

**MONTANA BOARD OF HOUSING**

**LOW INCOME HOUSING TAX CREDIT  
PROGRAM**

**2014 QUALIFIED ALLOCATION PLAN  
(QAP)**

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**MONTANA BOARD OF HOUSING**  
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# Table of Contents

SECTION 1 - INTRODUCTION .....	1
Projects with tax-exempt financing under the volume limitation of private activity bonds may be eligible to receive tax credits outside the state's tax credit allocation volume cap. See specific requirements in Tax Exempt Bond Financed Projects discussion in Section 3, .2	
New Construction or Substantial Rehabilitation.....	3
Acquisition and Substantial Rehabilitation.....	3
Eventual Home Ownership.....	3
Federally Subsidized Buildings .....	3
Qualifying Buildings .....	3
Election.....	4
Rent Limitation.....	4
Tenant paid rent + Utility Allowance + Mandatory Fees equals the Gross Rent.....	4
Basis .....	4
Eligible Basis .....	4
Qualified Basis.....	4
Credit Calculations .....	5
Allocation of Credit.....	5
Need for Allocation .....	5
Allocation Applies Throughout Credit Period.....	5
Time for Obtaining Allocation – Carryover Provision.....	5
Carryover Provision .....	5
Compliance Period.....	5
SECTION 3 - MONTANA SPECIFIC REQUIREMENTS .....	6
Eligible Applicants.....	6
Tax Credit Proceeds.....	6
Development Cost Limitations.....	6
Per-Unit Costs/Cost Per Square Foot .....	6
Caution Regarding Per Unit Cost Level .....	7
Contractor Overhead.....	7
General Requirements .....	7
Contractor Profit and Developer Fees.....	7
Contractor profit .....	7
Developer fees .....	7
Disclosure of Transactions Involving Identities of Interest.....	8
Underwriting Assumptions and Limitations .....	8

Operating Expenses .....	8
Debt Coverage Ratios.....	8
Operating Reserves .....	8
Replacement Reserves .....	8
Utility Allowances .....	9
Project Accessibility Requirements .....	9
Energy and Green Building Initiatives and Goals.....	9
Integrated Design Process and Community Connectivity.....	9
Sustainable Site, Location and Design.....	9
Energy and Water Conservation.....	10
Material and Resource Efficiency.....	10
Healthy Living Environments (Indoor Environmental Quality) .....	10
Substantial Rehabilitation.....	10
Tax Exempt Bond Financed Projects.....	10
Eventual Homeownership.....	10
130% Basis Boost .....	11
Basis Boost for QCT and DDA Projects .....	11
Basis Boost for Non-QCT/DDA Projects .....	11
Non-Housing Amenities.....	11
Accountant and Owner Certification.....	11
Rural Development Projects .....	12
Information Request and Release Policy .....	12
General Program Information.....	12
Request Procedure.....	12
Policy on Confidentiality and Disclosure of Information.....	12
Compliance File Policy.....	13
Individual Loan Files .....	13
Ex Parte Communication Policy.....	14
SECTION 4 - APPLICATION CYCLE .....	14
Carryover Commitment.....	15
MBOH will issue a Carryover Commitment in December of the year for which the credits are bring awarded and such carryover will be for a period of two (2) years. To preserve this commitment the owner/developer must submit the 10% cost certification by the deadline. ....	15
SECTION 5 - FEE SCHEDULE.....	16
Full Application: .....	16

Requesting additional credits after initial allocation:.....	16
Compliance Fees .....	16
SECTION 6 - MAXIMUM AWARDS .....	16
SECTION 7 – SET ASIDES .....	17
Non-profit .....	17
Small Rural Projects .....	17
SECTION 8 – PRE-APPLICATION AND APPLICATION PROCESS .....	18
Complete and submit the Uniform Application and Tax Credit Supplement, full market study and full application fee by the applicable application deadline (see Section 4 – Application Cycle). Applicants must use the most current form of the Uniform Application and Tax Credit Supplement available on the MBOH website at <a href="http://housing.mt.gov/FAR/housingapps.mcp">http://housing.mt.gov/FAR/housingapps.mcp</a> .....	18
Threshold Requirements .....	19
Application Threshold Requirements .....	19
You are encouraged to submit comments regarding the need for affordable multi-family rental housing in your area to the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528 or FAX (406) 841-2841. Comments will be accepted until 5 PM the Friday before the MBOH Board Award Determination meeting (See application cycles above). ....	21
SECTION 9 – EVALUATION AND AWARD .....	21
Development Evaluation Criteria And Scoring .....	22
1. Extended Low Income Use* (0- 10 points).....	23
2. Lower Income Tenants* (0-22 points).....	23
3. Project Location* (0-3 points).....	23
4. Housing Needs Characteristics* (0-19 points).....	24
5. Project Characteristics* (0-16 points) .....	25
6. Development Team (Sponsor) Characteristics* (0-6 points).....	26
7. Participation of Local Entity (0-5 points).....	26
8. Tenant Populations With Special Housing Needs* (0-10 points).....	26
9. Preservation of Affordable Housing Projects* (0-3 points) .....	27
10. Intermediary Costs (0-10 points).....	27
11. Developer Knowledge and Responsiveness (Up to minus (-) 20 points) .....	28
Reservation Agreement.....	29
MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restrictive Covenants to the partnership for execution and return to MBOH. The partnership should review, complete, sign, and return the Reservation Agreement and Gross Rent Floor Election, along with the additional information and materials required below. A Reservation Agreement is MBOH's conditional commitment to allocate tax credits, subject to evidence of timely progress toward completion of the development acceptable to MBOH, and compliance with federal tax credit requirements. ....	29
Gross Rent Floor Election.....	30

Declaration of Restrictive Covenants.....	30
The Declaration of Restrictive Covenants must be recorded in the county in which the project real property is located. In unusual circumstances, and for good cause shown, MBOH may permit amendments to the Declaration of restrictive Covenants at a subsequent date. ....	31
Carryover Commitment.....	31
10% Test .....	31
Deadline for submission of the required 10% information is the end of the twelfth month following the credit award. Failure to submit certification for 10% documentation will cause forfeiture of awarded, reserved or allocated tax credits for the project. ....	31
Placed in Service.....	31
Final Allocations/8609.....	32
SECTION 11 - DEVELOPER/APPLICANT RESPONSIBILITIES.....	32
Developer/Applicant must proceed according to the timeframe identified in the Implementation Schedule. Adjustments up to 60 days are acceptable. Any changes in the Implementation Schedule greater than 60 days must be submitted in writing with justification to MBOH. Any changes are not reported or not approved may jeopardize the credits. ....	32
State Law Requirements.....	32
Public Notification.....	32
Quarterly Status Reporting.....	33
Changes to Project or Application.....	33
SECTION 12 - COMPLIANCE MONITORING.....	33
For complete LIHTC compliance guidance, refer to the MBOH Program Compliance Manual, available at <a href="http://housing.mt.gov/About/MF/manuals.mcpXCompliance Fees">http://housing.mt.gov/About/MF/manuals.mcpXCompliance Fees</a> .....	33
Recordkeeping, Record Retention and Data Collection.....	34
Recordkeeping.....	34
Records Retention.....	34
Data Collection .....	35
Owner Certification .....	35
Annual Operating Expense Information.....	35
Submission Deadlines .....	35
Review by MBOH staff .....	35
Ownership/Management Changes .....	35
Education Requirements .....	35
Tenant Income Certifications (TIC) .....	36
Frequency and Form .....	36
Student Status Certification .....	36

On-Site Inspections .....	36
Notice To Owner (26 CFR 1.42 (e)(2)) .....	36
Correction Period (26 CFR 1.42 (e)(4)) .....	37
Notice To IRS (26 CFR 1.42 (e)(3)) .....	37
Liability (26 CFR 1.42 (g)) .....	37
Marketing the Project.....	37
SECTION 13 – DISCLAIMER.....	37
MBOH Policy on Non-Discrimination.....	37
Qualified Allocation Plan Revisions .....	38
MBOH Policy on Civil Rights Compliance .....	38

All Exhibits

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## SECTION 1 - INTRODUCTION

The low income housing tax credit is established under Section 42 of the Internal Revenue Code of 1986. The credit is a federal income tax credit for owners of qualifying rental housing which meets certain low income occupancy and rent limitation requirements.

Congress established the Low Income Housing Tax Credit program by enactment the Tax Reform Act of 1986. Montana Board of Housing (MBOH) implemented and began administering the Low Income Housing Tax Credit program in 1987 in the State of Montana. Since then, the program has assisted in providing for the retention, rehabilitation, and construction of rental housing for low income individuals and families for over 6,000 units throughout Montana.

The Omnibus Budget Reconciliation Act of 1989 required the appropriate administering agencies (in this case, MBOH) to allocate credits pursuant to a Qualified Allocation Plan (QAP) which sets forth the priorities, considerations, criteria and process for making allocations to projects in Montana. The Omnibus Budget Reconciliation Act of 1993 provided a permanent extension for the Low Income Housing Tax Credit.

Montana Board of Housing (MBOH) is the state agency that allocates the tax credits for housing located in Montana. The per state resident amount of tax credit allocated annually for housing is limited to \$2.25 with a minimum cap as allocated by IRS, whichever is larger. The current allocation of Tax Credits plus any inflation factor the IRS may calculate is posted to the MBOH website, normally in August or September each year. Montana receives the minimum cap because of its population.

Except for certain buildings substantially financed with tax exempt bonds, an owner must obtain a credit allocation from MBOH before claiming the tax credit.

This QAP is intended to ensure the selection of those developments which best meet the most pressing housing needs of low income people within the State of Montana in accordance with the guidelines and requirements established by the federal government and the requirements, considerations, factors, limitations, criteria and priorities established by the MBOH Board.

At its February 25, 2013 meeting, the MBOH Board considered and approved public notice and distribution of the proposed 2014 Qualified Allocation Plan (QAP). Public notice of the proposed 2014 QAP and the opportunity for public comment was published and distributed on February 27, 2013 with oral comments received at a public hearing March 18, 2013. At its April 22, 2013 meeting in Helena, Montana, after considering written and oral public comment on the proposed 2014 QAP, the MBOH Board approved the proposed 2014 QAP for submission to and approval by the Montana Governor. The Governor of Montana, Steve Bullock, approved the plan as the final 2014 QAP on [REDACTED], 2013.

MBOH annually makes available for reservation and allocation its authorized volume cap of credit authority subject to the provisions of this QAP. <http://housing.mt.gov/About/MF/lihtcallocation.mcp> MBOH evaluates tax credit applications, selects the projects for which tax credits will be reserved, and allocates credits to the selected developments meeting applicable requirements. Federal legislation requires that the administering agency allocate only the amount of credit it determines necessary to the financial feasibility of the development.

Tax credits not awarded during a given round or any unused credits from earlier rounds may, at the discretion of MBOH, be carried forward for the next round of allocation or, as MBOH determines necessary for financial feasibility, be used to increase the amount of tax credits awarded for a project selected for an award of tax credits in a prior round.

Consistent with the foregoing and notwithstanding any other provision of this QAP, all tax credit awards are subject to and conditional upon IRS authorization and allocation of tax credits for the State of Montana.

## **SECTION 2 - OVERVIEW OF LOW INCOME HOUSING TAX CREDITS**

THE FOLLOWING IS A BRIEF SUMMARY OF SOME ELEMENTS OF THE LOW INCOME HOUSING TAX CREDIT AND IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THERE ARE NUMEROUS TECHNICAL RULES GOVERNING A BUILDING'S QUALIFICATION FOR THE TAX CREDIT, THE AMOUNT OF THE TAX CREDIT, AND AN OWNER'S ABILITY TO USE THE CREDIT TO OFFSET FEDERAL INCOME TAXES. ANYONE CONSIDERING APPLYING FOR TAX CREDITS SHOULD REFER TO SECTION 42 OF THE UNITED STATES INTERNAL REVENUE CODE (26 U.S.C. § 42). DEVELOPERS OR OWNERS INTERESTED IN APPLYING FOR A CREDIT ALLOCATION SHOULD CONSULT THEIR OWN TAX ACCOUNTANT OR ATTORNEY IN PLANNING A SPECIFIC TRANSACTION.

Low Income Housing Tax Credits (LIHTC) are awarded by the State of Montana through MBOH to applicants based on the information submitted in or in connection with applications, other information obtained by MBOH staff as provided in this QAP, and justification with support documentation supplied by the applicants. At or before the time an application is made, the applicant must solicit an investor who will purchase the tax credits, if awarded.

The tax credits are awarded each year for a ten-year period. Hypothetically, a project awarded \$100,000 in tax credits is essentially awarded \$1,000,000 ( $\$100,000 \times 10$  years) for the ten-year period. When an investor purchases the credits, the money from the purchase is infused into the financing for the building of the project. The investor purchases the tax credits, for example, \$ .75 on the dollar ( $\$100,000 \times \$ .75 \times 10$  years) equating to \$750,000. Typically, the investor pays at a range of \$ .70 to \$.90 on the dollar. This money directly reduces the amount of dollars financed in a project, thereby the amount each tenant must pay (Low Income) as well as assuring that the project cash flows.

The investor, through a limited liability partnership (LLP) or a limited partnership (LP), must be a 99.99% owner of the project for fifteen years during which the investor declares \$100,000 each year for ten years as credit on the investor's income tax. Generally, once fifteen years have passed, the project is sold back to the applicant (the .01% partner) for a negotiated amount and the ownership is transferred.

Throughout the tax credit extended use period (a minimum of 15 years, which may be extended to 31 years or more) the project must comply with the requirements of tax credit administration. Periodic file audits and inspection of units will be performed by MBOH staff.

The tax credit is available for residential rental buildings which are part of a qualifying low income project. The rental units must be available to the general public. Residential properties which are ineligible for the credit generally include transient housing, housing initially leased for less than six (6) months, buildings of four (4) units or less which are occupied by the owner or a relative of the owner, nursing homes, life care facilities, retirement homes providing significant services other than housing, dormitories, and trailer parks.

Projects with tax-exempt financing under the volume limitation of private activity bonds may be eligible to receive tax credits outside the state's tax credit allocation volume cap. See specific requirements in Tax Exempt Bond Financed Projects discussion in Section 3,



Montana Specific Requirements, below.

The tax credit can be used to assist in financing acquisition with substantial rehabilitation, substantial rehabilitation, construction of qualifying residential rental, or eventual homeownership housing. The applicable percentage rate (APR) for each project will depend upon the type of building and its financing, the floating APR or other APR set by the federal government, and the project's election of the APR. As long as the building continues to qualify for the credit, the owner may claim the credit each year during the 10-year credit period.

## **New Construction or Substantial Rehabilitation**

For a new building placed in service which is not federally subsidized, the annual tax credit is nine (9) percent of the building's qualified basis. If an owner substantially rehabilitates a building (basically by incurring rehabilitation expenditures the greater of either \$6,200 (**see specific higher requirements for Montana below in "Substantial Rehabilitation" in Section 3, Montana Specific Requirements**) hard costs per rental unit or an amount which is not less than 20% of the adjusted basis of the building during a 24-month or shorter period), the rehabilitation expenditure is treated as a separate new building for purposes of the tax credit. The "per unit" calculation is the total amount of the project divided by the number of units within the project.

## **Acquisition and Substantial Rehabilitation**

For an existing building which is acquired and substantially rehabilitated, the tax credit will be approximately four (4) percent for qualified acquisition costs and nine (9) percent for the qualified substantial rehabilitation costs, provided that the rehabilitation is not federally subsidized.

## **Eventual Home Ownership**

The opportunity for Eventual Home Ownership allows for projects to, with sufficient justification, make units available to be purchased by the current tenants after 15 years of successful performance as an affordable rental. See specific requirements for Montana below.

## **Federally Subsidized Buildings**

Projects funded by tax exempt bonds are considered federally subsidized and qualify only for 4% of the qualified basis for new construction, acquisition, and rehabilitation. Buildings directly or indirectly financed with below market federal loans are not considered federally subsidized. Below market loans made to the project from the proceeds of grants made under the HOME Investments Partnership Act or loans made to projects through the Native American Housing Assistance and Self Determination Act of 1996 are no longer considered to be federal subsidy. Section 8 rental "certificate" or "voucher" subsidy is not considered to be federal subsidy.

## **Qualifying Buildings**

In order to qualify for the tax credit, an eligible building must be part of a qualifying low income project. A project is a qualifying project only if it meets one of the following requirements:

At least 20% of its units are rent-restricted and rented to households with incomes at 50% or less of area median gross income, adjusted for family size (the "20-50 test") or

At least 40% of its units are rent-restricted and rented to households with income at 60% or less of area median income, adjusted for family size (the "40-60 test").

## **Election**

The owner must make an irrevocable election between the 20-50 test and the 40-60 test. Regardless of the election made, the credit is only allowed for the portion of the building dedicated to low income use (for example, if the owner elects the 40/60 test and a minimum of 40% of the units are low income, the owner would qualify for tax credits on a minimum of 40% of the eligible basis as defined in this summary).

## **Rent Limitation**

The gross rent for each low income unit may not exceed 30% of the applicable income ceiling (30% of 50% of median or 30% of 60% of median, as applicable, calculated based on the number of bedrooms in the unit, which is the "Maximum Rent"). For purposes of the rent limitation, the gross rent is the sum of the rent amount payable by the tenant, a utility allowance amount determined in accordance with this QAP (see "Utility Allowances" in Underwriting Assumptions and Limitations in Section 3 below) and any mandatory fees payable by the tenant. Rental assistance payments made by government agencies such as Section 8, Rural Development, or any comparable rental assistance program are not included in gross rent. Gross rent does not include any fee for supportive services as described in 26 U.S.C. §42(g)(2)(B)(iii).

## **Tenant paid rent + Utility Allowance + Mandatory Fees equals the Gross Rent**

The Gross Rent must be less than or equal to the Maximum Rent (i.e., 30% of the applicable income ceiling).

## **Basis**

### **Eligible Basis**

Eligible basis of a qualifying building is generally the same as its adjusted basis for tax purposes, determined at the time the building is placed in service. Generally, eligible basis consists of:

- The cost of new construction or substantial rehabilitation; or
- The cost of purchasing an existing building and the cost of substantial rehabilitation.

