



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

December 10, 2000

Dear Friend of Affordable Housing:

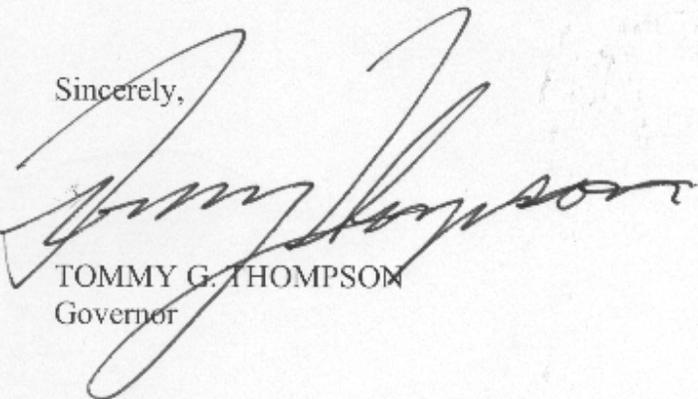
Wisconsin's commitment to affordable housing will be continued in 2001 through the Affordable Housing Tax Credit Program. The credit will ensure the benefits of Wisconsin's robust housing market reach our state's lower and moderate income citizens.

In this effort, it is my pleasure to approve Wisconsin's 2001 Qualified Allocation Plan in accordance with Section 42 (m)(1)(A)(i) of the Internal Revenue Code of 1986, as amended. The Plan is based upon Congressional mandates and Wisconsin's housing needs.

The Affordable Housing Tax Credit Program is a valuable federal resource and it is my Administration's intent to use the credit to create as many quality affordable housing units as possible. In accordance with federal law, I have named the Wisconsin Housing and Economic Development Authority (WHEDA) as administrator of the state's Affordable Housing Tax Credit Program. WHEDA and the multifamily housing development community have produced more than 19,000 units of affordable rental housing through this program since 1987.

I am confident the credit available under this plan will be used efficiently to produce and preserve high quality affordable rental units. Working together, we can ensure all Wisconsinites have decent and affordable homes.

Sincerely,



TOMMY G. THOMPSON
Governor

TGT/cl

2001 QUALIFIED ALLOCATION PLAN

SUMMARY OF MAJOR CHANGES FROM LAST YEAR'S PLAN

A. Application Cycle

1. There will be one initial cycle of credit for 2001, opening January 16, 2001 and closing January 31, 2001.
2. WHEDA may choose to hold a second cycle if it determines that an insufficient quantity of quality applications was received in the first cycle.

B. Application Threshold Requirements

1. WHEDA will review all applications received during the application window according to the procedures outlined in the Plan and further described in the Application.
2. A development must meet a minimum market strength threshold. No points are awarded to a development directly for market strength. All applications, including those financed by tax-exempt bonds, must meet the market approval threshold as determined by WHEDA.
3. The Market Study Guidelines have been significantly revised.
4. Market studies submitted must be performed by WHEDA-approved providers. Providers must submit comparable property information to WHEDA in electronic format as well as in the Market Study. Please visit www.wheda.com for more detail.

C. Changes in Scoring

Please Read The Plan Carefully. Although several categories have not changed, the number of points awarded has changed. We recommend a careful reading of the plan and the scoring criteria.

1. The maximum number of points has increased from 110 to 400.
2. Rehabilitation (category 10): Developments scoring in this category must submit a capital needs assessment. Please review the category for more details.

D. New Scoring Categories

1. Infill Development (category 2)
2. Energy Efficiency (category 13)
3. Readiness to Proceed (category 19)

E. Fees

1. The fee for Assignments of Reservations or Carryover Allocations will increase to \$150.
2. An initial compliance monitoring fee of \$40 per unit (minimum of \$600 and maximum of \$4000) will be assessed at issuance of Form 8609.
3. A physical inspection fee of \$10 per unit based on the number of units inspected will be charged in the year in which a development is inspected. The minimum fee is \$150 - the maximum fee is \$350.
4. Annual monitoring fees have been adjusted.
5. Annual monitoring fees are due on January 31 of each year.

F. Compliance Monitoring

1. Changes to the Owner's Annual Certification per January 2000 IRS regulations have been incorporated.

AFFORDABLE HOUSING TAX CREDIT

2001

QUALIFIED ALLOCATION PLAN

for the

STATE OF WISCONSIN

November 20, 2000

Also available on: www.wheda.com

2001 TAX CREDIT QUALIFIED ALLOCATION PLAN

TABLE OF CONTENTS

I. Introduction	1
II. The Credit Allocation & Reservation Process	1
A. Amount of Credit to be Allocated	1
B. Steps in the Allocation & Reservation Process	2
1. Application Deadline	2
2. Initial Application Review & Meeting with Development Team	3
3. Market Approval Threshold	3
4. Application Scoring & Minimum Scoring Threshold	3
5. Submission & Review of Additional Documents	6
6. Credit Calculation & Reservation	6
7. Second & Third Application Reviews	8
8. Compliance Monitoring Procedures	9
III. Public Review Process for the Qualified Allocation Plan	12
IV. Modifications to the Qualified Allocation Plan	12
V. Statement of Policy	12
VI. Noncompliance & Previous Performance	13
VII. WHEDA Internet Site	13

I. INTRODUCTION

Thank you for your interest in the Federal Housing Tax Credit Program. Governor Thompson has appointed the Wisconsin Housing and Economic Development Authority (WHEDA) to administer this program in Wisconsin. In accordance with Section 42 of the Internal Revenue Code (the "Code"), WHEDA has developed this Qualified Allocation Plan (the "Plan") to establish the criteria and process for the allocation of the housing tax credit (the "Credit") to qualified rental housing developments in Wisconsin. WHEDA will implement this Plan following a public hearing, approval of the Plan by the WHEDA Board of Directors, and final approval of the Plan by the Governor.

