STATE OF MISSISSIPPI

MISSISSIPPI HOME CORPORATION

HOUSING TAX CREDIT PROGRAM
2005 QUALIFIED ALLOCATION PLAN

INTRODUCTION

The Mississippi Home Corporation (the "Corporation") is charged with the responsibility of administering the Housing Tax Credit Program (the “Tax Credits”, “Housing Credit” or the "Tax Credit Program"), which was created by Congress in the Tax Reform Act of 1986, and which has been further amended by acts of Congress and amendments to Section 42, as amended, of the Internal Revenue Code.

The Code requires the Corporation to develop a qualified allocation plan (i) which shall set forth the selection criteria to be used to determine housing priorities of the State of Mississippi that are appropriate to local conditions; (ii) which also gives preference in allocating housing credit dollar amounts among selected developments that (a) serve the lowest income tenants, and (b) obligate to serve qualified tenants for the longest period; and (iii) which provide a procedure that the Corporation (or an agent or other private contractor of the Corporation) will follow in monitoring for noncompliance and in notifying the Internal Revenue Service of such noncompliance. The selection criteria set forth in a qualified allocation plan must include: (i) development location, (ii) housing need characteristics, (iii) development characteristics, (iv) sponsor characteristics, (v) tenant populations with special housing needs, and (vi) public housing waiting lists. The Code also requires that the qualified allocation plan be subject to public review in accordance with rules similar to those in Section 147(f)(2) of the Code.

The delegation of authority to the states to administer the Tax Credit Program, a tax incentive program, is unique and unprecedented. However, the delegation is limited. While recognizing the value of decentralized decision making, Congress also imposed a uniform set of procedures each state must follow in administrating the Tax Credit Program. These procedures are designed to ensure that the low-income renters, whom the program is intended to benefit, are those actually served. These procedures are also designed to make certain that the Tax Credit is rationed in the amount necessary to make each development feasible and viable, taking into account all sources of funding.

In December 1997, the National Council of State Housing Agencies (“NCSHA”) established a Task Force of Executive Directors of agencies with the responsibility for the Tax Credit Program in twenty (20) states to develop Best Practice Standards for State Housing Credit administration which responds to the suggestions the General Accounting Office (GAO) and the Ways and Means Oversight Subcommittee as well as other participants in the Housing Credit Community have made.

The concerns include:

- The adequacy of housing needs assessments;
- The need for property market studies;
- Appropriate use of state agency discretion in allocating Credits;
- The need for independent, third party cost certifications;
- The adequacy of debt service ratios;
- Operating and replacement reserves;
- Operating expenses;
- Quality of management experience; and
- Adequacy of compliance safeguards.

On October 10, 1998, NCSHA adopted the Task Force's fifteen (15) recommended minimum standards for allocation and underwriting of housing credit agencies. If in the future Congress considers legislation in these areas, these standards will provide guidance.

State legislation requires the Corporation to develop an annual housing plan detailing the housing needs of the State. Based upon any such housing needs study and other available information and data, the Qualified Allocation Plan has been designed to address the most pressing housing needs of the State. To assess Mississippi's overall housing needs, the Corporation has relied on the work of the Mississippi Housing Task Force (the "Task Force"), data compiled for the Target Area Designation Statistical Analysis and Report, the State of Mississippi Consolidated Plan, and available census data.

On October 12, 2004, the Corporation, acting pursuant to statutory requirements, held a public hearing for the purpose of receiving comments on a draft of Mississippi's 2005 Qualified Allocation Plan (QAP). In addition to oral comments received at the hearing, the Corporation requested written comments from interested members of the public concerning the draft QAP. Both the oral and written comments received were considered and fully evaluated prior to the Corporation's approval of the 2005 Qualified Allocation Plan. The 2005 Qualified Allocation Plan was presented to the Governor of the State of Mississippi, who formally approved its terms by Resolution received by the Corporation on December 15, 2004.

GENERAL POLICIES AND GUIDELINES

1. The 2005 Qualified Allocation Plan shall forward commit 2006's credit authority and commit/allocate any remainder 2004 and 2005's credit authority.

2. Applicants may verify prior to submitting an application to the Corporation for tax credits that they are in compliance with any and all programs they are participating in offered or administered by the Corporation. A request for noncompliance verification must be received by the Corporation at least forty-five (45) working days before submission of a tax credit application. This request is not mandatory. The applicant's compliance status will be verified upon receipt of a tax credit application. If a request is submitted within the time frame mentioned above, applicable research fees will apply. A charge of $55.00 per hour will be assessed to cover the cost of researching and processing an applicant's compliance status request. An applicant, including all parties associated therewith, must be in compliance with any and all Corporation programs to participate in the application process. Applications will be disqualified that are proposed by an entity with existing major noncompliance findings for any development in which they are associated. The application fee is non-refundable.

   Examples of major noncompliance include, but are not limited to:

   - Rents charged to residents that exceed maximum limit;
   - Failure to follow the next available unit rule;
   - Numerous instances of administrative noncompliance (failing to execute the procedures and policies stated in the Mississippi Compliance Monitoring Manual and loan guidelines under the Mississippi Affordable Housing Development Fund);
   - Severe health and safety violations generally affecting more than one (1) unit (structural problems, severe water damage, fire hazards, etc.);
   - Down units (not suitable for occupancy for extended period of times generally more than ninety (90) days);
   - Disposition/sale of property improperly; and
   - Delinquent on loan payments to the Mississippi Affordable Housing Development Fund.

- Households whose member(s) total gross annual income exceed maximum limit at initial move-in date.

Examples of minor noncompliance include, but are not limited to:

- Isolated instances of administrative noncompliance (failing to execute the policies and procedures stated in the Mississippi Housing Tax Credit Compliance Manual).

- Violations that require correction but do not impair essential services and safeguards for residents.

3. Applications will be disqualified that are proposed by principals (including consultants that have previously been a principal) who have participated with one or more of the Corporation's programs that has a major noncompliance issue and/or is in foreclosure or has been foreclosed. Applicants are required to disclose any and all members of the development team who receive fees for their services. All parties are subject to be listed on MHC's website.

4. Following submission of an application for tax credits, the Mississippi Home Corporation will not allow changes or corrections to be made to the application once the Corporation's deadline for receipt of the applications has passed. However, in its review of tax credit applications, the Corporation may request additional information to make a determination regarding the eligibility of the development for an allocation of tax credits. Such requests shall not be an indication of the worthiness of the particular development.

5. All documents required by the Corporation must be submitted with the application during that cycle. All information submitted for review must be current year information unless otherwise noted in QAP or approval has been received from the Corporation at least ten (10) working days prior to submission of the application. The Corporation staff's interpretation of the documentation submitted with the application is final. Therefore, it is critical that the developer's documentation contained in the application is clear, concise and to the point as it relates to the QAP item that the documentation is addressing.

6. Application fees are non-refundable. Failure to include application fee will disqualify application for review during a specified cycle.

7. The Corporation will accept applications within the identified application cycle time frame after the approval of the Qualified Allocation Plan by the Governor of Mississippi.

8. The Corporation will accept applications financed with tax-exempt bonds at any time after the approval of the Qualified Allocation Plan by the Governor of Mississippi. In order to qualify for the full four percent (4%) credit, an opinion letter from a Certified Public Accountant must accompany the application certifying that fifty percent (50%) or greater of aggregate basis will be financed by tax-exempt bonds.

9. For acquisition developments, documentation of the property ownership for the last ten (10) years must be provided with the application.

   The acquisition of affordable housing or rehabilitation of existing units as described in Section 42, as amended of the Internal Revenue Code (the "Code") must have rehabilitation expenditures of ten thousand dollars ($10,000.00) per housing unit or ten percent (10%) of the original basis, whichever is greater, in order to qualify under the tax credit program.

   The acquisition of affordable housing from a government entity may have rehabilitation expenditures of six thousand dollars ($6,000.00) per housing unit if there is a waiver from the Internal Revenue Service from the ten (10) year previous ownership requirement for the acquisition credit on the grounds that the owner otherwise is likely to pay off the existing mortgage and end low income occupancy.

10. Acquisition/rehabilitation developments that are not ten (10) years old or have changed ownership within the last ten (10) years, an approved waiver must be obtained from the U.S. Department of the Treasury. This waiver must accompany the application.

11. Acquisition/rehabilitation developments that are federally assisted and involve the displacement of persons, including displacements caused by rehabilitation and demolition activities must submit a Relocation Plan subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970.

12. For all rehabilitation properties, a physical needs assessment for each building and each unit must accompany the application certified by a licensed architect or engineer. For all new construction properties, the Minimum Design Quality Standards must be met and certified by a licensed architect or engineer. Any deviations must receive the Corporation's approval prior to submitting an application. This documentation must accompany the application.

13. For acquisition/rehabilitation properties, the acquisition price on which tax credits are allocated will be limited to the lesser of the sales price or the appraised "as-is" value of the property.

14. All deadlines outlined in the Reservation and Commitment letters will be enforced. Requests for extensions of any deadline will be considered only if requested in writing at

least ten (10) days prior to the deadline date and only for good cause shown. If in the event an extension is granted, the Corporation will assess a late fee of $100 per day for the first five (5) days, $250 per day for days six (6) through fifteen (15), and $500 per day for days sixteen (16) through thirty (30) beyond the deadline date. At the end of the thirty (30) day extension, credits will be recaptured by MHC, except for good cause shown. There will be no refund of previously paid tax credit fees or late fees, and no waivers will be granted of late fees or other requirements as outlined in the QAP.

15. The Corporation will make reservation announcements within one hundred twenty (120) days of the close of the application cycle.

16. The Corporation will not issue a reservation or commitment to a development requesting tax credits in excess of fifteen percent (15%) of the 2006 per capita component to fill the equity gap.

17. The Corporation will issue Commitment Letters within twenty (20) days of the deadline for submitting executed Reservation Letters.

18. The **ORIGINAL** reservation and **ORIGINAL** commitment letters must be returned to the Corporation.

19. Applicants which are business entities must be legally formed and have authorization to do business in Mississippi as approved by the Secretary of State's Office before the submission of tax credit applications. The authorization must accompany the application.

20. Application fees and allocation/monitoring fees must be in the form of a cashier's check or money order.

21. The Corporation will require the submission of signed and notarized budget information submitted to the financing entity with applications for tax credits.

22. Syndication costs will not be allowed in eligible basis.

23. Application and Allocation Fees will not be allowed in eligible basis.

24. The contingency line item (general requirements) cannot exceed six percent (6%) of the total construction cost. The construction contingency line item should not exceed five percent (5%) of construction cost.

25. All "other" line items must be identified and listed and may not exceed two percent (2%) of the total construction cost.

26. In its financial analysis, the Corporation will assume a seven percent (7%) vacancy rate, three percent (3%) income, and four percent (4%) expense increase per year.

27. In evaluating developments for tax credits, the Corporation will, among other things, analyze the development costs of the development including costs per unit, expenses per unit, development income, affordability of rents, cash flow of the development, and the gap between sources and uses of funds.

