GENERAL NOTES ON THIS SECOND DRAFT OF THE NEVADA QAP
NOVEMBER 10, 2010

ALL CHANGES ARE HIGHLIGHTED FROM THE FIRST DRAFT THAT IS WATERMARKED SEPTEMBER 24, 2010 WITH THE EXCEPTION THAT MINOR FORMATTING CHANGES ARE NOT DENOTED. SECTION 52, PUBLIC COMMENT, DISTRIBUTION AND APPROVAL OF THE QAP, & SECTION 53, HOUSING DIVISION OFFICES, AND ALL APPENDICES AND ATTACHMENTS ARE UNCHANGED FROM THE SEPTEMBER DRAFT AND ARE NOT INCORPORATED HEREIN. INFORMATION IN SECTION 40, MAXIMUM 2011 PER UNIT DEVELOPMENT COST AND COST REASONABLENESS STANDARD, IS NOT YET AVAILABLE

THE STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
NEVADA HOUSING DIVISION
2011 QUALIFIED ALLOCATION PLAN
FOR
LOW-INCOME HOUSING TAX CREDITS

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GENERAL INFORMATION

Nevada Housing Division administers the Low Income Housing Tax Credit (LIHTC) program and is required as the state's housing credit agency to adopt a Plan describing the process for the allocation of the housing credits. Section 42 of the Internal Revenue Code (the Code) is the federal statute establishing the tax credit program. In accordance with Section 42, each state allocating agency must have a Plan which:

- Sets forth selection criteria to be used to determine housing priorities
- Gives preference among selected projects to:
  - Projects serving the lowest income
  - Projects obligated to serve qualified tenants for the longest periods
- Includes the following selection criteria:
  - Project location
  - Housing needs characteristics
  - Project characteristics
  - Sponsor Characteristics
  - Tenant populations with special housing needs
  - Public housing waiting lists
  - Tenant populations of individuals with children
  - Projects intended for eventual tenant ownership
  - The energy efficiency of projects
  - Projects of a historic nature

Nevada Revised Statutes (NRS) are the laws of the State of Nevada. In 1975 the Nevada Legislature established the Nevada Housing Division (NHD) with a finding that there exists a shortage of safe, decent, and sanitary housing throughout the State for persons and families of low and moderate income. NRS Chapter 319, Assistance to Finance Housing is the law establishing and granting authority to the Division. With respect to the LIHTC, NRS Chapter 319 and Chapter 319 of the Nevada Administrative Code (NAC), the regulations detailing how the laws are promulgated, conform to and are to be used in concert with Section 42. Notwithstanding anything herein to the contrary, in order to assure that the QAP has the flexibility to adjust to deteriorating market conditions, the Division in its sole discretion may waive any section of the QAP (not otherwise required by Section 42) which would under such circumstances hinder the ability of the Division to meet the goals and priorities of the QAP.

Section 1 Annual Plan Information

Nevada's 2011 Qualified Allocation Plan (QAP) is adopted pursuant the Nevada Housing Division's (Division) regulations implementing the Low-Income Housing Tax Credits (Tax Credits) program. The Regulations, the Application form, the Instructions and the Compliance Policies and Procedures Manual constitute the Division's QAP for the Low Income Housing Tax

Credits Program pursuant to Section 42 of the Internal Revenue Code of the United States and implementing regulations.

The 2011 QAP covers the period *January 1, 2011* to *December 31, 2011*. All reservations of Tax Credits made during the plan year are subject to this annual plan. The Division will update its web page with information regarding the 2011 QAP. The web page address is http://www.nvhousing.state.nv.us/.

Section 2 Application Submission Dates

A. Tax Credit Application Deadline
Pursuant to Nevada Administrative Code (NAC) 319.974, Applications for Tax Credits and all supporting documentation must be sent to the Las Vegas or Carson City office of the Nevada Housing Division and received by *5:00 p.m. May 6, 2011,* unless otherwise notified by the Division.

B. Completeness and Consistency of Tax Credit Application
Final applications must be completed on a Final Application form prescribed by the Division. Original applications must be complete and must materially match other applications for funding that relate to the project (i.e. other applications for NHD funding, HOME for example). All material information must be comparable as it relates to other funding and to the final cost that the IRS form(s) 8609 are issued from.

Incomplete applications will be rejected. No additional materials may be submitted once the application deadline has passed. Any missing required application information[1] or documentation, incomplete information that prevents project underwriting, and/or non-conformance with the QAP will deem the application void and the Project Sponsor will forfeit all application and other fees made to date to the Division. Please read the requirements of the QAP carefully to ensure all required items and back-up documentation are included with your application. Applicants are encouraged to take advantage of the pre-review period.

C. Formatting
One original and one electronic copy of the application must be submitted. The electronic copy can be submitted on CD and must contain all information included in the hard copy submission. Scanned copies of reports are allowable.

The original application must be in a two-volume binder with the application and supporting scoring documents in volume one, marked with appropriate tabs, and the market study and any environmental/engineering studies in the second binder. Applications that are not in the required format will be rejected. Applicants are encouraged to send in applications more than 15 days before the deadline to take advantage of a pre-deadline review period. The Division will allow

[1] Missing application information includes any budget, back-up, or other application information required for all or specific types of projects by the QAP. It does not include back-up documentation for optional preference points. An application that does not include any or appropriate back-up documentation for optional preference point rating factors will be accepted; however the project will not receive points for those items where information is missing, incomplete or unclear.

an extension of the 15-day review period if HUD guidelines required for the finalization of the QAP are delayed. The Division will make an announcement regarding the extension if applicable.

As part of the application certification, the applicant acknowledges that the application and all materials submitted by applicants constitute public records within the meaning of the Nevada Public Records Act.

Section 3 Training

A. Training Dates/Reservations for Sessions

Persons desiring training on the 2011 QAP and application should notify the Division by *January 31, 2011*. If a minimum of five (5) persons has notified the Division by this date, a formal training in February will be scheduled. Otherwise, requests for technical assistance will be handled on case-by-case basis. Persons interested in training should contact Mark Licea at 702.486.220, extension 226.

B. Training Cost

The cost of the above training, if scheduled, is $75.00 per person. The registration fee must be prepaid by check made payable to NHD and delivered to the Division's offices in Carson City or Las Vegas 10 days prior to the training date.

Section 4 Guiding Principles and Priorities

Demand for housing credits often exceeds supply. In determining how and where to allocate the credit, NHD must consider the need for affordable housing throughout the state of Nevada. The purpose of the Qualified Allocation Plan (QAP or the Plan) is to reserve federal tax credits for the creation and maintenance of rental housing units for low and very low income households in the state of Nevada in such a way as to further the following principles and priorities:

- Reserve credits in order to provide an equitable distribution throughout the state;
- Reserve credits in order to provide a reasonable mix of affordable housing projects, both in regard to the number of units, populations served (e.g., elderly, special needs) and type (e.g., mixed use, assisted living);
- Reserve credits to as many rental housing projects as possible, considering cost, size, location, income mix of proposals, and environmental sustainability;
- Reserve credits in order to provide opportunities to a variety of qualified sponsors, both for-profit and nonprofit;
- Reserve only the amount of credit that the Division determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period.

Criteria for Approval

Consistent with the Code requirements, the process for evaluating tax credit applications includes a comprehensive analysis that gives preference to applications serving the lowest income residents for the longest period of time, together with an analysis of the overall viability of the proposed project. In order to ensure that the diverse housing needs of communities throughout Nevada are considered, the low income targeting and extended use period of proposed projects will be considered along with, at a minimum the following criteria:

Market Conditions
The Division will consider the stability of both tax credit and market rate properties in the primary market area (PMA) of the proposed project, including vacancy rates, rent concessions, or reduced rents. In reviewing project applications, NHD will look more favorably on a project that is in a PMA where there are lower vacancy rates and fewer concessions or reduced rents. In addition, staff will carefully analyze the assumptions made in the market study regarding capture rates and overall demand. NHD will look more favorably on a project that doesn't require high captures rates or that needs to assume high in-migration to achieve lower capture rates.
Tax Credit applications may be deemed ineligible if: (1) the assessment determines that comparable affordable housing projects have occupancy levels less than 90 percent; (2) the proposed housing project would have a significant adverse financial affect on other publicly funded projects without offsetting public benefits; or, (3) the rents for the affordable housing project are equal to or greater than comparable market-rate housing.

The Division publishes annual Apartment Facts on its website. Potential applicants are encouraged to consult this publication as part of their research on market conditions. The Division will review submitted third-party market studies as well as its own internal publications in determining the needs of an area and alignment between proposed projects.

Readiness-to-Proceed
The threshold requirements of readiness-to-proceed are outlined further in this Plan. As part of the overall evaluation of the project's readiness, the Division will provide preference to projects that meet additional readiness-to-proceed criteria as outlined in the scoring sections.

Overall Financial Feasibility and Viability
The Code states that "the housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the credit period". NHD, therefore, will evaluate the overall financial strength of each project and consider such items as debt coverage ratios throughout the 15-year pro forma period, the ability to pay deferred developer fees from cash flows, operating reserve amounts, and annual operating expenses. While still acknowledging that there are legitimate circumstances that allow for a waiver of certain underwriting criteria (e.g., lower vacancy rates for 100 percent occupied project-based Section 8 deals, lower PUPA for independent senior deals), projects that exceed the underwriting criteria will be considered to be stronger deals.

Experience with the Development and Management of Multifamily Rental Properties
NHD will evaluate experience in terms of the quality of the development and management experience, including the compliance and overall financial strength of the developer's current portfolio, the number of successful projects, compliance with any applicable regulatory requirements, and property management track record.

If NHD learns that any principal or management agent that is involved with a proposed project has serious and/or repeated performance or noncompliance issues in Nevada or any other state at the time of application, the application will be rejected. The prior performance considered might include, but is not limited to, progress made with previous tax credit reservations, project compliance, and payment of monitoring fees.

Total Project Costs per Unit
NHD recognizes the wide range of project costs throughout the state, including such items as land costs, construction costs, permits etc. Given the limited nature of the housing credit, however, NHD may ultimately need to make a judgment regarding the best use of this valuable resource as it relates to the total project costs per unit and the requested annual tax credit per unit.

Proximity to Existing Tax Credit Projects
NHD must monitor the distribution of tax credit projects across the state as well as in particular submarkets. In some cases, NHD may need to make choices between two credible applications based on the number of tax credit projects in a particular market or area of the state. Attention will also be paid to any recent reservations made in a particular market or area of the state. Recently approved projects should be afforded the opportunity to lease-up without direct competition from another tax credit project. Particular attention will also be paid to existing projects that are not achieving pro forma rents.

Site Suitability
Sites will be evaluated on the basis of suitability and overall marketability including, but not limited to, proximity to schools, shopping, public transportation, medical services, parks/playgrounds; conformance with neighborhood character and land use patterns; site suitability regarding slope, noise (e.g., railroad tracks, freeways), environmental hazards, flood plain, or wetland issues.

APPORTIONMENT OF TAX CREDITS

Section 5 Apportionment Accounts and Initial Balances

The Per Capita Tax Credit (PCTC) for 2011 is estimated to be $2.~~10~~15, subject to adjustment by the Consumer Price Index (CPI). This estimate is based upon the $2.~~10~~ 15 multiplier used in 2010 QAP Notice 2009-21. The adjusted PCTC will be published in the *Federal Register*. If the adjusted PCTC is not available by *April 29, 2011*, the application deadline will be extended 10 days from the date that the PCTC is published.

Estimated Tax Credit allocations are shown in the table below. Project Sponsors are responsible for obtaining information on the actual amount of apportionment prior to the submission of an application. Information on the actual amount of apportionment for each set-aside or other sub-account will be available on the Division's web site or may be obtained by contacting the Division. NHD reserves the right to round up or down the actual dollar amount designated to any set-aside or geographical apportionment.

ESTIMATE BASED ON $2.~~10~~ 15 MULTIPLIER USED IN PRECEDING YEAR 2010 (preliminary, awaiting IRS Notice)*	**STATE POPULATION ESTIMATE[2]**		**ESTIMATED TAX CREDIT LEVELS**
STATE TAX CREDIT CEILING:	2,711,206		~~$5,693,533~~$5,829,093
CARRY FORWARD AND OTHER:			-
TOTAL AVAILABLE 2011 ALLOCATION:			~~$5,693,533~~$5,829,093
TOTAL SET-ASIDES:	Set Aside Percent		
NON-PROFIT SET ASIDE -	10%	$~~569,353~~ $582,909	
USDA-RD SET ASIDE -	7%	$398,548 $408,037	
(Less 2010 Forward Commitment)		$166,601	
USDA-RD SET ASIDE BALANCE		~~$231,947~~ $241,436	
ACCOUNT TRANSFER NEGATING 2010 FORWARD COMMITMENT		$166,601	
REVISED USDA-RD SET ASIDE BALANCE		$408,037	
ADDITIONAL	~~10%~~5%	~~$569,353~~ $291,455	
BALANCE		~~$4,156,279~~ $4,546,692	
TOTAL GEOGRAPHIC APPORTIONMENT:	Percent of Population		
Clark County	72%		~~$2,992,521~~ $3,273,618
(Less 2010 Forward Commit.)			$1,675,123
Clark County Balance			~~$1,201,690~~ $1,598,495
Washoe County	15%		~~$623,442~~ $682,004
Other Counties	13%		~~$540,316~~ $591,070

See NAC 319.972 (Authorized IRS and State Demographer Values will be posted on website when available)

[2] 2009 Certified Population Estimates by County issued by the Nevada State Demographer. http://www.nsbdc.org/what/data_statistics/demographer/pubs/pop_increase/

(The above is only an estimate there are 3 values to be issued before the final data is released; 1. IRS Population to determine state allocation, 2. Per capita rate, 3. Nevada Demographer Population to determine the Geographic set aside)

Section 6 Non-Profit Set-Aside

There will be a non-profit set-aside in the amount of 10% of the state ceiling or approximately ~~$569,353.00~~ $582,909.00. A reservation or allocation of Tax Credits from this set-aside will be limited to non-profit organizations acting alone or in partnership with a for-profit developer if the non-profit partner has received a determination letter from the Internal Revenue Service indicating that the organization is qualified pursuant to IRC § 501 (c) (3) or 501 (c) (4) and the application package contains an executed Exhibit Seven. The non-profit organization must certify in writing to the Division that it meets the requirements of NAC 319.988. The Project Sponsor must also certify that no change has occurred in the organization since the issuance of the determination letter from the Internal Revenue Service that would affect the validity of the determination letter. If the project is awarded Tax Credits from the non-profit set-aside, any new Project Sponsor during the compliance period must qualify for an allocation of Tax Credits from the non-profit set-aside under the provisions of this QAP. The non-profit's goal and mission must be in developing and providing affordable housing; and they must have a proven track record of affordable housing development as managing general partner, contractor, and/or Project Sponsor (utilizing HUD/ LITHC/PHA and/or other public funding sources) which offer restricted/subsidized rents to income eligible tenants. The track record of affordable housing units developed must exceed 100 units.

This set-aside will be awarded to non-profit sponsors on a basis of high score amongst all applications received in this category, regardless of geographic area served or type of project. If the set-aside funds are not enough to fully fund the application, the remaining funds will be appropriated from the geographic sub-account for the area within which the project is located. The project cost may not exceed the combined funds in the non-profit and respective geographic set-aside and must also be consistent with provisions of Section 45, Maximum 2011 Per Unit Development Cost and Cost Reasonableness Standard.

