



Iowa Finance Authority
Low-Income Housing Tax Credit Program
2008 Qualified Allocation Plan

SECTION 1. INTRODUCTION

Thank you for your interest in the Low-Income Housing Tax Credit (LIHTC) Program. The Iowa Finance Authority (IFA) administers this program in Iowa, as specified in Iowa Code Section 16.52. In accordance with Section 42 of the Internal Revenue Code (the Code), IFA has developed this Qualified Allocation Plan (QAP) to establish the criteria and process for the allocation of the housing Tax Credit to qualified rental housing developments in Iowa. IFA will implement the QAP following a public hearing, approval of the QAP by the IFA Board of Directors, and final approval by the Governor. This QAP shall govern the allocation year 2008.

The QAP consists of three parts and two appendices:

- Part A establishes the requirements for nine percent (9%) Tax Credits.
- Part B establishes the requirements for four percent (4%) Tax Credits with tax-exempt bonds.
- Part C establishes the terms and conditions that apply to all Tax Credit funded Projects.
- Appendix 1 establishes the threshold requirements for building, construction, site, and rehabilitation that apply to all Tax Credit funded Projects.
- Appendix 2 establishes a glossary of terms.

To the extent possible, the following schedule applies to the Tax Credit Reservation Application process for nine percent (9%) Tax Credits:

Step 1	Draft Tax Credit Application and accompanying exhibits and attachments available (see www.iowafinanceauthority.gov)	On or about July 15 – October 6, 2007
Step 2	<i>Optional:</i> Application due for pre-application market analysis	On or about August 10, 2007
Step 3	Rules and QAP become final; Tax Credit Application and accompanying exhibits and attachments available (see www.iowafinanceauthority.gov)	On or about October 6, 2007
Step 4	Application for Threshold, Underwriting, and Post-Application Market Study due at IFA	On or about November 1, 2007
Step 5	Deficiency letters mailed	On or about January 9, 2008
Step 6	Period of correction for threshold and underwriting in deficiency letters	On or about January 9 – 23, 2008
Step 7	Response to deficiency letter and Application for Scoring and Determination of Set-asides due	On or about January 23, 2008
Step 8	IFA Tax Credit calculation and reservation issuance	On or about March 5, 2008

PART A – REQUIREMENTS FOR 9% TAX CREDITS

SECTION 2. TAX CREDIT RESERVATION AND ALLOCATION PROCESS

2.1 Amount of Tax Credit to be Allocated. The amount of annual Tax Credit authority is based on a per-capita amount derived from population estimates released by the Internal Revenue Service (IRS). In allocation year 2007, IFA's per capita Tax Credit authority was \$5,815,065. 2008 per-capita Tax Credit is yet to be determined. In addition to per-capita Tax Credit, IFA may have returned Tax Credit from previous Tax Credit years to allocate. IFA may also elect not to allocate a de minimis amount of Tax Credits. Because IFA intends to leverage this limited public resource to the furthest extent possible, the maximum Tax Credit that will be awarded to any one development is \$700,000.

2.2 Set-Asides. There will be one pool of Tax Credit divided into five set-asides in 2008. These set-asides are Service-Enriched, Affordable Assisted Living, Affordable Preservation, Underserved Area and Nonprofit. After filling each of the set-asides, the remaining Tax Credits will be awarded in the General Pool. All set-asides are available at the opening of the Application period. An Applicant may apply for more than one set-aside, and if all set-asides are filled and the Project remains unfunded, the Project may compete in the General Pool. For 2008, the set-aside percentages are:

2.2.1 Service Enriched Set-Aside. Twenty percent (20%) or approximately \$1,163,000 of the State housing per-capita Tax Credit is set-aside for developments that serve people with disabilities. At least twenty-five percent (25%) of the units must be set-aside and rented to families with a member who has a disability. To be eligible for this set-aside, the following rent restriction applies: no less than sixty percent (60%) of the Low-Income Units must be rent-restricted and occupied by families with incomes at or below forty percent (40%) of Area Median Gross Income (AMGI). The development must implement a comprehensive supportive service plan as specified in Section 6, Category 4. Qualified rental housing, Transitional Housing, and permanent supportive housing for the homeless with disabilities are eligible applicants for this set-aside. Beginning one year following placement in service, and annually thereafter, the Owner Representative must report to IFA the number of units rented to families with a member who has a disability.

2.2.2 Affordable Assisted Living Set-Aside. Seven percent (7%) or approximately \$407,000 of the State housing per-capita Tax Credit is set-aside for affordable, certified Assisted Living programs. If the development is located in a Metropolitan Statistical Area (MSA), no less than forty percent (40%) of the Low-Income Units must serve families with incomes at or below forty percent (40%) of AMGI. The development must obtain and retain enrollment as a Medicaid 1915(c) waiver provider, or maintain a contract with an enrolled Medicaid waiver provider. The development must implement a Comprehensive Service Plan as specified in Section 6, Category 4.

2.2.3 Affordable Preservation Set-Aside. Ten percent (10%) or approximately \$581,500 of the State housing per-capita Tax Credit is set-aside for the preservation of qualifying federally assisted housing units. Federally assisted affordable preservation includes low-income housing developments subsidized under the following or similar programs: Section 236, Section 221(d)(3) Below Market Rate, Section 221(d)(3) Market Rate with Section 8 rental assistance, Section 8 project-based new construction, Section 202, Section 811, Section 221(d)(4), Section 515 Rural Rental Housing Program, or Projects allocated nine percent (9%) Tax Credits in 1991 or earlier. In order to accommodate the other public funding sources,

Projects recommended for award at the IFA Board meeting can accept a conditional award, with a final award to be made in six months from the date of the IFA Board meeting. In this circumstance only, Carryover will be required six months from the date of the final award, and must be completed no later than 12 months following the date of the conditional award. See Appendix 1, Threshold Requirements for Building, Construction, Site, and Rehabilitation for requirements related to rehabilitation of units and the required Scope of Work.

2.2.4 Underserved Area Set-Aside. Ten percent (10%) or approximately \$581,500 of the State housing per-capita Tax Credit is set-aside for counties that are not located in an MSA and have not received an allocation of Tax Credits in the past five years.

2.2.5 Nonprofit Set-Aside. Ten percent (10%) or approximately \$581,500 of the State housing per-capita Tax Credit is set-aside for Qualified Nonprofit Organizations. This Tax Credit amount cannot be used for any other purpose. IFA reserves the right to conduct due diligence to determine whether an entity is a Qualified Nonprofit Organization.

The Applicant is required to demonstrate the involvement of a Qualified Nonprofit Organization. To qualify, the Nonprofit must meet the following requirements:

1. The Nonprofit must have a 501(c)(3) or 501(c)(4) designation from the IRS and be qualified to do business in Iowa.
2. The Nonprofit cannot be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Nonprofit Set-Aside. Nor can the Nonprofit be Controlled by a for-profit organization. IFA may make a determination as to whether a Nonprofit is Controlled by a for-profit.
3. The Nonprofit and/or parent Nonprofit organization must have as one of its exempt purposes the fostering of low-income housing and must have been so engaged for the two years prior to the Application submission date. The Application must demonstrate that the Nonprofits' programs include a low-income housing component. The Application must explain how the Nonprofit will accomplish its charitable purposes, as an organization that provides low-income housing, consistent with the safe harbor or the facts and circumstances test set forth in Rev. Proc. 96-32, 1996-1 C.B. 717.
4. The Nonprofit must be an Owner Representative. If the Nonprofit is one of two or more Owner Representatives, each of the Owner Representatives must be a Nonprofit organization; only one of the Nonprofit Owner Representatives must have as one of its exempt purposes the fostering of low-income housing, and have been doing so for the two years prior to the Application submission date.
5. The Nonprofit must demonstrate its capacity and intention to materially participate (regular, continuous and substantial on-site involvement) in the operation of the Project throughout the Compliance Period.
6. The Nonprofit shall receive no less than fifty percent (50%) of the combined total of the Developer and Consultant Fee.

2.3 Tax Credit Cap for Single Developer. IFA will not allocate more than \$950,000 of the annual state ceiling to a single Developer with multiple Projects. A Developer may submit as many Projects as the Developer chooses. IFA will select which Projects are awarded Tax Credits based on the QAP. Co-Developers will be allocated Tax Credits based upon the percentage of interest in the Project. For example, if a Co-Developer retains a fifty percent (50%) interest in the various Developer benefits realized from a Project, fifty percent (50%) of the Tax Credits will be counted against the Developer's cap.

Parties that have an Identity of Interest are presumed to be sufficiently related for them to be treated as a single Applicant for purposes of the cap. As described below, IFA may, in its sole discretion, identify other parties whose relationship is sufficiently close to cause them to be treated as a single Applicant for purposes of the ceilings. A significant factor in IFA's evaluation will be whether, based on the facts and circumstances, the party's involvement in a Project or its role in the Project structure results in exceeding the annual Developer Tax Credit cap. Consideration will be given to the familial, financial, business or any other significant relationship in the review of the Identity of Interest as it relates to the Developer cap limit.

2.4 Tax Credit Cap for Consultant. When a Developer is acting as a consultant for a development, then the amount of Tax Credits will be counted against the Developer cap specified in Section 2.3, as determined by the percentage of the Developer fee committed to the consultant for that Project. The Consultant Fee does not count against the Tax Credit cap for the Developer acting as the consultant, in the following circumstance:

1. A consultant works with a New Developer for not more than two sequential LIHTC Application rounds; and
2. The consultant is responsible for overseeing the Project for at least two years after placement in service. The consultant agreement must define how and to what extent oversight will be provided.

As it relates to the application of the Consultant cost cap exception:

1. No more than two consulting agreements per round will be exempted from the single Developer cap established in Section 2.3. If a Consultant has consulting agreements for more than two projects that pass threshold, the two projects from which the Consultant stands to derive the greatest fees shall be the two that are exempted pursuant to this Section 2.4.
2. No Identity of Interest shall be allowed in the relationship between the Developer and the consultant.

SECTION 3. APPLICATION PROCESS

IFA will prepare and make an Application available on its website at www.iowafinanceauthority.gov or will make a copy on CD-Rom for interested parties. The Application will include a prescribed Application form and a list of required additional attachments and exhibits. All initial and subsequent competitive and noncompetitive LIHTC Applications must be submitted using IFA's prescribed forms and method of Application. The completed original paper Application must contain original signature(s) and the initial Application must be accompanied by a check for the appropriate nonrefundable Application fee(s) specified in Section 3.4.7. In the event it becomes necessary to amend the Application Package, IFA will post the amended version of the Application Package on its website at the above address. Applicants are advised to check IFA's website periodically for any amendments or modifications to the Application Package. If an Applicant notifies the Tax Credit Manager in writing of his/her interest in receiving an email notification of the amendments or modifications, the Applicant will be notified.

3.1 Joint Review. IFA reserves the right to conduct joint reviews with other funding sources including any other party, loan or grant program. IFA may contact other sources to obtain information regarding the materials contained in the Application to either verify the information or to obtain independent information regarding a Project. In the event IFA obtains information from other sources, the information shall be reduced to writing. The information will be available for review after the Applications have been evaluated and Tax Credits have been reserved.

3.2 Contacts with IFA Before the Application is Received. If an Applicant has a question regarding an interpretation or clarification of the QAP, IFA policies, procedures or rules related to the LIHTC Program, the question must be submitted in writing to the Tax Credit Manager. The response will be placed on the website at www.iowafinanceauthority.gov. IFA shall not be bound by any oral or written representation made in connection with the Application or award of Tax Credit Reservations other than those provided on the website.

3.2.1 New Applicant. If the Applicant has not previously submitted an Application to IFA in previous LIHTC rounds, it is strongly recommended that the Applicant meet with the Tax Credit Manager to review the Plan and the Application Process.

3.3 Contact with IFA After the Application is Received. Once an Application is received by IFA, neither the Applicant nor any person on behalf of the Applicant may contact IFA's Board, Evaluators or other IFA staff to discuss the Application or any of its components for the round under consideration, except as specifically allowed by the QAP. Any such contact may result in rejection of the Applicant's Application. IFA staff or the Applicant or their representative may contact each other to discuss matters unrelated to the Tax Credit Application under review. During the evaluation period, Applications will not be made available to the public for examination and copying. Following the due date of the Applications and after the information is collected, IFA will post on its website the aggregate totals of: Applications, dollars requested, units, acquisition/rehab or new, Older Persons/family, profit or Nonprofit, and Applications for set-asides. After the Board approves the selections and awards Tax Credits, Applications and files are public information and available for inspection and copy in accordance with Iowa Code Chapter 22. IFA shall not be precluded from requesting any and all such information needed to properly evaluate the application.

3.4 Application Process for Market Analysis, Threshold and Scoring. The complete Application consists of three phases: 1) Optional Pre-Application Market Study and Analysis, 2) Application for Threshold and Underwriting ("Threshold Application"), and Post-Application Market

Study and Analysis, and 3) Application for Scoring and Determination of Set-Asides. Any revisions to the schedule proposed in Section 1, Introduction, will be published on IFA's website at www.iowafinanceauthority.gov. IFA will have at least one reservation round per year. Additional reservation rounds may be made throughout the year at the sole discretion of IFA.

3.4.1 Pre-Application Market Study and Analysis. During phase one of the Application process, IFA will commission a market study for those Applications who select this option. The Applicant will receive the results of the market study, and will be permitted to make changes to their proposed Project prior to the second phase due date for the Threshold Application.

3.4.1.1 Applicants are encouraged to submit any market information they believe may be helpful in determining market feasibility of their Project, including an independent market study, information from proposed service providers or other market information the market study analyst should evaluate. All market information provided by the Applicant will be provided to IFA's commissioned market analyst. By submitting this information, Applicants are afforded the opportunity to provide input that may be important in the determination of market feasibility. However, IFA will not be bound by the opinion or conclusions reached in the Applicant's independent market study or other market information provided.

3.4.1.2 Market feasibility for a proposed Project as measured by the IFA commissioned market analyst will be based on, but not limited to, the following factors: market capture rate, absorption period, market support of unit mix, stabilized occupancy rate, vacancy rate of comparables, rent comparisons to comparables, and impact on the market and financial health of comparables in market area. If the market study or IFA's analysis of the market study (which may contain independent information obtained by IFA) do not demonstrate, at the sole discretion of IFA, that the market area needs the proposed Project, the Project will be rejected at threshold and will not be scored.

3.4.1.3 If the Applicant chooses to make significant changes to the Threshold Application based on the recommendations of the market analyst, then in IFA's sole discretion, an update of the market study must be completed by the market analyst prior to the completion of the threshold review. The fee for the updated market study is provided in Section 3.4.7.

3.4.2 Application for Threshold and Underwriting ("Threshold Application"), and Post-Application Market Study and Analysis. IFA will evaluate the threshold and underwriting requirements, and market during phase two of the Application process. If the Applicant chooses to submit a Post-Application Market Study, Sections 3.4.1.1 and 3.4.1.2 shall apply to this section.

The Applicant must submit the following by the due date:

1. One original complete Threshold Application;
2. One Application for Post-Application Market Study and Analysis;

3. One original HOME Application (if applicable); and
4. One set of documents related to construction, building, site and rehabilitation threshold requirements.

All documents must be on letter-size paper, bound in a separate three-ring binder for items 1, 3 and 4, and all exhibits and attachments **must be tabbed with the number or letter assigned in the Application**. If the Threshold Application is received after the date and time specified, the Application will be rejected and returned to the Applicant. An Application is considered late if it is not received in the offices of IFA by 3:00 p.m. local time on the date it is due.

3.4.2.1 No amendments will be accepted to the Application after the Application due date, except as provided by the QAP.

3.4.2.2 If an Applicant is applying for State HOME funds, the Applicant must complete the HOME sections and attach the appropriate information as more fully described in the HOME Application and instructions. IDED and IFA shall appoint a Joint Review Team to review Applications applying for HOME funds and Tax Credits. No additional points will be awarded to an Applicant that seeks HOME funding. IDED has the sole and final authority with respect to any award of HOME funds, while IFA has the sole and final authority with respect to any reservation of Tax Credits.

3.4.3 Correction Period. Following a completion of the review of the Threshold Application, the Applicant will be given 14 calendar days to respond to a deficiency letter. During that time, the Applicant may submit items that would correct a deficiency or deficiencies in the threshold and underwriting requirements. Technical corrections will be allowed as specified by IFA in the deficiency letter. The submission is considered late if it is not received in the offices of IFA by 3:00 p.m. local time on the date it is due.

