

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 housing credits. Section 42 of the Internal Revenue Code (IRC or the Code) is the federal statute establishing the tax credit program. In accordance with Section 42, each state allocating agency must have a Qualified Allocation Plan (QAP) 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 or the Division), 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 powers to the Division. With respect to the LIHTC, NRS Chapter 319 and Chapter 319 of the Nevada Administrative Code (NAC), the regulations detailing how 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 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) that 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 QAP is adopted pursuant the Division's regulations implementing the LIHTC. The Regulations, the Application form, the Instructions and the Compliance Policies and Procedures Manual constitute the Division's QAP pursuant to the Code and federal implementing regulations.

The 2011 QAP covers the periods of January 1, 2011 to December 31, 2011. All reservations of tax credits made during the plan year are subject to the annual Plan. The Division will update its web page with information regarding the 2011 QAP. The website address is: <http://nvhousing.state.nv.us/>.

SECTION 2 APPLICATION SUBMISSION DATES

A. Tax Credit Application Deadline

Pursuant to NAC 319.974, Applications for Tax Credits, and all supporting documentation must be sent to NHD's Las Vegas or Carson City offices and received by **5:00 P.M. on May 6, 2011**, unless otherwise specified by the Division.

B. Completeness and Consistency of Tax Credit Applications

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 (e.g., other applications for funding such as HOME). All material application must be comparable 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 information or documentation, incomplete information¹ that prevents 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 the date to the Division. Please read the requirements of the QAP carefully to ensure all required items and back-up documentation are included with the application. Applications are encouraged to take advantage of the pre-review period described below.

C. Formatting

One original and one electronic copy of the application must be submitted. The electronic copy can be submitted on compact disc (CD) and must contain all

¹ Missing application information includes any budget, back-up, or other application information required for all or specific project types. 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.

information included in the hard copy submission. Scanned copies of the 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 documents in Volume Two. 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 an extension of the 15-day review period if The Department of Housing and Urban Development (HUD) guidelines 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 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 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 a case-by-case basis. Persons interested in training should contact Mark Licea, Federal Programs Supervisor, at 702.486.7220, Extension 226.

B. Training Cost

The cost of the above identified training, if scheduled, is **\$75.00** per person. The registration fee must be prepaid by check payable to NHD and delivered to NHD's Carson City of Las Vegas offices 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 QAP 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 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 non-profit;
- 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, NHD 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 capture 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 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 an annual Apartment Facts report 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 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 through 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 Developing and Managing 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.

Total Project Cost 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 judgement regarding the best use of this valuable resource as it relates to the total project cost 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, 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 **\$2.15**, subject to adjustment by the Consumer Price Index (CPI). This estimate is based upon the **\$2.15** multiplier used in 2010 QAP Notice 2009-2011. The adjusted PTC 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 on the following table. 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 website 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 \$2.15 MULTIPLIER USED IN PRECEDING YEAR 2010 (preliminary, awaiting IRS Notice)*	STATE POPULATION ESTIMATE²		ESTIMATED TAX CREDIT LEVELS
STATE TAX CREDIT CEILING	2,711,206		\$5,829,093
CARRY FORWARD AND OTHER			-
TOTAL AVAILABLE 2011 ALLOCATION			\$5,829,093
TOTAL SET-ASIDES	Set-Aside Percent		
NON-PROFIT SET-ASIDE -	10%	\$582,909	
USDA-RD SET-ASIDE	7%	\$408,037	
<i>(LESS 2010 FORWARD COMMITMENT)</i>		\$166,601	
USDA-RD SET-ASIDE BALANCE		\$241,436	
<i>(ACCOUNT TRANSFER NEGATING 2010 FORWARD COMMITMENT)</i>		\$166,601	
<i>RESERVED USDA-RD SET-ASIDE BALANCE</i>		\$408,037	
ADDITIONAL:	5%	\$291,455	
BALANCE		\$4,546,692	
TOTAL GEOGRAPHIC APPORTIONMENT	Percent of State Population		
CLARK COUNTY	72%		\$3,273,618
<i>(LESS 2010 FORWARD COMMITMENT)</i>			\$1,675,123
CLARK COUNTY BALANCE			\$1,598,495
WASHOE COUNTY	15%		\$682,004
OTHER COUNTIES	13%		\$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 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 **\$582,909**. 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 IRS indicating that the organization is qualified pursuant to IRC Section 501(c)(3) or 501(c)(4) and the application package contains an executed Exhibit Seven of NHD's Application for Tax Credit (that is posted on the Division website). 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 IRS determination letter 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 provision of this QAP. The non-profit's goal and mission must be in developing and providing affordable housing; the non-profit must have a proven track record of affordable housing development as managing general partner, contractor, and/or Project Sponsor (utilizing HUD/LIHTC/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.

The 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 accounts and must be consistent with provisions of Section 39, 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 Credits 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, Apportionment Accounts and Initial Balances.

SECTION 7 USDA-RD SET-ASIDE

There will be United States Department of Agriculture Rural Development (USDA-RD) set-aside in the amount of 7% of the state ceiling or **\$408,037**. 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 intent 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 Division's 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 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 in 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 an 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 Credit applications will be processed with the normal Tax Credit reservation cycle. If no Tax Credit applications are received requesting the USDA-RD set-aside, the Division will distribute 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 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 cancelled and the USDA-RD set-aside will be returned to the General Pool for distribution.

SECTION 8 ADDITIONAL CREDITS SET-ASIDE

A set-aside of 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., 72% of the set-aside will be awarded to Clark County, et. seq.). Projects within each geographic area requesting additional credits will be awarded on 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 project 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 from 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 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 credits 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), update pro forma, 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 (e.g., number of units, amenities) 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 9 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 Plan into a geographic account. The Division will allocate Tax Credits in this account to geographic accounts established for Clark County, Washoe County and Other Nevada Counties. The allocations will be based upon Nevada's most recent official population estimates issued by the State Demographer. 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.