28. Tax credit applications whose costs exceed the Corporation's cost per unit as outlined in the QAP must provide detailed supporting documentation from the development's engineer or architect. Costs that exceed the maximum cost per unit by $10,000/> must submit cost justification to the Corporation for review at least ten (10) working days prior to submission of application. Failure to receive prior approval will disqualify the application from consideration. The Corporation shall determine the feasibility of a tax credit allocation to such applications.

29. An application must provide documentation that it meets all threshold requirements listed in this plan. Documentation satisfying the four (4) threshold requirements must be included in the application and tabbed. Failure to tab this information will result in five (5) points being deducted from the applicant's ranking score total.

30. Developments receiving tax credits in 2005 will be required to provide cost certifications after development completion. A cost certification must include all cost categories listed under "Cost Breakdown" in the 2005 tax credit application and conform to the requirements of the Corporation.

31. A property that has previously received tax credits and placed the development in service before January 1, 1994, as evidenced by Forms 8609 issued for the property, will be eligible for additional tax credit allocations. In order to qualify, developments must have rehabilitation expenditures of at least fifteen thousand dollars ($15,000.00) per unit to allow for substantial rehabilitation. This guideline does not govern the handling of tax-exempt bond developments.

32. All sections of the application must be tabbed and submitted in the color-coded format as outlined in the QAP. (Ex. Readiness: Tabs 1-12)

33. All applications must include a table of contents in accordance with the example provided in the attachment section of the QAP.

34. Developments that fail to include the minimum replacement and operating reserves outlined within the QAP will not be considered financially feasible for tax credits.

35. Site visits will be conducted for each application submitted. The Corporation reserves the right to ask for clarification and deny an application because of site location. The Corporation also has the right to require a buffer for sites that are deemed unacceptable (ex. adjacent to railroad tracks or graveyards). Site acceptability is determined by the Corporation.

36. Prior to issuance of Forms 8609, the Corporation will conduct a site visit to ensure that all requirements outlined in the subject application have been met. In the event that an initial visit warrants subsequent visits, the Corporation will charge a fee of $250.00 per subsequent visit.

37. Plans and specifications must be submitted in an 8 ½ x 11 format.

38. The minimum development size to be considered for a reservation of tax credits is twelve (12) units.

39. As a condition for an allocation of Housing Tax Credits, the Corporation will require the tax credit recipients to complete Form 8821, Tax Information Authorization (Rev. 4-04) naming the Corporation as the appointee to receive tax information. The subject form will be included in and submitted with the tax credit recipient's reservation package. On line 3 of subject form, in addition to the type of tax, tax form number, and year of period, the following statement must be included in column (d): "Any related federal tax information pertaining to housing tax credits, including audit findings and assessments." All applicable items of the form must be completed by the owner.

    The Corporation will forward the completed and signed Form 8821 (Rev. 4-04) to the IRS at the following address:

    Internal Revenue Service
    Memphis Accounts Management Center
    Stop 8423
    5333 Getwell Road
    Memphis, TN 38118

    The subject form must be received by the IRS within sixty (60) days of the date it was signed or it becomes invalid.

    The Corporation will ensure that information provided by the IRS is used solely for the purpose of Housing Tax Credit awards. The information will be safeguarded by the Corporation to prevent improper disclosure.

40. The Corporation will treat an acquisition/rehabilitation development whose rehabilitation cost exceeds acquisition cost as new construction. Also, any proposed development that requires a conversion from its intended/initial use will be considered new construction.

41. Any development receiving tax credits must have central air and heat by the placed in service date. A certified letter from the development's architect or engineer must verify that the central heat and air system has the capacity to properly accommodate all of the units. An application that provides information as to increased energy efficiency effort to be made by the developer to reduce tenant costs will be given additional consideration.

42. All applications must be submitted on diskette.

43. Final plans and specifications are to be submitted at the due date of the tax credit reservation letter if a tax credit reservation is issued for the development. A letter from the licensed architect/engineer of record is to be submitted with the final plans and specifications certifying that they are representative of the "Drawings" and "Description of Materials" submitted with the application, conform with what will be constructed/rehabilitated on the site, and meet or exceed the Corporation's Minimum Design Quality Standards.

44. All items listed in the application must be in place upon completion of the development regardless of whether or not points were awarded (ex. All amenities and/or services, total number of units, etc.). The development will not receive Forms 8609 until everything represented in the application is in place.

45. Housing components delivered to the site must meet with MHC's "Site Delivered Housing Component Requirements" available on MHC's website www.mshc.com or by calling 601.718.4642 or 800.544.6960.

46. All documents submitted for review must be properly executed by all designated parties. Properly executed means fully completed, signed, and dated.

47. Applicants must have a preliminary letter of intent to provide the equity investment from a syndicator based on the proposed submitted application for the development (*see Attachment 12*). Applicants are not prohibited from changing syndicators; however, a new letter of intent will be required from the subsequent syndicator in the event of a change from the initial application.

48. If the owner submits a request to change the development site location from the initial site represented in the tax credit application, the owner is required to conduct another public hearing. Documentation of the subsequent hearing must be provided in accordance with the requirements outlined within the Citizen Participation Process Guideline located in the Selection Criteria section of the QAP.

49. The Corporation will conduct its initial financial feasibility review utilizing the current market value of the average tax credit sales price. We will separately consider industry averages for developments with 48 units or less and developments with greater than 48 units.

50. Compliance monitoring requirements for tax credit developments entering their extended low-income use period after the end of their initial 15-year compliance period is included in the Compliance Monitoring section of the QAP entitled "Post Year 15 Compliance Monitoring Plan."

APPLICATION CYCLE

Applications will be accepted during the following cycle:

Cycle	Application Period	Cycle Set Aside
1	February 14 - March 14, 2005	100%

Credits not allocated or credits recaptured during the proposed competition will be carried forward to calendar year 2006 subject to Internal Revenue Service ruling.

A complete application package must be received at the office of the Corporation, 735 Riverside Drive, Jackson, Mississippi 39202/P.O. Box 23369 Jackson, Mississippi 39225-3369 no later than 2:00 p.m. Central Standard Time on the last day of the application period to be considered for an allocation. Late applications will not be accepted.

All inquiries of MHC allocation staff, regarding the QAP application or its process, must be made prior to March 7, 2005. The Corporation will not provide any technical assistance beyond that day.

FEES

The Corporation shall charge fees payable in the amounts specified below:

Application Fee - $1,050 *Application fees are non-refundable*

Servicing Fee

A Servicing fee in the amount of 2.5% of the total credit over the ten (10) year period will be assessed to each development that receives a reservation of tax credits. Of which 1% will be used for allocation, .5% for monitoring, and 1% for the establishment of a rental assistance pool.

50% OF FEE IS DUE AT ISSUANCE OF RESERVATION
50% OF FEE IS DUE AT ISSUANCE OF COMMITMENT

For new construction developments, an additional fee of 1.25% of the first five years' allocation of credit will be assessed to a developer if certification that at least fifty percent (50%) of construction of the total development has been completed is not received from a certified architect or engineer within fifteen (15) months of the tax credit reservation date. An MHC inspection of the development site should clearly evidence that at least fifty percent (50%) of construction of the total development receiving tax credits has been completed to include, but not limited to: site work, foundation, framing, roofing, etc.

For rehabilitation developments, an additional fee of 1.25% of the first five years' allocation of credit will be assessed to a developer if certification that at least fifty percent (50%) of proposed rehabilitation of the total development has been completed is not received from a certified architect or engineer within fifteen (15) months of the tax credit reservation date. An MHC inspection of the development site should clearly evidence that at least fifty percent (50%) of proposed rehabilitation of the total development receiving tax credits has been completed.

Refunding of Servicing Fee

There will be a ninety percent (90%) refund of the servicing fee if tax credits are returned to the Corporation prior to the first Monday in September and a fifty percent (50%) refund of the servicing fee if tax credits are returned to the Corporation by October 31 of the year in which tax credits were reserved. There will be no refund of the servicing fee for tax credits reserved in a previous year.

TAX EXEMPT BONDS

Developments financed with certain tax-exempt bonds are eligible for tax credits without receiving a state allocation. Tax-exempt bond developments include developments financed with exempt facility bonds that are used for qualified residential developments. If fifty percent (50%) or more of a development's basis (total development cost including land) is financed with tax-exempt financing, one hundred percent (100%) of the development qualifies for the tax credit without any decrease in the state's allocation.

Although these bond-financed developments are not required to receive tax credit allocations from the state, the development must satisfy the requirements for an allocation of tax credits under this qualified allocation plan. The development must also commit to a thirty (30) year extended low-income use on the portion supported by tax credits. Bond-financed developments will be reviewed for feasibility and threshold requirements under this allocation plan. However, they will not be required to meet the minimum point threshold nor the ten percent (10%) requirements for a carryover allocation of Tax Credits if the development will not be placed in service by the close of the credit allocation year. In addition, Tax-Exempt Bond deals may not be subject to the same underwriting restrictions as proposed competitive tax credit developments.

An opinion letter from a Certified Public Accountant must accompany the application to certify that fifty percent (50%) or greater of aggregate basis will be financed by tax-exempt bonds. Tax-exempt bond applications should be submitted at least sixty (60) days prior to the scheduled closing on the bonds.

SET-A-SIDES

For 2005, the State of Mississippi will allocate credits from its 2006 per capita credit authority, unused credits from previous years, returned credits and national pool credits, if applicable.

Non-profit entities will have available for 2005, ten percent (10%) of 2006's total credit allocation authority. This ten percent (10%) set-a-side must be reserved, committed and allocated to buildings or developments in which "qualified nonprofit organizations" own directly or indirectly a fifty one percent (51%) interest in the development throughout the compliance period. A nonprofit may not be affiliated with or controlled by a for-profit entity. A nonprofit is not prohibited from applying for tax credits in the for profit set-a-sides.

The Corporation will set-a-side for each of the state's four congressional districts five hundred thousand dollars ($500,000) of 2006's credit authority with a maximum of three hundred fifty thousand dollars ($350,000) per development. The remaining credit authority will be utilized for developments in the statewide set-a-side.

Any unused, returned or national pool credit authority will be awarded to applications placed on a waiting list, ranked by scores statewide, during the application cycle. The Corporation reserves the right to carryover remaining tax credit authority to future years as it determines is best for the proper use of the tax credit authority.

THRESHOLD FACTORS

This section of the Qualified Allocation Plan identifies those requirements (the "threshold factors") that each development must meet in order to be eligible for ranking under the Selection Criteria, which follow.

The Corporation shall review every application package for assurances that the applicant has satisfied stated minimal requirements respecting the threshold factors. If the applicant fails to satisfy the threshold requirements, the development will not be eligible for an allocation of tax credits. The threshold factors are as follows:

Site Control (At least one must be met with evidence provided with application).