3.4.4 Application for Scoring and Determination of Set-Asides. In phase three of the Application process, for those Projects that meet the threshold requirements, this Application will be used by IFA to establish a competitive score for the Project, using the criteria established in Section 6, Scoring Criteria, and to determine if the Applicant is eligible for one or more set-asides, using the criteria established in Section 2.2, Set-Asides.

The Applicant must submit one original complete copy of the Application for Scoring and Determination of Set-Asides and supporting documents. The document must be on letter-size paper, bound in a three-ring binder, and all exhibits and attachments **must be tabbed with the number or letter assigned in the Application**. If the Application is received after the date and time specified, the Application will be rejected and returned to the Applicant. An Application is considered late if it is not received in the offices of IFA by 3:00 p.m. local time on the date it is due.

3.4.5 Site Visits. During phase two of the Application process, IFA will make site visits as it deems necessary to review proposed Project sites and verify any of the information provided by the Applicant in the Application. IFA shall prepare a document describing the site and make it available to the Board for review in the consideration of awarding Tax Credits to Projects. Applicants may or may not be notified of a site visit. If deemed necessary by IFA,

Applicants shall provide building access for inspection by Evaluators to, among other things, confirm basic structural soundness.

3.4.6 Tax Authorization Form. The Threshold Application must include an executed IRS Form 8821, Tax Information Authorization Form, for each Developer for sharing of information between IFA and the IRS. The Form 8821 must be provided to IFA with the Threshold Application, at the time of Carryover Application, at the time the Project is placed in service and annually during the Compliance Period.

3.4.7 Fees. IFA shall collect the fees described below for the LIHTC Program. Checks for the fees must be made payable to the Iowa Finance Authority. An Application shall not be accepted unless the Application fee accompanies the Application. The reservation fee will be due within 10 business days after the date of the Tax Credit Reservation letter. If the reservation fee is not received, IFA may withdraw the reservation of Tax Credits from the Applicant. IFA will not issue a Form 8609 until the compliance monitoring fee is paid in full. All fees are nonrefundable, except for the following circumstances:

1. If there are residual funds after market study provisions are paid, the funds will be reimbursed on a pro-rata basis.
2. If the Applicant withdraws the Threshold Application within three business days of receipt by IFA, the Application fee will be reimbursed.

Fee Type	All Applicants
Threshold Application Fee	\$1,000
Market Study Fee	\$6,000 – Affordable Assisted Living Project \$6,000 – Service Enriched Project \$5,000 – Family/Older Person Project
Substantial Changes Fee	\$1,000 – If substantial changes are made in the Project from Pre-Application Market Study and submission of Project, an update of the study will be made.
Reservation Fee	1% of the total 10-year Tax Credit amount
Compliance Monitoring	\$18 per unit, per year x total Compliance Period (Example: \$18 per unit x 24-unit Project x 30 year total Compliance Period = \$12,960 paid in full prior to issuance of 8609)
	Other fees as provided in the Compliance Manual

SECTION 4. UNDERWRITING

The Threshold Application will require the Applicant to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credit. Underwriting will be completed by IFA during the review of the Threshold Application, and again following the Correction Period. IFA may adjust the amount of Tax Credit based upon the underwriting. Underwriting shall be completed for a Project prior to the time a reservation is awarded, at Carryover, and before a Form 8609 is issued. The pro forma cash flow is part of the Threshold Application. If a gap in financing is discovered after underwriting the Project, the gap may be filled from the Developer's fee if the fee is sufficient. No other fee will be used to fill a gap in financing.

The Threshold Application will require the Applicant to supply sufficient information to allow IFA to determine whether the Project is financially feasible during the construction phase and the operational phase of the Project. The Threshold Application will require the Applicant to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity partners or private funding sources for the Tax Credits, Property tax abatements, tax increment financing, enterprise zone benefits and any other type of financing or contributions that are relevant to the economic feasibility of the Project and are available to the Project. State Historic Tax Credits (SHTCs), may be used provided that the Applicant can demonstrate that equity received from these credits will be received prior to the issuance of the Form 8609. SHTCs may not be used in underwriting if a gap in financing would exist beyond the issuance of Form 8609.

The following minimum financial underwriting requirements apply to all Projects. Projects that cannot meet the minimum requirements, as determined by IFA, will not receive Tax Credits.

4.1 Underwriting Standards.

4.1.1 Projects will be underwritten with income escalating at a minimum of two percent (2%) and operating expenses escalating at a minimum of three percent (3%), with a minimum spread of one percent (1%) required between the income and expense escalators.

4.1.2 Projects will be underwritten assuming no less than a seven percent (7%) vacancy rate and no more than a ten percent (10%) vacancy rate.

4.1.3 All Projects must reflect a Debt Coverage Ratio between 1.15 and 1.35 for the first 15 years. If the Debt Coverage Ratio falls outside of this range, the Applicant must provide a narrative to justify the deviation. If the justification is not acceptable to IFA, the Project may be rejected.

4.1.4 Projects with less than 20 units must also demonstrate \$150 per unit per year of net cash flow for the first 15 years. This does not apply to Projects with rental assistance through RD.

4.2 Operating Expenses.

4.2.1 Housing for Older Persons: Minimum of \$2,500 per unit per year not including taxes, reserves and resident support services.

4.2.2 Housing for Families: Minimum of \$2,800 per unit per year not including taxes, reserves, and resident support services.

4.3 RESERVED

4.4 Reserves.

4.4.1 RESERVED

4.4.2 Operating Reserve. The operating reserve will be the greater of 1) \$1,500 per unit or 2) six month's debt service and operating expenses. The operating reserve must be in place for the first 10 years and be used solely to cover operating deficits. The Applicant must include a narrative explaining how the operating reserve will be established.

4.4.2.1 The Applicant may use the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section.

4.4.2.2 The operating reserve can be funded by deferring the Developer's fees of the Project.

4.4.2.3 The Ownership Entity may fund the operating reserve using an irrevocable letter of credit. The letter of credit will be released after the end of the 10-year period described in Section 4.4.2.

4.4.2.4 The requirement for the operating reserve is a compliance issue and may be satisfied using the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the operating reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service. If the operating reserve will be established with the final equity payment, a letter from the syndicator or investor will be required.

4.4.3 Replacement Reserve. All new construction Projects must budget replacement reserves of \$300 per unit per year. Acquisition/rehabilitation, preservation, rehabilitation, adaptive reuse, and historic preservation Projects must budget replacement reserves of \$350 per unit per year. The replacement reserve must be capitalized from the Project's operations, escalating annually at the same rate as the expense escalator.

4.4.3.1 The Threshold Application will require the Applicant to include a narrative explaining how the replacement reserve will be escrowed and used only for the replacement of capital components of the Project. The replacement reserve must be shown on the pro forma.

4.4.3.2 The requirement for the replacement reserve is a compliance issue and may be satisfied using the terms and conditions of the replacement reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to

IFA a verification that the terms and conditions of the replacement reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service.

4.5 Deferred Developer Fees.

4.5.1 Developer fees can be deferred to cover a gap in funding sources as long as:

1. The entire amount will be paid within 15 years and meets the standards required by the IRS to stay in basis;
2. The deferred portion does not exceed fifty percent (50%) of the total amount as of the full Application; and
3. Payment projections do not negatively impact the operation of the Project.

Each of these will be determined by IFA. Nonprofit organizations must include a resolution from the Board of Directors allowing such a deferred payment obligation to the Project.

The Developer may not charge interest on the deferred amount in excess of the long term Applicable Federal Rate (AFR).

4.6 Financing Commitment.

4.6.1 For all Projects proposing private construction and permanent financing, a letter of intent is required. This letter must clearly state the term of the permanent loan, how the interest rate will be indexed and the current rate at the time of the letter, the amortization period, fees, any prepayment penalties, anticipated security interest in the Property and lien position. The bank must complete a cover letter using the format approved by IFA, and submit it with the letter of intent.

4.6.2 Unless a request is being submitted for a loan from IFA, Threshold Applications may only include one set of proposed funding sources. IFA will not consider multiple funding scenarios. A Project will be ineligible for allocation if any of the listed funding sources will not be available in an amount and under the terms described in the Threshold Application. IFA may waive this limitation if the Project otherwise demonstrates financial feasibility. If a loan is being requested from IFA for a State-legislated revolving loan program, the Applicant may submit the designated financial documents listing the IFA construction and/or permanent loan(s) listed as a source, and may submit the designated financial documents with an alternative source for the construction and/or permanent loan(s).

4.7 Developer/Builder Fees.

4.7.1 Developer fees (including overhead and profit and Consultant Fees) shall not exceed the percentages described below. The Developer's fee is calculated as a percentage of Total Project Costs minus land, Developer's fee, Developer's overhead and profit, Consultant Fees and Project reserves. The fees will be limited as follows:

Project Type	Unit Specifics	Fee Limit
New Construction Projects	First 24 units	Not to exceed 15%
	Units 25 and greater	Not to exceed 12%
Acquisition/Rehabilitation Projects		Not to exceed 17%
Adaptive Reuse Projects		Not to exceed 17%
Historic Projects		Not to exceed 17%
Preservation Projects		Not to exceed 17%

4.7.2 Builder and general contractor fees will be limited to a total of fourteen percent (14%) of the Hard Construction Costs.

4.7.3 In the event the Developer fee, Consultant Fee or builder fee limits are in excess of the limits imposed, IFA will make the appropriate adjustments during the underwriting phase of the evaluation of the Applications.

4.8 Other Fees and Considerations.

4.8.1 Investor Services Fees. Investor services fees must be paid from the net cash flow and not be calculated into the minimum Debt Coverage Ratio.

4.8.2 Project Contingency Funding. All new construction Projects shall have a hard cost contingency line item of NO MORE THAN ten percent (10%) of total hard costs, including Builder Profit and Builder Overhead. Acquisition/Rehabilitation, Preservation, Adaptive Reuse and Historic Preservation Projects shall include a hard cost contingency line item of fifteen percent (15%) of the total hard costs.

4.8.3 Project Ownership. There must be a common ownership between all units and buildings within a single Project for the duration of the Compliance Period.

4.8.4 Supportive Services Election. If the Applicant selects to submit a Supportive Service plan under Section 6 Scoring Criteria, the pro forma must budget for at least \$150 per Tax Credit unit annually.

4.9 Subsidy Layering Review. HUD is required to undertake subsidy layering reviews of each receiving HUD housing assistance to ensure that the Applicant does not receive excessive government subsidies by combining HUD housing assistance with other forms of federal, State or local assistance. For Projects that combine HUD housing assistance with Tax Credits, HUD has delegated the subsidy layering review to IFA. HUD and IFA have entered into a Memorandum of Understanding (“MOU”) governing the procedures that IFA must follow when undertaking the subsidy layering review. Generally, the fee limits for Developer’s fee, overhead, builder’s profit and other fee limits set forth in this QAP in Sections 4.7 and 4.8 will be applied by IFA in its subsidy layering review. IFA will complete the subsidy layering review for applicable Projects after the Applicant and HUD submit relevant documentation for review at Carryover. This information includes the results of HUD’s underwriting analysis, the Applicant’s proposed development costs, and information concerning any syndication of the Project. IFA will undertake the subsidy layering review for each Project after completion of HUD’s and IFA’s underwriting, if applicable. IFA will complete a second subsidy layering review at the time the IRS Form 8609 is issued for the Project. IFA reserves the right, without amending this QAP, to amend its subsidy

layering procedures as necessary to comply with changes in applicable federal law or regulations, HUD guidelines or the MOU. HOME and CDBG funding, when combined solely, with Tax Credits do not trigger the subsidy layering review process.

4.10 Unit Cost Cap. The total development cost (Total Project Cost minus cost of land, bridge loan interest, operating reserves, all capitalized reserves, IFA compliance monitoring fee, Developer fee, Consultant Fee, reservation fee and Application fee) must not exceed the following per unit:

Non-Elevator Building	
0 Bedroom Unit	\$105,150
1 Bedroom Unit	\$121,250
2 Bedroom Unit	\$146,225
3+ Bedroom Unit	\$187,150
Elevator Building	
0 Bedroom Unit	\$110,650
1 Bedroom Unit	\$126,850
2 Bedroom Unit	\$154,250
3+ Bedroom Unit	\$199,550

Add to Each Unit (May select one category only)	
Scattered Site OR	\$7,500
Affordable Assisted Living Set-Aside	\$15,000
Add to Each Unit (May select one or both categories)	
Green Building AND/OR	\$5,000
100% Accessible Building	\$2,500

Unit cost caps are maximum amounts. IFA provides no guarantee that projects at or below the unit cost caps will be deemed financially feasible. For Applicants requesting HOME funds, the requirements of IDED’s Chapter 25 IAC Housing Fund rules and HOME regulations apply.

Examples of applying per unit cost cap:

Example 1

1 bedroom non-elevator	\$121,250
+ Affordable Assisted Living	15,000
+ Green building	5,000
+ 100% accessible	<u>2,500</u>
<i>Total cost cap per unit</i>	\$143,750

Example 2

2 bedroom non-elevator	\$154,250
+ 100% accessible	<u>2,500</u>
<i>Total cost cap per unit</i>	\$156,750

Example 3

3+ bedroom elevator	\$199,550
+ Green building	<u>5,000</u>
<i>Total cost cap per unit</i>	\$204,550

4.10.1 Projects receiving state and/or federal historic rehabilitation Tax Credits will be allowed to deduct the residential portion of the historic Tax Credit from the Project costs to allow for stricter rehabilitation standards. IFA may, on a case by case basis, allow a Project receiving historic rehabilitation Tax Credits or participating in HUD’s portfolio re-engineering program to exceed the unit cost cap. Portfolio re-engineering Projects should include a copy of the Project’s physical condition assessment to demonstrate the potential unit cost. IFA may reject costs that exceed the cost cap, in its sole discretion, if the costs are not reasonable or justified. When evaluating these factors, IFA will review the appraisal and the Capital Needs Assessment to determine reasonableness.

SECTION 5. THRESHOLD REQUIREMENTS - ALL DEVELOPERS\OWNERSHIP ENTITIES

To be considered for a reservation of Tax Credits, a Project must demonstrate that it meets the requirements described in this Section.

5.1 Complete Application. In order for IFA to review an Application fairly and accurately, it must be complete. If there is not adequate information provided to review the Application, and upon request from IFA to the Applicant, adequate information is not submitted, then IFA shall reject the Application. In the case that additional information is requested by IFA, the notice for information will be sent by overnight delivery. The Applicant will have a reasonable amount of time to submit the requested information, as specified in the notice for information. The Applicant may contact the Tax Credit Manager during this period to request clarification. IFA reserves the right to contact the Applicant in ways other than overnight delivery to clarify information contained in the Application.

5.2 Legal Ownership Entity. The Ownership Entity must be formed prior to submission of the Threshold Application. For the purposes of the Application, the Applicant is the Ownership Entity.

5.3 Location Requirements. The proposed Project must be located in an incorporated city. Threshold Applications shall not contain or propose alternate sites. Alternate sites must be presented as separate Projects with separate Threshold Applications.

5.4 Readiness to Proceed. The Applicant must be ready to proceed with the Project by documenting site Control, site suitability, zoning, access to paved roads, access to Utilities, and adherence to building standards. Refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation for related requirements. In addition, the following must also be met:

5.4.1 Land/Acquisition from Related Parties. For land and buildings which are acquired from a related party, the Applicant must provide documentation showing past transactions which substantiate the value of the Property shown in the Threshold Application or an appraisal by an MAI certified appraiser who is not a related party.

5.4.2 Qualified Development Team. The Application will require the Applicant to identify the Development Team (Project Developer, General Partner/Managing Partner, Development Consultant, Architect, Engineer, Contractor, Tax Accountant, Tax Attorney, Management Company, Syndicator). The Applicant will be required to provide a narrative describing each member's function and explain how the Development Team possesses the necessary experience to successfully complete the proposed Project and all other projects under construction, and that it has developed projects of comparable size and financing complexity. The qualifications of the Development Team will be evaluated again at Carryover and the reservation of Tax Credits may be revoked, at the sole discretion of IFA, if the Development Team is not qualified to successfully complete the proposed Project.

