

# DRAFT

## PENNSYLVANIA HOUSING FINANCE AGENCY ALLOCATION PLAN FOR YEAR 2003 LOW INCOME HOUSING TAX CREDIT PROGRAM

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The Pennsylvania Housing Finance Agency (the "Agency") is the Commonwealth agency responsible for the administration of the Federal Low Income Housing Tax Credit Program. Pursuant to the Omnibus Budget Reconciliation Act of 1989, the Agency has developed an Allocation Plan containing the criteria to be used in distributing Federal Low Income Housing Tax Credits ("Tax Credits") based on the housing needs of the Commonwealth. Adoption of the Allocation Plan requires approval by the Governor after a public hearing. In the event there are changes in federal law subsequent to the adoption of this Allocation Plan or additional regulatory guidance or clarifications regarding the Tax Credit Program become available, the Agency reserves the right to modify, to supplement or to make conforming amendments to this Allocation Plan and all related documents without formal amendment or additional public hearings. In addition to notifying affected Tax Credit Program applicants, information about such subsequent changes will be posted on the Agency's website at [www.phfa.org](http://www.phfa.org).

All information submitted by the applicant or gathered by the Agency in the review of the Application is the sole property of the Agency and may be made public. The Agency's processing procedures, fee schedules and limitations, and current rent and income limits are set forth in the Agency's Multifamily Housing Application and Guidelines. It is the developer's responsibility to be familiar with all Tax Credit Program requirements, the regulations, and the Internal Revenue Code (the "Code").

### SUBMISSION REQUIREMENTS

The following section details the timeframes and mandatory processing information applicable to the Year 2003 Tax Credit Program.

For a development to be considered for a reservation of Tax Credits, the entire Application package, including all exhibits, must be received by the Agency no later than **2:00 p.m.** of the closing date of one of the submission cycles listed below. Applications not received by the closing date of the submission cycle will not be considered. The Agency will strive to notify applicants in Cycle 1 of the applicant's status after its March 2003 Board meeting and will strive to notify applicants in Cycle 2 of the applicant's status after its September 2003 Board meeting.

<u>Submission Cycle</u>	<u>Closing Date</u>	<u>Percentage of Tax Credits to be Allocated</u>
1	October 14, 2002	50%
2	April 14, 2003	50%

Any organization shown as an applicant in the Application must have a general partner interest in the final ownership entity of the development. The applicant must be actively involved in both the development and ongoing control and management of the development as evidenced in the partnership agreement governing the ownership entity for the development. Sale, transfer or assignment of an applicant's interest in the proposed Tax Credit development is absolutely prohibited

while the Application is under consideration. Such transfers, sales and assignments at any subsequent point in the processing of a development prior to placement in service and issuance of an IRS Form 8609 require prior written approval by Agency staff and may require submission of a new Application and/or may result in recapture of Tax Credits by the Agency.

An Application package submitted for review must include all of the information in the order set forth in the Application Checklist. Any material deficiency in the Application or omission from the mandatory submissions set forth in the Application Checklist, particularly the omission of documentation relating to the site, a market study/needs assessment and verification of funding sources, may result in immediate rejection. In addition, the Application must meet program eligibility requirements set forth in Section 42 of the Code. Applications and required exhibits may not be submitted via fax or email to the Agency.

An Application, once received by the Agency, may not be altered, amended or modified except upon requests made by staff during underwriting and program review or except for developments participating in an Agency-sponsored bridge loan program, which may undergo subsequent substitute processing and ranking by the Agency. Applications will be processed and ranked based only upon the information contained in the initial Application package. Agency staff will first review the development's construction costs, fees, sources of funds, operating income and expenses to determine the development's financial feasibility and long term viability. Developments that are financially feasible and viable will then be ranked according to the Selection Criteria. Applications that are financially infeasible or that do not demonstrate long term viability may be returned at any time. The Agency reserves the right, in its sole discretion, to reject any Application in the event that the costs associated with the proposed development are deemed excessive or unreasonable.

Upon review of the Application, Agency staff may, but is under no obligation to, advise the applicant of incongruities, discrepancies or incomplete items and may allow the applicant to clarify or supplement the original submission. Such requests will be made in writing to the applicant and response will be required within the timeframe set forth therein which will generally be no later than five business days from notification by staff. Developers are urged to review their original Applications carefully prior to submission to the Agency. Correction allowed during the staff review process will neither include replacement, substitution or amendment of material items used by staff in the ranking of an Application nor remedy the scoring of an Application as an incomplete submission. See the Multifamily Housing Guidelines for additional guidance and information about processing Applications.

All Application fees are nonrefundable.

### **THRESHOLD ELIGIBILITY CRITERIA**

The Agency will only process Applications that meet all of the following eligibility criteria. Failure to meet any of these threshold eligibility criteria may result in rejection of the Application.

1. Agency staff will review the Tax Credit Program compliance history and performance of both the general partner and the management agent of the proposed development. The applicant must certify that it is in compliance with all Tax Credit Program requirements for each Tax Credit development in which it has a material ownership interest. If the general partner or management agent of the proposed development is currently involved in a Tax Credit development that has been

reported to the Internal Revenue Service ("IRS") as being out of compliance with any Agency program requirement (including Restrictive Covenant Agreement violations) and said noncompliance has not been brought back into compliance prior to the submission of the Application, the Application may be rejected at any time prior to reservation of credits. In the alternative (or in addition, in the sole discretion of the Agency) the general partner and/or management agent may be required to attend and satisfactorily pass an Agency-approved course in the compliance requirements of the Tax Credit Program. The Agency in its sole discretion will determine whether a compliance issue is of a material or nonmaterial nature and whether it is of a recurring nature. Note that while any material compliance issue may result in rejection of an Application, other types of less serious or repetitive noncompliance issues will result in the adjustment of points during the ranking process.

2. If the general partner or an affiliate of the general partner is involved or has been involved in an Agency funded development that is delinquent in payments to the Agency or has materially defaulted on any of its obligations to the Agency, the Agency may reject the Application.

3. Applications may be rejected from organizations or individuals who have failed to meet any established program deadline date.

4. Applicants who have unpaid fees due to the Agency may be ineligible to participate in the Tax Credit Program.

5. Developments that have resulted from or will result in the permanent displacement of low income residents will be ineligible for Tax Credit Program participation unless the developer provides evidence satisfactory to the Agency that the development either addresses overcrowding or to the greatest extent feasible offers all residents their choice to return to an appropriately sized affordable unit in the development upon completion of the development or receive relocation benefits. Applicants may be requested to document the efficacy of notice given to residents to the satisfaction of the Agency.

