

State of
Utah

2003
Federal
Low-Income Housing
Tax Credit Program

**ALLOCATION
PLAN**

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
ALLOCATION PLAN

INTRODUCTION

The Utah Housing Corporation ("UHC" or the "UHC") is the designated administrator of the Federal Low Income Housing Tax Credit ("Tax Credit(s)" or "Credit(s)") Program (the "Tax Credit Program" or "Program") for the State of Utah under Section ("§") 42 of the Internal Revenue Code of 1986, as amended, (the "Code"), and all regulations promulgated thereunder. The objective of the Program is to develop housing that is affordable to lower income persons. To achieve this, the Program limits rents on the units and also limits the incomes of the tenants. Income and rent limitations will be those proposed by the applicant in their application. These limitations are formalized in a contract (Land Use Restriction Agreement or LURA) which is recorded against the property to assure that the project maintains its commitments to the UHC for the agreed upon period of time. The use of Credits will encourage the construction, rehabilitation and preservation of rental housing for lower income households earning no more than 60 percent of the area median income in the State of Utah.

The total amount of Credits available to the State of Utah for any given year is the amount specified in §42(h)(3)(C) of the Code (the "Credit Ceiling Amount"). In addition, projects utilizing tax exempt bonds issued under the Private Activity Bond cap for the State of Utah may receive an allocation of Credits outside of the Credit Ceiling Amount.

To most efficiently administer the Program and to most effectively allocate its limited Credits to those projects which best serve the needs of the State of Utah, the UHC has developed this allocation plan, comprised of the "Administration Procedures", "Scoring Criteria", "Compliance Monitoring Plan", and "Application" (collectively the "Allocation Plan" or "Plan").

The federal laws establishing the Program are subject to change. Final interpretations of certain rules and regulations governing various facets of the Program have not yet been issued by the U.S. Department of Treasury; consequently, additional requirements or conditions applying to the Program may be forthcoming. It is strongly suggested that project sponsors interested in utilizing the Program in their financing package contact their tax accountant and/or attorney prior to submitting an Application. While the UHC may respond to requests for assistance in applying for Tax Credits, applicants may not rely on the UHC for tax advice.

The UHC is also the designated administrator of the Utah Low Income Housing Tax Credit (the "State Credit") Program under § 59-7-607 of the Utah Code, as amended, (the "Utah Code"), and all regulations promulgated thereunder. The UHC is authorized and required by the Utah Code to establish criteria and procedures for allocating the State Credit and to incorporate the criteria and procedures into the UHC's Allocation Plan. Pursuant to the Utah Code, the UHC establishes this Plan as the criteria and procedures for allocating the State Credit.

The UHC desires to accommodate applicants with physical or mental impairments regarding the Program application process. Qwest provides an "Operator Relay Service" for those persons with hearing disabilities who use a TDD (Telephone Devices for the Deaf). The service can be accessed by calling 298-9484 locally and 1-800-346-4128 for calls outside of the Salt Lake City dialing zone. Please contact the UHC for any special needs accommodations.

This 2002 Qualified Allocation Plan ("the Plan") presumes that no changes will occur after its issuance.

HUD may change Difficult to Develop Area designations and the 2000 Census could effect which Qualified Census Tracts receive "bonus" credits. Should such changes be implemented, the UHC will amend the Plan accordingly.

Cycle 1 applicants should be aware that changes could negatively affect an allocation. The UHC, at its sole discretion, may establish policy allowing an increase in project allocations where new regulations authorize such a change.

OVERVIEW OF ALLOCATION PLAN

Part I: Administration Procedures, sets forth the procedures, processes, fees and other pertinent information regarding the preparation, submission and processing of the Application for a reservation of Credits.

Part II: Scoring Criteria, sets forth the criteria by which applications that meet all threshold requirements will be selected for Credit reservations.

Part III: Compliance Monitoring Plan, sets forth the regulations and process by which the UHC shall monitor projects for compliance with the provisions of the Program.

Part IV: Tax Credit Application, ("Application"), provides a uniform format by which applicants may submit projects for award of a reservation of Credits by the UHC. This is the only acceptable format with which an applicant can apply for reservation of Credits. Failure to provide a complete Application will cause it to be rejected as non-conforming. The Application, inclusive of all exhibits and attachments, must be submitted in triplicate along with a digital copy in Microsoft Excel 5.0 – 97 SR-2 format.

The accompanying Administration Procedures, Scoring Criteria, Compliance Monitoring Plan, and Application provide an equitable and reasonable basis for the submission, review, processing, selection and subsequent follow-up of those Applications within the guidelines and requirements established by the federal government.

PURPOSE AND GOALS OF THE PROGRAM

The Program, as administered by the UHC for the State of Utah, is intended to provide a fair and competitive means for utilizing the Credits to the fullest extent possible each year as an effective stimulus for the creation and preservation of housing for lower income households in such a way as to further the following goals.

- A. Promote the objectives of the Utah Housing Corporation Act.
- B. Promote projects that, through cost containment and resource leveraging, most efficiently and effectively utilizes the Credits available to Utah;

- C. Promote projects that restrict the greatest number of units to the lowest possible rents for the longest period of time;
- D. Promote projects that encourage tenant empowerment
- E. Promote projects that achieve equitable geographic distribution of resources;
- F. Promote projects that provide housing to special need populations including: larger family, elderly, physically disabled, and mentally disabled;

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Low-Income Housing
Tax Credit Program**

Part I

**ADMINISTRATIVE
PROCEDURES**

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
ADMINISTRATIVE PROCEDURES

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STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
ADMINISTRATIVE PROCEDURES

1. APPLICATION PROCESSING - GENERAL

Persons or entities desiring to apply for a reservation of Credits must submit the required number of copies of the completed Application and a computer diskette, including all support documentation, supplements and certificates along with the appropriate application fee. The following table indicates the number of copies that will need to be provided to each agency depending on the funding being applied for:

	Total # of Binders needed:	Your Application:
<u>Tax Credit only:</u>	3	
<u>OWHTF:</u>	3	
<u>Private Bond Activity:</u>	13	
<u>UHC Reimbursement Resolution Application:</u>	3	

Remember to forward appropriate fees to each agency with your submission. Incomplete Applications will be returned to the applicant without further review. Applications, once submitted, are considered final for review, although additional information and updates may be requested by the UHC to effectuate the review process.

Applications must be mailed or delivered to:

Tax Credit Administrator
Utah Housing Corporation
554 South 300 East
Salt Lake City, UT 84111

Upon completing the review of all Applications received during a Reservation Cycle for completeness and general eligibility based on federal requirements, the UHC will competitively score the Applications on the criteria outlined in the Scoring Criteria described in Part II of this Allocation Plan.

The UHC will only allocate to a project the amount of Credits that the UHC determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period. In making this determination, the UHC will consider, among other factors: (i) the sources and uses of funds and total financing including loan terms, equity and contributions planned for the project; (ii) equity proceeds expected to be generated by use of the Credits; (iii) the percentage of the housing credit dollar amount used for "hard" project costs as compared to the cost of intermediaries (e.g. syndication, developer, consulting) and other "soft costs"; (iv) the reasonableness of the developmental and operational costs of the project, and; (v) the rate of return of the owner's investment.

Every owner has an ongoing obligation to notify the UHC of any new or additional federal, state or local subsidies utilized by a project during its compliance period. The UHC reserves the right to reduce the annual Credit allocation to a project during the compliance period if, in its sole discretion, after applying uniform underwriting procedures, the UHC determines the project to be over-subsidized as a result of additional or increased subsidies obtained by the project.

The UHC, at its sole discretion, may reject or discount an Application submitted by previous Program participants that have failed to honor commitments made in previous applications or who have failed to effectively utilize allocated Credits.

Notwithstanding anything else herein to the contrary, the UHC reserves the right to either reject any Application or impose additional conditions upon such application if, in its judgment, the proposed project is not consistent with the goals of providing decent, safe and sanitary housing for low-income persons as set forth in its enabling legislation and this Plan or does not meet the requirements of §42 of the Code.

2. TAX CREDIT RESERVATION CYCLES

Credits are made available through a multi-stage process: (i) reservation, (ii) carryover allocation, and (iii) issuance of the IRS Form 8609. Reservations of Credits ("Credit Reservations") are issued during a scheduled reservation cycle ("Reservation Cycle" or "Cycle"). The UHC shall hold two reservation Cycles for reservation of Credits from the Credit Ceiling Amount and four Cycles for Credits reservation of State Credits and approval of applications for Credit to Bond Projects.

Applicants applying for Credits must submit a completed Application, including all required support and supplementary documentation, to the UHC on or before the dates indicated below. All completed Applications received by these submission deadlines will be competitively reviewed and scored within the Cycle received. Applications must be submitted in the following Cycles before 5:00 P.M. (Mountain Standard Time) on the dates specified below:

Reservation Cycles	Submission Deadline	Award Notification	Submit To
1 All Project/Applications	8 October, 2002	3 December 2002	UHC
2 Bond & State Credit only	18 December, 2002	3 March, 2003	PAB
3 Bond & State Credit only	19 March, 2003	1 May, 2003	PAB
4 All Project/Applications	8 April, 2003	3 June, 2003	UHC
5 Bond & State Credit only	18 June, 2003	2 September, 2003	PAB
6 Bond & State Credit only	17 September, 2003	9 October, 2003	PAB

A decision on each application will generally be made no later than the Reservation Notification date for each Cycle; however, the UHC reserves the right to delay the decision and notification up to two months later to accommodate scheduling and processing.

If the UHC should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

No more than 40% of the Credit Ceiling Amount shall be available to any developer or related party during a tax credit year.

It is the intent of the UHC to reserve all Credits through Cycles 1 and 3. The UHC may hold additional Cycles if Credits remain available after the UHC has exhausted its reservation/allocation process. It will be the responsibility of the interested applicant to contact the UHC to determine if such additional Cycles will be held.

In the event that any Credits revert back to the UHC in a manner that requires the UHC to re-allocate the Credits during the same calendar year or cause the Credits to be forfeited, the UHC shall follow the reservation/allocation process set forth below.