- Fee simple ownership of the proposed site development by the applicant, by one or more persons or entities having ownership interests in the applicant, or by one or more entities within the control of the applicant or the above-described persons.

- Lease of the proposed site development by the applicant or by the above described persons or entities for a term meeting or exceeding the 30-year compliance period (as mandated in the Code) or for such longer period as the applicant represents in the application that the development will be held for occupancy by low income persons and families.

- Right to acquire or lease the proposed site development pursuant to a valid and binding option or contract between the applicant or the above described persons or entities and the fee simple owner of the site, provided that such option or contract shall have no conditions within the discretion or control of the owner of the site.

- For transfer properties, documentation must accompany the application as evidence that a transfer request has been approved by Rural Development (RD) or Housing and Urban Development (HUD) in order to have a valid option/purchase contract.

  For RD, loan transfers/assumptions shall be evidenced by approval on Form RD 465-1, “Application for Partial Release/Transfer/Subordination/Consent” executed by the State Director or the Multi-Family Housing Program Director or their designee as evidence of final approval.

The owner listed in the application must be listed as the purchaser in the option/applicable site control and listed in the partnership agreement. The option must be good for a total of one hundred eighty (180) days from the application close day.

Local Zoning And Development Conditions (At least one must be met).

- Evidence of proper zoning or building permits for the proposed development.

- In the event that zoning and permitting requirements are not applicable to the site of the proposed development, (i) a letter from the local authorities to that effect and (ii) evidence satisfactory to the Corporation of the availability of all requisite public utilities for the proposed development.

- For existing developments, an applicant may submit evidence of a building permit issuance or current documentation from the local authority indicating that building permits are not required in lieu of zoning documentation.

The proposed development must be identified as zoned for multifamily (intended use)-documentation must be provided from the local governing authority where the proposed development will be located and dated within one (1) year of the date of application.

Documentation of Need

An independent, third party, recent market study from an individual or entity qualified to prepare such market study documenting need that includes the following items:

- Problem Definition
- Market Area Definition
- Physical/Location Analysis
- Economic Analysis
- Demographic Analysis
- Supply Analysis
- Demand Analysis
- Reconciliation of Supply and Demand

Please refer to the market study guide in this section for an explanation of the above-referenced items and the checklist that will be used to determine if the minimum standards have been met. The market study must be recent (no more than one year old) and must support the number of units identified in application.

All applications must contain an independent third party market study. The market study shall provide consideration as to the total number of units the market will absorb should other developments be awarded tax credits in the same market area. All applications must also contain a statement of acceptance from the participating syndicator indicating that the market study submitted with the application is acceptable for the proposed market area

should the development receive an allocation of tax credits (*see Attachment 13*). Applicants are not prohibited from changing syndicators; however, a new statement of acceptance will be required from the subsequent syndicator in the event of a change from the initial application.

Permanent Financing Commitment (At least one must be met)

- Issuance of a loan commitment or commitments to provide permanent financing for the proposed development without any material conditions for a term of fifteen (15) years or more.

- Issuance of a loan commitment or commitments to provide permanent financing for the proposed development with the only material condition(s) for a term of fifteen (15) years or more being one or more of the following:

    - Obtaining 221(d)(4) guarantees;
    - Obtaining tax credits;
    - Final acquisition of site or land and building, as appropriate;
    - Complete drawings and/or specifications;
    - Firm cost estimates;
    - Appraisal;
    - Environmental review; and
    - Other conditions acceptable to the Corporation.

To be considered a firm commitment, the document must contain the term(s), conditions, interest rate, disbursement conditions, security requirements, repayment provisions, and be executed by the applicant and the lender. The commitment letter must contain the verbiage, "this is a firm commitment for construction/permanent financing of the referenced development". Only conditions as noted above will be acceptable as conditions contained in the commitment letter. All other conditions must receive prior approval from the Corporation at least ten (10) days before submission of tax credit application. The commitment letter must be executed by lender and signed as accepted by the applicant.

- For RD developments, formerly FmHA, a copy of the loan commitment for interim financing. Form AD622 will not be accepted to satisfy permanent financing.

- For HUD and RD financed properties, the application must contain written correspondence from the subject agencies confirming that a transfer package has been submitted and approved. Documentation that a transfer package has been submitted is not acceptable to satisfy permanent financing.

RD loan transfers/assumptions permanent financing shall be evidenced by approval on Form RD 465-1, "Application for Partial Release/Transfer/Subordination/Consent" executed by the State Director or Multi-Family Housing Program Director or their designee as evidence of final approval.

RD new construction permanent financing approval for multi-family housing complexes shall be evidenced by approval on Form RD 1944-51, Multi-Family Housing Obligation - Fund Analysis executed by the State Director or Multi-Family Housing Program Director or their designee as evidence of final approval.

The Developer will be required to not prepay the permanent mortgage prior to the end of the minimum fifteen (15) year compliance period. Refinances are permitted.

The Corporation will review each application submitted for compliance with Threshold Requirements, not Selection Criteria. The Corporation will advise an applicant of a deficiency in the Threshold Requirements via fax at the number supplied by the applicant in the application. The applicant will have the opportunity to correct and return the deficient item to the Corporation via FAX ONLY to (601) 718-4643 within the time frame requested in the notice of deficiency, typically 24 hours or less. This review of applications and receipt of requested information should be completed by the second Monday in April. The Corporation will not accept hand delivery of the requested information. In addition, a negative 1 point will be deducted for each deficient threshold requirement item.

Any application not meeting the minimum threshold requirements will not be given consideration.

REMINDER

ALL FOUR (4) THRESHOLD REQUIREMENTS

MUST BE COMPLETELY SATISFIED

BEFORE

PROCEEDING TO THE NEXT SECTION

SELECTION CRITERIA

Following its determination that a development satisfies the threshold factors, the Corporation will use the Selection Criteria stated below for the purpose of ranking developments during the application cycle. All Developments that have satisfied the threshold factors must score a minimum of seventy five (75) points out of the total possible one hundred three (103) points using the selection criteria below to be considered for a reservation of tax credits, except for developments satisfying the following criteria:

- The Corporation will reduce the minimum score required to sixty-five (65) points for preservation developments that are committed to providing one hundred percent (100%) of the units set-a-side for tenants at or below sixty percent (60%) of the county median gross income for forty (40) years or longer.

  Applications will be scored and ranked according to the applicable set-a-side identified in this Qualified Allocation Plan. Any unused, returned or national pool credit authority will be awarded to applications placed on a waiting list, ranked by scores statewide, during the application cycle.

  The Corporation anticipates reserving, for those developments scoring highest under the Selection Criteria and meeting the minimum point threshold, tax credits up to the amount permitted by Section 42, as amended, of the Internal Revenue Code and necessary for the financial feasibility of the development and its viability as a qualified affordable housing development throughout the compliance period for each set-a-side identified.

Regardless of strict numerical ranking, however, the Selection Criteria does not operate to vest in an applicant or development any right to a reservation or allocation of tax credits in any amount. Further, notwithstanding the point ranking system set forth above, the Corporation reserves the right and shall have the power to allocate tax credits to a development irrespective of its point ranking, if such intended allocation is: (1) in compliance with Section 42, as amended, of the Internal Revenue Code; (2) in furtherance of the housing goals stated herein; and (3) determined by the Corporation to be in the interests of the citizens of the State of Mississippi. However, the Corporation will make available to the public a written explanation for any tax credit allocation, which is not made in accordance with established priorities and selection criteria of the agency. If there is a tie in the scoring between proposed developments, the Corporation reserves the right to utilize a tie-breaking system to break the tie.

The Corporation will in all instances reserve and allocate tax credits consistent with sound and reasonable judgment, prudent business practices, and the exercise of its inherent discretion, reserving to itself such ultimate discretion permitted by applicable law.

POINTS

1. The development sets a side at least twenty percent (20%) of the units for persons at or below fifty percent (50%) of the Area Median Gross Income of the county where the development is located and executes an Extended Land Use Agreement committing to serve tenants at this income level for a period of forty (40) years or longer

   10 pts.

   To receive points for the above scoring component, the election must be made to extend compliance period to forty (40) years or longer. Single family leased purchased developments are not eligible for points under this category if the developer plans to allow tenants to purchase units after the initial fifteen (15) years.

2. Development commits to extend compliance period to forty (40) years or longer

   05 pts.

   Single family leased purchased developments are not eligible for points under this category if the developer plans to allow tenants to purchase units after the initial fifteen (15) years.

3. The development is located in a county where, according to the 2000 Census Report:

0% to 0.9% Housing with Selected Conditions*		1 point
Carroll	Tippah	Tishomingo

1% to 1.9% Housing with Selected Conditions*		2 points
Alcorn	Amite	Clarke
Clay	Issaquena	Itawamba
Lafayette	Oktibbeha	Prentiss
Rankin	Stone	

2% to 3.9% Housing With Selected Conditions*		3 points
Adams	Attala	Benton
Calhoun	Chickasaw	Choctaw
Claiborne	DeSoto	Forrest
Franklin	George	Grenada
Hancock	Harrison	Jackson
Jasper	Jefferson	Jones
Kemper	Lamar	Lauderdale
Lawrence	Lee	Leflore
Lincoln	Monroe	Neshoba
Newton	Pearl River	Pike
Pontotoc	Quitman	Smith
Tate	Union	Warren
Wayne	Webster	Wilkinson
Yalobusha		

4% to 5.9% Housing With Selected Conditions*		4 points
Coahoma	Copiah	Covington
Greene	Hinds	Holmes
Jefferson Davis	Lowndes	Madison
Marion	Marshall	Montgomery
Noxubee	Perrry	Scott
Simpson	Tallahatchie	Tunica
Washington		

6% to 7.9% Housing With Selected Conditions*		5 points
Bolivar	Humphreys	Leake
Panola	Sharkey	Sunflower
Walthall	Winston	Yazoo

*Source: U.S. Census Bureau, Census 2000, STF3
The variable "Selected Conditions" is defined for owner and renter occupied housing units as having at least two of the following conditions: (1) lacking complete plumbing facilities, (2) lacking complete kitchen facilities, (3) with 1.01 or more occupants per room, (4) selected monthly owner costs as a percentage of household income in 1999 greater that 30 percent, and (5) gross rent as a percentage of household income in 1999 greater than 30 percent.

4. The development targets large families by including three or more bedrooms in at least twenty-five percent (25%) of its units. *10 pt*s.

5. Development offers tenants community services in at least two (2) areas and provides at least two (2) significant amenities not otherwise required by the entity providing financing or typically present in low-income rental housing. *15 pts.*

   Tenant Community Services must be provided for a minimum of ten (10) years beyond the placed in service date.

   - Education Programs (computer classes, personal budget counseling, home buyer counseling programs, etc.)
   - Job Training Programs
   - Child Care Services/Programs, or
   - Other community services acceptable to the Corporation

   A formal contractual agreement must be in place to receive points under this category. The service contract must be on the service provider's letterhead and it must have a designated space for the applicant's acceptance of the contract and agreement to terms of the contract. Points will not be allowed if the formal agreement does not contain the signatures of both parties.