Applications submitted under this set-aside that do not receive funding from this set-aside will be eligible to compete for an allocation of tax credit through the geographic set-aside process as long as the application was submitted under both categories. The geographic set-aside amounts will be based on the statewide geographic formula using the state demographer's estimates as outlined in Section 5.

Section 7 USDA-RD Set-Aside

There will be a United States Department of Agriculture Rural Development (USDA-RD) set-aside in the amount of 7% of the State's ceiling, or $408,037.~~approximately $394,548.00 (reduced for forward commitments).~~ This amount reflects elimination from the set-aside fund of the $166,601 balance that was forward committed in 2010. The negation of the forward commitment balance is a one-time transfer, is not precedent setting, and was accomplished with the intention of allowing for a 2011 project to come forward.

At the time of application, the Project Sponsor must supply the local USDA-RD office with a letter authorizing that office to release to the Division a copy of the Project Sponsor's application for USDA-RD funding. A copy of the letter must be submitted with the Tax Credit application.

A reservation or allocation of Tax Credits from the USDA-RD set-aside will be limited to new construction projects or existing housing projects not yet in the Nevada Housing Division's (NHD) tax credit housing portfolio receiving direct funding from USDA. Direct funding includes loan guarantees, loan assumptions or other similar support as long as approved by the USDA.

Acquisition/Rehabilitation projects must be in accordance with USDA-RD regulations and must substantially rehabilitate or change the project to accommodate the housing needs in the jurisdiction within which the project is located. Acquisition/Rehabilitation projects will require a letter from USDA explaining why the rehabilitation is warranted and indicating that the scope of the capital needs assessment is acceptable, and that the rehabilitation meets USDA-RD's definition for substantial rehabilitation. The letter must accompany the application to constitute a complete application; therefore, applicants are encouraged to submit their application and capital needs assessment to USDA-RD for review prior to tax credit application submission. The project must also meet NHD's definition for substantial rehabilitation that for this particular set-aside, is an investment of at least $10,000 per unit prior to funds invested to meet NHD's energy requirements.

USDA-RD Tax Credits applications will be processed within the normal Tax Credits reservation cycle. If no Tax Credit applications are received requesting the USDA-RD set-aside, the Division will redistribute all sums in the USDA-RD set-aside to the three geographic sub-accounts based on population.

If the USDA-RD is unable to issue a certification stating the availability of federal funding by the date the Division receives notice that National Pool Tax Credits are available, said reservations will be canceled and the USDA-RD set-aside will be returned to the general pool for distribution. *See* NAC 319.972

Section 7A Additional Credits Set-Aside

A Set-aside of ~~10%~~5% will be reserved for additional credits. The pool of additional credits will initially be distributed on a pro-rata basis based upon the proportion of population in each geographic area, i.e. 7~~1~~2% of the set-aside will be awarded to Clark County, etc. Projects within each geographic area requesting additional credits will be awarded a pro-rata amount of credits based upon the total amount of additional credits requested within that geographic set-aside. A project will not be awarded more than 10% of the 2011 or prior year (if applicable) award. Although applicants may be eligible for up to a 10% award, the actual award will be determined on available credits and the project's need as determined by analysis of an updated budget and supporting documents.

Projects receiving tax credits in previous allocation rounds may request additional tax credits due to increased construction costs, existing eligible basis from initial application that was above the NHD per project tax credit cap, or decreases in credit pricing that resulted in a financing gap, and subject to the conditions of this section.

Requests for additional Tax Credits are subject to the limitations specified below:

1) Additional Tax Credits exclude Developer Fees. Contractor fee cannot go above the actual percentage indicated in the initial application.

2) The request for Additional Tax Credits are limited to 10% of the original award.

3) Requests for additional Tax Credits within the 10% limit and not totally funded through the set-aside may be considered at the end of the initial competitive round at the discretion of the Administrator.

Project Sponsors submitting applications for additional credits must submit a modified application consisting of a cover letter clearly identifying the additional costs associated with the project, the decreased equity pricing, or the remaining eligible basis from the initial application that warrants the need for additional credits as well as an updated budget (showing original budget and eligible basis and new budget and eligible basis by line item), updated proforma, updated sources and uses showing any new funds and identifying how remaining funding gaps will be filled, updated CPA certification of eligible basis, and updated project information if any items (i.e. number of units, amenities, etc.) has changed since the initial application. NHD staff will underwrite the amount requested for additional credits at the current 70% PV rate (currently 9%) regardless of the rate used in the initial underwriting.

Section 8 Geographic Apportionment

After each apportionment has been made to set-aside accounts established in the QAP, the Division will allocate the remaining Tax Credits specified in the annual plan into a geographic distribution account. The Division will allocate Tax Credits in this account to geographic sub-accounts established for Clark County, Washoe County, and Other Nevada Counties. The allocations will be based on Nevada's most recent official population estimates issued by the Nevada State Demographer's Office. The population estimates for Clark County, Washoe County, and Other Nevada Counties will be used to establish apportionment percentages for the mandated geographic sub-accounts: *See* NAC 319.972.

Section 9 Tax Credit Reservation Process

The reservation of Tax Credits will be made on the basis of high score within the established set-aside and geographic sub-accounts. Conditional reservations, as outlined in Section 49, Maximum Amount of Tax Credits Awarded, may be awarded. Any conditions placed on a reservation must be satisfied by carryover or the reservation will be terminated – no extensions of time will be granted. The application must specify all of the set-asides and/or geographic apportionments applied for by the Project Sponsors.

The reservation of Tax Credits will be made in three steps.

A. Step One: Reservations of Set-Aside Allocations

Allocation of Tax Credits to the project(s) with the highest score in the USDA set-aside account will be made first. Tax credits will be allocated until the amount of tax credits in the set-aside is fully allocated or the amount remaining in the set-aside is too small to fund the next highest scoring project. Unreserved amounts from the USDA-RD set-aside if any, will be returned for redistribution to the general pool.

Allocation of credits from the Non-Profit set-aside will be made to the highest scoring non-profit projects in accordance with the process outlined in Section 5, Apportionment Accounts and Initial Balances. If additional Tax Credits are needed to fund the proposal, Tax Credits will be distributed from the appropriate geographic apportionment until the amount remaining in the geographic apportionment is too small to fund the next highest scoring project receiving Non Profit set-aside funds. Tax credits from the Non-Profit set-aside will be allocated until the amount of tax credits in the set-aside is fully allocated.

Unreserved amounts from the Non-Profit set-aside, if any, will be carried over into subsequent rounds as a minimum tax credit to be set-aside for Non-Profit corporations pursuant to regulation. Requests for additional tax credits will be made in accordance with Section 7A if the QAP. Unreserved amounts from the Additional set-aside will be returned for redistribution to the general pool.

B. Step Two: Reservation of Geographic Apportionments

After reservations are made to projects requesting set-aside funding, the Division will allocate Tax Credits to the new projects in each of the three mandated geographic sub-accounts: Clark County, Washoe County, and Other Nevada Counties. Geographic allocations will be made based on high score within each set-aside. The Division will make Tax Credit reservations to geographic sub-accounts in the following order: (1) Clark County (2) Washoe County (3) Other Nevada Counties.

If the Division does not reserve all of the funds allocated to the Clark County sub-account, the Division will transfer any surplus tax credits remaining in that sub-account to the sub-account for Washoe County.

If the Division does not reserve all of the funds allocated to the Washoe County sub-account, the Division will transfer any surplus tax credits remaining in that sub-account to the sub-account for Other Nevada Counties.

Tax credits will be allocated until the amount of Tax Credits remaining in each Geographic Apportionment is insufficient to fund the next highest-ranked project for that area. Any Tax Credits not reserved from the Geographic account will be placed in a General Pool.

C. Step Three: Transfer to General Pool

At the discretion of the Division Administrator, Tax Credits in the General Pool may be allocated to fund: (1) the next highest ranked project in the first funding round submitted in any of the geographic set-asides, with the requirement that the project can be implemented with the remaining amount of tax credits as represented in the application; (2) new projects as part of a second funding round; (3) projects requesting additional Tax Credits; or (4) partial commitment to a project with a corresponding forward commitment for the balance of credits.

Project Sponsors must sign the Division's Agreement to Commence Construction within 270 days in order to receive a reservation of Tax Credits. Failure to complete the Agreement within the specified period will result in the forfeiture of the awarded Tax Credits.

Projects must begin construction and submit the required documentation outlined on the Division's Agreement within 270 days from the date of the reservation letter. Projects not meeting this deadline may submit a written request to the Division to request a 45-day extension. The 45-day extension will be granted in instances when acts of God occur (flood, fire, earthquake, storm, etc.) resulting in the delay. (*See* NAC 319.981).

Projects that have not closed within the 270 days, or have been granted a 45-day extension and have not closed within the 45-day extension period, will have their reservation of Tax Credits terminated. For an approved Tax Credit project at Lake Tahoe (Nevada state areas within the Tahoe Basin), Project Sponsors may request up to a 60-day extension.

Pursuant to the year-end tax bill of 2000 and the Housing and Economic Recovery Act of 2008 (HERA), the 10% test for carryover will be extended for twelve months from the date of allocation. Carryover information must be sent to the Las Vegas or Carson City office of the Nevada Housing Division and received by 5:00 p.m., September 23, 2011. The Division will issue carryover allocations on or about November 4, 2011. The Project Sponsor must supply the Division with a Federal Tax Identification Number to receive a carryover commitment.

The Project Sponsor must meet the 10% test by November 4, 2012. Project sponsors must submit a six-month project status report on a form prescribed by the Nevada Housing Division due May 5, 2012 to ensure project is moving forward and remains viable.

Project Sponsors must execute an agreement to promote the Division's participation in the project during the construction phase. (See Exhibit 4 of the NHD's Tax Credit Application).

ELIGIBLE PROJECTS

Section 10 Eligible Project Categories

The 2011 QAP contains the eligible project categories listed below. Only one project category may be selected for each application.

A. Projects for Individuals and Families with Children - (New Construction)
To be considered for this category, units must be made available to individuals and families with children. No 100 percent studio apartment projects are allowed.

B. Senior Housing Age 55 Years and Older - (New Construction)
To be considered for this category, all of the units in the project must be targeted for seniors. Pursuant to The Federal Fair Housing Act, at least 80% of the units must have one household member who is 55 years of age or older to be considered senior housing and at least 20% of the units must be rented to households in which every member of the household is 55 years or older (62 years and older for USDA/RD projects).

At least 10% of the total units in the project must be two-bedroom units (with the exception of USDA/RD funded projects).

C. Special Needs Housing - (New Construction)
To be considered for this category, at least 20% of the units must serve one or more or the special needs population identified below. The Special Needs Populations identified below are not intended to be "all inclusive" and the Division reserves the right to award preference points to other Special Needs populations upon request of the Project Sponsor and approval by the Division. The approval must be received prior to the submission of the application.

1) Persons with physical disabilities,

2) Persons with developmental disabilities,

3) Persons with mental illness as defined by the National Institute of Mental Health,

4) Permanent supportive housing for persons and families who are homeless,

5) Victims of domestic violence,

6) Persons with HIV/AIDS (as diagnosed by a board certified physician in Nevada),

7) Transitional housing for persons released from incarceration, including persons paroled or on probation,

8) Transitional housing as defined in IRC Section 42 (i)(3)(B)(iii),

9) Persons with drug, substance and/or alcohol abuse behavior. The individual must be in a state of recovery or is currently receiving treatment and/or counseling for the abusive behavior,

10) Persons with Alzheimer's/Dementia.

Services and care provided to Special Needs populations must be provided for the initial 15-year IRS mandated period of affordability. The provision of care during the extended compliance period will be assessed by the Division to determine if the project can continue as both an affordable housing facility and a provider of care. If the provision of care is not feasible the Division has the authority to amend the extended use agreement.

Care services for Special Needs populations must be optional to tenants residing in restricted units. Any cost associated with care services must be separated from the rent. *Notice: Fees may not be charged for any item that is part of the eligible basis.*

The Project Sponsor must provide a description of the care services provided and/or available to low-income tenants and the estimated costs of these services. The Project Sponsor must provide a list of the services provided at the facility, the cost of each service, and a description of how the cost for the services will be funded, especially for tenants that may not have the means to pay for the level of care. The subsidization of the services to low-income tenants may be accomplished through a mixed-income project in which residual income derived from the market-rate units subsidize the services received by low-income tenants.

For projects serving Frail Elderly and Alzheimer populations:

- Only 20/50 and 40/60 mixed-income projects are eligible for Tax Credits.
- Care services must be conducted on a 24-hour basis.
- The Division will require an IRS Private Letter Ruling or comparable legal opinion indicating that the project meets General Use requirements.

Frail Elderly and Alzheimer projects are not eligible to receive preference points for extended compliance periods.

D. Assisted Living Developments

To be considered for this category, assisted living developments must have one or more of the following direct commitments by public and/or private entities

-A donation of land from a governmental unit (federal/state/local)
-A parcel of land transferred at a nominal cost from a government unit (federal/state/local)
-Governmental and/or private contributions that subsidize the particular assisted living services provided for by the development
-Governmental and/or private services directly provided by the development.

Assisted Living projects are not eligible to receive preference points for extended compliance periods.

E. Mixed Income/ Mixed Use Residential Projects - (New Construction)

1) Mixed Income. Under this category, to be considered a Mixed Income Project a minimum of 10% of the units in the project must be unrestricted, market-rate dwelling units. Once established, the qualified basis (applicable fraction) for the project must be maintained for at least the 30-year compliance period. The applicable fraction will be the lesser of the percentage of Tax Credit units to the total units in the project, or the percentage of restricted square footage in the project to the total square footage in the project, excluding common areas.

2) Mixed Use. Under this category, to be considered a Mixed Use Project the following criteria must be met:
   a. Commercial retail or office space must be a minimum of either 10% of the gross floor space for the project or 3,000 square feet.

   b. Commercial retail or office space must be leased to a third-party.

   c. The local government must provide documentation that the site must be properly zoned for commercial retail or office space. The commercial retail or office space components and the housing component must be parceled out. Each component must have a separate legal description prior to the receiving a carry-over allocation of tax credits.

   d. The eligible basis for the Tax Credit project must not include any costs for the commercial retail or office space. The Project Sponsor must document the source of funding for commercial retail or office space components in the sources and uses section of the application. The commercial retail or office space components must be underwritten separately with a minimum debt service ratio of 1.20.

   e. The marketing study must include an assessment of the economic viability of the commercial retail or office space site based on comparable leasing costs per square foot, projected income/operating expenses, vacancy, local competition, etc.

   f. Commercial retail or office space establishments must be conducive to family housing. Commercial retail or office space establishments may not include adult only establishments, nightclubs, massage parlors, liquor stores, or other similar establishments.

   g. *The issuance of 8609's will be dependent on a valid start of construction to the commercial section of the project.*

F. Housing for Eventual Tenant Ownership - (New Construction)
To be considered for this category, all of the restricted rental units in the project must be made available for eventual ownership. Residential units must be detached single-family structures and/or townhouses. The lots for each single-family home must be parceled out and must have separate legal descriptions. All single-family homes must be located in the same parcel or parcels if they are contiguous. Scattered site projects will not be allowed.

