

**TITLE 13. HOUSING**  
**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**  
**Chapter 200**  
*Final*

REGISTRAR'S NOTICE: The Virginia Housing Development Authority is claiming an exemption from the Administrative Process Act pursuant to § 2.2-4002 A 4 of the Code of Virginia.

Titles of Regulations: **13VAC10-180. Rules and Regulations for Allocation of Low-Income Housing Tax Credits (amending 13VAC10-180-50, 13VAC10-180-60, 13VAC10-180-90).**

**13VAC10-200. Rules and Regulations for the Allocation of Virginia Housing Opportunity Tax Credits (adding 13VAC10-200-10 through 13VAC10-200-70).**

Statutory Authority: § 36-55.30:3 of the Code of Virginia.

Effective Date: January 1, 2022.

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Summary:

*The amendments to the Rules and Regulations for Allocation of Low-Income Housing Tax Credits (13VAC10-180):*

*(i) add a point category for renewable energy electric and add point categories for resident services or onsite child care and telehealth services and provide points for applicants having a principal with a required ownership interest that is a socially disadvantaged individual as defined by federal law;*

*(ii) provide for both a per unit and per square foot total development cost limit and provide discretion to remove cost for certain incentivized amenities from total development cost before applying cost limits;*

*(iii) add points for exterior walls that are constructed using fiber cement board and for applicants that enter into at least one contract for services provided by certain Small, Women-owned, and Minority-owned (SWaM) and Service Disabled Veteran-owned businesses; and increase points for individual unit Wi-Fi;*

*(iv) add provisions designed to protect the long-term affordability of developments, full compliance by applicants and principals with the Internal Revenue Code and the Plan, and preserve the right of first refusal by a qualified nonprofit organization at the close of the compliance period;*

*(v) make having an entry shelf or ledge a points item only in developments for the elderly and make free Wi-Fi in the community room mandatory;*

*(vi) decrease points for current experienced developer categories, add new experienced developer categories effective January 1, 2022, and provide that, commencing January 1, 2023, only the new categories will apply;*

*(vii) remove the penalty for new construction in rural areas;*

*(viii) reduce points for exterior walls constructed using brick or other similar low-maintenance material and reduce points for the 9/4 hybrid program; revise, and in one instance remove, the accessibility point categories; and remove points for Internet infrastructure;*

*(ix) increase penalties for deals not meeting minimum design and construction requirements;*

*(x) allow the plan of development to be a standalone point item; and allow staff to move deals between the nonprofit or the new construction pool, or both, to the appropriate geographic pool to best or fully allocate credits;*

*(xi) increase the percentage of future year's allocation that can be forward allocated; and increase the accessible supportive housing pool percentage of available credits;*

*(xii) clarify requirements to compete in the local housing authority pool;*

*(xiii) implement a curing period for minor and immaterial defects in an application;*

*(xiv) require disclosure of availability of Virginia Housing Development Authority (VHDA) renter education and incentivize electronic payments of fees to VHDA;*

*(xv) incorporate federal compliance updates;*

*(xvi) revise threshold point requirement; and*

*(xvii) make other miscellaneous administrative clarification changes.*

*The amendments also implement §§ 58.1-439.29 and 58.1-439.30 of the Code of Virginia, which establish the Virginia housing opportunity tax credit (HOTC), including (i) providing a program of \$15 million per year, a one-year credit period, and a five-year program duration, all resulting in an aggregate \$75 million program; (ii) allowing the HOTC to be stand-alone or awarded in connection with federal low-income housing tax credits (LIHTC); (iii) addressing how successful HOTC projects will be selected, options to award per LIHTC rankings or to prioritize other significant state housing needs, and the amount of HOTC to be awarded successful applicants; and (iv) defining terms for the HOTC program, the process for issuance by Virginia Housing Development Authority of an eligibility certificate for HOTC, recapture provisions, and applicable administrative fees.*

### **13VAC10-180-50. Application.**

A. Prior to submitting an application for reservation, applicants shall submit on such form as required by the executive director, the letter for authority signature by which the authority shall notify the chief executive officers (or the equivalent) of the local jurisdictions in which the developments are to be located to provide such officers a reasonable opportunity to comment on the developments.

B. Application for a reservation of credits ~~shall~~:

1. Shall be commenced by filing with the authority an application, on such forms as the executive director may from time to time prescribe or approve, together with such documents and additional information (including, without limitation, a market study that is prepared by a housing market analyst ~~that~~ who meets the authority's requirements for an approved analyst, as set forth on the application form, instructions, or other communication available to the public, that shows adequate demand for the housing units to be produced by the applicant's proposed development) as may be requested by the authority in order to comply with the IRC and this chapter and to make the reservation and allocation of the credits in accordance with this chapter. The executive director may reject any application from consideration for a reservation or allocation of credits if in such application the applicant does not provide the proper documentation or information on the forms prescribed by the executive director. In addition to the market study contained in the application, the authority may conduct its own analysis of the demand for the housing units to be produced by each applicant's proposed development.

All sites in an application for a scattered site development may only serve one primary market area. If the executive director determines that the sites subject to a scattered site development are served by different primary market areas, separate applications for credits must be filed for each primary market area in which scattered sites are located within the deadlines established by the executive director.

The application should 2. Should include a breakdown of sources and uses of funds sufficiently detailed to enable the authority to ascertain what costs will be incurred and what will comprise the total financing package, including the various subsidies and the anticipated syndication or placement proceeds that will be raised.

The 3. Shall include the following cost information, if applicable, ~~needs to be included in the application~~ to determine the feasible credit amount: ~~site~~

- a. Site acquisition costs, ~~site~~
- b. Site preparation costs, ~~construction~~
- c. Construction costs, ~~construction~~
- d. Construction contingency, ~~general~~
- e. General contractor's overhead and profit, ~~architect~~
- f. Architect and engineer's fees, ~~permit~~
- g. Permit and survey fees, ~~insurance~~
- h. Insurance premiums, ~~real~~
- i. Real estate taxes during construction, ~~title~~
- j. Title and recording fees, ~~construction~~
- k. Construction period interest, ~~financing~~
- l. Financing fees, ~~organizational~~

m. Organizational costs, ~~rent-up~~

n. Rent-up and marketing costs, ~~accounting~~

o. Accounting and auditing costs, ~~working~~

p. Working capital and operating deficit reserves, ~~syndication~~

q. Syndication and legal fees, ~~development~~

r. Development fees, and ~~other~~

s. Other costs and fees.

4. All applications seeking credits for rehabilitation of existing units must provide for contractor construction costs of at least \$10,000 per unit for developments financed with tax-exempt bonds and \$15,000 per unit for all other developments.

C. Any application that exceeds the cost limits described ~~below~~ in this subsection shall be rejected from further consideration ~~hereunder~~ and shall not be eligible for any reservation or allocation of credits. ~~For an application submitted in calendar year 2019 only, the~~ The higher of the following two cost limit calculations: per-unit cost or per-square-foot cost may be ~~used~~ utilized by an applicant. ~~Effective January 1, 2020, only the per square foot cost limits shall apply.~~

1. ~~Per unit cost limits.~~

a. ~~Inner Northern Virginia. The Inner Northern Virginia region shall consist of Arlington County, Fairfax County, City of Alexandria, City of Fairfax, and City of Falls Church. The total development cost of proposed developments in the Inner Northern Virginia region may not exceed (i) for new construction or adaptive reuse: \$387,809 per unit plus up to an additional \$43,090 per unit if the proposed development contains underground or structured parking for each unit or (ii) for acquisition and rehabilitation: \$338,564 per unit.~~

b. ~~Prince William County, Loudoun County, Fauquier County, Manassas City, and Manassas Park City. The total development cost of proposed developments in Prince William County, Loudoun County, Fauquier County, Manassas City, and Manassas Park City may not exceed (i) for new~~

~~construction or adaptive reuse: \$288,087 per unit plus up to an additional \$43,090 per unit if the proposed development contains underground or structured parking for each unit or (ii) for acquisition and rehabilitation: \$203,138 per unit.~~

~~c. Balance of the state. The total development cost of proposed developments in the balance of the state may not exceed (i) for new construction or adaptive reuse: \$215,450 per unit plus up to an additional \$43,090 per unit if the proposed development contains underground or structured parking for each unit or (ii) for acquisition and rehabilitation: \$166,204 per unit.~~

~~Costs, subject to a per unit limit set by the executive director, attributable to equipping units with electrical and plumbing hook-ups for dehumidification systems and attributable to installing approved dehumidification systems will not be included in the calculation of the per unit cost limits in the preceding subdivision 1.~~

~~The cost limits are 2015 fourth quarter base amounts. The cost limits shall be adjusted annually beginning in the fourth quarter of 2016 by the authority in accordance with Marshall & Swift cost factors for such quarter, and the adjusted will be indicated on the application form, instructions, or other communication available to the public.~~

~~2. Per square foot cost limits. The authority will at least annually establish per-unit and per-square-foot cost limits based upon historical cost data of tax credit developments in the Commonwealth. Such limits will be indicated on the application form, instructions, or other communication available to the public. The cost limits will be established for new construction, rehabilitation, and adaptive reuse development types. The authority will establish geographic limits utilizing Marshall & Swift cost factors. For the purpose of determining compliance with the cost limits, the value of a development's land and acquisition costs and such other expenses as the executive director determines are appropriate for the good of the plan will not be included in total development cost. Compliance with per square foot applicable cost limits will be determined both at the time of application and also at the time the authority issues the IRS Form 8609, with the higher of the two limits being applicable at the time of IRS Form 8609 issuance.~~

~~D. Each application shall include plans:~~

~~1. Plans and specifications in such form and from such person satisfactory to the executive director as to the completion of such plans or specifications.~~

~~2.~~ In the case of rehabilitation, ~~the application must include~~ a physical needs assessment in such form and substance and prepared by such person satisfactory to the executive director pursuant to the authority's requirements as set forth on the application form, instructions, or other communication available to the public.

~~Each application must include an~~ 3. An environmental site assessment (Phase I) in such form and substance and prepared by such person satisfactory to the executive director pursuant to the authority's requirements as set forth on the application form, instructions, or other communication available to the public.

~~Each application shall include evidence~~ 4. Evidence of (i) sole

a. Sole fee simple ownership of the site of the proposed development by the applicant, ~~(ii) lease~~

b. Lease of such site by the applicant for a term exceeding the compliance period (as defined in the IRC) or for such longer period as the applicant represents in the application that the development will be held for occupancy by low-income persons or families, or ~~(iii) right~~

c. Right to acquire or lease such site pursuant to a valid and binding written option or contract between the applicant and the fee simple owner of such site for a period extending at least four months beyond any application deadline established by the executive director, provided that such option or contract shall have no conditions within the discretion or control of such owner of such site.

Any contract for the acquisition of a site with existing residential property may not require an empty building as a condition of such contract, unless relocation assistance is provided to displaced households, if any, at such level required by the authority. A contract that permits the owner to continue to market the property, even if the applicant has a right of first refusal, does not constitute the requisite site control required in ~~clause (iii) above~~ subdivision 4 c of this subsection.

No application shall be considered for a reservation or allocation of credits unless such evidence is submitted with the application and the authority determines that the applicant owns, leases, or has the right to acquire or lease the site of the proposed development as described in ~~the preceding sentence~~ this subsection.

In the case of acquisition and rehabilitation of developments funded by Rural Development of the U.S. Department of Agriculture (Rural Development), any site control document subject to approval of the partners of the seller does not need to be approved by all partners of the seller if the general partner of the seller executing the site control document provides (i) an attorney's opinion that such general partner has the authority to enter into the site control document and such document is binding on the seller or (ii) a letter from the existing syndicator indicating a willingness to secure the necessary partner approvals upon the reservation of credits.

~~Each application shall include written~~ 5. Written evidence satisfactory to the authority (i) of proper zoning or special use permit for such site or (ii) that no zoning requirements or special use permits are applicable.

~~Each application shall include, in a form required by the executive director, a~~ 6. A certification, in a form required by the executive director, of previous participation listing all developments receiving an allocation of tax credits under § 42 of the IRC in which ~~the~~:

a. The principals have or had an ownership or participation interest, the

b. The location of such developments, the

c. The number of residential units and low-income housing units in such developments, and such

d. Such other information as more fully specified by the executive director.

7. Furthermore, for any such development, the applicant must indicate whether the appropriate state housing credit agency has ever filed a Form 8823 with the IRS reporting noncompliance with the requirements of the IRC and that such noncompliance had not been corrected at the time of the filing of such Form 8823. The executive director may reject any application from consideration for a reservation or allocation of credits unless the above information is submitted with the application. If, after reviewing the ~~above~~ information provided in this subdivision or any other information available to the authority, the executive director determines that the principals do not have the experience, financial capacity and predisposition to regulatory compliance necessary to carry out the responsibilities for the acquisition, construction, ownership, operation, marketing, maintenance and management of the proposed development or the ability to fully perform all the duties and obligations relating to the proposed development under law, regulation and the reservation and allocation



documents of the authority or if an applicant is in substantial noncompliance with the requirements of the IRC, the executive director may reject applications by the applicant.

