabilizing reserve cannot be counted towards any other reserve requirements applicable to the project.

(b) The size of the Shortfall Amount is to be determined in accordance with the following steps:

(i) Recalculate projected rental income of the Project Property by assuming that (A) all of the Section 8 contracts are canceled or non-renewed at the earliest possible opportunity (e.g., the second year of operations under an annually renewing contract), and (B) except as provided immediately below, all of the Section 8 units are turned over upon lease termination. Rents charged to new tenants for the former Section 8 units should be set at the lesser of maximum allowable LIHTC rents (subject to all applicable regulatory and other similar agreements) or a 10% discount to market rents.

(ii) In some cases it may be reasonable to assume less than 100% turnover of the Section 8 units if it can be demonstrated through a resident-income analysis that some of the existing tenants will be able to afford the restricted rents.

(iii) Using a reasonable lease-up rate supported by the market study, calculate the period of time (the "Restabilization Period") needed to (A) achieve 90% physical occupancy and (B) support the original underwritten DSCR.

(iv) The Shortfall Amount is the sum of the amounts each month during the Restabilization Period by which net operating income is less than the level needed to maintain the underwritten DSCR.

(c) Restabilizing reserves must remain in place throughout the Compliance Period unless the following occurs:

(i) The Section 8 contracts become non-cancellable, or

(ii) Utilizing only tenant rent payments, the Project Property achieves a stabilized 90% occupancy at the restricted rents for three consecutive months and maintains a DSCR equal to or in excess of the original underwritten DSCR for six consecutive months.

(d) The Loan Agreement must provide that draws on the restabilizing reserve and release of the reserve can be made only with the consent of FSA.

Leases

All lease restrictions must be fully described to FSA. This includes Section 8/HAP Contract terms, commercial space and any other occupancy restrictions.

Commercial leases should be disclosed to FSA and IHCDA, including terms, tenant identification, and space use.

Site Visit

During the underwriting analysis, FSA must visit the site of the Project Property and should visit, where possible, similar project sites operated by the Developer and Management Agent.

Third-Party Reports

Market Analysis and Appraisal:

(a) An independent market study and appraisal must support the development and operation of the Project Property, including a comprehensive demand analysis, rent comparability analysis, and operating expense analysis. This independent market study and appraisal must conform to current industry standards for LIHTC properties. The Market Study or Appraisal must include:

(i) An analysis of comparable rents versus proposed subject rents;

(ii) A description of the population of income qualified tenants;

(iii) An analysis of how the Project Property compares to the submarket in terms of unit size, design and amenities;

(iv) An analysis of the effects on marketability resulting from existing and proposed competition;

(v) Operating expense analysis for comparable rental properties; and

(vi) Vacancy rate analysis for comparable rental properties.

(b) Area vacancy rates should be stable or decreasing over the prior 12 months.

(c) The overall demographic characteristics of, and economic trends in, the market and submarket must support the ongoing and consistent success of the Project Property.

(d) Market demand for the Project Property must be adequately demonstrated and the projected unit absorption rate must support the ongoing and consistent success of the Project Property.

(e) Unit absorption rates for the specific product type(s) must be fully supported. If the Project Property contains market-rate units as well as affordable units, the expected absorption rate for both must be addressed.

The market study and appraisal, if available, must have an effective date within six (6) months of the date of the anticipated closing of the Loan Agreement.

Engineering Report: The Engineering Report must have an effective date of no more than 180 days from the date of closing and include:

(a) Capital Needs Assessment: For rehabilitation projects, a Capital Needs Assessment (also known as a "Physical Needs Assessment") must be completed by the engineer when applicable. This report must fully address the remaining useful life standards and projections of all building components based upon the as-to-be-completed plans.

(c) Draw Requests: FSA must confirm construction draw requests and confirm that the Project Property has been completed in accordance with the plans and specifications.

(d) Certification of Completion in Accordance with the Plans and Specs: A third-party A/E must be retained by the Partnership to confirm that the Project Property has been completed according to the final plans and specifications.

INSURANCE

General Requirements

Property and Liability Insurance: Each Project Property must be covered by property and liability insurance during the compliance period.

Named and Additional Insured: The Partnership (rather than the Owner or the Developer) must be the named insured in each policy. In addition, IHCDA and the FSA must be named as an additional insured on all policies.