The Project Sponsor must make the units in the project available for purchase by the existing tenants upon the termination of the 15-year compliance period. Existing tenants have a first right of refusal to purchase the unit. Thereafter, units may be made available for purchase to other qualified low-income families and/or individuals that satisfy the project's requirements.

The purchase price of the units must take into consideration the rent paid by the tenants.

The mortgage must be a 15-year mortgage with rates and terms consistent with those offered and available in the local housing market.

<u>The project must fully comply with the tenant income and rent requirements for the LIHTC program during the initial 15-year period of affordability</u>. The project will be exempt from any additional affordability requirements when all of the single-family structures in the project are sold to eligible families. The 15-year affordability period will be extended on all of the remaining, unsold units until the last single-family home in the project is purchased. The project is not eligible for any extended compliance points. Homes not sold must remain affordable rental units pursuant to the terms and conditions of the original application and the Declaration of Restrictive Covenants.

<u>Key Requirements for Tenant Ownership Projects:</u>

1) <u>Tenant Income</u>: The Project Sponsor must set eligible tenant incomes pursuant to LIHTC program requirements during the initial 15-year period of affordability. Tenant incomes must conform to HUD income guidelines and Project Sponsors must complete all of the required income verifications and certifications. Project compliance requirements are contained in the Divisions <u>*Low Income Housing Tax Credit Compliance Policies and Procedures Manual*</u>.

2) <u>Rent Restrictions/Lease Agreements</u>: Tenant lease agreements must conform to LIHTC program requirements during the initial 15-year period of affordability. The tenant portion of the rent plus utility allowance and any other mandatory fees must not exceed the maximum gross rent allowed by Section 42 of the Internal Revenue Code. Project compliance requirements are contained in the Divisions <u>*Low Income Housing Tax Credit Compliance Policies and Procedures Manual*</u>.

3) <u>Management Plan</u>: The Project Sponsor must submit a plan for the ongoing management and maintenance/repair of the project as a rental property for the initial 15-year credit period. The plan should include information on the location of the leasing office, costs associated with property leasing and administration, and maintenance schedules and costs for general repairs, maintenance, and replacement of mechanical items.

4) <u>Escrow Account</u>: The Project Sponsor must provide a written description as to how the diminimus tenant escrow accounts will be set up. A portion of each tenants rent must be set aside and accumulated to contribute as a down payment towards the purchase of the unit (diminimis payment). Tenants who terminate residency at the project must have this money returned to them plus nominal interest accrued The Project Sponsor is required to

set up individual bank accounts (diminimus accounts) for each tenant family residing in the property.

5) Right of First Refusal: The Project Sponsor must provide a copy of the Right of First Refusal Agreement (Agreement) to the Division for approval. The Agreement must:
   a. Guarantee the tenant the right to purchase the property if the tenant agrees to the terms and conditions of the initial lease;
   b. Specify a "not to exceed" offering price to the tenant; and
   c. Provide a clause that the tenant cannot be displaced from the property without just cause.

G 1. Acquisition/Rehab for Projects with Expiring Section 8 /HAP Contracts
Acquisition/Rehab Projects with Extended Section 8/HAP contracts will be scored based on the highest percentage of units receiving rental assistance times the number of years of the contract. Projects must have a Section 8/HAP contract that expired no more than nine (9) months prior to the adoption of the 2011 QAP. (Final version will be watermarked "Adopted" along with the adoption date.) Projects with renewed Section 8/Rental Assistance contracts must clearly show that those rental assistance payments will be extended for a minimum of 2 years through the local PHA and/or HUD and that the project can continue to function for 15-years as a LIHTC development should the rental assistance payments stop after that time.

The project must expend the minimum $40,000 per unit in rehabilitation cost prior to costs associated with the mandatory energy requirements; and must conform with they Key Requirements for Acquisition and Rehabilitation contained in 1-6 below in this section. Projects with expiring Section 8/HAP Contracts that do not meet the definition above will be eligible and scored under the "Acquisition or Rehabilitation or Conversion or Change of Use" category.

2. Acquisition/Rehab/Conversion[3]/Change of Use[4] (Preservation)
Applications for Acquisition/Rehab may be proposed for any tenant base specified in Section 10, Eligible Project Categories *A-E of the 2011 QAP*. However, the project will be categorized and scored solely as an Acquisition/Rehab project.

The allowable acquisition price used in calculating the eligible basis is the "as-is" appraised value as of the date of acquisition. A copy of the appraisal must be submitted with the application.

3. Rehabilitation Only (Preservation)
Applications must meet 10 year rule (except as specified in HERA) and project must be at least 75% low- income. The per unit rehabilitation investment will be calculated by taking the actual hard construction cost of the project divided by the number of residential units. Rehabilitation work elements and costs must be specified in the Comprehensive Needs Assessment. The

[3] Conversion Projects – refers to structures converted from an unrelated use to housing (i.e. converting an old schoolhouse into affordable housing).

[4] Change of Use Projects – refers to projects that alter existing housing to meet other housing needs (i.e. converting a transitional housing project into affordable housing for the elderly).

building(s) must be purchased by the Project Sponsor. The Project Sponsor must provide a certification by a tax attorney that the 10-year rule has been met.

Key Requirements for Acquisition/Rehabilitation Projects

1) Capital Needs Assessment: A Capital Needs Assessment (CNA) is required for all acquisition/rehabilitation or conversions projects whether or not the project will maintain its affordability for 30 years or more. The CNA must be prepared by a competent independent third-party. The Capital Needs Assessment must a list of planned expenses by component category. The format for itemizing planned expenses by component category is available in **ATTACHMENT C**.

2) Scope of Rehabilitation: Rehabilitation developments must demonstrate that the rehabilitation is substantial and involves at least a minimum $40,000 per unit for expiring Section 8/HAP contract projects or $10,000.00 per unit for other rehab projects in direct hard costs (actual construction costs) prior to incorporating the mandatory energy requirements stated in this QAP. If the CNA reflects a per-unit investment of less than the required per unit cost; the project will not be considered for Tax Credits. A separate scope of work, along with estimated cost, must be submitted for energy efficiency improvements based upon the energy efficiency audit conducted by NHD or its designee.

3) Service Date: All buildings must be placed in service within two years from the date of allocation of the Tax Credits, or the Tax Credits will be returned to the Division.

4) Tenant Displacement and Relocation: To minimize displacement of existing tenants, the Project Sponsor may choose to income-qualify all tenants immediately upon acquisition of the buildings in the project.

5) Prior Ownership: Project Sponsors must provide a detailed ownership history of buyer and seller. The Project Sponsor's prior ownership interest in the property cannot exceed 10 percent (except as identified in HERA). No sale will be allowed from one partnership to another partnership if the entity selling the property is also one of the limited/general partners purchasing the property, and the entity selling the property has more than a 10 percent interest in the purchased property except as allowed in HERA.

   Related party transactions, regardless of the percent interest in the selling or buying entity, are ineligible to receive a developer fee on the acquisition portion of the transaction.

6) Lead Based Paint: Under the Uniform Physical Conditions Standards housing projects must comply with Lead Safe Housing Rules.[5] These requirements apply to building and units built before 1978. Paint with at least one (1) milligram of lead per square centimeter of paint, or with a half percent of lead by weight is considered lead-based paint and subject to the federal regulations. Typical lead based paint hazards include deteriorated paint, and dust or bare soil with lead above specified levels.

[5] 24 C.F.R. part 35.

H. Multiple Projects on Same Parcel

Applicants with this project type must request Division approval in the form of a legal opinion by Division Counsel stating that they are separate projects, that there is an adequate agreement for shared amenities and/or easements, and the jurisdiction has approved them as separate projects on the same parcel at a minimum of 30 business days before the submittal of the tax credit application.

The application must include a zoning letter from the local jurisdiction that states without exception the parcel is zoned for the proposed project, can accommodate both projects without splitting the parcel and requires no further actions. If the project includes any acquisition and/or rehabilitation, then all requirements under Section 10. G. will apply.

THRESHOLD & GENERAL REQUIREMENTS

Section 11 Threshold Requirements

A. Threshold Requirements

Threshold Requirements are not scored, however applications must address and satisfy all Threshold Requirements. Failure to completely and satisfactorily address threshold requirements is considered a nonresponsive application and will be returned.

Threshold #1 Market Study

The Code requires that a market study be prepared for all credit allocations. NHD requires that the study be prepared by a qualified analyst who is completely unaffiliated with the developer and/or owner of the proposed project and has no financial interest in the proposed project. Two main objectives of the Market Study are to demonstrate that sufficient demand exists for the proposed development in the market area and that the proposed project will not cause undue economic harm on the existing rental stock in the market area.

Tax Credit applications may be deemed ineligible if: (1) the assessment determines that comparable affordable housing projects have occupancy levels less than 90 percent; (2) the proposed housing project would have a significant adverse financial affect on other publicly funded projects without offsetting public benefits; or, (3) the rents for the affordable housing project are equal to or greater than comparable market-rate housing.

The submitted application must match the market study regarding income targeting, unit mix, unit sizes, and rents. In other matters, if the application does not conform to any market study conclusions, the application must provide an acceptable defense of any deviations. Appendix A is the Market Study Guide and provides more detail regarding market study content and analyst qualifications.

Threshold #2 Project Compliance Period

~~Except as provided for below t~~ The minimum compliance period for Tax Credit projects is 30-year. The Project Sponsor has the option of extending this period in increments of 5 years up to a maximum of 50 years. An exception is for Tenant Ownership projects, for which the minimum compliance period is 15 years.

~~1)Special Needs Housing: The minimum compliance period for special needs housing projects for the frail elderly and seniors with Alzheimer's disease is 15 years.~~

~~1)Assisted Living: The minimum compliance period for assisted living projects is 15 years.~~

~~1)Tenant Ownership: The minimum compliance period for tenant ownership projects is 15 years.~~

The Division will not agree to stipulations or subordination agreements to reduce the affordability period of a Low Income Housing Tax Credit Project.

Threshold #3 Project Rent Restrictions

Rent must be restricted to one of the following elections:

1) A minimum of 40% of the units will be occupied by households with incomes at or below 60% AMI. In 100% Tax Credits projects, all units must be rent and income restricted to 60% of AMI or lower.

2) A minimum of 20% of the units will be occupied by households with incomes at or below 50% AMI. In 100% Tax Credits projects, all units must be rent and income restricted to 50% of AMI or lower.

<u>Threshold #4 The Gross Floor Rent</u>
The gross floor rent effective date will automatically default to the date of allocation of tax credits to a project (i.e. the carryover date) unless the Project Sponsor opts to change the Gross Floor Rent effective date to the building placed in service date. Project Sponsors must make the election to change the Gross Floor Rent effective date to the building placed in service date by carryover and submit a signed statement indicating the above. Once the election is made, it is irreversible.

<u>Threshold #5 Project Reserves for Replacement Requirements</u>
The project must maintain minimum annual replacement reserves as follows:

1) For new construction senior projects: $225.00 per unit.
2) For all other new construction projects: $275.00 per unit.
3) For all Acquisition/Rehabilitation Projects: $325.00 per unit.

Annual replacement reserves that exceed the above referenced minimums by more than 20% may be considered excessive and the Division may require additional documentation that supports the higher annual replacement reserve. The Division reserves the right to limit excessive minimum reserves.

<u>Threshold #6 Financial Feasibility Requirements</u>
The Code limits Tax Credits allocations to the amount necessary for the project to be financially feasible and induce long-term viability. To make this determination, the Division completes financial feasibility evaluations three times before Tax Credits are issued.

Factors For Assessing Financial Feasibility	
The Division considers the following factors in performing the financial feasibility evaluations:	
▪ *The cost of the project* ▪ *The reasonableness of construction costs* ▪ *The cost per unit of the project* ▪ *The projected income, expenses and cash flow, for the compliance and extended compliance period* ▪ *The reasonableness of the projections of income and expenses and the assumptions upon which those projections are based* ▪ *The fees for developers and contractors*	▪ *The sources and uses of money for the project* ▪ *The plan for financing the project* ▪ *The projected proceeds from the sale of Tax Credits* ▪ *The percentage of the housing credits used for the cost of the project* ▪ *The demonstrated stability of the Project Sponsor, including an analysis of the financial statements of the Project Sponsor*

The Division has also adopted financial standards to analyze the financial pro forma included in each application. These standards include:

1) Recommended minimum debt service coverage ratio of 1.15 on all combined debt excluding notes not requiring repayment until the sale of the property (except for USDA financed projects and subject to Division approval);
2) 3 percent limitation on increases to projected project income and expenses;
3) 7 percent limitation on unit vacancy assumption;
4) Operating ratio shall be reasonable and subject to Division approval;
5) Replacement Reserves of $225 per unit for senior new construction, $275 per unit for other new construction projects, and $325 per unit for acquisition/rehabilitation projects;
6) 15 percent limitation on developer fees of the eligible basis involving third party land transactions;
7) Developer fee is not allowable on the acquisition portion of acquisition/rehabilitation projects ~~or the land purchase for new construction projects~~ if any member of the selling party is related to, or part-of, the buying entity;
8) No more than 60% of the developer fee may be deferred and the developer fee, if paid from cash flow, must be paid in full by year 15;
9) 14 percent limitation on builder's profit, overhead and general requirements;
10) In instances where the builder and developer have an identity of interest, ~~at least one competitive bid must also be submitted showing the competitive nature of the related party cost estimate. If the related party builder's bid is substantially higher,~~ the Division will utilize its Estimating Consultant to examine the proposed project budget

for cost reasonableness. Based upon this review, NHD reserves the right to limit the amount of builder's profit, overhead, and general requirements or require the use of an alternate builder;

11) Projects underwritten using the 70% PV rate in effect for the month within which the application is due, i.e. May 2011; and
12) Projects underwritten using an NHD prescribed tax credit equity rate. NHD will post the prescribed equity on its website at least 60 days prior to the application deadline. The amount of tax credits provided to a project may be adjusted based upon final locked-in tax credit equity pricing. A letter from the investor indicating final pricing must be provided to NHD staff by the 270-day test deadline.

The first financial feasibility evaluation is performed at the time of application. The applicant must demonstrate to the satisfaction of the Division that the project is financially feasible based on the amount of rent charged for units as submitted in the application.[6]

The Division performs the last of the three required financial feasibility evaluations prior to the final award of Tax Credits. The Division uses the Eligible Basis Method and the Gap Calculation Method to determine the appropriate amount of Tax Credits required for a project.

Threshold #7 Project Ownership Documentation

Project Sponsors must provide at a minimum, a valid and binding purchase contract or option to purchase that identifies the seller and buyer, the amount to be paid, the expiration date of the contract or option, and a statement from the seller and buyer describing any prior interest in the land or business dealings between seller and buyer. Project Sponsors must also testify that the project as proposed and preliminarily designed is on land appropriately zoned for the intended project and that discretionary permits are not necessary from a local government body (i.e., that the project upon design, only requires an administrative review for building permit issuance). Project Sponsors must also complete a Phase I Environmental Study for the subject property and file partnership documents with the Secretary of State.

Section 12 General Requirements

Upon satisfactorily addressing Threshold Requirements, an application is eligible for scoring. Like Threshold Requirements, General Requirements are mandatory. As General Requirements may be met by different approaches (e.g., development team organization, building design), the scoring categories in Section 16, Scoring Categories, reflect point weighting toward a more superb effort of meeting the General Requirements.

