

**NEBRASKA INVESTMENT FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
FINAL COST CERTIFICATION PROCEDURES
MANUAL**

2011

2011 FINAL COST CERTIFICATION PROCEDURES MANUAL

Nebraska Investment Finance Authority (“NIFA”) Low Income Housing Tax Credit (“LIHTC”) Cost Certification Procedures Manual (this “Manual”) sets forth criteria and documentation required for requesting IRS Form 8609(s).

SECTION 1.1 QUALIFYING FOR FINAL ALLOCATION OF LIHTC—IRS FORM 8609

An owner must notify NIFA when a development has been placed-in-service. NIFA will issue IRS Form 8609(s) contingent upon the owner submitting two copies of all documentation detailed in Section 1.2(b) of this Manual to NIFA (the “Final Cost Certification Documentation”) by:

- (a) Developments Placed-in-Service During Calendar Year 2011. For developments receiving a Firm Commitment in 2011 that will be placed-in-service during the 2011 calendar year, NIFA will make an allocation of LIHTC by issuing IRS Form 8609(s) prior to the end of the 2011 calendar year. The owner must notify NIFA when the development has been placed-in-service and submit to NIFA within 60 days of the placed-in-service date but no later than December 1, 2011, the Final Cost Certification Documentation detailed in Section 1.2(b) of this Manual
- (b) Developments Placed-in-Service After Calendar Year 2011. For developments receiving a Firm Commitment during 2011 that will be placed-in-service after the end of the 2011 calendar year, the owner must submit to NIFA the Carryover Allocation Documentation as set forth in the Carryover Allocation Procedures Manual by November 1, 2011. Such developments must be placed-in-service no later than December 31, 2013. The owner must notify NIFA when the development has been placed-in-service and submit to NIFA within 60 days of the placed-in-service date but no later than December 1, 2013, the Final Cost Certification Documentation detailed in Section 1.2(b) of this manual.

SECTION 1.2 REQUIREMENTS FOR REQUESTING A FINAL ALLOCATION OF LIHTC/IRS FORM 8609

- (a) Owners must submit two complete copies of the Final Cost Certification Documentation detailed in Section 1.2(b) to NIFA by the deadlines set forth in Section 1.1 of this Manual.
- (b) Upon receipt and review of the following documentation, NIFA will prepare the Land Use Restriction Agreement (LURA). Once the LURA is signed and notarized by all parties and recorded in the county in which the development is located, NIFA will issue IRS Form(s) 8609 for each building in the development:

- (1) Final Cost Certification in the form set forth in Exhibit A;
- (2) Individual Building Cost Certification for each building in the development that is being placed-in-service, Attachment 1 of the Final Cost Certification;
- (3) Placement in Service Acknowledgment for each building in the development that is being placed-in-service, Attachment 2 of the Final Cost Certification;
- (4) Contractors Certification from the general contractor of the development, Attachment 3 of the Final Cost Certification;
- (5) Annual development Expense and Permanent Financing Information certified by an independent, third-party certified public accountant, Attachment 4 of the Final Cost Certification;
- (6) Architect Certification for developments that have first floor units (or all units are accessible by an elevator) which are designed and constructed for first time occupancy after March 31, 1991, certifying that on-site inspections were performed during construction and that the development has been constructed in compliance with the Fair Housing Amendment Act, Attachment 5 of the Final Cost Certification;
- (7) Certification in the form of Exhibit B completed by an independent, third-party certified public accountant. For developments financed under the USDA-RD Section 515 program, owners may submit the RHS cost certification instead of the Audit Cost Certification;
- (8) For developments under the CROWN Program, CROWN Program Compliance Letter in the form of Exhibit C;
- (9) Recorded Warranty Deed reflecting the owner as the grantee and a copy of the settlement statement;
- (10) An occupancy permit from the municipality in which the development is located or, in the case of rehabilitation developments, other information in form and substance acceptable to NIFA that demonstrates that the development has been placed-in-service;
- (11) A copy of the owner's final title insurance policy;
- (12) For rehabilitation developments, a final work write-up clearly stating the items included in the rehabilitation, the quantity of items rehabilitated or replaced and their associated cost;
- (13) Evidence of any and all liens secured against the development;