6. Applications for acquisition Tax Credits will not be accepted for any existing Tax Credit development during its initial compliance period

In addition to the above threshold eligibility criteria, the Agency reserves the right to take any action it deems appropriate if the proposed general partner (or any affiliate thereof), proposed management agent, or other material participant has been found to be in violation of fair housing, housing accessibility or nondiscrimination laws or has been found to discriminate against Section 8 voucher and certificate holders and such violation or discriminatory actions have not been remedied to the satisfaction of the governmental agency or entity with jurisdiction. "Material participant" includes any entity who by written agreement may significantly affect, in the opinion of the Agency, the development or operation of the property. Such written agreement may include ground leases, operating subsidies, partnership agreements, or operating regulatory agreements. Such action may include rejection of the Application, termination of processing, recapture of Tax Credits (if an IRS Form 8609 has not been issued) or, if applicable, issuance of an IRS Form 8823 or notification to the appropriate governmental authorities. (As evidence of such finding of violation, the Agency may rely upon its own investigations or may rely upon any order of a court with jurisdiction or upon notice of such a finding from any federal or state agency with investigative or regulatory jurisdiction regarding the subject matter, such as IRS, Justice, Treasury, HUD, or state Human Relations Commission or Attorney General.)

## SET-ASIDES

In Year 2003, the Agency will provide Tax Credits through several set-asides. *Attachment A* provides an outline of these set-asides. Should additional Tax Credits become available for whatever reason at any time in 2003, the Agency will not issue an amendment to this Allocation Plan and will instead, make allocations of such additional Tax Credits based upon priorities and preferences set forth in this Allocation Plan as it deems appropriate.

### **1. Regional Set Aside**

A percentage of the Year 2003 Tax Credits will be set-aside for each region of the Commonwealth. The counties in each region are shown in *Attachment B*. Set-asides are based on the percentage of households at or below 50 percent of median income for the given region.

### **2. Preservation Set-Aside**

A special set-aside of Tax Credits, not to exceed 10 percent of the state per capita allocation available in the Year 2003, will be established for developments that meet the Agency's requirements for preservation of affordable housing. The Preservation Set-aside will be considered for existing low income units receiving project-based rental subsidies that are within two years of any permitted prepayment or subsidy contract expiration with a likely conversion to market rate housing or equivalent loss of low income use restrictions. (The likelihood of conversion to market rate housing must be supported by a current market study in form and substance acceptable to the Agency.)

The Preservation Set-aside will also be considered for the rehabilitation of already existing low income units provided that the rehabilitation will repair or replace components that are a.) in immediate need of repair or replacement; or b.) functionally obsolete or require modification or enhancement to meet new applicable federal, state or local housing or building code requirements. In addition, there must be a lack of sufficient property reserve funds or capital to provide for the necessary capital improvements and no evidence of depletion of funds for such necessary work by the property owner. Developments must expend for rehabilitation a minimum of \$10,000 per unit based upon a professionally commissioned Capital Needs Assessment (not more than twelve months old) which will be required for each proposal.

Applicants for this Preservation Set-aside should refer to the Multifamily Housing Guidelines for further guidance on submission requirements. All applicants must state at the time of application whether they are requesting credits from the Preservation Set-aside or from the Regional Set-aside and the Agency will not allow applicants to apply for simultaneous consideration under each of the Set-asides. The Agency, in its discretion, may consider any Applications under the appropriate Regional Set-aside once the Preservation Set-aside is exhausted. Tax Credits not reserved from the Preservation Set-aside will be made available to other developments competing for Tax Credits through the Regional Set-asides.

### **3. Nonprofit Organization Set-Aside**

Thirty (30) percent of the amount reserved in each of the above Set-asides will be reserved for developments involving qualified nonprofit organizations. A nonprofit organization will qualify for consideration under the Nonprofit Set-aside if it is described in paragraph (3) or (4) of Section 501(c) of the Code, is exempt from tax under Section 501(a) and will materially participate in the Tax Credit development. In addition, the nonprofit organization must have the fostering of low income housing as one of its exempt purposes. The nonprofit organization must own (directly or through a partnership) at least a 51% interest in the general partner of the partnership entity in accordance with current laws and IRS regulations throughout the development's compliance period. The nonprofit organization may not be an affiliate of or controlled by a for profit organization. An opinion of counsel addressing the status of the nonprofit organization and qualification for the Nonprofit Set-aside may be required.

To ensure the maximum use of the Tax Credits, any Regional or Nonprofit Set-aside not used by a region may be transferred to another region needing the Tax Credits. In order to ensure that sufficient amounts are available to fully fund specific developments, the Agency may adjust the Regional Set-asides and Preservation Set-aside as determined by the Agency. For developments returning an entire reservation of Tax Credits from a previous or current year's allocation, at the Agency's discretion, the Tax Credits may be set aside for redistribution within the same region.

Applications will be returned if the amount of Tax Credits requested for a development exceeds the amount of Tax Credits available for its region by more than 10 percent of the set-aside amount. In addition, the Agency has imposed a \$1,200,000 per development maximum on the Tax Credits reserved in the Year 2003.

#### **MAXIMUM PER UNIT BASIS LIMITATIONS**

The Agency has established a maximum basis per unit based upon the U. S. Department of Housing and Urban Development's (HUD) Section 221(d)(3) maximum mortgage limits. "Maximum Basis" includes all depreciable costs normally included in the eligible basis determination for rehabilitation or new construction (not including the developer's fee or cost of acquisition). Maximum Basis for the purposes of this calculation is determined after the deduction for commercial space costs but prior to the pro rata reduction for historic tax credits and other nonqualified financing and costs normally not included in eligible basis.

Developments located in a "qualified census tract" or "difficult development area", as established by HUD, may qualify for Tax Credits based on 130 percent of the eligible basis.

If the Maximum Basis per unit, as previously described, exceeds the established limits, Agency staff may waive the Maximum Basis per unit for some developments. An Agency waiver of the established limits will be based upon the demonstration of compelling circumstances and justification for the additional costs incurred in the development. Compelling circumstances are limited to the following: costs are predominately related to the preservation of a designated historic building or necessitated by building in or adjacent to a designated historical district; construction costs attendant to providing supportive services to the resident population; excessive costs due to unsuitable subsoil conditions; costs associated with environmental remediation; and costs resulting from local attempts to exclude affordable housing (this may include excessive impact fees, building

code requirements, restrictive zoning, extraordinary litigation costs incurred because of neighborhood opposition and planning requirements). For those properties seeking to exceed limits based on excessive costs due to unsuitable subsoil conditions, costs associated with environmental remediation, or up-front capital expenditures related to energy efficiency systems that will result in demonstrable savings in utility costs to the residents, developers must provide full explanation of all alternative site considerations and provide adequate justification of the need for the development at the identified location or a full explanation and adequate evidence of cost savings. For developments affected by local attempts to exclude affordable housing, Agency staff will not approve Tax Credits above 30 percent of the maximum per unit cost basis. For all other circumstances, Agency staff will not approve Tax Credits above 15 percent of the maximum per unit cost basis. A waiver of the HUD Section 221(d)(3) limits is at the sole discretion of the Agency.