8. No application will be accepted from any applicant with a principal that has or had an ownership or participation interest in a development at the time the authority reported such development to the IRS as no longer in compliance and is no longer participating in the federal low-income housing tax credit program.

~~Each application shall include, in a form required by the executive director, a~~ 9. A certification, in a form required by the executive director, that the design of the proposed development meets all applicable amenity and design requirements required by the executive director for the type of housing to be provided by the proposed development.

E. The application ~~should:~~

1. Should include pro forma financial statements setting forth the anticipated cash flows during the credit period as defined in the IRC. ~~The application shall~~

2. Shall include a certification by the applicant as to the full extent of all federal, state and local subsidies that apply (or that the applicant expects to apply) with respect to each building or development. ~~The~~

3. May be required by the executive director ~~may also require to include~~ the submission of a legal opinion or other assurances satisfactory to the executive director as to, among other things, compliance of the proposed development with the IRC and a certification, together with an opinion of an independent certified public accountant or other assurances satisfactory to the executive director, setting forth the calculation of the amount of credits requested by the application and certifying, among other things, that under the existing facts and circumstances the applicant will be eligible for the amount of credits requested.

F. Each applicant shall commit in the application to provide ~~relocation:~~

1. Relocation assistance to displaced households, if any, at such level required by the executive director. Each applicant shall commit in the application to use a property management company certified by the executive director to manage the proposed development.

2. Unless prohibited by an applicable federal subsidy program, ~~each applicant shall commit in the application to provide~~ a leasing preference to individuals ~~(i) in:~~

a. ~~In~~ a target population identified in a memorandum of understanding between the authority and one or more participating agencies of the Commonwealth, ~~(ii) having~~

b. ~~Having~~ a voucher or other binding commitment for rental assistance from the Commonwealth, and ~~(iii) referred~~

c. ~~Referred~~ to the development by a referring agent approved by the authority. The leasing preference shall not be applied to more than 10% of the units in the development at any given time. The applicant may not impose tenant selection criteria or leasing terms with respect to individuals receiving this preference that are more restrictive than the applicant's tenant selection criteria or leasing terms applicable to prospective tenants in the development that do not receive this preference, the eligibility criteria for the rental assistance from the Commonwealth, or any eligibility criteria contained in a memorandum of understanding between the authority and one or more participating agencies of the Commonwealth.

3. Free Wi-Fi access in the community room of the development and such access shall be restricted to resident only usage.

4. A disclosure, to be acknowledged by tenant, of the availability of renter education from the authority.

G. Each applicant shall commit in the application ~~not:~~

1. Not to require an annual minimum income requirement that exceeds the greater of \$3,600 or 2.5 times the portion of rent to be paid by tenants receiving rental assistance.

~~Each applicant shall commit in the application to~~ 2. To waive its right to request to terminate the extended low-income housing commitment through the qualified contract process, as described in the IRC.

Further, any application submitted by an applicant containing a principal that was a principal in an owner that has previously requested, on or after January 1, 2019, a qualified contract in the Commonwealth (regardless of whether the extended low-income housing commitment was

terminated through such process) shall be rejected from further consideration and shall not be eligible for any reservation or allocation of credits.

H. The authority is committed to the long-term affordability of developments for the benefit of tenants and full compliance by applicants and principals with the provisions of the IRC, the extended use agreement and other program requirements. The authority similarly has an interest in preserving the right of first refusal by a qualified nonprofit organization at the close of the compliance period, as authorized in § 42(i)(7) of the IRC.

The executive director is hereby authorized to require any or all of the following with respect to applications:

1. Provisions to be included in the applicant's organizational documents limiting transfers of partnership or member interests or other actions detrimental to the continued provision of affordable housing;

2. A designated form of right of first refusal document;

3. Terms in the extended use agreement requiring notice and approval by the executive director of transfers of partnership or member interests;

4. Debarment from the program of principals having demonstrated a history of conduct detrimental to long-term compliance with extended use agreements, whether in Virginia or another state, and the provision of affordable tax credit units; and

5. Provisions to implement any amendment to the IRC or implementation of any future federal or state legislation, regulations, or administrative guidance.

The decision whether to institute, and the terms of, any such requirements shall be made by the executive director as reasonably determined to be necessary or appropriate to achieve the goals stated in this subsection and in the best interest of the plan. Any such requirements will be indicated on the application form, instructions, or other communication available to the public.

I. Any application submitted by an applicant containing a principal that was a principal in an owner that has, in the authority's determination, previously participated, on or after January 1, 2019, in a foreclosure in Virginia (or instrument in lieu of foreclosure) that was part of an arrangement a

purpose of which was to terminate an extended low-income housing commitment (regardless whether the extended low-income housing commitment was terminated through such foreclosure or instrument) shall be rejected from further consideration for low-income housing tax credits and shall not be eligible for any reservation or allocation of credits.

J. If an applicant submits an application for reservation or allocation of credits that contains a material misrepresentation or fails to include information regarding developments involving the applicant that have been determined to be out of compliance with the requirements of the IRC, the executive director may reject the application or stop processing such application upon discovery of such misrepresentation or noncompliance and may prohibit such applicant from submitting applications for credits to the authority in the future.

K. In any situation in which the executive director deems it appropriate, ~~he~~ the executive director may ~~treat~~:

1. Treat two or more applications as a single application. Only one application may be submitted for each location.

~~The executive director may establish~~ 2. Establish criteria and assumptions to be used by the applicant in the calculation of amounts in the application, and any such criteria and assumptions may be indicated on the application form, instructions or other communication available to the public.

~~The executive director may prescribe~~ 3. Prescribe such deadlines for submission of applications for reservation and allocation of credits for any calendar year as he shall deem necessary or desirable to allow sufficient processing time for the authority to make such reservations and allocations. If the executive director determines that an applicant for a reservation of credits has failed to submit one or more mandatory attachments to the application by the reservation application deadline, he may allow such applicant an opportunity to submit such attachments within a certain time established by the executive director with a 10-point scoring penalty per item.

L. After receipt of the ~~applications~~ local notification information data, if necessary, the authority shall notify the chief executive officers (or the equivalent) of the local jurisdictions in which the developments are to be located and shall provide such officers a reasonable opportunity to comment on the developments.

M. The development for which an application is submitted may be, but shall not be required to be, financed by the authority. If any such development is to be financed by the authority, the application for such financing shall be submitted to and received by the authority in accordance with its applicable rules and regulations.

N. The authority may consider and approve, in accordance herewith, both the reservation and the allocation of credits to buildings or developments that the authority may own or may intend to acquire, construct, or rehabilitate.

O. Any application seeking an additional reservation of credits for a development in excess of 10% of an existing reservation of credits for such development shall be rejected from further consideration hereunder and shall not be eligible for any reservation or allocation of credits pursuant to such application. However, such applicant may execute a consent to cancellation for such existing reservation and submit a new application for the aggregate amount of the existing reservation and any desired increase.

**13VAC10-180-60. Review and selection of applications; reservation of credits.**

A. The executive director may divide the amount of credits into separate pools and each separate pool may be further divided into separate tiers. The division of such pools and tiers may be based upon one or more of the following factors: geographical areas of the state; types or characteristics of housing, construction, financing, owners, occupants, or source of credits; or any other factors deemed appropriate by him to best meet the housing needs of the Commonwealth.

B. An amount, as determined by the executive director, not less than 10% of the Commonwealth's annual state housing credit ceiling for credits, shall be available for reservation and allocation to buildings or developments with respect to which the following requirements are met:

1. A "qualified nonprofit organization" (as described in § 42(h)(5)(C) of the IRC) that is authorized to do business in Virginia and is determined by the executive director, on the basis of such relevant factors as he shall consider appropriate, to be substantially based or active in the community of the development and is to materially participate (regular, continuous and substantial involvement as determined by the executive director) in the development and operation of the development throughout the "compliance period" (as defined in § 42(i)(1) of the IRC); and

2. ~~(i)~~ a. The "qualified nonprofit organization" described in the preceding subdivision 1 of this subsection is to own (directly or through a partnership), prior to the reservation of credits to the buildings or development, all of the general partnership interests of the ownership entity thereof; ~~(ii)~~ the

b. The executive director of the authority shall have determined that such qualified nonprofit organization is not affiliated with or controlled by a for-profit organization; ~~(iii)~~ the

c. The executive director of the authority shall have determined that the qualified nonprofit organization was not formed by one or more individuals or for-profit entities for the principal purpose of being included in any nonprofit pools (as defined below) established by the executive director, and ~~(iv)~~ the

d. The executive director of the authority shall have determined that no staff member, officer or member of the board of directors of such qualified nonprofit organization will materially participate, directly or indirectly, in the proposed development as a for-profit entity.

3. In making the determinations required by ~~the preceding subdivision~~ subdivisions 1 and clauses (ii), (iii) 2 b, 2 c, and (iv) of this subdivision 2 d of this subsection, the executive director may apply such factors as ~~he~~ the executive director deems relevant, including ~~the~~:

a. The past experience and anticipated future activities of the qualified nonprofit organization, ~~the~~

b. The sources and manner of funding of the qualified nonprofit organization, ~~the~~

c. The date of formation and expected life of the qualified nonprofit organization, ~~the~~

d. The number of paid staff members and volunteers of the qualified nonprofit organization, ~~the~~

e. The nature and extent of the qualified nonprofit organization's proposed involvement in the construction or rehabilitation and the operation of the proposed development, ~~the~~

f. The relationship of the staff, directors or other principals involved in the formation or operation of the qualified nonprofit organization with any persons or entities to be involved in the proposed development on a for-profit basis, and ~~the~~

g. The proposed involvement in the construction or rehabilitation and operation of the proposed development by any persons or entities involved in the proposed development on a for-profit basis.

The executive director may include in the application of the ~~foregoing~~ factors described in this subdivision any other nonprofit organizations that, in his determination, are related (by shared directors, staff or otherwise) to the qualified nonprofit organization for which such determination is to be made.

For purposes of the ~~foregoing~~ requirements of this subsection, a qualified nonprofit organization shall be treated as satisfying such requirements if any qualified corporation (as defined in § 42(h)(5)(D)(ii) of the IRC) in which such organization (by itself or in combination with one or more qualified nonprofit organizations) holds 100% of the stock satisfies such requirements.

C. The applications shall include such representations and warranties and such information as the executive director may require in order to determine that the ~~foregoing~~ requirements of this section have been satisfied. In no event shall more than 90% of the Commonwealth's annual state housing credit ceiling for credits be available for developments other than those satisfying the ~~preceding~~ requirements of subsection B of this section.

D. The executive director may establish such pools (nonprofit pools) of credits as ~~he~~ the executive director may deem appropriate to satisfy the ~~foregoing requirement~~ requirements of this subsection. If any such nonprofit pools are so established, the executive director may rank the applications ~~therein~~ therein in each pool and reserve credits to such applications before ranking applications and reserving credits in other pools, and any such applications in such nonprofit pools not receiving any reservations of credits or receiving such reservations in amounts less than the full amount permissible ~~hereunder~~ in each pool described in this subsection (because there are not enough credits then available in such nonprofit pools to make such reservations) shall be assigned to such other pool as shall be appropriate ~~hereunder~~; provided, however, that if credits are later made available (pursuant to the IRC or as a result of either a termination or reduction of a reservation of credits made from any nonprofit pools or a rescission in whole or in part of an allocation of credits made from such nonprofit pools or otherwise) for reservation and allocation by the authority during the same calendar year as that in which applications in the nonprofit pools have been so assigned to other pools ~~as described above~~, the executive director may, in such situations, designate all or any portion of such additional credits for the nonprofit pools (or for any other pools as he shall determine)

and may, if additional credits have been so designated for the nonprofit pools, reassign such applications to such nonprofit pools, rank the applications ~~therein~~ for those nonprofit pools and reserve credits to such applications in accordance with the IRC and this chapter. In the event that during any round ~~(as authorized hereinbelow)~~ of application review and ranking the amount of credits reserved within such nonprofit pools is less than the total amount of credits made available ~~therein~~ in each nonprofit pool, the executive director may ~~either (i) leave;~~

1. Leave such unreserved credits in such nonprofit pools for reservation and allocation in any subsequent round or ~~(ii) redistribute~~ rounds;

2. Redistribute, to the extent permissible under the IRC, such unreserved credits to such other pools ~~as for which~~ the executive director shall designate reservations ~~therefore~~ in the full amount permissible ~~hereunder (which applications~~ under this section. Applications redistributed to other pools under this subdivision shall hereinafter be referred to as "excess qualified applications"); ~~or (iii) carry~~

3. Carry over such unreserved credits to the next succeeding calendar year for the inclusion in the state housing credit ceiling (as defined in § 42(h)(3)(C) of the IRC) for such year. ~~Notwithstanding anything to the contrary herein, no~~

No reservation of credits shall be made from any nonprofit pools to any application with respect to which the qualified nonprofit organization has not yet been legally formed in accordance with the requirements of the IRC. In addition, no application for credits from any nonprofit pools or any combination of pools may receive a reservation or allocation of annual credits in an amount greater than [ \$950,000 ~~\$1,200,000~~ ] unless credits remain available in such nonprofit pools after all eligible applications for credits from such nonprofit pools receive a reservation of credits.