5.4.3 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects. The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement and that IFA will use it in the Carryover evaluation. For the requirements related to the Capital Needs Assessment, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

5.4.4 Local Contributing Effort. The Threshold Application will require the Applicant to document a Local Contributing Effort by a public or private agency with a value of at least one percent (1%) of the Hard Construction Costs. The IFA provided exhibit in the Threshold Application must be used in documenting the Local Contributing Effort. A Local Contributing Effort will not be considered as qualifying for this Section if the Local Contributing Effort was made more than one year before the effective date of the QAP, unless it is a contribution in the form of land or buildings. The agency making the Local Contributing Effort must indicate the value of its contribution including a description of land value and how it was determined. The value of the Local Contributing Effort is the value of the contribution made by the agency minus the value of any consideration or accommodation received by the agency in return for the contribution. The Local Contributing Effort may be contingent upon the receipt of a Tax Credit Reservation.

5.4.5 Commitment to Notify Public Housing Authority (PHA) of Vacancies. The Threshold Application will require the Applicant to notify the local PHA having jurisdiction in the Political Subdivision where the Project is located. The letter shall state the Applicant's desire to be placed on the PHA's list. The Applicant must provide a copy of this letter with their Threshold Application.

5.4.6 Ineligible Applicant/Significant Parties. For this Section, Significant Parties includes, but is not limited to, the Ownership Entity, the eventual owner of the Tax Credit Project, the eventual taxpayer of the Tax Credit Project, the Developer, general partner, accountant, architect, engineer, financial consultant, any other consultant, management agent and the general contractor, other persons identified on the Project Development Team or determined to be Significant Parties by IFA, but does not include syndicators, equity partners, private placement originators or limited partners.

5.4.6.1 The following Significant Parties may be ineligible to participate in the LIHTC Program and may not receive a Tax Credit Reservation, Tax Credit Allocation at Carryover time or a Form 8609:

5.4.6.1.1 Significant Parties who have unsatisfactory performance in any IFA sponsored or assisted program, as determined by IFA. This would include parties who have 90-day delinquent loans to any IFA program. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default of any agreement between the Significant Party and IFA.

5.4.6.1.2 Significant Parties who have served as an officer, director, General Partner, or managing member of any entity that has unsatisfactory performance in any IFA sponsored or assisted program, or under any agreement with or loan from IFA, as determined by IFA. This would include entities who have one or more 90-day delinquent loans with IFA. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default between the entity and IFA.

5.4.6.1.3 Significant Parties who have received an uncorrected Form 8823 issued by IFA or any other state. Applicants are encouraged to submit detailed explanations, on the exhibit provided in the Application, of any uncorrected 8823's that have been issued with respect to properties associated with any Significant Parties.

5.4.6.1.4 Significant Parties who have been:

1. Convicted of;
2. Entered an agreement for immunity from prosecution for;
3. Received a deferred judgment or suspended sentence or judgment for; or
4. Pled guilty, including a plea of no contest to

a crime of dishonesty, fraud, tax fraud, embezzlement, bribery, payments of illegal gratuities, perjury, false statements, racketeering, blackmail, extortion, falsification, destruction of records, or crimes of violence.

5.4.6.1.5 Significant Parties who have been debarred from any program administered by IFA, any other state agency, or any federal agency.

5.4.6.1.6 Significant Parties who have an Identity of Interest with any debarred entity.

5.4.6.1.7 Significant Parties who fail to disclose any direct or indirect financial or other interest a member of the Project Development Team may have with another member of the Project Development Team or with the Project.

5.4.6.1.8 An Applicant who fails to disclose all known members of the Project Development Team.

5.4.6.1.9 Significant Parties who has been removed as a General Partner by the equity investor from any previously approved LIHTC Project in Iowa or any other state.

5.4.7.1 In the event IFA discovers that the Applicant, its Affiliates or other Significant Parties or any other person with an Identity of Interest associated with the Project have misrepresented the certifications made consistent with this Section or Section 2.3 Tax Credit Cap for a Single Developer; or the Applicant, its Affiliates, other Significant Parties or any other person with an Identity of Interest associated with the Project has failed to make the disclosures required by the QAP and Application or the Applicant, its Affiliates, other Significant Parties or any other person with an Identity of Interest associated with the Project made any material misrepresentation on the Application or in any of the documents submitted with the

Application; or that the Form 8609 Part II elections are not the same as those represented on the Application, IFA may do one or more of the following: bar the offending party from applying for Tax Credits for a period of up to five years, revoke the Tax Credit Reservation awarded or issue a Form 8823 if the Project has been placed in service.

5.5 Displacement of Tenants. IFA will accept Threshold Applications that have displaced (or will displace) tenants. The Threshold Application will require the Applicant to submit an acceptable relocation plan.

5.6 Confirmation of Eligibility—Rehabilitation or Acquisition. The Threshold Application will require the Applicant to confirm eligibility under IRC Section 42(d)(2)(B)(ii) (the 10-year rule) by listing each building by address, the date the building was placed in service by the Applicant from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Applicant, and the number of years between the date the building was last placed in service and the expected date of acquisition. If the number of years for any building is less than 10 years, the Applicant must explain any exception under the Internal Revenue Code, which would make the building eligible for Tax Credit under IRC Section 42(d)(2)(B)(ii).

5.7 Rehabilitation Standards. If the Applicant is proposing to rehabilitate a building(s), the Threshold Application will require the Applicant to provide information regarding Rehabilitation Expenditures for each building as specified in Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation. The Applicant must identify, with respect to each building as required by the Threshold Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of ten percent (10%) of the expected adjusted basis of the building or a \$10,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the ten percent (10%) or the \$10,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the ten percent (10%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$3,000 per unit requirement or that there are different circumstances for each building as described by the Applicant.

5.8 Building Standards. Preliminary site plan and floor plans are to be submitted with the Threshold Application to IFA for all of the buildings in the proposed development. The Applicant must demonstrate that they have or will meet local state and federal standards that apply to the Project, and meet IFA's minimum development characteristics. For additional requirements and a list of the minimum development characteristics, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

5.9 Scattered Sites. The Applicant must submit a composite Threshold Application reflecting the total of all sites as well as separate site specific exhibits for each site included in the Project. A scattered site is a Project where multiple buildings with similar units are not located in proximity to one another, but are owned by the same party and financed under the same agreement(s), and are located within a 30-mile radius. A scattered site Project may be new construction, acquisition, rehabilitation or a combination of these types.

SECTION 6. SCORING CRITERIA

IFA will award points during phase three of the Application process (Application for Scoring and Determination of Set-Asides) for the following items, provided adequate evidence supports the award of points for all sites within the Project. Evidence will be identified in the Application or an exhibit or attachment to the Application.

Resident Profile

Category 1. Serves Lowest Income Residents 0 to 20 points
Projects that provide units that are set-aside and occupied by tenants with incomes at or below forty percent (40%) AMGI and are rent restricted. 1 point for each full 1% of the units (20 points maximum)

Category 2. Mixed Income Incentive 0 to 20 points
Projects that provide market rate units (not eligible for Tax Credits). On-site market rate staff units cannot be counted for points. 1 point for each full one percent (1%) of the units (20 points maximum)

Category 3. Serves Large Families 0 to 10 points
For Family Projects ONLY: Projects with 3 bedroom units or larger that contain 1.5 bathrooms. 1 point for each full one percent (1%) of the LIHTC units (10 points maximum)

Category 4. Resident Populations with Special Needs
Applicant must submit a complete supportive services application and provide no less than \$150 per Tax Credit funded unit annually for the provision of supportive services in the pro forma. The supportive service plan must be specific to the proposed Project and the selected population.

- Basic Service Plan 0 to 10 points
- Enhanced Service Plan 11 to 20 points
- Comprehensive Service Plan 21 to 30 points

Category 5. Provides an Opportunity for Homeownership 15 points
Iowa Renter to Ownership Savings Equity (ROSE) Program: 15 points will be awarded to an Applicant who implements a bona fide long-term Iowa ROSE Program. Long-term Iowa ROSE Program is a lease-to-own single family home program pursuant to a plan and with documents approved by IFA with the house to be sold to a qualified tenant at the end of the initial 15-year Compliance Period.

Category 6. Rent Reasonableness 20 points
Rents for 100% of the Low-Income Units are set at or below one hundred percent (100%) of fair market rent for the county of residence, as established annually by HUD.

Location

Category 1 Location Near Services 0 to 10 points
The calculated distance from the Project to services that are available using existing roads that can be traveled by automobile or pedestrian. (10 points maximum)

Services	Within 1 Mile	Within 2 Miles	Older Persons/ Family/Both
Public Transportation	2 points	1 point	Both
Public Schools (project within school district)	2 points	1 point	Family only
Pharmacies	2 points	1 point	Both
Medical Services	2 points	1 point	Both
Grocery Store (not convenience store)	2 points	1 point	Both
Day Care	2 points	1 point	Family only
Library	2 points	1 point	Both
Senior Center	2 points	1 point	Older Persons only
Community Center	2 points	1 point	Both
Congregate Mealsite	2 points	1 point	Older Persons only
Before and After School Care Program (project within school district)	2 points	1 point	Family only

Category 2. Great Places 2 points
 Projects that will be located in and be a part of a Great Place community approved by the Department of Cultural Affairs.

Building Characteristics

Category 1. Market Appeal 0 to 25 points
 Projects offer amenities that enhance market appeal and promote long-term viability.

- Health and Wellness Program On-Site 0 to 10 points
- Exterior Construction: Aesthetics 0 to 6 points
- In-Unit Washer/Dryer 5 points
- In-Unit Microwave 2 points
- Energy Efficient Window Coverings 2 points

Category 2. Projects with Historical Significance 15 points
 Entire Projects that are on the National Register of Historic Places or are determined eligible for the National Register by the State Historic Preservation Officer.

Category 3. Projects that are Subsidized Rental Assistance Projects 15 points
 No less than fifty percent (50%) of the units are covered by a project rental assistance contract (PRAC).

- Category 4. Construction/Unit Characteristics** 0 to 37 points
- Exterior Construction: Durability 0 to 8 points
 - Insulation 0 to 6 points
 - Doors 2 points
 - Window Sills 2 points
 - Heating System 5 points
 - Central Air Conditioning System 5 points
 - Community Rooms 5 points

- Main Entrance Areas (Unit Main Entrance to Interior) 2 points
OR Covered Entry and Storm Door (Unit Main Entrance to Exterior)
- Storage Units 2 points

Category 5. Green Building

Projects that adopt the green building methods. 8 points

OR

Projects that adopt the green building methods and contract with a LEED certified architect or engineer. 10 points

Category 6. Fully Handicapped Accessible

5 points

One hundred percent (100%) of the Low-Income Units are fully Handicapped Accessible.

Other

Category 1. Title Guaranty

5 points

The Applicant must certify that the Ownership Entity will obtain a Final Title Guaranty Certificate on the real estate of the project from the Iowa Finance Authority’s Title Guaranty Division prior to submittal of the 8609 package.

6.1 Selection Criteria. Applications will be evaluated using the preference and selection criteria required in IRC Section 42. Aggregate rankings or scoring will in no way guarantee an award of Tax Credits to a particular Applicant. During Application review and throughout the Allocation process, IFA will utilize its sound and reasonable judgment and will exercise its discretion consistent with sensible and fair business practices. IFA reserves the right not to reserve Tax Credits to any Applicant of a Project, regardless of the proposal’s aggregate scoring or ranking. Certain selection criteria are subject to compliance monitoring and will be incorporated into the LURA and will be binding for the length of the LURA or any renewal thereof.

IFA reserves the right to limit the reservation of Tax Credits to: 144 units in Polk County; 96 units in all other Iowa MSA central counties (Black Hawk, Dubuque, Johnson, Linn, Pottawattamie, Scott, Story, and Woodbury), and 48 units for all other counties except the non-central counties in an MSA which will be limited to a combined 48 units, unless IFA determines, using its sound and reasonable judgment, to award Tax Credits for a greater number of units.

Awards for the Serviced Enriched, Affordable Assisted Living, Affordable Preservation and Underserved Area Set-Asides will be made followed by the federally mandated Nonprofit Set-Aside. If there are insufficient Nonprofit Projects to fulfill the requirements of Section 42, Nonprofits awarded in the Serviced Enriched, Affordable Assisted Living, Affordable Preservation and Underserved Area Set-Asides will be counted to meet the Section 42 requirements.

6.2 Tie-Breaking Procedure. A tie-breaking procedure will apply in the event that a Project accumulates an equal number of points with another Project(s) and only a limited number of the Projects are eligible to receive a reservation under the remaining amount of State Ceiling. Under this circumstance, the Project that meets the following criteria shall be selected:

1. The Project is located in an Underserved Area as defined in Section 2.2.4.
2. The Project requesting the least amount of Tax Credits per Project based on the IFA’s equity needs analysis.

3. The Project with the Developer or Consultant that is receiving the lowest percentage of Tax Credits as defined in Section 2.3 Tax Credit Cap for Single Developer.
4. The Project is located in the community with the greatest demand for the proposed Project, at the sole discretion of IFA.

6.3 Discretion by the Board. Irrespective of scoring, including a tie in the scoring, the Board may determine that:

6.3.1 A Project shall receive a lower amount of Tax Credit than has been requested if the Project would otherwise have been awarded Tax Credit, but there is an insufficient amount of Tax Credit ceiling available to fully reserve the amount of the Tax Credit requested. The Board may award the amount of the remaining State Ceiling to the Project if the amount available is ninety percent (90%) of the underwritten Tax Credit amount. If the Applicant decides to accept the partial tender of Tax Credit, the Applicant will agree to accept the amount in full and will not request to be placed on the waiting list for additional Tax Credits unless Section 6.3.2 applies. The Applicant can request reasonable revisions to approved Application in order to address the shortfall of ten percent (10%) of the Tax Credits. IFA, in its sole discretion, can approve or deny the revision request, or may propose alternative revision(s).

If the Applicant declines to accept the offer of partial tender, or the amount of remaining Tax Credits is less than ninety percent (90%) of the underwritten Tax Credit amount, then to maximize the use of the available Tax Credits, IFA at its sole discretion, may make an offer to the next highest Project whose underwritten Tax Credit amount is eligible for a full award or partial tender of Tax Credits, pursuant to this Section.

6.3.2 Acquisition/Rehabilitation, Preservation, Adaptive Reuse or Historic Preservation Projects may apply for additional Tax Credits if Project costs exceed original cost estimates including contingency fund. A contingency fund of up to fifteen percent (15%) must be included in all Acquisition/Rehabilitation, Preservation or Historic Preservation Projects. Additional Tax Credits may be granted by the Board, if excess Tax Credits are available after the Carryover Allocation Agreement is complete. The amount of contingency funds in the original Application may be taken into consideration when awarding additional Tax Credits. No additional Developer's fee or Consultant Fee will be allowed under this section.

6.3.3 A Project satisfies the preferences described in Iowa Code Section 16.4.

6.3.3.1 If the State Ceiling is not fully utilized in any year because of HOME funds being exhausted, the Board may offer Tax Credits to Projects (after the initial ranking and awarding of Tax Credits) in rank order who may find an alternative source (or sources) of funds with similar financing terms. Projects offered Tax Credits must inform IFA of the new funding source (or sources) within 30 days of offer. These Projects will be subject to the same Carryover requirements of other Projects awarded in that year.

6.3.4 A Project may not be awarded Tax Credits for any of the reasons described in this Section. In the event IFA elects not to award Tax Credits to a Project for the reasons identified herein, the Board will identify the primary reasons a Project was not funded.

6.3.4.1 The Project is not needed in the community for which it has been proposed. The Board may consider the Market Study, any independent information IFA has obtained, including but not limited to, vacancy rate and rents in the market and affordable or subsidized housing projects, or population trends in the area.

6.3.4.2 The Project is not preferred by other Governmental Entities. IFA may consider city council resolutions. IFA may also consider whether funding commitments made by other Governmental Entities have been received by a Project.

SECTION 7. NOTICE OF THE TAX CREDIT AWARD

7.1 Tax Credit Calculation and Reservation. IFA will reserve the calculated Tax Credit amount after the development has received market approval, received financial feasibility and site approval, achieved sufficient scoring rank, has successfully submitted all requested additional documentation, and paid all fees. IFA determines the amount of Tax Credits reserved through information received and the amount requested in the Threshold Application. The actual reservation amount may not equal the dollar amount requested in the Threshold Application. The Code requires that IFA determine that “the housing Credit dollar amount allocated to the development does not exceed the amount the Housing Credit Agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing project through the Credit period.” In making this determination, IFA will consider, but is not limited to, the following:

- The sources and uses of funds and the total financing planned for the development;
- Any proceeds or receipts expected to be generated by tax benefits;
- Percentage of the housing Tax Credit dollar amount used for development;
- The reasonableness of operating expenses, rent and vacancy assumptions, and proposed debt service coverage, the development and operational costs of the proposed development;
- An analysis of the appropriate Tax Credit amount based on an “equity gap” model;
- An analysis of the appropriate Tax Credit amount based on an Eligible Basis calculation;
- An analysis of the appropriate Tax Credit amount based on the Cost Cap calculation;
- The score derived from the criteria set forth in Section 6, Scoring Criteria, and the Project’s assigned rank against the other competitive Applicants; and
- The selection of Projects that meet the requirements of Section 2.2 Set-Asides.