Per Occurrence Basis: All policies must be written on a per occurrence basis except for earthquake and professional liability coverage which may be written on a claims-made basis.

Cancellation Notice: Each policy must have a cancellation provision requiring the carrier to notify the Owner of the Partnership, FSA at least 30 days in advance of any policy reduction or cancellation for any reason except non-payment of premium. The cancellation provision must provide for at least a 10-day written notification for non-payment of premium.

Blanket Policies: The requirements of this section may be satisfied by the use of a blanket or package policy (or policies) of insurance covering the Project Property and other properties and liabilities of the Developer. The policy, however, must provide the same or better insurance coverage as a single property insurance policy, and the property must be listed and identifiable in the policy and/or associated schedules.

Carriers' Rating: An insurance carrier must have an A.M. Best general policyholder's rating of "A" or better and a financial performance index rating of VI or better in Best's Insurance Reports or Key Ratings Guide.

Term: Each policy must be for a term of not less than one year.

Evidence of Insurance: The Owner must provide FSA with a certificate of insurance for the Project Property on or before the Partnership delivers its consent to invest. ACORD 27, 25S and 75S (and any subsequent substantive equivalents thereof) are acceptable forms of temporary evidence for property/liability insurance. If a certificate is not available, FSA may accept a letter signed by the Owner and the insurance broker certifying the coverage's required deductibles and exclusions. Originals or certified copies of current insurance policies must be obtained, reviewed and retained in FSA's permanent files within 90 days after IHCDA has agreed to provide Loan Proceeds to the Project Property, or the date of the insurance policy renewal. Temporary coverage has an expiration date. Consequently, the evidence of temporary coverage must be monitored carefully and renewed as appropriate.

Property Damage

Each Project Property must be covered by property insurance for the entire compliance period. This section sets out the requirements for such property insurance.

Property Damage ("All Risk") Insurance:

(a) Required Insurance

(i) During Construction: An "All-Risk" Builder's Risk Property Insurance Policy that includes an agreed-value clause or no-coinsurance provision.

(ii) During the operational phase of the Project Property: An "All-Risk" Property Insurance Policy protecting the interest of the Partnership.

(b) Maximum Deductible: $25,000 per occurrence for each Project Property.

(c) Amount of Coverage: 100% completed value, on a non-reporting basis during the construction phase, and 100% Replacement cost coverage of the Project Property and personal property during the operational phase.

(d) Windstorm, earthquake, tornado and flood exclusions are generally acceptable exclusions from "All-Risk" insurances policies, provided that a separate policy is obtained for these exclusions. FSA reserves the right, in its sole discretion, to revise its insurance requirements to require coverage once any excluded coverage becomes generally available in the marketplace.

<u>Ordinance and Law Coverage:</u>

(a) Required Insurance: Ordinance and Law Coverage.

(b) When Insurance must be obtained: When the Project Property represents a nonconforming use under current building, zoning, or land use laws or ordinances.

(c) Amount of Coverage

(i) Loss of Undamaged Portion of the Building: Full replacement cost of the structure with agreed-value clause.

(ii) Demolition Cost: Minimum 10% of the replacement cost.

(iii) Increased Cost of Construction: Minimum 10% of the replacement cost.

<u>Boiler and Machinery Insurance:</u>

(a) Required Insurance: Boiler and Machinery Insurance.

(b) Insurance must be obtained:

(i) When any centralized HVAC equipment is in operation at the property.

(ii) When the Project Property contains boilers or other pressure-fired vessels that are required to be regulated by the state in which the property is located.

(c) Maximum Deductible: No more than the deductibles on the property insurance policy.

(d) Amount of Coverage: Full replacement cost of the building that houses the equipment.

Liability Insurance

Each Project Property must be covered by liability insurance for the term of the Compliance Period, on a "per project" basis. This section sets out the requirements for such liability insurance.

Commercial General Liability Insurance:

(a) Required Insurance

(i) During Construction: General Liability Insurance for bodily injury, property damage and personal injury for the benefit of the Project Property. Where the General Liability policy excludes damage or injury caused by activities related to the presence of lead or asbestos and/or the abatement thereof, Pollution Insurance will be required for an existing Project Property that is being substantially rehabilitated.