Eligible basis includes costs of common areas and comparable amenities provided to all residential rental units in the building. However, eligible basis must be reduced to reflect any rehabilitation or historic preservation credit claimed with respect to the building. Eligible basis excludes land cost, costs attributable to any portion of the building which is not residential rental property (except common areas), and costs attributable to non-low income units which are above the average quality of the low income units in the project. Cost certifications must list all items in basis (parking lot, paving, community areas, covers for parking, etc.)

### **Qualified Basis**

To determine the qualified basis of a qualifying building, the taxpayer multiplies the eligible basis of the building by the lesser of the "unit percentage" or the "floor space percentage". The "unit percentage" is the number of low income units in the building expressed as a percentage of the number of all residential rental units in the building. The "floor space percentage" is the total floor space of the low income units in the building expressed as a percentage of the total floor space of all residential rental units in the building. Low income units are eligible units which are occupied by qualified low income tenants (with income at or below 50% or 60% of area median gross income, depending on the owner's election of the 20-50 or 40-60 test) and which comply with the gross rent limitation (30% of the

applicable 50% or 60% income limit). The credit is only allowed for the portion of the building dedicated to low income use.

## **Credit Calculations**

To calculate the credit each year, the taxpayer applies the applicable credit percentage to the qualified basis of a qualifying building. The "qualified basis" is that portion of the "eligible basis" attributable to low income units in the building.

## **Allocation of Credit**

### **Need for Allocation**

All projects including projects financed with tax-exempt bonds must first obtain a credit allocation from MBOH before claiming the tax credit. MBOH makes an allocation on IRS Form 8609.

### **Allocation Applies Throughout Credit Period**

An owner needs to obtain a credit allocation only once with respect to a building for which the credit will be claimed. The credit allocation then applies each year during the 10-year credit period. Regardless of the maximum credit otherwise available (based on applying the applicable credit percentage to the qualified basis), the credit claimed each year for a building may not exceed the credit allocation for that building.

### **Time for Obtaining Allocation – Carryover Provision**

An owner who receives an award of credits must either:

- Place the building in service and receive an allocation by MBOH issuance of IRS Form 8609 by the close of the calendar year in which the award determination is made, or
- Obtain a carryover of tax credit allocation as provided below, and place the building in service and receive an allocation by MBOH issuance of IRS Form 8609 by the close of the carryover period.

### **Carryover Provision**

A carryover of a tax credit allocation will be permitted for a period of two (2) years beyond the end of the calendar year for which the award determination is made, contingent upon meeting 10% requirements (see 10% Test in Section 10 below for specific requirements).

## **Compliance Period**

An Owner must continue to meet the credit requirements for an initial compliance period of 15 years. Failure to comply, reducing the number of the low income units, or reducing floor space for which the credit is based during the initial 15-year compliance period, will result in a recapture, including non-deductible interest, of at least a portion of the credits taken previously by the owner.

To be eligible for LIHTC credits, a building must be subject to an extended low income housing commitment between the owner and the state agency, executing a 30 year or longer extended use agreement. The owner must meet compliance criteria for the full extended use period specified in the agreement. Any application indicating an extended use period beyond the initial 15-year compliance period forfeits the right to request that MBOH locate a non-profit buyer and the owner must maintain LIHTC units through the extended use period.

LIHTC rent requirements will continue for a period of three years following the termination or expiration of the extended use period. The owner cannot evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause during the 15-year

compliance period, during the extended use period, or for a three-year period following termination or expiration of the extended use period.

## **SECTION 3 - MONTANA SPECIFIC REQUIREMENTS**

### **Eligible Applicants**

A Developer with its first tax credit project under development in Montana will not receive an approval of a second Tax Credit project until the first project has achieved 100% qualified occupancy and an MBOH compliance audit has been conducted which revealed no significant problems. The foregoing rule does not apply to a developer on a subsequent tax credit application if the developer partners with an experienced LIHTC developer who will be entitled to receive at least 50% of the developer fee on the subsequent project. For purposes of this provision, an experienced LIHTC developer is a developer entitled to receive at least 50% of the development fees on a prior project that has achieved 100% qualified occupancy and a state housing finance agency compliance audit has been conducted which revealed no significant problems.

### **Tax Credit Proceeds**

In order to allow MBOH to adequately evaluate sources and uses for Low Income Housing Tax Credit projects, the sponsor/developer is required to provide information to MBOH regarding the proceeds or receipts generated from the tax credit. At application, expected proceeds must be estimated by the sponsor/developer. **Within 30 days after equity sources are committed, the sponsor/developer must provide MBOH with a copy of the commitment or agreement.** Prior to issuance of IRS Form 8609, MBOH will require the accountant's certification to include gross syndication proceeds and costs of syndication, even though the costs are not allowed for eligible basis.

### **Development Cost Limitations**

To balance housing needs in Montana with appropriate and efficient use of the state's allocation of tax credit authority, MBOH has adopted the following cost limitations and considerations for the purpose of calculating the tax credit.

### **Per-Unit Costs/Cost Per Square Foot**

MBOH will evaluate per unit costs and cost per square foot for all projects for reasonableness, taking into account the type of housing, other development costs as detailed below, unit sizes, the intended target group of the housing and other relevant factors. MBOH will also consider the area of the state and the community where the project will be located in this review.

All applications must provide justification for development costs. These costs will be analyzed and scrutinized considering the individual characteristics of the project listed above and will be compared to other like projects.

Even though the costs of some developments may be justifiable and even in some contexts considered reasonable given their unique characteristics, MBOH may decline to award credits to a development recognizing the location or amenities may simply make it cost prohibitive.

Development cost analysis will be done on total development costs, including land costs, whether or not any such costs are eligible for the credit financing. Other funding utilized to

bring down the amount of credit that may be needed to finance the project will not be considered as justification for higher costs.

### **Caution Regarding Per Unit Cost Level**

If a proposed project's cost per unit, based on total development costs, exceeds \$230,000, MBOH recommends that the owner/developer contact MBOH staff and provide a detailed justification for such costs at least one month before the application is submitted. In response to such submissions, MBOH staff will review the proposed costs and justification and provide the owner/developer with staff comment regarding staff evaluation of the reasonableness of such costs for the owner/developer's consideration in preparing its final application. An owner/developer that does not make such an advance submission or that does not reduce per unit costs in response to staff comment is at risk for elimination from MBOH consideration for a tax credit award based upon lack of financial soundness (see "Threshold Requirements" in Section 8) or not being selected by MBOH to receive a tax credit award, based upon the cost (see list of factors considered by MBOH under Award Determination in Section 9). Revision of per unit cost in response to staff comment does not entitle an applicant to recommendation for or to an award of tax credits.

Sponsors must certify that they have disclosed all of a development's funding sources and uses, as well as its total financing, and will disclose any future changes in sources and uses over 10% in any line item or any increase in soft costs to MBOH throughout the development period (until 8609's are received). Sponsor certification of such disclosure must be provided to MBOH on the form attached below as Exhibit D.

### **Contractor Overhead**

Contractor's overhead will be limited to a maximum of 2% of construction costs (i.e., site work, demolition, construction, construction contingencies, and other construction related costs including general requirements) in accordance with NCSHA standards.

### **General Requirements**

General requirements (the contractor's miscellaneous administrative and procedural activities and expenses that do not fall into a major-function construction category and are project-specific and therefore not part of the contractor's general overhead) will be limited to 6% of total construction costs as defined above, excluding general requirements, in accordance with NCSHA standards.

### **Contractor Profit and Developer Fees**

The following fee limitations are in accordance with NCSHA standards:

#### **Contractor profit**

Contractor profit will be limited to 6% of construction costs (i.e., site work, demolition, construction, construction contingencies, and other construction related costs including general requirements) in accordance with NCSHA standards.

#### **Developer fees**

Developer fees will be limited to a maximum of 15% of total project costs minus the developer fees, contractor profit, land costs, and costs of acquisition if a rehabilitation project. Consultant fees (amount must be disclosed) will be included as part of and subject to the limit on developer fees. Architectural, engineering, and legal fees are considered to be professional services, and are not included in this limitation; however, fees for professional services will be examined for reasonableness.

## **Disclosure of Transactions Involving Identities of Interest**

If the development includes transactions with parties with identities of interest, any profit from those transactions must be subtracted from the total development cost before calculating the 15% maximum. Failure to fully disclose such activity may result in the project's not receiving an award of tax credits. For purposes of this provision, Identities of Interest are defined as a financial, familial, or business relationship that permits less than arms-length transactions. This includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders. MBOH reserves the right to negotiate lower developer fees and contractor profit on projects when an identity of interest exists between parties.

## **Underwriting Assumptions and Limitations**

### **Operating Expenses**

MBOH will evaluate operating expenses and vacancy rate projections for all projects for reasonableness, taking into account the type of housing, unit sizes, intended target group of the housing and the location of the project within the area of the state and the community.

### **Debt Coverage Ratios**

DCR should be between 1.15 and 1.25. For purposes of this standard, debt service coverage is defined as the ratio of a development's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations. DCR's outside this range must be justified in the application narrative.

MBOH considers several variables, including projected vacancy rates (which may require upward adjustment for small properties) and operating cost data, in conjunction with debt service coverage, in judging the long-term financial viability of properties. MBOH must assure the credits awarded are no greater than necessary to make the project feasible.

### **Operating Reserves**

Minimum operating reserves must be established and maintained in an amount equal to at least four months of projected operating expenses, debt service payments, and annual replacement reserve payments. The specific requirements for reserves, including the term for which reserves must be held, will be included in the limited partnership operating agreement and meet the requirements of the investor. Using an acceptable third party source, this requirement can be met by either cash, letter of credit from a financial institution, or a developer guarantee that a syndicator has accepted the responsibility for a reserve.

### **Replacement Reserves**

Minimum replacement reserves must be built up in amount equal to at least \$250 per unit annually for new construction developments for elderly and \$300 for new construction and rehabilitation developments, until the replacement reserve equals at least \$1,000 per unit. Upon allocation of tax credits, the project has five years to attain then maintain replacement reserves in at least that amount per unit. Exceptions may be made for certain special needs or supportive housing developments. Exceptions will need to be documented and will be reviewed on a case by case basis. In projecting replacement reserves (15 year pro-forma), developments should take into account a realistic rate of inflation foreseeable at the time of application. The specific requirements for reserves, including the term for which reserves

must be held, will be included in the limited partnership operating agreement and meet the requirements of the investor.

### **Utility Allowances**

The HUD Section 8 Utility Allowances are the only acceptable allowances allowed for applications unless provided by USDA (Rural Development) or an approved local public housing authority. Utility allowances provided by utility providers will not be considered or accepted. Any time after one year of being placed in service owners may submit 12 months of actual utility bills for MBOH to average and approve an AGENCY APPROVED ALLOWANCE. This includes all existing tax credit properties. For properties rehabilitated with LIHTCs, data collected prior to being placed in service may be submitted at Acquisition Place in Service (PIS) or later to obtain an AGENCY APPROVED ALLOWANCE.

### **Project Accessibility Requirements**

The Fair Housing Act including design and accessibility applies to LIHTC properties. All new construction and major rehabilitation, i.e., rehabilitation that at least replaces interior walls and doors, must incorporate the following:

- 36 inch doors for all living areas (except pantry, storage, and closets).
- Levered handles for exterior and interior doors (except exterior swing doors).
- Outlets mounted not less than 15 inches above floor covering.
- Light switches, control boxes and/or thermostats mounted no more than 48 inches above floor covering.
- Walls adjacent to toilets, bath tubs and shower stalls must be reinforced for later installation of grab bars.
- Lever style faucets for laundry hook-up, lavatory and kitchen sink.
- A minimum of a ground level half-bath with a 30X48 inch turn space (also required in rehab unless waived by staff for structural limitations or excessive cost, etc.).
- No-step entry to all ground floor units.
- Compliance with accessibility requirements must be certified in the architect's letter of certification submitted with the 8609 submission.

### **Energy and Green Building Initiatives and Goals**

#### **Integrated Design Process and Community Connectivity**

Project development and design includes a holistic approach. Processes include neighborhood and community involvement to ensure project acceptance and enhancement. Integrated design processes ensure higher quality finish project. Existing neighborhood edges, characteristics, fabric are considered in the project design. Some considerations may include but are not limited to a community design charrette, incorporating project into neighborhood fabric, energy modeling, commissioning, blower door testing, etc.

#### **Sustainable Site, Location and Design**

The building(s) and project site, including the surrounding area, provide opportunities for education, alternative transportation, services, and community facilities. This is evidenced by projects using existing infrastructure, reusing a building or existing housing, redeveloping a greyfield/brownfield, and developing in an existing neighborhood. Design elements use the site's characteristics and reduce impact on the site allowing for open space and other amenities including infill project, rehabilitating existing building, rehabilitating existing housing, carpooling opportunities, using well water for landscaping, parking reductions, etc.

## **Energy and Water Conservation**

Design features, product selection and renewable energy options directly reduce use of resources and result in cost savings. Design and product selection exceeds applicable energy codes in performance. Examples include but are not limited to Energy Star appliances, drip irrigation, low flow fixtures, dual flush or composting toilets, ground source heat, duct sealing, rain water collection, and low water consumption plants.

## **Material and Resource Efficiency**

Material selections are better quality, designed for durability and long term performance with reduced maintenance. Products used are available locally and/or contain recycled content. Construction waste is reduced in the project through efficient installation or recycling waste during construction. Considerations include but are not limited to construction waste management specification, recycled content products, local materials, reuse existing building materials, certified lumber, and sustainable harvest lumber.

## **Healthy Living Environments (Indoor Environmental Quality)**

Materials and design contribute to a healthy and comfortable living environment. Mechanical system design, construction methods and materials preserve indoor air quality during construction as well as the long term performance such as fresh air circulation and exhaust fans, bathroom and kitchen fans exhausting air and moisture, material selection with low toxicity and low VOC (volatile organic compounds) paints, sealants, and adhesives.

## **Substantial Rehabilitation**

Montana's minimum rehabilitation standard is expenditures the greater of (i) \$15,000 (for 4% projects)/\$25,000 (for 9% projects) of hard costs per rental unit, or (ii) an amount which is not less than 20% of the adjusted basis of the building during a 24-month or shorter period.

## **Tax Exempt Bond Financed Projects**

Projects with tax-exempt financing under the volume limitation on private activity bonds may be eligible to receive tax credits outside the state's tax credit allocation volume cap. Applications may be submitted at any time and are not limited to the application schedule in Section 4, below. Applications must meet all requirements of this QAP and must meet at least the minimum development evaluation criteria score specified in Section 9, below, to receive an allocation of tax credits. Projects with tax exempt financing must submit a certification from the bond financing agency indicating that the project meets the public purpose requirements of the bonds and that the project is consistent with the needs of the community.

## **Eventual Homeownership**

Several supplemental application documents are required in such a case. The application must address how the owner will administer the transfer of ownership to a qualified homebuyer at the end of the initial 15-year compliance period. Second, the application must either identify the price at the time of the title transfer or a reasonable process to determine the price. Third, the application must document that the potential owners will be required to complete a homebuyers counseling program. The applicant must identify how Reserve for Replacement funds will be used at the time of sale of the properties. At the time of sale, the LIHTC owner must provide a copy of the title transfer together with a certificate verifying that the new homeowner completed a homebuyers program within five years prior to the transfer of title. Enforceable covenants must maintain the home as affordable and prevent sale or re-sale to a realtor, financial institution, or a family with an income over 80% AMI, or more than 80% of FHA appraised value. Families who exceed



income levels of 80% of AMI at the time of the sale must have qualified at the appropriate AMI contained in the recorded restrictive covenants for the project evidenced by the Tenant Income Certification at the initial rent-up for the family. Tenant qualification documentation must be sent to MBOH for approval before the sale is completed. Please contact MBOH for current forms. Units not sold under the Eventual Home Ownership Program must remain in compliance with Section 42 until such time as they are sold to a qualified buyer or the end of the extended use period.

## **130% Basis Boost**

### **Basis Boost for QCT and DDA Projects**

Federal law permits MBOH to reserve tax credits based on a “basis boost” of 30% for projects in a Qualified Census Tract (“QCT”) or in HUD designated Difficult Development Areas (“DDA”). In addition, a 30% “basis boost” may be available for non-QCT or DDA projects based upon the specific requirements specified below.

### **Basis Boost for Non-QCT/DDA Projects**

For buildings not already eligible for the 30% “basis boost” by virtue of being located in a QCT or DDA, up to 130% of the eligible basis of a new construction building or the rehabilitation portion of an existing building may be considered in awarding tax credits if MBOH determines that an increase in tax credits is necessary to achieve the project’s feasibility. MBOH staff may recommend an award of tax credits, and the MBOH Board, at the time it considers authorizing reservations of tax credits, may award credits for such buildings based upon a basis boost of up to 30%. Applications for projects not located in a DDA or QCT may be submitted with requested tax credits calculated at up to 130% of eligible basis. Applicants must justify the need for the requested basis boost in the narrative and support documentation. Considerations justifying a need for a basis boost are:

- Qualification of the application for the small project pool;
- Qualification of the building location for Rural Development funding;
- Targeting of more than 10% of the project units to 40% or below area median income level or more than 62% of project units to 50% or below area median income level;
- The project includes historical preservation or preservation of existing affordable housing; or
- The project is located within a community where unusual market conditions produce higher than normal labor and material costs, unusually high land cost and/or rent and income limits which are too low to support the cash flows required by the project’s financial structure.

## **Non-Housing Amenities**

Swimming pools, tennis courts, golf courses, and other similar amenities will not be funded by low income housing tax credits. Proposed projects may include such amenities only if the amenities are funded by sources other than low income housing tax credits. Subject to the requirements of this QAP, garages or car ports may be funded by tax credits considering Montana’s extreme winter weather.