~~Notwithstanding anything to the contrary herein, applicants~~ Applicants relying on the experience of a local housing authority for developer experience points described ~~hereinbelow~~ in this subsection or using Hope VI funds from HUD in connection with the proposed development shall not be eligible to receive a reservation of credits from any nonprofit pools.

E. The authority shall review each application, and, based on the application and other information available to the authority, shall assign points to each application as follows:



1. Readiness. [ ~~Written~~ Effective January 1, 2023, written ] evidence satisfactory to the authority of unconditional approval by local authorities of the plan of development or site plan for the proposed development or that such approval is not required. ([ ~~40 points; applicants receiving points under this subdivision 1 are not eligible for points under subdivision 5 a below~~ 10 points ])

2. Housing needs characteristics.

a. Submission of the form prescribed by the authority with any required attachments, providing such information necessary for the authority to send a letter addressed to the current chief executive officer (or the equivalent) of the locality in which the proposed development is located, soliciting input on the proposed development from the locality within the deadlines established by the executive director. (minus 50 points for failure to make timely submission)

b. A letter in response to its notification to the chief executive officer of the locality in which the proposed development is to be located opposing the allocation of credits to the applicant for the development. In any such letter, the chief executive officer must certify that the proposed development is not consistent with current zoning or other applicable land use regulations. Any such letter must also be accompanied by a legal opinion of the locality's attorney opining that the locality's opposition to the proposed development does not have a discriminatory intent or a discriminatory effect (as defined in 24 CFR 100.500(a)) that is not supported by a legally sufficient justification (as defined in 24 CFR 100.500(b)) in violation of the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended) and the HUD implementing regulations. (minus 25 points)

c. Any proposed development that is to be located in a revitalization area meeting the requirements of § 36-55.30:2 A of the Code of Virginia or within an opportunity zone designated by the Commonwealth pursuant to the Federal Tax Cuts and Jobs Act of 2017, as follows: ~~(i) in~~

(1) In a qualified census tract or federal targeted area, both as defined in the IRC, deemed under § 36-55.30:2 of the Code of Virginia to be designated as a revitalization area without adoption of a resolution (10 points); ~~(ii) in~~

(2) In any redevelopment area, conservation area, or rehabilitation area created or designated by the city or county pursuant to Chapter 1 (§ 36-1 et seq.) of Title 36 of the Code of Virginia and deemed under § 36-55.30:2 to be designated as a revitalization area without adoption of a further resolution (10 points); ~~(iii) in~~

(3) In a revitalization area designated by resolution adopted pursuant to the terms of § 36-55.30:2 (15 points); ~~(iv) in~~

(4) In a local housing rehabilitation zone created by an ordinance passed by the city, county, or town and deemed to meet the requirements of § 36-55.30:2 pursuant to § 36-55.64 G of the Code of Virginia (15 points); and ~~(v) in~~

(5) In an opportunity zone and having a binding commitment of funding acceptable to the executive director pursuant to requirements as set forth on the application form, instructions, or other communication available to the public. (15 points).

If the development is located in more than one such area, only the highest applicable points will be awarded, that is, points in this subdivision E 2 c are not cumulative.

d. Commitment by the applicant for any development without section 8 project-based assistance to give leasing preference to individuals and families (i) on public housing waiting lists maintained by the local housing authority operating in the locality in which the proposed development is to be located and notification of the availability of such units to the local housing authority by the applicant or (ii) on section 8 (as defined in 13VAC10-180-90) waiting lists maintained by the local or nearest section 8 administrator for the locality in which the proposed development is to be located and notification of the availability of such units to the local section 8 administrator by the applicant. (5 points)

e. Any (i) funding source, as evidenced by a binding commitment or letter of intent, that is used to reduce the credit request; (ii) commitment to donate land or buildings or tap fee waivers from the local government; or (iii) commitment to donate land (including a below market-rate land lease) from an entity that is not a principal in the applicant (the donor being the grantee of a right of first refusal or purchase option with no ownership interest in the applicant shall not make the donor a principal in the applicant). Loans must be below market-rate (the one-year London Interbank Offered Rate (LIBOR) rate at the time of commitment) or cash-flow only to be eligible for points. Financing from the authority and market rate permanent financing sources are not eligible. (The amount of such funding, dollar value of local support, or value of donated land (including a below market rate land lease) will be determined by the executive director and divided by the total development cost. The applicant receives two points for each percentage point up to a maximum of 40 points.) The authority will confirm receipt of such subsidized funding prior to the issuance of IRS Form 8609.

f. Any development subject to (i) HUD's Section 8 or Section 236 program or (ii) Rural Development's 515 program, at the time of application. (20 points, unless the applicant is or has any common interests with the current owner, directly or indirectly, the application will only qualify for these points if the applicant waives all rights to developer's fee on acquisition and any other fees associated with the acquisition of the development unless permitted by the executive director for good cause.)

g. Any development receiving a real estate tax abatement on the increase in the value of the development. (5 points)

h. Any development receiving new project-based subsidy from HUD or Rural Development for the greater of five units or 10% of the units of the proposed development. (10 points)

i. Any proposed elderly or family development located in a census tract that has less than a 3.0% poverty rate based upon Census Bureau data (30 points); less than a 10% poverty rate based upon Census Bureau data (25 points); or less than a 12% poverty rate based upon Census Bureau data. (20 points)

j. Any proposed development listed in the top 25 developments identified by Rural Development as high priority for rehabilitation at the time the application is submitted to the authority. (15 points)

k. Any proposed new construction development (including adaptive reuse and rehabilitation that creates additional rental space) that is located in a pool identified by the authority as a pool with ~~little~~ or no increase in an increasing rent-burdened population. (Up to ~~minus~~ 20 points, depending upon the portion of the development that is additional rental space, in all pools except the at-large pool, 0 points in the at-large pool; ~~the executive director may make exceptions in the following circumstances:~~

~~(1) Specialized types of housing designed to meet special needs that cannot readily be addressed utilizing existing residential structures;~~

~~(2) Housing designed to serve as a replacement for housing being demolished through redevelopment; or~~

~~(3) Housing that is an integral part of a neighborhood revitalization project sponsored by a local housing authority.)~~

~~I. Any proposed new construction development (including adaptive reuse and rehabilitation that creates additional rental space) that is located in a pool identified by the authority as a pool with an increasing rent-burdened population. (Up to 20 points, depending upon the portion of the development that is additional rental space, in all pools except the at-large pool, 0 points in the at-large pool.)~~

I. [ Any Effective January 1, 2023, any ] proposed development [ (i) ] for which the applicant has entered into a memorandum of understanding approved by the Virginia Department of Behavioral Health and Developmental Services (DBHDS) with a resident service provider for the provision of resident services. Such resident services provider must have experience delivering direct, community-based services to individuals, as evidenced by a triennial license, in good standing, with no outstanding corrective action plans from DBHDS, or an agency or program accreditation or certification such as Commission on Accreditation of Rehabilitation Facilities, Council on Accreditation, or Certified Organization for Resident Engagement & Services, Council on Quality and Leadership, or CSH Quality Supportive Housing accreditation or certification. Such resident service provider may, but is not required to, be the qualified nonprofit organization qualifying applicant to compete in the nonprofit pool or having the required ownership interest and holding an option or first right of refusal that qualified applicant for points under subsection 7 d of this subsection. Experience may also be evidenced by receipt of a grant or grants by the service provider for provision of direct services to the development's residents [ ; or (ii) if the development provides licensed childcare on-site with a preference and discount for residents or an equivalent subsidy for tenants, determined based on household income and household size, to utilize a licensed childcare facility of tenant's choice ]. (15 points)

3. Development characteristics.

a. Evidence satisfactory to the authority documenting the quality of the proposed development's amenities as determined by the following:

(1) The following points are available for any application:

(a) If a community or meeting room with a minimum of 749 square feet is provided. (5 points)

Community rooms receiving points under this subdivision 3 a (1) (a) may not be used for commercial purposes. Provided that the cost of the community room is not included in eligible basis, the owner may conduct, or contract with a nonprofit provider to conduct, programs or classes for tenants and members of the community in the community room, so long as (i) tenants compose at least one-third of participants, with first preference given to tenants above the one-third minimum; (ii) no program or class may be offered more than five days per week; (iii) no individual program or class may last more than eight hours per day, and all programs and class sessions may not last more than 10 hours per day in the aggregate; (iv) cost of attendance of the program or class must be below market rate with no profit from the operation of the class or program being generated for the owner (owner may also collect an amount for reimbursement of supplies and clean-up costs); (v) the community room must be available for use by tenants when programs and classes are not offered, subject to reasonable "quiet hours" established by owner; and (vi) any owner offering programs or classes must provide an annual certification to the authority that it is in compliance with such requirements, with failure to comply with these requirements resulting in a 10-point penalty for three years from the date of such noncompliance for principals in the owner.

(b) If the exterior walls are constructed using brick or other similar low-maintenance material approved by the authority (as indicated on the application form, instructions, or other communication available to the public) covering ~~25% or greater, up to and including 85%,~~ 50% of the exterior walls of the development. (20 points times the percentage of exterior walls covered by brick)

If the exterior walls are constructed using fiber cement board covering up to 50% of the exterior walls. (20 points times the percentage of exterior walls covered by fiber cement board)

Points for brick and fiber cement board are independent and can both be awarded.

For purposes of making such coverage calculation, the triangular gable end area, doors, windows, knee walls, columns, retaining walls, and any features that are not a part of the façade are excluded from the denominator. Community buildings are included in the foregoing coverage calculations. ~~(Zero points if coverage is less than 25%; 10 points if coverage is at least 25%, and an additional 15 points is available on a sliding scale if coverage is greater than 25% up to and including 85% coverage. No additional points if coverage is greater than 85%.)~~

(c) If the water expense is submetered (the tenant will pay monthly or bimonthly bill). (5 points)

(d) If points are not awarded pursuant to subdivision 3 f of this section for optional certification, if each bathroom contains only WaterSense labeled toilets, faucets and showerheads. (3 points)

(e) If each unit is provided with ~~the necessary infrastructure for high-speed Internet or broadband service~~ free individual high-speed Internet access. (1 point 10 points, 12 points if such access is Wi-Fi)

~~If free Wi-Fi access is provided in the community room and such access is restricted to resident only usage. (4 points) If each unit is provided with free individual high-speed Internet access. (6 points, 8 points if such access is Wi-Fi)~~

(f) If each full bathroom's bath fans are wired to the primary bathroom light with a delayed timer, or continuous exhaust by ERV/DOAS. (3 points) If each full bathroom's bath fans are equipped with a humidistat. (3 points)

(g) If all cooking surfaces are equipped with fire prevention features that meet the authority's requirements as indicated on the application form, instructions, or other communication available to the public. (4 points)

If all cooking surfaces are equipped with fire suppression features that meet the authority's requirements (as indicated on the application form, instructions, or other communication available to the public). (2 points)

(h) For rehabilitations, equipping all units with dedicated space, drain, and electrical hook-ups for permanently installed dehumidification systems (2 points). For rehabilitations and new construction, providing permanently installed dehumidification systems in each unit. (5 points)

(i) If each interior door is solid core. (3 points)

(j) If each unit has at least one USB charging port in the kitchen, living room, and all bedrooms. (1 point)

(k) If each kitchen has LED lighting in all fixtures that meets the authority's minimum design and construction standards (2 points)

~~(l) If each unit has a shelf or ledge outside the primary entry door in interior hallway. (2 points)~~

~~(m) (l)~~ For new construction only, if each unit has a balcony or patio with a minimum depth of five feet clear from face of building and a size of at least 30 square feet. (4 points)

~~(m) [ If every unit in Effective January 1, 2023, if ] the development [ is heated and cooled with a geothermal heat pump that meets the EPA's Energy Star qualified program requirements. (5 points)(n) If all the water heaters meet the EPA's Energy Star qualified program requirements; or any centralized commercial system that ] has a [ 95% or greater efficiency performance rating, or any solar thermal system that meets at least 60% of the development's domestic hot water load. (5 points) (o) If the development has a solar renewable energy ] electric system [ that will remain unshaded year round, be oriented to within 15 degrees of true south, and be angled horizontally within 15 degrees of latitude ]. (1 point for each 2% of the development's [ onsite ] electrical load that can be met by the [ solar renewable energy ] electric system [ for the benefit of the tenants ], up to 10 points)~~