SECTION 10 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 43, 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. Extensions of time will not 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: Reservation of Set-Aide Allocations

Allocation of Tax Credits to the project(s) with the highest score in the USDA-RD 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 8, Additional Credits Set-Aside. Unreserved amounts from the Additional Credits 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, and (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 Geographic account will be placed in a General Pool.

C. Step Three: Transfer to the General Pool

At the discretion of the 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 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 period will be granted in instances where acts of God occur (e.g., flood, fire, earthquake) resulting in the delay.

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 State (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 Division's Carson City of Las Vegas office 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 NHD due **May 5, 2012** to ensure a 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 NHD's Application for Tax Credits).

ELIGIBLE PROJECTS

SECTION 11 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 and Older – (New Construction)

To be considered for the category, all of the units in the projects must be targeted for seniors. Pursuant to the Federal Fair Housing Act, at least 80% of the units must have on 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 – (New Construction)

To be considered for this category, at least 20% of the units must serve one or more of 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 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 drugs, 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; and
- 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. *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 those 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 to subsidize the services received by the low-income tenants.

For project 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 scoring 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 governmental unit (federal/state/local);
- Governmental and/or private contributions that subsidize the particular assisted living services provided for by the development.

Assisted living projects are not eligible to receive scoring 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 or retail 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 or retail or office space. The commercial or office space components and the housing component must be parceled out. Each component must have a separate legal description prior to receiving a carryover 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 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 ratio of 1.20.

e. The Market 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 upon 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 townhomes. 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 located 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 must 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.

The project must fully comply with the tenant income and rent requirements for the LIHTC program during the initial 15-year period of affordability. 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 Covenants.

Key Requirements for Tenant Ownership Projects

1) Tenant Income: 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 Division's *Low Income Housing Tax Credit Compliance Policies and Procedures Manual*.

2) Rent Restrictions/Lease Agreements: 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 the Code. Project compliance requirements are contained in the Division's *Low Income Housing Tax Credit Compliance Policies and Procedures Manual*.

3) Management Plan: 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) Escrow Account: The Project Sponsor must provide a written description as to how the diminimus tenant escrow accounts will be set up. A portion of the tenants rent must be set aside and accumulated to contribute as a down payment towards the purchase of the unit (diminimus 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 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 original lease;
- b. Specify a "not to exceed" offering price to the tenant; and
- c. Provide a clause that then tenants cannot be displaced from the property without just cause.

G. Acquisition/Rehabilitation Projects

1) Acquisition/Rehabilitation with Expiring Section 8/HAP Contracts
These projects will be scored based upon 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 months prior to the December 7, 2010 adoption of the QAP. 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 the 15-years as a LIHTC development should the rental assistance payments stop after that time.

2) Acquisition/Rehabilitation/Conversion³/Change of Use⁴ – (Preservation)

Applications for Acquisition/Rehabilitation may be proposed for any tenant base specified in the above subsections A through E. However, the project will be categorized and scored solely as an Acquisition/Rehabilitation project.

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

3) Rehabilitation Only – (Preservation)

Applications must meet the 10-year rule (except as specified in HERA) and projects 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 performed in the Comprehensive Needs Assessment. The building(s) must be purchased by the Project Sponsor. The Project 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 (CNA). A CNA is required for all acquisition/rehabilitation or conversion projects whether or not the project will maintain its affordability for 30 years or more. The CNA *must* be prepared by a competent third-party. The CNA must list planned expenses by component category. The format for itemizing planned expenses by component category is contained in Appendix A, Planned Expenses by Component.

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 per unit for other rehabilitation projects in direct costs (actual construction costs) prior to incorporating the mandatory energy requirements of 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

³ Conversion of Use Projects refers to structures converted from an unrelated use to housing (e.g., converting an old school house into affordable housing).

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

Credits. A separate scope of work, along with estimated cost, must be submitted for energy efficiency improvements based upon the energy efficiency audit conducted NHD or its designee.

3) Service Date. All buildings *must* be put into 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 Rules⁵. These requirements apply to *buildings and units built before 1978*. Paint with at least one 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.

H. Multiple Projects on the 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 of subsection 11(G) above will apply.

⁵ 24 C.F.R. part 35

THRESHOLD AND GENERAL REQUIREMENTS

SECTION 12 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.

A. 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 for any deviations. Appendix B, Market Study Guide provides more detail regarding Market Study content and analyst qualifications.

B. Threshold #2 – Project Compliance Period

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. The Division will not agree to stipulations or subordination agreements to reduce LIHTC affordability periods.

C. 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% Area Median Income (AMI). In 100% Tax Credit projects, all units must be rent and income restricted to 60% 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 Credit projects, all units must be rent and income restricted to 50% of AMI or lower.

D. Threshold #4 – The Gross Floor Rent

The Gross Floor Rent effective date will automatically default to the date of the 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 by carryover and submits a signed statement indicating the above. Once the election is made, it is irreversible.

E. Threshold #5 – Project Reserves for Replacement Requirements

The project must maintain minimum annual replacement reserves as follows:

- 1) For new construction Senior Housing 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.

F. Threshold #6 – Financial Feasibility Requirements

The Code limits Tax Credit 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.

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 the 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 statement of the Project Sponsor

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

- 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 finance projects and subject to Division approval);
- 2) Three percent limitation on increases to projected project income and expenses;
- 3) Seven percent limitation on unit vacancy assumption;
- 4) Operating ratio shall be reasonable and subject to Division approval;
- 5) Replacement Reserves of \$225.00 for new construction Senior Housing, \$275.00 per unit for other new construction projects, and \$325.00 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 if any member of the selling party is related to, or part-of, the buying entity unless the following conditions are met:
 - a. The developer fee on the acquisition portion of the project is limited to a maximum of 15% of the acquisition eligible basis;
 - b. The developer fee associated with the acquisition's eligible fee must clearly identify the costs and uses statement in the 4% column; and
 - c. If the property is already in NHD's portfolio (defined as currently operating under NHD's Declaration of Restrictive Covenants and/or Land Use Restriction Agreement), then the funds provided to the related-party owner from the dissolution of the original partnership must be re-invested back into the project and the final cost certification must verify the re-investment of funds or the final amount of Tax Credits will be reduced accordingly.
- 8) No more than 60 percent 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, 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 Division that the project is financially feasible based upon the amount of rent charged for units as submitted in the application.