- (14) For each source of permanent financing provide a copy of the executed loan agreement(s) and promissory notes(s) for closed loans or firm commitment(s) for permanent loan(s) not closed. Note, the permanent financing amounts should tie to Attachment 4 of the Final Cost Certification;
 - (15) Certificate of Good Standing for the owner (within 30 days of placed-in-service date of the development);
 - (16) Payment of all applicable fees to NIFA;
 - (17) Final executed partnership or operating agreement identifying all partners/members;
 - (18) Completed IRS Form 8821;
 - (19) For developments receiving Historic Rehabilitation Tax Credits, copy of the United States Department of the Interior National Park Service Part II;
 - (20) If points were received under the LIHTC Application for providing a Right of First Refusal, provide a copy of the executed Right of First Refusal; and
 - (21) If points were received under the LIHTC Application for design standards, amenities, and \ or green standards, the development's architect must certify that the completed development includes the items committed to in the LIHTC application.
 - (22) Any additional information requested by NIFA.
- (c) Upon review of the Final Cost Certification Documentation submitted, NIFA will notify the owner of any discrepancies in the submitted documentation and may request additional information to complete its review for the issuances of IRS Form(s) 8609. The owner will be given a deadline in which to correct any discrepancies and/or submit additional information. Failure to correct any discrepancies or provide additional information within the specified deadline may result in the revocation of the LIHTC allocation.
- (d) Upon the satisfactory completion of the conditions and requirements of this Manual, NIFA will then generate the LURA and IRS Form 8609(s) and forward to the owner. **NOTE:** The Form 8609(s) will be issued to the Owner once NIFA has received the signed and recorded LURA. The original IRS Form 8609(s) must be submitted to the Internal Revenue Service by the owner.

EXHIBIT A
FINAL COST CERTIFICATION

Complete the yellow-shaded areas in the following spreadsheets by double clicking on the icon below:

1. Final Cost Certification – Attachment 1.a
2. Individual Building Final Cost Certification (Complete for ALL Buildings) – Attachment 1.b
3. Placed In Service Acknowledgment (Complete for ALL Buildings) – Attachment 2
4. General Contractor’s Certificate – Attachment 3
5. Annual Operating Expense Information – Attachment 4.a
6. Permanent Financing – Attachment 4.b



Cost Certification Worksheets

ATTACHMENT 5

ARCHITECT'S CERTIFICATE

ARCHITECT'S CERTIFICATE

The undersigned, being a duly licensed architect registered in the State of Nebraska, has prepared for _____ (the "Owner") final plans, working drawings and detailed specifications (and addenda) dated _____ (collectively, the "Plans and Specifications") in connection with certain real property located in _____, Nebraska (the "Development") for which the undersigned acknowledges will receive low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended.

Accordingly, the undersigned hereby certifies to the Owner and Nebraska Investment Finance Authority that the Plans and Specifications comply with and conform in all respects to the requirements of existing law, have been duly filed with and have been approved by all appropriate governmental and municipal authorities having jurisdiction there over and that the Development as shown on the Plans and Specifications is in compliance with all requirements and restrictions of all applicable zoning, environmental, building, fire, health and other governmental ordinances, rules and regulations and the requirements of the appropriate board of fire underwriters or other similar body acting in and for the locality in which the Development is located. All conditions to the issuance of building permits have been satisfied.

In the opinion of the undersigned, the Development has been constructed in a good and workmanlike manner substantially in accordance with the Plans and Specifications and is free and clear of any damage or structural defects that would in any material respect affect the value of the Development. In the further opinion of the undersigned, all of the preconditions have been met justifying the issuance of (i) the permanent certificate or certificates of occupancy for the Development (or the letter or certificate of compliance or completion stating that the construction complies with all requirements and restrictions of all governmental ordinances, rules and

regulations) and (ii) such other necessary approvals, certificates, permits and licenses that may be required from such governmental authorities having jurisdiction there over pertaining to the construction of the Development.

The Development will be in compliance with all current zoning, environmental and other applicable laws, ordinances, rules and regulations, restrictions and requirements, including, without limitation, Title III of the Americans with Disabilities Act of 1990 and the Fair Housing Amendment Act, as it relates to the following:

- ***Accessible Building Entrance on an Accessible Route:***

Covered multifamily dwellings must have at least one building entrance on an accessible route, unless it is impractical to do so because of terrain or unusual characteristics of the site. For all such dwellings with a building entrance on an accessible route the following six requirements apply.

- ***Accessible and Usable Public and Common Use Areas:***

Public and common use areas must be readily accessible to and usable by people with disabilities.

- ***Usable Doors:***

All doors designed to allow passage into and within all premises must be sufficiently wide to allow passage by persons in wheelchairs.

- ***Accessible Route Into and Through the Covered Dwelling Units:***

There must be an accessible route into and through the dwelling units, providing access for people with disabilities throughout the unit.

- ***Light Switches, Electrical Outlets, Thermostats and Other Environmental Controls in Accessible Locations:***

All premises within the dwelling units must contain light switches, electrical outlets, thermostats and other environmental controls in accessible locations.

- ***Reinforced Walls for Grab Bars:***

All premises within dwelling units must contain reinforcements in bathroom walls to allow later installation of grab bars around toilet, tub, shower stall and shower seat, where such facilities are provided.

- ***Usable Kitchens and Bathrooms:***

Dwelling units must contain usable kitchens and bathrooms such that an individual who uses a wheelchair can maneuver about the space.

The above can be found in the Fair Housing Act Design Manual.

There are no building or other municipal violations filed or noted against the Development. All necessary gas, steam, telephone, electric, water and sewer services and other utilities required to adequately service the Development are now available to the Development. All street drainage, water distribution and sanitary sewer systems have been accepted for perpetual maintenance by the appropriate governmental authority or utility.