~~[ (p) If the development has flexible unit design allowing for isolation space. (8 points)~~

~~(q) If (n) Effective January 1, 2023, if ] the development provides tenants with free on-call, telephonic, or virtual health care services with a licensed provider. (15 points)~~

~~[ (r) If the development provides licensed childcare on-site with a preference and discount for residents or an equivalent subsidy for tenants, determined based on household income and household size, to utilize a licensed childcare facility of tenant's choice. (15 points) (o) For rehabilitations, if each unit is provided with the necessary infrastructure for high-speed Internet/broadband service. (1 point) ]~~

(2) The following points are available to applications electing to serve elderly tenants:

(a) If all cooking ranges have front controls. (1 point)

(b) If all bathrooms have an independent or supplemental heat source. (1 point)

(c) If all entrance doors to each unit have two eye viewers, one at 42 inches and the other at standard height. (1 point)

(d) If each unit has a shelf or ledge outside the primary entry door in interior hallway. (2 points)

(3) If the structure is historic, by virtue of being listed individually in the National Register of Historic Places, or due to its location in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and the rehabilitation will be completed in such a manner as to be eligible for historic rehabilitation tax credits. (5 points)

b. Any development in which (i) the greater of five units or 10% of the units will be assisted by HUD project-based vouchers (as evidenced by the submission of a letter satisfactory to the authority from an authorized public housing authority (PHA) that the development meets all prerequisites for such assistance) or other any form of documented and binding federal or state project-based rent subsidies in order to ensure occupancy by extremely low-income persons; and (ii) the greater of five units or 10% of the units will conform to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act and be actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits (all common space must also conform to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act, and all the units described in clause (ii) above must include roll-in showers and roll-under sinks and front control ranges, unless agreed to by the authority prior to the applicant's submission of its application). (~~60~~ 50 points)

~~c. Any development in which the greater of five units or 10% of the units (i) have rents within HUD's Housing Choice Voucher (HCV) payment standard, (ii) conform to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act, and (iii) are actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits (all common space must also conform to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act). (30 points)~~

d. Any development in which ~~5.0%~~ c. Any development in which 10% of the units (i) conform to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act and (ii) are actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits. (~~45~~ 20 points)

e. d. Any development located within one-half mile of an existing commuter rail, light rail or subway station or one-quarter mile of one or more existing public bus stops. (10 points, unless the development is located within the geographical area established by the executive director for a pool of credits for Northern Virginia or Tidewater Metropolitan Statistical Area (MSA), in which case, the



development will receive 20 points if the development is ranked against other developments in such Northern Virginia or Tidewater MSA pool, 10 points if the development is ranked against other developments in any other pool of credits established by the executive director)

f. e. Each development must meet the following baseline energy performance standard applicable to the development's construction category. For new construction, the development must meet all requirements for EPA Energy Star certification. For rehabilitation, the proposed renovation of the development must result in at least a 30% post-rehabilitation decrease on the Home Energy Rating System Index (HERS Index) or score an 80 or lower on the HERS Index. For adaptive reuse, the proposed development must score a 95 or lower on the HERS Index. For mixed construction types, the applicable standard will apply to the development's various construction categories. The development's score on the HERS Index must be verified by a third-party, independent, nonaffiliated, certified Residential Energy Services Network (RESNET) home energy rater.

Any development for which the applicant agrees to obtain (i) EarthCraft Gold or higher certification; (ii) U.S. Green Building Council LEED green-building certification; (iii) National Green Building Standard Certification of Silver or higher; or (iv) meet Enterprise Green Communities Criteria prior to the issuance of an IRS Form 8609 with the proposed development's architect certifying in the application that the development's design will meet the criteria for such certification, provided that the proposed development's RESNET rater is registered with a provider on the authority's approved RESNET provider list. (10 points, points in this paragraph are not cumulative)

Additionally, points on future applications will be awarded to an applicant having a principal that is also a principal in a tax credit development in the Commonwealth meeting (i) the Zero Energy Ready Home Requirements as promulgated by the U.S. Department of Energy (DOE) and as evidenced by a DOE certificate; or (ii) the Passive House Institute's Passive House standards as evidenced by a certificate from an accredited Passive House certifier. (10 points, points in this paragraph are cumulative)

The executive director may, if needed, designate a proposed development as requiring an increase in credit in order to be financially feasible and such development shall be treated as if in a difficult development area as provided in the IRC for any applicant receiving an additional 10 points under this subdivision, provided however, any resulting increase in such development's eligible basis shall be limited to 10% of the development's eligible basis. Provided, however, the authority may remove

such increase in the development's eligible basis if the authority determines that the development is financially feasible without such increase in basis.

~~g.~~ f. If units are constructed to include the authority's universal design features, provided that the proposed development's architect is on the authority's list of universal design certified architects. (15 points, if all the units in an elderly development meet this requirement; 15 points multiplied by the percentage of units meeting this requirement for nonelderly developments)

~~h.~~ g. Any development in which the applicant proposes to produce less than 100 low-income housing units. (20 points for producing 50 low-income housing units or less, minus 0.4 points for each additional low-income housing unit produced down to 0 points for any development that produces 100 or more low-income housing units.)

~~i.~~ h. Any applicant for a development that, pursuant to a common plan of development, is part of a larger development located on the same or contiguous sites, financed in part by tax-exempt bonds. Combination developments seeking both 9.0% and 4.0% credits must clearly be presented as two separately financed deals including separate equity pricing that would support each respective deal in the event the other were no longer present. While deals are required to be on the same or a contiguous site they must be clearly identifiable as separate. The units financed by tax exempt bonds may not be interspersed throughout the development. Additionally, if co-located within the same building footprint, the property must identify separate entrances. All applicants seeking points in this category must arrange a meeting with authority staff at the authority's offices prior to the deadline for submission of the application in order to review both the 9.0% and the tax-exempt bond financed portion of the project. Any applicant failing to meet with authority staff in advance of applying will not be allowed to compete in the current competitive round as a combination development. (~~25~~ 10 points for tax-exempt bond financing of at least 30% of aggregate units, ~~35~~ 20 points for tax-exempt bond financing of at least 40% of aggregate units, and ~~45~~ 30 points for tax-exempt bond financing of at least 50% of aggregate units; such points being noncumulative; such points will be awarded in both the application and any application submitted for credits associated with the tax-exempt bonds)

4. Tenant population characteristics. Commitment by the applicant to give a leasing preference to individuals and families with children in developments that will have no more than 20% of its units with one bedroom or less. (15 points; plus 0.75 points for each percent of the low-income units in the

development with three or more bedrooms up to an additional 15 points for a total of no more than 30 points)

5. Sponsor characteristics. [ For application submitted in calendar year 2022 only, the sponsor may receive experienced sponsor points under either subdivision 5 a or 5 c of this subsection, but not both. Effective January 1, 2023, subdivision 5 a of this subsection shall no longer be applicable.

a. Evidence that the controlling general partner or managing member of the controlling general partner or managing member for the proposed development have developed:

(1) As controlling general partner or managing member, (i) at least three tax credit developments that contain at least three times the number of housing units in the proposed development or (ii) at least six tax credit developments. (25 points); or

(2) At least three deals as a principal and have at least \$500,000 in liquid assets. "Liquid assets" means cash, cash equivalents, and investments held in the name of the entity or person, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including (i) stock held in the applicant's own company or any closely held entity, (ii) investments in retirement accounts, (iii) cash or investments pledged as collateral for any liability, and (iv) cash in property accounts, including reserves. The authority will assess the financial capacity of the applicant based on its financial statements. The authority will accept financial statements audited, reviewed, or compiled by an independent certified public accountant. Only a balance sheet dated on or after December 31 of the year prior to the application deadline is required. The authority will accept a compilation report with or without full note disclosures. Supplementary schedules for all significant assets and liabilities may be required. Financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) are preferred. Statements prepared in the income tax basis or cash basis must disclose that basis in the report. The authority reserves the right to verify information in the financial statements. (25 points); or

(3) As controlling general partner or managing member, at least one tax credit development that contains at least the number of housing units in the proposed development. (10 points) ]

[ a. b. ] Evidence that the controlling general partner or managing member of A maximum of 25 cumulative points in subdivision 5 [ b c ] of this subsection will be awarded to applicants with an

experienced sponsor (experienced sponsor). Experienced sponsors are those principals who meet the requirements of subdivision 5 [ b c ] of this subsection and who have an ownership interest of at least 25% in the controlling general partner or managing member for the proposed development have developed, subject to the following conditions:

~~(1) As controlling general partner or managing member, (i) at least three tax credit developments that contain at least three times the number of housing units in the proposed development or (ii) at least six tax credit developments. (50 points);~~

~~(2) At least three deals as a principal and have at least \$500,000 in liquid assets. "Liquid assets" means cash, cash equivalents, and investments held in the name of the entities or persons, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including: (i) stock held in the applicant's own company or any closely held entity, (ii) investments in retirement accounts, (iii) cash or investments pledged as collateral for any liability, and (iv) cash in property accounts, including reserves. The authority will assess the financial capacity of the applicant based on its financial statements. The authority will accept financial statements audited, reviewed, or compiled by an independent certified public accountant. Only a balance sheet dated on or after December 31 of the year prior to the application deadline is required. The authority will accept a compilation report with or without full note disclosures. Supplementary schedules for all significant assets and liabilities may be required. Financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) are preferred. Statements prepared in the income tax basis or cash basis must disclose that basis in the report. The authority reserves the right to verify information in the financial statements. (50 points);~~  
or

~~(3) As controlling general partner or managing member, at least one tax credit development that contains at least the number of housing units in the proposed development. (10 points)~~

~~Applicants receiving points under subdivisions a (1) and a (2) of this subdivision 5 shall have the 50 points reduced if the controlling general partner or managing member of the controlling general partner or managing member in the applicant acted as a principal in a development receiving an allocation of credits from the authority where:~~

~~(a) Such principal met the requirements to be eligible for points under 5 (a) (1) or (2) and~~

~~(b) Such principal made more than two requests for final inspection (minus 5 points for two years).~~

~~Applicants receiving points under subdivisions a (1) and a (2) of this subdivision 5 are not eligible for points under subdivision 1 above.~~

~~b. (1) Experienced sponsors may be (i) individuals; (ii) duly formed limited liability companies, limited partnerships, and corporations, whether for-profit or nonprofit, and which are in good standing in their respective state of formation and registered to do business in Virginia; (iii) local housing authorities; (iv) business trusts; and (v) trusts;~~

~~(2) Individual persons seeking points as an experienced sponsor shall not receive credit for prior participation in developments where such participation was in their capacity as either trustee or beneficiary of a trust or business trust; and~~

~~(3) Individuals and entities seeking points as an experienced sponsor may not combine ownership or prior experience with any other individual or entity to meet the requirements of this subdivision 5.~~

[ ~~b. c.~~ ] Points for experienced sponsor involvement shall be awarded as follows:

(1) Tier 1: Five points shall be awarded to those experienced sponsors that have placed at least one federal low-income housing tax credit (LIHTC) development in service in Virginia within the past five years, as evidenced by an IRS Form 8609 having been issued for such development. The LIHTC development must be active with no reported compliance issues remaining uncured, as determined by the executive director.

(2) Tier 2: 15 points shall be awarded to those experienced sponsors that have placed at least three LIHTC developments in service (in addition to any deal for which points are awarded in Tier 1) in any state within the past six years, as evidenced by corresponding IRS Form 8609s. Experienced sponsors must certify with the application that each of said three developments is active with no reported compliance issues remaining uncured. The executive director may confirm the applicant's certification with each state in which the three developments are located.