7.2 Special Considerations for Projects Located in a Qualified Census Tract. The Code allows the possibility of receiving a Tax Credit Reservation equal to one hundred thirty percent (130%) of qualified expenditures. The increased basis is allowed in areas defined by HUD as “qualified census tracts” (QCT) or “difficult development areas” (DDA). There are currently no HUD designated DDAs in Iowa. Applicants may request the higher basis, but IFA reserves the right to determine the Tax Credit Allocation amount required for feasible development. A map of the census tract showing the Project location must be submitted with the Threshold Application. The 2008 LIHTC Application will provide a list of Qualified Census Tracts.

7.2.1 Community Service Facility. Tax Credit may be awarded to that portion of the building used as a Community Service Facility not in excess of ten percent (10%) of the total Eligible Basis, if the building is located within a Qualified Census Tract. “Community Service Facility” may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is sixty percent (60%) or less of AMGI.

7.3 Written Notice of Tax Credit Reservation. Once IFA has reserved Tax Credits, a written notice of Tax Credit Reservation shall be faxed and mailed to all approved Applicants. The effective date of the award will coincide with the date of the written notice, unless a conditional award was made under the Affordable Preservation Set-Aside. The unsuccessful Applicant shall be notified by fax and by mail that IFA did not select their Project, including an explanation as to why IFA did not select the Project.

An Applicant may not transfer Tax Credit to another development or another development site. IFA will not allow changes to the development that affect scoring after the reservation letter has been issued

without its written approval. All developments receiving a reservation of Tax Credit will be required to erect an IFA construction sign meeting specifications outlined in the 2008 LIHTC Application.

7.4 Second and Third Application, and Credit Allocation. Federal law requires that IFA evaluate the Application three times: 1) At initial Application, 2) at Carryover Allocation/post-reservation Application, and 3) At the time the building(s) is (are) placed in service. On each occasion, the Applicant must submit a complete Tax Credit Application including a financial feasibility threshold test and certify to all Federal, State and local subsidies expected to be available to the development. The process requires that applicants provide detailed and accurate information concerning all development costs at each evaluation. Applicants with Reservations will be subject to cancellation of the Reservation if they are unable to provide IFA with satisfactory evidence of progress toward timely completion of the proposed development, or if there are significant changes to the proposed development from the approved Application.

7.4.1 Second Application for Carryover Agreement. All Applicants requesting a Carryover Allocation must submit all items described in IFA's current Carryover Application Package. A valid Carryover Allocation Agreement requires that the taxpayer incur costs that meet ten percent (10%) of the taxpayer's "reasonably expected basis" or total development cost by no later than a) December 31, 2008, or b) in the case of the Affordable Preservation Set-Aside, six months after the reservation is made. All Ownership Entities requesting a Carryover Allocation must submit all items described in IFA's current Carryover Application Package.

7.4.1.1 Marketable Title Requirement. As part of the Carryover Application Package, the Ownership Entity must provide adequate evidence that the Ownership Entity's title in the real estate on which the Project is to be located is a marketable title pursuant to Iowa Land Title Examination Standards, or other applicable law. Adequate evidence of marketable title is demonstrated by either: 1) a title opinion of an attorney authorized to practice law in Iowa showing marketable title in the Ownership Entity, or 2) a title guaranty certificate issued by the Title Guaranty Division of IFA showing the Ownership Entity as the guaranteed. In the case of leased land, a copy of the recorded lease must be provided.

7.4.2 Initiation of Construction. Developments receiving Carryover Allocations must begin construction within 18 months from reservation. The Carryover Agreement will be void unless an extension has been approved by IFA. If the Ownership Entity does not comply with this requirement, IFA reserves the right to revoke the Tax Credit Allocation.

7.4.3 Third Application for IRS Form 8609. The third and final review is conducted after the development has been placed in service. IFA will again review financial feasibility, revised costs, and the equity requirement based on information provided by the Applicant in a third updated Application to determine the appropriate amount of Tax Credit to be allocated. All Ownership Entities requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package.

7.4.4 IFA Discretion. If IFA, at any time, has reason to believe that the development: 1) will not be placed in service in a timely fashion, 2) fails to comply with the requirements for a Carryover Allocation, 3) is not in compliance with Section 42 of the Code, or 4) that the Application contains misrepresentations, IFA may revoke the Tax Credit Allocation.

SECTION 8. POST RESERVATION REQUIREMENTS

Once a Tax Credit Reservation has been awarded, the following additional requirements will apply. Failure to comply with any provision of this Section may result in the revocation of the Tax Credit Reservation, denial of the Carryover Allocation, issuance of Form 8609 or the issuance of Form 8823.

8.1 Construction. Construction must begin on a Project within 18 months from reservation date.

8.1.1 IFA may periodically request a status report on the Project's construction timeline.

8.2 Amendments to the Application after Award. The Ownership Entity may amend, with IFA's consent, the Application after a reservation of Tax Credits is made solely for the purpose of showing changes as described in this Section.

8.2.1 Sources and uses of funds that do not increase the amount of Tax Credits awarded.

8.2.2 A minor change in the nature of the Project or changes in partnership members, shareholders, or limited liability members.

8.2.3 RESERVED

8.2.4 Site changes that are equal to or exceed the site characteristics of the site first described in the Application. A site change will be permitted only if in IFA's sole discretion the substituted site does not reduce the number of points awarded during the evaluation process and it is within the same city.

8.3 Material Changes. If, upon the submission of the Carryover Application or the Form 8609 Application, or at any other time, it is determined that the Project is not substantially the same as the Project described in the Application, the Project will not receive an allocation of Tax Credit Reservation, or the amount of the Tax Credit will be adjusted or an IRS form 8823 will be issued. It is expected that the Projects will be the same as were originally scored under this QAP.

8.3.1 Generally, changes in the total number of Tax Credit units, number of bedrooms per unit mix, Special Needs targeting, and tenant mix (low-income/market rate), are deemed to be material, and are not permitted.

8.3.2 Changes in the number of buildings and units contained in each building will be allowed if changes are required by local regulatory codes and the Applicant has obtained written approval from IFA prior to making the changes.

8.3.3 Failure to notify IFA of a material change will result in the revocation of the Tax Credit Reservation or the issuance of Form 8823.

8.4 Transfers. Tax Credit Reservation and Carryover Allocations are not transferable. Form 8609 allocations will be issued only in the name of the Ownership Entity named in the Application. Transfers subsequent to the issuance of the Form 8609 allocation are subject to the LURA and to the provisions of Sections 42(d)(7) and 42(j) of the Code.

8.5 Return of Tax Credit. Allocations of Tax Credit may only be returned in accordance with applicable U.S. Treasury Regulations on a date agreed upon by IFA and the Ownership Entity or in accordance with the provisions of Section 6.2.5.

8.6 Agreement with PHA. The Ownership Entity must have a written agreement with the PHA, in the form provided by IFA, and signed by both the Ownership Entity and the PHA, and this agreement must be included in the Form 8609 Application Package.

8.7 Form 8609. All Applicants requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package.

8.8 Change in General Partner, Majority Shareholder or Managing Member. In the event there is a proposed change in a general partner, majority shareholder of a corporation or majority membership of a limited liability company after an allocation of Tax Credits has been made, IFA shall be notified by the partnership, corporation or limited liability company to obtain approval prior to the effective date of such change. The new general partner or new majority shareholder shall agree to meet the requirements described in the QAP before IFA shall consent to the change. If the requirements outlined in the QAP are not met, the request for transfer may not be approved. If IFA is not notified of a change in the general partner, IFA may issue a Form 8823.

PART B – REQUIREMENTS FOR 4% TAX CREDITS WITH TAX-EXEMPT BONDS

SECTION 9. TAX-EXEMPT BOND FINANCED PROJECTS CREDIT RESERVATION AND ALLOCATION PROCESS

Under IRC Section 42(h)(4), Projects financed with tax-exempt bonds may be entitled to thirty percent (30%) present value Tax Credits not subject to the State Ceiling and without the need to participate in the competitive round. The requirements for a Project using tax-exempt bond financing are as follows:

9.1. Private Activity Bond Cap. The bonds to finance the Project must have received an allocation of private activity bond cap pursuant to IRC Section 146 and Iowa Code Chapter 7C. Additionally, principal payments on the bonds must be applied within a reasonable period to redeem the bonds. Tax Credits are allowed for that portion of a Project's Eligible Basis that is financed with the tax-exempt bonds. If fifty percent (50%) or more of a Project's aggregate basis (land and building) is so financed, the Project is entitled to Tax Credits for up to the full amount of Eligible Basis.

9.2 Allocation Through IFA. Projects financed with tax-exempt bonds are required to apply to IFA for an allocation and for a determination that the Project satisfies the requirements of the QAP. If the Project utilizes a federal lending program or a lending program available through Fannie Mae or Freddie Mac, IFA may accept the underwriting and market study information approved by that lending entity.

9.3 Application Criteria. Except as provided in this section, a Project using tax-exempt financing must satisfy all of the underwriting and threshold requirements stated in Part B, Part C, Terms and Conditions, and Appendix 1, Threshold Requirements for Building, Construction, Site, and Rehabilitation to be considered for Tax Credits. A market study is required to be submitted by a disinterested third party analyst. The Ownership Entity must fulfill all post-award requirements and must keep the Project in compliance for the Compliance Period. The Project will be subject to the compliance monitoring requirements of Section 13.25.

All of the Low-Income Units shall be generally distributed in terms of location and number of bedrooms throughout the Project. The Low-Income Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units which are available to other tenants.

9.4 Application Process. Applicant may submit an Application at any time in accordance with the following process.

9.4.1 The Applicant must submit a request for Tax Credits to IFA after the issuer of the bonds has approved an "inducement" resolution for the Project. If the Project is seeking mortgage insurance through the Federal Housing Administration (FHA), or credit enhancement from another source, the Applicant should submit the request to IFA after the FHA or the credit enhancer has approved a preliminary mortgage amount.

9.4.2 The Tax Credit request must be submitted in accordance with the QAP and Application that is in effect at the time of the request. These QAP and Application requirements, including fees, will also be used in the Form 8609 Application process.

9.4.3 IFA will review the Application, determine whether the Project is eligible and meets the requirements of the QAP, and make an initial determination of the Project's Tax Credit amount.

9.4.4 If the Project loan will be FHA-insured, IFA will complete a HUD-required subsidy-layering review to assure that the Project complies with HUD guidelines pursuant to Section 911 of the 1992 Housing and Community Development Act (combining Tax Credits with HUD assistance).

9.4.5 After satisfactory review and if a Project satisfies the QAP requirements, IFA will provide the Applicant and the bond issuer with a 42(m) letter confirming that the Project satisfies the requirements of the QAP and stating the preliminary amount of Tax Credits for the Project. At the time the letter is sent, IFA will request that the issuer confirm IFA's determination of the Tax Credit amount. In the event IFA is the issuer, its own calculations shall be deemed sufficient to fulfill this requirement.

9.4.6 The Applicable Percentage is established at either the month in which the building is placed in service, or at the Ownership Entity's election, the month in which the bonds are issued. If the latter is desired, the election statement must be signed by the Ownership Entity, notarized and submitted to IFA before the close of the fifth calendar day following the month in which the bonds are issued.

9.4.7 In the year in which the Project is placed in service, the Ownership Entity must request a final allocation of Tax Credits in accordance with deadlines posted on IFA's website. IFA will provide a Form 8609 Application Package for final allocation requests.

9.4.8 Tax-exempt Projects are required to enter into a LURA for a 30-year period, which will govern the low-income use and any other QAP requirements, and to follow the same final allocation Application process as Projects awarded Tax Credits in the competitive round.

9.4.9 Special Considerations for Projects Located in a Qualified Census Tract. The Code allows the possibility of receiving a Tax Credit Reservation equal to one hundred thirty percent (130%) of qualified expenditures. The increased basis is allowed in areas defined by HUD as "qualified census tracts" (QCT) or "difficult development areas" (DDA). There are currently no HUD designated DDAs in Iowa. Applicants may request the higher basis, but IFA reserves the right to determine the Tax Credit Allocation amount required for feasible development. A map of the census tract showing the Project location must be submitted with the Application for Tax Credit. The 2008 LIHTC Application will provide a list of Qualified Census Tracts.

9.4.9.1 Community Service Facility. Tax Credit may be awarded to that portion of the building used as a Community Service Facility not in excess of ten percent (10%) of the total Eligible Basis, if the building is located within a Qualified Census Tract. "Community Service Facility" may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is sixty percent (60%) or less of AMGI.

9.4.10 Site Visits. IFA will make site visits as it deems necessary to review proposed Project sites and verify any of the information provided by the Applicant in the Application.

Applicants may or may not be notified of a site visit. If deemed necessary by IFA, Applicants shall provide building access for inspection by Evaluators to, among other things, confirm basic structural soundness.

9.4.11 Tax Authorization Form. The Application must include an executed IRS Form 8821, Tax Information Authorization Form, for each Developer for sharing of information between IFA and the IRS. The Form 8821 must be provided to IFA with the Application, at the time the Project is placed in service and annually during the Compliance Period.

9.4.12 Fees. IFA shall collect the fees described below for the LIHTC Program. Checks for the fees must be made payable to the Iowa Finance Authority. An Application shall not be accepted unless the Application fee accompanies the Application. The reservation fee will be due within 10 business days after the date of the Tax Credit Reservation letter. If the reservation fee is not received, IFA may withdraw the reservation of Tax Credits from the Applicant. IFA will not issue a Form 8609 until the compliance monitoring fee is paid in full. All fees are nonrefundable, except if the Applicant withdraws the Application within three business days of receipt by IFA, the Application fee will be reimbursed.

Fee Type	All Applicants
Threshold Application Fee	\$1,000
Reservation Fee	1% of the total 10-year Tax Credit amount
Compliance Monitoring	\$18 per unit, per year x total Compliance Period (Example: \$18 per unit x 24-unit Project x 30 year total Compliance Period = \$12,960 paid in full prior to issuance of 8609) Other fees as provided in the Compliance Manual

9.4.13 Discretion by the Board. The Board in its discretion, may determine whether to award Tax Credits to a Project using tax-exempt financing and applying for Tax Credits pursuant to the QAP.

SECTION 10. UNDERWRITING

The Application will require the Applicant to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credit. Underwriting will be completed by IFA during the review of the Threshold Application. IFA may adjust the amount of Tax Credit based upon the underwriting. Underwriting shall be completed for a Project prior to the time a reservation is awarded and before a Form 8609 is issued. The pro forma cash flow is part of the Application. If a gap in financing is discovered after underwriting the Project, the gap may be filled from the Developer's fee if the fee is sufficient. No other fee will be used to fill a gap in financing.

The Application will require the Applicant to supply sufficient information to allow IFA to determine whether the Project is financially feasible during the construction phase and the operational phase of the Project. The Application will require the Applicant to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity partners or private funding sources for the Tax Credits, Property tax abatements, tax increment financing, enterprise zone benefits and any other type of financing or contributions that are relevant to the economic feasibility of the Project and are available to the Project. State Historic Tax Credits (SHTCs), may be used provided that the Applicant can demonstrate that equity received from these credits will be received prior to the issuance of the Form 8609. SHTCs may not be used in underwriting if a gap in financing would exist beyond the the issuance of Form 8609.

The following minimum financial underwriting requirements apply to all Projects. Projects that cannot meet the minimum requirements, as determined by IFA, will not receive Tax Credits.

10.1 Underwriting Standards.

10.1.1 Projects will be underwritten with income escalating at a minimum of two percent (2%) and operating expenses escalating at a minimum of three percent (3%), with a minimum spread of one percent (1%) required between the income and expense escalators.

10.1.2 Projects will be underwritten assuming no less than a five percent (5%) vacancy rate.

10.1.3 All Projects must reflect a Debt Coverage Ratio between 1.15 and 1.35 for the first 15 years. If the Debt Coverage Ratio falls outside of this range, the Applicant must provide a narrative to justify the deviation. If the justification is not acceptable to IFA, the Project may be rejected.