   Significant Amenities
   - Swimming Pool
   - Clubhouse for tenant activities and meetings
   - Playground area and equipment
   - Washer and dryer connections in individual units must have capability to service side-by-side units or opposite wall units.
   - Cable television *(if selected, cable television must be provided by the owner of the proposed development and evidenced by a contract executed by the local cable company and the owner. Documentation must accompany the application)*
   - Tenant Security *(ex: electronic locking system, alarm system...),* or
   - Other amenities acceptable to the Corporation *(examples of amenities not acceptable includes, i.e. clotheslines)*

For those developments that have elected to provide a playground, the playground area must have a minimum of four (4) separate pieces of equipment. (Note: A swing structure with four (4) swings is considered one (1) piece of equipment.)

Plans and specifications must include the significant amenities proposed for the development. The proposed amenities must be highlighted. Failure to highlight plans and specifications will result in a five (5) point deduction.

6. The development will provide housing (i) for persons on public housing waiting lists, or (ii) in those jurisdictions where there is no housing authority for persons on waiting lists for other affordable housing developments. A statement of certification must be submitted indicating that housing will be provided to persons on public housing waiting lists or for persons on waiting lists for other affordable housing developments. A signed and notarized statement may be submitted from the owner. *02 pts.*

7. The development preserves existing developments serving low-income residents that would be lost due to conversion to market rate, loss of rental assistance, foreclosure or default, and mortgage prepayment. To be eligible, the development must have been in danger of conversion, foreclosure, or default. Documentation of default and endangerment of foreclosure must be provided by the permanent financing entity forcing the foreclosure action. *05 pts.*

8. All units in the development are set-a-side for low-income use. *07 pts.*

9. *Development-based rental assistance*. Developments requesting consideration under this category must provide evidence from the housing agency providing the housing assistance payments (Example: Rural Development, HUD, etc). For developments proposing owner's rental assistance payments, evidence must be included in the application, which meets the following criteria: *07 pts.*

   a. A commitment to provide rental assistance payments to greater than fifty (50) percent of the development's units that are eligible under the tax credit program.

   b. A plan that identifies which units will be set-a-side for housing assistance payments. In determining which tenants are most eligible to receive rental assistance, first preference should be given to elderly tenants and second preference to single parent households.

   c. Provides for the establishment of a rental assistance account to be monitored in accordance with the compliance monitoring requirements contained herein.

d. Commits to providing rental housing assistance payments for a period not less than five (5) years from the placed in service date.

e. A minimum of $50 per unit must be provided in rental assistance.

10. *Tenant-based rental assistance.* Developments requesting consideration under this category must provide evidence from either a local or regional housing authority indicating that Section 8 vouchers or certificates are available in the area where the development is or will be located. Prior to the issuance of IRS Form 8609, applicants will be required to have signed agreements with either the authority or administrator of the Section 8 Certificate/Voucher programs to mandate the development's first priority to Section 8 Certificate/Voucher holders. *03 pts.*

NOTE: NO DEVELOPMENT IS ELIGIBLE FOR BOTH DEVELOPMENT-BASED AND TENANT-BASED RENTAL ASSISTANCE.

11. *Community Support*. For developments requesting consideration under the community support-scoring requirement, the following information below must be included in the tax credit application. *05 pts.*

a. Applicant must hold one public hearing in accordance with the public hearing requirements as identified in the attached appendix and be completed at least ten (10) days prior to submitting a tax credit application.

b. Applicant must publish two (2) notices advertising the public hearing. A notice may not be published within three (3) days of the prior published notice. There must be three (3) separate days between the publication of the first and second notice. (Ex. If the first notice is published on January 1 then the second notice may not be published prior to January 5. Days 2, 3, & 4 are not acceptable.)

c. Proof of Publication, which must include the specific location within the newspaper where the notice was published, i.e. classified legal, classified non-legal, advertisement, etc. (Publication must not be advertised more than twenty (20), but at least five (5) days before the hearing).

d. Minutes of Public Hearing.

e. Copy of actual notice.

f. Copy of actual attendance roster.

Public notices should be published in a local newspaper having general circulation in the development area. In areas where there are no local newspapers having general circulation in the development area, the applicant is required to publish the public notices in a regional newspaper having general circulation in the development area. The publication must make mention that the applicant is applying for Housing Tax Credits.

Please refer to the attached Citizen Participation Guideline.

12. For developments requesting consideration under the readiness criteria, the applicant must include in the tax credit application the information stated below: *10 pts.*

    a. Acquisition and rehabilitation developments must include a physical needs assessment for the rehabilitation work to be completed.

    b. Drawings depicting: *(items b-d for new construction)*
        i. Building elevations, front, side and back;
        ii. Building floor plans showing total dimensions, total square footage, and other specifics required to make sure final product meets the Corporation's design requirements; and
        iii. Proposed site plan depicting buildings, parking, drives, and other proposed amenities.

    c. Specification outline depicting all major areas of development by completing the attachment entitled "Description of Materials". A blank form is included as an attachment to the tax credit application.

    d. A letter from the licensed architect/engineer of record stating that the "Drawings" and "Description of Materials" submitted with the application are in compliance with the Corporation's Minimum Design Quality Standards.

    e. A letter from the licensed architect/engineer of record stating that the proposed construction, and the plans will meet the applicable building code and permitting requirements of the local jurisdiction. Development owner must also include an original letter from the registered engineer/architect of record stating that the site development will meet all federal, state, and local requirements, and the design will meet all applicable permit requirements of the local, state, and federal jurisdictions.

    f. Documentation of land value and improvements utilizing a certified appraiser for developments involving acquisition/rehabilitation, or documentation of land value utilizing a certified appraiser for developments involving new construction.

g. Certified copies of proposed budgets and cash flows submitted to financing institutions, e.g. RD Form 1930-7, statement of budget and cash flow, or construction loan applications (budgets must be signed and notarized).

h. Commitment letter for construction financing.

i. Letter of Conformance with the State of Mississippi's or applicable Public Jurisdiction's Consolidated Plan.

j. Certificate of partnership or corporation from the State of Mississippi or certificate to do business in the State of Mississippi, if applicable (Must provide stamp filed copy (committal stamp) indicating the Secretary of State's approval).

k. Properly executed and dated construction contract.

13. Application Workshop attendance by the general partner or registered agent of the partnership. *10 pts.*

12 ½ points may be received at the workshop; however, a maximum of 10 points will be scored in the application process. Only one (1) certificate will be allowed per session for points in the application process. A copy of each certificate of attendance must accompany the file, failure to provide will disqualify applicant from receiving points. Certificates will not be awarded until the sessions are ended.

In the event the general partner does not attend the workshop, the development's owner shall designate, by notarized statement to the Corporation, a person to attend the workshop and to be the responsible party for all contact and communication for the designated development until the development has been placed in service and receives Forms 8609. *No points will be allowed for this category if the development owner does not sign and notarize the subject statement and include as a part of the application package.*

14. Developer Experience - The general partner has previous experience in the development of the type of housing activity proposed. This experience must be verified as having occurred within three (3) years of the application date. This experience must be documented on the attachments provided in the QAP. *(See attachment –"Previous Participation") 05 pts.*

15. Management Experience - The applicant secures a contract from an experienced management agent who has previous experience in the development of the type of housing activity proposed. The experience must be verified as having occurred within three (3) years of the application date. This experience must be documented on the attachments

provided in the QAP. Management experience is excluded for developments that have 8823's filed and not corrected. In the event that 8823's have been filed on a particular development, a letter of clearance/correction from the tax credit allocating agency must accompany the management participation agreement. *(See attachment-"Previous Management Participation")* *02 pts*.

16. Single family leased purchased developments. *15 pts.*
Minimum requirements for Single Family Lease Purchase developments:

    1. Single Family Detached Housing
    2. Side by Side Washer and Dryer Connections
    3. One (1) Car Carport
    4. Paved Driveways
    5. Playground Area and Equipment (Minimum of four (4) separate pieces of equipment.)
    6. Entranceway Appeal - Create Subdivision Appearance.
    7. Landscape Plan
    8. Applicants must maintain lawn throughout the required fifteen (15) year compliance period.
    9. Letter of Support from participating syndicator.
    10. Must have public access and be properly zoned for single-family residential homes. Additionally, these developments must be constructed separate and apart from any other tax credit developments that are exclusively multi-family rental complexes.
    11. The owner shall provide a sample lease-purchase agreement advising tenants of the available purchase option at the end of the fifteen (15) year lease period, which may be included in the body of the lease.

    The development must be fee simple with a homeowner's association for any common areas and must front on a publicly dedicated street at the time of fee simple transfer.

17. The development is located in a qualified census tract and contributes to a concerted revitalization plan of the community in which it will be located. Documentation must include a letter from the city/county, signed by the subject area's verifiable authority, which verifies that the development is a part of the community revitalization plan and provides a detailed description of the contribution to the Revitalization Plan. This documentation must accompany the application. Additionally, the applicant must submit a full/detailed copy of the city/county's revitalization plan that includes all the specifics of the plan and date adopted by the locality. *02 pts.*

18. The development is a Preservation or Hope VI development. *05 pts.*

Note: Developments that are eligible for points in this category will not be eligible to receive points for large family or preserving existing low-income housing developments.

19. Developments that set a side 100% of its units for the elderly population age fifty five (55) or older, or developments that set a side 100% of its units for persons that meet the requirements as defined by Rural Development or the Department of Housing and Urban Development for elderly housing and accessibility for handicapped persons, and meet the following requirements. *10 pts.*

    a. At least one hundred percent (100%) of the units must be occupied by an elderly household, age fifty five (55) years old or older, or by persons meeting the Rural Development or Department of Housing and Urban Development's definitions.

    b. The development must establish policies and procedures, which demonstrate an intent to provide housing to the fifty five (55) or older age group, or for persons meeting the Rural Development or Department of Housing and Urban Development's definitions.

    c. The development must normally have significant facilities and services specifically designed to meet the physical or social needs of older persons or for persons meeting the Rural Development or Department of Housing and Urban Development's definitions.

    d. The development must provide six (6) of the nine (9) appropriate services or facilities listed below:
        1. an accessible physical environment
        2. congregate dining facilities
        3. social and recreational programs
        4. emergency or preventive health care, or programs
        5. information and counseling
        6. recreational services
        7. homemaker services
        8. outside maintenance and referral services
        9. transportation to facilitate access to social services

Rural Development and HUD's definition of "Elderly" is where the tenant or co-tenant is 62 or older or handicapped/disabled so long as they are members of the Elderly household.

NOTE: No development is eligible for both large family and elderly points.