A. Housing Development and Management Capacity

Project Sponsors must demonstrate sufficient organizational capacity to develop and manage low-income housing projects.[7] To make this demonstration, the Division requires applicants to provide the following additional information with the Tax Credit application.

[6] NAC 319.987

[7] A low-income housing project is defined as a project with restricted rents serving households whose gross income does not exceed 80% AMI subject to a minimum period of affordability.

1) Housing Experience
The Project Sponsor must submit an addendum to the application providing a description of at least five projects developed/managed, including the name and location, date construction began, the date lease-up began, current occupancy levels, and permanent financing sources. Organizations with less than five projects will be considered if they have received an allocation of Tax Credits within the last three years and if the project(s) is in good standing. A copy of the recorded Declaration of Restricted Covenants must be provided for these projects if the Sponsor is located outside of Nevada. If the Project Sponsor is a Nevada based developer and the declaration of restrictive covenants are filed and on record with the Division, simply state the name of the completed project. In addition the sponsor must list the project team (Sponsor/Applicant, General Partners, Managing Partner(s) Attorney, Accountant, Property Manager, General Contractor, Architect, Seller of Land (Building), Syndicator, Investors) and state if there is an affiliation and or interest with any other members the "team".
(See NAC 319.989(16))

Project Sponsors must identify the management firm and individual or employee for which experience is being claimed and their involvement in the project. The Project Sponsor must demonstrate that housing management personnel have undergone management training from the Division or a nationally recognized Tax Credit compliance trainer.

2) Compliance History
The Project Sponsor must demonstrate a satisfactory record of compliance with regulatory and program requirements. Applicants must provide an addendum to the application describing outstanding compliance violations cited during project monitoring reviews by Federal, State, or local funding agencies. If there are no outstanding compliance violations, the applicant may simply indicate that there are no outstanding negative compliance findings.

The Division may reject applications and/or make reductions to application point totals in cases where Project Sponsors have significant outstanding uncorrected IRS form 8823[8] or have outstanding compliance violations issued by other federal, state, or local funding agencies. Project Sponsors of special needs projects must demonstrate a minimum of three years of experience providing a service or assistance to persons with special needs. Organizational information included in the application package must demonstrate the minimum of three years of experience and provide a summary of the supportive services provided to residents.

B. Project Security and Management
1) Tax credit projects must provide appropriate security systems and improvements to reasonably safeguard the safety of residents[9]. For the purposes of this section, security systems include but are not limited to: project fencing, defensive landscaping, security doors, screens and gates, gated project access control systems using keypads or magnetic cards, self door locking door mechanisms, project/unit camera surveillance with on-site closed circuit monitor, panic attack systems, emergency lighting, burglar alarms, and other similar protective measures.

[8] Negative Findings refer to cases in which the project is in material non-compliance and the responsible public entity has filed a 8823 form or other similar notification of non-compliance.
[9] Security requirements DO NOT apply to tenant ownership projects.

The type of security systems appropriate for a project will depend on various factors including housing type, project design and location. Other than particular security measures mandated in this section, Project Sponsors may determine what security systems and improvements are appropriate for a project.

Mandatory Security and Safety Measures:

1) For all ~~elderly~~ housing projects, Project Sponsors must provide closed circuit monitoring systems. Alternative security systems and measures may be installed in lieu of closed circuit monitoring systems for acquisition/rehabilitation projects and/or single story projects under 40 units that serve seniors.

2) For ~~elderly housing~~ projects over 40 units, fire detection and suppression sprinkler system are required in each unit. Suppression sprinkler equipment not required for ~~elderly~~ acquisition/rehabilitation projects or single story projects under 40 units unless required by local code.

The Division requires Project Sponsors to provide information on security related issues. The requested information may include building evacuation procedures, documentation of building break-ins, vandalism and public safety concerns, police reports, and project plans for addressing security issues.

2) At a minimum, all tax credit projects that have 50 or more units must have on-site management. For the purpose of this section, on-site management includes managers, maintenance, or security personnel.

The Project Sponsor is responsible to the Division for insuring that the LIHTC Program is properly administered. Project Sponsors are responsible for being aware of all applicable Federal and State rules and regulations that govern their projects. The Project Sponsor must make certain that property managers comply with all appropriate statutes, rules, regulations, and policies that govern the property.

It is the responsibility of the Project Sponsor to inform the Division of any major changes that are made to the property throughout all phases of construction, rent-up, and operation as well as the placed in service date.

The Division's *Low Income Housing Tax Credit Compliance Policies and Procedures Manual* provides guidance for complying with Internal Revenue Service regulations published under Section 42 of the Internal Revenue Code (IRC) and the Nevada Administrative Code.

The Division requires that one management company representative and one on-site Manager directly involved in the management of the project attend at least one of the Annual Compliance training sessions provided by the Division. The purpose of the compliance training session is to provide instructions for the following compliance issues:

- Federal laws determining eligibility for low-income tenants,

- Division rules and regulations determining eligibility for low-income tenants,
- Specific information necessary for continued LIHTC Program compliance,
- Income Limits,
- Rent Limits,
- Income Verifications,
- Annual Income and Assets,
- Annual Income Certifications,
- Annual/Quarterly Status Reports,

The Division reserves the right to deny participation and or request a change in a management company to a project if that company is currently under review for compliance related issues and or is debarred by the administrator.

The terms of this Subsection are the minimum requirements for any project awarded tax credits in 2011. Required documents must be prepared by an engineer or architect licensed to do business in Nevada.

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

B. Agreement to Participate in NHD data surveys

Any applicant that receives 9% or 4% LIHTC financing, regardless of amount, must participate in NHD sponsored data surveys including, but not limited to, the Apartment Facts Survey produced by NHD for the life of the affordability period. Failure to report requested data in a timely manner may result in negative points in subsequent LIHTC scoring rounds or negative references when requested by other state/local housing finance agencies.

C. ~~Design Standards~~ Plans

I. Application plan requirements

The following plans must be 11" x 17" and indicate the following:

1. Street name(s) where site access is made, site acreage, planned parking areas, layout of building(s) on site to scale, any flood plains that will prohibit development on site, retaining walls where needed, and adjacent properties with descriptions.
2. Front, rear and side elevations of **ALL** building types. ~~and identify all materials to be used on building exteriors.~~
3. Use a 1/8" or 1/16" scale for each building.
4. Site acreage.

Site and floor plans must be 24" x 36" and indicate the following:

1. Location of, and any proposed changes to, existing buildings, roadways, and parking areas.

~~1.All existing site and zoning restrictions including set backs, right of ways, boundary lines, wetlands and any flood plains.~~

~~3.~~2. Existing topography of site and any proposed changes including retaining walls.

~~4.~~3. Landscaping and planting areas (a plant list is not necessary). If existing site timber or natural areas are to remain throughout construction, the area must be marked as such on the site plans.

~~5.~~4. Locations of site features such as playground(s), gazebos, walking trails, refuse collection areas, postal facilities, and site entrance signage.

6. The location of units, common use areas and other spaces using a minimum scale of 1/16" = 1' for each building.

7. ~~Dimensioned floor plans for all unit types using a minimum scale of 1/4" = 1'.~~

~~8. Net building square footage.~~

9. For projects involving renovation and/or demolition of existing structures, proposed changes to building components and design. ~~and also describe removal and new construction methods.~~

10. Plant material must be appropriate to the native climate.

~~10. For projects involving removal of asbestos and/or lead based paint removal, general notes identifying location and procedures for removal.~~

~~**V. Common Area And Site Amenity Provisions**~~

~~All common use areas must be fully accessible to those with disabilities in compliance with all applicable State and Federal laws and regulations.~~

~~D. Laundry Facilities~~

~~1)Laundry facilities are required at all projects.~~
~~1)Laundry facilities must be located on an accessible route.~~
~~1)The laundry room must have adequate entrance lighting that is on from dusk to dawn.~~
~~1)One washer and one dryer must be front loading and usable by residents with mobility impairments (front loading).~~

~~Refuse Collection Areas~~

~~A.Fencing consistent with the appearance of the residential buildings must screen the collection area.~~
~~A.The refuse collection areas may not be at the entrances or exits of the project.~~
~~A.Signs must be at all refuse collection areas to prohibit parking in front of collection facilities.~~
~~4. All projects must include a pad for tenant recycling receptacles as part of the collection area even if recycling is not yet available.~~

Additional Provisions For Rehabilitation Of Existing Housing

The following requirements apply to rehabilitation of existing units. Existing apartments do not need to be physically altered to meet new construction standards. Any replacement of existing materials or components must comply with the design standards for new construction.

A. Design documents must show all proposed changes to existing and proposed buildings, parking, utilities, and landscaping. An architect or engineer must prepare the design drawings.

B. Submit a hazardous material report that provides the results of testing for asbestos containing materials, lead based paint, Polychlorinated Biphenyls (PCBs), underground storage tanks, petroleum bulk storage tanks, Chlorofluorocarbons (CFCs), and other hazardous materials. Professionals licensed to do hazardous materials testing must perform the testing. A report written by an architect, building contractor or developer will not suffice. A plan and projected costs for removal of hazardous materials must also be included.

Section 13. Mandatory Energy Conservation Requirements

Project Sponsors must comply with Minimum Energy Efficiency Requirements specified in this section as a condition of receiving Tax Credits.

A. General Building Performance

- Energy performance quality assurance measures and other requirements equal to or greater than the 2010 EPA Energy Star Home Program. Verified by an analysis of the building plans pre-construction using REM/Rate or equivalent software and verified by inspection and testing post construction using sampling protocol.
- **Using all applicable prescriptive measures listed for mechanical system and building envelope efficiencies should ~~will~~ result in the structure meeting the energy efficiency requirements. When the detailed analysis of the building and individual units demonstrates that the energy performance meets the Energy Star level, trade-offs with components may be made and all prescriptive measures may not be required.**

Mechanical Systems

Heating and cooling equipment must be sized using ACCA's Manual J or equivalent protocol. This information is given for heating systems and hot water heaters fueled by natural gas. For areas not served by natural gas and for installation of high efficiency Energy Star qualified heat pump or solar water heaters, consult NHD.

Heating A furnace inside conditioned space will be a sealed-combustion unit.

Cooling Thermal expansion valves encouraged.
Cooling Thermal expansion valves encouraged.

EQUIPMENT	NORTHERN NEVADA	SOUTHERN
Conventional Forced Air Furnace	90 AFUE	90 AFUE
Split System Central A/C and Air source heat pumps up to 135,000 Btuh	13 SEER	13 SEER or 8.0 HSPF or 11 EER
Combination Space Heating/Water Heater	79 CAafue	79 CAafue

AFUE - Annual Fuel Utilization Efficiency
SEER - Seasonal Energy Efficiency Rating
EER – Energy Efficiency Ratio
HSPF – Heating Seasonal Performance Factor
CAafue – Combined appliance AFUE, *for integrated systems that use the water heater to also provide heat this is the recovery efficiency of the water heater.*
Duct Leakage Leakage to outside conditioned space of complete HVAC system and ducts 6cfm or less/100 square feet. of living space.

Thermostats Seven day programmable with setback capabilities for wake, day, evening, and night settings. Not required for senior apartments. For senior apartments, thermostats with large display readouts are preferred.

Ventilation ***At least 15 CFM of fresh air per hour of mechanical ventilation must be provided continuously per occupant. The number of occupants will be calculated as the number of bedrooms plus one (# bedrooms + 1).***

Return Air Transfer grills or jump ducts at bedrooms in units with 2 or more bedrooms unless served by return balancing air duct or if pressure difference with door closed and air handler running is 3 pascals or less.

Hot Water Energy Factor 0.61, water heaters inside conditioned space of the dwelling unit will be power vented or direct-power vented unit. The Energy Factor (EF) for gas water heaters may be found at ~~www. gamanet.org.~~ http://ari.org/Content/GAMAIBRCertification_581.aspx. A water heater with an EF of 0.58 with an insulating blanket of R12 also meets the requirement.

Ceiling Fans Energy Star Rated reversible ceiling fans in all dwelling units.

Building Envelope

Minimums Efficiency must be equal to or greater than required minimums below or the IECC code in effect at the tie of construction, whichever is greater.

COMPONENT	NORTHERN NEVADA, LAKE TAHOE, RURAL NEVADA	SOUTHERN NEVADA
ATTIC /CEILING	R38	R30
WALLS	R19/ R21 in Lake Tahoe	R15
BAND JOISTS	R19/ R21 in Lake Tahoe	R15
FLOORS OVER CRAWL SPACES	R30	R15
SLAB FOUNDATIONS	R10 Perimeter Insulation	N/A
WINDOWS	U-Factor 0.36 SHGC 0.35	U Factor 0.36 SHGC 0.35
AIR INFILTRATION	0.35 average natural air changes/hour. Complete the ENERGY STAR Thermal Bypass Inspection List.	0.35 average natural air changes/hour. Complete the ENERGY STAR Thermal Bypass Inspection List.

Lights

Light Fixtures Energy Star Qualified (light fixtures placed in unconditioned spaces must be airtight; i.e. ICAT fixtures).

Appliances

Refrigerators Energy Star labeled

Dishwashers Energy Star labeled

Clothes Washers Energy Star labeled

Hot Water Conservation

Showerheads Use 2.5 gallons per minute or less

Faucets Use 2.0 gallons per minute or less

Quality Assurance

Must meet 2010 Energy Star quality installation requirements. During project construction, each unit type (i.e., floor plan and location in building) will be inspected and tested as a quality assurance measure until two consecutive units of this model type meet testing requirements. At this point, testing on this unit type can be reduced to a sampling rate of 1 in 7 or 15%.

Mechanical Systems

- **Test all systems for proper installation and operation**

Heating	Proper installation will be verified
Cooling	Thermostatic Expansion Valve verified (if installed)
Duct Leakage	Verified by pressure testing
Thermostats	Verified by inspection
Ventilation	***Verified by testing and inspection***
Return Air Balancing	Verified by inspection
Hot Water	Verified by inspection

Building Envelope

- Complete the ENERGY STAR Checklists, including Thermal Bypass Inspection Checklist
- Ensure insulation is at required levels, is installed properly and consistently
- **Document NFRC rating on windows for required U-value and SHGC.**
- Ensure that Low E coatings on windows are installed on the correct surface
- Test air leakage of building envelope

Attics	Verified by inspection during construction
Walls	Verified by inspection during construction
Band joists	Verified by inspection during construction
Crawl Space Foundations	Verified by inspection during construction
Slab Foundations	Verified by inspection during construction
Windows	Verified by inspection during construction

Infiltration	Verified post construction by pressure test

Appliances

Refrigerators	Verified by inspection post construction
Dishwashers	Verified by inspection post construction
Clothes Washers	Verified by inspection post construction

Hot Water Conservation

Showerheads	Verified by inspection post construction
Faucets	Verified by inspection post construction

Information relating to the safe, healthy, comfortable operation and maintenance of the building and systems that provide control over space conditioning, hot water energy use be provided to occupants.

The Division encourages architects, engineers, and contractors to contact Barbara Collins, ERHA West, Division Consultant, if you have any questions at 1 888 818 3746.

A. Energy Efficiency Requirements - New Construction Projects

1) Energy Efficiency Standard. The project must have an overall energy efficiency rating equivalent to EPA's "Energy Star" level of efficiency.