10.2 Operating Expenses.

10.2.1 Housing for Older Persons: Minimum of \$2,500 per unit per year not including taxes, reserves and resident support services.

10.2.2 Housing for Families: Minimum of \$2,800 per unit per year not including taxes, reserves, and resident support services.

10.3 RESERVED

10.4 Reserves.

10.4.1 Operating Reserve. The operating reserve will be the greater of a) \$1,500 per unit or b) six month's debt service and operating expenses. If there is a debt service reserve fund established in connection with the bond issuance, the operating reserve will be the greater of a) \$1,500 per unit or b) six month's operating expenses. The operating reserve must be in place for the first 10 years and be used solely to cover operative deficits. The Applicant must include a narrative explaining how the operating reserve will be established.

10.4.1.1 The Applicant may use the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section.

10.4.1.2 The operating reserve can be funded by deferring the Developer's fees of the Project; or, the Developer may provide a personal guarantee. In order to support the guarantee, the Developer must demonstrate financial capacity and liquidity, its track record as it relates to developing a successful Project and the number of other guarantees it has outstanding. Adequate evidence of this item will be a financial statement showing assets, liabilities, contingent liabilities and other information necessary to demonstrate financial capacity to perform the guarantee and a narrative description of the Developer's record relating to successful Project development.

10.4.1.3 The Ownership Entity may fund the operating reserve using an irrevocable letter of credit. The letter of credit will be released after the end of the 10-year period.

10.4.1.4 The requirement for the operating reserve is a compliance issue and may be satisfied using the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the operating reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service. If the operating reserve will be established with the final equity payment, a letter from the syndicator or investor will be required.

10.4.2 Replacement Reserve. All new construction Projects must budget replacement reserves of \$300 per unit per year. Preservation, acquisition/rehabilitation, rehabilitation, historic preservation, and adaptive reuse Projects must budget replacement reserves of \$350 per unit per year. The replacement reserve must be capitalized from the Project's operations, escalating annually at the same rate as the expense escalator.

10.4.2.1 The Application will require the Applicant to include a narrative explaining how the replacement reserve will be escrowed and used only for the replacement of capital components of the Project. The replacement reserve must be shown on the pro forma.

10.4.2.2 The requirement for the replacement reserve is a compliance issue and may be satisfied using the terms and conditions of the replacement reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the replacement reserve required

by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service.

10.5 Deferred Developer Fees.

10.5.1 Developer fees can be deferred to cover a gap in funding sources as long as:

1. The entire amount will be paid within 15 years and meets the standards required by the IRS to stay in basis;
2. The deferred portion does not exceed fifty percent (50%) of the total amount as of the full Application; and
3. Payment projections do not negatively impact the operation of the Project.

Each of these items will be determined by IFA. Nonprofit organizations must include a resolution from the Board of Directors allowing such a deferred payment obligation to the Project.

The Developer may not charge interest on the deferred amount in excess of the long term Applicable Federal Rate (AFR).

10.6 Financing Commitment.

10.6.1 For all Projects proposing private construction and permanent financing, a letter of intent is required. This letter must clearly state the term of the permanent loan, how the interest rate will be indexed and the current rate at the time of the letter, the amortization period, fees, any prepayment penalties, anticipated security interest in the Property and lien position. The bank must complete a cover letter using the format approved by IFA, and submit it with the letter of intent.

10.6.2 Unless a request is being submitted for a loan from IFA, Applications may only include one set of proposed funding sources. IFA will not consider multiple funding scenarios. A Project will be ineligible for allocation if any of the listed funding sources will not be available in an amount and under the terms described in the Application. IFA may waive this limitation if the Project otherwise demonstrates financial feasibility. If a loan is being requested from IFA for a State-legislated revolving loan program, the Applicant may submit the designated financial documents listing the IFA construction and/or permanent loan(s) listed as a source, and may submit the designated financial documents with an alternative source for the construction and/or permanent loan(s).

10.7 Developer/Builder Fees.

10.7.1 Developer fees (including overhead and profit and Consultant Fees) shall not exceed the percentages described below. The Developer's fee is calculated as a percentage of Total Project Costs minus land, Developer's fee, Developer's overhead and profit, Consultant Fees and Project reserves. The fees will be limited as follows:

Project Type	Unit Specifics	Fee Limit
New Construction Projects	First 24 units	Not to exceed 15%
	Units 25 and greater	Not to exceed 12%
Acquisition/Rehabilitation Projects		Not to exceed 17%
Adaptive Reuse Projects		Not to exceed 17%
Historic Projects		Not to exceed 17%
Preservation Projects		Not to exceed 17%

10.7.2 Builder and general contractor fees will be limited to a total of fourteen percent (14%) of the Hard Construction Costs.

10.7.3 In the event the Developer fee, Consultant Fee or builder fee limits are in excess of the limits imposed, IFA will make the appropriate adjustments during the underwriting phase of the evaluation of the Applications.

10.8 Other Fees and Considerations.

10.8.1 Investor Services Fees. Investor services fees must be paid from the net cash flow and not be calculated into the minimum Debt Coverage Ratio.

10.8.2 RESERVED

10.8.3 Project Ownership. There must be a common ownership between all units and buildings within a single Project for the duration of the Compliance Period.

SECTION 11. THRESHOLD REQUIREMENTS - ALL DEVELOPERS\OWNERSHIP ENTITIES

To be considered for a reservation of Tax Credits, a Project must demonstrate that it meets the requirements described in this Section.

11.1 Complete Application. In order for IFA to review an Application fairly and accurately, it must be complete. If there is not adequate information provided to review the Application, and upon request from IFA to the Applicant, adequate information is not submitted, then IFA shall reject the Application. In the case that additional information is requested by IFA, the Applicant will be notified. The Applicant will have a reasonable amount of time to submit the requested information, as specified in the notice for information. The Applicant may contact the Tax Credit Manager at any time to request clarification.

11.2 Legal Ownership Entity. The Ownership Entity must be formed prior to submission of the Application.

11.3 Location Requirements. The proposed Project must be located in an incorporated city. Applications shall not contain or propose alternate sites. Alternate sites must be presented as separate Projects with separate Applications.

11.4 Readiness to Proceed. The Applicant must be ready to proceed with the Project by documenting site Control, site suitability, zoning, access to paved roads, access to Utilities, and adherence to building standards. Refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation for related requirements. In addition, the following must also be met:

11.4.1 Land/Acquisition from Related Parties. For land and buildings which are acquired from a related party, the Applicant must provide documentation showing past transactions which substantiate the value of the Property shown in the Application or an appraisal by an MAI certified appraiser who is not a related party.

11.4.2 Qualified Development Team. The Application will require the Applicant to identify the Development Team (Project Developer, General Partner/Managing Partner, Development Consultant, Architect, Engineer, Contractor, Tax Accountant, Tax Attorney, Management Company, Syndicator). The Developer will be required to provide a narrative describing each member's function and explain how the Development Team possesses the necessary experience to successfully complete the proposed Project and all other projects under construction, and that it has developed projects of comparable size and financing complexity. The qualifications of the Development Team will be evaluated again at Carryover and the reservation of Tax Credits may be revoked, at the sole discretion of IFA, if the Development Team is not qualified to successfully complete the proposed Project.

11.4.7 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects. The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement. For the requirements related to the Capital Needs Assessment, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

11.4.8 RESERVED

11.4.9 Commitment to Notify Public Housing Authority (PHA) of Vacancies. The Application will require the Applicant to notify the local PHA having jurisdiction in the Political Subdivision where the Project is located. The letter shall state the Applicant's desire to be placed on the PHA's list. The Applicant must provide a copy of this letter with their Application.

11.4.10 Ineligible Applicant/Significant Parties. For this Section, Significant Parties includes, but is not limited to, the Ownership Entity, the eventual owner of the Tax Credit Project, the eventual taxpayer of the Tax Credit Project, the Developer, general partner, accountant, architect, engineer, financial consultant, any other consultant, management agent and the general contractor, other persons identified on the Project Development Team or determined to be Significant Parties by IFA, but does not include syndicators, equity partners, private placement originators or limited partners.

11.4.10.1 The following Significant Parties may be ineligible to participate in the LIHTC Program and may not receive a Tax Credit Reservation, Tax Credit Allocation at Carryover time or a Form 8609:

11.4.10.1.1 Significant Parties who have unsatisfactory performance in any IFA sponsored or assisted program, as determined by IFA. This would include parties who have 90-day delinquent loans to any IFA program. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default of any agreement between the Significant Party and IFA.

11.4.10.1.2 Significant Parties who have served as an officer, director, General Partner, or managing member of any entity that has unsatisfactory performance in any IFA sponsored or assisted program, or under any agreement with or loan from IFA, as determined by IFA. This would include entities who have one or more 90-day delinquent loans with IFA. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default between the entity and IFA.

11.4.10.1.3 Significant Parties who have received an uncorrected Form 8823 issued by IFA or any other state. Applicants are encouraged to submit detailed explanations, on the exhibit provided in the Application, of any uncorrected 8823's that have been issued with respect to properties associated with any Significant Parties.

11.4.10.1.4 Significant Parties who have been:

1. Convicted of;
2. Entered an agreement for immunity from prosecution for;
3. Received a deferred judgment or suspended sentence or judgement for; or

4. Pled guilty, including a plea of no contest to

a crime of dishonesty, fraud, tax fraud, embezzlement, bribery, payments of illegal gratuities, perjury, false statements, racketeering, blackmail, extortion, falsification, destruction of records, or crimes of violence.

11.4.10.1.5 Significant Parties who have been debarred from any program administered by IFA, any other state agency, or any federal agency.

11.4.10.1.6 Significant Parties who have an Identity of Interest with any debarred entity.

11.4.10.1.7 Significant Parties who fail to disclose any direct or indirect financial or other interest a member of the Project Development Team may have with another member of the Project Development Team or with the Project.

11.4.10.1.8 An Applicant who fails to disclose all known members of the Project Development Team.

11.4.10.1.9 Significant Parties who has been removed as a General Partner by the equity investor from any previously approved LIHTC Project in Iowa or any other state.

11.4.10.2 In the event IFA discovers that the Applicant, its Affiliates or other Significant Parties or any other person with an Identity of Interest associated with the Project have misrepresented the certifications made consistent with this Section, or the Applicant, its Affiliates, other Significant Parties or any other person with an Identity of Interest associated with the Project has failed to make the disclosures required by the QAP and Application or the Applicant, its Affiliates, other Significant Parties or any other person with an Identity of Interest associated with the Project made any material misrepresentation on the Application or in any of the documents submitted with the Application; or that the Form 8609 Part II elections are not the same as those represented on the Application, IFA may do one or more of the following: bar the offending party from applying for Tax Credits for a period of up to five years, revoke the Tax Credit Reservation awarded or issue a Form 8823 if the Project has been placed in service.

11.4.11 Displacement of Tenants. IFA will accept Applications that have displaced (or will displace) tenants. The Application will require the Applicant to submit an acceptable relocation plan.

11.4.12 Confirmation of Eligibility—Rehabilitation or Acquisition. The Application will require the Applicant to confirm eligibility under IRC Section 42(d)(2)(B)(ii) (the 10-year rule) by listing each building address, the date the building was placed in service by the Applicant from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Applicant, and the number of years between the date the building was last placed in service and the expected date of acquisition. If the number of years for any building is less than 10 years, the Applicant must explain any

exception under the Internal Revenue Code, which would make the building eligible for Tax Credit under IRC Section 42(d)(2)(B)(ii).

11.4.13 Rehabilitation Standards. If the Applicant is proposing to rehabilitate a building(s), the Application will require the Applicant to provide information regarding Rehabilitation Expenditures for each building as specified in Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation. The Applicant must identify, with respect to each building as required by the Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of ten percent (10%) of the expected adjusted basis of the building or a \$10,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the 10% or the \$10,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the ten percent (10%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$3,000 per unit requirement or that there are different circumstances for each building as described by the Applicant.

11.4.14 Building Standards. Preliminary site plan and floor plans are to be submitted with the Application to IFA for all of the buildings in the proposed development. The Applicant must demonstrate that they have or will meet local state and federal standards that apply to the Project, and meet IFA's minimum development characteristics. For additional requirements and a list of the minimum development characteristics, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

11.4.15 Scattered Sites. The Applicant must submit a composite Application reflecting the total of all sites as well as separate site specific exhibits for each site included in the Project. A scattered site is a Project where multiple buildings with similar units are not located in proximity to one another, but are owned by the same party and financed under the same agreement(s), and are located within a 30-mile radius. A scattered site Project may be new construction, acquisition, rehabilitation or a combination of these types.

SECTION 12. POST RESERVATION REQUIREMENTS

Once a Tax Credit Reservation has been awarded, the following additional requirements will apply. Failure to comply with any provision in this Section may result in revocation of the Tax Credit Reservation, issuance of Form 8609 or issuance of Form 8823.

12.1 Amendments to the Application after Award. The Ownership Entity may amend, with IFA's consent, the Application after a reservation of Tax Credits is made solely for the purpose of showing changes as described in this Section.

12.1.1 Sources and uses of funds that do not increase the amount of Tax Credits awarded.

12.1.2 A minor change in the nature of the Project or changes in partnership members, shareholders, or limited liability members.

12.1.3 RESERVED

12.1.4 Site changes that are equal to or exceed the site characteristics of the site first described in the Application. A site change will be permitted at IFA's sole discretion. The substituted site must be within the same city.

12.2 Material Changes. If, upon the submission of the Form 8609 Application, or at any other time, it is determined that the Project is not substantially the same as the Project described in the Application, the Project will not receive an allocation of Tax Credit Reservation, or the amount of the Tax Credit will be adjusted or an IRS form 8823 will be issued.

12.2.1 Generally, changes in the total number of Tax Credit units, number of bedrooms per unit mix, and tenant mix (low-income/market rate), are deemed to be material, and are not permitted.

12.2.2 Changes in the number of buildings and units contained in each building will be allowed if changes are required by local regulatory codes and the Applicant has obtained written approval from IFA prior to making the changes.

12.2.3 Failure to notify IFA of a material change will result in the revocation of the Tax Credit Reservation or the issuance of Form 8823.

12.3 Transfers. Tax Credit Reservation and Carryover Allocations are not transferable. Form 8609 allocations will be issued only in the name of the Ownership Entity. Transfers subsequent to the issuance of the Form 8609 allocation are subject to the LURA and to the provisions of Sections 42(d)(7) and 42(j) of the Code.

12.4 Agreement with PHA. The Ownership Entity must have a written agreement with the PHA, in the form provided by IFA, and signed by both the Ownership Entity and the PHA, and this agreement must be included in the Form 8609 Application Package.

12.5 Form 8609. All Applicants requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package.

12.6 Change in General Partner, Majority Shareholder or Managing Member. In the event there is a proposed change in a general partner, majority shareholder of a corporation or majority membership of a limited liability company after an allocation of Tax Credits has been made, IFA shall be notified by the partnership, corporation or limited liability company to obtain approval prior to the effective date of such change. The new general partner or new majority shareholder shall agree to meet the requirements described in the QAP before IFA shall consent to the change. If the requirements outlined in the QAP are not met, the request for transfer may not be approved. If IFA is not notified of a change in the general partner, IFA may issue a Form 8823.

PART C – TERMS AND CONDITIONS

The following terms and conditions apply to all Applicants and Projects that receive a reservation of either four percent (4%) or nine percent (9%) Tax Credits, Carryover Allocation [nine percent (9%) Tax Credits only], and Form 8609 allocation.

SECTION 13: TERMS AND CONDITIONS

13.1 Documents Incorporated by Reference. The items described in this Section are incorporated by reference in the QAP. The QAP will be deposited in the Iowa State Law Library. Statutory references are available in the Iowa State Law Library.

13.1.1 26 USC Section 42 as amended and the related Treasury regulations in effect as of October 6, 2007.

13.1.2 Iowa Code Section 16.52 and the rules promulgated by IFA to govern the LIHTC Program in effect on October 17, 2007.