See *Attachment C* for a breakdown of HUD's Section 221(d)(3) maximum mortgage limits by market area and unit size.

## **SELECTION CRITERIA**

### **General Processing Information**

The Agency will review the Application and award points based on the Selection Criteria. A development must address a substantial number in each of the six categories of Selection Criteria in order to qualify for a reservation of Tax Credits. The Agency will establish a minimum point threshold for Applications during the Year 2003 Tax Credit Program. The Agency reserves the right, at any time, to require submission of such documentation or additional support as it deems necessary to evidence any of the items set forth herein including, without limitation, additional independent market studies, independent appraisals, evidence of property location and accurate deed and title information, and opinions of qualified tax counsel or certified public accountants and will impose additional documentation or clarifying information as further set forth herein and in its Multifamily Housing Guidelines.

All Tax Credit reservations are based upon the information contained in the Application. Unless specifically directed by the Agency, changes or supplements to an Application during the processing period for ranking are not permitted. Changes to a development made by the developer after a reservation is received affecting any of the Selection Criteria features will result in reconsideration of the ranking and may lead to a "rescission" of the conditional reservation. As a reminder, the Selection Criteria that have been addressed will be incorporated into the Restrictive Covenant Agreement and monitored during the compliance period. Changes in any of the Selection Criteria subsequent to issuance of an IRS Form 8609 may result in noncompliance, may lead to specific enforcement action against the development and may result in the loss of Tax Credits to the development and its investors.

The scoring and ranking of a development does not guarantee funding by the Agency. In the event the Agency departs from the ranking and scoring criteria, it shall document such departure in accordance with the Code. Based upon the demand for Tax Credits and development rankings, the Tax Credits reserved for any one sponsor or development in any specific jurisdiction may be limited at the discretion of the Agency.

The Selection Criteria are set forth in *Attachment D*.

## **RANKING OF DEVELOPMENTS**

Developments receiving the highest ranking for each region will be evaluated to determine the amount of Tax Credits required to make the development economically feasible and to ensure the development's long term viability. If two or more developments have the same ranking within a region or the statewide pool and only one development can be awarded credits, the Agency will select the development that has a higher percentage of units available to residents whose incomes are at or below 50 percent of area median gross income as compared to total number of Tax Credit eligible units. If the developments have equal percentages of units available to residents at or below 50 percent of area median gross income, the Agency will select the development that has the higher percentage of units with rents affordable to persons at or below 50 percent of the area median gross income. If the developments have equal percentages of units with rents affordable to persons at or below 50 percent of area median gross income, the Agency will select the development with the longest commitment to serve low income residents. If the developments have commitment periods of the same length, the Agency, in its sole discretion, may select the Application that it determines best fits its affordable housing priorities and achieves geographic distribution.

Ranking of an Application does not guarantee funding by the Agency. The Agency's determination as to the amount of Tax Credits reserved for or allocated to a development shall not be construed by the developer, lender, or any other interested party to be a warranty of the development's feasibility and viability, nor shall such determination constitute a representation of compliance with any requirements of the Code.

#### **DEVELOPER'S FEE**

The developer's fee, which is meant to compensate the developer for staff time, effort and work involved in the development of the property, includes developer's expenses, overhead, profit and consulting fees or other fees and costs that are above the maximums allowed by the Agency. For developments that have 25 or more units, the developer's fee is limited to 15 percent of the first \$5 million of replacement cost of the development less all costs of acquisition and 10 percent on every \$1 of replacement cost thereafter. For developments of 24 units or less, the developer's fee is limited to 20 percent of the replacement cost of the development less all costs of acquisition. For purposes of calculating the developer's fee in phased developments, the fees for each phase will be aggregated and the total fee may not exceed the above stated limits.

The developer's fee may not be calculated on a basis that exceeds the HUD Section 221(d)(3) maximum mortgage limits. However, Agency staff may consider a higher developer's fee (up to the maximum percentage limits) if an amount of funds equal to the developer's fee calculated in excess of the HUD Section 221(d)(3) limitation is being committed by the owner to the provision of social supportive services, support for families in transition, or as an internal rental subsidy to subsidize rents below 50 percent of area median gross rent. Evidence of these commitments must be provided with the Tax Credit application. The Restrictive Covenant Agreement will specifically reflect such commitment.

For rehabilitation and preservation developments that qualify for acquisition credits, a developer's fee will be allowed on a portion of the acquisition cost. The fee is limited to 10 percent of the purchase price of the property less the cost of the land. The maximum acquisition cost that will be recognized in determining the developer's fee will be the lesser of the actual amount paid for the building or the MAI appraised value.

Developers of properties with 25 units or more may request a developer's fee in excess of the maximum allowable amount (up to but not exceeding 20 percent of the replacement cost of the development less all costs of acquisition) if the developer commits to provide to the development an amount equal to 75 percent of the total fee (net of reasonable consultant and organizational fees) for the provision of social supportive services, support for families in transition or an internal rent subsidy for the residents. In the event the development receives Agency financing through the PennHOMES program, a developer may demonstrate its commitment to utilize the developer's fee for providing social supportive services, support for families in transition or an internal rent subsidy through the establishment of an escrow fund. In addition, Agency staff may approve the use of the developer's fee to augment the required \$2,500 per unit funding of social supportive services when required. For developments not receiving Agency financing, Agency staff will only approve an increased developer's fee if the developer provides adequate assurances and documentation that an amount of funds equal to the increased developer's fee will be committed to the development to establish a qualified supportive services plan, support for families in transition or internal rent subsidy for the compliance period. To further ensure the utilization of the additional developer's fee for a qualified purpose as described herein, the Restrictive Covenant Agreement will be amended to reflect such commitment.

Development consultant's fees and organizational costs are required to be paid from the developer's fee. These fees may not be listed as separate line items on the Application.