2) Pre-Construction Energy Analysis. All projects must undergo Pre-Construction Energy Analysis. The Pre-Construction Energy Analysis will be completed using building plans and specifications. The information required to complete the Pre-Construction Energy Analysis is referenced in **ATTACHMENT D**. The Pre-Construction Energy Analysis must be completed within 90 days of reservation unless a written extension is provided by NHD staff. Otherwise the reservation will be terminated.

3) To complete the Pre-Construction Energy analysis the Project Sponsor must contact the Division to request/schedule the required energy analysis. The Division will contract with a qualified residential energy analysis company to perform a Pre-Construction Energy analysis of the proposed project. The cost of the pre-construction energy audit will be $1000.00 payable with the submission of the energy analysis work sheet. The costs of the interim and final Energy analysis will be $ 250.00 per unit with a minimum of 15% of the project being subject to the Energy analysis and includes per diem charges of the testing contractor. Travel expenses are in addition to these fees. The costs for the Pre-Construction and Post Energy analysis fees will be paid separately with the application fees listed in Section 52, Fees, of the 2011 QAP.

   The output from the Pre-Construction Energy analysis must include the Division's

Summary of Energy Saving Recommendations form that lists the most cost-effective energy saving measures for achieving the prescribed energy efficiency standard. A copy of the list of recommended energy saving measures <u>must</u> be provided to the Division. <u>Installation of the recommended energy saving measures is the responsibility of the Project Sponsor and will be monitored by the Division</u>.

4) <u>Interim Energy analysis and Inspections During Project Construction</u>. The Division will perform interim energy analysis and inspections of a selected sample of residential units during project construction. Sample testing may vary based on testing analysis.

   Project Sponsor/Project Sponsor is required to provide the Division with reasonable access to perform interim energy analysis and inspections. The Interim energy analysis and inspections will be performed (i) after ceiling and wall insulation is installed and prior to installing dry wall and (ii) after building duct systems are installed and prior to enclosing duct work. **<u>The Division will conduct energy analysis and inspections within ten days of receiving notice from the Project Sponsor of the project readiness.</u>**

   The interim energy analysis and inspections performed by the Division or designate and may include: (Individual testing requirement may vary by project)
   a. Physical inspection of ceiling, wall and floor insulations
   b. Duct-Blaster tests to measure air leakage of duct systems

5) <u>Final Energy analysis and Inspections</u>. The Division will perform a final energy analysis and inspection of the project at the completion of project construction to determine whether or not the project achieves the energy efficiency standard and requirements specified in this section. A final energy analysis will be performed in proximity to project completion.

   The Final energy analysis and inspections performed by the Division will include:
   a. Energy analysis to determine the overall energy efficiency of the project and inspection of ceiling, wall and floor insulations;
   b. Blower-Door test to determine unit air leakage within residential units; and
   c. Physical inspection of buildings and units to determine whether the energy efficiency measures identified in the Pre-construction energy analysis have been installed.

6) <u>Remediation</u>. In cases where the Division's post-construction energy analysis determine that the energy efficiency is less than the required energy efficiency standard prescribed in this section, the Project Sponsor will be provided an opportunity to make improvements and enhancements to achieve the energy efficiency standard. The Project Sponsor will be required to pay any additional costs associated with additional consultant time, travel, and/or testing that is necessary.

C. Energy Requirements - Acquisition/Rehabilitation Projects

1) Energy Efficiency Standard. The project must have an overall energy efficiency level that is equivalent to 10% above the 2004 International Energy Conservation Code as determined by a REM-Rate analysis or an equivalent energy use analysis.

2) Pre-Rehabilitation Energy analysis. All projects must undergo a Pre-Construction Energy analysis. The Pre-Construction Energy analysis will be completed on the existing building. The information required to complete the Pre-Construction Energy analysis is referenced in **ATTACHMENT D**. In addition, Project Sponsors undertaking acquisition/rehabilitation projects must provide a list of planned energy conservation related expenses by component category as part of the Capital Needs Assessment. The format for itemizing planned expenses by component category is available in **ATTACHMENT C**.

   The Pre-Construction Energy analysis must be completed at the time of application an exception for Acquisition/Rehabilitation projects. For Acquisition/Rehabilitation projects, Pre-Construction Energy analysis must be completed immediately, upon notification of Tax Credit Reservation. In the analysis of the Pre Construction Energy analysis consideration will be given to recent (less than 5 years) appliance and mechanical systems installations.

   To complete the Pre-Construction Energy analysis the Project Sponsor must contact the Division to request/schedule the required energy analysis. The Division will contract with a qualified residential energy analysis company to perform a Pre-Construction Energy analysis of the proposed project. The costs of the Pre-Construction, interim and final Energy analysis will be $ 250.00 per unit with a minimum of 15% of the project being subject to the Energy analysis plus a $1000.00 energy analysis fee. Travel expenses are in addition to these fees. The costs for the Pre-Construction Energy analysis will be paid separately with the application fees listed in Section 52, Fees, of the 2011 QAP.

   The output from the Pre-Construction Energy analysis must include the Division's Summary of Energy Saving recommendations form listing the most cost-effective energy saving measures for achieving the required energy efficiency level. ~~a REM-rate index score of 86.~~ Installation of the energy saving measures listed on the form is mandatory for rehabilitation projects. A copy of the Division's Summary of Energy Saving recommendations form with the recommended energy saving measures must be provided to the Division.

   Installation of the energy saving measures is the responsibility of the Project Sponsor and will be monitored by the Division.

3) Interim Energy analysis and Inspections During Project Rehabilitation. The Division will perform interim energy analysis and inspections of a selected sample of residential units during project construction. Sample testing will not be less than 15% of proposed units and will include samples of unit types (i.e. number of bedrooms) and individual buildings in the proposed project.

Project Sponsor/Project Sponsor is required to provide the Division with reasonable access to perform interim energy analysis and inspections. The Interim energy analysis and inspections will be performed (i) after ceiling and wall insulation is installed and prior to installing dry wall and (ii) after building duct systems are installed and prior to enclosing duct work. **The Division will conduct energy analysis and inspections within ten days of receiving notice from the Project Sponsor of the project readiness.**

The interim energy analysis and inspections performed by the Division will include:

a. Physical inspection of ceiling, wall and floor insulations.
b. Duct-Blaster tests to measure air leakage of duct systems.

4) Final Energy analysis and Inspections. The Division will perform a final energy analysis and inspection of the project at the completion of project construction to determine whether or not the project achieves the energy efficiency standard and requirements specified in this section. A final energy analysis will be performed 60 days prior to project completion.

   The Final energy analysis and inspections performed by the Division will include:

   a. Energy analysis to determine the overall energy efficiency of the project and inspection of ceiling, wall and floor insulations;
   b. Blower-Door test to determine unit air leakage within residential units; and
   c. Physical inspection of buildings and units to determine whether the energy efficiency measures identified in the Pre-construction energy analysis have been installed.

5) Remediation. In cases where the Division's post-construction energy analysis determine that the energy efficiency is less than the required energy efficiency standard prescribed in this section, the Project Sponsor will be provided an opportunity to make improvements and enhancements to achieve the energy efficiency standard. The Project Sponsor will be required to pay any additional costs associated with additional consultant time, travel, and/or testing that is necessary.

Section 14 Mandatory Fair Housing, Accessibility and General Use Requirements

The project must comply with federal fair housing laws, regulations and design requirements for handicapped accessibility including standards specified by the Americans with Disabilities Act (ADA) and Section 504 where applicable. The Project Sponsor is responsible for ensuring that the completed project meet all federal fair housing laws, regulations and design requirements. Additionally the General Use Requirement 1.42.9 must be met to be eligible for Section 42 credits. An IRS Private Letter Ruling may be required by the Division for projects that target a specific segment of the population to ensure compliance with the General Use requirement.

~~**A.Safe Harbors**~~

~~The United States Department of Justice and HUD currently recognize safe harbors for compliance with the Fair Housing Act's design and construction requirements, 42 U.S.C. § 3604 (f) (3) (C). The project must meet one of the Safe Harbors (listed below). The Project Sponsor must provide a written declaration to the Division stating which Safe Harbor the project will fall under. The safe harbors are:~~

~~1)HUD's March 6, 1991 Fair Housing Accessibility Guidelines (Guidelines) and the June 28, 1994 Supplemental Notice to Fair Housing Accessibility Guidelines;~~
~~1)HUD's Fair Housing Act Accessibility Design Manual;~~
~~1)ANSI A117.1-1986 *;~~
~~1)CABO/ANSI A117.1-1992 *;~~
~~1)ICC/ANSI A117.1-2003 *;~~
~~1)Code Requirements for Housing Accessibility 2000 (CRHA), approved and published by the International Code Council (ICC), October 2000;~~
~~1)International Building Code 2000 (IBC) as amended by the IBC 2001 Supplement to the International Codes; and~~
~~*1)International Building Code 2003 (IBC.)*~~
~~**Building Code must be used in conjunction with the Fair Housing Act and HUD's Regulations/ Guidelines*~~

~~Additional information on the Safe Harbors is available in **ATTACHMENT E**.~~

~~Failure to comply with all of the accessible and adaptive design and construction requirements of the Fair Housing Act may result in loss of tax credits pursuant to 26 C.F.R. § 1.42-9. Therefore, Project Sponsors should consult with appropriate professional to ensure that the construction of the multi-family development complies with the accessible and adaptive design and construction requirements of the Fair Housing Act.~~

A. Recommended Fair Housing Accessibility Training

The Division will recommend Fair Housing Accessibility training for Project Sponsors in Nevada on compliance with federal accessibility requirements. The Division requires that appropriate representatives of the project development team attend the training provided on accessible design standards. Appropriate representatives include persons integrally involved in the design and construction of the project (e.g. architects, engineers, and contractors). A statement that a professional seminar was attended or CPE credit was attained should be part of the application.

Section 15 Project Amenity Requirements

A. <u>Amenities for Projects Serving Individuals and Families With Children</u>

New Construction Projects With 40 or More Units

1) Community areas with a minimum of 500 sq. ft. to combine 32-inch color TV, entertainment system (stereo, DVD, VHS and PlayStation or similar type product), set of sofas or sofa/loveseat, two lounge chairs, end or coffee tables, carpeting and/or ceramic

tile, and facilities to prepare and serve food that includes a counter area, EnergyStar refrigerator, microwave oven, sink, garbage disposal, with resilient and/or ceramic tile floor.

2) Washer and dryer hookup in each unit or on-site laundry facilities with a minimum of one washer and dryer for every 10 units of housing. Washing machines must be EnergyStar rated.

3) Equipped playground that includes a Powerscape, GameTime, or equivalent play set, a tot lot in a softball aggregate, or equivalent site of at least 1000 sq. ft.

4) New Construction Projects With <u>Less Than</u> 40 Units

Equipped playground that includes a Powerscape, GameTime, or equivalent play set, a tot lot in a softball aggregate, or equivalent site of at least 500 sq. ft.

B. Project Amenities for Elderly Housing

1) Community areas with a minimum of 500 sq. ft. to combine 32-inch color TV, entertainment system (a stereo system, DVD or VHS system), set of sofas or sofa/loveseat, two lounge chairs, end or coffee tables, carpeting and/or ceramic tile, and facilities to prepare and serve food that includes a counter area, EnergyStar refrigerator, microwave oven, sink, garbage disposal, with resilient and/or ceramic tile floor.

2) Washer and dryer hookup in each unit or laundry facility with one washer and one dryer for every 10 units. Washing machines must be EnergyStar rated.

3) Handrails and related hardware (hand rails, grab bars, and lever handled hardware for doors) compliant with the Fair Housing Act and ADA.

4) Elevator (if more than one floor).

C. Project Amenities for Tenant Ownership Housing

1) Minimum of two-bedroom units with an average of 1,200 sq. ft. of residential area per unit excluding garages, outdoor patios, etc, but not less than 1,000 sq. ft. of residential area or minimum allowed per local zoning.

2) Minimum of 5,000 sq. ft. lot or the minimum allowed per local zoning.

3) Washer and dryer hookup in each unit.

4) Minimum of one car attached garage.

D. <u>Project Amenities for Acquisition/Rehab/Conversion/Change of Use</u>

Acquisition/Rehabilitation Projects With 40 or More Units

1) Community area(s) with a minimum of 500 sq. ft. The design and amenities in the community area should be suited to the project type. For rehabilitation projects serving

special needs housing populations, the community area should be appropriate to the delivery of supportive service provided to residents. For rehabilitation projects serving individuals, families with children, and elderly populations the community area and amenities should be similar to those provided to family and elderly housing.

2) Laundry facility on site in a common area - one washer and one dryer for every 10 units of housing. Washing machines must be EnergyStar rated.

E. Project Amenities for All Other Housing

1) Community area(s) with a minimum of 500 sq. ft. The design and amenities in the community area should be suited to the project type. For assisted living and special needs housing projects the community area should be appropriate to the delivery of supportive service provided to residents. For mixed income projects, the community area and amenities should be similar to those provided to family and elderly housing.

2) Laundry facility on site - one washer and one dryer for every 10 units of housing. Washing machines must be EnergyStar rated.

PROJECT SCORING

Section 16 Scoring Categories

Each application will be scored based on the three scoring categories: 1) Standard Scoring Factors; 2) Project Type Priorities; and 3) Special Scoring Factors. The scoring point values will be based on the representations of the back-up documentation provided. Back-up documentation for scoring factors must be contained in the appropriate scoring section, except as otherwise identified in the QAP for the preference points for the lowest developer and contractor fees, and justify the level of points requested. If there is not sufficient documentation for each preference point request the preference point request will be denied. Back-up documentation for preference points cannot be submitted after the application deadline. Staff may request clarification of documentation prior to awarding preference points.

If representations made on the application cannot be tested, or cost certified at the time of completion or issuance of the 8609; the Administrator may reduce or withdraw the tax credit award/allocation and place the sponsor on the debarred list.

The 2011 QAP enables applicants to self-score applications in two of the three scoring categories. The points in the self-scoring categories represent 87%-93.9% of the total points available for Family, Elderly, Special Needs*, Mixed Income projects, Assisted Living and Rehab depending upon the project type; 92.4% of the total points available for Special Needs Housing Alzheimer and Frail Elderly projects; and Tennant Ownership projects. Accordingly, most applicants will have a near-complete picture of their score at the time they submit their application. **A project scoring sheet is available in ATTACHMENT F.**

After the Division calculates the point totals of each application, projects will be ranked within each set-aside and geographic sub-account. Applicants applying for Tax Credits under more than one account will be ranked under each account.

Section 17 Standard Scoring Factors

Standard Scoring Factors reflect the Division's housing development priorities for 2011. All applications will be independently scored for each of the 10 Standard Scoring Factors. **Maximum Points: 82.**

Section 18 Project Location

Three (3) preference points will be awarded if the project meets any of the following project location criteria:

RATING FACTORS (Select One)	PTS
a) Project is located in a non-CDBG eligible census tract	

b) Project involves the acquisition and rehabilitation of housing and is in an area covered by a state or local revitalization plan/strategy targeting the rehabilitation of existing housing	
c) Property involves the acquisition and rehabilitation of an at-risk property listed in the National Housing Trust Publication	
MAXIMUM LOCATION PREFERENCE POINTS	**3**

Projects claiming preference points under a-c above require letter/certification from the local jurisdiction/government agency stating that the project is located in an area that qualifies for preference points. ***The letter must include the specific wording above (a-c)*** *See* NAC 319.989

Section 19 Project Readiness

A maximum of ten (10) preference points will be awarded for achieving the following project development milestones. Documentation must be submitted to verify their completion of each milestone to the satisfaction of the Division:

RATING FACTORS	***PTS***
a) Ownership of the land secured (clear title no option)	5
b) Clear title to the land vested in the Project Sponsor or affiliated partner's name	3
c) Signed long-term lease at time of application	3
d) Plan/ Permits "Permit Ready" requires letter from local building department stating plans are approved pending fee.	5
e) Minimum two year commitment for Medicaid and/or Service Vouchers for assisted living secured	3
MAXIMUM PROJECT READINESS PREFERENCE POINTS	**10**

Section 20 Additional Project Amenities

A maximum of twenty-five (25) preference points will be awarded for the following project and tenant amenities. All shared amenities among development phases or adjacent/nearby projects are eligible for equal to ½ the point value listed.