13.1.3 The Compliance Manual adopted by IFA pursuant to 265 IAC 12.3.

13.1.4 In the case of any inconsistency or conflict between the items listed in this Section, conflicts shall be resolved as follows:

13.1.4.1 First, by giving preference to IRC Section 42 and the related Treasury regulations.

13.1.4.2 Second, by giving preference to Iowa Code Sections 16.4, 16.52 and the rules governing the QAP; and

13.1.4.3 Third, by giving preference to the QAP.

13.2 Notification of Chief Executive Officer—Local Jurisdiction. The Applicant will be required to identify the city in which the proposed Project will be located and include the name and address of the chief executive officer of the city. See IRC Section 42(m)(1)(A)(ii). Upon receipt of an Application, IFA will notify the chief executive officer of the city of the proposed Project. This notification will include characteristics of the proposed Project and provide an opportunity for the Governmental Entity to comment on the Project.

13.3 Binding Obligations. The representations made in the Application shall bind the Applicant and become a contractual obligation of the Developer and the Ownership Entity and any entity the Developer or the Ownership Entity is representing in the presentation of the Application or a successor in interest in the event Tax Credits are awarded to a proposed Project. The QAP and the Application with any permitted amendments either prior to the reservation of Tax Credits or after the Carryover Allocation, issuance of Form 8609 or during the Compliance Period and any other agreements executed between IFA and the Ownership Entity shall constitute the agreement between the parties.

13.4 Land Use Restrictive Covenants (aka Land Use Restrictive Agreement (LURA). The Project shall be subject to the LURA which requires among other things, that the Project will be used for affordable housing for the required 15-year Compliance Period and the required 15-year extended

Compliance Period. If the Applicant has agreed to extend the time period of affordability and has waived rights to early termination of the extended use period in its Application, the LURA will reflect the additional Compliance Period for which the Ownership Entity has waived its rights to early termination. In the event an Applicant receives HOME funding for a Project, the Ownership Entity must enter into a LURA with IFA for the longest Compliance Period required either by the LIHTC Program or HOME regulations. The LURA shall contain covenants that run with the land requiring that the Property be used as an affordable housing Project until the end of the Compliance Period. The original document must be recorded before a Form 8609 is issued. The LURA must be binding on all successors of the Ownership Entity and run with the land as provided by Section 42(h)(6). Although the LURA will terminate in the event of foreclosure, Section 42(h)(6)(E)(ii) requires that certain limitations as to termination of tenancies and rent increases survive such foreclosure for a period of three years. As a result, all other lenders or prior lien holders must consent to the recording of the LURA as a restrictive covenant encumbering and running with the land and acknowledge and agree that those provisions of the LURA that set forth the requirements of section 42(h)(6)(E)(ii) of the Code are superior to the lender or lien holder's security interest and shall continue in full force and effect for a period of three years following the date of acquisition of the Project by foreclosure (or instrument in lieu of foreclosure). The Ownership Entity must provide adequate evidence that the LURA is binding on all successors of the Ownership Entity and runs with the land. Adequate evidence includes but is not limited to a copy of a final title opinion showing all the current liens against the Property or a title guaranty certificate showing exclusions.

13.5 Disclosure of Information Regarding Equity Investors or Syndicators. The Application will require the Applicant to reveal the name and address of all of the equity partners, investors or syndicators involved in a Project regardless of the nature of the placement of the Tax Credits. If the name of the equity partner or syndicator is not known at the time of Application, the Application can be amended after Tax Credits are awarded. A Form 8609 will not be issued unless the name of a syndicator or equity partner is revealed to IFA. Applicants that have been awarded Tax Credits must also disclose the name and address of equity partners, investors or syndicators involved with Projects being monitored by IFA. Failure to supply the syndicator or equity partner or investor information may result in the filing of a Form 8823 with the Internal Revenue Service. See Treasury Regulation 1.42-5(a)(2)(ii); IRS Tax Memorandum No. 199944019, August 8, 1999.

13.6 Document Timeliness. All supporting documentation required by the Application must be no more than 180 days old on the date that the Application is submitted to IFA. Documents that must be timely will be designated on the Application additional documentation checklist. Exceptions allowed would include, documents not specifically produced for the Application, such as a valid purchase agreement, deed, land title document, Articles of Incorporation and IRS letters to a Nonprofit stating they are an exempt organization under 501(c)(3) or 501(c)(4).

13.7 Opinions and Certifications. The Application will require the Applicant to file certifications and professional opinions in support of the Application. All certifications, opinions and documents submitted by attorneys, the Applicant, or other professionals must be based on an independent investigation into the facts and circumstances regarding the proposed Project. Any opinion submitted by any professional that is not based on an independent investigation of the facts and circumstances of a proposed Project will not be accepted. All certifications must be in the form specified by IFA. The certifications shall be made under penalty of perjury.

13.8 Fractional Rounding. For the purposes of determining the number of units in an Applicant's election(s), fractional units will be increased to the next whole unit.

13.9 Costs Associated with Application Preparation. IFA is not responsible for any costs incurred by the Applicant.

13.10 Ownership of Applications. By submitting an Application, the Applicant agrees that IFA shall become the owner of the Application and that the Application shall not be returned to the Applicants even in the event that no Tax Credits are awarded.

13.11 Public Information. At the conclusion of the selection process, the contents of all Applications shall be placed in the public domain and be opened to inspection by interested parties subject to the provisions of Iowa Code Chapter 22. IFA may treat all information submitted by the Applicant as a public record unless the Applicant properly requests that the information be treated as confidential information at the time the Application is submitted. Any request for confidential treatment of information must be included in a cover letter with the Application and must enumerate the specific grounds in Iowa Code Chapter 22 or other provisions of law that support treatment of the material as confidential and must indicate why disclosure is not in the best interest of the public. The request must also include the name, address, and telephone number of the person authorized by the Applicant to respond to any inquiries by IFA concerning the confidential status of the materials. In the event IFA receives a request for the release of information that includes material the Applicant has marked as confidential, IFA shall provide a written notice to the Applicant regarding the request. Unless otherwise directed by a court of competent jurisdiction, IFA will release the requested information within 20 days after providing the written notice of the request to the Applicant. The Applicant's failure to request confidential treatment of material pursuant to this Section may be deemed by IFA as a waiver of any right to confidentiality.

13.12 No Representation or Warranty Regarding the QAP. IFA makes no representation or warranty to any person or entity as to compliance issues or the feasibility or viability of any Project.

13.13 IFA Policy on Civil Rights Compliance. IFA is an equal opportunity concern. The Applicant and any of its employees, agents or sub-contractors doing business with IFA understands and agrees that it is the responsibility of the Developer and Ownership Entity to adhere to and comply with all federal civil rights legislation including the Fair Housing Laws, Section 504 of the Rehabilitation Act of 1973, the Americans With Disabilities Act as well as any state and local civil rights legislation. It is the legal responsibility of the Developer and Ownership Entity to be aware of and comply with all non-discrimination provisions of federal, state or local law.

13.14 Qualified Residential Rental Property. The Project must be a Qualified Residential Rental Property. The Applicant must certify that the Project as proposed is a Qualified Residential Rental Property. IFA reserves the right to require the Applicant to supply a legal opinion that the Project as proposed is a Qualified Residential Rental Property.

13.15 Destruction of a Project Prior to Placement in Service. In the event that a Project suffers a casualty loss (such as a fire or a tornado) of a significant character prior to the Project being placed in service, such that the Project cannot be placed in service within the applicable time limitations required by Section 42 of the Code and the accompanying regulations, IFA will allow the Applicant to return the reserved or allocated Tax Credits via mutual consent in return for a binding commitment by IFA to allocate a future year's Tax Credits, in an amount not to exceed the original allocation to the Project. This section is only intended to cover those casualty losses that are not otherwise provided under Section 42 of the Code and the applicable regulations and IRS rulings (such as losses in federally declared disaster areas, for which Rev. Proc. 95-28 applies).

13.16 Waiting List. The Board, in its discretion, may establish a waiting list and adjust the order on the waiting list for any reason, including but not limited to the result of an appeal. An Applicant placed on the waiting list shall be required to reapply for Tax Credits if the Applicant seeks funding from the next cycle of Tax Credit awards. Placement on the waiting list does not imply, either directly or indirectly, that the Board will forward fund the Applicant's Project. The waiting list may be established based on financial feasibility, relative scoring, developer concentration, geographic distribution, or any of the other criteria described in the QAP. If Tax Credits become available, the Application will be reviewed to ensure that the Applicant continues to satisfy all of the requirements of the QAP and that if scored and ranked, the Project would have been funded according to ranking and set-asides. If the Applicant is in compliance with the QAP, the Board, at its next regular meeting, may make a Tax Credit Reservation award.

13.16.1 Prioritization of Waiting List. The Board may maintain a waiting list for Projects to be funded from unallocated or unused Tax Credits, or both. The Board generally shall prioritize Projects on the waiting list as follows:

1. Projects seeking additional Tax Credits pursuant to Section 6.3.2.
2. Projects placed on the waiting list following a successful appeal of a denial of Tax Credits by the Board pursuant to Section 13.19.
3. Projects placed on the waiting list as a result of a waiver of one or more administrative rules by the Board.

Projects placed on the waiting list for any other reason may be prioritized at the Board's sole discretion. The Board, in its sole discretion, may deviate from the foregoing guidelines if it determines cause to do so exists.

Within the foregoing categories, Projects on which construction or rehabilitation has begun will be given priority over Projects on which construction or rehabilitation has not begun; and Projects from previous funding rounds will be given priority over Projects funded in the most current funding rounds, in chronological order.

13.17 Appeals. An Applicant whose Application has been timely filed and whose Project did not receive an allocation of Tax Credits may appeal the decision by filing a written notice of appeal within seven days of the award before the Iowa Finance Authority, 2015 Grand Avenue, Des Moines, Iowa 50312. Filing a notice of appeal shall not stay the Tax Credit Reservation awards made by IFA. The notice of appeal must actually be received at this address within the time frame specified to be considered timely. A written notice of appeal may also be filed by fax transmission at (515)725-4901 within seven days of the date of the award. The notice of appeal shall state the grounds upon which the Applicant challenges IFA's award.

13.17.1 Procedures for Applicant Appeal. The filing of an appeal constitutes the initiation of a contested case proceeding. The contested case will be governed by the procedures set forth in this Section, together with the contested case rules set forth in 265 IAC chapter 7. If the provisions of this Section conflict with any of the provisions in 265 IAC Chapter 7, the provisions of this Section will govern.

13.17.2 Hearing. Upon receipt of a notice of an Applicant appeal, IFA may contact the Department of Inspections and Appeals to arrange for a hearing. A written notice of the date,

time and location of the appeal hearing will be sent to the parties to the appeal. IFA shall select a presiding officer and hold a hearing on the Applicant appeal in conformance with its rules on contested cases within 30 days of the date IFA receives the notice of appeal.

13.17.3 Discovery. Any discovery requests shall be served simultaneously on the parties within 10 days of the notice of appeal. Responses to any discovery requests must be submitted to all of the parties within 10 days of receiving the discovery request.

13.17.4 Witnesses and Exhibits. Within 20 days following the notice of appeal, the parties shall contact each other regarding witnesses and exhibits. There is no requirement for witness and exhibit lists. However, the parties must meet prior to the hearing regarding the evidence to be presented in order to avoid duplication or the submission of extraneous materials. The parties may request a pre-hearing conference to discuss witnesses, exhibits or other matters relating to the hearing.

13.17.5 Settlements.

13.17.5.1 A contested case may be resolved by informal settlement. Settlement negotiations may be initiated at any stage of a contested case by the Executive Director, prosecuting attorney, or the aggrieved party. No party is required to participate in the informal settlement process.

13.17.5.2 The Executive Director shall have authority to negotiate on behalf of the Board. No party shall communicate with any Board member about settlement negotiations until a written proposal settlement is submitted to the full Board for approval, unless all parties to the settlement negotiations waive this prohibition. No proposed settlement shall be presented to the full Board for approval until it is in final, written form signed by the aggrieved party.

13.17.5.3 Waiver of notice and opportunity to be heard. The decision to enter into settlement negotiations is voluntary on the part of the parties. By entering into informal settlement negotiations, the respondent waives the right to seek disqualification of the Executive Director from being present during the Board's deliberations and the making of the contested case decision if the appeal goes to a hearing.

13.17.5.4 All proposed settlements are subject to approval of a majority of the full Board. If the Board fails to approve a proposed settlement, it shall be of no force or effect to either party and shall not be admitted into evidence during the hearing on the contested case.

13.17.5.5 A Board member who is presented with a settlement proposal pursuant to Section 9.5.3 that is rejected by the Board shall not be disqualified from adjudicating the contested case due to that participation.

13.18 Evidence for a Telephone or Network Hearing. If the hearing is conducted by telephone or on the fiber optic network, all exhibits must be delivered to the IFA office three days prior to the time the hearing is conducted. Any exhibits which have not been served on the opposing party shall be served at least seven days prior to the hearing.

13.19 Remedies on Appeal. In the event an Applicant passed the threshold requirements and is successful in demonstrating that the Applicant should have been awarded Tax Credits, the Board may place the Project on a waiting list for Unreserved or returned Tax Credits.

In the event an Applicant is successful in demonstrating that a Project was improperly determined by IFA to have not met the threshold requirements, the Board shall cause the Project to be scored. In the event the Project receives a score equal to or greater than the lowest score of any Project receiving credits in the same round, the Board may place the Project on a waiting list for Unreserved or returned Tax Credits.

13.20 Contents of Decision. The presiding officer shall issue a decision in writing that includes finding of fact and conclusions of law stated separately. The decision shall be based on the record of the contested case and shall conform with Iowa chapter 17A. The decision shall be sent to all parties by first-class mail.

13.21 Record Requirements. The record of the contested case shall include all materials specified in Iowa Code subsection 17A.12 (6). The record shall also include any requests for a contested case hearing and other relevant procedural documents regardless of their form.

13.21.1 Oral proceedings in connection with a Sponsor appeal shall be recorded either by mechanized means or by certified shorthand reporters. Parties requesting that the hearing be recorded by a certified shorthand report shall bear the cost of the reporter.

13.21.2 Oral proceedings with a hearing in a case or any portion of the oral proceedings shall be transcribed at the request of any party with the expense of the transcription charged to the requesting party.

13.21.3 Copies of the tapes of oral proceedings may be obtained from the Board at the requestor's expense.

13.21.4 The recording or stenographic notes of the oral proceedings or the transcription shall be filed and maintained by the Board for at least two years from the date of the proposed decision.

13.22 Dismissal. A ruling dismissing all of the party's claims or a voluntary dismissal is a decision under Iowa Code section 17A.15.

13.23 Requests for Rehearing. Requests for rehearing shall be made to IFA within 20 days of issuing a final decision. A rehearing may be granted when new legal issues are raised, new evidence is available, an obvious mistake is corrected, or when the decision fails to include adequate findings or conclusions on all issues. A request for rehearing is not necessary to exhaust administrative remedies.

13.24 Judicial Review. Judicial review of IFA's final decisions may be sought in accordance with Iowa Code Section 17A.19.

13.25 Compliance. IFA is required to establish procedures for monitoring compliance with the provisions of IRC Section 42 and for notifying the Internal Revenue Service of any noncompliance. Each Ownership Entity is required to comply with the requirements described in this Section, the Treasury Regulations governing Section 42, and the compliance manual adopted by IFA pursuant to 265 IAC 12.3.

13.25.1 Record Keeping. For each year in the Compliance Period, the Ownership Entity or its successor in interest shall keep records for each qualified low-income building in the Project, consistent with the Treasury Regulations governing Section 42. The Ownership Entity or its successor in interest shall retain these records for each building in the Project for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the initial taxable year must be retained for at least six years after the due date for filing the federal income tax return for the last year of the Compliance Period of the building.

13.25.2 Certifications. The Ownership Entity shall make all necessary certifications required by IFA for the preceding 12-month period, as described in the Treasury Regulations governing Section 42.

13.25.3 Review and Inspections. IFA shall review the certifications submitted in conformance with the Treasury Regulations governing Section 42 effective on the effective date of this QAP. IFA shall have the right to inspect the Projects in conformance with the standards set forth in the Treasury Regulations governing Section 42. IFA will provide 48 hours' advance notice to the Ownership Entity to inspect any individual units in a Project. Otherwise, advance notice to the Ownership Entity is not necessary for purposes of the inspection provisions set forth in the Treasury Regulations governing Section 42. The owner certifications and reviews of compliance reports shall be made annually, the physical inspections and tenants files once every three years covering the 15-year Compliance Period under IRC Section 42(i)(1). If the Ownership Entity agreed to an extended Compliance Period, the reviews, audits and inspections shall continue through the length of the Compliance Period. IFA may require that certifications, reviews and inspections be made more frequently, provided that all months within each 12-month period are subject to certification.