- (i) If Credits in excess of one third of the Credit Ceiling Amount are returned prior to July 1st, the UHC shall conduct an additional Reservation Cycle to reserve the Credits.
- (ii) If Credits returned prior to July 1st do not exceed one third of the Credit Ceiling Amount or if Credits are returned after July 1st, the UHC shall reserve the returned Credits first to those applicants that competed in the most recent Reservation Cycle, scored within 2 standard deviations of the mean score of that Cycle, but did not receive reservations, then to projects selected by the UHC on a basis that best accommodates the goals of the Program.

Historically, approximately 50% of the Credits available to the UHC for allocation have been reserved in the first competitive Cycle and the remainder in the second "All Projects/Applications" Cycle, (Cycle 3 of the 2002 Plan),. However, for any Cycle, the UHC may determine a cut-off point after which no further Credits will be awarded.

3. TAX CREDIT SET-ASIDE POOLS

The Code mandates certain set-aside allocation pools and allows for establishment of additional set-aside pools by the UHC to aid in meeting the goals of the Program. Applications meeting each set-aside pool's specified criteria may compete within such pool until the pool's Credits are depleted. All other Applications will compete in a general competition pool.

A. Non-Profit Organization Set-Aside

To satisfy the requirement of §42 of the Code and encourage participation of "Qualified Non-Profit Organizations" (as defined herein) in the Program, the UHC will set-aside 10% of the Credit Ceiling Amount for projects in which a Qualified Non-profit Organization will own an interest in the project and will materially participate (within the meaning of §469(h) of the Code) in the development and operation of the project through the compliance period. A "Qualified Non-Profit Organization" is one which is: (i) described in §501(c)(3) or (4) of the Code and is exempt from tax under §501(a) of the Code, (ii) not affiliated with or controlled by a for-profit organization, and (iii) has as one of its exempt purposes the fostering of low-income housing. All Qualified Non-Profit Organizations will be required to complete a non-profit certification, (see Exhibit C). A project that applies for Credits under this non-profit set-aside pool or receives scoring consideration as a project in which a Qualified Non-profit Organization will own an interest and materially participate will be required to meet the requirements applicable to this set-aside throughout the extended use period applicable to the project regardless of what competition pool Credits were allocated to the project.

B. Rural/Targeted Areas Set-Asides

To encourage the development of affordable rental housing in rural and distressed areas of Utah, the UHC will set aside approximately 10% of the Credit Ceiling Amount for projects located in those areas of the State adapted from the U.S. Department of Agriculture Rural Development Service ("RD") as areas of chronic, economic distress or otherwise designated by the UHC as rural areas, (see Exhibit B). Unreserved credits shall convert to the general pool during the second Cycle.

C. CROWN Set-Aside

To encourage home ownership, approximately 5% of the Credit Ceiling Amount will be set-aside for CROWN Homes. Unreserved credits shall convert to the general pool during the second Cycle.

D. Small Project Set-Aside

To encourage the use of Credits in the development of small projects which typically do not have the economies of scale to compete with larger projects, the UHC shall set aside approximately 10% of the Credit Ceiling Amount for projects with 25 units or less ("Small Projects"). Unreserved credits shall convert to the general pool during the second Cycle.

In the event that Credits are exhausted in a designated set-aside pool, all remaining projects submitted for such set-aside pool will compete in the general competition pool or, if

eligible, in another available (appropriate) set-aside pool. The UHC may designate additional set-aside pools during the year if deemed appropriate in meeting the goals and objectives of the Program.

E. General Pool

Scoring in the general pool will be segregated into subpools by the following project types: “new construction”, “rehabilitation” and “preservation”. The UHC will set aside approximately 65% of the Credit Ceiling Amount into the general pool. Unreserved credits in any of the subpools shall convert during the second Cycle to any subpools until the full state annual allotment is utilized.

New Construction Pool (50%)

To encourage new construction in all areas of Utah.

Rehabilitation Pool (25%)

To encourage the rehabilitation of existing buildings in all areas of Utah.

Preservation Pool (25%)

To encourage the preservation of HUD projects. This pool will only be available to those projects maintaining a HUD Housing Assistance Program or RD 515 assistance contract.

4. ALLOCATION PRIORITIES

The Code requires the UHC to adopt an allocation plan that:

- A. Sets forth selection criteria to be used to determine housing priorities of the UHC which are appropriate to local conditions and which, at a minimum, address:
 - (i) project location;
 - (ii) housing need characteristics;
 - (iii) project characteristics;
 - (iv) sponsor characteristics;
 - (v) tenant populations with special housing needs;
 - (vi) individuals with children; and
 - (vii) public housing waiting lists.
- B. Gives preference in allocating the housing credit dollar amount to:
 - (i) projects servicing the lowest income tenants; and
 - (ii) projects including existing housing in a concerted community revitalization plan area.
 - (iii) projects obligated to serve qualified tenants for the longest periods.

In addition to the above selection criteria and preferences, the UHC, in its sole discretion, shall establish selection criteria and preferences that reflect the needs of the State of Utah as summarized in Section 5 below. All selection criteria and preferences shall be consistently applied to all applicants through the Scoring System established in Part II of this Plan.

5. HOUSING NEEDS AND PRIORITIES

A. Housing Needs

To determine the appropriate selection criteria and preferences to be included in the Plan and to determine their relative priority, the UHC, through direct inquiry of housing and related service providers, review of state sponsored surveys including state and local Consolidated Plans, and input from the public, has determined that the following housing needs are present in the State of Utah.

- (i) Affordable housing for low and very low income households;
- (ii) Preservation and improvement of existing affordable housing units;
- (iii) Affordable housing for low income Older Americans (as defined by federal and state fair housing law);
- (iv) Affordable housing for families needing three or more bedrooms;
- (v) Transitional housing for very low income homeless and near homeless individuals and families;
- (vi) Housing accessible to persons with physical disabilities; and
- (vii) Affordable housing for low income households with members who have mental disabilities.

B. Housing Priorities

In conjunction with the housing needs identified above, the UHC has established the following priorities, although not necessarily in the order presented, for housing development which, generally, will receive priority consideration for Tax Credits under the Allocation Plan.

- (i) Housing that remains affordable for the greatest number of years.
- (ii) Creating housing affordable to households that are low and very-low income;
- (iii) Rehabilitating existing housing stock for tenants at the same or less than current rents;
- (iv) Increasing housing stock in rural and under-served communities;
- (v) Providing affordable housing to special needs populations including: homeless, elderly, disabled, and large families;
- (vi) Projects that give the residents a home ownership opportunity at some time in the future;
- (vii) Projects that incorporate unrestricted units with Credit income and rent restricted units;

Projects that target these housing priorities can receive points under the Allocation Plan.

6. PROJECT SELECTION PROCESS

A. Introduction:

The UHC shall select applications for Credit reservations in accordance with the following process.

- (i) Project Underwriting & Threshold Review (see Section 6.B)
- (ii) Scoring & Documentation Review (see Section 6.C.)

- (iii) Market Study & Project Reasonableness Review (see Section 6.D)
- (iv) Legal Compliance Review
- (v) Calculation of Credit Amount (see Section 6.E)
- (vi) Tax Credit Committee Review and Recommendation

B. Project Underwriting & Threshold Requirements:

Financial feasibility is critical to the long term affordability of the project. The UHC will review the Application to determine if it meets minimum feasibility threshold requirements before scoring. The Application must satisfy the following criteria to be considered for the Reservation Cycle:

- (i) Application with supporting exhibits must be complete, signed, and submitted with a diskette as follows:

Total # of Binders for each agency: Your Application:

<u>Tax Credit only:</u>	3
<u>OWHTF:</u>	3
<u>Private Bond Activity:</u>	13
<u>UHC Reimbursement Resolution Application:</u>	3

- (i) *Only 2003 Applications with write protection intact will be accepted.*
- (ii) Tax Credit unit income and rent thresholds cannot exceed the maximum established by §42 of the Code, (60% AMI when using the 40/60 convention or 50% AMI when using the 20/50 convention).
- (iii) Project must commit to an extended use period of not less than 50 years.
- (iv) Project must provide evidence of site control. UHC shall determine, at its sole discretion, the adequacy of the site control document (i.e. Real Estate Purchase Contract or equivalent).
- (v) Current zoning must permit Multiple Residential use and be consistent with the proposed project. Projects located on property zoned commercial must have obtained a conditional use permit consistent with the proposed project prior to application deadline. (See ¹ below for Cycle 1 exception.)
- (vi) Applicants that have not included a Phase I or Phase II environmental study must complete the environmental questionnaire, (see Exhibit K) Sites having any potentially adverse environmental or habitat issues must complete a formal study before making application.
- (vii) Project must demonstrate financial feasibility within the UHC established Safe Harbors² (see Exhibit E).
- (viii) Projects requesting Credits for acquisition and rehabilitation must expend a minimum of \$5,000 per unit in direct rehabilitation costs or 10% of the depreciable basis of the building, whichever is greater. Projects will receive bonus points if the Capital Needs Assessment is enclosed with the application (see Exhibit "M" for assessment requirements).
- (ix) The UHC, at its sole discretion shall determine if a project qualifies as "substantial rehabilitation," as required by §42. Generally, substantial rehabilitation requires the replacement of two or more major systems and their components including roof, fenestration, electrical, plumbing, HVAC, appliances, etc.

- (x) A comprehensive independent third party market study is required on all projects according to the procedures in Section D below.
- (xi) Letters of interest are required from financial sources for all projects utilizing financing with below market rate terms. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Service Coverage Ratio floor. Letters of interest are also required for grants.

¹ Threshold requirement (iv) shall be suspended for applications submitted for the 1st Cycle. In lieu of this requirement being met at time of application, 1st Cycle applicants shall be required to meet the threshold requirement within 90 days of Reservation or post a Performance Bond pursuant to Section 11.

² There may be some deviation with regards to Safe Harbors as described in Exhibit E. However, the DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions will be made for RD 515 and Section 8 HAP contracts that have the opportunity for annual contract adjustments. Applications below the minimums for these criteria will not be processed. See Exhibit E for further discussion.

C. Documentation Requirements:

Applications must include all applicable documentation evidencing claims made in the Application. Claims that are not sufficiently documented will not be considered by the UHC. Documentation required to meet threshold requirements must be provided or the Application will not be considered for Credits. The Tax Credit Application Documentation Checklist (see page 1 of the Application) is provided to assist developers in properly documenting the Application. This page must accompany the Application. No new documentation will be accepted after the Reservation Cycle deadline.