20. Developer partners with a Housing Authority in the state of Mississippi. The partnership should allow material participation by the housing authority. This participation should not be limited to referrals of Section 8 Voucher holders to the proposed development. *03 pts.*

One (1) point will be deducted if an applicant proposes a development in an area that has received 3/> tax credit awards in the previous two (2) years. See attached tax credit recipient list for 2004 and 2005 credit authority. Preservation developments will not be subject to this one (1) point deduction.

In the event of a tie in the scores, the attached Tie Breaking System will be used. If a tie persists after utilizing the tie breaking system, applications will be ranked according to tax credits per unit favoring the development that maximizes tax credits per unit.

REMINDER

THE REQUIRED MINIMUM POINT

THRESHOLD REQUIREMENT

MUST BE COMPLETELY SATISFIED

BEFORE

PROCEEDING TO THE NEXT SECTION

APPLICATION

A reservation of tax credits shall be commenced by filing an application with the Corporation, together with such documents and additional information as may be requested by the Corporation in order to comply with the Code and state law to make the reservation of the tax credits. The application shall include a breakdown of sources and uses of funds sufficiently detailed to enable the Corporation to ascertain where and what costs will be incurred and what will comprise the total financing package, including the various subsidies and the anticipated syndication or placement proceeds that will be raised.

Requirements

The following cost information must be included in the application: (1) site acquisition cost, (2) site preparation cost, (3) construction cost, (4) construction contingency, (5) general contractor's overhead and profit, (6) architect and engineer's fees, (7) permit and survey fees, (8) insurance premiums, (9) real estate taxes during construction, (10) title and recording fees, (11) construction period interest, (12) financing fees, (13) organizational costs, (14) rent-up and marketing costs, (15) accounting and auditing costs, (16) working capital and operating deficit reserves, (17) syndication and legal fees, (18) developer's profit, and all other costs identified in the application or required to complete the development.

DEVELOPMENT PRO FORMA

The application shall include a development pro forma (see attached Appendix for document) setting forth the anticipated cash flows during a fifteen (15) year period. In addition, the application shall include a certification by the applicant as to the full extent of all federal, state and local subsidies, which apply (or which the applicant expects to apply) with respect to each building or development. The Corporation may also require the submission of a legal opinion or other assurances satisfactory to the Corporation as to compliance of the proposed development with the Code.

N O T E

A DEVELOPMENT IS NOT CONSIDERED TO BE FINANCIALLY FEASIBLE IF THERE IS A NEGATIVE CASH FLOW FOR ONE (1) OR MORE OF THE FIFTEEN (15) YEAR CASH FLOW PROJECTIONS OR IF THE MINIMUM REPLACEMENT AND OPERATING RESERVES ARE NOT SATISFIED

FINANCIAL EVALUATION / ANALYSIS

Although in the past a development may have been automatically eligible under differing circumstances, for either a seventy percent (70%) or a thirty percent (30%) present value credit amount, the Act precludes state allocating agencies, including the Corporation, from allocating credits to a development in any amount beyond that required for the financial feasibility of the development and its viability as a qualified affordable housing development throughout the compliance period.

To determine the level of allocable credits, the Corporation will perform a financial analysis on each application, utilizing the following factors:

1. Development costs, including developer fees;
2. Sources and uses of funds;
3. Development income and expenses; and
4. Development syndication proceeds.

The Act further requires the Corporation give priority to developments for which the highest percentage of housing credit dollar amount is to be used for development costs other than the cost of intermediaries, unless granting such priority would impede the development of developments in "hard-to-develop" areas which have been designated by the United States Department of Housing and Urban Development ("HUD").

Intermediary costs include, but are not limited to; developer fees, syndication fees, attorney fees, design professional fees, consultant fees, and organizational costs. The Act requires the allocating agency to evaluate intermediary costs at the time of evaluation. The Corporation will satisfy this statutory requirement by implementing a forty percent (40%) ceiling on the total percentage of intermediary costs as they relate to the total development cost of the development. If the total percentage of intermediary costs exceeds forty percent (40%), the Corporation will reduce the credit amount proportionally.

Based on its financial analysis, the Corporation will estimate the amount of tax credits it will reserve for each application. Should the development be approved for an allocation, the Corporation will advise the applicant in writing of the reservation and identify whatever additional criteria the development must satisfy in order to receive an allocation of tax credits.

In accordance with The Tax Reform Act of 1986, the Corporation gives preference in allocating the amount of tax credits among eligible developments to those developments (i) serving the lowest income tenants and (ii) obligated to serve qualified tenants for the longest period. The Corporation will conduct its financial analysis in accordance with these statutory requirements.

The Act stipulates that eligible developments should be evaluated to determine the amount of tax credits to be allocated. The amount of tax credits allocated will be limited to that amount necessary to make the development financially feasible.

The Act requires the Corporation to conduct a second financial analysis at the time it actually allocates credits to each development and a third financial analysis at the time the development is placed in service.

THE CORPORATION RESERVES THE RIGHT TO MAKE AND REVISE ALLOCATIONS ACCORDING TO ITS QUALIFIED ALLOCATION PLAN IN ITS INHERENT DISCRETION AND IN ACCORDANCE WITH PUBLISHED FEDERAL REGULATIONS.

Verification of Expenditures

The Corporation has established a process for requiring and analyzing cost certifications for all developments as part of the final feasibility evaluation, prior to issuing an IRS Form 8609. As part of the analysis, the Corporation will ascertain the reasonableness of the cost components.

For all developments, the Corporation will require owners to submit for the agency's review an independent third-party CPA cost certification as a part of the final feasibility evaluation.

Replacement and Operating Reserves

Replacement reserves are required for all applications for tax credits. Contributions must be made to a reserve account. Reserves should be funded for the term of the loan of the senior lender. The following minimum contributions must be used:

Rehabilitation ($300 per unit per year)
New Construction-Elderly ($250 per unit per year)
New Construction-Family ($250 per unit per year)

Replacement reserves should be used only for capital improvements and system replacements and not used for general maintenance expenses. Capital improvements means improvements to the real estate, such as re-roofing, structural repairs, or major costs to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs. The cost of these capital improvements and system replacements should exceed $5,000 for developments with 24 units or less and exceed $10,000 for developments above 24 units. Replacement reserves will increase at a rate of four percent (4%) per year.

Operating reserves should be six months of the development's operating expenses. Calculations of operating reserves include replacement reserves. ***Operating reserves must be listed on the "Operating Reserve" line item under the "Cost Breakdown" section of the application.***

Replacement and operating reserve accounts should be maintained in a FDIC-insured financial institution.

A development will not be considered financially feasible if the aforementioned minimum reserves are not satisfied.

PER UNIT COST

In designing the Tax Credit program, Congress granted states the flexibility to respond to their unique and varied affordable housing needs and the responsibility to maximize the credit's use in producing significant numbers of affordable housing units. To that end, Congress carefully limited the portion of a development, which can be financed by Tax Credits. Congress recognized; however, that the cost of providing low income housing:

- Is frequently highest in areas of greatest need, such as inner city areas; where development is frequently most expensive and difficult;
- May involve construction of facilities to support special services to low-income tenants;
- May sometimes require higher wage rates for such construction than other developments due to state or federal law;
- In developments, which include Tax Credit units, might also include market rate units not financed by the credit.

Congress did not limit either the total amount of Tax Credits which can be allocated to a single development or the total cost of any development, including costs which are ineligible to be financed by the Tax Credit and are financed by other sources. However, Congress does require states administering the Tax Credit Program to give priority to developments which serve the lowest income tenants and which serve tenants for the longest period of time, without regard to the higher amounts of Tax Credits which might be required to finance developments meeting those needs. The cost of producing low income housing, particularly special needs housing and housing located in difficult-to-develop areas, requires states to balance financing the maximum possible number of units which might be produced, if high cost areas and developments were avoided, and targeting Tax Credits to areas and tenants of greatest need, as Congress has required.

In addition to carefully rationing the amount of Tax Credits allocated to eligible developments, as federal law requires, the Corporation has developed a per unit cost standard and expenses per unit standard based on total development costs, including those costs which may be substantial, that are part of the development but not eligible for Tax Credit financing and annual operating expenses. These standards and their justification follow:

DETERMINING MAXIMUM COST (MC) PER UNIT

In developing the maximum cost per unit standard, the Corporation has examined building construction and land costs in the state, including variations in such costs within the state. The Corporation has also examined statistical cost data on completed Tax Credit developments. This process has produced a standard which prescribes a single limit for Rural Development ("RD"), formerly Farmers Home Administration, developments applicable to the entire state and area limits for developments financed by conventional sources and HUD mortgage insurance program.

If the Corporation receives an application for the award of Tax Credits to a development with per unit cost in excess of its established limits for an area, then all factors that contributed to the excess per unit cost such as exceptionally high land costs, material costs, or special wage rates, are required to be disclosed and fully explained in the justification for the application. Credits will be awarded to such developments only if (i) the review reveals that the additional costs are justifiable and reasonable under the circumstances, (ii) can be attributed to unique development characteristics (such as location in a difficult-to-develop area, limited commercial space or tenant services or common areas essential to the character of the development) which are consistent with the housing needs and priorities identified herein, and (iii) are either attributable to costs which Congress has permitted the Tax Credit to finance or, if not, are financed by other means.

The Corporation will also consider on a "case by case" basis the costs of developments having (i) significant amenities, (ii) significant rehabilitation or construction costs, (iii) significant acquisition and rehabilitation of a historical property, and (iv) having tangibly increased material and or labor costs.

Determining Maximum Cost (MC) Per Unit Formula
>>>>($DFL) X (DL)(1) X (DL)(2) X (DL)(3) X (DD) X (DS) = MC

Development Financing (DFL):

Rural Development.....$59,000.00

Conventional, HUD, and Tax Exempt Financing……..$74,000.00

Development Location (DL)(1):	***Percentage***
Below 4% housing with selected conditions	1.000
4-5.9% housing with selected conditions	1.050
6-7.9% housing with selected conditions	1.100

(See pages 21-22 of QAP)

Development Location (DL) (2)	***Percentage***
% of Renter Household Income<$10,000>40%	1.100

(See Attachment 6)

Development Location (DL) (3)	***Percentage***
Qualified Census Tract	1.150
Area Designated as Difficult to Develop	1.200

(See Attachment 5)

Development Designation (DD):	***Percentage***
All Senior Citizens	1.050
Mixed	1.025
Congregate	1.050
Family	1.000

Development Size (DS):	***Percentage***
50 or More Units	0.900
33 - 49 Units	0.950
17 - 32 Units	1.000
16 or Less Units	1.050

N O T E

IF THE DEVELOPMENT'S COST PER UNIT

EXCEEDS THE CALCULATED MAXIMUM

COST PER UNIT, JUSTIFICATION MUST BE

PROVIDED BY AN ARCHITECT OR ENGINEER.

OTHERWISE, THE DEVELOPMENT WILL NOT

BE GIVEN CONSIDERATION AS TO ITS

FEASIBILITY FOR TAX CREDITS.