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.

G. Threshold #7 – Project Ownership Documents

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 projects 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 13 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 17, Scoring Categories, reflect point weighing 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.⁶ To make this demonstration, the Division requires an applicant to provide the following additional information with the Tax Credit application.

- 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 the 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 of the “team”.

- 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 not outstanding compliance findings.

⁶ 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.

The Division may reject applications and/or make reductions to application point totals in cases where Project Sponsors have significant outstanding uncorrected IRS form 8823⁷ 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.⁸ 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 and magnetic cards
- Self-locking door mechanisms
- Project/unit camera surveillance with on-site closed circuit monitor
- Panic attack systems
- Emergency lighting
- Burglar alarms
- Other similar protective measures

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

Mandatory Security and Safety Measures:

- a. For all 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.

⁷ Negative Findings refer to cases in which the project is in material non-compliance and the responsible public entity has filed an 8823 form or other similar notification of non-compliance.

⁸ Security requirements *do not* apply to tenant ownership projects.

- b. For projects over 40 units, fire detection and suppression sprinkler systems are required in each unit. Suppression sprinkler equipment is *not* required for 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 the IRS regulations Code regulations and the NAC.

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 training compliance 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 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 documentation must be prepared by an engineer or architect licensed to do business in Nevada.

At all times after the award, the owner is responsible for promptly informing NHD of any changes or alterations which deviate from the final plans and specification approved by NHD. In particular, owners must not take action or 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.

C. Agreement to Participate in NHD Data Surveys

Any applicant that receives 4% or 9% 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.

D. Plans

1) Application Plan Requirements.

- a. The following plans must be 11" x 17" and indicate the following:
 - i. 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.
 - ii. Front, rear, and side elevations of *all* building types (use of 1/8" or 1/16" scale for buildings).
 - iii. Site acreage.
- b. Site and floor plans must be 11" x 17" and indicate the following:
 - i. Location of, and any proposed changes to, existing buildings, roadways, and parking areas.
 - ii. Existing topography of site and any proposed changes including retaining walls.

iii. 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.

iv. Location of site features, such as playground(s), gazebos, walking trails, refuse collection areas, postal facilities, and site entrance signage.

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

vi. For projects involving renovation and/or demolition of existing structures, proposed changes to building components and design.

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

E. 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.

1) 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.

2) 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, Chloroflourocarbons (CFCs) and other hazardous materials. Professionals licensed to do hazardous materials testing must perform the testing. A report 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 14 MANDATORY ENERGY CONSERVATION REQUIREMENTS

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

A. General Building Performance

1) 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 the REM/Rate or equivalent software and verified by inspections and testing post construction using sampling protocol.

2) Using all applicable prescriptive measures listed for mechanical system and building envelope efficiencies should 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.

B. 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.

- 1) Heating. A furnace inside conditioned space will be a sealed-combustion unit.
- 2) Cooling. Thermal Expansion valves are required.

EQUIPMENT	NORTHERN NEVADA	SOUTHERN NEVADA
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 HSPE or 11EER
Combination Space Heating/Water Heater	79 CAafue	79 CAafue

AFUE – Annual Utilization Efficiency
 EER – Energy Efficiency Ratio
 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
 SEER – Seasonal Energy Efficiency Rating
 HSPF – Heating Seasonal Performance Factor

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

4) 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 (i.e., #bedrooms + 1).

5) 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.

6) 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 http://ari.org/CONTENT/GAMAICRCertification_581.aspx. A water heater with an EF of 0.58 with an insulating blanket of R12 also meets the requirement.

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

C. Building Envelope

Minimum Efficiency must be equal to or greater than required minimum below or the IECC code in effect at the time of construction, whichever is greater.

COMPONENT	NORTHERN NEVADA, LAKE TAHOE AND RURAL NEVADA	SOUTHERN NEVADA
Attic/Ceiling	R38	R30
Walls	R29/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 0.31 SHGC 0.35	U Factor 0.35 SHGC 0.30
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

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

- 2) Appliances. The below must be Energy Star labeled.
- a. Refrigerators
 - b. Dishwashers
 - c. Clothes Washers

- 3) Hot Water Conservation.
 - a. Showerheads. Use 2.5 gallons per minute or less.
 - b. Faucets. Use 2.0 gallons per minutes or less.

- 4) 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%.

D. Mechanical Systems. Test all systems for proper installation and operation.

- 1) Heating. Proper installation will be verified.
- 2) Cooling. Thermostatic Expansion Valve verified (if installed).
- 3) Duct Leakage. Verified by pressure testing.
- 3) Thermostats. Verified by inspection.
- 4) Ventilation. Verified by testing and inspection.
- 5) Return Air Balancing. Verified by inspection.
- 6) Hot Water. Verified by inspection.

E. Building Envelope

- 1) Complete the Energy Star checklists, including Thermal Bypass Inspection Checklist.
- 2) Ensure the insulation is at required levels, is installed properly and consistently.
- 3) Document NFRC rating on windows for required U-value and SHGC.
- 4) Ensure that Low E coatings on windows are installed on the correct surface.
- 5) Verified by Inspection during Construction: Attics, Walls, Band joists, Crawl Space and Foundations, Slab Foundations, Windows.
- 6) Verified by Post Construction by Pressure Test: Infiltration.