## **Accountant and Owner Certification**

Prior to the 10% Carryover Cost Certification deadline and at submission for IRS Form 8609, MBOH requires an independent third party CPA cost certification, including a statement of eligible and qualified basis for the project. The Accountant Certification must include a

breakdown of costs similar to the project costs and uses of the application, including development cost limitation categories as discussed in this QAP. The owner must provide the CPA certification, under penalty of perjury, providing the owner's name and address, the placed in service date, taxpayer identification number, the project name and address, building(s) address(s), building identification numbers, the total eligible and qualified basis, and, if applicable, the percentage of the project financed by tax-exempt bonds.

## **Rural Development Projects**

MBOH requires a copy of the final Rural Development cost certification, as well as the Accountant Certification of tax credit eligible and qualified basis, and the owner's certification. While a Rural Development project may be technically eligible for an amount of credit, such projects frequently will receive an award less than the maximum amount of credit, because less credit is required to fill the financing gap. MBOH will award only the amount of credit determined necessary to make the project feasible.

## **Information Request and Release Policy**

### **General Program Information**

All general program information will be provided as requested either by mail, facsimile, email, or on the MBOH website. General information may include, but is not limited to, program terms and guidelines, income and mortgage limits, funds availability, project lists, etc.

### **Request Procedure**

If requesting information from an application and/or compliance file, a written request must be submitted and must include a description of the specific information or documents being requested. The requestor will be charged and must pay the costs of providing such documents according to the Department of Commerce Public Records Request Response Guidelines effective July 1, 2012.

## **Policy on Confidentiality and Disclosure of Information**

Information submitted to the Board is subject to the public's right to know guaranteed by the Montana Constitution except where the demands of individual privacy clearly exceeds the merits of public disclosure.

Information contained in an application or compliance file is subject to disclosure as described in the Board's administrative rule, ARM 8.111.203, which follows:

### **8.111.203 CONFIDENTIALITY AND DISCLOSURE OF INFORMATION**

(1) Information submitted to the board by private parties is generally open to public review and disclosure. Therefore, applications, financial information and other information submitted to the board under any of its programs are subject to inspection and copying by interested members of the public except as provided in this rule. Some information may be protected from public disclosure. Information that is constitutionally protected from disclosure is information in which there is an individual privacy interest that clearly exceeds the merits of public disclosure.

(2) If a person or entity submitting information to the board considers any of that information confidential and wishes the information documents to be withheld from public disclosure, the submitting party must identify which part of the information is considered confidential upon their submission and the basis upon which the party believes the information should be withheld from public disclosure.

(3) The type of information which may be withheld from the public disclosure is very limited. If individual documents are not specified and a basis not identified, the board will deem all the information submitted to the board as subject to public disclosure. A submitting party should consult with legal counsel to determine what information may be protected and for what reason. A statement that all information submitted by a submitting party is confidential will be considered ineffective.

(4) The board will take reasonable steps to protect information designated as confidential from public disclosure and for which a reasonable basis is stated for the confidentiality. If information has been designated as confidential and a basis for confidentiality stated, upon receiving a request to review any such information board staff will notify the submitting party of the request in writing by United States mail at an address provided by the submitting party. The notice will identify the party making the request, and the stated purpose for the request.

(5) It is the responsibility of the submitting party upon receipt of the notice to take such action as is necessary to protect the information from disclosure, including obtaining a court order protecting the documents from disclosure if necessary. If the board does not receive an order from a court of competent jurisdiction ordering the board to maintain confidentiality of the requested information or the board is not notified of other arrangements made between the requesting and submitting parties within 10 days from the date of the notice of the request, the information will be disclosed to the requesting party. The board will not assert the right of confidentiality for a submitting party in a court of law.

(6) Any information not designated as confidential with a specified basis for confidentiality will be subject to public disclosure without notification to the submitting party.

(7) Tenant certifications, income information and information in individual loan files are confidential and will not be disclosed to the public. (8) If a requesting party wants copies of information maintained by the board, and depending on the number of copies to be made, the board may require the requesting party to provide for their own copying, either by making the copies with a copier and paper provided by the requesting party or by paying the expense of a copy service to make the copies.

Information in compliance files and application information submitted to the Board prior to the effective date of the rule (June 8, 2001) will not be disclosed until the person who submitted the information is given notice of the request and the opportunity obtain an order protecting the information from disclosure as provided in ARM 8.111.203.

### **Compliance File Policy**

If the information or documents being requested are from an application, the project owner will be notified of the request by telephone or facsimile, the project owner will be told the identity of the party making the request. If the project owner believes that its application contains trade secrets, confidential or proprietary information, it is the project owner's responsibility to obtain a court order protecting their documents from release. If the Board does not receive a court order within 10 calendar days from the day the request is received by the Board, the documents will be released to the person requesting them.

Tenant Certifications and Income Information will be considered confidential and will not be released.

### **Individual Loan Files**

Personal financial information will be considered confidential and will not be released.

## **Ex Parte Communication Policy**

In instances where the Board of Housing acts as a quasi-judicial body, its members should refrain from ex parte contact with parties who will be appearing before it or their representatives.

Additionally, any ex parte communication made where a quorum of the Board is present, outside of a meeting or hearing scheduled for the purpose of entertaining the issue before it, would violate Montana's open meeting requirements and the right of public participation under Article II, section 8 of the Montana Constitution and § 2-3-203, MCA. A quorum of the Board is defined as a majority of the membership. See § 2-15-124(8), MCA.

The policy when the Board is sitting as a quasi-judicial body is:

- Not to receive any evidence, individually, or collectively, except as a part of the public record at a publicly noticed meeting or hearing scheduled for that purpose.
- If a member is not able to avoid receipt of information or contact with parties outside of a public meeting or hearing the remedial action in that instance is for the Board member to disclose at the public meeting or hearing the full content of the information received.
- Avoidance of ex parte communications is preferred over relying on the public disclosure remedy because an incomplete or inaccurate conveyance of the ex parte contact, even if inadvertent, may bias the outcome and subject the Board action to challenge.

All information an applicant wants distributed to board members should be provided to staff who will disburse consistently to all members.

## **SECTION 4 - APPLICATION CYCLE**

Applicants may apply for an award of tax credits for a particular development no later than the applicable submission deadline specified below or otherwise set by MBOH. As used in this QAP, the term "award" means selection of a project by the MBOH Board to receive a reservation of tax credits.

Send the application and the applicable fee (based on the fee schedule below) to MBOH. A separate application is required for each project. A single application should include all buildings within a single project.

An applicant for tax-exempt financing under the volume limitation on private activity bonds also seeking an award of 4% tax credits outside the state's tax credit allocation volume for a scattered-site project under a single partnership may apply for such credits by submission of a single application that includes sub-applications for each property included in the project. Full applications for tax-exempt financing and related 4% tax credits may be submitted at any time and are not limited to the competitive allocation rounds listed below.

Electronic submission of applications is preferred (by digital media or submission through the State transfer system). Hard copy applications will also be accepted.

Complete applications must be received at MBOH's office by 5:00 pm Mountain Time on the application submission date specified below.

### **First Allocation Round:**

- |                               |                                     |
|-------------------------------|-------------------------------------|
| ○ Pre-Application Submission  | Third Monday in July 2013 (7/15/13) |
| ○ Applicant Presentations     | August 2013 MBOH Board Meeting      |
| ○ Full Application Submission | First Monday in October (10/7/13)   |
| ○ Applicant Presentations     | October 2013 MBOH Board Meeting     |
| ○ Award Determination         | December 2013 MBOH Board Meeting    |

**Second Allocation Round (if any):**

- |                               |  |
|-------------------------------|--|
| ○ Pre-Application Submission  | Third Monday in January 2014 (1/13/14) |
| ○ Applicant Presentations     | February 2014 MBOH Board Meeting       |
| ○ Full Application Submission | First Monday in April (4/7/14)         |
| ○ Applicant Presentations     | April 2014 MBOH Board Meeting          |
| ○ Award Determination         | May 2014 MBOH Board Meeting            |

Any of the above deadlines and dates may be extended or changed by MBOH if circumstances warrant, and in such event MBOH will provide notice of such extension or change by posting on MBOH's website. The MBOH Board, in its discretion, may waive any requirement of this QAP if it determines such waiver to be in the best interests of MBOH, the LIHTC program or the application cycle. In any application round or rounds, the MBOH Board may elect to award less than all available credits or to not award any credits if the MBOH Board determines that such is in the best interests of MBOH.

At the MBOH Board's meeting in the month after pre-application submission, MBOH will provide an opportunity for applicants to present their projects and applications to the MBOH Board and will provide an opportunity for public comment on proposed projects and applications. Applicant presentations will be limited to 10 minutes or less. The MBOH Board may ask questions of applicants and discuss proposed projects but will not make any award determination at this meeting. Such presentations, questions and discussion are for purposes of assisting applicants in presenting better full applications, and shall not be binding upon MBOH in any later award determination or other MBOH process.

At the MBOH Board's meeting in the month of full application submission, MBOH will provide an opportunity for applicants to again make a presentation regarding their projects and applications to the MBOH Board and will provide an opportunity for public comment on proposed projects and applications. Applicant presentations will be limited to 10 minutes or less and should include only new information about a project.

At the award determination meeting, applicants should be available to the MBOH Board to answer questions regarding their respective applications. Applicants shall have an opportunity to respond to any negative comments.

**Carryover Commitment**

MBOH will issue a Carryover Commitment in December of the year for which the credits are being awarded and such carryover will be for a period of two (2) years. To preserve this commitment the owner/developer must submit the 10% cost certification by the deadline.

## **SECTION 5 - FEE SCHEDULE**

### **Pre-Application**

The pre-application fee is \$750.00 and must be submitted by the applicable pre-application deadline. MBOH will not consider pre-applications submitted without the pre-application fee. The pre-application fee is not refundable.

### **Full Application:**

The full application fee is 1.5% of the amount of credits requested in your application, payable with your application and will not be refundable. MBOH will not consider applications submitted without an application fee. If the MBOH Board awards all or a portion of the tax credits requested, no adjustment will be made to the application fee.

In addition to the application fee, a reservation fee in the amount of 3.5% of the credits reserved is due on or before 6 months after the date of the award. After a Reservation Agreement is executed the fee is not refundable. Projects, owners, or partnerships that fail to meet the conditions described in the Reservation Agreement forfeit the entire reservation fee to MBOH.

### **Requesting additional credits after initial allocation:**

As MBOH, in its discretion, determines necessary for financial feasibility, returned or unreserved tax credits may be used to increase the amount of tax credits reserved for a project after the first round awards have been made. In considering a request for an increase under this paragraph, MBOH may consider any anticipated potential need for returned or unreserved credits to fund projects that would otherwise be funded or require greater funding under the Corrective Award set aside under Section 7. A developer or sponsor seeking an increase in the amount of reserved credits must apply in writing for such increase and must submit new financials (UNIAPP Section C) and documentation of cost increases. Applications for additional credits must be submitted to staff. Staff will review and evaluate supporting financials and new cost documentation and a staff recommendation will be presented at a later MBOH Board meeting for consideration. Staff will not recommend MBOH Board approval of any increase beyond that necessary to make the project feasible.

An application and reservation fee of 5% of the tax credits requested is due with the request. In the event an increase for the additional requested credits is not approved, the reservation fee in the amount of 3.5% will be returned.

### **Compliance Fees**

See Section 12 - Compliance Monitoring

## **SECTION 6 - MAXIMUM AWARDS**

Twenty-five percent (25%) of the total annual credit cap will be the maximum credit awarded to any one development or developer. The developer's percentage of the development fee, as specified in a written development agreement, will be that developer's percentage of the 25% limit. The maximum award will be determined in the first year the project is awarded.

MBOH does not commit tax credits from future years, except as specifically provided in this QAP.

## **SECTION 7 – SET ASIDES**

### **Non-profit**

Ten percent of each state's credit allocation must be set aside for buildings which are part of projects involving "qualified nonprofit organizations". To qualify as such, an organization must be exempt from federal income tax under Section 501(c) (3) or (4) of the Internal Revenue Code and must have as one of its exempt purposes, the fostering of low income housing, must own an interest in the project, and must materially participate in the development and operation of the project throughout the compliance period. Such nonprofit organizations may not be affiliated with or controlled by a for-profit organization.

### **Corrective Award**

Such portion of the state's available annual credit allocation is reserved and set-aside as is necessary for award of credits to:

- Any project for which an application was submitted in a prior round or year, if:
  - a final order of a court of competent jurisdiction determines or declares that such applicant was entitled to an award in such prior round or year or requires MBOH to make an award or allocation of tax credits to such project;
  - a final order of a court of competent jurisdiction invalidates or sets aside an award of credits to an approved project from such prior round or year and a reservation agreement was executed by MBOH and such applicant prior to issuance of such court order, unless such court order determines that such project was not eligible or qualified under the applicable QAP to receive an award of tax credits; or
  - MBOH, upon further consideration of any award determination as required by and in accordance with the order of a court of competent jurisdiction, determines that such project was entitled to an award in such prior round or year.

All requirements and conditions of this Corrective Award set aside provision must be met to receive an award under this set aside provision. The amount of any award under the Corrective Award set aside shall be the amount specified by the court, or if no award amount is specified by the court, an amount determined by MBOH in accordance with this QAP. The Corrective Award set aside shall be funded first from returned or unreserved tax credits from a prior year. Awards may be "future allocated" under this Corrective Action set aside, i.e., such awards may be made from returned or unreserved tax credits from a prior year and/or the current year's credits at any MBOH Board meeting after the final court order has been issued and presented to MBOH. Such award need not await the annual application and award cycle.

Where a court orders that an amount of the current year's credits be set aside for a project pending the decision of the court, if the court's decision is not received before the end of the current year, the credits set aside will become classified as the next year's credits, as required by federal code.

### **Small Rural Projects**

Twenty percent (20%) of the state's available annual credit allocation is set-aside for small rural projects. For purposes of this set-aside, a small rural project is a project: (1) for which the submitted tax credit application requests tax credits in an amount up to but no more than 10% of the state's available annual credit allocation, and (2) proposed to be

developed and constructed in a location that is not within the city limits of Billings, Bozeman, Butte, Great Falls, Helena, Kalispell or Missoula.

If there are insufficient qualifying small rural projects meeting the set-aside criteria within the first round of the application year to exhaust the small rural project set-aside, the credits will be available for allocation within the general applicant pool.

MBOH reserves the right to determine in which set-aside a project will be reviewed (subject to its eligibility), regardless of its eligibility for any other set-aside. If a project is submitted as a small rural project in order to utilize the small rural project set-aside when it is clearly part of a larger or non-rural project, the project will be placed in the proper category as determined by MBOH staff.

To qualify and receive consideration to receive an award of credits under a set-aside, the project must meet all applicable requirements of this QAP and must receive minimum development evaluation criteria score specified in this QAP.

The MBOH Board reserves the right to not award credits to a qualifying small rural project even if the project meets the minimum required score, if the MBOH Board, at its discretion, determines another project or projects better meet the most pressing housing needs of low income people within the state of Montana, taking into consideration the Selection Criteria of this QAP as determined in accordance with Section 9.

In the event there are insufficient tax credits available to fully fund all set aside categories, the respective set asides categories shall be funded in the following order of priority: (1) Non-profit; (2) Corrective Award; and (3) Small Rural Project.

## **SECTION 8 – PRE-APPLICATION AND APPLICATION PROCESS**

Read this Qualified Allocation Plan (QAP) and accompanying materials.

Determine the degree that your building(s) and development correspond to the MBOH's Development Evaluation Criteria and the other priorities and considerations contained in this QAP.

Consult your tax attorney or accountant concerning: (a) each building's eligibility for the tax credit; (b) the amount of the credit, if any, for which your building(s) may be eligible; and (c) your ability and/or your investor's ability to use the tax credit.

### **Pre-Application**

Complete the Uniform Application (UNIAPP) with preliminary information and commission a mini-market study as outlined in Exhibit B-1. Pre-Applicants are not required to submit information regarding the specific project location but must indicate the general location within a specified city, town or small rural location. Submit the Uniform Application, mini-market study and pre-application fee by the applicable pre-application deadline (see Section 4 – Application Cycle). The pre-application is mandatory. If a pre-application is not submitted according to the requirements of this QAP, MBOH will not consider and will return any full application submitted for the project.

### **Full Application**

Commission full market study as outlined in Exhibit B-2.

Complete and submit the Uniform Application and Tax Credit Supplement, full market study and full application fee by the applicable application deadline (see Section 4 – Application



Cycle). Applicants must use the most current form of the Uniform Application and Tax Credit Supplement available on the MBOH website at <http://housing.mt.gov/FAR/housingapps.mcp>

## **Threshold Requirements**

Threshold Requirements are mandatory for full applications. Applications received not meeting all Threshold Requirements or other requirements of this QAP will be returned un-scored and will receive no further consideration. Application fees will not be returned.

Submit complete applications to MBOH. Electronic submission of applications is preferred but hard copy applications will also be accepted. MBOH staff may communicate with applicants for purposes of providing interpretive guidance or other information or for purposes of clarifying applications. MBOH staff may allow minor corrections to applications, but will return and will not further consider applications requiring substantial revision or those that are substantially incomplete.

## **Application Threshold Requirements**

To meet the threshold for further consideration, a pre-application must be submitted in accordance with the requirements of this QAP by the applicable deadline, and a full application packet must:

- Be substantially complete and,
- Be received by the deadline date.

The full application must include all of the following documents, information and items. All the below listed items must be completed and submitted in compliance with the requirement of this QAP:

- The application fee.
- Documentation verifying the General Partner or a member of the LLC (if applicable), and the Management Company personnel have been certified in LIHTC Compliance by one of the nationally recognized training companies.
- Proof of ability or capacity to construct two or more LIHTC projects simultaneously, if applicable.
- Cash flow analysis.
- Market Study prepared and signed by a disinterested third party analyst, with certificate (included in Exhibit B-2) signed by analyst and notarized. Market Studies must be completed within six (6) months prior to the submission date of the application and must adhere to minimum market study requirements in Exhibit B-2.
- Site control through lease, ownership or a legal form of option to purchase.
- Evidence from applicable local zoning authority of proper zoning addressed (zoning place, planned unit development, zoning change requested) unless no zoning requirements exists. If no zoning requirements exist provide documentation from the proper authority.
- A preliminary financing letter from a lender indicating the proposed terms and conditions of the loan must be included. The financing letter must formally express interest in financing the project sufficient to support the terms and conditions represented in the project financing section of the application.
- A letter of interest from an equity provider including an anticipated price based on the market at time of application.
- Full scale Capital Needs Assessment for Rehabilitation Applications, on the USDA Rural Development Capital Needs Assessment (CNA) template or similar form.