### **TAX-EXEMPT FINANCED DEVELOPMENTS**

All tax-exempt financed developments utilizing Tax Credits in their financing plan must be evaluated in accordance with the Tax Credit Allocation Plan and Multifamily Housing Guidelines. Developments receiving tax-exempt financing for at least 50 percent of the aggregate basis of the property including land are not required to receive an allocation of Tax Credits through competitive allocation from the Agency. The eligible basis of the development would qualify for the Tax Credits without competing through the regular allocation process. However, developments receiving tax exempt financing on less than 50 percent of the aggregate basis will be eligible for Tax Credits on only that portion of the eligible basis financed by the tax-exempt bonds. For the remaining portion, the owner must apply and compete for an allocation of Tax Credits from the Agency in the established allocation process.

All tax-exempt development applications will be scored pursuant to the Selection Criteria. To be considered, a development must obtain the minimum threshold requirement established by the Agency. Only that amount of Tax Credits that is necessary to ensure feasibility and long term viability will be issued on the IRS Form 8609. See the Multifamily Housing Guidelines for additional information and the appropriate documentation to be submitted and the applicable timeframes.

### **SUBSIDY LAYERING REVIEWS**

Pursuant to Section 911 of the Housing Community Development Act of 1992, HUD published administrative guidelines concerning subsidy layering review of Tax Credit developments receiving assistance from the HUD's Office of Housing. The guidelines provide for the delegation of subsidy layering reviews to Tax Credit allocating agencies. Pennsylvania requested and has been delegated the subsidy layering review responsibility. Section 911 guidelines provide the Tax Credit allocating agencies with standards for evaluating builder's profit, development fee, syndicator

expenses, and net syndicator proceeds. The guidelines include both a safe harbor standard and ceiling standard for each category. The Tax Credit allocating agency may simply use the safe harbor standards or through the Allocation Plan may raise the safe harbor standards to the published maximum ceiling standards. The Agency has elected to raise the safe harbor guidelines to the maximum ceiling standards established for the Section 911 layering review since the ceiling standards are within the fee and cost limitations already established for the Tax Credit Program.

### **PLACED-IN-SERVICE/CARRYOVER ALLOCATION**

All developments receiving a reservation of the Year 2003 Tax Credits must either be placed in service by December 1, 2003 or, by November 15, 2003, be eligible for a carryover allocation of Tax Credits pursuant to Section 42 (h)(1)(E) of the Code. Any owner who will not be able to place the building in service by December 1, 2003 must notify the Agency by October 1, 2003 of the need to execute a Carryover Allocation Agreement. Developments not adhering to this procedure or not meeting the above criteria will be subject to immediate recapture of the Tax Credits. All deadlines for Carryover Allocations must be met.

To qualify for a Carryover Allocation, an owner must, by November 15, 2003, have evidence of ownership of the land or the depreciable real property that is part of the proposed development. The Agency may, in its sole discretion, accept an Attorney's Opinion Letter or a Certified Public Accountant Letter that certifies that the owner has carryover allocation basis for the development pursuant to the Code. The Code requires that an owner must incur more than 10% of the "reasonably expected basis" in the property, including land no later than six (6) months of the date of Carryover Allocation. The "reasonably expected basis" is that basis which is expected to be incurred as of the close of the second calendar year following the calendar year of the Carryover Allocation. See the Multifamily Housing Guidelines for further details and specific processing deadlines.

Notwithstanding the above stated procedures and deadlines, the Agency may, in its sole discretion and in accordance with any such additional guidance or regulatory direction implementing amendments to Section 42 of the Code, establish alternative, supplemental, or additional processing requirements and deadlines for developments receiving Year 2003 Tax Credits. Any such changes or supplements shall be effective upon written instruction by the Agency to the affected Tax Credit developments.

### **PROCESSING PROCEDURES**

Developments receiving an initial reservation of Tax Credits in the Year 2003 are subject to the Agency's Year 2003 Multifamily Housing Guidelines and in the event the initial reservation is modified or amended, the Year 2003 Multifamily Housing Guidelines shall remain in force and effect for the property. However, the Agency may amend the Multifamily Housing Guidelines from time to time to further comply with Tax Credit Program requirements or to enable Agency staff to better fulfill its administrative duties and such changes would be applicable to the development.

A developer may only request additional Tax Credits for a development one time after it receives an initial reservation. Therefore, the Agency recommends that a developer submit a request for additional Tax Credits only after the total development costs and a commitment of all funds are finalized. A developer requesting an additional reservation of Tax Credits in a cycle within the same year as the initial reservation must submit a revised Application that reflects all revisions to the development's costs, financing, income and operating expenses and remit a new Application fee.

The development will not have to compete for additional Tax Credits in a cycle within the same allocation year provided the replacement cost has not increased by more than 10 percent and the changes have not had a material adverse impact on the original ranking of the development. Any changes to an Application that affect the ranking of the development may result in recapture of the reserved Tax Credits. The revised Application must include an updated syndication letter that supports the purchase of additional Tax Credits. The awarding of additional Tax Credits is based upon the availability of the Tax Credits at the time of submission. In the event the replacement cost is greater than 10 percent, the development will be re-evaluated and must compete for the Tax Credits based upon the revised Application. All requests for additional Year 2003 Tax Credits must be received no later than July 15, 2003.

A developer requesting additional Tax Credits from a prior year must submit a new, complete Application by the closing date of one of the cycles established above. The Application will be ranked as a new Application and will be subject to the Year 2003 Allocation Plan. Year 2003 developments receiving allocations may apply for additional credits in subsequent years in accordance with the Allocation Plan then in effect.

(See the Multifamily Housing Guidelines for additional information and instructions.)

### **DEVELOPMENTS WITH MULTIPLE BUILDINGS**

A development may include multiple buildings if it has similarly constructed units, is located on the same or contiguous tracts of land, is owned by the same person for federal income tax purposes and is financed pursuant to a common plan of financing. A development with multiple buildings that is proposing a mixed income structure must have low-income units in each building of the development. Scattered site buildings on noncontiguous tracts of land may also qualify if the development meets all of the other requirements described above and the development is 100 percent rent and income restricted.

### **COMPLIANCE**

Owners are responsible for ongoing compliance with all requirements of the Code and the Agency's Compliance Program Manual, including such rules, regulations, administrative revenue proclamations and revenue rulings as may be issued from time to time.

Each owner of a Tax Credit development must execute an agreement setting forth allowable occupancy and use restrictions, owner responsibilities and continuing Section 42 qualified development characteristics. This Agreement, the "Restrictive Covenant Agreement," must be recorded for the maximum period required by the Code and no Tax Credits may be claimed by a property owner in any taxable year unless the Restrictive Covenant Agreement is in effect and is appropriately recorded on the property in the county land records.