(ii) After Construction: General Liability Insurance, including Products and Completed Operations insurance.

(b) Maximum Deductible: $10,000 deductible.

(c) Amount of Coverage: $1 million per occurrence/$2 million minimum general aggregate limit, with a minimum Umbrella Liability Insurance (above the primary) of:

(i) $3 million for structures with 1 to 3 stories; and
(ii) $5 million for structures with 4 or more stories.

Commercial Auto Liability Insurance:

(a) Required Insurance: Commercial Auto Liability Insurance covering all automobiles, and including personal injury protection and uninsured motorist liability. When Insurance must be obtained: If the Project Property uses cars, vans or trucks for business purposes, those vehicles must be covered by Commercial Auto Liability Insurance.

(b) Amount of Coverage: $1 million per occurrence.

Architects Professional Liability Insurance:

(a) Architect's professional liability insurance in the amount of not less than one million dollars ($1,000,000.00) (including contractual liability coverage with all coverage retroactive to the earlier of the date of the Loan Agreement or the commencement of the Architects' services in relation to the Project) covering personal injury, bodily injury and property damages. The policy shall include an endorsement naming IHCDA and FSA and its successors and/or assigns as Certificate Holders.

(b) Comprehensive General Liability Insurance (including limited contractual liability and completed operations) in the amount of not less than two million dollars ($2,000,000.00) covering personal injury, bodily injury and property damage. The policy shall include an endorsement naming IHCDA and FSA and its successors and/or assigns as additional insured's and certificate holders.

General Contractor Liability Insurance: This is to be provided by the general contractor for the construction / renovation of the Project Property and keep in full force until completion of construction / renovation:

(a) Evidence from the Contractor of Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project Property construction, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project Property is located. Worker's Compensation limits shall be statutory; Employer's Liability Limits shall be at least $1 million per occurrence.

(b) Comprehensive General Liability and Property Damage Insurance (including limited contractual liability and completed operations) in the amount of not less than two million dollars ($2,000,000.00) covering personal injury, bodily injury and property damage, and covering products and completed operations for a minimum of three years following completion of construction. The policy shall include an endorsement naming [IHCDA? , FSA?] and its successors and/or assigns as additional insured's and certificate holders.

(c) Comprehensive Automobile Liability Insurance, including hired and non-owned vehicles, if any, in the amount of not less than one million dollars ($1,000,000.00) covering personal injury, bodily injury and property damage.

Catastrophic Risk and Additional Insurance Coverage's:
The following sections specify additional insurance coverage's required by the Partnership for each Project Property:

Business Income/Rent Loss Coverage

(a) Required Insurance: Business Income/Rent Loss Coverage.

(b) When Insurance must be obtained: All property types—during and after construction.

(c) Amount of Coverage: Actual loss sustained or minimum 12 months' gross income/rents for all other projects.

Workers' Compensation

(a) Required Insurance: General Contractor's Statutory Workers' Compensation and Employer's Liability Insurance.

(b) When Insurance must be obtained: Where employees of the general contractor are required to be covered by Workers' Compensation laws of the state in which the Project Property is located.

(c) Amount of Coverage: Employer's Liability with a limit of $1 million and statutory limits for compensation.

Windstorm Coverage

(a) Required Insurance

(i) If the "All Risk" property damage insurance excludes wind-related events, a separate windstorm insurance policy must be obtained.

(iii) The policy must include business income/rent loss coverage for a minimum of 12 months even if a state insurance program is providing the coverage.

(b) Amount of Coverage: 100% of replacement cost or actual cash value.

(c) Maximum Deductible: 5% of the total insured value.

Flood Insurance:
FSA must determine, for every investment proposed to be funded by Loan Proceeds, whether any of the improvements are, or are planned to be, located in a Special Flood Hazard Area (SFHA) and must document, or cause the Owner to document, each determination on a Standard Flood Hazard Determination form issued by the Federal Emergency Management Agency ("FEMA") (FEMA Form 81-93). SFHAs are areas designated by FEMA as Zone A or V. The Owner must place a completed copy of the Standard Flood Hazard Determination form in the closing binder for the Project Property in which Loan Money has been disbursed.

(a) Required Insurance: Flood Insurance.

(b) When Insurance Must be Obtained: Flood insurance is required if the Project Property is located in SFHA A or V.