RATING FACTORS	*PTS*
Project Amenities – Development has:	
a) Elevators (Does Not Apply To Elderly Projects With 2 or More Floors, Special Needs projects, and Tenant Ownerships Projects)	3
b) Picnic area equipped with a minimum of three charcoal or gas barbecue units and three 6' picnic tables with benches on separate concrete slabs no less than 200 sq. ft. evenly distributed throughout the project (Does Not Apply to Tenant Ownership projects) no additional points for covers or canopies.	3
c) Swimming or lap pool (Does Not Apply to Tenant Ownership projects)	3
d) Solar hot water heating for swimming pools (applicants cannot claim points for solar products if they are claiming points for installing photovoltaics in Section 26, Green Design)	1
e) Kiddy pool that purifies and recycles water at a minimum four spray positions. Each position must have individual timer for water spray, a 20 x 20 concrete area with drain, minimum five-foot rod iron high fence with gate that locks. The 20 x 20 concrete area shall have a Cool Deck type of surface. The water must recycle. (Applies To Family Rental and Tenant Ownership Projects Only)	3
f) 500 ft. community building in project with under 50 units	3
g) In-ground spa that is a minimum of eight foot in diameter with seven jets, booster pump, blower, 20-minute timer, and 300,000 btu heater	3
h) Equipped weight/exercise room that is a minimum *200* sq. ft. and has at least three exercise machines (Does Not Apply To Tenant Ownership Projects)	2
i) Computer/study room with full Internet access that is a minimum of *100* sq. ft. and is equipped with at least one computer for every 20 units (Computers specification must meet or exceed 1.8 GHzv Intel Pentium 4 Processor, 128 MB. DDR SDRAM, 20 GB Hard Drive, 15-in. Monitor, 32 MB Graphics card, 48X Max CD ROM, Microsoft Windows).	2
j) Exterior lighting with fluorescent dusk-to-dawn fixtures or High Pressure Sodium illuminating walking paths to entrances to residential unit	2
k) Library and/or reading room supplied with books	1
l) On-site salon equipped with washer sinks, hair dryers, beauty chair, mirrors, manicure station, supply cabinets, and additional seating	2
m) Recreation area with at least one of the items listed: Shuffle Board, Horseshoe Pits, Sand Volley Ball Court, Pool Table, or Grand Piano	2
n) Business center equipped with a fax and copier machine in projects with under 50 units	2

o) Wellness room equipped with a medical grade exam table and secure medical cabinets to insure no equipment or medications would be subject to inventory reduction	2

Tenant Unit Amenities – *Each Unit has*:	
p) Picnic area equipped with one charcoal or gas unit and 6' picnic table with benches on 64 sq. ft. concrete slab or in patio area (Applies To Tenant Ownership Projects Only)	3
q) Air conditioning (applicable only outside of Clark County)	3
r) Hard surface throughout unit (i.e. ceramic tile or bamboo flooring) Vinyl flooring subject to NHD staff approval.	2
s) Covered patio area on concrete slab w/ roof that is a minimum of 64 sq. ft. (Applies To Tenant Ownership Projects Only) or Patio or balcony area that is a minimum of 48 sq. ft. (Applies To All Other Projects Types)	2
t) Attached two-car garage (Applies To Tenant Ownership Projects Only) or Covered parking space (Applies To All Other Projects Types)	3
u) Enclosed exterior wood-framed storage structure that is a minimum of 24 sq. ft. floor	2
v) Infrastructure and hook-up for Broad-band internet connection in all units	2
w) Washer/dryer hook ups in projects with under 50 units (Washing machines must be EnergyStar rated)	1
x) Washer/dryers provided in each unit	2
y) Free individual internet in each unit	2
z) Ceiling fans, including a minimum of one fan in the living area and one fan in the master bedroom	1
aa) Security doors on front and back entrances (Applies to Tenant Ownership Projects Only)	1
bb) Covered front porch (Applies to Tenant Ownership Projects Only)	1
MAXIMUM AMENITIES PREFERENCE POINTS	**25**

Section 21 Nevada Based Applicant

Up to ten (10) preference points will be awarded to projects if the Project Sponsor is based in Nevada. To be deemed as based in Nevada, a Project Sponsor that is a natural person must be a resident of Nevada. If the Project Sponsor is a limited partnership, at least one of the general partners must meet the criteria below:

	RATING FACTORS	*PTS*
	Threshold Requirement: Applicant is organized as a corporation, partnership, limited-liability company or other principal of the entity for the last 12 months pursuant to the laws of Nevada;	
a)	Applicant maintains an office in Nevada from which a general partner, managing partner, or principal officer of the applicant, including a president, or chief financial officer or chief operating officer, conducts regular business;	7
b)	Applicant maintains sufficient staff at in-State office to ensure that a member of the general public may visit the office to substantively discuss matters relating to the project with one of the persons identified in (2) above as well as the project representative identified within the application.	3
	MAXIMUM NEVADA BASED APPLICANT PREFERENCE POINTS	**10**

If a project is awarded preference points in this category, all correspondence, letters, facsimiles and telephone communications from the Division will be directed to the Project Sponsor's Nevada office.

Section 22 Nevada Based Projects by Out of State Based Applicants

A maximum of five (5) preference points will be awarded to out of state applicants if the following criteria are met:

	RATING FACTORS	*PTS*
a)	Threshold Requirements: - The Project Sponsor has successful developed projects in Nevada within the past 10 years. - The Project Sponsor is in good standing with all Division projects under the Tax Exempt Bond, HOME, Low Income Housing Trust Fund, and/or Low Income Housing Tax Credit programs. - The applicant does not have any unresolved compliance findings on multi-family projects in Nevada.	
b)	One point will be given for each successful project in Nevada up to the maximum of 5 points.	

MAXIMUM OUT OF STATE PREFERENCE POINTS	5

Section 23 Affordability Period

A maximum of four (4) preference points will be awarded to applications that extend the period of affordability beyond the required 30 years. Applications will receive one preference point for each additional 5-year period of affordability, not to exceed 50 years.

RATING FACTOR	*PTS*
a) One point for each 5 years of extended affordability.	
MAXIMUM AFFORDABILITY PERIOD PREFERENCE POINTS	**4**

Projects developed for eventual tenant ownership and for frail elderly, assisted housing and seniors with Alzheimer's disease will not be eligible for points in this category.

Section 24 Water Efficiency of Landscape Design

Five (5) preference points will be awarded to projects that have at least 75% desert and/or xeriscaped landscaping. The Project Sponsor must submit verification from an **architect/landscape architect** that the project satisfies the rating factor.

RATING FACTOR	*PTS*
a) 75 percent desert and/or xeriscaped landscaping	
MAXIMUM LANDSCAPE DESIGN PREFERENCE POINTS	**5**

Section 25 Historic Character

RATING FACTOR	
Project contributes to the historic preservation, documentation, and/or use of cultural resources as determined by the Nevada State Historic Preservation Office including, but not limited to, adapting and/or renovating properties listed on the National or State Historic Registry. Must submit a letter from the Nevada State Historic Preservation Office indicating the above.	
MAXIMUM HISTORIC CHARACTER PREFERENCE POINTS	**3**

Section 26 Smart Design

A maximum of eighteen (18) preference points for ~~Green~~ Smart Design.

RATING FACTORS	*PTS*
Site Location – Up to five points will be awarded (i) The site is within ¼ mile of at least three of the following: grocery, pharmacy, bank, school (not eligible for elderly projects), day care (not eligible for elderly projects), parks, community centers, medical facilities, library, place of worship, post office (ii) The site is within ¼ mile of pedestrian/ bicycle paths (iii) The site is within ¼ mile of a local transit route or school bus stop (not eligible for elderly projects) (iv) The project's capacity to serve as a stimulus for other development in the vicinity or to provide a needed residential population that may support nearby local businesses in the area and thus promote a more vibrant neighborhood environment. (Must submit with the application a letter from the Director of Community Development within which the project is located, or their equivalent, stating the above and their support for the 1 point.)	2 1 1 1
b) Up to 5 points for installation of ~~photovoltaics~~ of renewable energy sources (e.g., photovoltaics, wind power) that offset the project's total estimated electricity demand by 5% (2 pts.), greater than 5% to 10% (4 pts.), greater than 10% to 15% (5 pts.) Application must contain a report by an electrical engineer detailing the project's projected energy demand and a plan for installing enough ~~photovoltaics~~ renewable energy to produce the energy offset requested.	5
1 point for each item used; interior paints with ~~no~~ low volatile organic compounds (VOC), low VOC carpeting, padding; low VOC adhesives, low urea -formaldehyde-free particle board (VOC and urea-formaldehyde limits to be CARB compliant or are in accordance with International Code Council Green Building Standards for low VOC products.	4
a) 1 point for blow-in/spray fiberglass, cellulose or foam wall insulation	1
b) 2 points for structural insulated panels (SIPs) or insulated concrete forms	2
d) 1 point for Energy Star qualifying gas tank less, heat pump, solar, or gas consensing hot water heaters.* **must conform to Division energy standards** and **must** be approved by the Division no later than 30-days prior to application submittal.	1
MAXIMUM GREEN DESIGN PREFERENCE POINTS	**~~18~~** **14**

Section 27 Superior Project/Application Points

Debt to Income ratio surpasses that required 1:15 for the 15-year tax credit period	2

Project is located within an area where the market study shows less than average vacancy rates	2
Project has the lowest overall cost per unit in comparison to all other projects competing in that geographic apportionment or set-aside. To calculate the lowest cost per unit, the total development cost will be divided by the total number of units (restricted and market-rate units).	1
Maximum Superior Project/Application Points	**5**

Section 28 Preference Points

The Division will award preference points for each of the project categories specified in Section 10, Eligible Project Categories. Preference points may be claimed for only one project category. Sections 29-36 below describe the ranking factors applicable to each project type. The application will be scored within each project-type category and within each set-aside and geographic sub-account. The highest scoring application will receive the maximum amount of preference points shown (15 or 10 pts.). The second highest scoring application will receive 10 pts. (15 pt. category) or 5 pts. (10 pt. category). No more than two applications will be given points for each project category for each set-aside and geographic sub-account. Projects with no competing applications in the same geographic or specific set-aside in Sections 29-36 will receive the maximum point allowance by project type.

A. Project Type Priorities

Project Type Priorities in Sections 29-36 reflect the Division's housing type priorities for 2011. Applications will be grouped according to project type within each set-aside and geographic sub-account and compete for the points available for the project type. The two highest-scoring projects will be awarded points. The application with the highest score will receive the maximum points available to the project type (15 or 10 pts.). The application with the second highest score will receive 10 pts. in the 15 pt. category and 5 pts. in the 10 pt. category. **Maximum Points: 10-15 depending on project type.**

Section 29 Projects for Seniors (Age 55 Years and Older)

Maximum Points: 10.

Senior Projects for persons Age 55 Years and Older will be ranked based on the average residential per unit square footage in the project subject to the following requirements. No unit, regardless of the number of bedrooms, can exceed 850 square feet and no greater than 40 percent of the total units in the project may be two-bedroom units. For example, a senior project of 50 units with 30 studio apartments, averaging 450 sq. ft., (13,500 sq. ft.) 10 one-bedroom apartments averaging 600 sq. ft. (6,000 sq. ft.), and 10 two-bedroom apartments averaging 750 sq. ft., (7,500 sq. ft.) has an average unit size of 540 sq. ft. (27,000 sq. ft. divided by 50 units) in the project.

The project with the highest average per unit square footage will receive 10 points, the second highest scoring project will receive 5 points. If a tie occurs, the tie breaker criteria listed in Section 44, Tie Breakers, will be used to identify the highest and second highest scoring projects.

Section 30 Special Needs Housing Projects
Maximum Points: 10.

Projects for persons with Special Housing Needs will be ranked based on the experience of the Project Sponsor/general partner in developing special needs housing and/or delivering the services relating to the special need. The Project Sponsor must submit a list of all of the housing units developed in chronological order commencing with the year the first project was placed in to service. The Project Sponsor must have a minimum of three years experience verified by a dated document, such as the articles of incorporation, showing the number of years the organization has provided the service.

Applications will be ranked based on the following factors
(1) The number of months of experience will be weighted by 70%
(2) The number of housing units developed will be weighted by 30%.

In the example below, Applicant One possesses 12 years of experience providing services to homeless individuals and has produced 250 units of transitional housing. Applicant Two possesses seven years of experience providing services to developmentally disabled people and has produced 300 units of housing for the developmentally disabled. The scoring is as follows:

<u>Application One</u>	<u>Application Two</u>
144 months x .70 = 100.8	84 months x .70 = 58.8
250 units x .30 = 75	300 units x .30 = 90
Total = 175.8	Total = 148.8

The highest score as calculated above will receive 10 points; the second highest score will receive 5 points.

Section 31 Acquisition Rehabilitation Projects

Acquisition/Rehabilitation Projects with Expiring Sec. 8/HAP contracts for a minimum of 75% of the total units.
Maximum points: ~~15~~ <u>10</u>

Acquisition/Rehab Projects with Extended Sec 8/HAP contracts will be scored based on the highest percentage of units receiving rental assistance times the number of years of the contract. Projects must have a Section 8/HAP contract that expired no more than nine (9) months prior to the adoption of the 2011 QAP. (Final version will be watermarked "Adopted" along with the adoption date.) Projects with renewed Sec. 8/Rental Assistance contracts must clearly show that those rental assistance payments will be extended for a minimum of 2 years through the local PHA and/or HUD and that the project can continue to function for 15-years as a LIHTC development should the rental assistance payments stop after that time.

For example, a project with 100% of the units under a HAP contract for 2 years will be scored simply as followed: 1.00 x 2 = 2. Per Secs. 9 (G) and 32 (B) of the 2011 QAP all acquisition/rehab projects in this category must conform to the minimum of $40,000 per unit in rehab expenses which must be reflected in the Capital Needs Assessment.

The tie breaker in this category will be the highest cost of rehab per unit in the project.

The highest scoring project will receive 15 points, the next highest will receive 10 pts.

OR

Acquisition/Rehabilitation, Rehabilitation only, Conversion or Change of Use Projects, Rehabilitation and other. No rental assistance
Maximum Points: 10

Acquisition/Rehabilitation, Rehabilitation Only, Conversion or Change of Use Projects, Rehabilitation and other will be ranked based on the per-unit rehabilitation investment (hard construction costs/number of units in the project).

The minimum investment per unit is $10,000.00 and the amount for which the project is claiming preference points must be reflected in the Capital Needs Assessment. (Section 10G).

The project with the highest per-unit rehabilitation investment will receive 10 points, the second highest scoring project will receive 5 points.