Third party documentation is required on zoning, site control, environmental assessment (excluding UHC required questionnaire), property tax estimate, MOU with the housing authority, market studies, etc.

Independent Comprehensive Market Studies are required at time of application on all projects over 25 units. Projects with 25 or fewer units must provide a comprehensive study before the earlier of 90 days after receiving a Credit Reservation or at the time the Carryover Allocation Agreement is requested. Without the statutorily required comprehensive study, the allocation of credits is null and void. Applicants must submit Exhibit "H" with the market study.

All Rehabilitation projects are required to provide a comprehensive Capital Needs Assessment on the project within 90 days after the award is made. Projects seeking "rehabilitation project" scoring points are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by UHC as part of the application.

Special Needs units - A letter from the developer is required with each application explaining the developer's intention regarding special needs units that is consistent with letters received from the Service provider(s). Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.

D. Market Study and Project Reasonableness:

Projects will be reviewed by the UHC's outside consultant for reasonableness with respect to development and operating costs and market conditions. Projects must be developed and operate within multifamily standard operating safe harbor guidelines. Deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the Application (see Exhibit E).

UHC is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.

The UHC's review of documents submitted in connection with the Tax Credit allocation process is for its own purposes. The UHC makes no representations to the owner or anyone else as to the financial viability of any project.

The Market Study must address the following areas of study, while taking into consideration the project's location, amenity package, rent tier, unit type and size. The Application must conform to the Market Study conclusions or provide a reasonable defense of any deviations. UHC recognizes that smaller projects may require little explanation in several of the required areas of study and analysis.

The Market Study must address the following.

(Please list corresponding page in the market study that addresses these items)

- (i) Is there a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations. This should be done by bracketing each income level 5% over and 10% under the proposed AMI levels. Where income levels overlap, the analyst may combine two income levels, but only for identical unit types. The study must consider the restrictions of all financial resources and corresponding rent and income limits. Capture rate analysis should be provided for each income level.
- (ii) Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project?
- (iii) Is the project configuration (unit size, bedrooms, amenities) consistent with the market's expectations and needs?
- (iv) Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project?
- (v) What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets or income levels?
- (vi) Is over-building a risk in the current or foreseeable market?
- (vii) Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated.
- (viii) Evaluate and explain what effect the project will have on local and community market rate or other subsidized competitors?
- (ix) Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions.
- (x) Address other pertinent issues and conditions.
- (xi) The analyst must perform primary research by site visitation to analyze demographic data, new in-process renovations and construction, etc.
- (xii) A precise delineation of market area is required.

- (xiii) Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects.
- (xiv) The Market Study must be less than 90 days old at the time of the Application's submission to the UHC.
- (xv) Conclusions and recommendations for making the project more marketable and attractive are required.
- (xvi) The Analyst's qualifications, education and experience.
- (xvii) Exhibit "H" must be signed and attached to the Market Study.

E. Calculating the Tax Credit Amount:

Projects are subject to further evaluation to determine the amount of Credit that may be reserved. Pursuant to §42 of the Code, Credits reserved for a project may not exceed the amount necessary for its financial feasibility and viability throughout the Credit period. The UHC is required to make these determinations at three specific times:

- (i) Upon Reservation of the Credit;
- (ii) Upon Allocation of the Credit (typically at time of carryover); and
- (iii) As of the date the building is placed in service

During each project evaluation, the UHC will consider, among other factors the following:

- (i) Sources of funds including debt terms, grants, Credit proceed amount and payment schedule.
- (ii) Percentage of housing credit dollars used for project costs.
- (iii) Reasonableness of
 - Development and construction costs
 - Operational costs
 - Project cash flow

Prior to each evaluation, the applicant must certify to the UHC the full extent of all federal, state and local subsidies which apply (or which applicant expects to apply) to the project.

The UHC reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving a Credit Reservation.

7. MAXIMUM TAX CREDIT ALLOCATION

To encourage dispersion of Credit financed projects and the development of mixed-income projects, the UHC will reserve no more than approximately 20% of the state's total annual Tax Credit Ceiling Amount to any one project, as defined by the UHC and applied consistently during the Plan year. Larger projects may phase projects to accommodate a greater allocation of credits. However, additional phases will be treated as a separate project that must be approved by submitting another application during a subsequent year's competitive round and provide a new market study supporting the additional phase. Furthermore, the UHC will make only one allocation of federal credits to a project/phase. Should the State be at risk of losing Credits, the UHC, in its sole discretion, may allocate additional credits to a project(s).

The UHC may provide a forward year reservation to fund the last project during a year that qualifies for a partial Credit award (because the state pool of credits is exhausted). Such forward reservation does not ensure Credit availability in the event the federal government sunsets the Program. The forward year reservation is subject to the rules and regulations in effect for that forward year.

The Code mandates that, although the qualified basis may be eligible for a 70% or a 30% present value Credit amount, the UHC may not allocate more Credits than are deemed necessary for the financial feasibility of the project and its economic viability as a qualified low income housing project throughout the compliance period. Accordingly, the UHC, in its sole discretion, may designate a lesser amount of Credits than otherwise is permissible. Historically, the UHC has applied a limit on the amount of Credit reserved per bedroom or unit (the "Credit Reservation Limit"). The Credit Reservation Limit will be applied on a sliding scale for buildings with three or more units. Additional credits will be available for additional bathrooms for 2 or more bedroom units. The UHC reserves the right to adjust the Credit Reservation Limit each Cycle.

To accommodate the higher cost of constructing High Density Urban Housing (HDUH), the UHC shall apply a HDUH Multiplier to the Credit Reservation Limit and shall provide for reservation of additional Credits for structured parking. The Credit Reservation Limit and HDUH multiplier shall be established by the UHC and applied consistently within any Cycle. The UHC reserves the right to adjust the Credit Reservation Limit, HDUH multiplier and structured parking limit each Cycle. High Density Urban Housing is defined as housing that is: (i) newly constructed, (ii) consists of four or more levels of interior space of which not more than 25% is designated for non-residential use, and (iii) is located within the Salt Lake City – Ogden MSA, the Provo – Orem MSA or the Park City census tract 9943 or city limits. The UHC reserves the right to deny the HDUH designation and benefits to any project that, in the sole determination of the UHC, does not demonstrate the appropriateness and necessity of the HDUH configuration for the proposed project site. *Applicants are encouraged to discuss any proposed HDUH application with the UHC prior to participating in a Reservation Cycle.*

The UHC will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation: (i) the proposed sources and uses of funds; (ii) the terms and conditions of the permanent financing package including debt, investor contributions, grants, etc; (iii) the Credit purchase rate and net equity proceeds expected to be generated by their purchase; (iv) the percent of the "hard" project cost basis eligible for Credits as compared to the costs of intermediaries and other "soft costs"; and (v) the reasonableness of the developmental and operational costs, including cash flow and debt coverage ratios of the project.

The UHC will utilize the Safe Harbor Schedule set forth in Exhibit E in the process of evaluating feasibility and determining Tax Credit needs. Projects that propose fiscal scenarios outside the UHC's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The UHC reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the UHC will determine the amount of Credit it will reserve for each application. A similar analysis will be completed at the approximate date of allocation of the Tax Credit amount; and as of the approximate date each building within a project is placed in service.

The UHC shall underwrite projects for purposes of the feasibility and funding gap determination using the Tax Credit Applicable Percentages (as defined in §42 of the Code, the "TCAP") for the month of application. Applicants should request the applicable TCAP from the UHC. The UHC will continue to calculate the maximum permitted allocation using the 9% rate.

(Note: Because the final Credit allocation may be less than the Credit Reservation, applicants may want to negotiate with their investor the delivery of eligible basis rather than delivery of Tax Credits.)

8. DEVELOPER, CONTRACTOR AND GENERAL REQUIREMENT FEE LIMITS

Fees related to the development of the project, including but not limited to: (i) developer over-head and profit; (ii) contractor over-head, profit and general requirements, and; (iii) development consulting fees, must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the Program. The UHC has established the following fee limits for the purpose of determining (i) the maximum Credit allocation permissible for a project (based on a project's eligible basis) and (ii) the minimum Credit allocation required for a project (based on a project's funding gap). For the purpose of this section "Developer Fee" shall mean all development over-head, profit and consulting expenses incurred by the project whether provided by the developer or another party and, "Contractor Fee" shall mean those expenses incurred by the project for construction trades administration, including: all over-head, profit and wage expenses exclusive of such expenses allocable to General Requirements. "General Requirements" will be limited to those items and limits for eligible basis set forth in Exhibit J. In general, contractor fees, overhead and general requirements should be consistent with HUD guidelines as set forth in 4450.1 and Section 911 reviews (HUD Notice H 95-4).

The UHC shall evaluate projects for compliance with fee limits using the "New Construction – Standard" or "Acquisition Rehab. – Standard" convention as applicable unless the Contractor Fee and General Requirements are not independently certified as part of the Final Cost Certification. When the Contractor Fee and General Requirements are not independently certified, the UHC shall use the respective "Alternate" convention requiring a competitively bid fixed sum contract and no identity of interest relationship. The UHC reserves the right to require further efforts of verification of these expenses if, in its sole discretion, such effort is warranted to comply with the spirit and intent of the Tax Credit Program.

New construction, non-bonus, *small and rural (rural targeted locations) project's total builder and developer fee limit will be 25% of the Developer's Profit Basis if using the Standard Fee Election (as defined in the QAP).