- 7) Verified by Inspection Post Construction
 - a. Appliances (i.e., Refrigerators, Dishwashers, Clothes Washers).
 - b. Hot Water Conservation (i.e., Showerheads and Faucets).

Information relating to the safety, healthy, comfortable operation and maintenance of the building and systems that provide control over space conditioning, hot water energy use to be provided to occupants. The Division encourages architects, engineers, and contractors to contact **Barbara Collins, ERHA West, NHD Consultant**, if you have any questions. She can be reached at **888.818.3746**.

F. Energy Efficiency Requirements – (New Construction)

- 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 Appendix C, Required Energy Analysis Forms. *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 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** payable with the submission of the energy analysis worksheet. The costs of the Interim and final energy analysis will be **\$250.00** per unit with a minimum 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 of the pre-construction and post energy analysis fees will be paid separately with the application fees Listed in Section 46, Fees.

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 *must* be provided to the Division. *Installation of the recommended energy saving measures is the responsibility of the Project Sponsor and will be monitored by the Division.*

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

The 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: (1) after ceiling and wall insulation is installed and prior to installing drywall and, (2) after building duct systems are installed and prior to enclosing the duct work. *The Division will conduct energy analysis and inspection within 10 days of receiving notice from the Project Sponsor of the project readiness.*

The interim energy analysis and inspections performed by the Division or designate may include (individual testing requirements 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) Final Energy Analysis and Inspections. The Division will perform a final energy analysis 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 inspections 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) 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 the additional consultant time, travel and/or testing that is necessary.

C. Energy Efficiency Requirements – (Acquisition/Rehabilitation)

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 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 Appendix C, Required Energy Analysis Forms. In addition, Project Sponsors undertaking acquisition/rehabilitation projects must provide a list of planned energy conservation expenses by component as part of the Capital Needs Assessment. The format for itemizing planned expenses by component category is in Appendix A, Planned Expenses by Component Category.

The pre-construction energy analysis must be completed immediately, upon notification of Tax Credit reservation. The pre-construction energy analysis will give consideration to recent (less than five years old), 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 cost of the pre-construction energy audit will be **\$1000** payable with the submission of the energy analysis worksheet. The costs of the Interim and final energy analysis will be **\$250.00** per unit with a minimum 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 of the pre-construction and post energy analysis fees will be paid separately with the application fees Listed in Section 46, Fees.

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 efficiency level. *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 Inspection 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.

The 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: (1) after ceiling and wall insulation is installed and prior to installing drywall and, (2) after building duct systems are installed and prior to enclosing the duct work. *The Division will conduct energy analysis and inspection within 10 days of receiving notice from the Project Sponsor of the project readiness.*

The interim energy analysis and inspections performed by the Division or designate may include (individual testing requirements 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) Final Energy Analysis and Inspections. The Division will perform a final energy analysis 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 inspections 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 the additional consultant time, travel and/or testing that is necessary.

SECTION 15 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 American with Disabilities Act (ADA) and Section 504 where applicable. The Project Sponsor is responsible for ensuring that the completed project meets all federal fair housing law, regulations and design requirements. Additionally, the General Use Requirement 1.42.9 must be met to be eligible for Tax 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. 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 credits was attained should be a part of the application.

SECTION 16 PROJECT AMENITY REQUIREMENTS

A. Amenities for Projects Serving Individuals and Families with Children. For new construction projects with 40 or more units the following is required:

1) New Construction Projects with 40 or More Units

a. Community areas with a minimum of 500 sq. ft. to combine a 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, Energy Star refrigerator, microwave oven, sink, garbage disposal, with resilient and/or ceramic tile floor.

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

c. 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.

2) New Construction Projects with less than 40 Units. Equipped playground that includes a Powerscape, GameTime or equivalent play set, a tot lot in softball aggregate, or equivalent site of 500 sq. ft. or more.

B. Project Amenities for Senior Housing

1) Community areas with a minimum of 500 sq. ft. to combine a 32-inch color TV, entertainment system (stereo, 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, Energy Star refrigerator, microwave oven, sink, garbage disposal, with resilient and/or ceramic tile floor.

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

3) Handrails and related hardware (handrails, 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

1) Minimum of two-bedroom units with an average of 1,200 sq ft. of residential 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 the zoning.

3) Washer and dryer hookup in each unit.

4) Minimum of one car attached garage.

D. Project Amenities for Acquisition/Rehabilitation/Conversion/Change of Use

1) Acquisition/Rehabilitation Projects with 40 or more Units

a. 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 populations,

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

b. Laundry facilities on site in a common area – one washer and one dryer for every 10 units of housing. Washing machines must be Energy Star 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 project type. For assisted living and special needs housing projects, the community area should be appropriate to the delivery of supportive services 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 Energy Star rated.

PROJECT SCORING

SECTION 17 SCORING CATEGORIES

Each application will be scored based upon the three scoring categories:

(1) Standard Scoring Factors; (2) Project Type Factors; (3) Special Scoring Factors. The scoring point values will be based upon 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 scoring 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 prior to awarding 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 Project Sponsor on the debarred list.

NHD's 2011 Application for Tax Credits contains a self-scoring worksheet that must be submitted with the application. The maximum points for which a project application is eligible is variable dependent upon considerations such as for example, project type or if the applicant is Nevada based. The maximum number of eligible points is **134**. Few if any projects will receive this score. In completing the self-scoring worksheet, most applicants will have a near-complete picture of their score at the time the application is submitted. Some points are awarded based upon comparison to other submitted applications and the scoring of these points is done by staff after the application deadline.

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 18 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.