(c) Amount of Coverage: 100% of the full replacement cost or, if that is unavailable, then the maximum amount of insurance available under the National Flood Insurance Program (NFIP). Flood insurance should be in the form of the standard policy issued by members of NFIP. An excess Flood or Difference in Conditions (DIC) policy should provide for the difference, if any, between the maximum limit provided by NFIP policies and the full replacement cost.

(d) Maximum Deductible: 2% of the Total Insured Value per building.

FINANCING

Construction Financing

Commitment: Construction financing must be committed and closed prior to or concurrent with the Loan Money disbursement to the Owner and must meet the following criteria:

(a) Term: The term of the construction financing, including extensions, should exceed the anticipated construction period and lease-up requirements of the permanent financing by the greater of at least 25% or 6 months; and

(b) Recourse/Nonrecourse: In general, the construction loan may be recourse to the Owner, but in no case may it be recourse to FSA or IHCDA.

Security: The documentation related to the construction financing must not obligate the IHCDA or FSA or any of its affiliates to make any representations, warranties, or covenants directly to the lender, or require IHCDA or FSA or any of its affiliates to sign promissory notes or enter into any documents or agreements with, or for the benefit of, the lender or other third parties, including, without limitation, estoppel certificates, joint funding agreements, inter-creditor agreements, triparty agreements, guaranties, comfort letters, acknowledgments, or equity assignments, or require IHCDA or FSA to disburse the Loan Money to anyone other than the Partnership (unless such payment is made directly to an account owned by, and held in the name of, the Partnership).

Confession of Judgment: Financing documents should not contain provisions permitting the lender to confess judgment on behalf of the borrower upon the occurrence of a default.

Notice: The construction loan must include the FSA and IHCDA in the notice section.

Transfer Rights: The construction loan must allow for the FSA or IHCDA to transfer its rights between entities that are owned by or subsidiaries of the FSA or IHCDA.

Cure Rights: The construction loan must allow for the FSA or IHCDA to cure defaults on behalf of the partnership. A cure by the FSA or IHCDA will be deemed a cure by the Partnership.

Permanent Financing

Commitment: Permanent financing must be committed to the Partnership prior to the disbursement of the Loan Money; subject only to the exceptions listed below, and must meet the following criteria:

(a) Term: All permanent financing must have a minimum term of at least one (1) year past the end of the initial 15 year compliance period;

(b) Interest Rate: Fixed-rate financing is required, and must be locked at the time the Loan Agreements are executed

(c) Funding Conditions: The permanent financing must be unconditionally committed to the Partnership with no more than the following conditions for funding:

(i) Construction completion;

(ii) No more than 90% physical occupancy for a period not to exceed three months;

(iii) A DSCR less than or equal to the level underwritten by FSA; and

(iv) Standard lender closing conditions; and

(d) Recourse/Nonrecourse: The permanent financing must be nonrecourse to the Owner and its affiliates. In no instance shall the permanent financing be recourse to IHCDA or FSA and its affiliates.

Security: The documentation related to the permanent financing must not obligate IHCDA or the FSA or any of their affiliates to make any representations, warranties, or covenants directly to the lender, or require IHCDA or the FSA or any of their affiliates to sign promissory notes or enter into any documents or agreements with, or for the benefit of, the lender or other third parties, including, without limitation, estoppel certificates, joint funding agreements, inter-creditor agreements, triparty agreements, guaranties, comfort letters, acknowledgments, or equity assignments, or require IHCDA or the FSA to pay its Loan Money to anyone other than the Partnership (unless such payment is made directly to an account owned by and held in the name of the Partnership).

Confession of Judgment: Financing documents must not contain provisions permitting the lender to confess judgment on behalf of the borrower upon the occurrence of a default.

Notice: The permanent loan must include the FSA and IHCDA in the notice section.

Transfer Rights: The permanent loan must allow for the FSA or IHCDA to transfer its rights between entities that are owned by or subsidiaries of the FSA or IHCDA.

Cure Rights: The permanent loan must allow for the FSA or IHCDA to cure defaults on behalf of the partnership. A cure by the FSA or IHCDA will be deemed a cure by the Partnership.