CONVENTION / FEE	PROJECT SIZE	
	26 UNITS OR GREATER	*25 UNITS OR LESS
NEW CONSTRUCTION – STANDARD		
General Requirements	6% of direct construction	6% of direct construction
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit
Developer Fee	17% of DPB	20% of DPB
NEW CONSTRUCTION – ALTERNATE		
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)
Developer Fee	6% of DPB + Contractor Fee	11% of DPB + Contractor Fee
ACQUISITION & REHAB – STANDARD		
General Requirements	6% of direct construction	6% of direct construction
Contractor Fee	Included in Developer Fee limit	Included in Developer Fee limit
Developer Fee	17% of DPB + 6% of AC	20% of DPB + 8% of AC
Acquisition Fee	6% of Building(s) acquisition	6% of Building(s) acquisition
ACQUISITION REHAB – ALTERNATE		
Contractor Fee & General Requirements	Reasonable (not certified)	Reasonable (not certified)
	6% of Building(s) acquisition	6% of Building(s) acquisition
Developer Fee	6% of (DPB + AC) + Contractor Fee	11% of (DPB + AC) + Contractor

DPB = Developer Profit Basis = [Site Work + Rehab/New Construction + Contingency +A&E – Impact Fees]

AC = Acquisition Cost = [purchase price – land value – related party fees and commissions]

9. RESERVATIONS OF TAX CREDITS

After each Application has been processed and the Credit amount has been determined, UHC staff will recommend projects for a Credit Reservation to the Tax Credit Committee (the "Committee"). Following their review, the Committee will make its recommendation regarding Credit Reservations to the UHC's Board of Directors (the "Board"). Only formal actions by the Board will constitute Credit Reservations. Following Board approval, the UHC will enter into a Reservation Agreement setting forth: (i) the Credit amount reserved to the project; (ii) the project characteristics, and; (iii) any special conditions to the Credit Reservation. The UHC will thereafter enter into a carryover or final allocation of Credits to the project conditioned on evidence of timely progress toward completion of the project acceptable to the UHC and in compliance with the Allocation Plan and §42 of the Code. (See Section 22 below for tax-exempt bond procedures.)

Credit Reservations and Carryover Allocations may be unilaterally canceled by the UHC if material changes in the project occur during the predevelopment or development phases, including, but not limited to project scope, cost, location, progress, ownership, management or development team composition. The UHC anticipates that applicants will be significant participants in the development of the projects and any changes, (i.e. changing the general partner in a limited partnership) may, at the UHC's sole discretion, result in forfeiture of the Credit Reservation or allocation. Credit Reservations and allocations may not be transferred without prior written consent of the UHC.

A project that has received a Credit Reservation shall not, under ordinary circumstances, receive any additional Credit Reservation. Projects receiving any additional reservation of credits will be charged the additional application fee.

Applicants that have received Credit Reservations will be subject to cancellation of the reservation if they are unable to provide evidence, satisfactory to the UHC, of adequate progress towards the completion of the project. The UHC, at its sole discretion, may allow additional time to satisfy the progress stipulations of the UHC.

A written explanation is available, upon request, to the general public for any reservation or allocation of a housing credit dollar amount that is not made in accordance with established priorities and selection criteria of the UHC.

10. ESTABLISHING WAITING LISTS

The UHC will maintain a waiting list of Applications only for the calendar year in which the Application was received. Applications that fail to receive a Credit Reservation in a respective Cycle must request, in writing, to be considered in any subsequent Cycle and must submit a Re-Application Fee as established in Section 16. No alterations of the Application are permitted, except the addition of support documentation. Applications that do not receive any Credit Reservation within the Plan year for which Credits were initially applied shall not be carried-over to the next year. To be considered in the next calendar year an Application must be resubmitted under the Allocation Plan published for such calendar year and shall be subject to all requirements and fees of that allocation plan. (This section does not affect those projects that received a Credit Reservation and forward reservation.)

11. PROJECT STATUS REPORTING AND PERFORMANCE BONDS

All proposed projects receiving a Credit Reservation will be required to provide status reports in a frequency and format prescribed by the UHC, outlining progress toward completion or satisfaction of requirements for carryover or final allocation of the Credits. Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments (conditioned only on receipt of Tax Credits), reports on construction progress, site control, and an update of cost for analysis. Exhibit D must be completed and delivered to the UHC on or before April 1st and September 1st of each year the project is under development. In the event a project does not meet certain criteria within the below-indicated time limits, the applicant will be required to post bonds as follows:

Applicants are required to achieve certain milestones toward the completion of the project within certain time limits to preserve their Credit Reservation. In the event one or more of these milestones are not achieved within the prescribed time limit, the applicant will be required to post a performance bond equal to 10% of the annual Tax Credit amount reserved for the project in the form of cash, irrevocable letter-of-credit, or a surety bond from an UHC approved banking/bonding institution (the "Performance Bond"). All Performance Bonds will be held by the UHC until such time as the project is successfully placed in service pursuant to the Carryover Allocation Agreement and the Plan. The UHC will refund/release the Performance Bond upon issuance of Form(s) 8609 to the project and payment in full of all Administrative Fees due the UHC. Failure to complete the project in accordance with the Carryover Allocation Agreement (Reservation Agreement, if the Carryover Allocation Agreement has not been entered into) will result in the forfeiture of the Performance Bond to the UHC. Performance Bonds may be used as follows:

A. Site Control Performance Bond

Projects must achieve site control in the form of a deed or project life-time lease by the earlier of 120 days after a Credit Reservation or the 30th of September to preserve the Reservation. If site control is not achieved within this period the Reservation may be canceled. The applicant may extend this deadline by posting a Site Control Performance Bond. The Site Control Performance Bond will convert to the Carryover Bond when/if the Carryover process is completed.

B. Zoning Approval Performance Bond

Projects must achieve zoning approval within 90 days after a 1st Cycle Credit Reservation to preserve the Reservation. If zoning approval is not achieved within this period the Reservation may be canceled. The applicant may extend this deadline by posting a Zoning Approval Performance Bond. The Zoning Approval Performance Bond will convert to the Carryover Bond when/if the Carryover process is completed.

C. Carryover Performance Bond

Pursuant to Section 12 below, projects that are not placed in service within the calendar year in which a Credit Reservation is received must post a Carryover Performance Bond ("Carryover Bond") at the time the Carryover Agreement package is submitted.

To further the purpose and goals of the Program, the UHC, in its sole discretion, reserves the right to waive or modify the Performance Bond requirements for any project. No Project will be required to post more than one Performance Bond at any time. The UHC shall not pay interest or other finance fees on Performance Bonds.

12. CARRYOVER OF TAX CREDITS

Pursuant to §42 of the Code, the UHC may issue a Carryover Allocation to qualified projects that have not been placed in service within the year in which they received a Credit Reservation but have met certain minimum requirements set forth by §42 of the Code. Projects receiving such Carryover Allocations must be placed in service not later than the close of the second calendar year following the calendar year in which the Carryover Allocation is issued.

A Carryover Allocation is issued for a specific amount of Tax Credits. The applicant will be required to enter into a Carryover Allocation Agreement for the Credits reserved to the applicant if the project is not placed in service by the end of the calendar year in which the Credit Reservation is issued. All projects obtaining Carryover Allocations are required to furnish a Carryover Performance Bond as described Section 11. All required outstanding documents (e.g. Market Study, capital needs assessments, etc.) must be submitted with the Carryover Packet.

Projects must submit a Carryover Allocation packet (available from the UHC) on or before November 1st of the year that a reservation of credits was made to the project, with or without the 10% cost certification. The Project Owner must provide the UHC with a 10% cost certification demonstrating that more than 10% of the reasonably expected basis in the project UHC has been expended as of the later of the date which is 6 months after the date that the Carryover Allocation was made or the close of the calendar year in which the Carryover Allocation is made. The cost certification must be submitted to the UHC within 30 days after the above mentioned deadlines.

A land use restriction agreement (LURA) shall be executed by the project owner and UHC and be recorded at the county recorder's office against the project's property committing the project to operate in accordance with the agreements (rent and income limits, special uses of units and extended use restrictions, etc.) made by the applicant and the UHC as inducement for the Credit allocation. The LURA shall be recorded at the time the sponsor or project owner obtains an ownership interest in the site and shall be superior to other liens.

If this does not occur at the time of Carryover, the Project Owner agrees to give the Agency two weeks notice before the site/project acquisition takes place to facilitate document preparation. This also applies to all projects, including Private Activity Bond projects.

Carryover Allocations may be canceled by the UHC, and the Credits will be automatically recaptured and returned to the UHC, if material changes occur without the written consent of the UHC. These changes include, among others, ownership, management, project composition, and other project changes.

13. ALLOCATION OF TAX CREDITS

The UHC will make a final allocation of Tax Credits (issuance of IRS Form 8609) at the time that an eligible building or project is placed in service (available for rental occupancy) as evidenced by a Certificate of Occupancy. The UHC interprets §42 of the Code to require Tax Credit allocations to be issued not later than the close of the calendar year in which a qualified building is placed in service.

The maximum Credit amount to be allocated via IRS Form 8609 will be based upon the UHC's review of the project costs, operations, financing and viability to determine both the total qualified basis for the building and the project funding gap to be closed by the proceeds of sale of the Credits.

To receive an IRS Form 8609, owners will be required to submit a complete and executed Final Costs Certification 90 days after the last building in a project receives its Certificate of Occupancy or

before December 2, 2003, whichever is earlier. The Final Cost Certification Package shall include, without limitation, those documents described in Exhibit G. Final Cost Certification deadline is

14. APPEALS PROCESS

During the scoring process, the applicant will receive a notification of any discrepancies between the UHC's score and the score submitted by the applicant as part of the self-scoring Application. A reasonable period of time will be provided for the applicant to defend its submitted score using solely the information originally provided in its Application.

Within 15 days following the award of Credit Reservations by the UHC's Board of Directors for each Reservation Cycle, an applicant may request in writing that the Tax Credit Committee consider an appeal. The request must be directed to the President of the UHC and must detail specifically the item(s) of disagreement. The appeal will be brought to the Tax Credit Committee for consideration.

15. FEES

Project sponsors applying for Tax Credits under the Program are required to pay certain fees to offset the cost to the UHC to administer the Program. All fees are non-refundable. Fees shall be assessed as follows:

A. Initial Application Fee

An Initial Application Fee must accompany the initial submission of an Application. Projects of 10 units or more will be assessed a fee equal to the greater of 1 percent of the annual Credit amount being requested or \$1,500. Projects with less than 10 units will be assessed a fee of \$150 per unit.

B. Re-Application Fee

A \$200 Re-Application Fee must accompany the re-submission of any Application without substantial changes within the same Plan year.

C. Additional Credit Reservation

Any project receiving additional credits over that which were originally applied for will be charged the additional application fee.

D. Carryover Allocation Fee(s)

A \$500 Carryover Allocation Fee shall be due at the time a Carryover Allocation is issued and January 1, for each year that the Credit Reservation is still active but the project is still not placed in service.

E. Allocation Fee:

An Allocation Fee shall be due prior to issuance of the IRS Form 8609. Projects of 10 units or more will be assessed a fee equal to the greater of 3 percent of the annual Credit amount being requested or \$3,000. Projects with less than 10 units will be assessed a fee of \$300 per unit.