(3) Tier 3: Any applicant competing in the local housing authority pool may receive an additional five points for partnering with an experienced sponsor, other than a local housing authority. Applicants seeking said points must provide in their application evidence that the experienced sponsor is a

principal in the Applicant (while ownership is required, no minimum ownership percentage of the experience sponsor partner is specified for points in Tier 3) and must provide a description of the assistance rendered and to be rendered by the experienced sponsor partner. [ ~~Developments that move from the local housing authority pool to their geographic pool will not be eligible for said five points in the geographic pool.~~

e. d. ] Applicants may receive negative points toward their application as follows:

(1) Any applicant that includes a principal that was a principal in a development [ ~~that was awarded a credit refresh after January 1, 2022. (minus 2 points for three years after the year in which the credit refresh was awarded)~~

(2) Any applicant that includes a principal that was a principal in a development ] at the time the authority inspected such development and discovered a life-threatening hazard under HUD's Uniform Physical Condition Standards and such hazard was not corrected in the timeframe established by the authority. (minus 50 points for a period of three years after the violation has been corrected)

e. [ ~~(3)~~ (2) ] Any applicant that includes a principal that was a principal in a development that either (i) at the time the authority reported such development to the IRS for noncompliance had not corrected such noncompliance by the time a Form 8823 was filed by the authority or (ii) remained out-of-compliance with the terms of its extended use commitment after notice and expiration of any cure period set by the authority. (minus 15 points for a period of three calendar years after the year the authority filed Form 8823 or expiration of such cure period, unless the executive director determines that such principal's attempts to correct such noncompliance was prohibited by a court, local government or governmental agency, in which case, no negative points will be assessed to the applicant, or 0 points, if the appropriate ~~individuals~~ individual connected to the principal attend compliance training as recommended by the authority)

d. [ ~~(4)~~ (3) ] Any applicant that includes a principal that is or was a principal in a development that (i) did not build a development as represented in the application for credit (minus two times the number of points assigned to the items not built or minus ~~20~~ 50 points per requirement for failing to provide a minimum building requirement, for a period of three years after the last Form 8609 is issued for the development, in addition to any other penalties the authority may elect to seek under its agreements with the applicant), or (ii) has a reservation of credits terminated by the authority. (minus 10 points a period of three years after the credits are returned to the authority)

e. ~~[ (5) (4) ]~~ Any applicant that includes a management company in its application that is rated unsatisfactory by the executive director or if the ownership of any applicant includes a principal that is or was a principal in a development that hired a management company to manage a tax credit development after such management company received a rating of unsatisfactory from the executive director during the compliance period and extended use period of such development. (minus 25 points)

f. ~~[ (6) (5) ]~~ Any applicant that includes a principal that was a principal in a development for which the actual cost of construction (as certified in the Independent Auditor's Report with attached Certification of Sources and Uses that is submitted in connection with the Owner's Application for IRS Form 8609) exceeded the applicable cost limit by 5.0% or more (minus 50 points for a period of three calendar years after December 31 of the year the cost certification is complete; provided, however, if the Board of Commissioners determines that such overage was outside of the applicant's control based upon documented extenuating circumstances, no negative points will be assessed.)

~~[ (6) ]~~ Any applicant that includes a controlling general partner or managing member of the controlling general partner or managing member in the applicant that acted as a principal in a development receiving an allocation of credits from the authority where (i) such principal met the requirements to be eligible for points under subdivision 5 a or 5 c of this subsection and (ii) such principal made more than two requests for final inspection. (minus 5 points for two years)

e.] In addition to the points for experienced sponsor involvement available in ~~[ subdivision 5 b subdivisions 5 a and 5 c ]~~ of this subsection, points shall be awarded to applicants for contracting for services as follows:

~~[ (4) ]~~ Five points shall be awarded to applicants that enter into at least one contract for services provided by a business certified as Women-Owned, Minority-Owned or Service Disabled Veteran-owned through the Commonwealth of Virginia's Small, Women-owned, and Minority-owned Business (SWaM) certification program. The following services and roles qualify for points under this subdivision 5 ~~[ (4) e: ]~~ (i) consulting services to complete the LIHTC application; (ii) ongoing development services through the placed in service date; (iii) general contractor; (iv) architect; (v) property manager; (vi) accounting services; or (vii) legal services. An applicant seeking points in this subdivision 5 ~~[ (4) e ]~~ must provide in its application a certification, in a form to be developed by the executive director, certifying that a contract for services has been executed between the applicant and the

service provider and describing the scope of the services provided or to be provided. The application must also include a copy of the service provider's certification from the Commonwealth of Virginia's Small, Women-owned, and Minority-owned Business certification program.

[ (2) Future points shall be awarded to an experienced sponsor that serves as a consultant or service provider to a local housing authority to receive an award of credits or place a LIHTC development in service in Virginia, as evidenced by the issuance of an IRS Form 8609 (up to a cumulative maximum of six points). Two points shall be awarded on one future application for assisting a local housing authority with its successful application for credits, as evidenced by a reservation agreement of IRC § 42(m) letter. Four points shall be awarded on one future application for providing ongoing assistance to the local housing authority through the placed in service date and receipt of IRS Form 8609. To qualify for future points under this subdivision 5 d (2), an experienced sponsor must provide in its application a certification, in a form to be developed by the executive director, from the local housing authority describing the assistance rendered by the experienced sponsor and verifying that said assistance was a material component to the development receiving a reservation of credits or placing in service or both.

e. f. ] Applicants with at least one principal having an ownership interest of at least 25% in the controlling general partner or managing member for the proposed development that is a socially disadvantaged individual (5 points). Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders. This provision shall be interpreted in accordance with 13 CFR 124.103.

#### 6. Efficient use of resources.

a. The percentage by which the total of the amount of credits per low-income housing unit (the "per unit credit amount") of the proposed development is less than the standard per unit credit amounts established by the executive director for a given unit type, based upon the number of such unit types in the proposed development. (200 points multiplied by the percentage by which the total amount of the per unit credit amount of the proposed development is less than the applicable standard per unit credit amount established by the executive director, negative points will be assessed using the



percentage by which the total amount of the per unit credit amount of the proposed development exceeds the applicable standard per unit credit amount established by the executive director.)

b. The percentage by which the cost per low-income housing unit (per unit cost), adjusted by the authority for location, of the proposed development is less than the standard per unit cost amounts established by the executive director for a given unit type, based upon the number of such unit types in the proposed development. (100 points multiplied by the percentage by which the total amount of the per unit cost of the proposed development is less than the applicable standard per unit cost amount established by the executive director; negative points will be assessed using the percentage by which the total amount of the per unit cost amount of the proposed development exceeds the applicable standard per unit cost amount established by the executive director.)

The executive director may use a standard per square foot credit amount and a standard per square foot cost amount in establishing the per unit credit amount and the per unit cost amount in this subdivision 6 ~~above~~. For the purpose of calculating the points to be assigned pursuant to such this subdivision 6 ~~above~~, all credit amounts shall include any credits previously allocated to the development.

#### 7. Bonus points.

a. Commitment by the applicant to impose income limits on the low-income housing units throughout the extended use period (as defined in the IRC) below those required by the IRC in order for the development to be a qualified low-income development. Applicants receiving points under this subdivision 7 a may not receive points under subdivision 7 b ~~below~~ of this subsection. (Up to 50 points, the product of (i) 100 multiplied by (ii) the percentage of housing units in the proposed development both rent restricted to and occupied by households at or below 50% of the area median gross income; plus one point for each percentage point of such housing units in the proposed development that are further restricted to rents at or below 30% of 40% of the area median gross income up to an additional 10 points.) If the applicant commits to providing housing units in the proposed development both rent-restricted to and occupied by households at or below 30% of the area median gross income and that are not subsidized by project-based rental assistance. (plus 1 point for each percentage point of such housing units in the proposed development, up to an additional 10 points)

b. Commitment by the applicant to impose rent limits on the low-income housing units throughout the extended use period (as defined in the IRC) below those required by the IRC in order for the development to be a qualified low-income development. Applicants receiving points under this subdivision 7 b may not receive points under subdivision 7 a of this subsection. (Up to 25 points, the product of (i) 50 multiplied by (ii) the percentage of housing units in the proposed development rent restricted to households at or below 50% of the area median gross income; plus one point for each percentage point of such housing units in the proposed development that are further restricted to rents at or below 30% of 40% of the area median gross income up to an additional 10 points. Points for proposed developments in low-income jurisdictions shall be two times the points calculated in the preceding sentence, up to 50 points.)

c. Commitment by the applicant to maintain the low-income housing units in the development as a qualified low-income housing development beyond the 30-year extended use period (as defined in the IRC). Applicants receiving points under this subdivision 7 c may not receive bonus points under subdivision 7 d of this subsection. (40 points for a 10-year commitment beyond the 30-year extended use period or 50 points for a 20-year commitment beyond the 30-year extended use period.)

d. Participation by a local housing authority or qualified nonprofit organization (substantially based or active in the community with at least a 10% ownership interest in the general partnership interest of the partnership) and a commitment by the applicant to sell the proposed development pursuant to an executed, recordable option or right of first refusal to such local housing authority or qualified nonprofit organization or to a wholly owned subsidiary of such organization or authority, at the end of the 15-year compliance period, as defined by IRC, for a price not to exceed the outstanding debt and exit taxes of the for-profit entity. The applicant must record such option or right of first refusal immediately after the low-income housing commitment described in 13VAC10-180-70. Applicants receiving points under this subdivision 7 d may not receive bonus points under subdivision 7 c of this subsection. (60 points; plus five points if the local housing authority or qualified nonprofit organization submits a homeownership plan satisfactory to the authority in which the local housing authority or qualified nonprofit organization commits to sell the units in the development to tenants.)

e. Any development participating in the Rental Assistance Demonstration (RAD) program, or other conversion to project-based vouchers or project-based rental assistance approved by the authority, competing in the local housing authority pool will receive an additional 10 points. Applicants must

show proof of a commitment to enter into housing assistance payment (CHAP) or a RAD conversion commitment (RCC).

f. Any applicant that commits in the application to submit any payments due the authority, including reservation fees and monitoring fees, by electronic payment. (5 points)

In calculating the points for subdivisions 7 a and 7 b above of this subsection, any units in the proposed development required by the locality to exceed 60% of the area median gross income will not be considered when calculating the percentage of low-income units of the proposed development with incomes below those required by the IRC in order for the development to be a qualified low-income development, provided that the locality submits evidence satisfactory to the authority of such requirement.

After points have been assigned to each application in the manner described ~~above~~ in this subsection, the executive director shall compute the total number of points assigned to each such application. Any application that is assigned a total number of points less than a threshold amount of [ ~~425~~ 400 ] points ([ ~~325~~ 300 ] points for developments financed with tax-exempt bonds in such amount so as not to require under the IRC an allocation of credits hereunder) shall be rejected from further consideration hereunder and shall not be eligible for any reservation or allocation of credits.

F. During its review of the submitted applications in all pools, the authority may conduct ~~its~~:

1. Its own analysis of the demand for the housing units to be produced by each applicant's proposed development. Notwithstanding any conclusion in the market study submitted with an application, if the authority determines that, based upon information from its own loan portfolio or its own market study, inadequate demand exists for the housing units to be produced by an applicant's proposed development, the authority may exclude and disregard the application for such proposed development.

~~During its review of the submitted applications in all pools, the authority may conduct a~~ 2. A site visit to the applicant's proposed development. Notwithstanding any conclusion in any environmental site assessment submitted with an application, if the authority determines that the applicant's proposed development presents health or safety concerns for potential tenants of the development, the authority may exclude and disregard the application for such proposed development.

G. The executive director may:

1. May exclude and disregard any application that he the executive director determines is not submitted in good faith or that he determines would not be financially feasible.

2. May determine that an application is substantially incomplete and ineligible for further review.

3. May also choose to allow for the immediate correction of minor and immaterial defects [ affecting mandatory items (but not points items) ] in an application. Should the executive director choose to allow correction, applicants will be given 48 hours from the time of notification to cure defects with their application. If the executive director allows an applicant to cure minor defects, that does not constitute approval or acceptance of the application and is not an assurance that the application, upon further review, will be deemed acceptable.

Examples of items that may be considered as "curable" include:

a. If the applicant has failed to include a required document, the applicant may supply the document, provided, however, that the document existed on the application deadline date and, if the document is a legal agreement or instrument, the document was legally effective on the application deadline date;

b. If statements or items in the application are contradictory or mutually inconsistent, the applicant may present information resolving the contradiction or inconsistency, provided, however, that the information accurately reflects the state of affairs on the application deadline date;

c. The applicant may provide any required signature that has been omitted, except for applications that the executive director deems to be substantially incomplete; and

d. The applicant may cure any scrivener's error [ ~~provided, that an alleged failure to select or an alleged erroneous selection of a points item shall not be considered a scrivener's error~~ ], missing or defective notarization, defective signature block, or defective legal name of an individual or entity.

4. Shall notify the applicant of any curable defects it discovers by telephone, and, simultaneously, in writing electronically (email). The applicant's corrective submission shall not be considered unless it is received by the executive director no later than 48 hours (excluding weekends and legal holidays) from the notification. If an applicant fails to respond to the notification of curable defects within the 48-hour cure period, or if an applicant's response is nonresponsive to the question asked, a negative

conclusion shall be drawn. Failure to respond to an item in a cure notification will result in the denial of points in that category or the application may be deemed to not meet threshold. After the application deadline, telephone calls or other oral or written communications on behalf of a tax credit applicant (for example, from a project's development team, elected representatives, etc.) other than information submitted pursuant to this subdivision shall not be accepted or considered before preliminary reservation awards have been announced.