SECTION 19 PROJECT LOCATION

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

RATING FACTORS	POINTS
A. Project is located in a non-CDBD 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 POINTS	3

SECTION 20 PROJECT READINESS

A maximum of 10 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	POINTS
A. Ownership of land is secured and vested in the Partnership entity with a clear title and not as an option (costs associated with the land purchase may still be included in the project budget)	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 POINTS	10

SECTION 21 ADDITIONAL PROJECT AMENITIES

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

RATING FACTORS	POINTS
Project Amenities – Development Has:	
A. Elevators (does not apply to Senior Housing projects with 2 or more floors, Special Needs Project, and Tenant Ownership Projects).	3
B. Picnic area equipped with a minimum of three charcoal or gas barbeque units and three 6' picnic tables with benches on separate concrete slabs no less than 200 sq. ft. evenly distributed throughout	3

the project (does not apply to Tenant Ownership Projects), no additional points for covers or canopies.	
C. Swimming or lap pools (does not apply to Tenant Ownership Projects).	3
D. Solar hot water heating for swimming pools.	2
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 high rod iron fence with gate that locks. The 20x20 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 sq. ft. community building in project under 50 units.	3
G. In-ground spa that is a minimum of eight ft. in diameter with seven jets, booster pump, blower, 20-minutes time 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 fixture of High Pressure Sodium illuminating walking paths to entrances to residential units.	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 Volleyball Court, Pool Table or Grand Piano	2
N. Business center equipped with a fax and copier machine in project 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 (e.g., ceramic tile or bamboo flooring; vinyl flooring is subject to NHD staff approval).	2
S. Covered patio area on concrete slab with roof that is a minimum of 64 sq. ft. (applies to Tenant Ownership Projects only) or	2

Patio or balcony area that is a minimum of 48 sq. ft. (applies to all other project types).	
T. Attached two-car garage (applies to Tenant Ownership Projects only) or Covered parking spaces (applies to all other project 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.	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 room 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 POINTS	25

SECTION 22 NEVADA BASED APPLICANT

Up to 10 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	POINTS
Threshold Requirement: Applicant is organized as a corporation, partnership 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 business.	7
B. Applicant maintains sufficient staff at an 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 (A.) above as well as the project representative identified within the application.	3
MAXIMUM NEVADA BASED APPLICANT POINTS	10

SECTION 23 NEVADA BASED PROJECTS BY AN OUT OF STATE BASED APPLICANT

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

RATING FACTORS	POINTS
Threshold Requirements: <ul style="list-style-type: none"> • The Project Sponsor has successfully 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 LIHTC programs; • The applicant does not have any unresolved compliance findings on multi-family project in Nevada. 	
A. One point will be given for each successful project in Nevada up to the maximum of 5 points.	
MAXIMUM OUT OF STATE POINTS	5

SECTION 24 AFFORDABILITY PERIOD

A maximum of four points will be awarded to applicants that extent the period of affordability beyond the required 30 years. Applications will receive on preference point for each additional 5-year period of affordability, not to exceed 50 years.

RATING FACTOR	POINTS
One point for each 5 years of extended affordability.	
MAXIMUM AFFORDABILITY PERIOD POINTS	4

SECTION 25 WATER EFFICIENCY OF LANDSCAPE DESIGN

Five 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 or landscape architect* that the project satisfies the rating factor.

RATING FACTOR	POINTS
75% desert and/or xeriscaped landscaping.	
MAXIMUM LANDSCAPING DESIGN POINTS	5

SECTION 26 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 (SHPO) including, but not limited to, adapting and/or renovating properties listed on the National or State Historic Registry. Must submit a letter from the SHPO indicating the above.	
MAXIMUM HISTORIC CHARACTER POINTS	3

SECTION 27 SMART DESIGN

A maximum of 14 points will be awarded for Smart Design.

RATING FACTORS	POINTS
A. Site Location – Up to five points will be awarded.	
1) The site is within ¼ mile of at least three of the following: grocery, pharmacy, bank, school, day care, parks, community centers, medical facilities, library, place of worship, post office (proximity to day care facilities is not applicable for Senior Housing projects).	2
2) The site is within ¼ mile of pedestrian/bicycle paths.	1
3) The site is within ¼ mile of a local transit route or school bus stop (school bus stop is not applicable for Senior Housing projects).	1
4) 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 the local jurisdiction’s Community Development Department or their equivalent, stating the above and their support).	1
B. Up to eight points for the installation of renewable energy sources (e.g., photovoltaics, wind power). Applicants must choose either 1 or 2 below: 1) Projects that offset the project’s <i>total estimated electricity demand</i> by 5% (four points), greater than 5% up to 10% (six points), greater than 10% to 15% (eight points). 2) Project that offset the project’s <i>total estimated electricity demand for common areas</i> by 5% (two point), greater than 5% up to 10% (three points), greater than 10% to 15% (four points). Application must contain a report by an electrical engineer detailing the project’s projected energy demand and a plan for installing enough renewable energy to produce the energy offset required.	8
C. One point for each item used: interior paint with low Volatile	4

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 projects.	
D. One point for blow-in/spray fiberglass, cellulose or foam wall insulation.	1
E. Two points for structural insulated panels (SIPs) or insulated concrete forms.	2
F. One point for Energy Star qualifying gas tankless, heat pump, solar or gas condensing hot water heaters (<i>must conform to Division Energy Standards and be approved by the Division no later than 30 days prior to application submittal</i>).	1
MAXIMUM SMART DESIGN POINTS	14

SECTION 28 SUPERIOR PROJECT/APPLICATION POINTS

RATING FACTORS	POINTS
A. Project with a Market Study that demonstrates the fastest absorption rate within that Geographic Set-Aside.	2
B. Project has the lowest overall cost per unit in comparison to all other projects competing in the Geographic 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	3

SECTION 29 PROJECT TYPE PRIORITIES

The project types in this section reflect the Division’s housing priority types for 2011. Applications will be grouped according to project type within each geographic sub-account and compete for the points available for 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 (10 or 15 points). The application with the second highest score will receive 10 points in the 15 point category and five points in the 10 point category.