The Agency will monitor each Tax Credit development for compliance with the Code. Such requirements may change from time to time and the protocol for compliance monitoring may be adjusted as deemed necessary or appropriate by the Agency. In addition to monitoring for all federal requirements, developments will be monitored for compliance with the occupancy standards, Selection Criteria and other covenants set forth in the Restrictive Covenant Agreement.

All owners must keep the following records for each qualified low income building in the development for each year of the compliance period: number of residential units in the building, the number of low income units in building, the number of occupants in each low income unit, the number of bedrooms in each unit, the square footage of each unit, the rent charged on each unit including the utility allowance, the low income unit vacancies in the building and the rentals of the next available unit for each building in the development including when and to whom it was rented. The owner must also keep documentation of the eligible basis and the qualified basis of the building as of the end of the first year of the Tax Credit period. Owners must also keep a record of the annual income certification of low income residents along with documentation to support the certification. Owners renting to holders of Section 8 certificates or vouchers may ask the public housing authority issuing the certificates or vouchers to provide a statement declaring that the resident's income does not exceed the applicable income limit under Section 42(g) of the Code. Any nonresidential portion of a building included in the eligible basis of the building must demonstrate its availability to all residents in the building at no additional cost to the residents.

Records for the first year of the Tax Credit period must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building. In all subsequent years of the Tax Credit period, records must be kept by property owners for a minimum of 6 years after the due date (with extensions) for filing the federal income tax return for the year.

The Agency will also review and monitor developments for compliance with required certification submissions. Owners must provide certification at least annually to the Agency, under penalty of perjury, as to the following: the development meets the requirements of the elected minimum set-aside test; the applicable fraction, as defined in Section 42(c)(1)(B) of the Code, of each building in the development has not changed, or, if there was change, a description of the change; owner has received the annual income certification from each low income resident along with supporting documentation; the low income unit is rent restricted under Section 42(g)(2) of the Code; all units are available to the general public and used on a non-transient basis and no finding of discrimination under the Fair Housing Act has occurred for the development; each building is suitable for occupancy pursuant to local health, safety and building codes; the building's eligible basis pursuant to Section 42(d) of the Code has remained the same (or if there was a change, the nature of the change); and any resident facility in the building is available to all residents in the building on a comparable basis without a separate fee charged to the resident. Owner must also certify that if a low income unit becomes vacant, reasonable attempts are made to rent that unit to a qualified low income resident, and while that unit is vacant no units of comparable or smaller size may be rented to a non-qualified low income resident. If a low income resident's income rises above the limit established in Section 42(g)(2)(D)(ii) of the Code, all available units of comparable or smaller size in that building must be rented to an income qualified resident. Owner must also certify that an extended low income housing commitment, as described in Section 42(h)(6) of the Code, was in effect for all qualified low income buildings in the development. Owner must also certify that a unit lease has not been refused to a Section 8 applicant because the applicant holds a Section 8 voucher or certificate. Owner's certifications of these items must be submitted at least annually or with such greater frequency as may be required by the Agency.

The Agency may review the information set forth on the certifications at any time for compliance with the Code. On-site inspections of all Tax Credit developments will be held from time to time, at the sole discretion of the Agency, for compliance with the certification requirements, habitability standards, rent records, supporting documentation and all record keeping requirements in

the low income units. Physical inspections of all buildings and at least 20% of all low income units are performed at least once every three years. The Agency will determine which developments and which records it will inspect and how often such inspections will be conducted in its discretion. The Agency retains the right to perform on-site inspections at any time during the compliance period for any Tax Credit development or to conduct more frequent or more detailed site visits if the Agency deems it appropriate.

Audited financial statements must be submitted annually to the Agency's Compliance Monitoring Department for all properties with twenty (20) or more units. If audited financial statements are not available, a compilation must be prepared and submitted to the Agency's Compliance Monitoring Department. (Applications for Tax Credits in any year may be rejected from organizations or individuals who have not submitted to the Agency the audited financial statements for a Tax Credit development for the preceding tax year.)

In the event the owner or the development does not comply with any of the provisions of the Code, the Agency will provide written notice to the owner that specifies a correction period that may not exceed 60 days, unless extended by the Agency in writing. Not later than 45 days after the end of the correction period set forth in the written notice to the owner, the Agency must file IRS Form 8823 "Low Income Housing Credit Agency Report of Noncompliance" ("IRS Form 8823") with the IRS to advise the IRS of the existence of an event of noncompliance with an explanation of the nature of the event and whether the owner has corrected the noncompliance. Any change in either the applicable fraction or eligible basis resulting in a decrease in the qualified basis will be treated as an event of noncompliance. In addition, any failure to provide required information to the Agency on a timely basis in accordance with its written request or the procedures established in Agency directives or set forth in its Compliance Program Manual may be treated as an event of noncompliance and may result in the filing of IRS Form 8823. Failure to continually meet the requirements of the use, occupancy and other conditions relevant to the operation of the development, as set forth in the Restrictive Covenant Agreement, may be treated as an event of noncompliance and may result in the filing of IRS Form 8823.

Pursuant to Revenue Procedure Ruling 94-64, an owner of a 100 percent qualified low income building may request a waiver from the IRS of the annual recertification of the resident's income requirement. Please see the Agency's Multifamily Housing Guidelines for further details.

The Agency will assess owners an upfront compliance fee designed to cover administrative expenses associated with the performance of compliance monitoring. Additional fees may be charged, as necessary and appropriate, for any property.

ATTACHMENT "A"

**REGIONAL SET-ASIDES**  
**ESTIMATED PERCENTAGES**

<b><u>Regions*</u></b>	<b><u>Cycle 1</u></b>	<b><u>Cycle 2</u></b>
1**	14.20 %	14.20 %
2	7.57 %	7.57 %
3	5.14 %	5.14 %
4	4.02 %	4.02 %
5	10.40 %	10.40 %
6	3.67 %	3.67 %
Preservation Set-Aside	<u>5.00 %</u>	<u>5.00 %</u>
Total	50.00 %	50.00 %

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\* For county listing, see Attachment "B".

\*\* 30 % of this amount will be initially set-aside to fund qualified general occupancy developments in counties other than Philadelphia.