F. Initial Compliance Monitoring Fee:

An Initial Compliance Monitoring Fee shall be assessed at the time of issuance of IRS Form 8609 in accordance with the following schedule.

1-10 units	No fee
11-30 units	\$ 500 + \$50 per unit
31-50 units	\$1,000 + \$50 per unit
51 or more units	\$2,000 + \$50 per unit

G. Non-Compliance Monitoring Fees:

See Section "Compliance Monitoring Plan," Section 7.

The UHC, in its sole discretion, reserves the right to waive or modify the above indicated fees for any single project, as the UHC deems necessary, to further the purpose and goals of the Program.

16. FINANCIAL SUBSIDY REVIEW

Pursuant to federal regulations, the UHC shall conduct subsidy layering reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") exclusive of HOME, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (i) the amount of equity capital contributed to a project by investors; (ii) the project costs including developer fees, and; (iii) the contractor's profit, syndication costs and rates. In the course of conducting the review, the UHC may disclose or provide a copy of the Application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. HUD Section 911 Subsidy Layering Reviews will require a payment of \$1,200 before the first Review is completed. Two reviews will be done by the UHC, one before HUD insures the project and the last review at the time the final cost certification is processed by UHC.

17. NOTIFICATION OF PUBLIC OFFICIALS

In compliance with §42 of the Code, the UHC shall, upon receipt of an Application, notify the executive officer of the local jurisdiction in which the proposed project is located. This notification will include demographics and characteristics of the proposed project and provide an opportunity for the local jurisdiction to comment on the project. Following completion of each Reservation Cycle the UHC will notify the local jurisdiction of the results.

18. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES

The owner/applicant authorizes the UHC to share Application information with and from other financially interested parties, including, but not limited to: participating lenders, IRS, investors and others as determined by the UHC in evaluating and tracking the progress of the project. In order to better manage the program, the UHC and the Internal Revenue Service are entering into an agreement to share information. This agreement requires the taxpayer to provide executed IRS forms 8821 from the time of application through the credit period (15 years).

The 2002 consolidated federal and state Tax Credit Application also includes (or will include at a later date) applications for the Department of Community and Economic Development (DCED) housing programs. Applications for the Olene Walker Housing Trust Fund, State HOME funds and the Private Activity Bonds will be part of the UHC consolidated application. Application Cycle submission deadlines will also be identical for these programs.

The UHC frequently receives requests from investors, owners and lenders for an annual compliance certification. The UHC is mandated to inspect projects for compliance with §42 of the Code for the Internal Revenue Service. It does not provide this service for any other parties. The extent of any disclosure, after written authorization of the owner, is a statement whether there have been IRS Forms 8823 filed, type of violation and the buildings/units affected.

The UHC has entered into a "Memorandum of Understanding" with RD which states that the UHC will share project information with RD with respect to RD projects.

The UHC complies with the provisions of GRAMA and Freedom of Information Acts.

19. MANAGEMENT AND MAINTENANCE PERSONNEL UNITS

The owner may request permission to set aside a unit(s) for management, maintenance and other personnel critical to the successful operation of the project. The UHC permits one such set-aside-unit in projects that are greater than 20 units and up to two units in projects that are greater than 40 units. The request must be submitted in writing and must stipulate the following: (i) type of unit (manager, maintenance, etc.), (ii) reason for request (why is unit required, how it will enhance the project), (iii) designation of specific unit to be set aside. All permitted set-aside units shall be required to satisfy criteria established by the UHC on a case-by-case basis. All such set-aside units must: (i) be used solely by personnel whose primary employment is that work performed for the project and described in the applicant's request; (ii) remain rent restricted under the terms of the LURA, and (iii) must be an unrestricted market rate unit, unless the project is 100% affordable, in which case the unit will come from the highest AMI tier of the appropriate size/type. The UHC will evaluate the request and respond in a reasonable period of time. (See Revenue Ruling 94-64 for further information.) Exhibit "F" in the Compliance Section may be used to request a personnel unit.

20. OTHER CONDITIONS AND DISCLAIMERS

The Allocation Plan may be amended from time to time as new guidelines and regulations are issued under §42 of the Code or as the UHC deems necessary to carry out the goals of the Program for the State of Utah.

Project signage indicating the participation of the Utah Housing Corporation as the Housing Credit Allocator must be clearly visible on the construction site. The owner will install at its own cost, within 10 days of receipt, signage provided by the UHC.

The UHC's review of documents submitted in connection with the Tax Credit allocation process is for its own purposes. The UHC makes no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Tax Credits, or as to the financial viability of any project. All applicants should consult their tax accountant, attorney or advisor as to the specific requirements of the Program.

No member, officer, agent or employee of the Utah Housing Corporation nor any other official of the State of Utah, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relations to, the Credit Reservation, allocation or consent of transfer of ownership of Tax Credits or the approval or administration of this Plan.

The reservation or allocation of Tax Credits or the issuance of a IRS Form 8609, is not to be construed as a representation or warranty as to the feasibility or viability of the project or the project's ongoing capacity for success. The evaluation performed by the UHC and the resulting determination is made solely at the UHC's discretion, and solely for the purpose of reserving and allocating Tax Credits under the Program and is not a representation of the true financial feasibility or economic viability of the project.

21. TAX-EXEMPT BOND PROJECTS

A project financed with tax-exempt bonds (a "Bond Project") may receive an allocation of Tax Credits outside of the Tax Credit Ceiling Amount. Therefore, Bond Projects do not compete with other projects for an allocation of Tax Credits. However, Bond Projects must meet the minimum project requirements of the UHC's Allocation Plan including commitment to a minimum extended use period of 51 years or 99 years for the entire project, when State Tax Credits are used for feasibility purposes. A Bond Project does not receive a Credit Reservation or Carryover allocation of Tax Credits, rather, the UHC makes a final allocation of Tax Credits to the Bond Project in the year the project or a respective portion thereof, is placed into service. The amount of Credits allocated to a Bond Project is contingent on a number of factors including the Bond Project's eligible basis, fees, applicable fraction, applicable percentage, funding gap, and financing terms. To receive a Credit allocation, Bond Projects must submit an Application, including fees, to the UHC and satisfy all the requirements of the UHC's Allocation Plan that are required of any other project applying for an allocation of Credit under the Credit Ceiling Amount. Bond Projects must also satisfy all requirements of §42 of the Code applicable to Bond Projects. The UHC will only make an allocation of 4% Credits to Bond Projects. Current provisions in the Code do not provide for the availability of Tax Credits for Bond projects should Congress sunset the Tax Credit Program.

The UHC will review and approve Bond Applications only during the scheduled Reservation Cycles as set forth in Section 2. As an attachment to the Application, Bond Projects must submit: (i) a copy of their Private Activity Bond application and (ii) a detailed explanation of all differences between the Private Activity Bond application and the Tax Credit Application.

22. USE OF STATE OF UTAH TAX CREDITS

The State of Utah has authorized the UHC to allocate credits against State of Utah tax liabilities ("State Credit" or "State Tax Credit") pursuant to the Utah Code (the "State Credit Program") for the purpose of creating affordable rental housing. To effectuate this authorization the UHC has incorporated the use of the State Credit in the Allocation Plan's Application and shall set aside 50% of the annual State Credit Ceiling Amount for allocation through this combined federal and state application format (the "Combined Application Set-aside"). Applicants will be required to first complete their Application without reliance on the State Credit and then complete the State Credit supplement.

In the event the Combined Application Set-aside has been exhausted, the UHC may, at its sole discretion, allocate State Credits outside of the Combined Application Set-aside to combined application requests.

State Credits requested to fund financing shortfalls must demonstrate a dollar-for-dollar leveraging (includes developer fees) of the proceeds of the State Credit with other financial resources with finance terms at or below the applicable federal rates published by the IRS. The applicant must demonstrate that current and other local, state, federal or private resources (including deferral of fees or equity contributions by the developer) have been approached and the

results of such efforts before applying for State Credits. State Credits are not to be used to fund increases in developer fees.

During each Reservation Cycle, State Credits may also be requested outside of the combined application process. Contact the UHC for a separate State Credit application for the request method.

24. ACRONYM AND PROGRAM GLOSSARY:

ADA	American Disabilities Act, and its associated acts of Congress. Specific architectural regulations have been developed to house persons that are dependent on wheelchairs for mobility and other physical impairments.
AFDC	Aid to Families with Dependent Children - Now known as TANF.
AMGI	Area Median Gross Income - Income determined by HUD, published every year. AMI Area Median Income. This statistic of county income is estimated annually by the Department of Housing and Urban Development. It serves as a basis for determining the incomes and rents to be used in the Program.
BIN	Building Identification Number.
CDBG	Community Development Block Grant. This is a Program administered by the Department of Community and Economic Development in the State of Utah. It is a federal Program designed to assist local municipalities in developing infrastructure such as water treatment plants, bridges, roads, etc. Occasionally it is used in a Tax Credit project to obtain land or to develop sewer, water and other infrastructure on or to the site.
CHDO	Community Housing Development Organization. A nonprofit housing development corporation whose mission and organizational structure are defined by HUD. This type of organization can obtain various funds on a priority basis from HUD and other sources, because of its mission.
DCED	Department of Community and Economic Development. A department of the State of Utah that administers various housing resources, including the State HOME funds and the Olene Walker Housing Trust Fund, which are frequently used by Tax Credit projects.
DCR	Debt Service Coverage Ratio. This is a commonly used measure of project feasibility. It is the annual Net Operating Income before taxes divided by the annual debt service.
HH	Household
HOME	HOME Funds. The "HOME investment partnership" is a federal housing block grant program administered by the Department of Housing and Urban Development and granted to states. It provides loans at below market interest rates to assist Tax Credit projects in achieving below market rents. The Department of Community and Economic Development as well as various Participating Jurisdictions administer this program throughout the State of Utah.
HOPE	This is a housing loan and grant developed by the Department of Housing and Urban Development to assist the development of housing. It is also used in home ownership programs for down payment assistance.
HOPWA	Housing Of Persons With AIDS. The Program is used to develop housing and assist in the operation of the project by providing rent subsidies for persons with AIDS or HIV.
HUD	Department of Housing and Urban Development. A federal department responsible for housing. They are the regulatory body over Public Housing Authorities and provide funds for various housing priorities.