A. Senior Housing Age 55 and Older

These projects will be ranked based upon the average per unit square footage in the project subject to the following requirements. Studio and one-bedroom units cannot exceed 650 sq. ft. No other unit, regardless of the number of bedrooms, can exceed 850 square feet and at least 10 percent and no greater than 40 percent of the total units in the project may be two-bedroom units.

For example, a Senior Housing project of 50 units with 30 studio apartments, averaging 450 sq. ft. (for a total of 13,500 sq. ft.), 10 one-bedroom apartments averaging 650 sq. ft. (for a total of 6,000 sq. ft.), and 10 two-bedroom apartments

averaging 750 sq. ft. (for a total of 7,500 sq. ft.) has an average project unit size of 540 sq. ft. (27,000 sq. ft. cumulative of all units/50 units).

The project with the highest average per unit square footage will receive 10 points, the second highest scoring project will receive five points. If a tie occurs, the tie breaker criteria listed in the Section 38, Tie Breakers, will be used to identify the highest and second highest scoring projects.

B. Special Needs Housing Projects

These projects will be ranked based upon the experience of the Project Sponsor/general partner in developing special needs housing and/or delivering the services related 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 that the organization has provided the service.

Applications will be ranked on the following factors: (1) the number of months of experience will be weighted by 70%; and (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:

APPLICANT ONE	APPLICANT TWO
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 five points.

C. Acquisition/Rehabilitation Projects

This project type is Acquisition/Rehabilitation Projects *with* Expiring Section 8/HAP contracts for a minimum of 75% of the total units.

These projects 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 months prior to the adoption of the 2011 QAP. Projects with renewed Section 8/Rental Assistance contracts must clearly show that those rental assistance payments will be extended for a minimum of two years through the local PHA and/or HUD and that

the project can continue to function for a 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 an HAP contract for 2 years will be scored simply as followed: $1.00 \times 2 = 2$. Per Section 11(G), Acquisition/Rehabilitation for Projects with Expiring Section 8/HAP Contracts, all projects in this category must conform to the minimum of \$40,000 per unit is rehabilitation expenses that must be reflected in the Capital Needs Assessment.

D. Mixed Income/Mixed Use Projects

1) Mixed Income Projects will be ranked based upon the percentage of market-rate units in the project that exceed the minimum requirement of 10%. The square footage and bedroom size of both the market-rate and restricted units *must* be proportional. Targeting smaller units with fewer bedrooms as Tax Credit units will not be allowed. For example, if a 60 unit project with 30 market rate units (50%) is 30,000 sq. ft. and has 90 bedrooms, the amount of square footage and number of bedrooms should be equal to the square footage and number of bedrooms in the market-rate units.

Restricted units may be confined to specific building(s) in the project as long as the square footage and unit mix is proportional to the market-rate units. However, the buildings must be equally placed within the project and have full access to project amenities. The project with the highest percentage of market-rate units will receive 10 points; the project with the second highest percentage will receive five points.

2) Mixed Use Projects will be ranked on the highest percentage of square footage in the project. In the event that two or more projects within this project type category have the same percentage, the Division will break the tie by determining which proposal leverages the greatest level on 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. The application with the highest percentage of residential square footage in the project will receive 10 points; the second highest scoring project will receive five points.

SECTION 30 SPECIAL SCORING FACTORS

Special Scoring Factors in Section 31 through 37 reflect additional policy objectives established by the Division. The Division identified a limited number of factors considered essential to targeting the development of low income persons, expanding the level of services available to at-risk households, and providing

incentives for keeping project costs down. All applications will be independently scored for each of the seven Special Scoring Factors.

SECTION 31 LOW RENT TARGETING

A maximum of 12 points will be awarded based upon 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 income level percentage.

For example:

	PROJECT ONE	PROJECT TWO	PROJECT THREE
NUMBER OF UNITS	40	40	52
DISTRIBUTION OF UNIT RENTS	All with 40% rents	15 with 45% rents 25 with 35% rents	All with 35%
SCORING	100% x .40	37.5% x .45 = .16875 plus 62.5% x .35 = .21875 = .3875	100% x .35 = .3500
SCORE	.4	.3875	.3500

Special scoring points will be awarded in the amounts specified in the following table.

RATING FACTORS	POINTS
.30 (100% of units at 30% income rent level or below). Project must submit evidence of project based Section 8 or committed tenant based rental assistance to be eligible for preference points.	12
>.30 and <.35	8
.35 and <.40	6
.40 and <.45	4
.45 and <.50	2
MAXIMUM LOW INCOME TARGETING POINTS	12

SECTION 32 LOW INCOME TARGETING

This special scoring factor awards 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 AMI 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.

Applicant 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 33 UTILITY ALLOWANCE PAID

Three points will be awarded to projects that opt to pay all utilities (i.e., water/sewer/gas/electric) thus allowing the projects 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 opt to adopt the utility allowances established by the Division at that time.

SECTION 34 SUPPORTIVE SERVICES

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

The Project Sponsor must document how the service will be provided and paid for in order to receive the 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 basics 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 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.

Special scoring points are awarded as described below:

RATING FACTORS	POINTS
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

SECTION 35 LOWEST DEVELOPER FEE

A maximum of five special scoring points will be awarded to applications with developer fees below 15% of the eligible basis. Points will be awarded on the basis of one point for each 1% reduction in developer fee up to a maximum of five 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 *must* not exclude 15% of 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 Qualified Census Tracts/Difficult to Developer Areas 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 developer fee percentage to two decimal places and will not round up or down.

RATING FACTORS	POINTS
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% to 14.99%	1
F. 15%	0

SECTION 36 LOWEST CONTRACTOR FEE

A maximum of five special scoring points will be awarded to applications with contractor fees below 14% of the total cost of construction. Points will be awarded on a basis of 1 point for each 1% in reduction in contractor fee up to a maximum of five points. The contractor fee will be calculated based upon 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 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 must be forwarded only if the project is awarded

additional Tax Credits. Contractor fee 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% will be taken out of the Gap Calculation for determination of the final Tax Credit allocation and issuance of IRS Form 8609. Construction of costs will be limited to on-site work, off-site improvements, and the construction of new structures/accessory buildings and/or rehabilitation of existing structures and mandated off-site improvements.