Soft Financing

“Soft Financing” (i.e., financing on terms limiting payment of all or a portion of the principal or interest to available cash flow from operations) must be committed to the Partnership prior to the disbursement of Loan Money and must meet the following criteria detailed in this section.

Funding Conditions: The Soft Financing must be unconditionally committed to the Partnership with the following exceptions:

(a) Construction completion;

(b) No more than 90% physical occupancy for a period not to exceed three months; and/or

(c) A DSCR less than or equal to the level underwritten by FSA.

Term: The fixed term of the Soft Financing must equal or exceed the remaining Compliance Period and must not provide for forgiveness of any portion of the principal or interest on the loan.

Confession of Judgment: Soft Financing documents should not contain provisions permitting the lender to confess judgment on behalf of the borrower upon the occurrence of a default.

VARIANCES

All employees of FSA and IHCDA are expected to follow the spirit and the intent of the stated Investment Policies and Procedures. IHCDA recognizes, however, that these policies will not fit every situation and that there will be valid reasons to deviate. When it is clearly in IHCDA’s best interest, policy exceptions are permitted. Any exceptions to the stated policies and procedures require IHCDA approval.

WATCH LIST CRITERIA AND PROCEDURES

FSA shall be responsible to IHCDA to identify and measure any Project Property that is deemed “Watch List”. FSA will prepare and deliver to IHCDA a quarterly Watch List which will be delivered to IHCDA no later than February 15th, May 15th, August 15th and November 15th of each year.

There are three (3) distinct ways in which a Project Property can be placed on the Watch List:

- Development
- Operational

- Compliance

Development

A Project Property may be placed on the Watch List during its Development Phase based upon the following criteria:

Construction Delays: A delay in construction of the Project Property for any reason which causes the Project Property to be three (3) months behind schedule.

Construction Cost Overruns: Revised Construction Budget exceeds 10% of the original contract and the Contingency Reserve has been spent.

Leasing Delays of All Units: Delay in leasing any units that causes the Project Property to be four (4) or more months behind schedule.

Unresolved Mechanics Liens: There exists a filed lien on the Project Property that is not covered by indemnity nor is cured within 3 months.

Change in Sources and Uses of Funds: There is a change of 3% or greater of the total Sources and Uses of Funds or $100,000, whichever is greater.

Change in Qualifying Units: There is a change in timing of qualifying of any of the units.

Litigation: The Project Property or any member of the Key Principals of the Project Property is subject to litigation specifically related to the Project Property.

Operational Phase

A Project Property may be placed on the Watch List during its Operational Phase based upon the following criteria:

Rental Delinquency: The Project Property experiences a greater than 7% rental delinquency of Effective Gross Income (EGI).

High Vacancy: The Project Property experiences a vacancy rate of greater than 10% for three (3) consecutive months.

Negative Debt Service Coverage: Net Income (Free Cash Flow), after payment of all operating expenses and "must pay" debt is negative for three (3) consecutive months. Any draw on the debt service reserve fund or operating reserve fund that is not replaced within thirty (30) days of being drawn.

Unpaid Real Estate Taxes: Any real estate taxes that are past due.

Insurance: The Project Property has any expired insurance policy.

Delinquent Mortgage: Any "must pay" debt service that is more than thirty (30) days late.

Mortgage Default: The Project Property is in default on any mortgage or subordinated debt.

Deferred Maintenance / Extraordinary Repairs: Any repairs that are not budgeted and are in excess of 5% of EGI or $25,000, whichever is less.

Replacement Reserves: There have been draws on the Replacement Reserve and no deposits to the Replacement Reserve have been made for three (3) consecutive months.

Physical Deterioration and / or Natural Disasters: There has been a physical deterioration of the Project Property since the last site visit by the Asset Manager or there has occurred a natural disaster.

Debt Service Coverage: Debt Service Coverage is less than 1.10:1.00 on "must pay" debt for three (3) consecutive months.

Unauthorized Debt: There are unauthorized liens or debt on the Project Property.

Compliance Issues

A Project Property may be placed on the Watch List for Compliance Related issues based upon the following criteria:

Reporting: The Project Property's GP or sponsor has not delivered a quarterly report.

Site Visit: The Asset Manager has not visited the Project Property in twelve (12) or more months.

Transfer of Ownership: The Project Property experiences a change in ownership for any reason.