5. Upon assignment of points to all of the applications, ~~the executive director~~ shall rank the applications based on the number of points so assigned. If any pools shall have been established, each application shall be assigned to a pool and, if any, to the appropriate tier within such pool and shall be ranked within such pool or tier, if any. The amount of credits made available to each pool will be determined by the executive director. Available credits will include unreserved per capita dollar amount credits from the current calendar year under § 42(h)(3)(C)(i) of the IRC, any unreserved per capita credits from previous calendar years, and credits returned to the authority prior to the final ranking of the applications and may include up to ~~40~~ 50% of the next calendar year's per capita credits as shall be determined by the executive director. Those applications assigned more points shall be ranked higher than those applications assigned fewer points. However, if any set-asides established by the executive director cannot be satisfied after ranking the applications based on the number of points, the executive director may rank as many applications as necessary to meet the requirements of such set-aside (selecting the highest ranked application, or applications, meeting the requirements of the set-aside) over applications with more points.

~~H.~~ H. The authority shall in the event of a tie in the number of points assigned to two or more applications within the same pool, or, if none, within the Commonwealth, and in the event that the amount of credits available for reservation to such applications is determined by the executive director to be insufficient for the financial feasibility of all of the developments described ~~therein in that pool, the authority shall,~~ to the extent necessary to fully utilize the amount of credits available for reservation within such pool or, if none, within the Commonwealth, select one or more of the applications with the highest combination of points from subdivision E 7 of this section, ~~and each.~~ Each application so selected shall receive (in order based upon the number of such points, beginning with the application with the highest number of such points) a reservation of credits. If two or more of the tied applications receive the same number of points from subdivision E 7 of this section and if the amount of credits available for reservation to such tied applications is determined by the executive director to be insufficient for the financial feasibility of all the developments

described ~~therein~~ in the tied for points applications, the executive director shall select one or more of such applications by lot, and each application so selected by lot shall receive (in order of such selection by lot) a reservation of credits.

I. The executive director:

1. For each application ~~which~~ that may receive a reservation of credits, ~~the executive director~~ shall determine the amount, as of the date of the deadline for submission of applications for reservation of credits, to be necessary for the financial feasibility of the development and its viability as a qualified low-income development throughout the credit period under the IRC.

In making this determination, the executive director shall consider ~~the~~:

a. The sources and uses of the funds, ~~the~~

b. The available federal, state, and local subsidies committed to the development, ~~the~~

c. The total financing planned for the development as well as the investment proceeds or receipts expected by the authority to be generated with respect to the development, and ~~the~~

d. The percentage of the credit dollar amount used for development costs other than the costs of intermediaries.

~~He shall also~~ 2. Shall examine the development's costs, including developer's fees and other amounts in the application, for reasonableness, and if he determines that such costs or other amounts are unreasonably high, he shall reduce them to amounts that he determines to be reasonable.

~~The executive director shall~~ 3. Shall review the applicant's projected rental income, operating expenses and debt service for the credit period.

~~The executive director may~~ 4. May establish such criteria and assumptions as he shall deem reasonable for the purpose of making such determination, including ~~criteria~~:

a. Criteria as to the reasonableness of fees and profits and assumptions as to the amount of net syndication proceeds to be received (based upon such percentage of the credit dollar amount used

for development costs, other than the costs of intermediaries, as the executive director shall determine to be reasonable for the proposed development), ~~increases;~~

b. Increases in the market value of the development, and increases in operating expenses, rental income; and, ~~in~~

c. In the case of applications without firm financing commitments (~~as defined hereinabove~~) at fixed interest rates, debt service on the proposed mortgage loan.

~~The executive director may~~ 5. May, if he deems it appropriate, consider the development to be a part of a larger development. In such a case, the executive director may consider, examine, review and establish any or all of the ~~foregoing~~ items described in this subsection as to the larger development in making such determination for the development.

J. Maximum developer's fee calculations will be indicated on the application form, instructions, or other communication available to the public. Notwithstanding such calculations of developer's fee, (i) no more than \$3 million developer's fee may be included in the development's eligible basis, (ii) no developer's fee may exceed \$5 million, and (iii) no developer's fee may exceed 15% of the development's total development cost, as determined by the authority.

~~At such time or times during each calendar year as the executive director shall designate, the executive director shall~~

K. The executive director:

1. Shall reserve credits to applications in descending order of ranking within each pool and tier, if applicable, until either substantially all credits therein are reserved or all qualified applications therein have received reservations at such time during each calendar year as the executive director shall designate. (~~For the purpose of the preceding sentence, if~~ If there is not more than a de minimis amount, as determined by the executive director, of credits remaining in a pool after reservations have been made, "substantially all" of the credits in such pool shall be deemed to have been reserved.) ~~The executive director may~~

2. May rank the applications within pools at different times for different pools and may reserve credits, based on such rankings, one or more times with respect to each pool.

~~The executive director may also~~ 3. May establish more than one round of review and ranking of applications and reservation of credits based on such rankings, ~~and he shall.~~

4. Shall designate the amount of credits to be made available for reservation within each pool during each such round. The amount reserved to each such application shall be equal to the lesser of (i) the amount requested in the application or (ii) an amount determined by the executive director, as of the date of application, to be necessary for the financial feasibility of the development and its viability as a qualified low-income development throughout the credit period under the IRC; provided, however, that in no event shall the amount of credits so reserved exceed the maximum amount permissible under the IRC.

~~If~~ 5. May move the proposed development and the credits available to another pool if the amount of credits available in any pool is determined by the executive director to be insufficient for the financial feasibility of the proposed development to which such available credits are to be reserved, ~~the executive director may move the proposed development and the credits available to another pool.~~

6. If any credits remain in any pool after moving proposed developments and credits to another pool, ~~the executive director may~~ for developments that meet the requirements of § 42(h)(1)(E) of the IRC only, reserve the remaining credits to any proposed ~~developments~~ development scoring at or above the minimum point threshold established by this chapter without regard to the ranking of such application with additional credits from the Commonwealth's annual state housing credit ceiling for the following year in such an amount necessary for the financial feasibility of the proposed ~~developments~~ development. However, the reservation of credits from the Commonwealth's annual state housing credit ceiling for the following year shall be in the reasonable discretion of the executive director if he determines it to be in the best interest of the plan. In the event a reservation or an allocation of credits from the current year or a prior year is reduced, terminated, or canceled, the executive director may substitute such credits for any credits reserved from the following year's annual state housing credit ceiling.

7. In the event that during any round of application review and ranking the amount of credits reserved within any pools is less than the total amount of credits made available therein during such round, ~~the executive director may~~ (i) leave;

a. Leave such unreserved credits in such pools for reservation and allocation in any subsequent rounds, ~~(ii) redistribute~~



b. Redistribute such unreserved credits to such other pools as the executive director may designate, ~~(iii) supplement~~

c. Supplement such unreserved credits in such pools with additional credits from the Commonwealth's annual state housing credit ceiling for the following year for reservation and allocation if in the reasonable discretion of the executive director, it serves the best interest of the plan, ~~or (iv) carry~~

d. Carry over such unreserved credits to the next succeeding calendar year for inclusion in the state housing credit ceiling (as defined in § 42(h)(3)(C) of the IRC) for such year, or

e. Move a development from the nonprofit or new construction pool to its or their appropriate geographic pool to more fully or fully utilize the total amount of credits made available therein during such round.

~~Notwithstanding anything contained herein, the~~ L. 1. The total amount of credits that may be awarded in any credit year after credit year 2001 to any applicant or to any related applicants for one or more developments shall not exceed [ 15% ~~20%~~ ] of Virginia's per capita dollar amount of credits for such credit year (credit cap).

2. However, if the amount of credits to be reserved in any such credit year to all applications assigned a total number of points at or above the threshold amount set forth ~~above in~~ this section shall be less than Virginia's dollar amount of credits available for such credit year, then the authority's board of commissioners may waive the credit cap to the extent it deems necessary to reserve credits in an amount at least equal to such dollar amount of credits.

3. Applicants shall be deemed to be related if any principal in a proposed development or any person or entity related to the applicant or principal will be a principal in any other proposed development or developments. For purposes of this ~~paragraph~~ subsection, a principal shall also include any person or entity who, in the determination of the executive director, has exercised or will exercise, directly or indirectly, substantial control over the applicant or has performed or will perform (or has assisted or will assist the applicant in the performance of), directly or indirectly, substantial responsibilities or functions customarily performed by applicants with respect to applications or developments.

4. For the purpose of determining whether any person or entity is related to the applicant or principal, persons or entities shall be deemed to be related if the executive director determines that any substantial relationship existed, either directly between them or indirectly through a series of one or more substantial relationships (e.g., if party A has a substantial relationship with party B and if party B has a substantial relationship with party C, then A has a substantial relationship with both party B and party C), at any time within three years of the filing of the application for the credits.

5. In determining in any credit year whether an applicant has a substantial relationship with another applicant with respect to any application for which credits were awarded in any prior credit year, the executive director shall determine whether the applicants were related as of the date of the filing of such prior credit year's application or within three years prior thereto and shall not consider any relationships or any changes in relationships subsequent to such date.

6. Substantial relationships shall include, the following relationships (in each of the following relationships, the persons or entities involved in the relationship are deemed to be related to each other): (i) ~~the~~

a. The persons are in the same immediate family (including a spouse, children, parents, grandparents, grandchildren, brothers, sisters, uncles, aunts, nieces, and nephews) and are living in the same household; (ii) ~~the~~

b. The entities have one or more common general partners or members (including related persons and entities), or the entities have one or more common owners that (by themselves or together with any other related persons and entities) have, in the aggregate, 5.0% or more ownership interest in each entity; (iii) ~~the~~

c. The entities are under the common control (e.g., the same ~~persons~~ person and any related persons serve as a majority of the voting members of the boards of such entities or as chief executive officers of such entities) of one or more persons or entities (including related persons and entities); (iv) ~~the~~

d. The person is a general partner, member or employee in the entity or is an owner (by himself or together with any other related persons and entities) of 5.0% or more ownership interest in the entity; (v) ~~the~~

e. The entity is a general partner or member in the other entity or is an owner (by itself or together with any other related persons and entities) of 5.0% or more ownership interest in the other entity; or ~~(vi) the~~

f. The person or entity is otherwise controlled, in whole or in part, by the other person or entity.

7. In determining compliance with the credit cap with respect to any application, the executive director may exclude any person or entity related to the applicant or to any principal in such applicant if the executive director determines that ~~(i) such~~:

a. Such person or entity will not participate, directly or indirectly, in matters relating to the applicant or the ownership of the development to be assisted by the credits for which the application is submitted, ~~(ii) such~~

b. Such person or entity has no agreement or understanding relating to such application or the tax credits requested therein, and ~~(iii) such~~

c. Such person or entity will not receive a financial benefit from the tax credits requested in the application.

8. A limited partner or other similar investor shall not be determined to be a principal and shall be excluded from the determination of related persons or entities unless the executive director shall determine that such limited partner or investor will, directly or indirectly, exercise control over the applicant or participate in matters relating to the ownership of the development substantially beyond the degree of control or participation that is usual and customary for limited partners or other similar investors with respect to developments assisted by the credits.

9. If the award of multiple applications of any applicant or related applicants in any credit year shall cause the credit cap to be exceeded, such applicant shall, upon notice from the authority, jointly designate those applications for which credits are not to be reserved so that such limitation shall not be exceeded. Such notice shall specify the date by which such designation shall be made. In the absence of any such designation by the date specified in such notice, the executive director shall make such designation as he shall determine to best serve the interests of the program.

10. Each applicant and each principal therein shall make such certifications, shall disclose such facts and shall submit such documents to the authority as the executive director may require to determine compliance with the credit cap. If an applicant or any principal therein makes any misrepresentation to the authority concerning such applicant's or principal's relationship with any other person or entity, the executive director may reject any or all of such applicant's pending applications for reservation or allocation of credits, may terminate any or all reservations of credits to the applicant, and may prohibit such applicant, the principals therein and any persons and entities then or thereafter having a substantial relationship (in the determination of the executive director as described above) with the applicant or any principal therein from submitting applications for credits for such period of time as the executive director shall determine.

~~Within a reasonable time after credits are reserved to any applicants' applications, the executive director shall~~

M. The executive director:

1. Shall notify each applicant for such reservations of credits within a reasonable time after credits are reserved to any applicants' applications either of:

a. Of the amount of credits reserved to such applicant's application ~~(by issuing to such applicant a written binding commitment to allocate such reserved credits subject to such terms and conditions as may be imposed by the executive director therein, by the IRC and by this chapter); or, as applicable, that~~

b. That the applicant's application has been rejected or excluded or has otherwise not been reserved credits in accordance herewith.

The written binding commitment shall prohibit any transfer, direct or indirect, of partnership interests (except those involving the admission of limited partners) prior to the placed-in-service date of the proposed development unless the transfer is consented to by the executive director. The written binding commitment shall further limit the developers' fees to the amounts established during the review of the applications for reservation of credits and such amounts shall not be increased unless consented to by the executive director.