The Plans and Specifications do not require the installation or use of any asbestos-containing materials in connection with the construction or use of the Development.

Architect Name

Dated: _____

By: _____

Name: _____

Title: _____

EXHIBIT B

**INDEPENDENT AUDITORS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

**INDEPENDENT AUDITORS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

A. General Instructions

All requested information must be prepared in the format provided below. Submission of this report in any other format or without all requested items will not be reviewed by NIFA. If any question is not applicable, mark "N/A," and, if necessary, provide an explanation. The letter should be on the auditor's letterhead with an original signature.

B. Required Format

To: Nebraska Investment Finance Authority ("NIFA")
Suite 200
1230 O Street
Lincoln, NE 68508-1402
Attn: Low Income Housing Tax Credit Division

RE: Low Income Housing Tax Credit Allocation Request
Name of Development [REDACTED]
NIFA LIHTC # [REDACTED]
Development Owner Name [REDACTED]

To Whom It May Concern:

We have audited the costs included in the accompanying NIFA Final Cost Certification (the "Final Cost Certification") of [REDACTED] (the "Owner") for [REDACTED] (the "Development") as of [REDACTED], 20[REDACTED]. The Final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit 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 NIFA, which is a comprehensive basis of accounting other than generally accepted accounting principles. We have reviewed technical advice memorandum 200043015, 200043016, 200043017, 200044004 and 200044005 released by the Internal Revenue Service, which addressed the inclusion of certain costs in eligible basis. Also, we have reviewed private letter ruling 200916007 recently released

by the Internal Revenue Service, which addressed the inclusion of certain off-site improvements in eligible basis.

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

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

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

City, State

[REDACTED], 20 [REDACTED]

Signature of Principal of Firm

Title

EXHIBIT C
CROWN PROGRAM COMPLIANCE LETTER

CROWN Program Compliance Letter

Owner Name : _____ (the “Owner”)

Development Name: _____ (the “Development”)

NIFA LIHTC Project No.: _____

Section 1: Description of CROWN Set-Aside

1. A long-term CROWN development, as defined by NIFA, is a rent to own home pursuant to a plan and with documents approved in advance by NIFA that will be sold to a qualified tenant at the end of the 15 – year compliance period.
2. Current CROWN developments require \$50 per month to be set aside for each tenant. This set-aside will be used by the tenant to assist in the purchase of a home at a future date. Based on _____ units, each tenant would accumulate \$ _____ over the Development’s 15-year compliance period for each home, or \$ _____ for the total homes constructed by the Owner.

Section 2: Development Specific CROWN Requirements

1. The Owner has constructed (list the number of homes) _____ (the “Home(s)”), and at the end of the Development’s 15-year compliance period will make these Homes available for sale to qualified tenants.
2. The cost per Home is \$ _____ (average cost, based on Final Cost Certification Documentation submitted to NIFA on _____, _____, 20____).
3. The Homes will be sold for a price determined under Section 42(i)(7) of the Internal Revenue Code of 1986, as amended. The minimum purchase price under this subparagraph is an amount equal to the sum of:
 - a. the principal amount of outstanding indebtedness secured by each Home (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), plus
 - b. all Federal, State, and local taxes attributable to such sale.
4. It is the intent of the Owner to establish a “Rent to Own” program under which a qualified tenant can purchase a Home at the end of the Development’s 15-year compliance period. The Owner will establish a separate tenant escrow account for each tenant. The tenant escrow account shall be interest bearing and will be utilized as discussed in Section 1.2 above. The specific utilization of these monies will be for down-payment, closing cost

assistance, and any physical upgrades as set forth in Section 6 which may be required on a replacement basis.

5. The Owner will provide NIFA copies of all bank statements relating to the tenant escrow accounts described above, as requested throughout the term of the Development's 15-year compliance period.
6. The Owner will, on an as needed basis, renovate the Home prior to the sale to a tenant. These renovations will include:
 - a. Repair or replacement of the roof.
 - b. Replacement of all appliances.
 - c. Replacement of all floor coverings (vinyl and carpet).
 - d. Complete repainting of all interior rooms.
 - e. Replacement of garage door.
7. The estimated costs for renovation are estimated at \$ [REDACTED] per Home. Funding for this renovation will be funded from three sources.
 - a. Any remaining replacement reserves.
 - b. Operating reserve.
 - c. Any needed short term financing until the home is sold.
8. The replacement reserve will be established by the Owner, and will be used to repair or replacement items as set forth in Section 6. During the Development's 15-year compliance period, \$ [REDACTED] will be set-aside for the replacement reserve (\$ [REDACTED] per year).
9. The operating reserve will be established by the Owner, and will be used to fund any operating and/or debt-service shortfalls during the Development's 15-year compliance period. The amount of the required operating reserve for this Development totals \$ [REDACTED]. This amount was taken from the Final Cost Certification Documentation submitted to NIFA on [REDACTED], [REDACTED], 20 [REDACTED].