Unit Non Compliance: Any qualified unit in the Project Property that is out of rent compliance for more than sixty (60) days.

ADDITIONAL FEDERAL REQUIREMENTS:

All Developments that participate in the Tax Credit Exchange and Assistance Program will be subject to the following the federal regulations.

Environmental Review

A complete environmental review must be performed in order to meet the requirements of the National Environmental Policy Act (NEPA). This review is not the same as a Phase I Environmental Assessment Review. The applicant is required to complete the environmental review process and submit the environmental review record to the appropriate IHCDA Community Development Representative on or before the application submission.

The Environmental Review User Guide and forms may be downloaded from the following link:

http://www.in.gov/ihcda/files/Environmental_Review_User_Guide.pdf

Historic Review

Applicants must submit documentation to the appropriate IHCDA Community Development Representative requesting that IHCDA initiate the historic review process on or before the application submission. Required documentation includes:

a. A description of the undertaking.

b. A description of the Federal involvement – use of any other federal funds.

c. Area of potential effect – shown via maps on Interim reports or clear map(s).

d. Photographs, maps, drawings, etc. – color photos, topographic maps, architectural drawings.

e. Description of steps to identify historic properties and information pursuant to Sec. 800.4(b)

f. Description of the basis for the determination of requested funding.

On average, a historic review may take up to 90 days or more to complete. If the development involves an historic structure or construction on a site of known archaeological significance, approval may take much longer or construction may be prohibited entirely.

The Historic Review Handbook and forms may be downloaded from the following link:

http://www.in.gov/ihcda/files/Historic_Review_Manual_2008-2009_(AS_revised_9.5.08).doc

Construction Contract Requirements

To meet the requirements of OMB Circular A-110, for any construction contract exceeding $100,000, IHCDA recipients must do one of the following:

a. Bonding Requirements

i. A bid guarantee from each bidder equivalent to five percent (5%) of the bid price. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

ii. A performance bond on the part of the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

iii. A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract. Where bonds are required, the bonds shall be obtained from companies holding certificates of authority as acceptable sureties pursuant to 31 CFR parts 223, “Surety Companies Doing Business with the United States.”

OR

b. Letter of Credit

In lieu of acquiring the payment and performance bonds, IHCDA will accept an irrevocable line of credit listing IHCDA as the sole beneficiary and equal to (a) the greater of the IHCDA award amount or (b) 25% of the total construction contract. The line of credit must be issued for the entire construction period plus one (1) year following construction completion.

Davis-Bacon Labor Standards

Any contract for the construction or rehabilitation of affordable housing must contain a provision requiring that wages paid to all laborers and mechanics be not less than the prevailing wage of the locality, as predetermined by the Secretary of Labor. In addition, such contracts are subject to the overtime provisions of the Contract Work Hours and Safety Act.

Davis-Bacon developments of five or more stories are subject to commercial wage rates. Davis-Bacon developments of less than five stories that involve significant commercial development may also be subject to the commercial wages. All other Davis-Bacon developments will be subject to residential wage rates, which may be significantly lower than commercial wage rates.

Any development that is subject to Davis-Bacon wage rates is required to get an initial wage decision from IHCDA prior to application submission. For further instruction, contact your Community Development Representative.

Section 3 Requirements

Any recipient receiving in excess of $200,000 in federal funds or any contractor with an individual contract in excess of $100,000 in federal funds is subject to the Section 3 provisions of the National Affordable Housing Act. These provisions require the recipient or contractor to take steps to hire low-income individuals from the development area for open positions.

Affirmative Marketing

Developments must utilize IHCDA's Affirmative Marketing Procedures in soliciting renters, determining their eligibility, and concluding all transactions. IHCDA's procedures have been established to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability.

Applicants must identify the market that is least likely to apply for the assisted units. Upon receipt of an award, the organization must implement marketing procedures to reach those persons least likely to apply. Additionally, recipients, must annually re-evaluate the market least likely to apply and target marketing efforts appropriately.

Examples of marketing outreach efforts include: advertising in local media or placing flyers in community centers, houses of worships, social service offices, etc.

Applicants must complete the Affirmative Marketing Procedures and Certification form located in the HOME Section and include an original signature.