~~If credits are reserved to any applicants for developments that have also received an allocation of credits from prior years, the executive director may~~ 2. May reserve additional credits from the current year equal to the amount of credits allocated to such developments from prior years if credits are reserved to any applicants for developments that have also received an allocation of credits from prior years, provided such previously allocated credits are returned to the authority. Any previously allocated credits returned to the authority under such circumstances shall be placed into the credit pools from which the current year's credits are reserved to such applicants.

~~The executive director shall~~ 3. Shall make a written explanation available to the general public for any allocation of housing credit dollar amount that is not made in accordance with established priorities and selection criteria of the authority.

a. The authority's board shall review and consider the analysis and recommendation of the executive director for the reservation of credits to an applicant, and, if it concurs with such recommendation, it shall by resolution ratify the reservation by the executive director of the credits to the applicant, subject to such terms and conditions as it shall deem necessary or appropriate to assure compliance with the aforementioned binding commitment issued or to be issued to the applicant, the IRC and this chapter.

b. If the board determines not to ratify a reservation of credits or to establish any such terms and conditions, the executive director shall so notify the applicant.

~~The executive director may~~ 4. May require the applicant to make a good faith deposit or to execute such contractual agreements providing for monetary or other remedies as it may require, or both, to assure that the applicant will comply with all requirements under the IRC, this chapter and the binding commitment (including any requirement to conform to all of the representations, commitments and information contained in the application for which points were assigned pursuant to this section).

Upon satisfaction of all such ~~mentioned~~ requirements (including any post-allocation requirements), such deposit shall be refunded to the applicant or such contractual agreements shall terminate, or both, as applicable.

N. If, as of the date the application is approved by the executive director, the applicant is entitled to an allocation of the credits under the IRC, this chapter and the terms of any binding commitment that

the authority would have otherwise issued to such applicant, the executive director may at that time allocate the credits to such qualified low-income buildings or development without first providing a reservation of such credits. This provision in no way limits the authority of the executive director to require a good faith deposit or contractual agreement, or both, as described in the preceding paragraph, nor to relieve the applicant from any other requirements hereunder for eligibility for an allocation of credits. Any such allocation shall be subject to ratification by the board in the same manner as provided above with respect to reservations.

O. The executive director may ~~require~~:

1. Require that applicants to whom credits have been reserved shall submit from time to time or at such specified times as he shall require, written confirmation and documentation as to the status of the proposed development and its compliance with the application, the binding commitment and any contractual agreements between the applicant and the authority.

2. If on the basis of such written confirmation and documentation as the executive director shall have received in response to such a request, or on the basis of such other available information, or both, the executive director determines any or all of the buildings in the development that were to become qualified low-income buildings will not do so within the time period required by the IRC or will not otherwise qualify for such credits under the IRC, this chapter or the binding commitment, ~~then the executive director may (i) terminate~~:

a. Terminate the reservation of such credits and draw on any good faith deposit, or ~~(ii) substitute~~

b. Substitute the reservation of credits from the current credit year with a reservation of credits from a future credit year if the delay is caused by a lawsuit beyond the applicant's control that prevents the applicant from proceeding with the development.

If, in lieu of or in addition to the foregoing determination, the executive director determines that any contractual agreements between the applicant and the authority have been breached by the applicant, whether before or after allocation of the credits, he may seek to enforce any and all remedies to which the authority may then be entitled under such contractual agreements.

~~The executive director may establish~~ 3. Establish such deadlines for determining the ability of the applicant to qualify for an allocation of credits as he shall deem necessary or desirable to allow the

authority sufficient time, in the event of a reduction or termination of the applicant's reservation, to reserve such credits to other eligible applications and to allocate such credits pursuant thereto.

P. Any material changes to the development, as proposed in the application, occurring subsequent to the submission of the application for the credits therefor shall be subject to the prior written approval of the executive director. As a condition to any such approval, the executive director may, as necessary to comply with this chapter, the IRC, the binding commitment and any other contractual agreement between the authority and the applicant, reduce the amount of credits applied for or reserved or impose additional terms and conditions with respect thereto. If such changes are made without the prior written approval of the executive director, he may terminate or reduce the reservation of such credits, impose additional terms and conditions with respect thereto, seek to enforce any contractual remedies to which the authority may then be entitled, draw on any good faith deposit, or any combination of the foregoing.

In the event that any reservation of credits is terminated or reduced by the executive director under this section, he may reserve, allocate or carry over, as applicable, such credits in such manner as he shall determine consistent with the requirements of the IRC and this chapter.

~~Notwithstanding the provisions of this section, the~~ Q. The executive director may make a reservation of credits in:

1. In an accessible supportive housing pool (ASH pool) to any applicant that proposes a nonelderly development that (i) will be assisted by a documented and binding form of rental assistance in order to ensure occupancy by extremely low-income persons; (ii) conforms to HUD regulations interpreting the accessibility requirements of § 504 of the Rehabilitation Act; (iii) will be actively marketed to people with disabilities in accordance with a plan submitted as part of the application for credits and approved by the executive director for at least 15% of the units in the development; (iv) has a principal with a demonstrated capacity for supportive housing evidenced by a certification from a certifying body acceptable to the executive director or other preapproved source; and (v) for which the applicant has completed the authority's supportive housing certification form. Any such reservations made in any calendar year may be up to ~~6.0%~~ 10% of the Commonwealth's annual state housing credit ceiling for the applicable credit year. However, such reservation will be for credits from the Commonwealth's annual state housing credit ceiling from the following calendar

year. If the ASH pool application deadline is simultaneous with the deadline for the other pools, the unsuccessful applicants in the ASH pool will also compete in the applicable geographic pool.

~~Notwithstanding the provisions of this section, the executive director may make reservations of credits to~~ 2. To developments having unique and innovative development concepts, such as innovative construction methods or materials; unique or innovative tenant services, tenant selection criteria, or eviction policies; or otherwise innovatively contributing to the authority's identified mission and goals. The applications for such credits must meet all the requirements of the IRC and threshold score. The authority shall also establish a review committee comprised of external real estate professionals, academic leaders, and other individuals knowledgeable of real estate development, design, construction, accessibility, energy efficiency, or management to assist the authority in determining and ranking the innovative nature of the development. Such reservations will be for credits from the next year's per capita credits and may not exceed 12.5% of the credits expected to be available for that following calendar year. Such reservations shall not be considered in the executive director's determination that no more than ~~40%~~ 50% of the next calendar year's per capita credits have been pre-reserved.

### **13VAC10-180-90. Monitoring for IRS compliance.**

A. Federal law requires the authority to monitor developments receiving credits for compliance with the requirements of § 42 of the IRC and notify the IRS of any noncompliance of which it becomes aware. Compliance with the requirements of § 42 of the IRC is the responsibility of the owner of the building for which the credit is allowable. The monitoring requirements set forth ~~hereinbelow in~~ this section are to qualify the authority's allocation plan of credits. The authority's obligation to monitor for compliance with the requirements of § 42 of the IRC does not make the authority liable for an owner's noncompliance, nor does the authority's failure to discover any noncompliance by an owner excuse such noncompliance.

B. The owner of a low-income housing development must keep records for each qualified low-income building in the development that show for each year in the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit).

2. The percentage of residential rental units in the building that are low-income units.



3. The rent charged on each residential rental unit in the building (including any utility allowances).
4. The number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under § 42(g)(2) of the IRC (as in effect before the amendments made by the federal Revenue Reconciliation Act of 1989).
5. The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented.
6. The annual income certification of each low-income tenant per unit.
7. Documentation to support each low-income tenant's income certification (for example, a copy of the tenant's federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation). Tenant income is calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937, 42 USC § 1401 et seq. (section 8), not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under section 8, the documentation requirement of this subdivision 7 is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under § 42(g) of the IRC.
8. The eligible basis and qualified basis of the building at the end of the first year of the credit period.
9. The character and use of the nonresidential portion of the building included in the building's eligible basis under § 42(d) of the IRC (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the development).

The owner of a low-income housing development must retain the records described in this subsection B for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

In addition, the owner of a low-income housing development must retain any original local health, safety, or building code violation reports or notices issued by the Commonwealth or local government (as described in subdivision C 6 of this section) for the authority's inspection. Retention of the original violation reports or notices is not required once the authority reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

C. The owner of a low-income housing development must certify annually to the authority, on the form prescribed by the authority, that, for the preceding 12-month period:

1. The development met the requirements of the 20-50 test under § 42(g)(1)(A) of the IRC, the 40-60 test under § 42(g)(2)(B) of the IRC, or the income averaging test of the ~~federal~~ Consolidated Appropriations Act of 2018 (as limited by the executive director), whichever minimum set-aside test was applicable to the development.

2. There was no change in the applicable fraction (as defined in § 42(c)(1)(B) of the IRC) of any building in the development, or that there was a change, and a description of the change.

3. The owner has received an annual income certification from each low-income tenant, and documentation to support that certification; or, in the case of a tenant receiving section 8 housing assistance payments, the statement from a public housing authority described in subdivision 7 of subsection B of this section (unless the owner has obtained a waiver from the IRS pursuant to § 42(g)(8)(B) of the IRC).

4. Each low-income unit in the development was rent-restricted under § 42(g)(2) of the IRC.

5. All units in the development were for use by the general public (as defined in IRS Regulation § 1.42-9) and that no finding of discrimination under the Fair Housing Act has occurred for the development. (A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 USC § 3616(a)(1), or adverse judgment from federal court.)

6. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and that the Commonwealth or local government unit responsible for making local health, safety, and building code inspections did not issue a violation report for any building or low-income unit in the development. (If a violation report or

notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification. In addition the owner must state whether the violation has been corrected.)

7. There was no change in the eligible basis (as defined in § 42(d) of the IRC) of any building in the development, or if there was a change, the nature of the change (e.g., a common area has become commercial space or a fee is now charged for a tenant facility formerly provided without charge).

8. All tenant facilities included in the eligible basis under § 42(d) of the IRC of any building in the development, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building.

9. If a low-income unit in the development became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the development were or will be rented to tenants not having a qualifying income.

10. If the income of tenants of a low-income unit in the development increased above the limit allowed in § 42(g)(2)(D)(ii) of the IRC, the next available unit of comparable or smaller size in the development was or will be rented to tenants having a qualifying income.

11. An extended low income housing commitment as described in § 42(h)(6) of the IRC was in effect (for buildings subject to § 7108(c)(1) of the federal Omnibus Budget Reconciliation Act of 1989).

12. All units in the development were used on a nontransient basis (except for transitional housing for the homeless provided under § 42(i)(3)(B)(iii) of the IRC or single-room-occupancy units rented on a month-by-month basis under § 42(i)(3)(B)(iv) of the IRC).

Such certifications shall be made annually covering each year of the compliance period and must be made under the penalty of perjury.

In addition, each owner of a low-income housing development must provide to the authority, on a form prescribed by the authority, a certification containing such information necessary for the Commonwealth to determine the eligibility of tax credits for the first year of the development's compliance period.

D. The authority will review each certification set forth in subsection C of this section for compliance with the requirements of § 42 of the IRC. Also, the authority will conduct on-site inspections of all the buildings in the development by the end of the second calendar year following the year the last building in the development is placed in service and, for at least the lesser of the applicable minimum sample size required by HUD's Real Estate Assessment Center (REAC) for inspections under HUD programs or 20% of the development's low-income housing units in the project rounded up to the next whole number, inspect the low-income certification, the documentation the owner has received to support that certification, and the rent record for the tenants in those units. In addition, at least once every three years, the authority will conduct on-site inspections of all the buildings in each low-income housing development and, for at least the lesser of the applicable minimum sample size required by REAC for inspections under HUD programs or 20% of the development's low-income units in the project rounded up to the next whole number, inspect the units, the low-income certifications, the documentation the owner has received to support the certifications, and the rent record for the tenants in those units. The authority will determine which low-income housing developments will be reviewed in a particular year and which tenant's records are to be inspected.

In addition, the authority, at its option, may request an owner of a low-income housing development not selected for the review procedure set forth above in a particular year to submit to the authority for compliance review copies of the annual income certifications, the documentation such owner has received to support those certifications and the rent record for each low-income tenant of the low-income units in their development.

All low-income housing developments may be subject to review at any time during the compliance period.

E. The authority has the right to perform, and each owner of a development receiving credits shall permit the performance of, an on-site inspection of any low-income housing development through the end of the compliance period of the building. The inspection provision of this subsection E is separate from the review of low-income certifications, supporting documents and rent records under subsection D of this section.

The owner of a low-income housing development should notify the authority when the development is placed in service. The authority reserves the right to inspect the property prior to issuing IRS Form

8609 to verify that the development conforms to the representations made in the Application for Reservation and Application for Allocation.

F. The authority will provide written notice to the owner of a low-income housing development if the authority does not receive the certification described in subsection C of this section, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described in subsection D of this section or discovers by inspection, review, or in some other manner, that the development is not in compliance with the provisions of § 42 of the IRC.