MAXIMUM ADMINISTRATIVE EXPENSES (MAE) PER UNIT

In developing the maximum administrative expense per unit standard, the Corporation examined statistical cost data on completed Tax Credit developments to determine the applicable administrative management fees to be charged to a development. This information was used by the Corporation to develop a formula for calculating the maximum administrative expenses per unit (Annual Operating Expense).

If the Corporation receives an application for the award of Tax Credits to a development with maximum administrative expenses per unit cost in excess of the established limits for an area, all factors that contributed to the excess administrative per unit cost such as exceptionally high real estate taxes, insurance costs, maintenance reserves, or replacement reserves, are required to be disclosed and fully explained in the justification for the application. Justification regarding excessive maximum expense per unit should be provided by a certified public accountant. Credits will be awarded to such developments only if the review reveals that the additional expenses are justifiable and reasonable under the circumstances and can be attributed to unique development requirements which are consistent with the housing needs and priorities identified herein. The Corporation will consider developments meeting this criteria on a "case by case" basis. The Corporation shall have the sole authority in determining review of **"case by case"** developments.

The Corporation will consider on a **"case by case"** basis the maximum annual operating expenses of developments having (i) significant amenities, (ii) significant provision(s) for social services, and (iii) significant costs related to local market conditions (i.e. real estate taxes, utility costs, requirement of security, etc.).

In addition to a maximum expense per unit, the Corporation will require a minimum expense per unit of $2,700. If a development fails to meet the minimum expense per unit, the development will not be considered financially feasible for an allocation of tax credits.

Determining Maximum Administrative Expenses (MAE) Per Unit Formula:
>>>>($DB) X (DD) X (DS) X (MD) = MAE

ANNUAL OPERATING EXPENSES

Development Base (DB):
(Includes Section 8 - Family, All Elderly/Handicapped, All Family/ Non-Elderly)

Jackson Metropolitan Area $4,000.00

All Other Areas……...$3,500.00

Development Designation (DD):	***Percentage***
All Senior Citizens	0.900
Mixed	0.950
Congregate	1.000
Family	1.050

Development Size (DS):	***Percentage***
50 or More Units	0.900
33 - 49 Units	0.950
17 - 32 Units	1.000
16 or Less Units	1.050

Management Difficulty (MD):	***Percentage***
Full Profit	0.900
515 / Market Rate	0.950
Split RA	1.000
100% RA / Split Section 8	1.050
100% Section 8 / 515	1.100

N O T E

IF THE DEVELOPMENT'S EXPENSE PER UNIT EXCEEDS THE CALCULATED MAXIMUM ADMINISTRATIVE EXPENSE PER UNIT, JUSTIFICATION MUST BE PROVIDED BY A CERTIFIED PUBLIC ACCOUNTANT.

THE MINIMUM EXPENSE PER UNIT MUST BE MAINTAINED IN CALCULATING FINANCIAL FEASIBILITY THROUGHOUT THE ENTIRE FEASIBILITY PERIOD; OTHERWISE, THE DEVELOPMENT WILL NOT BE GIVEN CONSIDERATION AS TO ITS FEASIBILITY FOR TAX CREDITS.

DEVELOPER FEES

The Corporation will allow a base fee of fifteen percent (15%) of the development's construction costs, including builder's profit, for developer's fees, which includes developer's overhead and consultant fees. This base fee may be increased dependent upon a development meeting the following criteria:

- Development size - The smaller the development size, the higher the fee would be as a percentage of development costs.

- Development characteristics - Certain developments may be allowed higher developer fees as an incentive to produce hard-to-develop or socially desirable developments, such as homeless housing, single room occupancy housing, and scattered site developments.

- Development location - Higher developer fees may be allowed for developments developed in difficult-to-develop areas.

The developer's fee is intended to compensate for staff time, entrepreneurial effort and risk involved in development of the development including payments or fees paid to the developer, overhead, and profit. In reviewing applications for financial feasibility, the Corporation does not anticipate allowing developer fees to exceed that percentage and must, in any event, give priority to those developments with the lowest intermediary costs.

A developer may defer a portion of their developer's fee in an effort to satisfy an additional equity requirement. If a developer elects to defer any portion of the developer's fee, a Developer's Note outlining the terms and conditions of the deferred portion must accompany the application. Prior to receiving Forms 8609, a revised Developer's Note, along with a statement of authorization from the participating syndicator indicating the deferred portion is acceptable and is allowable in eligible basis, must be submitted.

Determining Maximum Developer Profit Percentage % (MDPP) Formula
>>>>BASE (15%) X (DS) X (DL)(1) X (DL)(2) X (DL)(3) = MDPP

Development Size (DS):	***Percentage***
33 or More Units	1.000
17 - 32 Units	1.100
16 or Less Units	1.200

Development Location (DL)(1):	***Percentage***
Below 4% housing with selected conditions	1.000
4-5.9% housing with selected conditions	1.050
6-7.9% housing with selected conditions	1.100
(See pages 21-22 of QAP)	

Development Location (DL)(2):	***Percentage***
% Of Renter Household Income <$10,000>40%	1.100
(See Attachment 6)	

Development Location (DL)(3):	***Percentage***
Qualified Census Tract	1.150
Area Designated as Difficult to Develop	1.200
(See Attachment 5)	

CONSULTANT FEES

The Corporation has determined that there is no uniform definition or treatment of "consultant fee" among the State Allocating Agencies. Additionally, there is evidence that the total amount of consultant fees is particularly high in developments with nonprofit sponsors and developers, leading to higher per unit costs for those developments.

The Corporation has determined that for allocation purposes the definition of consultant fees include the following:

- Those professional fees (such as for architects and engineers), which would be reimbursable through the Tax Credit.

- Excludes costs properly allocated to and payable by the syndicator (such as SEC registration and sales commissions), and

- Consultant fees, other than the professional fees set forth above are permitted only within the developer fee limit.

The Corporation makes no distinctions between for-profit and nonprofit developers for the purposes of determining the appropriate level of consultant fees.

LIMITS ON BUILDER OR GENERAL CONTRACTOR CHARGES

The Corporation is also including in this allocation plan limits on builder or general contractor charges. The Allocation Plan includes limits as follows:

- Builder's profit - six percent (6%) of construction costs;
- Builder's overhead - two percent (2%) of construction costs; and,
- General requirements - six percent (6%) of construction costs.

Amounts in excess of the subject limits will be considered excessive.

UNDERWRITING OF TAX CREDIT APPLICATIONS

In January 1996, the Corporation modified its standards for underwriting criteria for applications requesting Tax Credits under the Qualified Allocation Plan. The modified standards include the following:

Maximum Supportable Mortgage (During the 15 year compliance period):

A development whose fifteen (15) year average net cash flow exceeds the debt service beyond the acceptable range of 1:1.15 to 1:1.30 must, at the time of reservation, either:

i. Obtain a higher permanent mortgage supported by a debt service coverage within the acceptable range, or

ii. Reduce the rents that would be charged to the tenants.

A development is not considered feasible for tax credits if the average debt service coverage ratio does not fall within the acceptable range. The minimum debt service ratio will be enforced.

Native American Housing Assistance and Self-Determination Act (NAHASDA): The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) assistance is not taken into account in determining whether a building is federally subsidized for purposes of tax credits. Such buildings may qualify for up to nine percent (9%) credits provided that deeper targeting rules consistent with special targeting for HOME financed developments are followed.

LIMITATIONS

The Tax Reform Act of 1986 charges the Corporation to allocate only that amount of tax credits to a development as required to make the development economically feasible. The Corporation's determination is made solely at its discretion and in no way constitutes a representation or warranty, expressed or implied, to any sponsor, lender, investor, or third party as to the feasibility of a given development. By allocating tax credits to a development, the Corporation makes no representation or warranty, expressed or implied, to the development owner, investors, lender, or third party that its allocation constitutes a determination that the development adheres to requirements of the Internal Revenue Code, relevant Treasury regulations, or any other laws or requirements governing the tax credit program.

The Corporation will be entitled to amend the Qualified Allocation Plan and its Housing Tax Credit Program as required by the promulgation or amendment of the Regulations and to meet the public purpose policies of the Corporation, from time to time. Such amendment is expressly permitted by the Qualified Allocation Plan, and the making of such amendment will not require further public hearings.

The Corporation will develop a Compliance Monitoring Plan in accordance with the Qualified Allocation Plan for compliance and monitoring of developments having received an allocation of Housing Tax Credits.

No Corporation member, employee, or agent shall be personally liable with respect to any matter or matters arising out of, or in relation to, the Tax Credit Program.

IDENTITY OF INTEREST

The Corporation will require in its Tax Credit application that a developer identify the existence of an identity of interest with another party to the development and take such identity of interest into consideration in determining maximum fees. Identity of interest must be disclosed whether the interest is indicated between the buyer/seller and/or developer/builder. Where there is an identity of interest between the buyer and seller, the sale must be an "arms length" transaction with acquisition costs supported by a certified appraisal. Where there is an identity of interest between the developer and builder, profit cannot exceed the greater of the maximum developer's profit and builder's combined.

DESIGN QUALITY STANDARDS

I. Building Design Criteria

A. All one hundred percent (100%) special needs developments must be one-story structures. Exception: Developments may have more than one story, provided elevators are to be installed servicing all upper level apartments. Design exceptions, or deviations, may be reviewed by MHC on an individual basis.

B. Exterior Standards
1. Exterior lighting is required at entry doors.
2. Address numbers are to be clearly visible.
3. Two (2) parking spaces per living unit required for family units, one space per unit for elderly units.
4. Flashing is to be installed above all exterior door and window units.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance.
6. Sidewalk access to all parking spaces must be provided.
7. A development sign including the fair housing logo is required.
8. A minimum of one (1) enclosed trash dumpster or compactor is required.

C. Interior Building and Space Standards
1. Insulation Requirements:
   a. Exterior wall insulation should have an overall R-11 minimum for the entire wall assembly.
   b. Roof or attic insulation should have an R-30 minimum.
   c. Vapor retarders must be installed if recommended by development architect.

2. Kitchen Spaces
   a. 7-inch deep double bowl stainless steel sinks are required in each unit.
   b. Each unit must be equipped with a dry chemical fire extinguisher readily visible in the kitchen.
   c. New cabinets should have dual sidetrack drawers constructed with a minimum laminated particle board fronts for doors or drawer fronts.
   d. A pantry is required in each unit.
   e. Fluorescent lighting is required.

3. Hallways should have a minimum width of 36 inches.

4. Window treatments (mini-blinds) are required for all windows.

5. Sliding glass doors are prohibited.

6. A minimum of two (2) hard-wired smoke detectors with battery back-up is required per unit.

7. Plumbing and Mechanical Equipment
   a. Water heaters should be placed in drain pans with drain piping plumbed to the outside.
   b. All water piping located on exterior walls and in attic space should be insulated. Water and sanitary waste lines should be located in interior walls or stubbed up through the floor.
   c. Through-wall HVAC units are not permitted except in efficiency units or in offices. However, single package heat pump forced air units are acceptable in all units.
   d. HVAC units and water heaters are not permitted in attic spaces. Units must be placed in mechanical closets.
   e. HVAC refrigeration lines shall be insulated.
   f. All developments must install central air and heating units.