- For applications proposing rehabilitation, a preliminary relocation plan addressing the logistics of moving tenants out of their residences and providing temporary housing during the rehabilitation and returning tenants to their residences upon completion of the rehabilitation.
- A site plan, and a design professional's preliminary floor plan and elevations for the project.
- Project/unit amenities.
- Profit or non-profit status.
- If a not-for-profit owner proposes a property tax exemption, documentation of intent to conduct a public hearing must be submitted with the application and conducted by the owner. Without documentation of intent, the project will be underwritten as if no exemption was received. Documentation of public hearing(s) must be submitted prior to issuance of the Carryover Commitment.
- Specify the extended use period.
- If project is targeted for Eventual Homeownership, provide supplemental application documents and information specified in the "Eventual Homeownership" portion of Section 3.
- Specify selected target income level (20-50) or (40-60).
- Letters of community support. These support letters must be project specific and address how the project meets the needs of the community. New letters of support (as well as new letters of non-support) must be submitted for each application for each round of competition. Generic support for affordable housing will not be considered support for the specific project being considered. These letters will be provided to the MBOH Board for its consideration.
- If the project is for elderly, stipulation of minimum age (i.e., 55 or 62 and over).
- A narrative addressing each of the development evaluation criteria and how the application meets each of these criteria.

Applications must also demonstrate that they are financially sound. This includes reasonable financing terms, costs, expenses, and sufficient cash flow to support the operations of the project, all of which must meet the underwriting standards of MBOH.

A Tax Credit Applicant must place an advertisement in the local newspaper of the intent to apply, and by doing so, encourage public comment to be submitted to MBOH. Such notice must include Name of Project, Number of Units, Location of Project, For-profit or Non-profit status, and, if applicable, Intent to Request Tax-exempt Status for the project. The notice will be placed as a box advertisement in the newspaper within 30 days prior to or not more than 5 working days after the due-date of the application and will allow for not less than 30 days for response. The advertisement must be published twice within a seven-day period. A copy of the notice, annotated with dates published, must be included in the application.

#### ***Example of Public Notice***

(Name of Developer, address, telephone number), a (for-profit/non-profit) organization, hereby notifies all interested persons of (city, town, community name) that we are planning to develop, (Name of project) an affordable multi-family rental housing complex on the site at (street location). This complex will consist of (number) (one bedroom, two bedroom, or three bedroom) units for (elderly persons/families). This project (will/will not) be exempt from property taxes.

An application (will be/has been) submitted to the Montana Board of Housing for federal tax credits financing.

**You are encouraged to submit comments regarding the need for affordable multi-family rental housing in your area to the Montana Board of Housing, PO Box 200528, Helena, MT 59620-0528 or FAX (406) 841-2841. Comments will be accepted until 5 PM the Friday before the MBOH Board Award Determination meeting (See application cycles above).**

## **SECTION 9 – EVALUATION AND AWARD**

### **Threshold Evaluation And Considerations**

MBOH staff will review all applications received by the applicable submission deadline for compliance with all Threshold Requirements, including but not limited to completeness, soundness of the development, and eligibility based on federal requirements and this QAP. Applications determined by MBOH staff to not substantially meet all Threshold Requirements or other requirements of this QAP or federal law will be returned un-scored and will receive no further consideration.

MBOH staff may communicate with applicants for purposes of providing interpretive guidance or other information or for purposes of clarifying or verifying or confirming any information in applications. MBOH staff may allow minor corrections to applications, but will return and will not further consider applications requiring substantial revision or those that are substantially incomplete.

MBOH staff may query an applicant or other persons regarding any concerns related to a tax credit application or the management, construction, or operation of a proposed or existing low income housing project. Questionable or illegal housing practices or management, insufficient or inadequate response by the applicant, general partners, or management company as a whole or in part, may be grounds for disqualification of an application and non-consideration for an award of tax credits.

As part of its review of applications, MBOH staff will contact community officials of the project location to discuss relevant evaluation criteria information pertaining to the application and the proposed project. MBOH may also contact any other third parties to confirm or seek clarification regarding any information in the application, including but not limited to checking developer team references, verifying credit reports and verifying information through direct contact with the project developer.

Between the submission deadline and the MBOH Board meeting, as required by federal law, MBOH will notify the chief executive officer of the local jurisdiction of each proposed development requesting comments on the development.

Tax credit allocations will be subject to three underwriting evaluations: (i) evaluation for purposes of award/reservation and, for projects that have received an award of credits and entered into a reservation agreement, (ii) evaluation for purposes of the 10% cost certification, and (iii) evaluation for purposes of final allocation/8609.

MBOH will return and not consider for an award of credits:

- Incomplete applications;
- Unsound applications, i.e., projects for which the Market Study and other available market information fails to demonstrate adequate market need within the proposed location community or projects that are not financially feasible, including but not

limited to viable cash flow, based upon MBOH underwriting standards as set forth in this QAP;

- An application submitted by an entity with a demonstrated poor track record in completion of development or management of low income housing, whether located in Montana or another state;
- Applications submitted by applicants with current project(s) that have outstanding substantial IRS Form 8823's; and
- Any other application failing to meet any mandatory requirement of this QAP or federal law.

Applications meeting all minimum threshold requirements and not excluded from further consideration under this QAP will be evaluated for the amount of tax credits needed for feasibility and long term viability and will be evaluated and scored according to the Development Evaluation Criteria section below.

### **Amount Of Tax Credit Allocation**

Although a proposed development may be technically eligible for a certain credit amount, federal law prohibits MBOH from allocating more credits than necessary for the financial feasibility of the development and its viability as a qualified low income housing project throughout the compliance period. Accordingly, an award of tax credits under this QAP will be limited to the amount of credits that MBOH, in its sole discretion, deems necessary to make the development feasible and viable throughout the compliance period.

In determining the amount of credits necessary, MBOH will consider:

- The sources and uses of funds and the total financing planned for the project. Funds, including funds from federal sources, such as HOME grant money, Rural Development, and similar funds, may be loaned by or through a parent organization to a project at an interest rate below the Applicable Federal Rate (AFR). Such loans will not reduce the basis for the project providing they are true loans.
- Grants made with federal funds directly to a project, which will reduce basis.
- Any proceeds or receipts expected to be generated by the tax credits.
- The reasonableness of the development and operational costs of the project.

Based on its evaluation, MBOH will make a preliminary determination of the amount of credit deemed necessary for the financial feasibility of the development and its viability as a qualified low income housing project throughout the compliance period. This determination is made solely at MBOH's discretion, and is not intended to be a representation or warranty to anyone as to the feasibility of the development. Rather, it will serve as the basis for making an award of credits. A similar analysis will be done at the time of 10% cost certification and prior to issuing IRS Form(s) 8609. Neither the selection of a project to receive an award of tax credits nor the amount of credits to be allocated constitutes a representation or warranty that the owner or developer should undertake the development, or that no risk is involved for the investor.

### **Development Evaluation Criteria And Scoring**

In addition to evaluation under all other QAP Selection Criteria, applications will be evaluated and scored according to the following evaluation criteria. Awarding of points to projects pursuant to these evaluation criteria is for purposes of (i) determining that the projects meet at least a minimum threshold of 80 out of a possible 104 points to qualify for further consideration, and (ii) to assist the MBOH Board, along with other Selection Criteria and information submitted, in evaluating and comparing projects. Developments not

scoring the minimum development evaluation criteria score of 80 points will not receive further consideration. Evaluation criteria scoring is only one of several considerations taken into account by the MBOH Board and does not control the selection of projects that will receive an award of tax credits. For purposes of this QAP and LIHTC award and allocation, the Selection Criteria include all of the requirements, considerations, factors, limitations, evaluation criteria and priorities set forth in this QAP and all federal requirements (together referred to in this QAP as the "Selection Criteria").

**1. Extended Low Income Use\* (0- 10 points)**

Federal law requires a 30-year extended use agreement. An application in which the applicant agrees to maintain units for low income occupancy beyond the initial fifteen year compliance period will receive points as indicated below and will have these restrictions incorporated into the Declaration of Restrictive Covenants.

***Years beyond initial 15***

15 years	0 points	(30 total years)
16 – 20 years	4 points	(31 – 35 years)
21 – 25 years	6 points	(36 – 40 years)
26 – 30 years	8 points	(41 – 45 years)
Over 30 years	10 points	(46 years +)

Eventual Home Ownership\* applications must also identify an extended use period and will receive points for the extended use period chosen as provided above (refer to the "Eventual Homeownership" portion of Section 3 for supplemental application documentation and information requirements).

**2. Lower Income Tenants\* (0-22 points)**

A proposal will receive points for the percentage of eligible units at area median income ("AMI") levels listed below. A development will receive points for 40%, 50%, and 60% categories when the development targets those income & rent levels. Points awarded for 40% units are independent of and not calculated as part of 50% or 60% units. Developments will be bound by the terms committed to in the application process through the use of the Declaration of Restrictive Covenants. Section C, Part IV, Rent and Forecasted Income of the UNIAPP will be used to calculate the score for this item.

Area Median Income Level	Percentage of Eligible Units	Points
40% or below	10% (or greater)	2 NOTE 1
50% or below	15-20%	6 NOTE 1
50% or below	21-40%	8 NOTE 1
50% or below	41-60%	15 NOTE 1
50% or below	61-100%	20 NOTE 1
60% or below	40%	0
60% or below	41-60%	2
60% or below	61-100%	4

NOTE 1 Rents @ 40% allowed to income qualify to 49% AMI.  
 Rents @ 50% allowed to income qualify to 55% AMI (40/60 election must apply)  
 (Applicable to all existing LIHTC properties)

**3. Project Location\* (0-3 points)**

Development is located in an area where amenities and/or essential services will be available to tenants. If a project is located within 1½ miles of the following amenity or essential service, if public or contracted transportation is reasonably available on a daily basis to the amenity or service, or if a no-charge delivery service is available from the amenity or service (where applicable), the project will be awarded based on the following:

- 1 point for grocery store (convenience store does not count); and
- 1 point for each 3 of the following, up to a maximum of 2 points:
  - Elementary school (only if a family project);
  - Middle school (only if a family project);
  - High school (only if a family project);
  - Senior Center (only if a elderly project);
  - Bank;
  - Laundromat (only if washer/dryer not included in unit or onsite);
  - Medical services appropriate to targeted tenants (e.g., hospital, doctor offices etc.);
  - Pharmacy;
  - Gas station/convenience store;
  - Post Office;
  - Park;
  - Shopping;
  - Bus or transportation stop;
  - Library; or
  - Recreation.

#### **4. Housing Needs Characteristics\* (0-19 points)**

Development meets area housing needs and priorities and addresses area market concerns, such as public housing waiting lists (for all units and tenants), vacancy rate and type of housing required.

- Evidence provided in the application and in response to MBOH inquiries indicates that the community supports the project through neighborhood meetings with attendance rosters, minutes, and/or local charrettes with supporting documents, concept drawings, and input from community, etc. In order to obtain points under this bullet item, there must be community input in some form. If a community meeting is held and there is no attendance, another form of community input must be used. (4 points)
- Appropriateness of size of development to market needs and concerns as reflected in the Market Study, i.e., are the number of units being proposed reasonable considering the number of units needed as projected by the Market Study? (6 points)
- Appropriateness of development for market needs and concerns as reflected in the Market Study (. Are appropriate rent levels meeting the needs identified in the Market Study? Narrative must explain why the type of construction and housing was selected and the Market Study must justify the selections (rehab/new construction, Family/Elderly, Single-Family/Multi-Family, bedroom size, Eventual Home Ownership/Term rental, etc. (4 points)Market need. The development must document through the required market study that a market exists to support the project and that the project meets the needs of the community. Scoring will be based upon demonstrated market need and more points will be scored by developments addressing the greatest market needs. This will be compared with other applications in the same round of competition (5 points).

**5. Project Characteristics\* (0-16 points)**

***Preservation of or Increase in Housing Stock***

Proposes the preservation of existing federally assisted housing stock or increases the affordable housing stock through the use of funds from other sources to leverage the tax credit dollars. (0-2 points)

***Amenities***

Developments will receive 1 point up to a maximum of 4 points for each 3 of the following higher quality amenities they commit to providing.

These amenity items are:

Units:

Dishwasher	Washer/dryer hookups
Disposal	Washer/dryer in unit
Microwave	Carport/garage
Extra Storage	Air conditioning
High quality cabinets (must document)	High quality flooring (must document)
Patio Balconies	

Community:

Computer(s) for tenant use	Play area
Community room	Community garden
Basketball hoop/pad	Car plug ins
Outdoor community area	Library
Cement board siding	Photovoltaic panels
On site manager	Laundry room
Use of existing terrain and landscaping that matches the surrounding area to enhance the grounds for innovative accessibility	

Luxury amenities will not be considered. Items deemed luxury amenities include but are not limited to swimming pools, golf courses, tennis courts and similar amenities.

The added costs attributed to the project because of higher quality amenities will be considered on a project by project basis for a cost to benefit assessment. (0-4 points)

***Green Building and Energy Conservation Standards***

Applicant's justification for green building and energy conservation includes but is not limited to Energy Star building and appliance initiatives, water saving devices, green construction and materials, heating, and insulation applications. The green building and energy conservation items are listed and further described, and the available points and evaluation scoring criteria are specified, for new construction in the worksheet at Exhibit F-1 and for rehabilitation in the worksheet at Exhibit F-2. The application must include the completed worksheets (Exhibits F-1 and F-2). The applicant's architect must provide a

letter confirming the initiatives incorporated into the project. This letter must be included in the application. **Level 1 items must exceed the Residential IECC 2009 standards and commercial 2009 IECC standards will be used for 4 stories or more.** *The architect's letter must explain how, and by what amount, threshold items WILL EXCEED the IECC 2009 standards.* NOTE: The applicant's architect also must provide certification upon completion of the project confirming that the initiatives were incorporated. (0-10 points) Applications must meet ALL Level I items as reflected by receiving all Level I points in order to receive any points for Level II items.

**NOTE: Standards prescribed by ResCHECK will NOT be accepted.**

#### **6. Development Team (Sponsor) Characteristics\* (0-6 points)**

Participation by an entity with a demonstrated track record of quality experience in completed development or management of low income housing tax credit projects. MBOH will consider all members of the development team and whether housing projects have been developed and operated with the highest quality either in Montana or another state. Special attention will be paid to existing projects, amount of active local community participation used to develop projects, and a management entity with a good compliance track record and specialized training. If an entity has a poor demonstrated track record with respect to developments in Montana or in another state, MBOH reserves the right to assign up to ten (10) negative points. MBOH reserves the right to contact community officials, developer team references, credit bureaus, other state tax credit administering agencies and all other sources as appropriate (0-6 points or as much as minus (-) 10 points each for (i) poor demonstrated track record with respect to developments in Montana or in another state, or (ii) for failure to respond within 10 working days of MBOH letter of inquiry).

The application must list all LIHTC projects in Montana or any other state developed, owned, managed or consulted on by applicant or for which an award of tax credits was received, whether or not such projects were successfully completed. Applicant, Developer/Sponsor, Owner, and Development Team must consent in writing, on a form provided in the UNIAPP tax credit supplement, for other state tax credit agencies to provide information to MBOH regarding the applicant's history of performance on other tax credit projects.

#### **7. Participation of Local Entity (0-5 points)**

A proposal involving significant participation by a local entity separate from the developer must be evidenced by a signed agreement to participate. The MBOH Board has determined having a local entity participate at a significant level increases the success and acceptance of the project into the community. Examples of significant participation would be entities providing on-site services, screening and referring tenants through a formal agreement, donation of land or sale at a reduced price to enhance affordability, use of grant money to develop infrastructure, or significant fee waivers on city fees. Monetary or other material support will also be considered. Note: Information submitted during each round of applications will be compared to other applications within the same round. Only new agreements, land donations, and/or grants requested or negotiated for the current round will be considered for awarding points.

#### **8. Tenant Populations With Special Housing Needs\* (0-10 points)**

A project will receive one (1) point for each 5% of the units targeting the following identified needs up to a maximum of 10 points. The application must specify the number of units targeted for each category. Section B Part XII, Units Accessibility, of the UNIAPP will be used to calculate the score for this item. Units may not be counted more than once or in more than one category.



- Units targeted specifically for individuals with children or large families (units with 2 or more bedrooms).
- Units targeted specifically as Section 504 fully accessible units exceeding minimum fair housing requirements.
- Units targeted specifically for persons with disabilities (application must describe the strategy that will be used to market available units to disabled persons).

If the project is an Elderly Property as defined in federal law, the application will receive 10 points under this provision.

Example:

- 2 – 2 bdrm units meet family requirement 20% – 4 points
- 2 – 1 bdrm units exceed section 504 20% – 4 points
- 1 – 1 bdrm unit targeted to mental illness 10% – 2 points
- 5 – 1 bdrm units with no targeting 50% – 0 points
- 10 – Total units in project – 10 total points received

**9. Preservation of Affordable Housing Projects\* (0-3 points)**

For the acquisition and/or rehabilitation of buildings with local, state, or federal historic preservation designations, existing affordable housing stock, or projects applying for rehabilitation tax credits that have completed their initial 15-year compliance period. (2 points)

Project is located in a Qualified Census Tract and/or involves existing housing as part of a community revitalization plan or similar plan. The application must include any community revitalization plan and identify where in the plan such existing housing may be found. (1 point)

**10. Intermediary Costs (0-10 points)**

Developments with lower ratios of soft costs to hard costs and lower levels of Developer Fees, as calculated by the “Intermediary Cost Analysis” portion of the Tax Credit Supplement to the UNIAPP, Section C, Costs Fees Tab (the “Intermediary Cost Analysis”).