RATING FACTORS	POINTS
A. Less than 10%	5
B. 10.0% to 10.99%	4
C. 11.0% to 11.99%	3
D 12.0% to 12.99%	2
E 13.0% to 13.99%	1
F. 14%	0

SECTION 37 AFFORDABLE HOUSING INCENTIVE

A maximum of 10 points will be awarded based upon 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 special scoring 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 section.

RATING FACTORS	POINTS
A. 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 of a long-term lease of at least 50 years provided to the developer at a nominal or discounted costs 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
B. Combined contributions governmental, non-profit, and/or private sources. Sources are limited to: 1) The local PHA 2) Community Development Block Grant (CDBG) program funds 3) HUD 202 or 811	5/3/1

4) Federal Home Loan Bank Affordable Housing Program (AHP) 5) Established local government housing development funds (i.e., HOME, LIHTF, or RDA) 6) Bureau of Indian Affairs 7) 3 rd Party (non-related) and non-mortgage funds or grants. >20.01% of total project costs = 5 points, 5.01% to 20.00% of total project cost = 3 points, 5.00% or less of total project cost = 1 point.	
MAXIMUM AFFORABLE HOUSING INVENTIVE POINTS	10

Other sources of funding may qualify *provided they are approved in writing in advance* by NHD (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 and will not round up or down.

SECTION 38 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 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 costs 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 39 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 upon 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/non-restricted). The average cost per unit for the project will be compared to the NHD maximum cost per unit of **\$204,500**. The maximum cost per unit figure is based upon a cost analysis of all new construction projects submitted under the 2010 QAP. Maximum cost per unit is applicable to all project types and set-asides.

For projects with more than 50 units (restricted/non-restricted), there will be a one point deduction in the total project score for every **\$5,000** increment exceeding the per unit limit identified above. For projects with 50 units or fewer (restricted/non-restricted), there will be a one point deduction in the total project score for every **\$7,500** increment exceeding the per unit limit shown above.

SECTION 40 OPERATING EXPENSES

Project operating expenses between **\$225.00 and \$325.00** per unit/month are typical for projects in Nevada and considered acceptable by the Division. Applications for project 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 - \$325.00** range.

SECTION 41 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 Regulations Section 1.42-10. The Project Sponsor assumes the risk that these estimates are reasonable and supportive. At the time the project is placed in service, the Project Sponsor must provide evidence that the utility allowance 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, Volume 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 projects that have met the 86> REMS measure may request a HERS rated sample of the project. The sample must conform the Division’s Energy Requirements guidelines (i.e., 15% of the units must be tested). The Division will require an update to the testing every third year. The utility allowance will not apply to any Section 8 and/or HOME funded units if not allowed by the local funding jurisdiction.

SECTION 42 ADJUSTMENTS TO ELIGIBLE BASIS FOR PROJECTS LOCATED IN QUALIFIED CENSUS TRACT AND DIFFICULT TO DEVELOP AREAS

Project Sponsors with projects located Qualified Census Tract (QCT) or in a Difficult to Develop Area (DDA) as designated in IRC Section 42(d)(B)(5) 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. Any changes to QCT and DDA designations subsequently made by HUD that are applicable to the 2011 Tax Credit application period, will be incorporated into the 2011 QAP following publication in the *Federal Register* or other appropriate notice.

2010 Qualified Census Tract and Difficult to Develop Areas	
Metropolitan Qualified Census Tracts	
Las Vegas Metropolitan Area	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, 47.13
Reno Sparks Metropolitan Area	1.00, 9.00, 18.00, 19.01, 22.03
Non-Metropolitan Areas	Elko County – 9403.00 Mineral County – 9402.00
Difficult to Develop Areas	
Metropolitan Areas	Las Vegas/Paradise
Non-Metropolitan Areas	Douglas County, Churchill County, Lyon County

As allowed in HERA, the Division will designate additional DDAs and/or projects and/or buildings eligible to 130% of eligible basis as a factor in determining the

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 one or more of the eligibility criteria to claim the boost included below. The Administrator may retroactively allow for the boost in unique situations.

Staff can authorize up to a 30% boost for projects that have the following project criteria:⁹

- 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% AMI 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% AMI 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 units including, but not limited to, BLM transferred land sites, NHD targeted high foreclosure housing areas (as identified in approved state and local jurisdiction Neighborhood Stabilization Plan amendments);
- 4) Projects marketed to homeless populations and/or 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 of \$8,000 per unit in new construction or rehabilitation prior to any funds invested for NHD’s energy requirements.

⁹ Staff will review all requests for the basis boost and may award a boost of up to 30% based upon NHD’s housing priorities, the amount of boost funds requested for the project and from all projects, the amount of Tax Credits available, and project need.

SECTION 43 MAXIMUM AMOUNT OF TAX CREDITS AWARDED AND POST AWARD PROCESS

A. Project Cap

The Division has elected to limit amount of Tax Credits a project may receive under the 2011 QPA to **\$1,000,000**. Applications for Tax Credits in excess of this amount 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**. 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 partners, and managing member must disclose the portion of consulting and development fees they are being paid as part of this application.

There is not limit to the number of projects a sponsor can submit (*other than Tax Credit requirements and financial considerations*). The Division requires the right to award more than **\$1,000,000**, of Tax Credits to projects financed by the Tax Exempt Bond Program, if the program 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.

The Administrator may temporarily increase or lift the stated project and the 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 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 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 commit 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.