13.25.4 Notice of Noncompliance. IFA will provide prompt written certified notice to the Ownership Entity of a Project if found to be out of compliance. The notice will describe the events of noncompliance and advise the Ownership Entity of the Tax Credit Project of the time period to correct the events of noncompliance.

13.25.5 Correction Period. The correction period shall not exceed 90 days from the date the notice of noncompliance is sent to the Ownership Entity. IFA may extend the correction period for up to six months, but only if IFA determines there is good cause for granting the extension. During the 90 day time period, or an extension thereof, the Ownership Entity must supply any missing certifications and bring the Project into compliance with the provisions of IRC Section 42.

13.25.6 Notice to Internal Revenue Service. IFA will send a written notice to the Internal Revenue Service along with Form 8823 in the event of a finding of noncompliance by an Ownership Entity. Copies of Form 8823 and the Internal Revenue Service notice will be forwarded to the Ownership Entity.

13.25.7 IFA Retention of Records. IFA shall retain records of noncompliance or failure to certify for six years beyond IFA's filing of the respective IRS Form 8823. In all other cases, IFA will retain the certifications and records described in the QAP for a period of three years from the end of the calendar year in which IFA receives the certification and records.

13.25.8 Delegation of Monitoring. IFA may retain an agent or other private contractor (the "authorized delegate") to perform compliance monitoring. The authorized delegate must be unrelated to the Ownership Entity of any building that the authorized delegate monitors.

13.25.9 Liability. Compliance with the requirements of IRC Section 42 is the responsibility of the Ownership Entity of the building for which the Tax Credit is allowable. IFA's obligation to monitor for compliance with the requirements of IRC Section 42 shall not make IFA liable for an Ownership Entity's noncompliance.

13.25.10 Effective Date. These procedures for monitoring for noncompliance became effective on January 1, 1992, were amended on February 3, 1993, and apply to buildings placed in service for which a Low-Income Housing Tax Credit is, or has been, allowable at any time. Notwithstanding the effective date, if IFA becomes aware of noncompliance that occurred prior to January 1, 1992, it is required to notify the Internal Revenue Service of that noncompliance.

**APPENDIX 1 – THRESHOLD REQUIREMENTS FOR BUILDING, CONSTRUCTION,
SITE AND REHABILITATION**

The terms of this Appendix 1 are the minimum requirements for any Project awarded Tax Credits in 2008. Required documents for Sections B, F, G, H, I and J must be prepared by an engineer or architect licensed to do business in Iowa.

Once final plans and specifications have been completed, the Applicant must submit them to IFA and receive written approval before commencing site work or construction.

At all times after award, the Applicant is responsible for promptly informing IFA of any changes or alterations which deviate from the final plans and specifications approved by IFA. In particular, the Applicant must not take action on any material change in the site layout, floor plan, elevations or amenities without written authorization from IFA, as specified in Section 8.3 and Section 12.2. This includes changes required by local governments to receive building permits.

A. Site Control. At the time of Application, the Applicant must have site Control. The Application will require the Applicant to show evidence of site Control by providing executed documents. The following may be proper evidence of site Control:

1. The Applicant holds title to the Property on which the Project will be located by a properly executed and recorded warranty deed or a title opinion showing title in the name of the Applicant or a title guaranty certificate showing title in the name of the Applicant;
2. The Applicant has an executed and exclusive purchase option agreement or other binding agreement that is valid up to six months following the date of the Application deadline. Evidence of site ownership must be submitted with the Carryover Package;
3. The Applicant has an executed purchase contract; or
4. The Applicant has an executed lease or an option on a lease, which lease has a term not less than the longer of: 1) the entire period during which the proposed Project will be subject to the LURA, 2) 50 years, or 3) the expected useful life of the buildings comprising the proposed Project.

B. Site Suitability. The site must be suitable for the proposed Project and should be sized to accommodate the number and type of units and the amenities proposed. The land costs allocated to the Project cannot include excess acreage unnecessary for the construction and use of the Project.

C. Zoning. The Application will require the Applicant to demonstrate that the zoning for each site on which the Project will be located allows for the use(s) proposed by the Applicant. A letter from the city regarding zoning must be submitted with the Application. The city zoning department shall provide a statement that the official plat is properly zoned, will have the proper number of parking stalls, and will be located on a paved road, the Property is not landlocked and has a legal easement, and right of ways have been granted if applicable. If the proposed Project location does not have zoning regulations, a letter from the city must be submitted attesting to the fact that no zoning regulations are in effect. If the site is not zoned appropriately at Application, the Applicant must provide a letter stating that the site will be zoned appropriately by Carryover. If proper zoning is ultimately not possible, a substitute site may be submitted in accordance with Section 8.2.4 and Section 12.1.4 of the QAP.

D. Access to Paved Roads. All sites proposed must have direct contiguous access from the Project site to existing paved publicly dedicated right of ways. If the path from the proposed Property entrance to a paved road is de minimis, as determined solely at IFA's discretion, then the Applicant will be allowed to provide a binding commitment for both the construction and financing of the paved road, using funds outside of the Tax Credit development budget. The cost of construction of the paved road must not be included in the Project costs, and the construction of the paved road must be completed prior to the issuance of Form 8609.

E. Access to Utilities. The Application will require the Applicant to show that all Utilities are or will be physically available to and have adequate capacity for the proposed Project. The appropriate utility company for each service or the city must confirm in writing the availability and capacity of Utilities at the proposed Project site. If Utilities are not available to the site on the date the Application is submitted, the Applicant must supply adequate evidence that demonstrates that the Utilities will be available by start of construction. This evidence must include the appropriate funding source the Applicant will utilize for the Utility extension. Any charges for the extension of services that are not normal extensions may not be included in Eligible Basis. Utilities must be available at the site prior to the issuance of the Form 8609.

F. Building Standards. Preliminary site plan and floor plans are to be submitted with the Threshold Application to IFA. The Application will require the Developer to demonstrate that they have or will meet local, state and federal standards that apply to the Project. The standards are:

1. 2006 International Building Code adopted and published by the International Code Council.
2. 2006 International Existing Building Code adopted and published by the International Code Council.
3. 2006 International Residential Code adopted and published by the International Code Council.
4. 2006 International Fire Code adopted and published by the International Code Council.
5. 2006 International Mechanical Code adopted and published by the International Code Council.
6. 2000 Uniform Plumbing Code adopted by the International Association of Plumbing and Mechanical Officials.
7. 2005 National Electric Code adopted by the National Electrical Code Committee and published by the National Fire Protection Association, Inc.
8. 2006 International Energy Conservation Code adopted by the International Code Council.
9. Iowa Administrative Code Chapters: 301 (General Provisions), 302 (State Building Code on how to make building/apartments accessible and functional for the physically handicapped), 25 (State Plumbing Code for the physically handicapped).
10. Uniform Federal Accessibility Standards provided in 24 CFR Part 8 and delineated in the American National Standards Institute Standard 1986 A117.1.
11. The Americans with Disabilities Act 1990 provided by the Federal Department of Justice.

12. The Federal Fair Housing Act of 1988 including Title VI of the Civil Rights Act of 1964, Section 109 of the Housing and Community Development Act of 1974, Title VIII of the Civil Rights Act of 1968, Section 3 of the Housing and Urban Development Act of 1968, Executive Order 11063, Section 504 of the Rehabilitation Act of 1973.

13. For adaptive reuse/rehab, the Lead Base Poisoning Prevention Act, the Department of Housing and Urban Development (HUD) Guidelines for the Evaluation and Control of Lead Based Paint Hazards, Environmental Protection Administration (EPA) and Occupational Safety and Health Act (OSHA) provisions shall apply when applicable.

F.1 For adaptive reuse/rehabilitation, State Historic Preservation Office (SHPO) clearance Section 106 of the National Historic Preservation Act, 36 CFR Part 800 for Projects receiving any direct federal funding (HOME or categorical grant) or affecting properties listed in the National Register of Historic Places, or in a designated historic preservation district or zone.

G. Minimum Development Characteristics. Iowa's environments places heavy demands upon building envelope energy requirements and exterior building components systems. In order to enable long term housing affordability, low maintenance building exteriors and high energy efficiency, structural envelopes and appliances uses are encouraged. For nine percent (9%) Tax Credits, installations that exceed minimal standards may be awarded extra points in the Application for Scoring and Determination of Set-Asides, as described in Section 6 Scoring Criteria.

The following minimum development characteristics must be utilized in all construction.

1. Exterior Construction: Air infiltration barrier building wrap required on all new siding Applications.
2. Roofs: Use of a minimum of 25-year shingles with a minimum of 30# roofing felt.
3. Exterior Entry Doors to Common Areas: Insulated metal or fiberglass type with optional thermo-pane glass insert or thermo-pane glass full lite doors with metal thermal break type frame, to IECC standards.
4. Unit Doors: Direct unit access to exteriors, insulated metal or fiberglass panel type with optional thermo-pane glass insert to IECC standards, 180-degree peephole, lockset and deadbolt lock with 1 inch throw.
5. Unit Doors: Interior common hall unit entry doors as required by the IBC/IRC with 180-degree peephole, with lockset and deadbolt lock with 1 inch throw.
6. Overhead Doors: Embossed steel panel doors without insulation to non-heated areas.
7. Carpeting: Within dwelling unit, 26 oz. minimum face weight, low level loop Olefin or Nylon/Olefin blend.
8. Carpeting: In common areas, 28 oz. minimum face weight, low level loop 100% Nylon carpeting.

9. Resilient Flooring: Kitchens – either 1/8 inch vinyl composition tile, color and pattern full thickness or sheet vinyl complying with bathroom specification below.
10. Resilient Flooring: Bathrooms – sheet vinyl with wear surface of 20 mills or greater, with underlayment product, 2nd or higher floors.
11. Shower Flooring: Bathrooms that have handicapped accessible roll in showers – must use molded fiberglass pan or manufactured fiberglass surround unit, non-slip type ceramic floor tiles, or terrazzo flooring.
12. Cabinetry: Kitchen and vanity cabinets with hardwood frames, hardwood veneer panels, with choice of hardwood, plywood, or plastic laminate on high-density particleboard substrate doors and drawers. Laminate countertops at a minimum, with family units to have 2 bowl kitchen sink.
13. Window Covering: Required. A spring loaded type window shade is not an approved covering.
14. Sidewalks: A concrete sidewalk shall be provided from each entrance door to a public way. Where possible, combine sidewalks. In the event the city requires additional sidewalks, that requirement shall be followed. ADA/UFAS/ANSI A117.1 slope and curb cut ramp requirements shall rule.
15. Laundry: A common laundry room facility located on site with a minimum of one washer/dryer to serve each 12 units. (A minimum of one front loading accessible washer and dryer.) Central laundry facilities in buildings with an elevator will comply. An Applicant can provide a washer and dryer in each unit in lieu of a common laundry room facility.
16. Storage Rooms: Should be maintained in compliance with manufacturer's installation requirements for fire safety and Uniform Fire Code, which limits flammable and combustible materials.
17. Air Conditioning: All units shall be air conditioned.
18. Handicap Accessibility: In new as well as rehab construction, a minimum of five percent (5%) of all units supplied must be fully handicap accessible on the building accessible routes which includes all floors if an elevator is provided. All units on the accessible routes must be adaptable upon reasonable tenant request for Special Needs. A minimum of two percent (2%) of all units supplied must be adapted for hearing and/or vision impairments. The two percent (2%) cannot be included in the five percent (5%) of the accessible units that must also be provided with hearing and vision impaired equipment. (E.g. with strobes and horns)
19. Construction Warranty: Obtain a minimum of one year construction warranty that is enforceable.
20. Computer Learning Center: The following applies and must be provided: 1) Description of the center's purpose and its intended customers/clients, 2) Focus and objective of center, 3) Time Line, 4) Retrofitting or construction required (if applicable), 5) Equipment (hardware, software), 6) Staffing of center, 7) Third Party/Voluntary Organizations' participation and funding for initial set up and ongoing maintenance and operational costs, 8) Training Program and Classes, and 9) Budget showing how center will be set up and maintained.

21. High-Speed Internet Access: Provide high speed internet access to each unit by wiring for broadband, wireless, or digital subscriber line (DSL). Service provider is the responsibility of tenant.

H. Submission of Site Characteristics. The Application requires a narrative of the current use of the Property, all adjacent property land uses, and the surrounding neighborhood. Labeled colored photographs (or color copies) of the proposed Property and all adjacent properties must be provided, as well as a clear map identifying the exact location of the Project site. In addition, a plat map of the site or proposed replatting map of the site must be submitted. If the site(s) includes any detrimental characteristics, the Applicant must provide a remediation plan and budget, subject to IFA's approval at its sole discretion, to make the site suitable for the Project. If any detrimental site characteristics exist on, or adjacent to the site, IFA may reject the Application. The following may represent some, but not all, detrimental site characteristics:

1. Sites located within ½ mile of storage areas for hazardous or noxious materials, sewage treatment plant or other solid waste facility, businesses or equipment producing foul odors or excessive noise or the site is a prior storage area for hazardous or noxious materials, sewage or other solid or liquid waste;
2. Sites where the slope/terrain is not suitable for Project;
3. Sites where there are obvious physical barriers to the Project;
4. Sites that are located within ½ mile of a sanitary landfill or sites that were previously used as a sanitary landfill;
5. Sites that are located within a flood hazard area, at or on a 100-year flood plain as determined by the Iowa Department of Natural Resources, FEMA or FIRMA map or a designated wetland;
6. Sites that are located within 500 feet of an airport runway clear zone or accident potential zone; or
7. Sites that are landlocked.

I. Rehabilitation Standards. For all preservation and rehabilitation Projects, the IFA requires the Applicant to provide information regarding Rehabilitation Expenditures for each building. The information must address how the Applicant will meet all of the Building Standards and Minimum Construction Characteristics. The Applicant must identify, with respect to each building as required by the Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of ten percent (10%) of the expected adjusted basis of the building or a \$10,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the 10% or the \$10,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the ten percent (10%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$3,000 per unit requirement or that there are different circumstances for each building as described by the Applicant. The Applicant must complete and submit a Scope of Work in the required format to describe the proposed rehabilitation activities.

I.1 Additional Requirements for Affordable Preservation Set-Aside for 9% Tax Credits.

In the case of an Applicant submitting an Application for the Affordable Preservation Set-Aside, the Scope of Work shall, at a minimum, address activities related to:

1. Making common areas handicap accessible, creating or improving sidewalks, installing new roof shingles, adding gutters, sealing brick veneers, applying exterior paint or siding, and re-surfacing or re-paving parking areas.
2. Improving site and exterior dwelling lighting, landscaping/fencing, and installing high quality vinyl, hardiplank siding, or brick.
3. Use energy efficient related products to replace inferior ones, including insulated windows.
4. Improving heating and cooling units, plumbing fixtures, water heaters, toilets, sinks, faucets, and tub/shower units.
5. Improving quality of interior conditions and fixtures, including carpet, vinyl, interior doors, painting, drywall repairs, cabinets, appliances, light fixtures, and window coverings.

J. Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects.

The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement and that IFA will use it in the Carryover evaluation. The Capital Needs Assessment must be prepared by a competent third party, such as a licensed architect or engineer. The third party may be a member of the Development Team with prior approval by IFA after the allocation of Tax Credits, but may not be the Ownership Entity or Developer. The assessment must include a site visit and physical inspection of the interior and exterior of units and structures, as well as an interview with available on-site Property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment must also consider the presence of hazardous materials on the site. The assessment must include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. When a Capital Needs Assessment is completed, all of the IFA minimum development characteristics must be addressed.

APPENDIX 2 – GLOSSARY OF TERMS

The following capitalized terms shall have the meanings set forth herein unless context clearly requires a different meaning.