For purposes of this section: (i) “soft costs” are those costs included by the applicant in the UNIAPP which are included as soft costs by the Intermediary Cost Analysis; (ii) “hard costs” are and include all costs included by the applicant in the UNIAPP which are included as professional work and fees, interim costs, financing fees and expenses, syndication costs and developer’s fees by the Intermediary Cost Analysis; (iii) “developer’s fees” are those costs included by the applicant in the UNIAPP, adjusted as necessary to comply with the maximum developer’s fee specified in Section 3, which are included as developer’s fees by the Intermediary Cost Analysis; (iv) “Soft/Hard Costs” means the amount of Soft Costs divided by the amount of Hard Costs; (v) “maximum Developer’s Fee” means the maximum Developer’s Fee specified in Section 3; (vi) “<” means less than; (vii) “>” means greater than; and (viii) “=” means equal to..

For projects with more than 20 units, up to a maximum of 10 points will be awarded as follows:

<u>Soft/Hard Costs</u>	<u>Developer’s Fee</u>	<u>Points</u>
<30%	< Maximum	10
<30%	= Maximum	8
= or >30% but not >40%	< Maximum	7
= or >30% but not >40%	= Maximum	6

>40%	< Maximum	5
>40%	= Maximum	4

For projects with 20 or fewer units and rehab projects regardless of the number of units (does not include gut rehabs which are considered new construction), up to a maximum of 10 points will be awarded as follows:

<u>Soft/Hard Costs</u>	<u>Developer's Fee</u>	<u>Points</u>
<35%	< Maximum	10
<35%	= Maximum	8
= or >35% but not >42%	< Maximum	7
= or >35% but not >42%	= Maximum	6
>42%	< Maximum	5
>42%	= Maximum	4

### **11. Developer Knowledge and Responsiveness (Up to minus (-) 20 points)**

Applicants (consultants, developers, owners) with past demonstrated management weaknesses, including those listed below may be assigned negative points for this section (Up to Minus (-) 20 points), for example:

- Has not followed-through on the development of a project from application to rent-up and operation;
- Has not maintained a project to Section 42 standards;
- Has received one or more IRS Forms 8823 (unresolved/uncorrected);
- Has not been trained in a certified compliance training program;
- Has not retrained management on compliance every four years;
- Has not submitted request for 8609 within six months after placed-in-service of previous project(s);
- Has requested income targeting changes that are not supported by unanticipated hardship;
- Has requested additional credits more than once; and/or
- Has made significant changes to previous tax credit applications.

\* Indicates federally mandated criteria

Developments not scoring the minimum development evaluation criteria score of 80 points will not receive further consideration. Applications scoring at least the minimum development evaluation criteria score of 80 points and meeting all other requirements of this QAP will be considered for an award of tax credits as provided in this QAP.

### **Award Determination**

The MBOH Board will select those projects to receive an award of tax credits that it determines best meet the most pressing housing needs of low income people within the state of Montana, taking into consideration: (i) all of the requirements, considerations, factors, limitations, evaluation criteria and priorities set forth in this QAP and all federal requirements (together referred to in this QAP as the "Selection Criteria"); (ii) the

evaluation criteria scoring; and (iii) all other information provided to the MBOH Board regarding the applicant projects.

The awarding of points to projects pursuant to the evaluation criteria is for purposes of determining that the projects meet at least the minimum development evaluation criteria required for further consideration and to assist the MBOH Board in evaluating and comparing projects. Evaluation criteria scoring is only one of several considerations taken into account by the MBOH Board and does not control the selection of projects that will receive an award of tax credits. In addition to any other Selection Criteria specified in this QAP, the MBOH Board may consider the following factors in selecting projects for an award of tax credits to qualifying projects:

- The geographical distribution of tax credit projects;
- The rural or urban location of the projects;
- The overall income levels targeted by the projects;
- The need for affordable housing in the community;
- Rehabilitation of existing low income housing stock;
- Sustainable energy savings initiatives;
- Financial and operational ability of the applicant to fund, complete and maintain the project through the extended use period;
- Past performance of an applicant in initiating and completing tax credit projects; and
- Cost of construction, land and utilities.

If the MBOH Board awards credit to an applicant where the award is not in keeping with the established priorities and Selection Criteria of this QAP, it will publish a written explanation that will be made available to the general public pursuant to Section 42(m)(1)(A)(iv) of the Internal Revenue Code.

If all of the authorized credits are awarded after a particular cycle, MBOH may place qualifying applications which did not receive an award of tax credits on a waiting list for potential award of tax credits in the event credits become available at a later date. Any available credits that are not awarded or reserved in a particular cycle may in the discretion of the MBOH Board be made available for award in a future cycle or may be used to increase the amount of tax credits reserved for a previously awarded project as provided in this QAP.

## **SECTION 10 – RESERVATION, CARRYOVER AND FINAL ALLOCATION**

Once MBOH has selected projects and determined the award of tax credits and amount of credits to be reserved, MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restrictive Covenants to the partnership for execution and return to MBOH.

### **Reservation Agreement**

MBOH will provide a Reservation Agreement, Gross Rent Floor Election, and Declaration of Restrictive Covenants to the partnership for execution and return to MBOH. The partnership should review, complete, sign, and return the Reservation Agreement and Gross Rent Floor Election, along with the additional information and materials required below. A Reservation

Agreement is MBOH's conditional commitment to allocate tax credits, subject to evidence of timely progress toward completion of the development acceptable to MBOH, and compliance with federal tax credit requirements.

If an unsuccessful applicant, or a party associated with such applicant, commences any legal action or proceeding challenging MBOH's award determination or process, MBOH will allocate tax credits as required by an executed Reservation Agreement to the same extent it would have been bound to do in absence of the legal challenge, unless the court determines that such applicant was not eligible or qualified under the applicable QAP to receive an award of tax credits or MBOH otherwise determines that it is precluded by Court order from doing so. If a court determines in any such action or proceeding that MBOH must award credits to one or more unsuccessful applicants from such round or year, such award or awards will be made using any available returned or unreserved tax credits or current year's credits provided in Section 7.

The following will be required from the partnership, prior to entering into a Reservation Agreement:

- Demonstrated financial ability to proceed (conditional financing commitment); and
- Certain other updated application material

Where applicable, if the owner elects the federal percentage(s) in the month that the reservation is issued by MBOH, the reservation document must be signed and returned on or before the 25<sup>th</sup> of that month to assure the lock-in of the rate. Owners electing the placed-in-service date should return the signed reservation document immediately. Upon receipt, MBOH will sign the Agreement, and return a copy to the partnership.

The balance of the reservation fee (based on the fee schedule) will be due and must be received by MBOH no later than 6 months after award of credits.

MBOH will send the successful applicant a Reservation Agreement shortly after award. The applicant will have a maximum of 90 days after receipt of the Reservation Agreement to accept, sign and return the Reservation Agreement .

Once the partnership enters into a Reservation Agreement with MBOH, the partnership must then meet the conditions described in the Reservation Agreement and provide the required documentation before it receives a final allocation of tax credits.

MBOH will revoke an approved tax credit reservation and terminate the Reservation Agreement when a project fails to make successful progress toward completion or otherwise fails to perform its obligations under the Reservation Agreement. Submitting quarterly status reports demonstrating satisfactory evidence of the project's completion is the responsibility of the applicant.

NOTE: Reservation Agreements for tax credit projects funded through tax-exempt bonds must be completed, signed, and returned to MBOH not later than five days following the close of the bond financing agreement.

### **Gross Rent Floor Election**

The election on this form verifies when the owner elects the gross rent floor for the project. There are two options: at the initial allocation, or at the date Placed in Service. This form reflects the election made by the owner in the Reservation Agreement. This form must be returned with the executed Reservation Agreement.

### **Declaration of Restrictive Covenants**

The Declaration of Restrictive Covenants assures that the land and its use will be restricted for the purposes of providing low-income housing for the period proposed in the application. Provisions included in the Restrictive Covenants will include Exhibit A-1 (Legal Description of Project Land); Exhibit A-2 (Conditions of Tax Credit Allocation) indicating the number of units at the appropriate elected rent levels, e.g., 30%, 40%, 50%, 60% AMI as determined by the application. Owners will be required to maintain those rent levels through the extended use period of the project; Exhibit A-3 (Energy and Green Building) indicating the architect's letter provided in the application outlining those energy and green building initiatives.

The Declaration of Restrictive Covenants must be recorded in the county in which the project real property is located. In unusual circumstances, and for good cause shown, MBOH may permit amendments to the Declaration of restrictive Covenants at a subsequent date.

## **Carryover Commitment**

In order to receive a carryover commitment, owners must provide proof of land control (evidence of title or right to possession and use of the property for the duration of the compliance period and any extended use period plus one year, e.g., a recorded deed or an executed lease agreement), executed and recorded restrictive covenants, and the reservation fee. Land lease periods must be at least one year longer than the Restrictive Covenant period. These items must be received by December 1, of the year for which the award of credits was made. MBOH will issue carryover commitments before year end.

## **10% Test**

MBOH requires that more than 10% of the expected basis in a project, including land, must be expended by the 10% cost certification deadline. MBOH requires that developers provide an independent third party CPA Cost Certification, in a format established by MBOH, verifying compliance with the 10% test.

Developers must submit the 10% requirements, including the required CPA Cost Certification and other documents, by the deadline. Failure to do so will result in the loss of the credit award.

At 10% Test, MBOH staff will re-evaluate:

- The sources and uses of funds;
- Total financing planned for the project;
- Proceeds or receipts expected to be generated by the tax credits;
- Reasonableness of the development and operation costs;
- Projected Rental Income and Operational Expenses;
- Debt Coverage Ratio; and
- Tax Credits required for financial feasibility of the project.

Deadline for submission of the required 10% information is the end of the twelfth month following the credit award. Failure to submit certification for 10% documentation will cause forfeiture of awarded, reserved or allocated tax credits for the project.

## **Placed in Service**

Placed in Service (PIS) is the date on which the building is ready and available for its specifically assigned function (the date on which the first unit in the building is certified as being suitable for occupancy in accordance with State or local law). This certification is the Certificate of Occupancy (C of O).

New construction and substantial rehabilitation buildings must be placed in service (receive C of O), not later than the close of the second calendar year following the calendar year in which the carryover commitment is made.

Other rehabs that are not substantial (accomplished with residents in place during rehab) can place in service at the end of the 24 month or shorter period over which the required amount of expenditures are aggregated. The owner selects the placed in service date in this case unless local approval is needed

## **Final Allocations/8609**

Documentation supporting a request for issuance of IRS Form 8609 must be submitted to MBOH within 6 months of the last building Placed In Service date. MBOH will not allocate tax credits on IRS Form 8609 until a qualified building is placed in service. A site visit and file audit by MBOH may be conducted prior to the issuance of the IRS Form 8609.

The request for issuance of IRS Form 8609(s) must include:

- The independent third party CPA's Cost Certification and Owner's Statements (available in Exhibit C);
- The architect's verification that the items for green and energy in the application (and included as exhibit A-3 of the Restrictive Covenants) as well as provisions of accessibility listed in Section 3 have been met;
- Certificates of Occupancy (C of O's);
- Copies of all permanent loan and/or grant documents;
- Copy of partnership/equity agreement; and
- Statement of items or costs excluded from eligible basis.

MBOH will complete the final credit allocation evaluation. Once the 8609(s) are issued and delivered to the owner, the bottom half must be completed and signed. **A copy of each completed 8609 must be sent back to MBOH within six months of issuance.**

## **SECTION 11 - DEVELOPER/APPLICANT RESPONSIBILITIES**

Developer/Applicant must respond to a written MBOH request within 10 working days. Failure to do so may result in the application being deemed ineligible for that funding round.

Developer/Applicant must proceed according to the timeframe identified in the Implementation Schedule. Adjustments up to 60 days are acceptable. Any changes in the Implementation Schedule greater than 60 days must be submitted in writing with justification to MBOH. Any changes are not reported or not approved may jeopardize the credits.

### **State Law Requirements**

The applicant and development team must agree to comply with Montana State law requirements (e.g., certificate of contractor registration, workers compensation, unemployment compensation, and payroll taxes). MBOH will include this certification in the execution of all Reservation and Carryover Allocation documents.

### **Public Notification**

Any public relations actions by a recipient of tax credits involving MBOH funds or tax credits must specifically state that a portion of the funding is from MBOH. This will be included in radio, television, and printed advertisements (excluding rental ads), public notices, and on

signs at construction sites, e.g., "Low Income Housing Tax Credits allocated by the Montana Board of Housing, Montana Department of Commerce."

### **Quarterly Status Reporting**

All applicants receiving reservations of credits must provide written status reports for each calendar quarter, beginning with the quarter in which the tax credit award is made. Status reports will be due on or before April 10th, July 10th, October 10th, & January 10<sup>th</sup> until the applicant receives its 8609(s). The documentation regarding the progress must be development specific, and include such items as planning approval and building permits, firm debt and/or equity financing commitments, construction progress, and lease up progress. Owners must provide a copy of the Certificate of Occupancy for each building with the status report covering the period during which it was issued.

### **Changes to Project or Application**

The applicant must immediately notify MBOH in writing if changes occur in the project with respect to the Applicant, the Developer, or any other principal participant in the project. MBOH must review and approve any proposed substantial changes to the project including but not limited to quality of construction, unit composition, target group, location and changes in required information presented in the application. For changes in sources and uses, refer to Section 3. Specific approval by the MBOH Board may be required for substantial changes. Requests must be submitted to MBOH with proper justification at least 30 days before the change is expected to take place. MBOH review and approval of changes must be completed prior to the change taking effect. Changes completed without MBOH approval, may result in the loss of some or all credits.

Any requested changes submitted to application criteria requiring MBOH action may incur additional fees. Changes to tax credit site, construction of building(s), architectural, engineering, or any on-site review by any member of MBOH will incur additional charges. Fees will be determined based upon the cost of MBOH Staff travel for that purpose.

## **SECTION 12 - COMPLIANCE MONITORING**

Federal law requires state allocating agencies (MBOH) to monitor compliance with provisions of Section 42 of the Internal Revenue Code (26 U.S.C. § 42). In addition, Federal law requires allocating agencies to provide a procedure the agency will follow in monitoring for non-compliance and to inform tax credit recipients (owners) of procedures and requirements.

Included in the requirements are procedures for notifying the Internal Revenue Service (IRS) of any non-compliance of which the allocating agency becomes aware. Federal income tax regulations related to Procedures for Monitoring Compliance with Low-Income Housing Credit Requirements are published in 26 CFR Part 1 and 602.

**For complete LIHTC compliance guidance, refer to the MBOH Program Compliance Manual, available at <http://housing.mt.gov/About/MF/manuals.mcp> Compliance Fees**

Developments will incur and must pay to MBOH a compliance monitoring fee to offset the costs for MBOH compliance monitoring. The compliance monitoring fee of \$40.00 per each

non-market unit (subject to change) is payable annually at the time of the Owner's Submission of the Owner's Certificate of Continuing Program Compliance.

The following procedure describes MBOH plans for monitoring compliance on tax credit projects. At minimum, each project that has been placed in service will be subject to the following monitoring requirements:

## **Recordkeeping, Record Retention and Data Collection**

### **Recordkeeping**

The owner of a low-income housing project must keep records for each building in the project that shows unit qualifications for each year throughout the term of the Declaration of Restricted Covenants, including the Compliance Period and the Extended Use Period in effect for such project.

The information must show for each year in the compliance period:

- The total number of residential rental units in a building (including the number of bedrooms and the size in square feet of each residential rental unit);
- 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 allowances and mandatory fees);
- The number of occupants in each low-income unit if the rent was determined by the number of occupants in each unit (projects receiving credit before the Revenue Reconciliation Act of 1989);
- The low income unit vacancies in the building and information that shows when, and to whom, the next available units were rented. If a unit is left vacant, or in a mixed use project is rented to a non-qualifying tenant, the owner must maintain documentation showing a diligent attempt was made to rent the unit to a qualifying tenant;
- The tenant income certification of each low income tenant (by unit), including annual certifications for each continuous tenant;
- Documentation to support each low income tenant's income certification. This must include a copy of (a) verification of income from third parties such as employers or state agencies paying unemployment compensation, or (b) 6 consecutive paystubs;
- The eligible basis and qualified basis of the building at the end of the first year of the credit period; and
- The character and use of any non-residential portion of the building included in the eligible basis of the building, if applicable.

### **Records Retention**

Federal regulations require the owner of a low income housing project receiving tax credits to retain the records required in this Recordkeeping, Record Retention and Data Collection section for each qualified low income building in the project. Under the record retention provision of the IRS compliance regulations, the owner is required to retain such records for at least 6 years after the due date for filing the federal income tax return for that year. Records for the first year of the credit period, however, must be retained for at least 6 years beyond the due date for filing the federal income tax return for the last year of the compliance period. Owner should also retain records relating to the amount of credit



claimed for the Low Income Housing Tax Credit, including the Form 8609 and Schedule A of Form 8609.

## **Data Collection**

To the extent required by federal law, the owner will assist the MBOH with meeting federal reporting requirements by collecting and submitting information annually concerning the race, ethnicity, family composition, age, income, use of rental assistance under section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of all low-income households.

## **Owner Certification**

MBOH will require a statement of Owner Certification with an owner's notarized signature on an annual basis. This statement must be filed with MBOH every year through the initial compliance period, and the extended use period. Owners must file annual certifications on the form provided by MBOH. This form may not be substituted. Failure to provide an annual owner certification report before the date established by MBOH may trigger an IRS Form 8823 for Late Owner's Certification.

## **Annual Operating Expense Information**

All project owners must submit operating income and cost information for the project's latest fiscal period, including a current balance of replacement and operating reserve accounts. This information will be used to maintain a database of all tax credit projects in the state.

## **Submission Deadlines**

Owners must submit Owner Certifications (a separate certification must be submitted for each project having an allocation of tax credits) and Tenant Income Certifications using the prescribed forms on or before the 25th of the month following the assigned annual period. Federal regulations stipulate there must be no more than 12 months between certifications.