IRC	Internal Revenue Code of 1986, as amended. The document setting forth all tax laws for the United States of America. IRC §42 regulations come from this document and various other legislative sources.
IRS	Internal Revenue Service. The federal department having jurisdiction over the Program, as mandated by Congress. The Program is administered by each states' delegated UHC, who is in turn regulated by the Internal Revenue Service.
LIHTC	Low Income Housing Tax Credit.
LURA	Land Use Restriction Agreement. In the Program, the agreement declaring the terms of the low-income use and the term restrictions. This document is recorded on the land title as public notice of the restrictions.
OI	Over Income
PHA	Public Housing Authority. An independent organization set up to provide housing assistance within a community. They are the issuing agent for HUD Section 8 vouchers and certificates. They also may have ownership interest in housing units.
PIS	Placed in ServicePUD Planned Unit Development. This is a form of ownership typical of townhouse construction. Each owner of a unit owns the land under their unit and a percentage of any common area. Unlike a condominium, where the owner owns a percentage of the project and the area within their unit.
RD	US Department of Agriculture Rural Development Service, an agency of the federal government responsible for economic and housing development in rural areas. Formerly known as the Farmer's Home Administration.
SRO	Single Residential Occupancy unit. This is a very small rental unit that usually has a small kitchenette with common bathroom and shower facilities. It is generally built for households having only one person.
TANF	Temporary Aid to Needy Families (replaced AFDC)
TIC	Tenant Income Certification
UA	Utility Allowance

**STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM**

**"DIFFICULT DEVELOPMENT AREAS" & "QUALIFIED CENSUS TRACTS"
FOR DETERMINING THE 130% AREAS**

EFFECTIVE January 1, 2002 *

NON-METROPOLITAN DIFFICULT DEVELOPMENT AREAS BY COUNTY

DAGGETT COUNTY IRON COUNTY WASHINGTON COUNTY

QUALIFIED NON-METROPOLITAN AREA QUALIFIED CENSUS TRACTS BY COUNTY

CACHE COUNTY	0006.00	0007.00	0008.00
CARBON COUNTY	9716.00		
JUAB COUNTY	9732.00		
SAN JUAN COUNTY	9782.00	9783.00	9784.00
SANPETE COUNTY	9724.00		
UINTAH COUNTY	9885.98		
WASATCH COUNTY	9925.00		

METROPOLITAN AREA QUALIFIED CENSUS TRACTS

SALT LAKE CITY-OGDEN MSA

DAVIS COUNTY

1256.00 1263.00

SALT LAKE COUNTY

1001.00	1007.00	1014.00	1015.00	1017.00	1019.00
1020.00	1021.00	1023.00	1024.00	1025.00	1026.00
1027.00	1029.00	1030.00	1032.00	1115.00	1116.00
1124.01	1133.05				

WEBER COUNTY

2008.00	2009.00	2011.00	2012.00	2018.00	2019.00
---------	---------	---------	---------	---------	---------

PROVO-OREM MSA

UTAH COUNTY

0014.00	0016.00	0017.00	0018.00	0019.00	0023.00
0025.00					

THE UHC WILL DETERMINE IF A PROJECT WARRANTS ADDITIONAL TAX CREDITS AVAILABLE TO PROJECTS WITHIN THE ABOVE DESIGNATED AREAS AND CENSUS TRACTS.

* As designated by the U.S. Department of Housing of Urban Development. Subject to change without notice.

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

RURAL TARGETED AREAS

Several cities will no longer be considered "rural" for the "Rural Targeting" score: The 2000 Census puts their populations over 25,000

All counties are rural targeted except the following SMSA counties:

Davis
Salt Lake
Utah
Weber

UHC will consider awarding points to projects in the above listed SMSA counties that are considered to be rural at UHC's sole discretion.

Rural county cities with populations* greater than 20,000 are considered metropolitan for purposes of this scoring category (Developed from Rural Development Service's criteria). These are:

Logan City, including North Logan, River Heights and Providence in Cache County
St. George City, including Washington City and Santa Clara in Washington County
Tooele City, including Stansbury Park, Erda, Tad Park, Lincoln and Angels Grove in Tooele County
Cedar City, including Enoch in Iron County.

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

ANNUAL CERTIFICATION OF QUALIFIED NONPROFIT ORGANIZATION

For purposes of Internal Revenue Code Section 42, _____
(the "Corporation") hereby represents and certifies to the Utah Housing Corporation the following:

1. The Corporation owns an equity interest in _____ (the "Owner") which owns and operates the _____, a Tax Credit project (the "Project"), located in _____, Utah.
2. The Corporation is a "Qualified Nonprofit Organization" within the meaning of §42(h)(5)(C) of the Code with respect to the Project such that the Corporation is:
 - (i) an organization described in §501(c)(3) or (4) of the Code and is exempt from tax under §501(a) of the Code;
 - (ii) not affiliated with or controlled by a for-profit organization; and
 - (iii) one of the exempt purposes of the Corporation includes the fostering of low income housing.
3. The Corporation materially participates (within the meaning of §469 (h) of the Code) in the development and operation of the Project throughout the compliance period with respect to the Project. For purposes of this material participation representation, the Corporation represents and certifies that it has satisfied one of the following material participation standards provided for under Section 1.469-5T of the Income Tax Regulations (check applicable line):

_____ The Corporation participated in the activity of the Project for more than 500 hours during the taxable year.

_____ The Corporation participation in the activity of the Project for the taxable year constitutes substantially all of the participation in such activity of all individuals (including individuals who are not owners of interests in the Project) for such year.

_____ The Corporation participated in the activity of the Project for more than 100 hours during the taxable year, and the Corporation's participation in the activity of the Project for the taxable year is not less than the participation in the activity of any individual (including individuals who are not owners of interest in the Project) for such year.

_____ The activity of the Project is a significant participation activity (within the meaning of Section 1.469-5T (c)) for the taxable year, and the Corporation's aggregate participation in all significant participation activities during such year exceed 500 hours.

_____ The Corporation materially participated in the activity of the Project (determined without regard to this paragraph) for any five taxable years (whether or not consecutive) during the ten taxable years that immediately precede the taxable year.

_____ Other:

Explain:

Under penalties of perjury, the undersigned hereby certifies that the foregoing information is true and correct as of the date hereof.

DATED this ____ day of _____, 20_____.

CORPORATION:

By: _____

Its: _____

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
PROJECT DEVELOPMENT SCHEDULE

To be submitted to the UHC April and September 1st each year until project is completed

Project Name _____

	<u>ACTIVITY</u>	<u>Scheduled Date</u>	<u>Completed Date</u>
A. Site			
	Option/Contract	_____	_____
	Site Analysis	_____	_____
	Site Acquisition	_____	_____
	Zoning FINAL Approval	_____	_____
B. Financing			
1. Construction Loan			
	Application	_____	_____
	Conditional Commitment	_____	_____
	Firm Commitment	_____	_____
2. Permanent Loan			
	Application	_____	_____
	Conditional Commitment	_____	_____
	Firm Commitment	_____	_____
3. Other Sources of Funds			
	Type & Source	_____	_____
	Application	_____	_____
	Award	_____	_____
	Type & Source	_____	_____
	Application	_____	_____
	Award	_____	_____
	Type & Source	_____	_____
	Application	_____	_____
	Award	_____	_____
C. Plans and Specs (Final)			
D. Closing/Site Transfer			
E. Construction Begins			
F. Occupancy Certificate			
G. Lease-Up			
H. Placed in Service Date			

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
SAFE HARBOR SCHEDULE

2002 Applications will be underwritten with the following Safe Harbors:

Debt Service Coverage Ratio¹:

Hard debt:	minimum 1.15:1	maximum 1.25:1
Soft debt ¹ :	minimum 1.10:1	maximum 1.25:1

*Debt that is contractually payable from available cash flow. The DCR can be higher in cases where the debt structure and low income targeting produce a distorted ratio. In any case, NOI cannot exceed \$750 per unit per annum in 100% LIHTC projects or \$1,000 in tax exempt bond or mixed income projects. ¹ A minimum annual cash flow of \$300 per unit is required. UHC reserves the right to amend this requirement for small (less than 26 units) projects.

Capital Replacement Reserves¹:

New construction or substantial rehabilitation:*	minimum \$200 per unit per year
Acquisition/rehabilitation:	minimum \$300 per unit per year

Vacancy¹:

Projects greater than 75 units	minimum 5%	maximum 8%
Projects of greater than 25 units:	minimum 7%	maximum 10%
Projects of 25 or less units:	minimum 7%	maximum 12%

Operating Expenses:*

	Low Safe Harbor	High Safe Harbor
Urban	2,400	2,900
Rural	2,450	2,975
Small (• 25 units)	2,500	3,080
Elderly	2,400	2,800
Special Needs	2,700	3,100

* Excludes capital replacement reserves and assumes \$370 minimum in property taxes. Assumes tenants pays electrical and gas utilities and owner pays typical municipal fees. Deviations from the Safe Harbor must be supported in writing by the investor and lender.

Tax Credit Purchase Rate:

The UHC will take into account the schedule of payments in determining a safe harbor for Tax Credit purchase rates.

Financing Terms:

Publicly funded debt:	prevailing terms of funding agency
Privately funded debt:	All new loans shall amortize over no less than 25 years.
25 units or more:	minimum: 180 basis points* maximum: 225 basis points*
24 units or less:	minimum: 250 basis points* maximum: 265 basis points*

* Basis points above the current U.S. Treasury Note (USTN) of comparable amortization period and maturity date.

¹"Soft" debt is defined as a cash flow loan as set forth in the debt instrument. The DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions are made for RD 515 and Section 8 HAP contracts that have the potential for annual contract adjustments. Applications below the minimums for these criteria will not proceed beyond the threshold review. These categories are threshold underwriting criteria.

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
CARRY-OVER ALLOCATION INSTRUCTIONS

To comply with §42 of the Code and requirements of the UHC, the following information must be completed and submitted to the UHC by November 1, 2002.

- Certification of Owner for Carryover Allocation (form attached)
- Deed of Land to owner with closing statements (including any interim third party seller and other related party sellers, as applicable).
- 10% Cost Certification by owner's CPA (including attached schedule)
- Evidence of formation of the owner (partnership, LP, LLC, etc.)
- Federal Tax Identification Number for new entity
- Payment of \$500 Carryover Allocation fee
- Payment of 10% Performance Bond
- Certification of Qualified Non-Profit Organization (as applicable)
- All required outstanding documents (e.g. Market Study, capital needs assessments, etc.) must be submitted with the Carryover Packet.