Site and Neighborhood Standards

IHCDA promotes housing opportunities and provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, E.O. 11063, and HUD regulations issued pursuant thereto. For new construction of assisted rental units, the applicant must demonstrate that the proposed development meets the site and neighborhood standards as given at 24 CFR 983.6(b) by completing the appropriate form in the HOME Section.

Uniform Relocation and Real Property Acquisition Act of 1970 (URA) and Section 104(d) Requirements

IHCDA's goal is to minimize displacement of existing residents when federal and state funds are used for rehabilitation or acquisition. URA provisions apply to any person (including corporations, partnerships, proprietorships, and nonprofit organizations) who is involuntarily displaced because of a federally assisted development. Eligibility for URA coverage begins at the time that an offer to acquire is made for property in anticipation of a development planning to use federal funds. Tenants and owners at the time the offer to acquire is made are eligible to receive reimbursement for moving expenses as such, notices are required to be sent and verification included with the application. Residential tenants may also receive a housing cost allowance for up to 42 months.
If the development will result in a reduction of the supply of low or moderate-income units, the applicant will have to provide a plan of how the units will be replaced with the application.

For further detailed information, including sample letters, please review the URA and Section 104(d) Chapter of the Community Development HOME Award Manual at http://www.in.gov/ihcda/3099.htm. Additionally, applicants anticipating that URA or Section 104(d) requirements apply to their development are strongly encouraged to seek technical assistance through their Community Development Representative.

Lead Based Paint Requirements

Recipients of an award are subject to the HUD lead based paint requirements found in 24 CFR Part 35. The chart below summarizes the requirement based on the amount of federal funds subsidizing each assisted unit. For additional instructions, contact your IHCDA Community Development Representative.

Federal Funds Amount Per Unit:	Rehabilitation			Acquisition without Rehabilitation
	≤$5,000	$5,000-$25,000	>$25,000	
Approach # to Lead Hazard Evaluation & Reduction (see detail in following chart)	Approach #1 Do no harm	Approach #3 Identify & control lead hazards	Approach #4 Identify & abate lead hazards	Approach #2 Identify & stabilize deteriorated paint
Notification of Tenants	Yes	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing of surface to be disturbed by rehabilitation	Paint Testing of surface to be disturbed by rehabilitation & Risk Assessment	Paint Testing of surface to be disturbed by rehabilitation & Risk Assessment	Visual Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation. Safe work practices & clearance of work site	Interim controls Safe work practices & clearance of unit	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation) Safe work practices & clearance of unit	Paint Stabilization Safe work practices & clearance of unit
Ongoing Maintenance	For rental only	For rental only	For rental only	Yes (if ongoing relationship)
EIBLL Requirements	No	No	No	No
Options	Presume lead-based paint &	Presume lead-based paint	Presume lead-based paint	Test deteriorated

	use safe work practices on all surfaces	&/or hazards & use standard treatments	&/or hazards & abate all applicable surfaces	paint. Use safe work practices only on lead-based paint surfaces.

Four Approaches To Implementing Lead Hazard Evaluation & Reduction:

Approach 1. Do No Harm		
<u>Lead Hazard Evaluation</u> **Paint testing** performed on surfaces to be disturbed	<u>Lead Hazard Reduction</u> Repair surfaces disturbed during work. **Safe work practices** used when working on areas identified as lead-based paint. **Clearance** performed on work site.	<u>Options</u> **Presume lead-based paint** is present and use safe work practices on all surfaces being disturbed.
Approach 2. Identify and Stabilize Deteriorated Paint		
<u>Lead Hazard Evaluation</u> **Visual assessment** performed to identify deteriorated paint.	<u>Lead Hazard Reduction</u> Paint stabilization of identified deteriorated paint. **Safe work practices** used. **Clearance** performed unit-wide.	<u>Options</u> **Perform paint testing** on deteriorated paint. Safe work practice requirements only apply to lead-based paint.
Approach 3. Identify and Control Lead Hazards		
<u>Lead Hazard Evaluation</u> **Paint testing** performed on surfaces to be disturbed. **Risk assessment** performed on entire dwelling.	<u>Lead Hazard Reduction</u> **Interim controls** performed on identified hazards. **Safe work practices** used. **Clearance** performed unit-wide.	<u>Options</u> Presume lead based paint &/or lead based paint hazards are present & perform **standard treatments.**
Approach 4. Identify and Abate Lead Hazards		
<u>Lead Hazard Evaluation</u> **Paint testing** performed on surfaces to be disturbed. **Risk assessment** performed on entire	<u>Lead Hazard Reduction</u> **Abatement** performed on identified hazards. **Interim controls** performed on identified hazards on the exterior that are not disturbed	<u>Options</u> Presume lead-based paint &/or lead-based paint hazards are present & perform **abatement on all**

dwelling.	by rehabilitation. **Safe work practices** used. **Clearance** performed unit wide.	**applicable surfaces-** deteriorated, impact, friction, chewable surfaces, and surfaces to be disturbed.