## **Review by MBOH staff**

MBOH will review the items listed above for compliance with the requirements of Section 42 of the Code and with the requirements of the MBOH Low-Income Housing Tax Credit Program

## **Ownership/Management Changes**

Notification of changes to ownership, property management companies, managers, site managers, or changes to points of contact must be submitted to MBOH prior to or immediately upon implementation of the change. Failure to timely submit such notification to MBOH may trigger issuance of a Form 8823.

## **Education Requirements**

Persons responsible for qualifying tenants and verifying compliance (involved in tenant qualification and compliance) must be certified in LIHTC compliance by one of the nationally recognized LIHTC compliance training companies. Property managers and property management company personnel must complete a nationally recognized certification course, passing the test. For MBOH purposes, to maintain certification, the person must attend a class with a nationally recognized compliance company at least once every four years. For each of the other three years, all property managers and property management company personnel should attend annual MBOH compliance training. The manager for a LIHTC property must be trained and certified before the property is placed in service. New managers hired for existing LIHTC properties must be certified within their first year of

employment. On a case-by-case basis, MBOH may approve our compliance training as adequate training until such time as the next nationally recognized training program is offered within Montana.

Persons responsible for qualifying tenants and verifying compliance (involved in tenant qualification and compliance) must also attend Fair Housing training through MBOH or its designee listed on the MBOH website at least once every four years. The manager for a LIHTC property must complete such training before the property is placed in service. New managers hired for existing LIHTC properties must complete the training within their first year of employment.

## **Tenant Income Certifications (TIC)**

### **Frequency and Form**

For all tax credit projects, the owners must complete the MBOH TIC *for all new move-ins* and file it with MBOH through Certification On Line (COL) for each tenant. MBOH will not require owners to submit documentation supporting the TIC. MBOH will review supporting documentation as part of the On Site Inspections.

Timely annual Re-certifications (TICs) *for mixed projects* (with market units) must be completed and submitted to MBOH through COL.

The Certification On-Line TIC is the only acceptable form.

### **Student Status Certification**

All properties must provide certifications *of student status annually* for all LIHTC qualified tenants *prior to their move-in anniversary date*.

### **On-Site Inspections**

MBOH will perform an on-site inspection of each project at least once every three years during the Compliance and Extended Use Periods. MBOH will notify the owner/manager in advance of the inspection.

During on-site inspections, MBOH must inspect and review the tenant files for at least 20% of the project's units. The units to be inspected will be selected by MBOH. MBOH will not notify the project's manager, owner or other representative of the unit selection before the site inspection. MBOH, at its discretion, may expand the selected sample of units and files for inspection.

Complete copies of tenant official tax credit rental files for each unit from original lease-up forward must remain within the State of Montana at the location of the rental property or the regional in-state office.

If MBOH determines it is necessary, projects may be inspected more than once every three years. The cost of any additional inspections will be billed to the respective project.

In event of non-compliance under Section 42 of the Code or the implementing regulations MBOH may be required or elect to undertake additional monitoring. The Owner will take any and all actions reasonably necessary to achieve and maintain compliance. MBOH may require the owner to document correction of non-compliance and/or MBOH may elect to conduct one or more site visits to verify correction of noncompliance. The Owner will pay a reasonable fee to MBOH for any such additional monitoring activities.

### **Notice To Owner (26 CFR 1.42 (e)(2))**

Under the notification-of-noncompliance provisions, MBOH must provide prompt written notice to the owner if MBOH does not receive the certification(s) described in this QAP, or is

not permitted to inspect the tenant income supporting documentation, rent records, or the project. In addition, MBOH must provide prompt written notice to the owner if MBOH discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

### **Correction Period (26 CFR 1.42 (e)(4))**

The owner will be given a correction period of up to 90 days from the date of notice. If MBOH determines that good cause exists, an extension may be granted to correct noncompliance.

### **Notice To IRS (26 CFR 1.42 (e)(3))**

MBOH must file IRS Form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS (even if non-compliance has been corrected) no later than 45 days after the end of the correction period, and no earlier than the end of the correction period.

### **Liability (26 CFR 1.42 (g))**

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. MBOH's obligation to monitor for compliance with the requirements of Section 42 does not make the Agency liable for an owner's noncompliance.

No member, officer, agent, or employee of MBOH shall be personally liable concerning any matters arising out of, or in relation to, the compliance monitoring of a low-income housing project.

### **Marketing the Project**

MBOH will put all LIHTC properties into the free State-approved Housing Locator website, MTHousingSearch.com. Properties will be contacted by MTHousingSearch for required information. Using this website meets the criteria for advertising vacant units and provides for broad coverage to those searching for affordable housing in Montana.

## **SECTION 13 – DISCLAIMER**

MBOH is charged with allocating no more tax credits to any given development than is required to make that development economically feasible. This decision shall be made solely at the discretion of MBOH, but in no way represents or warrants to any sponsor, investor, lender, or others that the development is feasible or viable.

MBOH reviews documents submitted in connection with this allocation for its own purposes. In allocation of the tax credits, MBOH makes no representations to the owner or anyone else regarding adherence to the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Low Income Housing Tax Credits.

No member, officer, agent, or employee of MBOH shall be personally liable concerning any matters arising out of, or in relations to, the allocation of the Low Income Housing Tax Credit.

### **MBOH Policy on Non-Discrimination**

Montana Board of Housing is an Equal Opportunity organization. All employees, who work for or with this Agency, agree not to discriminate against any client or co-worker based on race, color, religion, sex, handicap, familial status, national origin and any other classes

protected in Montana. The failure of any employee to take the Agency policy seriously and to comply therewith may lead to disciplinary action, including but not limited to immediate termination of employment.

### **Qualified Allocation Plan Revisions**

This QAP may be amended at any time after compliance with applicable notice, comment and approval requirements.

### **MBOH Policy on Civil Rights Compliance**

The owner, developer, borrowers and any of their employees, agents, or sub-contractors in doing business with the Montana Board of Housing understand and agree that it is the total responsibility of the owner(s) to adhere to and comply with all Federal Civil Rights legislation inclusive of the Fair Housing Laws, Americans With Disabilities Act as well as any State and local Civil Rights legislation along with any required related codes and Laws. Should requirements, such as design, not be specified by MBOH, it is none the less the owner(s) responsibility to be aware of and comply with all non-discrimination provisions related to race, color, religion, sex, handicap, familial status, national origin and any other classes protected in Montana, including design requirements for construction or rehabilitation, Equal Opportunity in regard to marketing and tenant selection and reasonable accommodation and modification for those tenants covered under the Laws.

All Exhibits available

at: <http://housing.mt.gov/About/MF/qapexhibits.mcp>

**EXHIBIT "A"**

\_\_XX\_\_ 8609 certification

**Itemized Actual Cost and Eligible Basis**

Itemized Cost	Actual Cost	List and Indicate <u>Eligible Basis by Credit Type</u>	
		Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Land and Buildings:</b>			
Land	_____	_____	_____
Existing Structure	_____	_____	_____
Demolition	_____	_____	_____
Other	_____	_____	_____
<b>Site Work:</b>			
Site Work	_____	_____	_____
Off Site Improvement	_____	_____	_____
Enviromental	_____	_____	_____
Other	_____	_____	_____
<b>Rehabilitation and New Const:</b>			
New Building	_____	_____	_____
Rehabilitation	_____	_____	_____
Accessory Structures	_____	_____	_____
General Requirements	_____	_____	_____
Contractor Overhead	_____	_____	_____
Contractor Profit	_____	_____	_____
Construction Contingency	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Professional Work and Fees:</b>			
Architect Design	_____	_____	_____
Architect Supervision	_____	_____	_____
Attorney, Real Estate	_____	_____	_____
Consultant \ Agent	_____	_____	_____
Engineer \ Surveyor	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Construction Interim Costs:</b>			
Hazard & Liability Insurance	_____	_____	_____
Credit Report	_____	_____	_____
Construction Interest	_____	_____	_____
Origination Points	_____	_____	_____
Discount Points	_____	_____	_____
Inspection Fees	_____	_____	_____
Title & Recording	_____	_____	_____
Legal Fees	_____	_____	_____
Taxes	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____

**EXHIBIT "A"**

\_\_XX\_\_ 8609 certification

**Itemized Actual Cost and Eligible Basis**

Itemized Cost	Actual Cost	List and Indicate <u>Eligible Basis by Credit Type</u>	
		Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Financing Fees and Expense:</b>			
Credit Report	_____		
Discount Points	_____		
Origination Fees	_____		
Title and Recording	_____		
Legal Fees	_____		
Prepaid MIP	_____		
Other	_____		
Other	_____		
<b>Soft Costs:</b>			
Feasibility Appraisal	_____	_____	_____
Market Study	_____	_____	_____
Environmental Study	_____	_____	_____
Tax Credit Fees	_____	_____	_____
Cost Certification	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Syndication Costs:</b>			
Organizational (Partnership)	_____		
Bridge Loan Fees and Expenses	_____		
Tax Opinion	_____		
Other	_____		
<b>Developer's Fees:</b>			
Developer's Fee - New Construction	_____	_____	_____
Developer's Fee - Acquisition	_____	_____	_____
Developer's Fee - Rehabilitation	_____	_____	_____
Consultant Fees	_____	_____	_____
Other	_____	_____	_____
<b>Project Reserves:</b>			
Rent-up Reserve	_____		
Operating Reserve	_____		
Replacement Reserve	_____		
Escrow's	_____		
Other	_____		
Other	_____		
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____
plus			
<b>SUBTOTAL FROM PAGE 1</b>	_____	_____	_____
<b>Totals</b>	=====	=====	=====

**EXHIBIT "A"**

\_\_XX\_\_ 10% certification

**Itemized Cost and Eligible Basis**

*disclose all of a development's funding sources and uses*

Itemized Cost	Costs Incurred	Reasonably Expected Cost	List and Indicate Eligible Basis by Credit Type	
			Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Land and Buildings:</b>				
Land	_____	_____	_____	_____
Existing Structure	_____	_____	_____	_____
Demolition	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Site Work:</b>				
Site Work	_____	_____	_____	_____
Off Site Improvement	_____	_____	_____	_____
Environmental	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Rehabilitation and New Const:</b>				
New Building	_____	_____	_____	_____
Rehabilitation	_____	_____	_____	_____
Accessory Structures	_____	_____	_____	_____
General Requirements	_____	_____	_____	_____
Contractor Overhead	_____	_____	_____	_____
Contractor Profit	_____	_____	_____	_____
Construction Contingency	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Professional Work and Fees:</b>				
Architect Design	_____	_____	_____	_____
Architect Supervision	_____	_____	_____	_____
Attorney, Real Estate	_____	_____	_____	_____
Consultant \ Agent	_____	_____	_____	_____
Engineer \ Surveyor	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Construction Interim Costs:</b>				
Hazard & Liability Insurance	_____	_____	_____	_____
Credit Report	_____	_____	_____	_____
Construction Interest	_____	_____	_____	_____
Origination Points	_____	_____	_____	_____
Discount Points	_____	_____	_____	_____
Inspection Fees	_____	_____	_____	_____
Title & Recording	_____	_____	_____	_____
Legal Fees	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>SUBTOTAL THIS PAGE</b>	0	0	0	0

**EXHIBIT "A"**  
**Itemized Cost and Eligible Basis**

\_\_XX\_\_ 10% certification

Itemized Cost	Costs Incurred	Reasonably Expected Cost	List and Indicate Eligible Basis by Credit Type	
			Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Financing Fees and Expense:</b>				
Credit Report	_____	_____		
Discount Points	_____	_____		
Origination Fees	_____	_____		
Title and Recording	_____	_____		
Legal Fees	_____	_____		
Prepaid MIP	_____	_____		
Other	_____	_____		
Other	_____	_____		
<b>Soft Costs:</b>				
Feasibility Appraisal	_____	_____	_____	_____
Market Study	_____	_____	_____	_____
Enviromental Study	_____	_____	_____	_____
Tax Credit Fees	_____	_____	_____	_____
Cost Certification	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Syndication Costs:</b>				
Organizational (Partnership)	_____	_____		
Bridge Loan Fees and Expenses	_____	_____		
Tax Opinion	_____	_____		
Other	_____	_____		
<b>Developer's Fees:</b>				
Developer's Fee - New Construction	_____	_____	_____	_____
Developer's Fee - Acquisition	_____	_____	_____	_____
Developer's Fee - Rehabilitation	_____	_____	_____	_____
Consultant Fees	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Project Reserves:</b>				
Rent-up Reserve	_____	_____		
Operating Reserve	_____	_____		
Replacement Reserve	_____	_____		
Escrow's	_____	_____		
Other	_____	_____		
Other	_____	_____		
<b>SUBTOTAL THIS PAGE</b>	\$0	\$0	\$0	\$0
plus				
<b>SUBTOTAL FROM PAGE 1</b>	\$0 #	\$0 # #	\$0 # #	\$0
<b>Totals</b>	\$0 #	\$0 # #	\$0 # #	\$0
<b>less</b>				
Permanent Financing Fees	_____	_____		
Tax Credit Fees	_____	_____		
Rent-up Reserves	_____	_____		
Organization Costs	_____	_____		
<b>Totals</b>	_____	_____		
<b>Percentage</b>		%		



10% certification (mark one)  
 8609 certification

**EXHIBIT "A"**  
**Maximum Credits Based on Qualified Basis**

	List and Indicate Eligible Basis by Credit Type	
	Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Total Eligible Basis (from previous page)</b>	_____	_____
Less portion of grants used to finance qualified development costs. List Grants:	< _____ >	< _____ >
Less amount of nonqualified nonrecourse financing	< _____ >	< _____ >
Less Historic Tax Credits (Residential Portion Only)	< _____ >	< _____ >
Less other nonqualified cost	< _____ >	< _____ >
<b>Total Adjusted Eligible Basis</b>	_____	_____
Is project in QCT* or DDA*? If Yes enter 130%. If No enter 100%.	<u>      x      </u> %	<u>      x      </u> %
Total Adjusted Eligible Basis (includes high cost adjustment)	_____	_____
Applicable Fraction (smaller of Unit or Floor Space Fraction)	<u>      x      </u> %	<u>      x      </u> %
Total Qualified Basis	_____	_____
IRS Applicable Fraction (per reservation agreement)	<u>      x      </u> %	<u>      x      </u> %
Total Maximum Annual Credit (by type)	\$ _____	\$ _____
Total Maximum Annual Credit (combined)	\$ _____	_____

**Maximum Credits per Reservation Agreement**

Total Maximum Annual Credit	\$ _____
-----------------------------	----------

**Tax Credit Sales Price**

Tax Credit Sales Price per agreement with equity investors (ie \$0.70, \$0.75)	\$ _____
---	----------

\* QCT = Qualified Census Tract  
 DDA = Difficult to Develop Area

**EXHIBIT "A"**  
**Sources & Uses of Funds**

<input type="checkbox"/> 10% certification (mark one)
<input type="checkbox"/> 8609 certification

<b>Loans:</b>			<u>Rate</u>	<u>Loan Term</u>	<u>Amort. Period</u>	<u>Annual Debt Service</u>
<u>Name of Lender</u>	<u>Amount</u>					
_____	\$ _____		%	_____	_____	\$ _____
_____	\$ _____		%	_____	_____	\$ _____
_____	\$ _____		%	_____	_____	\$ _____
_____	\$ _____		%	_____	_____	\$ _____
_____	\$ _____		%	_____	_____	\$ _____
_____	\$ _____		%	_____	_____	\$ _____
<b>Total Loans</b>	<b>\$ _____</b>					
<b>Grants:</b>						
<u>Name of Grantor</u>	<u>Amount</u>					
_____	\$ _____					
_____	\$ _____					
<b>Total Grants</b>	<b>\$ _____</b>					
<b>Other Sources:</b>						
<small>(i.e. owners equity, deferred developer fees) **</small>						
<u>Name</u>	<u>Amount</u>					
_____	\$ _____					
_____	\$ _____					
_____	\$ _____					
<b>Total Other Sources</b>	<b>\$ _____</b>					
<b>TAX CREDIT EQUITY</b>	<b>\$ _____</b>					
<b>TOTAL SOURCES:</b>	<b>\$ _____</b>					
<b>TOTAL USES: (from page 2)</b>	<b>\$ _____</b>					
<b>Sources must equal Uses</b>						
<small>** Rural Development projects must use required owners equity as a source</small>						

**EXHIBIT "A"**  
**Final Credit Calculation**

<input type="checkbox"/> 10% certification (mark one) <input type="checkbox"/> 8609 certification
--

Tax Credit Equity (from page 4)	\$ _____
Tax Credit Sales Price (from page 3)	_____ %
<b><u>Maximum Annual Credit Calculation:</u></b>	
<b>Methods</b>	
1. Maximum Credits Based on Tax Credit Equity ( ( Equity / Sales Price ) / 10 years )	\$ _____
2. Maximum Credits Based on Qualified Basis (from page 3)	\$ _____
3. Maximum Credits per Reservation Agreement (from page 3)	\$ _____
<b>Maximum Annual Credit Amount</b> (lessor of the above three methods)	\$ _____

**Tax Credit Net Proceeds**

<b>Gross Proceeds from Sale of Tax Credits</b>	_____
<b>Intermediary Costs:</b>	
Organizational/Partnership Expenses	_____
Tax Opinion	_____
Commissions	_____
Bridge Loan Fees	_____
Bridge Loan Interest	_____
Fees to Owner or related party	_____
Other	_____
Other	_____
<b>Total intermediary Costs</b>	_____
<b>Net Proceeds from Sale of Tax Credits</b>	_____
(reduce the gross proceeds from the sale of the tax credits by the costs the project would not have incurred if it had not used tax credits as funding source. )	(this will be analyzed for reasonableness to determine if tax credits proceeds are being used effectively.)

Notes:
--------

**EXHIBIT "A"**  
**Qualified Basis on a Building-by-Building Basis**

<input type="checkbox"/> 10% certification	<input type="checkbox"/> (mark one)
<input type="checkbox"/> 8609 certification	

Building Address	Eligible Basis by Building	Applicable Fraction	Qualified Basis by Building	% Qualified Basis by Building	Tax Credits by Building	Placed-in-Service Date
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
<b>Totals</b>	\$ _____		\$ _____		\$ _____	

separate sheet will need to be completed for both acquisition and rehabilitation.