Projects that have received a Credit Reservation, but will not be completed by year-end, may receive a carryover allocation of Credits if the owner has incurred, by year-end, more than 10% of its reasonably expected basis in the project. The IRS regulation (§1.42-6) provides additional information and certification requirements with respect to carryover allocations.

An owner's adjusted basis in land or depreciable real property that is reasonably expected to be part of the project, including direct and indirect costs of acquiring, constructing and rehabilitating the project, may be included in the 10% expected basis amount. However, Application and compliance monitoring fees are not included in the carryover allocation basis amount. An amount is included in basis if it is treated as paid or incurred under the method of accounting used by the owner.

The Code requires the UHC to verify that more than 10% of the reasonably expected cost basis has been incurred by obtaining a certification from the owner, in writing and under penalty of perjury, that the owner has incurred more than 10% of the reasonably expected basis in the project. The "Certification of Owner for Carryover Allocation" must be accompanied by a written certification from a qualified attorney or CPA certifying to the UHC that the attorney or CPA has examined all eligible costs incurred with respect to the project and that, based on this examination, it is the attorney's or CPA's belief that the owner has incurred more than 10% of its reasonably expected basis of the project.

The Code also requires the UHC to verify that the entity that has incurred the 10% expected cost basis own the underlying land and building of a project. The owner must certify, in writing and under penalty of perjury, that the owner owns the land and all depreciable real property thereon. This certification must be accompanied by supporting documentation such as a copy of the deed and closing statements. *Submission of all closing statements and deeds with respect to the land with any third party seller and other related party sellers, as applicable.*

Failure to comply with these requirements by the aforementioned deadline will result in the forfeiture of your project's Credit Reservation.

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

FINAL COST CERTIFICATION INSTRUCTIONS

Final Cost Certification deadline is 90 days after project receives a Certificate of Occupancy or before December 2, 2003, whichever is earlier.

The following documents on disk need to be executed and returned so that the UHC may issue the 8609 Form(s) for the project:

1. Owner's Project Certification Statement
2. Owner's Tax Credit Detailed Cost Breakdown
3. Owner's Certification of Costs Report for total project
4. Project Source of Funds Statement
5. CPA Certification of Costs Report for total project costs
6. CPA Certification of Costs Report Building by Building
7. Final Accountant's Cost Certification
8. Low-Income Housing Credit Commitment Agreement and Declaration of Restrictive Covenants (Extended Use Agreement)
9. General Public Use Certification
10. Fair Housing Certification
11. Subsidy Certification
12. Lender and Owner Certification
13. Owner Quality Certification
14. Non-Profit Certification (as applicable)
15. Annual Expense Schedule
16. Owner Building Unit Breakout
19. Architect's Fair Housing Certification
20. Provide Owner's Schedules signed from enclosed diskette **AND Return the Completed Excel file on Diskette to the UHC**

Also, please enclose the following information with the above-completed documentation:

1. Copy of Occupancy Certification for each building
2. Copy of rent roll containing number of occupants per unit and income
3. Utility Allowance Documentation
4. Tax Credit Purchase Agreement, Syndication agreement
5. Loan Commitment(s)
6. Copy of appraisal
7. Copy of the recorded deed in the name of the owner
8. The EIN (Employer Identification Number) for the owner

Failure to comply with these requirements by the aforementioned deadline will result in the forfeiture of your project's Credit Reservation.

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM
MARKET STUDY SUMMARY SHEET
And
CERTIFICATION OF INDEPENDENCE
 (Attach to narrative study)

Project: _____
 Developer/Sponsor: _____

Please indicate the correlating page which addresses the following questions:	<u>Page #</u>
(i) Assess whether there is a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations. This should be done by bracketing each income level (5% over and under the committed AMI levels). Include capture rate analysis.	_____
(ii) Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project?	_____
(iii) Is the project configuration (unit size, bedrooms, amenities) consistent with market's expectations and need?	_____
(iv) Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project?	_____
(v) What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets?	_____
(vi) Is over building a risk in the current or foreseeable market?	_____
(vii) Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated.	_____
(viii) Evaluate and explain what effect the project will have on local and community competitors?	_____
(ix) Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions.	_____
(x) Address other pertinent issues and conditions.	_____
(xi) The analyst must do primary research to and site visitation to analyze demographic data, new renovations & construction, etc.	_____
(xii) A precise delineation of market area is required.	_____
(xiii) Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects.	_____
(xiv) Does the analyst have a current list of reserved and completed projects?	_____
(xv) Market studies must be less than 90 days old at the time of the application's submission to the UHC.	_____
(xvi) Give conclusions and recommendations for making the project more marketable and attractive. "Tell is like it is."	_____
(xvii) How many studies has the analyst done in this market? Over what period of time?	_____
(xviii) The Analyst qualifications, education and experience.	_____

The undersigned hereby certifies that the Market Study was performed independently and without influence by the applicant or any relation thereof. Date: _____

Company: _____

By: _____

Its:

Market Study Company Information

For 2003, all analysts must submit the following information. Please include all items on the checklist:

1. Contractor name, address, telephone, fax, primary contact and email.
2. Description of services provided and percent of time in each of the service areas.
3. Statement of experience. Include specifics for all project experience, including name of project, location, number of units, type of units (family, elderly, other special needs), financing subsidies in project (rental assistance, tax credits, other public agency financing), and date of completion.
4. Copy of license as an appraiser in the State of Utah. (if applicable)
5. List of counties where you would accept assignments.
6. Approximate fee range you would charge to complete work. If your fee will change based on location or size of project, this should be clearly indicated in the explanation.
7. Time Requirement. How long will it take you to complete your work? Please note that the first application deadline for the Competitive Tax Credit Program will be in early October 2002.
8. Names and experience of individuals who will be conducting site and community inspection/study of projects.
9. List of References with addresses and telephone numbers from financial institutions, government agencies and developers.

EXHIBIT I
STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

PROJECT FAIR HOUSING CERTIFICATION

I, _____, an architect licensed in the State of Utah, license number, _____, represent and certify to the Utah Housing Corporation that the _____ Tax Credit project located at _____, _____, Utah, was inspected during construction and at completion and, as of the date of the approval by the local authority, is fully compliant with all federal (Architectural Barriers Act, 24 CFR 40 & 41, Section 504, 24 CFR 8, Fair Housing Act Title VIII, 24 CFR 100, American with Disabilities Act Title II, 28 CFR 35 and Title III, 28 CFR 36) and State of Utah fair housing laws and building codes compliant with ANSI 117-A, as applicable to the physical design of the project with respect to accessibility, as amended at the time permits were issued (date permits issued).

Company:

Seal:

DATE: _____, _____

By: _____, _____

Reviewer, if applicable:

By: _____, _____

License Number: _____

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

GENERAL REQUIREMENTS GUIDELINES

To assist applicants in properly categorizing costs, and thereby avoiding re-categorizing by the UHC when determining compliance with Contractor Fee and Developer Fee and General Requirement limitations (See Section 8), the UHC shall allow the following items to be included under General Requirements for the purpose of determining eligible basis and fee limits.

- (i) Supervision and job site engineering
- (ii) Job office expenses including clerical wages, whether on-site or offsite, if for the project.
- (iii) On-site temporary buildings, tool sheds, shops and toilets.
- (iv) Temporary heat, water, light and power for construction.
- (v) Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental.
- (vi) Construction equipment rental not in trade item costs.
- (vii) Clean up and disposal of construction debris.
- (viii) Medical and first aid supplies and temporary facilities.
- (ix) Watchman's wages, security cost, and theft and vandalism insurance.

Items not listed above, including, but not limited to, salaries of owners, partners or officers of the general contracting firm shall not be allowed under General Requirements. Eligible Basis from General Requirement costs is limited to 6% of on-site and building costs.

(The above list was developed from HUD Manual 4450.1 pages 1 – 4.)

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

ENVIRONMENTAL QUESTIONNAIRE

The following questions should be answered by the entity applying for Tax Credits (the "Applicant"). If the Applicant is not the current owner of the subject property (the "Property"), then the questions should also be answered by the current Owner. If the Property is not wholly residential, then the questions should also be answered (i) by the major occupant of the Property (one who uses at least 40% of the leaseable area of the Property) or if the Property does not have any major occupants, by at least 10% of the occupants of the Property and, (ii) by any occupant likely to be using, treating, generating, storing or disposing of Hazardous Substances on or from the Property.

Owner (If different from Applicant)

Name: _____
Address: _____

Tel. No. _____

Occupant(s) (If applicable)

Name: _____
Address: _____

Tel. No. _____

Name: _____
Address: _____

Tel. No. _____

For purposes of this questionnaire, the following terms shall have the meanings indicated:

"Applicable Environmental Law" means all existing or hereafter enacted or amended federal, state or local laws, common law, statutes, regulations, rules, ordinances, licenses, permits, orders, approvals, plans and similar items, and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health and safety, or protection of the environment, including, without limitation, the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA," 42 U.S.C. § 9601, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 1471, et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f, et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001, et seq.), the Utah Solid and Hazardous Waste Act (U.C.A. § 19-6-101, et seq.), the Utah Underground Storage Tank Act (U.C.A. § 19-6-401 et seq.), and the Utah Hazardous Substances Mitigation Act (U.C.A. § 19-6-301, et seq.), as same have been amended from time to time, and the regulations promulgated under or implementing such statutes.

"Hazardous Substance" means (i) any substance the presence of which requires investigation, remediation, or other response or corrective action under Applicable Environmental Law, or (ii) any substance which is or hereafter becomes defined as a hazardous waste, hazardous substance, extremely hazardous substance, hazardous material, hazardous chemical, toxic substance, toxic chemical, or pollutant or contaminant, in or pursuant to Applicable Environmental Law, or (iii) any asbestos or asbestos-containing material, polychlorinatedbiphenyls ("PCBs") or equipment or articles containing PCBs, petroleum, diesel fuel, gasoline, or other petroleum hydrocarbon.

"Property" means _____

"Release," in an environmental context, means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, placing, disposing, or dumping, onto or into the ground, the water, or the air, including without limitation, abandonment or discarding of barrels, containers, or other receptacles.