Such written notice will set forth a correction period which shall be that period specified by the authority during which an owner must supply any missing certifications and bring the development into compliance with the provisions of § 42 of the IRC. The authority will set the correction period for a time not to exceed 90 days from the date of such notice to the owner. The authority may extend the correction period for up to six months, but only if the authority determines there is good cause for granting the extension.

The authority will file Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance," with the IRS no later than 45 days after the end of the correction period (as described above, including any permitted extensions) and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. The authority must explain on Form 8823 the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or eligible basis under subdivisions 2 and 7 of subsection C of this section, respectively, that results in a decrease in the qualified basis of the development under § 42(c)(1)(A) of the IRC is noncompliance that must be reported to the IRS under this subsection F. If the authority reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the authority need not file Form 8823 in subsequent years to report that building's noncompliance.

The authority will retain records of noncompliance or failure to certify for six years beyond the authority's filing of the respective Form 8823. In all other cases, the authority must retain the certifications and records described in subsection C of this section for three years from the end of the calendar year the authority receives the certifications and records.

G. If the authority decides to enter into the agreements described below, the review requirements under subsection D of this section will not require owners to submit, and the authority is not required

to review, the tenant income certifications, supporting documentation and rent records for buildings financed by Rural Development under the § 515 program, or buildings of which 50% or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under § 103 (tax-exempt bonds). In order for a monitoring procedure to except these buildings, the authority must enter into an agreement with Rural Development or tax-exempt bond issuer. Under the agreement, Rural Development or tax-exempt bond issuer must agree to provide information concerning the income and rent of the tenants in the building to the authority. The authority may assume the accuracy of the information provided by Rural Development or the tax-exempt bond issuer without verification. The authority will review the information and determine that the income limitation and rent restriction of § 42(g)(1) and (2) of the IRC are met. However, if the information provided by Rural Development or tax-exempt bond issuer is not sufficient for the authority to make this determination, the authority will request the necessary additional income or rent information from the owner of the buildings. For example, because Rural Development determines tenant eligibility based on its definition of "adjusted annual income," rather than "annual income" as defined under section 8, the authority may have to calculate the tenant's income for purposes of § 42 of the IRC and may need to request additional income information from the owner.

H. The owners of low-income housing developments must pay to the authority such fees in such amounts and at such times as the authority shall reasonably require the owners to pay in order to reimburse the authority for the costs of monitoring compliance with § 42 of the IRC.

I. The owners of low-income housing developments that have submitted IRS Forms 8821, Tax Information Authorization, naming the authority as the appointee to receive tax information on such owners shall submit from time to time renewals of such Forms 8821 as required by the authority throughout the extended use period.

J. The requirements of this section shall continue throughout the extended use period, notwithstanding the use of the term compliance period, except to the extent modified or waived by the executive director.

## Chapter 200

### Rules and Regulations for the Allocation of Virginia Housing Opportunity Tax Credits

### **13VAC10-200-10. Definitions.**

The following words and terms when used in this chapter shall have the following meanings, unless the context clearly indicates otherwise:

"Applicant" means an applicant for HOTC under this chapter and also means the owner of the development to whom the HOTC are allocated.

"Authority" means the Virginia Housing Development Authority.

"Eligibility certificate" means a certificate issued by the Authority to the owner of a qualified project certifying that such project qualifies for the HOTC, has been awarded HOTC pursuant to the provisions of this chapter, and specifying the amount of HOTC that the owner of such qualified project may claim.

"Enabling legislation" means §§ 58.1-439.29 and 58.1-439.30 of the Code of Virginia, and any amendments or supplements thereto.

"HOTC" or "credits" means the Virginia housing opportunity tax credits as created in the enabling legislation, as implemented in this chapter.

"IRC" means the Internal Revenue Code of 1986, as amended, and the rules, regulations, notices, and other official pronouncements promulgated under the IRC.

"IRS" means the Internal Revenue Service.

"LIHTC" means the federal low-income housing tax credits as provided in § 42 of the IRC, as amended.

"Qualified application" means a written request for HOTC which is submitted by an applicant on a form or forms prescribed or approved by the executive director together with all documents required by the authority for submission and meets all mandatory items and any minimum scoring requirements as set forth on the application form, instructions, or other communication available to the public.

"Qualified low-income buildings" or "qualified low-income development" means the buildings or development, which meets the applicable requirements in § 42 of the IRC to qualify for an allocation of credits under § 42.

"Qualified project" means a qualified low-income building or qualified low-income development that is located in Virginia, is placed in service on or after January 1, 2021, has received an allocation of HOTC under this chapter, and is issued an eligibility certificate.

**13VAC10-200-20. General.**

A. The authority is designated in the enabling legislation to administer the HOTC and is authorized to promulgate these regulations, guidelines, instructions, and documents necessary to implement and administer the HOTC and approve, allocate, and certify the use of the HOTC, including the issuance of eligibility certificates.

B. The executive director is authorized to waive or modify any provision in this chapter where the executive director deems it appropriate for good cause to promote the goals and interests of the Commonwealth in the HOTC program, to the extent not inconsistent with the IRC or the enabling legislation.

**13VAC10-200-30. Availability and amount of HOTC.**

A. Based upon the legislative intent of § 58.1-439.30 G of the Code of Virginia, notwithstanding any provisions of the enabling legislation inconsistent with § 58.1-439.30 G, the authority will award up to \$15 million of HOTC each of the five calendar years beginning in calendar 2021 through calendar year 2025. The credit period shall be one year. The aggregate HOTC program shall equal up to \$75 million. Any HOTC not used by taxpayer in a taxable year may be carried forward for the succeeding five years.

B. To qualify for the HOTC, the applicant must have applied for federal 9% LIHTC, and have been (i) allocated LIHTC or (ii) allowed LIHTC (i.e., determined by the authority to be eligible for LIHTC but not allocated LIHTC). In the event of alternative clause (ii) of this subsection, the HOTC may be stand-alone (i.e., not allocated to the applicant in addition to LIHTC).



C. While only LIHTC projects placed in service on or after January 1, 2021, may be eligible for HOTC, not every development receiving LIHTC and placing in service on or after January 1, 2021, will receive HOTC. Rankings and awards of HOTC to qualified projects shall be in accordance with 13VAC10-200-40.

D. The HOTC for each qualified project may be (i) up to the amount of the federal LIHTC allocated or allowed for the qualified project or (ii) a percentage of the federal LIHTC allocated or allowed for the qualified project as determined by the authority, based upon the availability of HOTC as compared to the federal LIHTC allocated or allowed for the qualified projects or such other factors the executive director deems appropriate for good cause to promote the goals and interests of the Commonwealth in the HOTC program.

E. The authority may pre-allocate future years' HOTC, but such credits cannot be claimed until the calendar year designated by the authority. Subject to the requirement that the total amount of tax credits authorized under this chapter shall not exceed \$15 million per calendar year, the authority may re-allocate any HOTC that are terminated or canceled and returned to the authority.

**13VAC10-200-40. Applications, ranking of applications and award of HOTC.**

A. Application for a reservation of credits shall be commenced by filing with the authority an application, on such forms as the executive director may from time to time prescribe or approve, together with such documents and additional information as may be requested by the authority in order to comply with this chapter and to make the reservation and allocation of the credits in accordance with this chapter.

B. For purposes of subsection A of this section, the authority may utilize the application submitted for LIHTC, alone or with an HOTC addendum, or may require an entirely new HOTC application be submitted.

C. The executive director may:

1. Reject any application from consideration for a reservation or allocation of credits if in such application the applicant does not provide the proper documentation or information on the forms prescribed by the executive director.

2. Prescribe such deadlines for submission of applications for reservation and allocation of credits for any calendar year as deemed necessary or desirable to allow sufficient processing time for the Authority to make such reservations and allocations.

3. Divide the amount of credits into separate pools and each separate pool may be further divided into separate tiers. The division of such pools and tiers may be based upon one or more of the following factors:

a. Geographical areas of the state;

b. Types or characteristics of housing;

c. Construction;

d. Financing;

e. Owners;

f. Occupants;

g. Source of credits; or

h. Any other factors deemed appropriate by the executive director to best meet the housing needs of the Commonwealth.

D. The development for which an application is submitted may be, but shall not be required to be, financed by the authority. If any such development is to be financed by the authority, the application for such financing shall be submitted to and received by the authority in accordance with Rules and Regulations for Multi-Family Housing Developments (13VAC10-20).

E. The authority shall review each application, and, based on the application and other information available to the authority, shall assign points to each application as follows:

1. According to points assigned pursuant to 13VAC10-180, Rules and Regulations for Allocation of Low-Income Housing Tax Credits; or

2. Such other methodology for assigning points as determined by the executive director to promote the goals and interests of the Commonwealth in the HOTC program. Such methodology may include prioritizing one or more of the following:

a. Unfunded developments in the At-Large pools of the 9% LIHTC competition, in order to produce more LIHTC units in Virginia;

b. Unfunded developments in the Local Housing Authority pool of the 9% LIHTC competition or other developments that are a part of a local housing authority's public housing revitalization efforts;

c. 9% LIHTC developments that have not yet placed in service having equity funding gaps, in order to make such developments feasible;

d. Developments that preserve existing affordable housing;

e. Developments with rents and income limits that are more deeply targeted than required by the LIHTC program;

f. Developments in high-opportunity areas; or

g. Developments providing enhanced tenant services, as defined by the Authority.

The executive director may exclude and disregard any application that the executive director determines is not submitted in good faith or would not be financially feasible.

F. Upon assignment of points to all of the applications, the executive director shall rank the applications based on the number of points so assigned. If any pools shall have been established, each application shall be assigned to a pool and, if any, to the appropriate tier within such pool and shall be ranked within such pool or tier, if any. The amount of credits made available to each pool will be determined by the executive director. Those applications assigned more points shall be ranked higher than those applications assigned fewer points. Applications with the highest rankings shall receive allocations up to the allowable amount, determined by the executive director pursuant to 13VAC10-200-30, prior to any allocations to lower ranking applicants.

In the event of a tie in the number of points assigned to two or more projects, the executive director shall select one or more of such applications by lot for an award of credits.

G. Within a reasonable time after credits are reserved to any applicant applications, the executive director shall notify each applicant for such reservations of credits either:

1. Of the amount of credits reserved to such applicant's application by issuing to such applicant a written binding commitment to allocate such reserved credits subject to such terms and conditions as may be imposed by the executive director therein and by this chapter, or

2. That the applicant's application has been rejected or excluded or has otherwise not been reserved credits in accordance with this chapter.

H. The authority's board shall review and consider the analysis and recommendation of the executive director for the reservation of credits to an applicant, and, if it concurs with such recommendation, it shall by resolution ratify the reservation by the executive director of the credits to the applicant, subject to such terms and conditions as it shall deem necessary or appropriate to assure compliance with the binding commitment issued or to be issued to the applicant and this chapter. If the board determines not to ratify a reservation of credits or to establish any such terms and conditions, the executive director shall notify the applicant of the board's determination.

I. The authority shall provide the Department of Taxation with copies of HOTC award letters and eligibility certificates, or summary reports of the HOTC award letters and eligibility certificates no less than annually.

J. In the event the Authority terminates an applicant's award of LIHTC pursuant to 13VAC10-180-60 or the applicant enters into a cancellation agreement with the Authority for such award, the award of HOTC shall also immediately terminate or be canceled, as applicable, and the Authority will notify the Department of Taxation accordingly.

**13VAC10-200-50. Eligibility certificate.**

Upon the authority's approval of a final cost certification that complies with the authority's requirements and the satisfaction of all requirements set forth in the HOTC award letter issued by the authority, the executive director shall issue an eligibility certificate to a qualified project.

**13VAC10-200-60. Recapture of HOTC.**

A. The authority will monitor the developments receiving HOTC in the same manner it monitors LIHTC properties pursuant to the IRC and in accordance with 13VAC10-180, Rules and Regulations for Allocation of Low-Income Housing Tax Credits.

B. If under § 42 of the IRC, a portion of any federal LIHTC taken on a qualified project is required to be recaptured or is otherwise disallowed during the [ one-year HOTC ] credit period, the taxpayer claiming HOTC with respect to such project shall also be required to recapture a portion of any HOTC. The percentage of HOTC subject to recapture shall be equal to the percentage of LIHTC subject to recapture or otherwise disallowed during such period. Any tax credits recaptured or disallowed shall increase the income tax liability of the qualified taxpayer who claimed the tax credits in a like amount and shall be included on the tax return of the qualified taxpayer submitted for the taxable year in which the recapture or disallowance event is identified.

C. In the event the HOTC is awarded as a stand-alone credit, the percentage of HOTC subject to recapture shall be equal to the percentage of LIHTC that would have been subject to recapture or otherwise disallowed, as determined by the executive director, during such period.

**13VAC10-200-70. Fees.**

The executive director may impose application, allocation, certification, and monitoring fees designed to recoup the costs of the authority in administering the HOTC. Such fees shall be payable at such time as the executive director shall require.