# Owners Statement Attachment

<input type="checkbox"/> 10% certification (mark one)
<input type="checkbox"/> 8609 certification

## Tenant Paid Utility Information

Utility of Service	Type of Utility (ie Gas, Elec)	O=Owner Pd T=Tenant Pd	Bedroom Size:				
			0-bdrm	1-bdrm	2-bdrm	3-bdrm	__-Bdrm
Heating							
Hot Water							
Air Conditioning							
Water							
Cooking							
Sewer							
Electricity							
Trash							
<b>Totals</b>			\$	\$	\$	\$	\$

## Income and Rent Schedule

Number of Bedrooms	Number of Units	Gross or Contract Rent	Utility Allowance	Tenant Paid or Contract Rent (c-d)	Total Monthly Rent (b*e)	Median Income Targeted (ie 50% 60%)	Average Sq. Ft. Per Unit

*- If a unit has project based rental subsidies enter contract rent in column "c" with zero utility allowance*

(i) Subtotal - Gross Monthly Income	0
(j) Vacancy Percentage	7.00%
(k) less Vacancy Factor	0
(l) Other Project Income(monthly)	\$
(m) Total Forecasted Monthly Income	0 /monthly
(n) Total Forecasted Annual Income	0 /yearly
(o) Projected Annual Percentage Increase in Income:	2.00%



# Annual Operating Expenses

## 1. Administrative:

Advertising \_\_\_\_\_  
Management \_\_\_\_\_  
Legal/Ptnrship \_\_\_\_\_  
Accounting/Audit \_\_\_\_\_  
Other \_\_\_\_\_

**Total Administrative** \_\_\_\_\_

## 3. Maintenance:

Decorating \_\_\_\_\_  
Repairs \_\_\_\_\_  
Exterminating \_\_\_\_\_  
Ground Expense \_\_\_\_\_  
Snow Removal \_\_\_\_\_  
Other \_\_\_\_\_

**Total Maintenance** \_\_\_\_\_

## 2. Operating:

Fuel \_\_\_\_\_  
Lighting & Misc Power \_\_\_\_\_  
Water/Sewer \_\_\_\_\_  
Gas \_\_\_\_\_  
Trash Removal \_\_\_\_\_  
Payroll/Payroll Taxes \_\_\_\_\_  
Insurance \_\_\_\_\_  
Other \_\_\_\_\_

**Total Operating** \_\_\_\_\_

## 4. Taxes

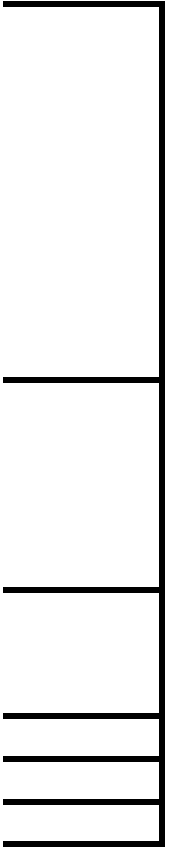
Real Estate Taxes \_\_\_\_\_  
Other \_\_\_\_\_

**Total Taxes** \_\_\_\_\_

**5. Total Operating Expenses**

**6. Annual Replacement Reserves**

**7. Total Expenses**





Please Print Landscape

Owners Statement Attachment  
Unit-by-Unit Breakdown

\_\_\_\_ 10% certification (mark one)  
\_\_\_\_ 8609 certification

Building Address & BIN Number	Unit Number	Unit Type (1,2,3 bdrm)	Tenant Paid Rent	Utility Allowance	Gross Rent	Square Footage	*** Unit Designation	Is the unit currently rented?

A separate line should be used for each unit.  
\*\*\* Unit Designation = Indicate if elderly, handicapped, manager ect.  
\*\* Attach additional sheets if necessary

**EXHIBIT "A"**

\_\_XX\_\_ 8609 certification

**Itemized Actual Cost and Eligible Basis**

Itemized Cost	Actual Cost	List and Indicate <u>Eligible Basis by Credit Type</u>	
		Acquisition 4% Credit	Rehabilitation 9% Credit
<b>Land and Buildings:</b>			
Land	_____	_____	_____
Existing Structure	_____	_____	_____
Demolition	_____	_____	_____
Other	_____	_____	_____
<b>Site Work:</b>			
Site Work	_____	_____	_____
Off Site Improvement	_____	_____	_____
Enviromental	_____	_____	_____
Other	_____	_____	_____
<b>Rehabilitation and New Const:</b>			
New Building	_____	_____	_____
Rehabilitation	_____	_____	_____
Accessory Structures	_____	_____	_____
General Requirements	_____	_____	_____
Contractor Overhead	_____	_____	_____
Contractor Profit	_____	_____	_____
Construction Contingency	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Professional Work and Fees:</b>			
Architect Design	_____	_____	_____
Architect Supervision	_____	_____	_____
Attorney, Real Estate	_____	_____	_____
Consultant \ Agent	_____	_____	_____
Engineer \ Surveyor	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Construction Interim Costs:</b>			
Hazard & Liability Insurance	_____	_____	_____
Credit Report	_____	_____	_____
Construction Interest	_____	_____	_____
Origination Points	_____	_____	_____
Discount Points	_____	_____	_____
Inspection Fees	_____	_____	_____
Title & Recording	_____	_____	_____
Legal Fees	_____	_____	_____
Taxes	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____

**EXHIBIT "A"**

\_\_XX\_\_ 8609 certification

**Itemized Actual Cost and Eligible Basis**

Itemized Cost	Actual Cost	List and Indicate <u>Eligible Basis by Credit Type</u>	
		Acquisition 4% Credit	Rehabilitation 9% Credit
<b>Financing Fees and Expense:</b>			
Credit Report	_____		
Discount Points	_____		
Origination Fees	_____		
Title and Recording	_____		
Legal Fees	_____		
Prepaid MIP	_____		
Other	_____		
Other	_____		
<b>Soft Costs:</b>			
Feasibility Appraisal	_____	_____	_____
Market Study	_____	_____	_____
Environmental Study	_____	_____	_____
Tax Credit Fees	_____	_____	_____
Cost Certification	_____	_____	_____
Other	_____	_____	_____
Other	_____	_____	_____
<b>Syndication Costs:</b>			
Organizational (Partnership)	_____		
Bridge Loan Fees and Expenses	_____		
Tax Opinion	_____		
Other	_____		
<b>Developer's Fees:</b>			
Developer's Fee - New Construction	_____	_____	_____
Developer's Fee - Acquisition	_____	_____	_____
Developer's Fee - Rehabilitation	_____	_____	_____
Consultant Fees	_____	_____	_____
Other	_____	_____	_____
<b>Project Reserves:</b>			
Rent-up Reserve	_____		
Operating Reserve	_____		
Replacement Reserve	_____		
Escrow's	_____		
Other	_____		
Other	_____		
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____
plus			
<b>SUBTOTAL FROM PAGE 1</b>	_____	_____	_____
<b>Totals</b>	=====	=====	=====

**EXHIBIT "A"**  
**Itemized Cost and Eligible Basis**

\_\_XX\_\_ 10% certification

Itemized Cost	Costs Incurred	Reasonably Expected Cost	List and Indicate Eligible Basis by Credit Type	
			Acquisition 4% Credit	Rehabilitation 9% Credit
<b>Land and Buildings:</b>				
Land	_____	_____	_____	_____
Existing Structure	_____	_____	_____	_____
Demolition	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Site Work:</b>				
Site Work	_____	_____	_____	_____
Off Site Improvement	_____	_____	_____	_____
Environmental	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Rehabilitation and New Const:</b>				
New Building	_____	_____	_____	_____
Rehabilitation	_____	_____	_____	_____
Accessory Structures	_____	_____	_____	_____
General Requirements	_____	_____	_____	_____
Contractor Overhead	_____	_____	_____	_____
Contractor Profit	_____	_____	_____	_____
Construction Contingency	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Professional Work and Fees:</b>				
Architect Design	_____	_____	_____	_____
Architect Supervision	_____	_____	_____	_____
Attorney, Real Estate	_____	_____	_____	_____
Consultant \ Agent	_____	_____	_____	_____
Engineer \ Surveyor	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Construction Interim Costs:</b>				
Hazard & Liability Insurance	_____	_____	_____	_____
Credit Report	_____	_____	_____	_____
Construction Interest	_____	_____	_____	_____
Origination Points	_____	_____	_____	_____
Discount Points	_____	_____	_____	_____
Inspection Fees	_____	_____	_____	_____
Title & Recording	_____	_____	_____	_____
Legal Fees	_____	_____	_____	_____
Taxes	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____	_____

**EXHIBIT "A"**  
**Itemized Cost and Eligible Basis**

\_\_XX\_\_ 10% certification

Itemized Cost	Costs Incurred	Reasonably Expected Cost	List and Indicate Eligible Basis by Credit Type	
			Fed. Subsidies 4% Credit	w/o Fed. Subsidies 9% Credit
<b>Financing Fees and Expense:</b>				
Credit Report	_____	_____		
Discount Points	_____	_____		
Origination Fees	_____	_____		
Title and Recording	_____	_____		
Legal Fees	_____	_____		
Prepaid MIP	_____	_____		
Other	_____	_____		
Other	_____	_____		
<b>Soft Costs:</b>				
Feasibility Appraisal	_____	_____	_____	_____
Market Study	_____	_____	_____	_____
Enviromental Study	_____	_____	_____	_____
Tax Credit Fees	_____	_____	_____	_____
Cost Certification	_____	_____	_____	_____
Other	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Syndication Costs:</b>				
Organizational (Partnership)	_____	_____		
Bridge Loan Fees and Expenses	_____	_____		
Tax Opinion	_____	_____		
Other	_____	_____		
<b>Developer's Fees:</b>				
Developer's Fee - New Construction	_____	_____	_____	_____
Developer's Fee - Acquisition	_____	_____	_____	_____
Developer's Fee - Rehabilitation	_____	_____	_____	_____
Consultant Fees	_____	_____	_____	_____
Other	_____	_____	_____	_____
<b>Project Reserves:</b>				
Rent-up Reserve	_____	_____		
Operating Reserve	_____	_____		
Replacement Reserve	_____	_____		
Escrow's	_____	_____		
Other	_____	_____		
Other	_____	_____		
<b>SUBTOTAL THIS PAGE</b>	_____	_____	_____	_____
plus				
<b>SUBTOTAL FROM PAGE 1</b>	_____	_____	_____	_____
<b>Totals</b>	_____	_____	_____	_____
<b>less</b>				
Permanent Financing Fees	_____	_____		
Tax Credit Fees	_____	_____		
Rent-up Reserves	_____	_____		
Organization Costs	_____	_____		
<b>Totals</b>	_____	_____		
<b>Percentage</b>		_____ %		

\_\_\_\_\_ 10% certification (mark one)  
 \_\_\_\_\_ 8609 certification

**EXHIBIT "A"**  
**Maximum Credits Based on Qualified Basis**

	List and Indicate <u>Eligible Basis by Credit Type</u>	
	Acquisition 4% Credit	Rehabilitation 9% Credit
<b>Total Eligible Basis (from previous page)</b>	_____	_____
Less portion of grants used to finance qualified development costs. List Grants:	< _____ >	< _____ >
Less amount of nonqualified nonrecourse financing	< _____ >	< _____ >
Less Historic Tax Credits (Residential Portion Only)	< _____ >	< _____ >
Less other nonqualified cost	< _____ >	< _____ >
<b>Total Adjusted Eligible Basis</b>	_____	_____
Is project in QCT* or DDA*? If Yes enter 130%. If No enter 100%.	100%	x _____ %
Total Adjusted Eligible Basis (includes high cost adjustment)	_____	_____
Applicable Fraction (smaller of Unit or Floor Space Fraction)	x _____ %	x _____ %
Total Qualified Basis	_____	_____
IRS Applicable Fraction (per reservation agreement)	x _____ %	x _____ %
Total Maximum Annual Credit (by type)	\$ _____	\$ _____
Total Maximum Annual Credit (combined)	\$ _____	_____

**Maximum Credits per Reservation Agreement**

Total Maximum Annual Credit	\$ _____
-----------------------------	----------

**Tax Credit Sales Price**

Tax Credit Sales Price per agreement with equity investors (ie \$0.70, \$0.75)	\$ _____
---	----------

\* QCT = Qualified Census Tract  
 DDA = Difficult to Develop Area

**EXHIBIT "A"**  
**Sources & Uses of Funds**

<input type="checkbox"/> 10% certification (mark one)
<input type="checkbox"/> 8609 certification

<b>Loans:</b>		<u>Rate</u>	<u>Loan Term</u>	<u>Amort. Period</u>	<u>Annual Debt Service</u>
<u>Name of Lender</u>	<u>Amount</u>				
_____	\$ _____	%	_____	_____	\$ _____
_____	\$ _____	%	_____	_____	\$ _____
_____	\$ _____	%	_____	_____	\$ _____
_____	\$ _____	%	_____	_____	\$ _____
_____	\$ _____	%	_____	_____	\$ _____
_____	\$ _____	%	_____	_____	\$ _____
<b>Total Loans</b>					\$ _____
<b>Grants:</b>					
<u>Name of Grantor</u>	<u>Amount</u>				
_____	\$ _____				
_____	\$ _____				
<b>Total Grants</b>					\$ _____
<b>Other Sources:</b>					
(i.e. owners equity, deferred developer fees) **					
<u>Name</u>	<u>Amount</u>				
_____	\$ _____				
_____	\$ _____				
_____	\$ _____				
<b>Total Other Sources</b>					\$ _____
<b>TAX CREDIT EQUITY</b>					\$ _____
<b>TOTAL SOURCES:</b>					\$ _____
<b>TOTAL USES: (from page 2)</b>					\$ _____
<b>Sources must equal Uses</b>					
** Rural Development projects must use required owners equity as a source					

**EXHIBIT "A"**  
**Final Credit Calculation**

<input type="checkbox"/> 10% certification (mark one) <input type="checkbox"/> 8609 certification
--

Tax Credit Equity (from page 4)	\$ _____
Tax Credit Sales Price (from page 3)	_____ %
<b><u>Maximum Annual Credit Calculation:</u></b>	
<b>Methods</b>	
1. Maximum Credits Based on Tax Credit Equity ( ( Equity / Sales Price ) / 10 years )	\$ _____
2. Maximum Credits Based on Qualified Basis (from page 3)	\$ _____
3. Maximum Credits per Reservation Agreement (from page 3)	\$ _____
<b>Maximum Annual Credit Amount</b> (lessor of the above three methods)	\$ _____

**Tax Credit Net Proceeds**

<b>Gross Proceeds from Sale of Tax Credits</b>	_____
<b>Intermediary Costs:</b>	
Organizational/Partnership Expenses	_____
Tax Opinion	_____
Commissions	_____
Bridge Loan Fees	_____
Bridge Loan Interest	_____
Fees to Owner or related party	_____
Other	_____
Other	_____
<b>Total intermediary Costs</b>	_____
<b>Net Proceeds from Sale of Tax Credits</b>	_____
(reduce the gross proceeds from the sale of the tax credits by the costs the project would not have incurred if it had not used tax credits as funding source. )	(this will be analyzed for reasonableness to determine if tax credits proceeds are being used effectively.)

Notes:
--------



**EXHIBIT "A"**  
**Qualified Basis on a Building-by-Building Basis**

<input type="checkbox"/> 10% certification	<input type="checkbox"/> (mark one)
<input type="checkbox"/> 8609 certification	

Building Address	Eligible Basis by Building	Applicable Fraction	Qualified Basis by Building	% Qualified Basis by Building	Tax Credits by Building	Placed-in-Service Date
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
<b>Totals</b>	\$ _____		\$ _____		\$ _____	

separate sheet will need to be completed for both acquisition and rehabilitation.





## **EXHIBIT A - HIGH COST AREAS**

### ***LOW INCOME HOUSING TAX CREDITS***

Section 42(d)(5)(C) of the Internal Revenue Code defines a Qualified Census Tract as any census tract or equivalent geographic area in which at least 50% of households have an income less than 60% of the Area Median Gross Income (AMGI). Section 42 defines a Difficult Development Area as any area designated by the Secretary of HUD as an area that has high construction, land and utility costs relative to the AMGI.

When an area, which can be a county or a specific census tract, is designated as either a Qualified Census Tract or a Difficult to Develop Area, a project proposed for a high cost area is eligible for an increase in eligible basis of up to 130%. This means that a greater amount of tax credits than otherwise available may be approved, if it is determined that the greater amount is needed for financial feasibility of given projects.

### ***MONTANA BUREAU OF CENSUS DESIGNATED QUALIFIED CENSUS TRACTS***

Specific information referencing current application year is posted to the Housing website as soon as it becomes available. Please note specific year for appropriate application.

### ***MONTANA HUD DESIGNATED DIFFICULT TO DEVELOP AREAS***

Specific information referencing current application year is posted to the Housing website as soon as it becomes available. Please note specific year for appropriate application.