1. **Accessibility** means buildings used by the public, accessible to, and functional for, the physically handicapped to, through and within their doors, without loss of function, space, or facility where the general public is concerned. An Accessible Route means a continuous unobstructed path connecting all accessible elements and spaces in a building or facility that can be negotiated by a severely disabled person using a wheelchair and that is also safe for and usable by people with other disabilities. Interior Accessible Routes may include corridors, floors, ramps, elevators, lifts, and clear floor space at fixtures. Exterior Accessible Routes may include parking, access aisles, curb ramps, walks, ramps and lifts.
2. **Affiliates** means a corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other person, and specifically shall include parents or subsidiaries.
3. **Applicable Fraction** means the fraction used to determine the Qualified Basis of the qualified low-income building, which is the smaller of the unit fraction or the floor space fraction, as defined more fully in IRC Section 42(c)(1).
4. **Applicable Percentage** means the percentage multiplied by the Ownership Entity's Qualified Basis to determine the annual Tax Credit available to the Ownership Entity for each year of the Tax Credit Period and as more fully described in IRC Section 42(b).
5. **Applicant** means the Ownership Entity.
6. **Application or Application Package** means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Applicants are required by IFA to use the forms contained in the Application Package. The Application must include all information required by the QAP and as may be subsequently required by IFA.
7. **Application for Scoring and Determination of Set-Aside** means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Applicants are required by IFA to supply all items necessary to score the Project and to determine if the Project meets a set-aside that it applied for.
8. **Assisted Living** means housing with services, as defined in Chapter 231C of the Iowa Code.
9. **Area Median Gross Income (AMGI)** means the most current tenant income requirements published by HUD pursuant to the qualified Low-Income Housing Project requirements of IRC Section 42(g).
10. **Board** means the Board of Directors of IFA.
11. **Builder Overhead** means the cost of continuing operations of a building construction firm.

12. Builder Profit means the return anticipated for providing building construction services under competitive conditions taking into consideration on-site construction time, work performed by the builder, number of subcontractors and extent of subcontract work and risk and responsibility.

13. Capital Needs Assessment means a competent third party, such as a licensed architect or engineer, must prepare the Capital Needs Assessment. The third party may be a member of the Development Team with prior approval by IFA, but may not be the Ownership Entity/Developer. The assessment must include a site visit and physical inspection of the interior and exterior of units and structures, as well as an interview with available on-site Property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment must also consider the presence of hazardous materials on the site.

The assessment must include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. The assessment must include a projection of recurring probably expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per unit per annual basis. The following components should be examined and analyzed for a Capital Needs Assessment:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utilities and lines;
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
- Interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint conditions, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors; and
- Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators.

14. Carryover Allocation Agreement means the document which contains the Ownership Entity's election statements for an allocation of current year Tax Credit Reservations by IFA pursuant to IRS Section 42(h)(1)(E) and Treasury Regulations, § 1.42-6 and the contents are derived from the Carryover Allocation Package.

15. Code or IRC means the Internal Revenue Code of 1986, as amended, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued there under by the United States Department of the Treasury or the Internal Revenue Service relating to the Low-Income Housing Tax Credit Program authorized by IRC Section 42 to and including October 10, 2001. These documents are incorporated in the QAP by reference and pursuant to 265 IAC §§ 17.4(2) and 17.12(2). A copy of the Internal Revenue Code and Treasury regulations and related information relating to this program are found in the state law library and are available for review by the public.

16. Community Service Facility means any facility designed to serve primarily individuals whose income is sixty percent (60%) or less of Area Median Gross Income within the meaning of in Section 42(g)(1)(B). It must meet the following criteria: 1) The facility must be used to provide services that will improve the quality of life for community residents, 2) The taxpayer must demonstrate that the services provided at the facility will be appropriate and helpful to individuals in the area of the Project whose income is sixty percent (60%) or less of Area Median Gross Income, 3) The facility must be located on

the same tract of land as one of the buildings that comprises the qualified low-income housing Project, 4) If fees are charged for the services provided, they must be affordable to individuals whose income is sixty percent (60%) or less of Area Median Gross Income, and 5) The Community Service Facility must be located in a QCT.

17. Compliance Period, as defined in IRC Section 42(i)(1) as amended to January 1, 1986, means, with respect to any building, the period of 15 consecutive taxable years beginning with the first taxable year of the Tax Credit Period unless extended by the Owner Entity to a longer period of time.

18. Computer Learning Center means a physical space or room designated within the Project containing 1 or more computer(s) and related hardware (i.e. printer, modem for internet access) that is part of an organized program that provides computer related opportunities and training that has as its focus at least one of the following areas: job skills training to enhance employment opportunities, introduction to/familiarization with computers, basic adult education, literacy, GED, Economic Development (micro enterprises, small businesses, telecommuting), youth education, senior services, or continuing education. The Computer Learning Center may not be a mobile unit. The Applicant may, in lieu of a Computer Learning Center, provide and maintain a computer in each unit.

19. Consultant Fee means a fee paid to a housing consultant. No entity having an Identity of Interest with the Developer may earn a fee for providing services that would otherwise be provided on a fee basis by a housing consultant. Consultant efforts must be directed exclusively towards serving the specific Project being proposed.

20. Control (including the terms Controlling, Controls, Controlled by, under common Control with, or some variation or combination of all three) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person or Affiliate thereof, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than fifty percent (50%) of the general partner interest in a limited partnership, or designation as a managing general partner or the managing member of a limited liability company.

21. Debt Service Coverage Ratio or Debt Coverage Ratio means the ratio of a Property's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations.

22. Developer means any individual or entity responsible for initiating and Controlling the development process and ensuring that all, or any material portion of all, phases of the development process are accomplished. Furthermore, the Developer is the individual or entity identified as such in the Ownership Entity Agreement and any and all Development Fee Agreements.

23. Difficult Development Areas mean any areas that are so designated by the Secretary of HUD as areas which have high construction, land, and utility costs relative to area median family income.

24. Disability means at least one of the following criteria: 1) Has a physical, mental or emotional impairment which: is expected to be of long-continued and indefinite duration, substantially impedes the person's ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions; OR 2) Has a developmental disability, defined as a severe chronic disability which: is attributable to a mental or physical impairment or combination of mental and physical impairments, is manifested before the person attains age twenty-two, is likely to continue indefinitely, results in substantial functional limitation in three or more of the following areas of major life activity:

self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and which reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services which are of lifelong, or extended duration and are individually planned and coordinated.

25. Eligible Basis means, with respect to a building within a Project, the building's Eligible Basis at the close of the first taxable year of the Tax Credit Period and as further defined in IRC Section 42(d).

25.1 Eligible Basis shall not include garages or storage units or other amenities where the Ownership Entity is charging tenants for the use of the garage or storage unit or other amenities, except when the garage or storage units or other amenities are part of normal rent for all of the units in the Project.

25.2 If a grant is made with respect to any building or its operation during any taxable year of the Compliance Period and any portions of such grant is funded with federal funds, the Eligible Basis of the building for that taxable year and all succeeding taxable years must be reduced by the portion of the grant.

26. Eligible Basis for Rehabilitation Project includes the definition of Eligible Basis with the adjustments described in this Section. No Tax Credit is available for acquisition of an existing building unless:

26.1 The building is acquired by purchase;

26.2 Subject to limited exceptions, at least 10 years has elapsed since the building was last placed in service or if more recent the date of certain improvements costing at least twenty-five percent (25%) of the Applicant's adjusted basis in the building;

26.3 The building was not previously placed in service by a related person to the current Applicant. For the purposes of this paragraph "related person" shall have the same meaning as Section 42(d)(2)(D)(iii); and

26.4 The used building is rehabilitated in a manner, which is eligible for Tax Credit.

27. Evaluators mean members of IFA Staff, temporary staff hired to evaluate the Tax Credit Applications, or staff from other state agencies, including but not limited to the Department of Human Services, Department of Elder Affairs and IDED.

28. Frail Older Persons mean Older Persons requiring assistance with three or more activities of daily living.

29. General Partner means the General Partner of a limited partnership or a limited liability limited partnership as set forth in the limited partnership agreement or as otherwise established by the Uniform Limited Partnership Act, Iowa Code chapter 488.

30. Governmental Entity or Political Subdivision means federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities, their employees, board members or agents.

- 31. Handicapped Accessible** means meeting the construction standards for the unit set forth in Chapter 11 of the International Building Code 2006, or the local building code related to accessibility of units if more stringent.
- 32. Hard Construction Costs** mean the following items: Site Improvements or Work, New Construction, Accessory Buildings, Garages, General Requirements, Trade Items (Building materials), Construction Contingency, Builder's Overhead, Builder's Profit, Bond Premium, Other Fees, Architect's and Engineering Fees—Design, Architect's and Engineering Fees—Supervisory, Rehabilitation.
- 33. Housing Credit Agency** means IFA. Pursuant to Iowa Code Section 16.52, IFA is charged with the responsibility of allocating Tax Credits pursuant to IRC Section 42(h)(8)(A) and pursuant to Iowa Code Section 16.52.
- 34. HUD** means the United States Department of Housing and Urban Development, or its successor.
- 35. IDED** means the Iowa Department of Economic Development.
- 36. Identity of Interest** means a financial, familial or business relationship that permits less than an arm's length transactions. No matter how many transactions are made subsequently between persons, corporations, or trusts Controlled by the Ownership Entity/Developer, these subsequent transactions shall not be considered "arm's-length". Identity of Interest includes but is not limited to the following: the existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors or stockholders; family relationships among the officers, directors or stockholders; the entity is Controlled by the same group of corporations; a partnership and each of its partners; a limited liability company and each of its members; or an S Corporation and each of its shareholders.
- 37. IFA** means the Iowa Finance Authority.
- 38. IRS** means the Internal Revenue Service, or its successor.
- 39. Joint Review Team** means representatives of IFA and the IDED that are appointed by each agency to review Projects that have requested funding by IFA's LIHTC Program and HOME funds. Staff for each agency will make recommendations regarding Tax Credit awards and HOME awards to their respective decision makers. A decision by one agency to fund a Project does not bind the other agency to fund a Project. The failure to provide funds is a financial feasibility issue that could ultimately disqualify the Project from consideration.
- 40. Land Use Restrictive Covenants a/k/a Land Use Restrictive Agreement (LURA)** means an agreement between IFA and the Ownership Entity and all of its successors in interest where the parties agree that the Project will be an affordable housing Project for the length of the Compliance Period elected by the Ownership Entity and upon which the award of Tax Credits was in part, based. The LURA will contain restrictive covenants that must encumber the land where the Project is located for the life of the agreement. The LURA must conform to the requirements of IRC Section 42(h), Iowa Code Section 16.52 and the QAP.
- 41. LEED Certified** means the Leadership in Energy and Environmental Design, a certification developed and operated by the U.S. Green Building Council. (www.usgbc.org)
- 42. LIHTC** means the Low-Income Housing Tax Credit Program authorized by IRC, Section 42.

- 43. Local Contributing Effort** means contributions by local governmental units or by local or regional agencies, public or private. Contributions may include but are not limited to: land, building(s), infrastructure, cash, TIF proceeds, local HOME grants or loans, tax abatement, value received from Enterprise Zone site remediation (Brownfield), private contributions, loans at substantially below market interest rates or with favorable features such as delayed principal and interest, utility costs reductions, employer assisted housing programs (EAH), rent or operating deficit guarantees, the value of a charitable Property tax exemption for Nonprofits, a below market rate loan or grant from the Federal Home Loan Bank through a member bank, infrastructure improvements, (a deferred development fee contributed by a Developer from the location where a Project will be built does not qualify as a Local Contributing Effort.), the value of an in-kind contribution by a tax-exempt organization, tax-exempt bond financing from IFA or from a local Political Subdivision and Property acquired at below appraised value from a local Political Subdivision. A HOME loan from the IDED does not qualify as Local Contributing Effort.
- 44. Low-Income Unit** means any residential rental unit if such unit is rent-restricted and the occupant's income meets the limitations applicable as required for a qualified low-income housing Project.
- 45. Metropolitan Statistical Area (MSA)** means, as defined by the U.S. Office of Management and Budget an area with at least one urbanized area of 50,000 or more population and may include adjacent counties that have a minimum of twenty-five (25%) of the workers commuting to the central counties of the Metropolitan Statistical Area. The MSA list for Iowa is attached to the Application.
- 46. New Developer** means a Developer that has not been allocated low-income housing tax credits in the last five years.
- 47. Older Persons** means a person 55 years of age or older, in accordance with State law.
- 48. Owner Representative** means the General Partner(s) or managing member(s) of the Ownership Entity.
- 49. Ownership Entity** means the entity to which Tax Credits will be or has been awarded.
- 50. Ownership Entity Agreement** means a written, legally binding agreement describing the rights, duties, and obligations of the owners in the Ownership Entity.
- 51. Project** means a low-income rental housing Property the Applicant of which represents that it is or will be a qualified low-income housing Project within the meaning of IRC Section 42(g). With regard to this definition, the Project is that Property which is the basis for the Application.
- 52. Property** means the real estate and all improvements thereon which are the subject of the Application, including all items of personal property affixed or related thereto, whether currently existing or proposed to be built thereon in connection with the Application.
- 53. Qualified Allocation Plan (QAP)** means an allocation plan to select and award Tax Credits to qualified recipients. The requirements of the QAP apply to any tax-exempt bond financed Project. Tax-exempt bond financed Projects must pay particular attention to the Sections of the QAP relating to these Projects.

- 54. Qualified Basis** means, with respect to a building within a Project, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of IRC Section 42(c)(1).
- 55. Qualified Census Tract** means any census tract which is so designated by the Secretary of HUD and, for the most recent year for which census data are available on household income in such tract, either in which fifty percent (50%) or more of the households have an income which is less than sixty percent (60%) of the adjusted gross median income for such year or which has a poverty rate of at least twenty-five (25%).
- 56. Qualified Nonprofit Organization or Nonprofit** means an organization that is described in IRC Section 501(c)(3) or (4), that is exempt from federal income taxation under IRC Section 501(a), that is not affiliated with or Controlled by a for-profit organization, and includes as one of its exempt purposes the fostering of low-income housing within the meaning of IRC Section 42(h)(5)(C) and is allowed by law or otherwise to hold and develop property.
- 57. Qualified Residential Rental Property** shall have the same meaning as defined in IRC Section 103.
- 58. RD** means the United States Department of Agriculture (USDA) Rural Development Program.
- 59. Rehabilitation Expenditure(s)** means depreciable expenditures, which are for Property or improvements that are chargeable to the capital account and which are incurred in connection with the rehabilitation of a building. Rehabilitation Expenditures are not eligible for Tax Credits unless the expenditures are allocable to or substantially benefit one or more Low-Income Units and the amount of such expenditures during any twenty-four month period selected by the Applicant is at least the greater of ten percent (10%) of the Applicant's adjusted basis of the building at the start of the twenty-four month period, or \$3,000 per unit. See also, IRC Section 42(e)(2).
- 60. Single Purpose Setting** means housing that affords people with disabilities the opportunity to receive the services needed to live independently, and receive the peer support, encouragement and assistance that can enhance their overall quality of life. The Property may not limit occupancy based on the type of disability or election of services offered.
- 61. State Ceiling** means the limitation imposed by IRC Section 42(h) on the aggregate amount of Tax Credit Allocations that may be made by IFA during any calendar year, as determined from time to time by IFA in accordance with IRC Section 42(h)(3).
- 62. Tax Credit** means the Low-Income Housing Tax Credits issued pursuant to the program, IRC Section 42 and Iowa Code Section 16.52. Tax Credits are determined under IRC Section 42(a) for any taxable year in the Tax Credit Period equal to the amount of the Applicable Percentage of the Qualified Basis for each qualified low-income building.
- 63. Tax Credit Allocation or Reservation** amount means, with respect to a Project or a building within a Project, the amount of Tax Credit IFA allocates to a Project and determines to be necessary for the financial feasibility of the Project and its viability as a qualified low-income housing Project throughout the Compliance Period.

- 64. Tax Credit Period** means, with respect to a building within a Project, the period of 10 taxable years beginning with the taxable year the building is placed in service or, at the election of the Ownership Entity the succeeding taxable year, as more fully defined in IRC Section 42(f)(1).
- 65. Special Needs** means serving individuals with one or more of the following characteristics: Persons with Disabilities, Older Persons or Frail Older Persons, homeless persons or others needing Transitional Housing, or families participating in programs to achieve economic self-sufficiency.
- 66. Threshold Application** means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Applicants are required to supply all items necessary so that IFA can determine if all threshold items have been met.
- 67. Total Project Cost** means the total costs reflected in the Application.
- 68. Transitional Housing** means a unit that contains sleeping accommodations, a kitchen and bathroom facilities and is located in a building which is used exclusively to facilitate the transition of individuals to independent living with 24 months and in which a Governmental Entity or qualified organization provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.
- 69. Unreserved Tax Credits** means Tax Credits that were not awarded by IFA during its most recent round of allocation or are returned to IFA during the current year. These Tax Credits would be eligible for redistribution in accordance with the rules of IFA or may be carried forward to the next year's allocation cycle.
- 70. Utilities** mean gas, electricity, water and sewer service.