Special Scoring Factors

B. Special Scoring Factors

Special Scoring Factors in Sections 37-43 reflect additional policy objectives set by the Division for the 2011 QAP. All applications will be independently scored for each of the seven (7) Special Scoring Factors. **Maximum Points: 47.**

The Division identified a limited number of factors considered essential to targeting the development of housing for low income persons, expanding the level of services available to at-risk households, and providing incentives for keeping project costs down.

Sections 37 – 43 describe how preference points will be awarded to achieve these goals.

Section 32 Low Rent Targeting

A maximum of twelve (12) preference points will be awarded based on the overall rent targeting in the project. A project's overall rent level is determined by multiplying the percentage of the total units within each rent level(s) by the rent level in percentages. For example:

	Project One (40 units	**Project Two**	**Project Three**
Number of Units	40 Units	40 units	52 units
Distribution of Units	All units with 40% rents	15 units w/45% rents 25 units w/35% rents	All units with 35% rents
Scoring	100% X .40	37.5% X .45 = .16875 plus	100% X .35

	Score = .4 score	62.5% X .35 = .21875 =.3875 score	= .3500 score

Preference points will be awarded in the amounts specified in the following table.

Rating Criteria (Low Rent Score)	PTS
.30 (100% of units @ 30% rents/ income) or below Project must submit evidence of project based Section 8 or committed tenant based rental assistance to be eligible for the preference points.	12
>.30 and <.35	8
.35 and <.40	6
.40 and < .45	4
.45 and < .50	2
Maximum Points	12

Preference points will not be awarded for low income targeting. Projects should aim to lease units to households with incomes that match the rent targets. However, units may be leased to qualified households with incomes up to 60% AMI or 50% AMI, depending upon the set-aside selected. Under no circumstances can restricted units be leased to households with incomes above the maximum 60% AMI or 50% AMI, depending upon the set-aside selected.

Section 33 Low Income Targeting – 2 points

Provides two points to projects that select the threshold option to rent-restrict and occupy at least 20% of units to households with incomes at or below 50% of area median income for the jurisdiction within which the project is located versus projects that select the threshold option to rent-restrict and occupy at least 40% of units to households with incomes at or below 60% of area median income for the jurisdiction within which the project is located.

Applicants must submit a signed letter indicating this as back-up documentation for the preference points. Points will not be awarded for merely selecting this option on the application.

Section 34 Utility Allowance Preference Points – 5 points

5 preference points will be awarded to projects which opt to pay all tenant utilities (i.e. water/sewer/gas/electric); thus allowing the project to charge the maximum tax credit rents. **Once selected, this option is irrevocable; and must continue for the full 15 year IRS compliance period**. When the subsequent compliance period administered by the Division is attained, the project owner may continue to pay all of the tenant utilities; or may opt to adopt the utility allowances established by the Division at that time.

Section 35 Preference Points for Supportive Services

A maximum of eight (8) preference points will be awarded based on the number of supportive services provided to tenants. All supportive services must comply with all local, City, county, state and federal laws and regulations that include, but are not limited to, licensing, permits, certification and bonding and insurance requirements.

The Project Sponsor must document how the service will be provided and paid for in order to receive preference points for a requested supportive service. The service must be available to all tenant families for the minimum times stated below. There will be no mandatory fees for the basic service. Any fee required will be at the discretion of the Division.

The Project Sponsor must provide the service for the initial IRS 15 year compliance period, and must not allow more than a 30-day gap in service provided. The Project Sponsor must notify the Division within seven (7) days of the termination of service agreements/contracts. The project will be considered out of compliance if there is no new service contract executed by the time the development is audited.

The 2011 QAP will award preference points for the following supportive services:

Rating Criteria **Supportive Services Provided**	**PTS**
A. Providing one prepared meal on a daily basis available to all tenants.	2
B. Transportation services – on-site van service with minimum three-day per week operating schedule	2
C. On-site service coordinator for minimum 20 hours per week (on-site office must be provided)	2
D. On-site service coordinator for minimum 40 hours per week (on-site office must be provided)	4
Maximum Supportive Services Preference points available	**8**

Section 36 Lowest Developer Fee

A maximum of five (5) preference points will be awarded to applications with developer fees below 15% of the ELIGIBLE BASIS. Preference points will be awarded on a basis of 1 point for each 1% reduction in developer fee up to a maximum of 5 points. The developer fee will be calculated based on the figures provided in the budget contained in the main application. Applicants do not have to submit additional back-up. It is the applicant's responsibility to ensure the correct figures are contained within the project budget. Staff will not change scoring due to transposed numbers or incorrect figures in the budget.

The developer fee <u>must not</u> exceed 15% of the ELIGIBLE BASIS of the project excluding the developer's fee. The fee includes profit and overhead of the developer, in addition to fees for consultants/processing agents. The developer fee for projects in QCTs/DDAs may include the adjusted Eligible Basis amount. The cost certification must reflect the developer fee and percentage disclosed within the original application and may not be changed for any reason.

Staff will take the calculated developer fee percentage to two decimal places and will not round up or down.

Rating Criteria Developer Fee	**PTS**
A. Less Than 11%	5
B. 11.0% to 11.99%	4
C. 12.0% to 12.99%	3
D. 13.0% to 13.99%	2
E. 14.0% 10 14.99%	1
F. 15%	0

Section 37 Lowest Contractor Fee

A maximum of five (5) preference points will be awarded to applications with contractor fees below 14% of the total cost of construction. Preference points will be awarded on a basis of 1 point for each 1% reduction in contractor fee up to a maximum of 5 points. The contractor fee will be calculated based on the figures provided in the budget contained in the main application. Applicants do not have to submit additional back-up. It is the applicant's responsibility to ensure the correct figures are contained within the project budget. Staff will not change scoring due to transposed numbers or incorrect figures in the budget. Staff will take the calculated contractor fee percentage to two decimal places and will not round up or down.

The original contractor fee (in percentage terms) must be reflected at the time of application and that percentage may be forwarded only if the project is awarded additional tax credits. Contractor fees including the contractor's profit, overhead and general requirements must not exceed 14% of the total cost of construction of the project. Total construction costs are limited to on-site work, off-site improvements, the construction of new structures/accessory buildings, and the rehabilitation of existing structures. The Division considers contractor fees greater than 14% excessive. Any contractor fee in excess of 14 percent will be taken out of the Gap Calculation for determination of the final Tax Credit allocation and issuance of IRS Form 8609. Construction costs will be limited to on-site work, off-site improvements, and the construction of new structures/accessory buildings and/or the rehabilitation of existing structures and mandated off site improvements. *See* NAC 319.987

Rating Criteria Contractor Fee	**PTS**
G. Less Than 10%	5
H. 10.0% to 10.99%	4
I. 11.0% to 11.99%	3
J. 12.0% to 12.99%	2

K. 13.0% to 13.99%	1
L. 14%	0

The Division will allow increases to basis for additional credits; if the increases are a result of mandatory local government requirements in the completion of the project.

Section 38 Affordable Housing Incentive Preference

A maximum of ten (10) preference points will be awarded based the level of additional resources, funding leveraged by Tax Credits or effective use of conventional financing. The four factors below can be met individually or collectively to receive the preference points. Additional contributions may include land donations and funding commitments made by local governments, non-profit organizations, and private businesses.

Eligibility: Only loans or grants from the following sources will qualify for points under this subsection:

Rating Criteria	**PTS**
1) A donation of land from any governmental or private source or a parcel of land transferred at a nominal cost from a governmental unit or private source or a long-term lease of at least 50 years provided to the developer at a nominal or discounted cost from a governmental unit (federal, state or local). Discounts on land sales 100% to 75% claim 5 points, 74% to 50% 3 points, 49% to 25% 1 point	**5/3/1**
Combined contributions from governmental, non-profit, and or private sources. Sources are limited to: (i) The local PHA (ii) Community Development Block Grant (CDBG) program funds (iii) HUD Section 202 or 811, (iv) Federal Home Loan Bank Affordable Housing Program (AHP) (v) Established local government housing development funds (i.e. HOME, LIHTF, or RDA) (vi) Bureau of Indian Affairs (vii) 3rd Party (non-related) and non-mortgage funds or grants. > 20.01% of total project cost = 5 points, 5.01% to 20.00% of total project cost = 3 points, 5.00% or less of total project cost = 1 point	**5/3/1**
Maximum Preference points available	**10**

Other sources of funding may qualify PROVIDED THEY ARE APPROVED IN WRITING IN ADVANCE by the Agency. (Approval of a particular source in prior years does not meet this requirement.) Adjustments to the purchase price of the land by the seller are not sources of mortgage subsidy.

Staff will take percentages to two decimal places and will not round up or down.

Section 39 Tie Breakers

In the event that one or more projects competing for Tax Credits in the same set-aside or geographical account receives an identical number of preference points, the Division will break the tie by determining which proposal leverages the greatest level of non Tax Credit funding. This will be determined by dividing the total amount of Tax Credits requested by the total project costs. The project with the lowest percentage of Tax Credits to total project cost will be the successful project. If the above fails to break the tie, the Division will conduct a lottery pursuant to NAC 319.990.

PROJECT DEVELOPMENT INFORMATION

Section 40 Maximum 2011 Per Unit Development Cost and Cost Reasonableness Standard **

The maximum per unit development cost for projects submitted under the 2011 QAP will be based on the average cost per unit in a project, calculated by dividing the TOTAL DEVELOPMENT COST of the project (including developer fee) by the total number of units in the project (regardless if the units are restricted/unrestricted). The average cost per unit for the project will be compared to the NHD maximum cost per unit below:

Maximum Cost Per Unit: $229,031.00
(Maximum Cost Per Unit figure based on cost analysis of all new construction projects submitted under the 2010 QAP.) Maximum cost per unit is applicable to all project types and all set-asides.

****-Projects with more than 50 units (restricted/unrestricted)- There will be a 1 pt. deduction in the total project score for every $5,000 increment exceeding the per unit limit shown above.**

****-Projects with 50 or less units (restricted/unrestricted)- There will be a 1 pt. deduction in the total project score for every $7,500 increment exceeding the per unit limit shown above.**

Section 41 Operating Expenses

Project operating expenses between $225.00 to $325.00 per unit/per month are typical for projects in Nevada and considered acceptable by the Division. Applications for projects with operating expenses outside this range must include an explanation of why the expenses are higher or lower. The Division reserves the right to adjust Tax Credits on projects with operating expenses greater than the $225.00 to $325.00 range.
See NAC 319.987.

Section 42 Estimation of Utility Allowance

At the time of application, the Project Sponsor must estimate the amount of utility allowance applicable to each unit, considering the square footage of the unit and the proposed source of energy in accordance with Treasury Regulation § 1.42-10. The Project Sponsor assumes the risk that these estimates are reasonable and supportable. At the time the project is placed in service, the Project Sponsor must provide evidence that the utility allowance used conforms to the requirements of the Code and Treasury Regulation. Failure to do so will result in forfeiture of the Tax Credits.

The Project Sponsor may provide a survey of actual utilities being paid in the area or use the PHA utility allowance for the area, or, with NHD staff approval, use the HUD Utility Model or an alternate method allowable per the Utility Allowance Regulations contained in the Federal

Register, Vol. 73, No. 146, July 29, 2008. Surveys must: (1) have been conducted within 12 months of the application; (2) sampled units must be located within a radius of 50 miles from the proposed project location; (3) sampled units must be similar in size, within 10%, based on unit square footage, to those in the project; (4) include a sample size of at least 10 units; (5) the energy source must be the same as proposed for the project; and (6) include the address and square footage of each unit surveyed.

The Project Sponsor of energy star rated projects that have met the 86> REMS measure may request a HERS rated sample of the project. The sample must conform to the Divisions Energy Requirement guidelines i.e. 15% of the units must be tested. The Division will require an update to the testing every 3rd year.

The utility allowance will not apply to any Section 8 and or local HOME funded units if not allowed by the local funding jurisdiction.

Section 43 Adjustments to Eligible Basis for Projects Located in Qualified Census Tract and Difficult to Develop Areas

Project Sponsors with projects located in a Qualified Census Tract (QCT) or in a Difficult to Develop Area (DDA) are authorized to utilize 130% of eligible basis as a factor in determining the adjusted eligible basis.

The determination of whether a project is in a QCT or DDA is made at the time of application. Subsequent changes in federal designations of QCTs or DDAs after the application is approved will not affect the project.

<u>2010 IRC Section 42(d)(5)(B) Metropolitan Qualified Census Tracts</u>

1) <u>Las Vegas Metropolitan Area</u>: 3.01; 3.02; 4.00; 5.03; 5.04; 5.11; 5.14; 6.00; 7.00; 8.00; 9.00; 11.00; 15.00; 22.01; 22.04; 24.04; 24.05; 24.06; 26.01; 26.03; 27.06; 34.25; 38.00; 43.00; 44.00; 46.00; 47.03; 47.07; 47.08; 47.09; 47.10; and 47.13.
2) <u>Reno/Sparks Metropolitan Area</u>: 1.00; 9.00; 18.00; 19.01; and 22.03.

<u>2010 IRC Section 42(d)(5)(B) Non-Metropolitan Qualified Census Tracts</u>

1) <u>Elko County</u> - 9403.00
2) <u>Mineral County</u> - 9402.00

<u>2010 IRC Section 42(d)(5)(B) Metropolitan Difficult To Develop Areas</u>
Qualifying Counties: Las Vegas / Paradise NV

<u>2010 IRC Section 42(d)(5)(B) Non-Metropolitan Difficult To Develop Areas</u>
Qualifying Nevada Counties: Douglas, Churchill, Lyon

Any changes to QCT and DDA designations subsequently made by HUD that are applicable to the 2011 Tax Credit application period will be incorporated in the 2011 QAP following publication in the *Federal Register or other appropriate notice*. *See* NAC 319.991
D. As allowed under HERA, the Division will designate additional difficult to develop areas and/or projects and buildings eligible to utilize 130% of eligible basis as a factor in determining the adjusted eligible basis. Applicants whose projects meet the criteria set forth below **must submit a request to implement the "boost" in their application at least 45 days prior to application deadline**. NHD staff will approve "boost" requests at least 30 days prior to application deadline. NHD approval does not signify that "boost" credits will be awarded and only signifies that a project meets the one or more of the eligibility criteria to claim the "boost" included below. The NHD Administrator may retroactively allow for the boost in unique situations.

Staff can authorize up to a 30% "boost"[10] for projects that:

Project Criteria:

1) Demonstrate financial hardship due to changes in Davis Bacon and/or prevailing wage determinations;

2) Provide deep income targeting defined as projects where at least 50% of the total units will be rent restricted and occupied by households with incomes at or below 50% of the area median income for the jurisdiction within which the project is located and at least 20% of the total units are rent restricted and occupied by households with incomes at or below 40% of the area median income for the jurisdiction within which the project is located for the entire extended compliance period. Projects requesting a determination under this option must rent restrict and occupy all units as identified in their QAP pro-forma and application and cannot open the units to households above the limits stated in their application;

3) Geographic areas including, but not limited to, BLM transferred land sites, NHD targeted high foreclosure housing areas (as identified in adopted and approved State and local jurisdiction Neighborhood Stabilization Plan Amendments);

4) Projects marketed to homeless populations and/or for transitional housing with supportive services; and

5) Rural projects not currently in NHD's tax credit/bond housing portfolio where the Project Sponsor has invested a minimum $8,000 per unit in new construction or rehabilitation prior to any funds invested for NHD's energy requirements.