# **EXHIBIT B-1**

## ***MINI MARKET STUDY GUIDELINES***

Current population estimates for city and county

Number of income and tenure households at 30, 40, 50, & 60% AMI

Income range by bedroom size (households and units needed) for Family and Senior

Existing affordable housing in the community

Economic data

Analyst recommendation

Back up documentation

# EXHIBIT B-2

## ***FULL MARKET STUDY REQUIREMENTS***

### **Guidelines for Market Analysts**

- I. Executive Summary
- II. Project Description
  - a. Description of market area (general and specific)
  - b. Site amenities (including any unique characteristics)
  - c. Description of improvements (as available in the case of new construction)
    - i. Unit mix, unit amenities, common amenities
    - ii. Comparison to market rate projects (does project have typical finish, amenities found in local market)
    - iii. Comparison to other rent restricted projects
- III. Market Area Economy
  - a. Delineation of market area
  - b. Population and household trends
  - c. Housing trends, including proposed projects and other new developments
  - d. Supply and demand analysis
    - i. Market rate supply
      1. Existing
      2. Potential
    - ii. Market rate demand
      1. Vacancy rates, incentives
      2. Rent trends
      3. Absorption
    - iii. Rent-restricted supply (discuss HUD-Assisted housing, TC projects, subsidized projects, and public housing, as applicable)
      1. Existing
      2. Potential/developing
    - iv. Rent-restricted Demand
      1. Vacancy Rates
      2. Market penetrating analysis (Use income comparisons, minimum and maximum income for project)
      3. Project absorption for project
    - v. Analysis of project's special-needs (if applicable)
      1. Statistical analytical information from appropriate social services agencies
      2. Analysis of specific demand for special-needs units
    - vi. Conclusion – Proposed project's competitive position
- IV. Competitive Rental Market
  - a. Description of comparable properties, both market rate and rent restricted
    - i. Analysis of rents, including amenities and utilities
    - ii. Conclusion of rents by unit type
- V. Analysis of rent gap (gap between maximum restricted rents, projected rents, and market rents)
- VI. Analysis of the project's effect on the market area including the impact on Tax Credit and other affordable rental housing
- VII. Conclusion
  - a. Specifically address:

- i. Is the project, as proposed, viable?
  - ii. Does the project meet a current or projected market need?
  - iii. Does the project supply units below market rate?
  - iv. If not, does the project provide some other public benefit? (i.e. currently deferred maintenance or supplying better housing than currently available, holding rents stable in a market of increasing housing prices, or supplying reasonably-priced housing where there is a shortage)
- b. Summary
  - i. Recap of project
  - ii. Conclusions and recommendations
- c. Certification

## ***Market Study Summary***

The market study must clearly identify the following on a summary sheet:

Average (comparable) market unit rents in immediate area

0 Bedroom \$\_\_\_\_\_

1 Bedroom \$\_\_\_\_\_

2 Bedroom \$\_\_\_\_\_

3 Bedroom \$\_\_\_\_\_

4 Bedroom \$\_\_\_\_\_ Reference page: \_\_\_\_\_

Vacancy Rate \_\_\_\_\_% Reference page: \_\_\_\_\_

Capture Rate \_\_\_\_\_% Reference page: \_\_\_\_\_  
(projected income eligible tenants who will move in next year/proposed units)

Units needed in market area \_\_\_\_\_ Reference page: \_\_\_\_\_

Absorption Rate \_\_\_\_\_% Reference page: \_\_\_\_\_  
(proposed units/existing LIH, market area units required)

Penetration Rate \_\_\_\_\_% Reference page: \_\_\_\_\_  
(existing LIH units/total eligible households)

Number of LI households that can afford rent of proposed project \_\_\_\_\_

Reference page: \_\_\_\_\_

Distances to essential services as listed in Development Evaluation Criteria #3.

List of essential services must contain at least a minimum of:

Grocery store, Elementary school, Middle school, High school, Senior Center, Bank, Laundromat, Medical services appropriate to targeted tenants (e.g., hospital, doctor offices etc.), Pharmacy, Gas station/convenience store, Post Office, Park, Shopping, Bus or transportation stop, Library and Recreation.

**MARKET ANALYST SIGNED STATEMENT (CERTIFICATION)**

(this form must be signed, notarized and attached to the market study)

“I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and that information has been used in the full study of the need and demand for new rental units. To the best of my knowledge, the market can support the demand shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in the Montana Board of Housing’s programs. I also affirm that I have no interest the project and have an arms-length relationship with the ownership entity and my compensation is not contingent on this project being funded.”

day of \_\_\_\_\_, 20\_\_\_\_\_.

Legal Name of Market Analyst

By:

Signature

Title

State of \_\_\_\_\_ )  
 )ss

County of \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, in the year \_\_\_\_\_, before me,  
\_\_\_\_\_, a notary public in the for said state,  
personally appeared \_\_\_\_\_, known to me to be  
the person whose name is subscribed to the within instrument, and acknowledged to me that  
s/he executed the same.

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of  
\_\_\_\_\_, residing at  
\_\_\_\_\_

My commission expires \_\_\_\_\_.



# EXHIBIT C

## ***10% AND 8609 LETTERS AND FORMS***

MBOH will require sponsors to certify that they have disclosed all of a development's funding sources and uses, as well as its total financing.

Attached you will find information regarding the submission of 10% documents, 8609 documents.

10% documents must be submitted not later than the deadline. The documents include:

- Independent auditor's report,
- Owner's statement, 10% Certification

Exhibit A –

- Itemized Cost and Eligible Basis worksheet,
- Maximum Credits Based on Qualified Basis worksheet,
- Sources and Uses of Funds worksheet,
- Final Credit Calculation worksheet,
- Qualified basis on a Building-by-Building Basis worksheet,
- Tenant Paid Utility Worksheet, Income and Rent Schedule, and Annual Operating Expenses Worksheet, and
- Unit-by-Unit Breakdown
- Copies of all loan and grant agreements/notes

8609 information must be submitted to not later than six (6) months after the project has been placed in service. The final documents include:

- Final cost certification, independent auditor's report,
- Owner's statement, final allocation, and
- Occupancy Certificates for each building

Exhibit A –

- Itemized Cost and Eligible Basis worksheet,
- Maximum Credits Based on Qualified Basis worksheet,
- Sources and Uses of Funds worksheet,
- Final Credit Calculation worksheet,
- Qualified basis on a Building-by-Building Basis worksheet,
- Tenant Paid Utility Worksheet, Income and Rent Schedule, and Annual Operating Expenses Worksheet, and
- Unit-by-Unit Breakdown
- Architects letter certifying energy and green elements proposed have been met
- Partnership Agreement
- Copies of loan and grant agreements/notes
- Statement of items or costs excluded from eligible basis

**10% Cost Certification**  
**Independent Auditors' Report**

Date: \_\_\_\_\_, 20\_\_

To: Montana Board of Housing  
Multifamily Program  
PO Box 200528  
Helena MT 59620-0528

and

\_\_\_\_\_ (the "Owner")

Street

City, State Zip Code

Re: 10% Examination for \_\_\_\_\_ ("the Project")

We have examined the accompanying "Costs Incurred" to satisfy the 10% test ("Exhibit A, Itemized Actual Cost and Eligible Basis") for the Owner of \_\_\_\_\_ (the "Project") as of April 30, 20\_\_. Exhibit A is the responsible of the Owner. Our responsibility is to express an opinion on Exhibit A based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence supporting the information presented in the column entitled Costs Incurred, shown on Exhibit A, Itemized Actual Cost and Eligible Basis and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Exhibit A was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Montana Board of Housing, which is a comprehensive basis of accounting other than generally accepted account principles.

The 10% Test includes an estimate prepared by the Owner of total development costs and reasonably expected basis, as defined in Treasury Regulation Section 1.42-6. We have not examined or performed any procedures in connection with such estimated total development costs and reasonably expected basis and, accordingly, we do not express any opinion or any other form of assurance on such estimates. Furthermore, even if the project is developed and completed there will usually be differences between the project and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In our opinion, the column entitled "Costs Incurred", "Exhibit A, Itemized Actual Cost and Eligible Basis" referred to above presents fairly, in all material respects, costs incurred by the Project as of April 30, 20\_\_, on the basis of accounting described above.

In addition to examining Exhibit A, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the owner and the MBOH, were performed to assist you in determining whether the Project has met the 10% test in accordance with the Internal Revenue Code Section 42(h)(1)(E) and the Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accounts. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the follow procedures:

We calculated, based upon estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$\_\_\_\_\_ as of December 31, 20\_\_.

We calculated the reasonably expected basis incurred by the Owner as of April 30, 20\_\_ to be \$\_\_\_\_\_.

We calculated the percentage of the development fee incurred by the Owner as of April 30, 20\_\_ to be \_\_\_% of the total development fee.

We compared the reasonably expected basis incurred as of April 30, 20\_\_ to the total reasonably expected basis of the Project, and calculated that \_\_\_% had incurred as of April 30, 20\_\_.

We determined that the Owner uses the accrual method of accounting, and has not included and construction costs in carryover allocation basis that have not been properly accrued.

Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculate that the Project needed to incur at least \$\_\_\_\_\_ of costs prior to April 30, 20\_\_. As of April 30, 20\_\_, costs of at least \$\_\_\_\_\_ had been incurred, which is approximately \_\_\_% of the total reasonably expected basis of the Project.

We were not engaged to, and did not perform an audit of the Owners financial statements or of the Project's total reasonably expected basis. Furthermore, even if the Project is developed and completed there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Accordingly, we do not express such an opinion. Had we preformed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intend solely for the information and use of the Owner for filing with the MBOH and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Independent Auditor's Signature

# **OWNER'S STATEMENT**

## **10% CERTIFICATION**

This information is provided by \_\_\_\_\_ (the "Owner") to the Montana Board of Housing in connection with the reservation of \_\_\_\_\_ low-income housing tax credits for the \_\_\_\_\_ Project (the "Project").

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

1) The Owner's basis in the Project as of \_\_\_\_\_, \_\_\_\_\_ is:

Basis \$ \_\_\_\_\_

The Owner's reasonable expected basis in the Project as of December 31, 20\_\_\_\_ is:

Reasonably Expected Basis \$ \_\_\_\_\_

2) The Owner's basis in the Project as of \_\_\_\_\_, 20\_\_\_\_ will exceed 10% of the reasonable expected basis in the project as of December 31, 20\_\_\_\_ (All within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code.)

3) The Owner will place the building in service no later than December 31, 20\_\_\_\_

4) The Owner anticipates that the building will be completed in \_\_\_\_\_ of \_\_\_\_\_. (Such date is, however, subject to unanticipated delays in commencement of, or progress during, development.)

Owner:

Address:

Tax I.D. # :

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

***Final Cost Certification***  
**Independent Auditors' Report**

\_\_\_\_\_, 20\_\_

Owner's Name: \_\_\_\_\_

Project Name: \_\_\_\_\_

Project Number: MT\_\_\_\_\_

We have examined the costs included in the accompanying Montana Board of Housing ("MBOH") Final Cost Certification (the "8609 certification") ("Exhibit A, Itemized Actual Cost and Eligible Basis") for \_\_\_\_\_ (the "Owner") for \_\_\_\_\_ ("the Project") as of \_\_\_\_\_, 20\_\_. The Final Cost Certification is the responsibility of the Owner. Our responsibility is to express an opinion on the Final Cost Certification based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Final Cost Certification and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by MBOH, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of \$\_\_\_\_\_ and eligible basis of \$\_\_\_\_\_ of the Owner for the Project as of \_\_\_\_\_, 20\_\_, on the basis of accounting described above.

This report is intended solely for the information and use of the Owner and for filing with MBOH and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

Independent Auditor's Signature  
City, State

# **OWNER'S STATEMENT**

## **FINAL ALLOCATION**

This information is provided by \_\_\_\_\_ (the "Owner") to the Montana Board of Housing in connection with the Final Allocation of \$\_\_\_\_\_ of \_\_\_\_\_ low-income housing tax credits for the \_\_\_\_\_ Project (the "Project").

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

- 1) The Owner's Eligible and Qualified basis in the project as of \_\_\_\_\_, \_\_\_\_\_ within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code, is:

Eligible Basis \$ \_\_\_\_\_

Qualified Basis \$ \_\_\_\_\_

- 2) The Owner placed the building(s) in service on \_\_\_\_\_, \_\_\_\_\_.

Owner:

Address:

Tax I.D. #:

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

# **OWNER'S STATEMENT (Acquisition and Rehabilitation)**

## **FINAL ALLOCATION**

I certify that I have disclosed all of the development's funding sources and uses, as well as its total financing.

This information is provided by \_\_\_\_\_ (the "Owner") to the Montana Board of Housing in connection with the Final Allocation of \$ \_\_\_\_\_ of \_\_\_\_\_ low-income housing tax credits for the \_\_\_\_\_ Project (the "Project").

- 1) The Owner's Eligible and Qualified basis in the project as of \_\_\_\_\_, \_\_\_\_\_ within the meaning of Section 42(h)(1)(E)(ii) of the Internal Revenue Code, is:

Acquisition:

Eligible Basis \$ \_\_\_\_\_

Qualified Basis \$ \_\_\_\_\_

Rehabilitation:

Eligible Basis \$ \_\_\_\_\_

Qualified Basis \$ \_\_\_\_\_

- 2) The Owner placed the building(s) in service on \_\_\_\_\_, \_\_\_\_\_.

Owner:

Address:

Tax I.D. #:

Street Address of Project:

There will be NO tax exempt bond financing or grant financing utilized in the development of the Project.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the information presented herein is true, correct and complete.

BY :

ITS :

DATE :

***EXHIBIT D***

**Sponsor Certification**

I \_\_\_\_\_ (please print name) hereby certify that all funding sources and uses are included and are true and correct. Any changes will be reported to the Board throughout the development period (until 8609's are received).

This completed certification must be submitted with the application.

Changes will be submitted to MBOH on Uniform Application, Section C Financial Information within 30 days.

Changes must be sent to:

Mary Bair  
Multifamily Program Manager  
Montana Board of Housing  
Po Box 500258  
Helena MT 59620

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



**EXHIBIT E**

**Release of Information Form**

**Authorization of Release Development or Compliance Status Information (to be completed by Applicant)**

The Principal named below is applying for funding from the Montana Board of Housing (MBOH) for the following developments:

The undersigned hereby requests and authorizes the agency named below to release to MBOH information regarding any low-income housing development that the agency monitors and in which this Principal is currently participating. Principal will attach a complete list by state of all properties participated in.

\_\_\_\_\_

Principal's Signature	Principal's Printed Name	Date
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\_\_\_\_\_

Company Name

State Agency name: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_

State: \_\_\_\_\_ ZIP: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: \_\_\_\_\_

**State Agency Response to Request (to be completed by State Agency)**

1. Are they currently under development? Yes \_\_\_\_\_ No \_\_\_\_\_
2. Were there any 8823's issued in the last 3 years? Yes \_\_\_\_\_ No \_\_\_\_\_
  - a. If yes have they been resolved? Yes \_\_\_\_\_ No \_\_\_\_\_
3. Are all the developments on the attached list in compliance? Yes \_\_\_\_\_ No \_\_\_\_\_
4. Are there any comments you wish to share?

\_\_\_\_\_

5. Any comments on development or completion of a property.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Prepared by	Title	Date
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Please return to MBOH by \_\_\_\_\_. This documentation can be mailed to MBOH, Tax Credit Program, PO BOX 500258, Helena MT 59624 or emailed to Kellie Guariglia [kguariglia@mt.gov](mailto:kguariglia@mt.gov). For questions please call Kellie Guariglia at (406) 841-2838. Your prompt response and any information that you are able to share is greatly appreciated.

**Energy**

(Must obtain all Level 1 items in order to receive any Level 2 items)

**New****Level 1 Items:**

Insulation & Windows exceeding IECC 2009 standards, Add air lock doors (2 pts)	
Furnace/Boiler that exceeds IECC 2009 standards or;	
Electric Heating - Energy Star (1 pt)	
Energy Star refrigerator (1 pt)	

**Level 2 Energy Items:**

Additional Energy Star appliances	
LED Exterior	
Photovoltaic Panels	
Ceiling Fans - Living room	
Ceiling Fans - Bedroom	
Ground Source heating pump	
Light colored roofing	
Metal roofing	
Minimize Glass on east/west exposure	
Building Orientation	
Commissioning conducted & incorporated	
Dimmable lights (common areas)	
Task lighting (shine down) kitchen cabinets, other approvable work areas	
Motion sensor light switches common areas, hallways, bathrooms, unit closets	
Other (list)	

Level 2 Energy items 1 pt 4-7 of above; 2 pts 8-15 of above

**Level 2 Green Items:**

Low/No VOC paint/adhesive	
Use of Montana products	
Engineered Lumber	
Flyash concrete greater than 30%	
Recycled insulation	
Recycled sheetrock	
Water efficient landscaping	
Formaldehyde free/full sealed countertop and cabinets	
On-site recycle of construction materials	
Range/bathroom fans that vent to the outside	
Recycled material carpet/flooring	
Smokefree policy that includes all units, buildings, and their respective indoor common areas as well as any outside area of the multi unit complex but within the property lines	
A partnership with local or statewide health agencies offering cessation services	

Water flow saving device	
Permeable paving	
Other (list)	

Level 2 Green items 1 pt 4-8 of above; 2 pts 9 or more of above

Exhibit F-2

**Energy**

(Must obtain all Level 1 items in order to receive any Level 2 items)

**Rehab**

**Level 1 Items:**

Insulation and Windows that meets or exceeds current MT code for new construction (2 pts)	
Furnace/Boiler that meets or exceeds current MT code	
Electric Heating - Energy Star (1 pt)	
Energy Star refrigerator (unless replaced within the last 5 years) (1 pt)	

**(all Level I items must be verified by Architect)**

**Level 2 Energy Items:**

Additional Energy Star appliances	
Change all light bulbs to energy efficient	
Photovoltaic Panels	
Ceiling Fans - Living room	
Ceiling Fans - Bedroom	
Ground Source heating pump	
Light colored roofing	
Metal roofing	
Commissioning conducted & incorporated	
Dimmable lights (common areas)	
Task lighting (shine down) kitchen cabinets, other approvable work areas	
Motion sensor light switches	
Other (list)	

Level 2 Energy items 1 pt 3-6 of above; 2 pts 7 or more of above

**Level 2 Green Items:**

Low/No VOC paint/adhesive	
Use of Montana products	
Engineered Lumber	
Flyash concrete greater than 30%	
Recycled insulation	
Recycled sheetrock	
Water efficient landscaping	
Formaldehyde free/full sealed countertop and cabinets	
On-site recycle of construction materials	

Range/bathroom fans that vent to the outside	
Recycled material carpet/flooring	
Salvage existing usable products (toilets, showers, cabinets, etc)	
Smokefree policy that includes all units, buildings, and their respective indoor common areas	
A partnership with local or statewide health agencies offering cessation services	
Water flow saving device	
Permeable paving	
Other (list)	

Level 2 Green items 1 pt 4-8 of above; 2 pts 9 or more of above