II Drawing Submission Criteria

A. Site Plan: The following items should be shown
   1. Scale: 1 inch = 40 feet or larger for typical units.
   2. North arrow.
   3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
   4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands and flood plain with zone clearly identified, if applicable.
   5. All proposed changes and proposed buildings, parking, utilities and landscaping.
   6. Statement from a licensed architect or engineer stating that the proposed land is topographically suitable.
   7. Finished floor height elevations and all new paving dimensions and elevations.
   8. Identification of all specialty apartment units, including but not limited to, designated handicapped accessible and sensory impaired apartment units.
   9. Existing and proposed topography site (To be submitted at reservation stage).
   10. Site accessibility design requirements (To be submitted with carryover allocation documentation).

B. Floor Plans:
   1. Scale: 1/4 inch = 1 foot or larger for typical units.
   2. For developments requiring renovation and/or demolition of existing structures, show proposed changes to building components and design, identifying removal and new construction methods.
   3. Show room/space layout, identifying each room/space with name and finished space size.

4. Indicate the total gross square foot size, and the net square foot size for each typical unit (This information can be attached to floor plans).

5. For developments involving removal of asbestos and/or lead paint, identify location, procedures for removal and contractor.

C. Elevations and sections for new construction:
   1. Scale: 1/8 inch = 1 foot or larger.
   2. Identify all materials to be used on building exteriors and foundations.

Any deviations from these standards should have the prior written consent or approval of the Mississippi Home Corporation (MHC).

All developments must be designed in accordance with the applicable requirements of the Americans with Disabilities Act, section 504 Requirements, Fair Housing and any local building codes.

COMPLIANCE MONITORING PLAN SUMMARY

GENERAL

The Income Tax regulations (26 CFR part 1) under Section 42, as amended of the Internal Revenue Code of 1986 which was amended and renumbered by the Revenue Reconciliation Act of 1990, is effective on January 1, 1992, which was amended, effective January 1, 2001, and applies to all buildings placed in service for which the low-income housing credit determined under Section 42, as amended is, or has been, allowable at any time.

Section 42, as amended provides for a housing tax credit that may be claimed as part of the general business credit under Section 38. The credit determined under Section 42, as amended is allowable only to the extent the owner of a qualified low-income building receives a housing credit allocation from a State or local housing credit agency ("Agency"), unless the building is exempt from the allocation requirement by reason of Section 42 (h)(4)(B), as amended. Under Section 42, as amended, the housing credit dollar amount for any building is zero unless the amount was allocated pursuant to a qualified allocation plan of the Agency. Similarly, under Section 42, as amended, the housing credit dollar amount for any development qualifying under Section 42 (h)(4), as amended is zero unless the development satisfies the requirements for allocation of a housing credit dollar amount under the qualified allocation plan of the Agency. Under Section 42, as amended, an allocation plan is not qualified unless it contains a procedure that the Agency (or an agent of, or private contractor hired by, the Agency) will follow in monitoring compliance with the provisions of Section 42, as amended and notifying the Internal Revenue Service of any noncompliance of which the Agency becomes aware.

MONITORING PROCEDURES

Record-keeping and Record Retention

The owner of a Housing Tax Credit (HTC) development must be required to keep records for each building in the development showing:

a. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential unit),

b. The percentage of residential rental units in the building that are low-income units, the rent charged on each residential rental unit in the building (including any utility allowance),

c. The number of occupants in each low-income unit, but only if the rent is determined by the number of occupants in each unit under Section 42 (g)(2), as amended (as in effect before the amendments made by the Revenue Reconciliation Act of 1989),

d. The low-income vacancies in the building and information that shows when, and to whom, the next available units were rented,

e. The annual income certification of each low-income tenant per unit,

f. Documentation to support each low-income tenant's income certification,

g. The eligible basis and qualified basis of the building at the end of the first year of the credit period, and

h. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d), as amended (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the development).

The owner of a Housing Tax Credit (HTC) development is required to keep records of the information described above for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

Certification and Review

The owner of a Housing Tax Credit (HTC) development is required to certify annually to the Corporation that, for the preceding 12-month period the development meets either (a) the 20-50 test under Section 42 (g)(1)(A), as amended, (b) the 40-60 test under Section 42(g)(1)(B), as amended, or (c) the 25-60 test under Section 42(g)(4) of the Code, whichever minimum set a side test is applicable to the development. Owners of "deep rent skewed developments" must also demonstrate that the development satisfies the minimum requirements of the 15-40 test under Sections 42(g)(4) and 142(d)(4)(8) of the Code.

In addition, the owner is required to certify that:

a. There was no change in the applicable fraction (as defined in Section 42 (c)(1)(B), as amended of any building in the development, or that there was a change, and a description of the change.

b. The owner has received an annual income certification from each low-income tenant, and documentation to support that certification.

c. Each low-income unit in the development was rent-restricted under Section 42 (g)(2), as amended, all units in the development were for use by the general public and used on a

non-transient basis (except for transitional housing for the homeless provided under Section 42 (i) (3) (B) (iii), as amended.

d. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes.

e. There was no change in the eligible basis (as defined in Section 42 (d) of any building in the development, or if there was a change, the nature of the change.

f. All tenant facilities included in the eligible basis under Section 42 (d), as amended of any building in the development, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building.

g. If a low-income unit in the development became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the development were or will be rented to tenants not having a qualifying income.

h. If the income of tenants of a low-income unit in the development increased above the limit allowed in Section 42 (g) (2) (D) (ii), as amended, the next available unit of comparable or smaller size in the development was or will be rented to tenants having a qualifying income, and an extended low-income housing commitment as described in Section 42 (h)(6), as amended was in effect (for buildings subject to section 7108(c)(1) of the Revenue Reconciliation Act of 1989).

i. For the preceding 12-month period the state or local government unit responsible for making building code inspections did not issue a report of a violation for the property. If the governmental unit issued a report of a violation, the owner is required to attach a copy of the report of the violation to the annual certification submitted to the Corporation. The owner must state on the certification whether the violation has been corrected. Retention of the original violation report is not required once the Corporation reviews the violation and completes its inspection, unless the violation remains uncorrected.

j. Has not refused to lease a unit in the development to a Section 8 applicant because the applicant holds a Section 8 voucher or certificate.

k. No finding of discrimination under the Fair Housing Act has occurred for the development (a finding of discrimination includes adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a Federal court).

These certifications for a building are required at least through the end of the building's fifteen (15) year compliance period.

Note: Certification will be required of developments that have begun operating in its Extended Use Period.

Beyond requiring these annual certifications, the Corporation will review certain records kept by the housing development owners. In addition to reviewing these certifications, the Corporation will at least once every three (3) years conduct on-site inspections of all buildings in each affordable housing development and for each resident in at least twenty percent (20%) of a development's affordable units, at a minimum, review the tenant income certification, the documentation supporting such certification, and the rent record for these units. In addition, on-site inspections must be conducted by the Corporation for all buildings placed in service in a development after January 1, 2001 by the end of the second calendar year following the year the last building in the property is placed in service. The affordable housing developments to be inspected will be chosen in a manner that will not give owners advance notice that their records for a particular year will or will not be inspected. At its sole option, the Corporation may give an owner reasonable notice that an inspection will occur so that the owner may assemble the appropriate records.

Inspection

The Corporation has the right to perform an on-site inspection of any housing development at least through the end of the compliance period, including any extended use period, of the buildings in the development. This inspection provision of this exists in addition to any review of low-income certifications, supporting documents, and rent records.

The inspection will allow the Corporation to determine if a housing tax credit unit is suitable for occupancy. Inspection standards to be used are intended to ensure that the housing is decent, safe, sanitary, and in good repair. Irrespective of the physical inspection standards selected by the Corporation, an affordable housing development under Section 42 must continue to satisfy local health, safety, and building codes.

A building is exempt from the physical inspection requirement if it is financed by Rural Development (RD) under the section 515 program, RD inspects the building (under 7 CFR part 1930 (c)) and RD and the Corporation enter into a memorandum of understanding, or other similar agreement, under which RD agrees to notify the Corporation of the inspection results. The Corporation reserves the right to perform physical inspections in lieu of accepting RD inspections results.

Notification

The Corporation will notify the owner of a housing tax credit development in writing as soon as possible, generally within 45 days of the deadline date, if the Corporation does not receive the required certification, or if the Corporation discovers on inspection, or review, or in some other manner, that the development is not in compliance with the provisions of Section 42, as amended, of the Code.

The owner will have an opportunity to supply a missing certification or to correct noncompliance within the correction period as defined by the Corporation, beginning on the date of the Corporation's notice. The Corporation may grant extensions of up to six (6) months, if the extension is based on a determination by the Corporation that there is good cause for granting the extension.

The Corporation will notify the Internal Revenue Service of an owner's noncompliance or failure to certify no later than forty-five (45) days after the end of the allowed time for correction, whether or not the noncompliance or failure to certify is corrected. The Corporation will notify the Internal Revenue Service by filing Form 8823, Housing Credit Agencies Report of Noncompliance. The Corporation will explain on Form 8823 the nature of the noncompliance or failure to certify and state whether the owner has corrected the noncompliance or failure to certify.

If a building goes entirely out of compliance with Section 42, as amended, of the Code, so that no credit is allowable for the building for the taxable year or in any future taxable year during the compliance period, the Corporation will not file Form 8823 for the building unless the Corporation reports on the form that the building is entirely out of compliance and will not be in compliance in the future.

POST YEAR 15 COMPLIANCE MONITORING PLAN

Separate compliance monitoring requirements are included for tax credit developments entering their extended low-income use period after the completion of their initial 15-year compliance period. This will be evidenced by a signed Declaration of Land Use Restrictive Covenant agreement executed between the Corporation and the owner.

CORPORATION DELEGATION OF MONITORING FUNCTIONS

The Corporation may retain an agent or other private contractor to perform compliance monitoring. In this event, the agent or other private contractor may be delegated the functions of the Corporation to monitor compliance, except for the responsibility of filing Form 8823.

MONITORING FEES

Under current monitoring regulations and guidance, the Corporation will charge monitoring fees to all developments. The Corporation may require additional monitoring charges if subsequent guidance or regulations warrant changes to the Corporation's monitoring procedures. For developments receiving tax credits before 2004 no additional fees beyond the initial fee for the first year's allocation and monitoring fees is required for compliance monitoring. This fee is non-refundable and must be provided to the Corporation in the form of certified funds or a cashier's check.