[10] Staff will review all requests for the basis boost and may award a boost of up to 30% based upon the housing priorities of NHD, the amount of boost funds requested for the project and from all projects, the amount of tax credits available, and project need.

Section 44 Maximum Amount of Tax Credits Awarded and Post Award Process

<u>Project Cap</u>
The Division has elected to limit the amount of tax credits a project may receive under the 2011 plan to *$1,000,000.00*. Application for Tax Credits in excess of *$1,000,000.00* will be rejected. The Division will accept applications that request Tax Credits for more than one sub-account, as long as the total amount of Tax Credits requested does not exceed the maximum limit. The Division will cap the total amount of tax credits to any one “sponsor” at $2,000,000.00.

The Division will define “Sponsor” as a participating entity by reviewing and following the “burdens and benefits” of ownership. This review will encompass a determining how the developer fee is split, who is being paid consulting fees, and who is authorized to make decisions as, or on behalf of, the owner. All entities including, but not limited to, the sponsor, applicant, consultant, developer and general partner, and managing member must disclose the portion of the Consulting and Development fees they are being paid as part of this application.

There is no limit to the number of projects a sponsor can submit *(other than tax credit requirements and financial considerations)*. The Division reserves the right to award more than *$1,000,000.00* of Tax Credits to projects financed by the Tax Exempt Bond Program, if the project complies with all of the Division's policies, procedures and all State and federal regulations and laws. This section applies to current year projects and does not include additional credit requests.
See NAC 319.992.

The Administrator of the Nevada Housing Division may temporarily increase or lift the stated project and Project Sponsor caps for all new project submissions and requests for additional tax credits to address market downturns and/or other financial situations when such action would assist in keeping the State’s tax credit program viable and supporting housing projects that create affordable housing. Any changes to the project, additional credit, and Project Sponsor caps will be noticed simultaneously or separately on the Division’s website at least 45 days prior to the application submission deadline.

The Administrator of the Nevada Housing Division may increase and/or transfer funds between set-asides and geographic apportionments to ensure the ability to fund projects to a high enough level for viability. The Administrator may forward commitment all or part of the tax credits needed to a project to ensure its viability and to assist in furthering the development of affordable housing throughout the state.

Multiple Project Phases *
Projects that are phased in from one Tax Credits plan year to another will not be considered as one project for the purposes of this maximum. For example, if a Project Sponsor receives Tax Credits on a project this year and next year qualifies and is appropriately ranked for an expansion or new phase of the existing project, the Project Sponsor may receive the maximum Tax Credits for the new phase. The Division reserves the right to reject multiple applications if they are

determined to be for one project that has been split in order to circumvent this maximum. Please see Sec 15, Project Amenity Requirements, and Section 20, Additional Project Amenities of the 2011 QAP regarding shared amenities.

Tax Credit Return
The Project Sponsor may voluntarily return Tax Credit awards before the notification of the carryover allocation. For the purposes of this section, **the carryover allocation notice for Nevada 2011 Tax Credit projects will be November 4, 2011.**

If the Project Sponsor decides to return the Tax Credits on or before the date specified in this section, the return will be considered voluntary. If a project receives a carryover allocation and the Project Sponsor returns the Tax Credit after the date specified in this section, the return will be considered involuntary. *See* NAC 319.972. In such cases, the Project Sponsor will be barred from participating in future Tax Credit funding rounds in Nevada for the remainder of the 2011 Tax Credit Year and the subsequent Tax Credit year.

A. Conditional Reservation
The Division reserves the right to award conditional reservations to projects that have outstanding issues, as identified by staff, at the time of reservation. This includes, but is not limited to, outstanding legal issues currently under review, related vacancy issues at nearby properties that may negatively impact the viability of the tax credit project, or other matters. Reservations are also subject to final underwriting in the Division's tax credit analysis Application Orientation Design (AOD) program and may be amended as a result of that underwriting.

Any project receiving a conditional reservation must cure all conditions by the carryover deadline or any other deadline noted in the reservation letter or the reservation will be cancelled. The Administrator may extend this deadline for extenuating circumstances.

Section 45 Final Allocation of Tax Credits

Once all of the buildings in the project are placed in service, the Project Sponsor may request the final allocation and IRS form(s) 8609.

The following information needs to be completed to receive the IRS form(s) 8609:

1) Final allocation application with all sources/uses/budget information updated.

2) CPA certification of costs. The Division will consider the initial CPA Certification of Costs as the true and correct document for the issuance of IRS Form 8609.

3) Final Energy analysis and Inspection and Payment. The final energy analysis/inspection must show that all of the energy saving measures identified in the Pre-energy analysis have been installed.

4) Pre 8609 inspection by Division. The inspection will include a review of proposed unit mix and amenities in the application and completeness of construction.
5) Comply with Section 54, Lease Up Requirements, and timely curing of identified non-compliance.

6) Letter certifying permanent financing is in place.

7) Letter acknowledging project has met ADA and Fair Housing accessibility design standards.

8) The CPA cost breakdown must be submitted in a manner that is consistent with data input to the AOD. Forms will be attached to the Final Allocation Application.

~~9)~~1) Tax Credit Reduction due to unmet representations as stated in Section 13, Mandatory Energy Conservation Requirements. The reduction in credit will be based the percentage (%) of scoring that is not met when final testing or certification of the project is completed. (I.E. scoring stated 2 points for tank less hot water heater and triple pane low e windows) (2) points on a total point scoring of 130 points; 2 points equals 1.5% of 130 points. Tax Credit Allocation $750,000.00. 1.5% of $750,000.00 is $11,250 of tax credits or a reduction of $11,250 in tax credits.

Section 46 Tax Credit Monitoring

As of July 1, 2001, all compliance monitoring will require habitability inspection as per Treasury (IRS) Regulation 1.42.5. The Division has adopted the (UPCS) Uniform Physical Condition Standards established by HUD as the applicable standard for conducting physical inspections and determining compliance with IRS habitability requirements.

Project Physical Conditions Standards
The project must provide decent, safe and sanitary housing for low-income persons as set forth in applicable federal and state statutes and regulations during the compliance period.

Effective July 1, 2004, the Division uses the Uniform Physical Condition Standards, published by the Department of Housing and Urban Development, to determine whether the LIHTC projects remains suitable for occupancy. *HUD's Uniform Physical Condition Standards (24 CFR 5.703) can be accessed at www.hudclips.org*. ~~These standards require properties to be in "decent, safe and sanitary condition and in good repair" and require agencies to inspect the following five major areas if applicable:~~
~~1.**Site** – The site includes components such as fencing and retaining walls, grounds, lighting, mailboxes, signs, parking lots/driveways, play areas and equipment, refuse disposal, roads, storm drainage and walkways. The site must be free of health and safety hazards and be in good repair.~~
~~1.**Building exterior** – Each building on the site must be structurally sound, secure, habitable, and in good repair. The building's exterior components such as doors, fire escapes, foundations, lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.~~

~~1.**Building systems** – The building's systems include components such as domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system. Each building's systems must be free of health and safety hazards, functionally adequate, operable, and in good repair.~~
~~0.**Dwelling units** – Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example the unit's bathroom, call-for-aid, ceiling, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair.~~
~~0.**Common areas** – The common areas must be structurally sound, secure and functionally adequate for the purposes intended. The common areas include components such as basement/garage/carport, restrooms, and closets, utility, mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable. The common areas must be free of health and safety hazards, operable, and in good repair.~~

~~All areas and components of the housing must be free of health and safety hazards including but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor or other observable deficiencies.~~

Section 47 Fees

All fees paid to the Division are non-refundable.

A. Application Fee
The application fee is $2,500.00 for both Tax Credit and 4% Bond projects. Bond projects are required to pay this fee upon submission of their application for the 4% credits and 8609s. This fee is in addition to the Cost of Issuance fee(s).

B. Reservation Fee
A reservation fee equal to 9.5% of the Tax Credits reservation amount is payable at the time the Division reserves the Tax Credits for the project. Non-profits that are not joint-venturing or in partnership with a for-profit Project Sponsor have the option of paying 4.75% of the credit amount at the time of reservation and the balance of 4.75% no later than six months after the date of reservation. This fee also applies to Bond projects requesting 4% credits. Bond projects are required to pay the equivalent fee at the time of application for the 4% credits. This fee is in addition to the Cost of Issuance fee(s).

The reservation fee is due upon receipt of the reservation letter and must be paid within 14 days of the date of the reservation letter. *See* NAC 319.978(2).

C. Carryover Fee
An administrative fee of $2,000.00 will be charged for each carryover letter issued by the Division. The Project Sponsor's federal tax identification number must be supplied at the time the carryover commitment is requested.

D. Compliance Monitoring Fee
An annual fee of $35.00 for each low-income unit will be charged during the compliance period. The first annual Compliance Monitoring Fee is due and payable when the project is placed in service. Thereafter, annual Compliance Monitoring Fees must be paid on or before January 31 of each year for the remaining compliance period including any extended use period. The Division reserves the right to adjust monitoring fees as necessary on a project-by-project basis to cover the cost and expense of monitoring compliance.

E. Compliance Training Fee
A fee of $75.00 per person will now be required to attend the Division's annual Tax Credit Compliance Training. The one-day training session, usually conducted in March, April or May of each year, is held in Las Vegas and Carson City/Reno. Attendance is mandatory for all on-site property managers. Notice of the annual training sessions will be announced once a date and site are determined. Additional training cost will vary by training subject and will be posted on the website.

F. Compliance Monitoring Fee for Second Audit
If a property receives an audit in which the property is substantially out of compliance and Division staff must re-monitor files after corrections are submitted or re-inspect units there will be an additional audit fee equal to the per unit monitoring fee for each unit/file that requires a second audit.

G. Legal Fees
If the Project Sponsor requests a change in scoring or decision that requires the Division to obtain legal advice the Project Sponsor will be billed for the legal service at a rate of $300.00 per hour. Legal fees must be paid for any time legal spends reviewing an item. A cost estimate will be provided for the Project Sponsor's approval and a 50 percent deposit will be required to initiate the legal review. Legal review will not be undertaken without receipt of the deposit and, if the Project Sponsor chooses not to have the legal review, the points will not be re-scored.

H. Energy Analysis Fees
The 2011 QAP requires Project Sponsors to comply with the Division Energy Efficiency Requirements. Sponsors are required to meet Pre and Post Construction Energy analysis for new construction or rehabilitation projects. The Energy analysis are contracted by the Division with an independent certified energy-auditing contractor. The Project Sponsor will reimburse the Division the costs of the Energy analysis at a rate of $1000.00 for pre-construction analysis and $250.00 a unit with a minimum of 15% of the project being subject to the Energy analysis for construction and post construction audits. The Energy analysis fee will be assessed mileage and per diem charges at the state rate. If additional testing is required fees will be due at the time of the re testing. The $1000.00 fee is due at time of energy analysis submission. The $250.00 per

unit 15% test fee is due when testing completed and must be paid before issuance of the 8609 form.

Section 48 Debarred List

The Administrator will have the option to reject applications for Tax Credits for the following reasons: If the Project Sponsor/equity partner/management company (1) is included on the HUD Debarred List; (2) defaulted or failed to Complete Funding or Construction on a Tax-Exempt Bond Issue; (3) defaulted and/or failed to comply with a HOME and/or LIHTF; (4) defaulted or failed to comply with terms and conditions including mandatory 15 year and extended compliance on Bond or Tax Credit Project that receives a Tax Credit reservation or allocation by the Division and/or; (5) any party that fails to pay any mandated charges will be added to the Debarred List.

Section 49 Lease-Up Requirement

Effective January 1, 2002, all Project Sponsors will be required to contact the Division once the first building in the project is issued a Certificate of Occupancy and prior to any lease-up. The Division will provide an orientation to Project Sponsors and on-site property managers regarding the long-term compliance of the property with Section 42 of the IRS Code. The Division will review the State's Tax Credit Compliance Manual with project management and discuss the Division's compliance requirements and project management responsibilities. This orientation is mandatory. Failure to contact the Division as specified above will result in a delay of the Division's issuance of IRS form(s) 8609.

Section 50 Annual Income Re-certification

Under HERA, the Project Sponsor of a 100% low income project is exempt from the re-certification requirements under IRS regulations § 1.42–5(b)(1)(vi) and (vii) and § 1.42–5(c)(1)(iii) and is not required under those sections to:

a) Keep records that show an annual income re-certification of all the low-income tenants in the building who have previously had their annual income verified, documented, and certified;
b) Maintain third-party documentation to support that re-certification; or
c) Certify to the Division that it has received this information.

In lieu of re-certification after year two of tenancy, Project Sponsors must ensure that all tenants **annually** complete the NHD Form – **Alternate Certification [EXHIBIT Q] or other designated form prescribed by the NHD**. The Alternate Certification must be dated and signed by the tenant(s) and the Project Sponsor's on-site representative, and the Project Sponsor must maintain a current Alternate Certification in each tenant file. The Division will review this documentation during the annual compliance reviews. Project Sponsors of 100% low income properties are still required by NHD to perform a complete income recertification upon first anniversary of tenancy. Projects that have less than 100% low income units MUST still perform a complete annual income recertification.

NHD regulations concerning tenant annual income recertification may be updated from time to time with at least 15 days notice from NHD to comply with regulations or facilitate the reporting of data. Additionally, NHD reserves the right to require annual tenant income recertification at properties where gross negligence or non-compliance has been found. Relaxation of tax credit annual tenant income recertification does not supersede requirements for income recertification under other federal programs such as HOME.

Section 51 Tax Exempt Bond Program

To receive 4% Tax Credits on a Tax Exempt Bond Project, Project Sponsors must comply with the following:

~~1)~~2) Final allocation application *(at a cost of $2,500.00 and payment of 9.5% of the tax credit award)* with updated sources/uses/budget information.

~~2)~~3) CPA certification of costs. The Division will consider the Initial CPA Certification of Costs as the true and correct document for the issuance of IRS Form

~~3)~~4)8609. Final Energy analysis and Inspection. The final energy analysis/inspection for new construction must have a REM Index Rating of 86 or higher. The final energy analysis/inspection for rehabilitation projects must show that all of the energy saving measures identified in the Pre-energy analysis have been properly installed.

~~4)~~5) Pre 8609 inspection by Division. The inspection will include a review of proposed unit mix and amenities in the application and completeness of constriction.

~~5)~~6) Comply with Section 42 (Lease Up Requirements) and timely curing of indentified non-compliance.

~~6)~~7) Letter certifying permanent financing is in place.

~~7)~~8) Letter acknowledging project has met ADA design standards.

~~8)~~9) The project must be in compliance with the Bond Regulatory Agreement.

~~9)~~10) Comply with the IRS Section 42. 50% test.

~~10)~~11) The project must meet Eligible Project Category (Sec.9) requirements as outlined in the QAP.

~~11)~~12) The CPA cost breakdown must be submitted in a manner that is consistent with data input to the Division's Tax Credit software (Application Orientation Design/AOD System). Forms will be attached to the Final Allocation Application.

~~12)~~13) The allowable Developer Fee for a Tax Exempt Bond Financed Project may not exceed 15% of the Total Project Cost including the land.

~~13)~~14) 4% tax credits are applicable only to NHD Multi-family Revenue Bond Projects that have received a Section 42m letter from the Chief Financial Officer of the Division.