**ATTACHMENT "B"**

**GEOGRAPHICAL DISTRIBUTION**  
**REGIONS**

Region 1

Bucks  
Chester  
Delaware  
Montgomery  
Philadelphia

Region 2

Berks  
Bradford  
Carbon  
Lackawanna  
Lehigh  
Luzerne  
Monroe  
Northampton  
Pike  
Schuylkill  
Susquehanna  
Sullivan  
Tioga  
Wayne  
Wyoming

Region 3

Adams  
Cumberland  
Dauphin  
Franklin  
Lancaster  
Lebanon  
Perry  
York

Region 4

Bedford  
Blair  
Cambria  
Centre  
Clinton  
Columbia  
Fulton  
Huntingdon  
Juniata  
Lycoming  
Mifflin  
Montour  
Northumberland  
Snyder  
Somerset  
Union

Region 5

Allegheny  
Armstrong  
Beaver  
Butler  
Fayette  
Greene  
Indiana  
Washington  
Westmoreland

Region 6

Cameron  
Clarion  
Clearfield  
Crawford  
Elk  
Erie  
Forest  
Jefferson  
Lawrence  
McKean  
Mercer  
Potter  
Venango  
Warren

**ATTACHMENT "C"**

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**ATTACHMENT "D"**  
**SELECTION CRITERIA**

**A. Need and Marketability**

*10 points*

1. Need and Marketability – The Agency will measure the marketability and need of a development based on information provided by the Market Study/Needs Assessment. A Market Study/Needs Assessment form must be completed by the market analyst in the format developed by the Agency. Special needs housing developments that are not requesting low income housing tax credits may provide market studies prepared by the developers addressing their client base utilizing the Market Study/Needs Assessment format. The Market Study/Needs Assessment must address the following criteria:

- Size of waiting lists in existing complexes;
- Vacancies in existing complexes;
- Affordable housing options in the primary market area;
- Rent pricing advantage of the proposed development rents compared to market rents;
- Population statistics;
- Impact on existing subsidized affordable and low income housing tax credit developments;
- Results of the Housing Provider Needs Assessment Form completed by the local housing authority (note: refusal by the housing provider to complete the form will not impact ranking of the development);
- Capture rate relating the number of rental units being proposed to the number of age and income qualified households in the primary market area;
- Local support;
- Projected absorption period;
- Estimated vacancy rate; and
- Recommendations of the market analyst.

If the Market Study/Needs Assessment is not completed by the appropriate party or is not in the Agency’s format, the application may be rejected and returned to the developer. Points may be provided given the strength of the capture rate, as follows:

Capture Rate		
Urban/Suburban Areas	Rural Areas	Points
0-2%	0-4%	10
>2-4%	>4-6%	6
>6-8%	>6-8%	3

It should be noted that the Agency will closely review this category with a thorough analysis of the Market Study/Needs Assessment and the information gathered during its site visit. If questions or concerns are raised regarding the market and/or need of the development or the impact on existing affordable housing units in the area, clarification will be requested of the developer and/or market analyst. If the concerns are not

adequately addressed by the developer and/or market analyst to the satisfaction of the Agency, the application may be eliminated from funding consideration.

## **B. Development Characteristics**

*70 points*

### 1. Development Amenities –

- a. The Agency may award up to 5 points for the provision of each of the following building amenities to a maximum of 20 points:

#### Building Amenities (5 points per provision)

- An on-site community room with a kitchen or kitchenette that will be available to all residents. In order to qualify for ranking points, the community room must contain at least 15 square feet for each residential unit in a senior occupancy development or 20 square feet per each residential unit in a general occupancy development.
- Common laundry facilities
- For suburban or rural areas, garages or carports (without extra charge to residents)
- For urban areas, on site, off street parking
- Health/wellness room
- Equipped computer learning labs
- Fully air conditioned units
- Management office
- Security system

Note: The community room, health/wellness room, and/or computer learning lab could all be in the same room, but only a maximum of 5 points will be awarded. Points will be based on the number of rooms set aside for these purposes.

The Agency will review the architectural documents submitted with the proposal to confirm the existence of the proposed amenities. A certification from the design architect verifying the inclusion of the amenities in the development must be submitted with the application. Confirmation from the supervising architect will be required with the submission of the cost certification documents. Amenities included in the development should be appropriate to the proposed resident population. The appropriateness and adequacy of the proposed amenities for ranking purposes will be determined at the sole discretion of the Agency. Verification of the availability of the amenities may be required by the Agency at any time and throughout the property's compliance period.

- b. Energy Efficiencies – The Agency will award 10 points to developments that promote energy conservation by exceeding the cumulative building envelope “U Overall” (UO) standards of Chapter 5 of the International Energy Conservation Code by 10 percent or greater. A certification from the design architect verifying the inclusion of energy efficiencies in the development must be submitted with the application. Confirmation from the supervising architect is required with the submission of the cost certification documents.
2. Unit Amenities – The applicant may be awarded up to 10 points for residential living space exceeding certain square footage standards and 5 points for each of the remaining unit amenities listed below, for a maximum of 20 points:

- Developments with residential living space exceeding certain square footage standards. Points will be awarded based on the following scale and will be prorated by the number of units exceeding these standards:

<u>Unit Type</u>	<u>Flats</u>	<u>Townhouses</u>
SROs	Exceeds 200 sq. ft.	N/A
Efficiencies	Exceeds 450 sq. ft.	N/A
1 Bedroom	Exceeds 600 sq. ft.	Exceeds 850 sq. ft.
2 Bedroom	Exceeds 850 sq. ft.	Exceeds 1,000 sq. ft.
3 Bedroom	Exceeds 1,000 sq. ft.	Exceeds 1,200 sq. ft.
4 Bedroom	Exceeds 1,200 sq. ft.	Exceeds 1,400 sq. ft.
5 Bedroom	Exceeds 1,400 sq. ft.	Exceeds 1,600 sq. ft.

- Washer and dryer hook ups in each unit
  - Dishwasher in each unit
  - Emergency notification system (senior housing or units providing housing for persons with disabilities only)
  - Digital accessibility installed in each unit
  - Window treatments
- Storage space of at least twelve (12) square feet, plus twelve (12) additional square feet for each bedroom within a unit. All units must also have an additional sixteen (16) square feet within or outside of the unit in a basement or other space for bicycles, tires, etc.

The Agency will review the architectural documents submitted with the proposal to confirm the existence of the proposed amenities. A certification from the design architect verifying the inclusion of the amenities in the development must be submitted with the application. Confirmation from the supervising architect is required with the submission of the cost certification documents. Amenities should be appropriate to the proposed resident population. The appropriateness and adequacy of the proposed amenities for ranking purposes will be determined at the sole discretion of the Agency. Verification of the availability of all amenities may be required by the Agency at any time and throughout the property's compliance period.