Accessibility

The Federal Fair Housing Act Amendments of 1988 establishes the following seven design standards for all newly constructed multi-family housing of four or more units ready for first occupancy on or after March 13, 1991 (See 24 CFR 100.205). The housing is not covered if the last building permit was issued prior to June 15, 1990, or if the site is determined to be impractical.

a. At least one building entrance must be on an accessible route.

b. All public and common areas must be readily accessible to and usable by people with disabilities.

c. All doors providing passage into and within all premises must be sufficiently wide for use by persons in wheelchairs.

Additionally, all ground floor units and all units on floors served by elevators must have:

a. An accessible route into and through the dwelling.

b. Accessible light switches, electrical outlets, thermostats, and other environmental controls.

c. Reinforcements in bathroom walls to allow later installation of grab bars around the toilet, tub, and shower, when needed.

d. Kitchens and bathrooms configured so that a person using a wheelchair can maneuver about the space.

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against persons with disabilities in the operation of programs receiving Federal financial assistance. HUD regulations implementing Section 504 contain accessibility requirements for new construction and rehabilitation of housing as well as requirements for ensuring that the programs themselves are operated in a manner that is accessible to and usable by persons with disabilities. (See 24 CFR

Part 8). Multifamily housing developments are defined at 24 CFR 8.3 as developments “containing five or more dwelling units.”

New Construction - HUD regulations implementing Section 504 at 24 CFR 8.22(a) require that new construction of multifamily developments be designed and constructed to be readily accessible to and usable by persons with disabilities. Both the individual units and the common areas in the building must be accessible. For new construction of multifamily rental developments, a minimum of five percent (5%) of the dwelling units in the development (but not less than one unit) must be accessible to individuals with mobility impairments. An additional two percent (2%) of the dwelling units (but at a minimum, not less than one unit) must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments), unless HUD prescribes a higher number pursuant to 24 CFR 8.22(c).

Rehabilitation - Substantial Alterations - Section 504 requires that if alterations are undertaken to a housing development that has 15 or more units, and the rehabilitation costs will be 75 percent or more of the replacement cost of the completed facility, then such developments are considered to have undergone "substantial alterations" (24 CFR 8.23 (a)). For substantial alterations of multifamily rental housing, the accessibility requirements contained in 24 CFR 8.22 must be followed -- a minimum of five percent (5%) of the dwelling units in the development (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two percent (2%), at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

Rehabilitation - Other Alterations - When other alterations that do not meet the regulatory definition of substantial alterations are undertaken in multifamily rental housing developments of any size, these alterations must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with disabilities, until a minimum of five percent (5%) of the dwelling units (but not less than one unit) are accessible to people with mobility impairments, unless HUD prescribes a higher number pursuant to 24 CFR 8.23(b)(2). If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, then the entire dwelling unit shall be made accessible. For this category of rehabilitation the additional two percent (2%) of the dwelling units requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible. A recipient is not required to make a dwelling unit, common area, facility or element accessible, if doing so would impose undue financial and administrative burdens on the operation of the multifamily housing development. (24 CFR 8.23(b)) Therefore, recipients are required to provide access in covered alterations up to the point of being infeasible or an undue financial and administrative burden.

Accessibility Standards - Dwelling units designed and constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) will be deemed to comply with the Section 504 regulation. For copies of UFAS, contact the HUD Distribution Center at 1-800-767-7468; hearing or speech-impaired persons may access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339. Accessible units must be, to the maximum extent feasible, distributed throughout the development and sites, and must be available in a sufficient range of sizes and amenities so as not to limit choice.
For further guidance regarding accessibility requirements, refer to HUD CPD Notice 00-09.