The owner of a development in noncompliance will be responsible for reimbursing the Corporation for all expenses incurred. Expenses for conducting additional on-site inspections will include but are not limited to:

a. The standard mileage rate in effect at the time of the reinspection,

b. Any overnight expenses,

c. A meal allowance of $25.00 per day, and

d. A charge of $55.00 per hour to review tenant files.

e. The Corporation will also charge fifty-five dollars ($55.00) per hour with a fifty-five dollar ($55.00) minimum to review documents forwarded to the Corporation to correct noncompliance. Any additional expenses incurred by the Corporation as it relates to an owner's noncompliance shall be the responsibility of the owner.

f. The Corporation will also assess a late fee of $100.00 per day per development for every day annual certifications are past due beyond July 1, 2005.

g. The compliance division will assess a $15.00 per low-income unit fee to cover staff costs to monitor tax credit developments during the extended low-income use period (15 or more years after the end of the compliance period). This fee will be due on the same date as the Annual Owner Certification package, July 1st. This fee is applicable only for properties that have executed an extended use agreement (Declaration of Land Use Restrictive Covenant) with the Corporation. Compliance monitoring requirements for tax credit developments entering their extended low-income use period are explained in the section entitled "Post Year 15 Compliance Monitoring Plan."

LIABILITY

Compliance with the requirements of Section 42, as amended, of the Code is the responsibility of the owner of the building for which the credit is allowable. The Corporation's obligation to monitor for compliance with the requirements of Section 42, as amended, of the Code does not make the Corporation liable for an owner's noncompliance.

EFFECTIVE DATE

The requirement of Section 42(m)(1)(B)(iii) that allocation plans contain a procedure for monitoring for non-compliance becomes effective on January 1, 1992, and applies to buildings for which a low-income housing credit is, or has been allowable at any time.

However, if an agency becomes aware of noncompliance that occurred prior to January 1, 1992, the Agency is required to notify the Internal Revenue Service.

In addition, the requirements involving tenant file reviews and physical inspections of existing developments and the physical inspection standard are applicable January 1, 2001.

FAIR HOUSING ACCESSIBILITY REQUIREMENTS

Purpose

In 1988, Congress passed the Fair Housing Amendments Act as a supplement to Title VIII of the Civil Rights Act of 1968, commonly known as the Fair Housing Act. The Amendments expand coverage of Title VIII to prohibit discriminatory housing practices based on disability and familial status. The Fair Housing Act establishes design and construction requirements for multifamily housing built for first occupancy after March 13, 1991. The law provides that failure to design and construct certain multifamily dwellings to include certain features of accessible design will be regarded as unlawful discrimination.

The design and construction requirements of the Fair Housing Act apply to all new multifamily housing consisting of four or more dwelling units. Such buildings must meet specific design requirements so public and common use spaces and facilities are accessible to people with disabilities. In addition, the interior of dwelling units covered by the Fair Housing Act must be designed so they too meet certain accessibility requirements.

The Fair Housing Act's purpose is to place modest accessibility requirements on covered multifamily dwellings incorporated into the design of new buildings, resulting in features, which do not look unusual and will not add significant additional costs. Housing designed in accordance with the Fair Housing Act will have accessible entrances, wider doors and provisions to allow for easy installation of grab bars around toilets and bathtubs.

Enforcement Agency

The U.S. Department of Housing and Urban Development (HUD) is the federal enforcement agency for compliance with the Fair Housing Act. Designers and builders were guided by the requirements of the ANSI A117.1-1986 American National Standard for Buildings and Facilities - Providing Accessibility and Usability for Physically Handicapped People until March 6, 1991. The Fair Housing Accessibility Guidelines were published on this date (56 Federal Register 9472-9515, 24 CFR Chapter I, Subchapter A, Appendix II and III). The Guidelines provide technical guidance on designing dwelling units as required by the Fair Housing Act. These Guidelines are not mandatory, but are intended to provide a safe harbor for compliance with the accessibility requirements of the Fair Housing Act.

The Guidelines published on March 6, 1991, remain unchanged. However, on June 28, 1994, HUD published a supplemental notice to the Guidelines, "Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers About the Guidelines." This supplemental notice reproduces questions that have been most frequently asked by members of the public, and HUD's answers to those questions.

Under the Fair Housing Act, HUD is not required to review builders' plans or issue a certification of compliance with the Fair Housing Act. The burden of compliance rests with the persons or persons who design and construct covered multifamily dwellings. HUD or an individual who thinks he or she may have been discriminated against may file a complaint against the building owner, the architect, the contractor, and any other persons involved in the design and construction of the building.

Laws and Codes That Mandate Accessibility

Over the past two and a half decades, several statutes have been enacted at various levels of government that ensure nondiscrimination against people with disabilities, both in the design of the built environment and in the manner that programs are conducted. Certain dwellings as well as certain public and common use areas may be covered by several of the laws listed below. A brief synopsis of the landmark legislation follows to show where the Fair Housing Act fits into the overall history of accessibility legislation.

The Architectural Barriers Act (1968)

This Acts stipulates that all buildings, other than privately owned residential facilities, constructed by or on behalf of, or leased by the United States must be physically accessible for people with disabilities. The Uniform Federal Accessibility Standards (UFAS) is the applicable standard.

Section 504 of The Rehabilitation Act (1973)

Under Section 504 of the Rehabilitation Act of 1973 as amended, no otherwise qualified individual with a disability may be discriminated against in any program or activity receiving federal financial assistance. The purpose of Section 504 is to eliminate discriminatory behavior toward people with disabilities and to provide physical accessibility, thus ensuring that people with disabilities will have the same opportunities in federally funded programs as do people without disabilities.

Program accessibility may be achieved by modifying an existing facility or by moving the program to an accessible location, or by making other accommodations, including construction of new buildings. HUD's final regulation for Section 504 may be found at 24 CFR Part 8. Generally, the UFAS is the design standard for providing physical accessibility, although other standards which provide equivalent or greater accessibility may be used.

The Fair Housing Act of 1968, as Amended

The Fair Housing Act provides equal opportunities for people in the housing market regardless of disability, race, color, sex, religion, familial status or national origin, regardless or whether the housing is publicly funded or not. This includes the sale, rental, and financing of housing, as well as the physical design of newly constructed multifamily housing.

The Americans With Disabilities Act (1990)

The Americans with Disabilities Act (ADA) is a broad civil rights law guaranteeing equal opportunity for individuals with disabilities in employment, public accommodations, transportation, state and local government services, and telecommunications. Title II of the ADA applies to all programs, services, and activities provided or made available by public entities. With respect to housing, this includes, for example, public housing and housing provided for state colleges and universities.

State and Local Codes

All states and many cities and counties have developed their own building codes for accessibility, usually based in whole or in part on the specifications contained in the major national standards such as ANSI and UFAS. Many states also have nondiscrimination and fair housing laws similar to the Fair Housing Act and the Americans with Disabilities Act.

When local codes differ from the national standard, either in scope or technical specification, the general rule is that the more stringent requirement should be followed. Many states also have provisions that a certain percentage (often 5%) of new multifamily housing must meet more stringent physical accessibility requirements than required under the Fair Housing Act. In such cases, both the state mandated percentage of accessible units must be provided and all dwellings covered by the Fair Housing Act must meet the Guidelines.

General Provisions of The Fair Housing Act

The Fair Housing Act covers most types of housing. In some circumstances it exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

The broad objective of the Fair Housing Act is to prohibit discrimination in housing because of a person's race, color, national origin, religion, sex, familial status, or disability. The Fair Housing Act includes two important provisions: one, a provision making it unlawful to refuse to make reasonable accommodations in rules, policies, practices, and services when necessary to allow the resident with a disability equal opportunity to use the property and its amenities; and two, a provision making it unlawful to refuse to permit residents with disabilities to make reasonable modifications to either their dwelling unit or to the public and common use areas, at the residents' cost.

Reasonable Accommodations

In buildings with a "no pets" rule, that rule must be waived for a person with a visual impairment who uses a service dog, or for other persons who uses a service dog, or for other persons who use service animals. In buildings that provide parking spaces for residents on a "first come, first served" basis, reserved parking spaces must be provided if requested by a resident with a disability who may need them.

Reasonable Modifications

When a resident wishes to modify a dwelling unit under the reasonable modification provisions of the Fair Housing Act, the resident may do so. The landlord/manager may require that the modifications be completed in a professional manner under the applicable building codes, and may also require that the resident agree to restore the interior of the dwelling to the condition that existed before the modification, reasonable wear and tear excepted.

Landlords may not require that modifications be restored that would be unreasonable, i.e., modifications that no way affect the next resident's enjoyment of the premises. For example, if a resident who uses a wheelchair finds that the bathroom door in the dwelling unit is too narrow to allow his or her wheelchair to pass, the landlord must give permission for the door to be widened, at the resident's expense. The landlord may not require the doorway be narrowed at the end of the resident's tenancy because the wider doorway will not interfere with the next resident's use of the dwelling.

Residents also may make modifications to the public and common use spaces. For instance, in an existing development it would be considered reasonable for a resident who uses a wheelchair to have a ramp built to gain access to an on-site laundry facility. If a resident cannot afford such a modification, the resident may ask a friend to do his or her laundry in the laundry room, and the landlord must waive any rule that prohibits nonresidents from gaining access to the laundry room.

The Scope of the Design and Construction Requirements of The Fair Housing Act

The accessibility requirements of the Fair Housing Act are intended to provide usable housing for persons with disabilities without necessarily being significantly different from conventional housing. The Fair Housing Act specifies certain features of accessible design and certain features of adaptable design.

Adaptable Dwelling Units

Covered dwelling units that meet the design requirements of the Guidelines are sometimes referred to as "adaptable dwelling units" or units that meet "certain features of accessible design." The Guidelines incorporate accessibility features that are both accessible and adaptable. Accessible elements and spaces are those whose design allows them to be used by the greatest numbers of users without being modified. For example, the requirement within the covered dwelling unit for "usable" doors, with a nominal clear opening of 32 inches, ensures that dwelling unit doors are not too narrow or impassable for any resident.

Adaptable/adjustable elements and spaces are those with a design which allows them to be adapted or adjusted to accommodate the needs of different people. The Fair Housing Act incorporates the adaptable/adjustable concept in bathroom walls by requiring that they contain reinforced areas to allow for later installation of grab bars without the need for major structural work on the walls.

Dwellings Covered by the Design Requirements

The design requirements apply to buildings built for first occupancy after March 13, 1991, which fall under the definition of "covered multifamily dwellings." Covered multifamily dwellings are:

1. All dwelling units in buildings containing four or more dwelling units if such buildings have one or more elevators, and

2. All ground floor dwelling units in other buildings containing four or more units.

To be a covered unit, all of the finished living space must be on the same floor, that is, be a single-story unit, such as single-story townhouses, villas, or patio apartments. Multistory dwelling units are not covered by the Guidelines except when they are located in buildings which have one or more elevators, in which case, the primary entry level is covered.

SOURCE: Fair Housing Act Design Manual, designed and developed by Barrier Free Environments, Inc., Raleigh, North Carolina for The U.S. Department of Housing and Urban Development Office of Fair Housing and Equal Opportunity and the Office of Housing, August 1996.