3. Site and Neighborhood Characteristics – The Agency may award 5 points for each desirable characteristic noted for the development site and neighborhood. The maximum points awarded in this category will be 15 points.
  - a. To be considered, a desirable characteristics must be in close proximity (located within 1 mile) of the development Desirable characteristics include:
    - Public transportation
    - Day care center/senior center
    - Full service grocery stores
    - Retail stores
    - Pharmacies
    - Parks/recreational facilities
    - Places of worship
    - Schools (for general occupancy developments)
    - Hospitals/health care facilities

Documentation must be provided in the form of a map indicating location of all desirable characteristics along with a key for the map indicating the type of activity. This map may be combined with the location map if all of the information is clearly represented. The map should be presented with photographs of the site and the surrounding neighborhood, highlighting the desirable characteristics. All photographs are to be either color originals or color copies. Black and white photographs are not acceptable. Site and neighborhood characteristics may be reviewed by the Agency at any time.

4. Community Revitalization Plan – The Agency may award 5 points for developments contributing to an existing community revitalization plan. To qualify for points in this category, the applicant must submit a copy of the community revitalization plan. The plan must be local in nature and established by the local government or by a local nonprofit (and such plan must have been adopted by the local government for the specific community). The plan should include discussions of the types of development that will be encouraged, the potential sources of funding, services to be offered to the community and participants in the revitalization effort. A county or municipal zoning or land use plan does not qualify as a community revitalization plan. If the development is not located in a qualified census tract, the development must include the use of existing housing in order to qualify for points in this category.

**C. Resident Population and Services**

*145 points*

1. Income and Rent Targeting

- a. Resident Income – Developments that are designed to be substantially occupied by and affordable to residents with incomes that are at or below 50 percent of the area median income as established by HUD. In mixed income developments, the percentage will be based on the total number of tax credit eligible units. Points will be considered for the following percentages of units for tenants whose incomes are at or below 50 percent of area median income:

Percentage	Points
0-10%	0
>10-20%	6
>20-30%	12
>30-40%	18
>40-50%	24
>50%	30

- b. Affordability of Rents – Developments that are underwritten and maintained at the imputed rents at or below 50 percent of the area median income. Developments that receive subsidies for rent will be given consideration provided the developer certifies that upon expiration or termination of the subsidy, total rents charged to the tenants will not exceed rents that are at or below the imputed rent at 50 percent of the area median income. Points will be considered for the following percentages of units provided with imputed rents less than or equal to 50 percent of the area median income:

Percentage	Points
1-20%	6
>20-40%	12
>40-60%	18
>60-80%	24
>80-100%	30

- c. Deeper Income Targeting - Consideration will be given to developments in which at least 20 percent of the units will be affordable to and rented to residents whose incomes do not exceed 40 percent of the area median income, adjusted for family size. A total of 20 points may be given for this category.
2. Special Needs & Supportive Services – Proposals requesting consideration for providing services for the following designated populations must include evidence that the development will commit to providing appropriate services for residents. Evidence of a “significant commitment” must include a supportive services plan that is specific to the development; a financial commitment to provide services for residents, with a plan of how it will be funded for the long term; and an agreement with a qualified service provider. The supportive services plan must include a detailed description of services; an explanation of how and where residents will access the services; and the cost for and source of funds to pay for these services.
- a. Proposals demonstrating a significant commitment to, and the ability to meet the needs of, one of the following special needs populations: residents who are physically or mentally disabled, including persons with HIV/AIDS, transitional or permanent housing for the homeless or victims of domestic abuse; or seasonal farm workers. At least 10 percent of the units must be set aside for special needs residents. The service provider must provide written evidence that there are a sufficient number of income-qualified persons waiting to occupy the units. This set aside must provide for rental subsidies for at least a 5-year period, with a financially viable plan for continued affordability.
  - (or)
  - b. Proposals with a financially viable program together with a qualified service provider organization to provide program support for low income residents affected by life changes associated with preparing for and retaining employment.
  - (or)
  - c. Proposals with a financially viable plan that allows residents 62 years of age and older to maintain their independent lifestyle through the provision of appropriate supportive services. Note that the entire development must be occupied by tenants at or above age 62.

Confirmation from the service provider regarding the availability of applicable services at initial occupancy of the development will be required prior to issuing the IRS Form 8609. To ensure the continued provision of supportive services, the Restrictive Covenant Agreement will reflect such commitment.

A total of 15 points may be awarded for meeting one of the above criteria.

3. Accessible Units – Consideration may be given to developments where the developer agrees to provide twice as many fully accessible units as otherwise required (under local, state, or federal mandate) in the development. The developer must certify that these units are accessible and, that during the lease up, the developer will hold the units available for persons needing the accessible units for the first thirty days and thereafter will provide for certain lease provisions designed to allow the units to be occupied by persons who need the accessible features of the units to the greatest extent feasible. Terms addressing the accessible units and the subsequent rental of these units will be incorporated in the Restrictive Covenant Agreement. In addition, a certification from the design architect verifying the inclusion of the accessible units in the development will be required at the time of application. Confirmation from the supervising architect will be required with the submission of the cost certification documents. For preservation developments, consideration will be given for points under this category if the development increases the number of accessible units available in the development by at least 5 percent of the total units available. (All other requirements applicable to rental and long term occupancy of these units are the same.) A total of 5 points may be awarded for this category.
4. Large Families – Up to 10 points may be awarded for those developments providing units with three or more bedrooms for large families. High rise developments cannot qualify for this category. Points will be considered for developments that include the following percentages of units with three or more bedrooms:

<u>Percentage</u>	<u>Points</u>
15-20%	6
>20-25%	8
>25%	10

A certification from the design architect verifying the number of large family units in the development will be required at the time of application. Confirmation from the supervising architect will be required with the submission of the cost certification documents.

5. Long Term Affordability Commitment – The Agency may award 30 points for developments that comply with a long-term affordability commitment. The following will be considered for qualification in this category:
  - a. A commitment to serve low income residents for a period of not less than 30 years. The owner will certify this commitment in the application and the Restrictive Covenant Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term (as described in Section 42 of the Code).
  - (or)
  - b. A commitment to offer homeownership opportunities to qualified residents after the initial 15-year compliance period. Proposals must present a financially viable homeownership program for residents who inhabit the units during the compliance

period. The program must incorporate an exit strategy, homeownership counseling and a minimum amount of funds set aside by the developer to assist the resident with the purchase. The only type of units eligible for consideration are townhouse and single family attached and detached structures. Ownership by a limited equity cooperative may also qualify in this category. The developer will certify this commitment in the application and the Restrictive Covenant Agreement will contain provisions ensuring enforcement of the related covenants by affected qualified residents. Should the units not be converted to homeownership, the Restrictive Covenant Agreement will contain a provision waiving any right to petition the Agency to terminate the extended use term for all units remaining as rental units. A certification from the design architect verifying the units are townhouse or single family attached or detached structures will be required at the time of application. Confirmation from the supervising architect will be required with the submission of the cost certification documents.