The following questions are to be answered in good faith to the best of the respondent's actual knowledge.

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
1. Is the Property or any adjoining property used for an industrial use?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

2. Has the Property or any adjoining been used for an industrial use in the past?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

3. Is the Property or any adjoining property currently used as a gasoline station, motor repair facility, commercial printing facility, dry cleaners, photo developing laboratory, junkyard or landfill, or as a waste treatment, storage, disposal, processing, or recycling facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
4. Has the Property or any adjoining property been used as a gasoline station, motor repair facility, commercial printing facility, dry cleaners, photo developing laboratory, junkyard or landfill, or as a waste treatment, storage, disposal, processing, or recycling facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

5. Are there currently, or have there previously, any damaged or discarded automotive or industrial batteries, or pesticides, paints, or other chemicals stored on or used at the Property or the facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

6. Are there currently, or have there been previously, any drums or other containers that contain or may have contained chemicals located on the Property or at the facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

7. Has fill dirt been brought onto the Property that originated from a contaminated site or that is of an unknown origin?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

8. Are there currently, or have there been previously, any pits, ponds, or lagoons located on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
9. Is there currently, or has there been previously, any stained soil on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

10. Are there currently, have there been previously, any above ground or under ground storage tanks or vessels located on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

11. Are there currently, or have there been previously, any vent pipes, fill pipes, or access ways indicating a fill pipe, protruding from the ground on the Property or adjacent to any structure located on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

12. Are there currently, or have there been previously, any flooring, drains, or walls located within the facility that are stained by substances other than water or are emitting foul odors?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
--	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

13. If the Property is served by a private well or non-public water system, have contaminants been identified in the well or system that exceed guidelines applicable to the water system or has the well been designated as contaminated by any governmental agency?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
14. Does the owner or occupant of the Property have any knowledge of environmental liens or governmental notification relating to past or current violations of environmental laws with respect to the Property or any facility located on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

15. Has the owner or occupant of the Property been informed of the past or current existence of hazardous substances or environmental violations with respect to the Property or any facility located on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
--	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

16. Does the owner or occupant of the Property have any knowledge of any environmental site assessment of the Property or facility or other report or document that indicates the presence of Hazardous Substances on, or contamination of, the Property or recommends further assessment of the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
--	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

17. Does the owner or occupant of the Property know of any past, threatened, or pending lawsuits or administrative proceedings concerning a Release or threatened release of any Hazardous Substance involving the Property by any owner or occupant of the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
18. Does the Property discharge waste water on or adjacent to the Property other than storm water into a sanitary sewer system?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

19. Have any Hazardous Substances, unidentified waste materials, tires, automotive or industrial batteries or any other waste materials been dumped above grade, buried and/or burned on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
--	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

20. Is there currently or have there been any transformers, capacitors, hydraulic equipment, or any equipment for which there are any records indicating the presence of PCBs, stored or located on the Property or adjacent to the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

21. Is there currently or has there been in the past any asbestos or asbestos-containing material or leaded paint stored, located or existing on the Property or at the facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

Question	Applicant			Owner (If not Applicant)			Occupant (If applicable)		
	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
22. Are there any data, reports or information indicating the presence of radon in the facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown

If the answer is other than "no," explain:

23. Is there any lead pipe used for conveying culinary water in the facility?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

24. Are there currently, or have there been previously any rivers, streams, creeks, lakes, ponds, pools, marshes, sloughs, wetlands or areas of standing water on the Property?	Yes	No	Unknown	Yes	No	Unknown	Yes	No	Unknown
---	-----	----	---------	-----	----	---------	-----	----	---------

If the answer is other than "no," explain:

This questionnaire was prepared on behalf of the Applicant by:

Name: _____
 Title: _____
 Company: _____
 Address: _____

 Tel. No. _____
 Date Prepared: _____

The Applicant represents that to the best of the Applicant's knowledge, the above statements are true and correct and to the best of the Applicant's actual knowledge, no material facts have been omitted or misstated.

APPLICANT:

By: _____
 Its: _____

**UTAH HOUSING CORPORATION
LOW INCOME HOUSING TAX CREDIT PROGRAM**

**Project Owner
Identity of Interest Certification**

Project Name: _____

Address: _____

City: _____

The UHC requires a full disclosure of all related party transactions affecting the payment of fees to the developer or contractor. The UHC must be notified of any changes in such relationships during the development process.

The undersigned represents that all fees and profit from the development of the project have been disclosed and that there are no undisclosed related party transactions involving the project owner / applicant, developer, contractor, officers, consultants, land owners, intermediaries, Realtors, etc.

Project Owner / Applicant Name

Date _____

Name:

Title:

STATE OF UTAH
LOW INCOME HOUSING TAX CREDIT PROGRAM

Capital Needs Assessment Requirements

Utah Housing Corporation applicants for LIHTC acquisition/rehabilitation must submit a Physical Condition Assessment (PCA), or recent Capital Needs Assessment (CNA) and replacement reserves analysis. The PCA/CNA must have been performed within six months of the submission date of this application.

The PCS/CNA shall include the following four (4) components:

1. Critical Repair Items: All health and safety deficiencies or violations of Section 8 housing quality standards, including any/all Federal Lead Based Paint requirements and FHA's regulatory agreement standards that require immediate remediation.
2. Twelve-Month Physical Needs. An estimate of repairs, replacements and significant deferred and other maintenance items that will need to be addressed within 12 months. Includes the minimum market amenities needed to restore the property to the affordable housing standard adequate for the rental market for which the project is approved.
3. Long Term Physical Needs. An estimate of the repairs and replacement items beyond the first year that are required to maintain the project's physical integrity over the next twenty (20) years, such as major structural systems that will need to be replaced during this period.
4. Analysis of Reserves for Replacement. An estimate of the initial and monthly deposit to the Reserves for Replacement account needed to fund the project's long term physical needs (20 years), accounting for inflation, the existing Reserves for Replacement balance (if any), and the Expected useful Like of the major building systems. This analysis should include the cost of the twelve-month physical needs, but not any work items that would be treated as operating expenses.

Statement of Work

1. The CNA shall be written with detailed narrative and accompanying color photographs and shall describe the property's exterior and interior physical condition, including architectural and structural components and mechanical systems.
2. The report shall:
 - a. Identify in detail any repair items that represent an immediate threat to health and safety, and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations, (individual and collectively, Physical Deficiencies) that would limit the expected useful like of major components or systems;

- b. Provide estimated costs to remedy the detailed Physical Deficiencies (for 1 year of immediate needs); and
 - c. Prepared a Replacement Reserve Schedule, including an estimate of the initial and annual deposits (projected to increase at the operating cost adjustment factor) based on the useful life of the major building systems. The term of the analysis should correspond to the mortgage period plus two years.
3. The report shall identify and physical deficiencies as a result of:
 - a. A visual survey;
 - b. A review of any pertinent documentation; and
 - c. Interviews with the property owner, management staff, tenants, interested community groups and government officials.
 4. The report shall provide a description of directly observed potential on-site environmental hazards.
 5. The report shall assess the twelve-month physical needs. The standard is a non-luxury standard adequate for the rental market. The physical needs identified should be those necessary for the project to retain its market position as an affordable project in a decent, safe, and sanitary condition (recognizing any evolution of standards appropriate for such a project). The twelve-month physical needs should include those improvements the project requires to compete in the market. Where a range of options exists, the most effective options for rehabilitation should be chosen, when both capital and operating costs are taken into consideration.
 6. The report shall determine the cost-benefit of each significant work item in the rehabilitation plan (i.e. greater than \$5,000 per work item) that represents an improvement to the product, an upgrade to current elements or that could be considered to reduce the operating expenses. For example, individual utility metering, extra insulation, thermopane windows, water savers on showers and toilets, automatic setback thermostats, and durable siding.

Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of the building systems as needed.

7. An independent consultant, an architect, general contractor or engineer, any of who must be licensed in the State of Utah, shall prepare the report.
8. The report shall explain how the project will meet the requirements for accessibility/visibility to persons with disabilities, to the extent applicable.
9. Prepared a CNA report or PCA report, which in addition for the four major aforementioned components and at a minimum shall include the following sub-components. Submit one (1) original and three (3) copies of the report to the Agency.
 - a. Project Summary Sheet
 - b. Executive Summary (discussion of the physical condition of the property and any major repair/rehab items observed) and ;
 - c. An index; and
 - d. Introduction of the Report
 - e. Building evaluation (property identification- survey, legal description of property); and
 - f. Site improvement Evaluation/analysis (utilities, parking, paving, sidewalks, sewer and drainage, landscaping, trash enclosures/compactors and general site improvements); and
 - g. Building Architectural and Structural Systems Evaluation (foundation superstructure and floors, roof structures and roofing, exterior walls and stairs, siding, downspouts, and

common areas energy efficiency, tenant amenities, playgrounds and playground equipment: and

- h. Building Mechanical and Electrical Systems Evaluation (building HVAC, plumbing, electrical, elevators, fire protection/security systems)and,
- i. Interior Dwelling Units Evaluation (interior finishes, walls, ceilings, paint, kitchen and appliances, carpet, vinyl, interior doors, shelves, cabinets, vanities, closets, interior HVAC, plumbing, bathroom fixtures, electrical fire protection systems, security systems) and;
- j. Evaluation/Analysis of Other Structures; and
- k. Environmental Evaluation; and
- l. Estimated Useful Life Analysis (computation of Repairs and Replacement Reserves); and
- m. The basis for identifying any item for repair or replacement, and
- n. Unit cost breakdown shall be provided for multiple items (i.e. stoves, refrigerators, cabinets, bathroom fixtures, etc); and
- o. Acknowledgements (who prepared report, when report was prepared, who received report, and when report was reviewed); and
- p. Appendices (photographs, site plans, maps title report etc.)
- q. Identification of any observed hazards, flammable or explosive facilities/operations in the immediate area of the project; and
- r. State whether the project is located in a Flood Plain.

The firm or person who prepared or supervised the preparation of the report must sign the report.

The architectural report must include the following:

- a. Total floor area in square feet for the entire development, units, common area
- b. That units will provide the furnishings as stated in the application (range, hood, refrigerator, exhaust fans, grab bars, etc.)
- c. A final report itemizing the extent of renovation and replacement and summary comparing the CNA report submitted to UHC and final results.