B. Multiple Project Phases

Projects that are phased in from one Tax Credit plan year to another will not be considered as one project for the purposes of the 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 of a new phase of the existing project, the Project Sponsor may received 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 the maximum. Please Section 16, Project Amenity Requirements and Section 21, Additional Project Amenities.

C. 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 the 2011 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 the allocation and the Project Sponsor returns Tax Credits after the date specified in this section, the return will be considered involuntary. In such cases, the Project Sponsor will be barred from participating in future Tax Credit funding rounds for the remainder of the 2011 Tax Credit year and the subsequent Tax Credit year.

D. 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 44 FINAL TAX 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 application with all source/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, inspection and payment. *The final energy analysis and inspection must show that all of the energy saving measures identified in the pre-energy analysis have been installed.*
- 4) Pre-8609 inspection by the Division. *The inspection will include a review of proposed unit mix and amenities in the application and completeness of construction.*
- 5) Comply with Section 48, Lease-Up Requirement, 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) Tax Credit reduction due to unmet representations as stated in Section 14, Mandatory Energy Conservation Requirements. The reduction in credit will be based upon the percentage of scoring that is not met when final testing or certification of the project is complete (e.g., scoring stated 2 points for tankless 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 1.5% of \$750,000 is \$11,250 of Tax Credits or a reduction of \$11,250 of Tax Credits.

SECTION 45 TAX CREDIT MONITORING

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

A. 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 UPCS, published by HUD to determine whether the LIHTC projects remain suitable for occupancy. HUD's UPCS (24 CFR 5.703) can be accessed at www.hudclips.org.

SECTION 46 FEES

All fees paid to the Division are non-refundable.

A. Application Fee

The application fee is \$2,500 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% no later than six months after the date of reservation. This fee also applies to Bond projects requesting 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.

C. Carryover Fee

An administrative fee of \$2,500 will be charged for each carryover letter issued by NHD. 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 Sponsors 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% 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's Energy Efficiency Requirements. Sponsors are required to meet pre- and post construction energy analysis for new construction or rehabilitation projects.

The energy analysis is contracted by NHD 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** 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 fee is due at time of energy analysis submission. The \$250.00 per unit 15% fee is due when testing is completed and must be paid before issuance of the 8609 form.

SECTION 47 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 48 LEASE-UP REQUIREMENT

Effective July 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. The Division will review the state's Tax Credit Compliance Manual with the 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 49 ANNUAL INCOME RE-CERTIFICATION

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

- 1) 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;
- 2) maintain third-party documentation to support that re-certification; or
- 3) certify to the Division that is has received this information.

In lieu of recertification after year two of tenancy, *Project Sponsors must ensure that all tenants annually complete a form of certification as prescribed by NHD.* The Alternate Certificate 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 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 50 TAX EXEMPT BOND PROGRAM

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

- 1) Final allocation application (*at a cost of \$2,500 and payment of 9.5% of the Tax Credit Award*) with updated sources/uses/budget information.
- 2) CPA of certification costs. *The Division will consider the initial CPA Certification of Costs as the true and correct document for issuance of IRS Form 8609.*
- 3) Final energy analysis and inspection. The final energy analysis and 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 identified in the pre-energy analysis have been properly installed.
- 4) Pre-8609 inspection by the Division. The inspection will include a review of proposed unit mix and amenities in the application and completeness and construction.
- 5) Comply with Section 48, Lease-Up Requirement and timely curing of identified non-compliance.
- 6) Letter certifying permanent financing is in place.
- 7) Letter acknowledging project has met ADA design standards.
- 8) The project must be in compliance with the Bond Regulatory Agreement.
- 9) Comply with Section 42 50% test.
- 10) The project must meet Section 11, Eligible Project Categories requirements as outlined in the QAP.

- 11) The CPA cost breakdown must be submitted in a manner that is consistent with data input to the AOD system. Forms will be attached to the Final Allocation Application.
- 12) The allowable developer fee for Tax Exempt Bond Financed project may not exceed 15% of the Total Project Cost including the land.
- 13) 4% Tax Credits are applicable only to NHD multi-family revenue bond projects that have received a Section 42m letter from the Division's Chief Financial Officer.

PUBLIC COMMENT PROCESS

SECTION 51 PUBLIC COMMENT, DISTRIBUTION AND APPROVAL OF THE QAP

A first draft of the 2011 QAP was made available for public review and comment on September 24, 2010. In accordance with the Regulations, the Division scheduled and held public hearings on the draft 2011 QAP on October 26, 2010 at the NHD offices in Carson City and Las Vegas. Other public meeting locations were in Elko at the campus of the Great Basin College, and in Reno at the Truckee Meadows Community College Redfield High Tech Center. All public meetings were held concurrently and linked by video conference.

Following, a second draft of the QAP was released on November 10 for public review and comment. A final public hearing of the QAP was held on November 16, 2010 in conjunction with a meeting of the state's Advisory Committee on Housing. The meeting was held at the NHD Carson City and Las Vegas offices that were linked by video conference. The comment period for the second QAP draft closed a November 19, 2010.

The 2011 QAP was adopted by the Administrator on December 7, 2010.

CONTACT INFORMATION

SECTION 52 NEVADA HOUSING DIVISION OFFICES

A. Carson City

NHD's Carson City office is located at: 1535 Old Hot Springs Road, Suite 50, Carson City, Nevada 89706. The Carson City LIHTC contact person is: Hilary Lopez, Ph.D., Chief of Federal Programs. Dr. Lopez can be contacted at 775.687.2003 or hlopez@housing.nv.gov. The facsimile number is 775.687.4040.

B. Las Vegas

NHD's Las Vegas office is located at 7220 Bermuda Road, Suite B, Las Vegas, Nevada 89119. The Las Vegas LIHTC contact person is Mark Licea, Federal Programs Supervisor. Mr. Licea can be contacted at 775.486.7220, Extension 226 or mlicea@housing.nv.gov. The facsimile number is 702.486.7226.