6. Housing Authority Notification – Developments that address the housing needs of local public housing waiting lists may be awarded 5 points. Developers may meet this requirement by providing either: (1) a current letter from the local public housing authority stating how the development is specifically meeting the housing needs of residents on the public housing waiting list; (2) a copy of the comprehensive plan outlining the current local public housing authority waiting list and evidence that the development will meet such resident needs; or (3) a certified mail receipt documenting a letter sent to and received by the local public housing authority which evidences the commitment of the developer to work cooperatively to meet the needs of persons on the local public housing waiting list. The certified mail receipt, including overnight delivery service return receipts, evidencing receipt by the local public housing authority must be dated prior to the submission of the application.

**D. Development Team and Process**

*50 points*

1. Development Team – The Agency may award up to 30 points for the experience of the development team in developing the type and size of the development. The development team members include the general partner/developer, architect, general contractor, attorney and management agent.
  - a. Experience of general partner – This category measures the experience of the general partner/developer in the production of multifamily rental housing developments. To receive points, at least one development must be a tax credit development which has been placed in service and has been issued an IRS Form 8609. A development must have a minimum of 10 units to be considered in this category. (Lack of experience of the general partner may be supplemented by the inclusion of an experienced housing consultant on the development team.)

Number of Developments	Points
1-4	3
5-10	6
11-15	9
Over 15	12

(or)

Experienced housing consultant in lieu of general partner – 2 points

- b. Experience of management agent with Tax Credit developments – In order to be considered in this category, a management agent must currently manage at least three Tax Credit developments. Management of developments with project based rental assistance may qualify as experience, provided that the management agent has experience with at least one Tax Credit development.

Number of Units	Points
25-150	3
151-300	6
301-450	9
Over 450	12

- c. Experience of attorney in the Tax Credit program – 2 points
- d. Experience of general contractor in type and size of development to be developed – 2 points
- e. Experience of architect in type and size of development to be developed – 2 points, 1 point for design architect and 1 point for supervising architect.

2. MBE, WBE, or DBE Participation

- a. Material participation in the development team by a firm designated as Minority Business Enterprise (“MBE”), Woman’s Business Enterprise (“WBE”), or Disabled Business Enterprise (“DBE”) may be awarded 10 points. To qualify, the MBE, WBE or DBE must materially participate in the development process. Joint ventures, subcontractors, or joint fee arrangements will not qualify as material participation. Development team members to be considered are the general partner, design architect, attorney, general contractor, and management agent.

(or)

A total of 5 points will be awarded for the participation by a firm designated as MBE, WBE or DBE in any of the following professions: housing consultant, supervising architect, landscape architect, civil engineer, geo-technical engineer or environmental review professional. The firm must be part of the development process upon submission of the application, and must be the only professional hired by the general partner for that purpose.

3. Ability to Proceed - The Agency may award up to 5 points for completion of each of the following steps in the development process at the time of application, to a maximum of 10 points:

- Site ownership – The developer must submit recorded deeds of all real estate parcels with the application. Property ownership (as listed on the deeds) must be the same as the ownership entity listed on the development. (A subsidiary or related entity to be formed with the same principals may satisfy this standard.)

Developments utilizing long-term lease arrangements are eligible, provided the lease is executed at the time of application. A copy of the recorded deed evidencing ownership of the property by the lessor must be provided.

- Zoning – The owner must provide evidence that zoning is in place for all sites included in the application and that all variances/special exceptions have been approved.

- Site Plan Approval – A letter from the appropriate local government (or opinion of city solicitor or experienced real estate counsel) that certifies the developer has satisfied the site planning process or that no further municipal approvals are required.
  - Environmental Review – Evidence is provided that an environmental review has been completed by an environmental review professional certified or licensed by federal, state, or local authorities. Submit a copy of the review or executive summary of the report and a certification that any issues raised in the environmental review have been addressed by the developer.
4. Noncompliance – The Agency may deduct up to 10 points from the ranking score for proposals involving a general partner, developer, or related party that owns a managing or controlling interest in a Pennsylvania Tax Credit development or a management agent of such development that is consistently out of compliance with the tax credit program requirements or has unresolved IRS Form 8823 issues.

**E. Financial Aspects of Development**

*45 points*

1. Commitment of Soft Second Funds – The Agency may award up to 20 points for the commitment of funds that do not impact the ongoing operations of a development through the amortization of debt. Such financing, commonly referred to as “soft” secondary financing, may include permanent funding from state or local programs, nonprofit organizations, private foundations and/or federal programs. This category includes equity from historic tax credits and land and/or building donation (subject to verification by a current appraisal). Applications with a donation or a reduction in development related fees (i.e., tap-in, impact, recreational and/or other development rights by the local government unit/municipality) may also be included. The reduction must be measurable and based upon an existing fee schedule that applies to all developments.

Comparison will be made between total qualifying soft financing and total development costs, with possible points granted as follows:

Percentage	Points
1-10%	2
>10 -25%	5
>25-40%	10
>40-55%	15
> 55%	20

2. Commitment of Below Market Rate Interest Loans – The Agency may award up to 10 points for a commitment of permanent amortized debt with a below market interest rate. “Below market” is defined as a loan amortized at an interest rate which is at least 100 basis points below the applicable federal rate at the time of application and at the time of loan closing.

Comparison will be made between total qualifying permanent financing and total development costs, with possible points granted as follows:

<u>Percentage</u>	<u>Points</u>
0-25%	0
>25-50%	5
> 50%	10

3. Percent of Equity Raised – The Agency may award up to 20 points to proposals receiving greater net equity pay-in values for the low income housing tax credits from investors than provided on average in the existing market. Net equity pay-in is calculated after deducting all syndication costs including bridge loan interest and expenses. Potential points may be granted as follows:

<u>Pay-in Above Market by at Least:</u>	<u>Points</u>
\$.01	5
\$.02	10
\$.03	15
\$.04	20

**F. Other**

*5 points*

1. Complete Application Package – The Agency may award 5 bonus points for applications that are submitted with all required application exhibits and information as delineated in the Application Checklist and the application guidelines.

**Total Points Available**

*325 points*