II. THE CREDIT ALLOCATION & RESERVATION PROCESS

A. Amount of Credit to be Allocated

The amount of annual Credit authority is based on \$1.25 per capita derived from population estimates released by the IRS. In calendar year 2001, WHEDA will have approximately \$6.5 million of Credit authority, and any previously allocated Credit returned during calendar 2000, available for allocation.

There will be one pool of Credit divided into four set-asides in 2001. These set-asides are General, Nonprofit, Preservation, and Reserve. All set-asides are available at the opening of the application period. Consistent with previous years' practice and in order to best allocate a limited public resource, the maximum credit that will be awarded to any one development in any credit year is \$750,000.

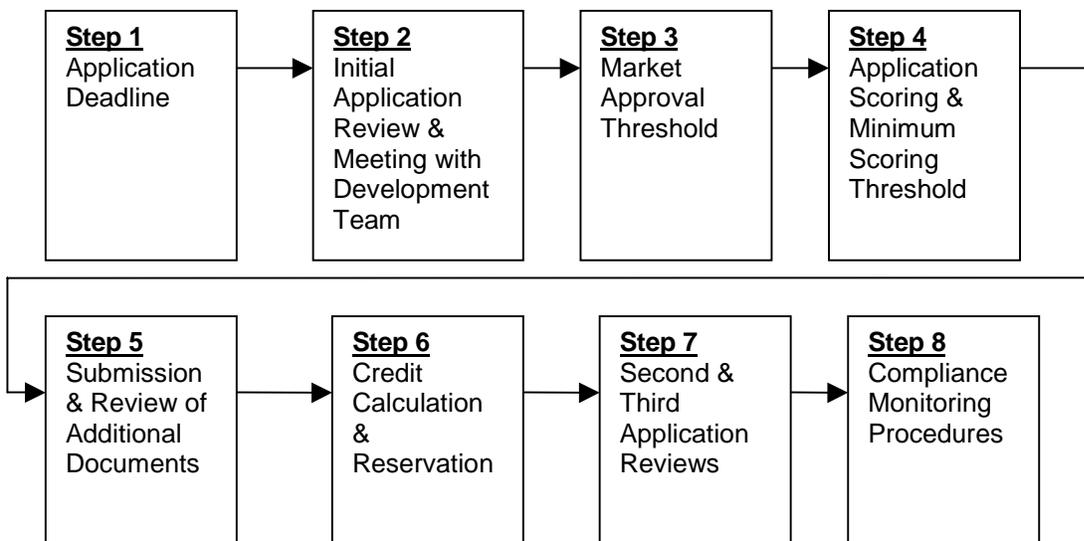
1. **General Set-Aside.** Sixty-eight percent (68%), or approximately \$4,439,975, of the total State housing Credit ceiling will be made available in the General Set-Aside.
2. **Nonprofit Set-Aside.** Ten percent (10%), or approximately \$652,938, of the total State housing Credit ceiling must be set aside for qualified nonprofit organizations that have an ownership interest in a Credit development. This Credit amount cannot be used for any other purpose and any unused Credit may be carried over at the end of the allocation year. A nonprofit may submit an application for either the Nonprofit Set-Aside or the General Set-Aside.

The nonprofit must be a "qualified nonprofit organization" as defined in Section 42 of the Code. Section 42 of the Code defines a "qualified nonprofit organization" as any organization that: 1) is described in paragraphs (3) or (4) of section 501(c) of the Code; 2) is exempt from tax under section 501(a) of the Code; and 3) has as one of its exempt purposes the fostering of low-income housing which include nonprofit organizations meeting one of the following criteria:

- a. **Neighborhood-based nonprofit organization:** An association or corporation duly organized to promote and undertake housing activities on a not-for-profit basis within a specified neighborhood. An organization is considered to be neighborhood-based if the majority of its membership, clientele, or governing body are residents of the neighborhood where activities are to be carried out. This definition includes Community Housing Development Organizations (CHDO), which are also eligible to apply.
 - b. **Housing development organizations operating within a city or county:** Its members and/or board should be representative of its area of operation. That is, a majority of its membership, clientele, or governing body should be residents of the city or county where the activities are to be carried out.
 - c. **Housing development organizations operating within a defined region of the State:** Its members and/or board should be representative of its area of operation. That is, a majority of its membership, clientele, or governing body should be residents of the region where the activities are to be carried out.
3. **Preservation Set-Aside.** Twenty percent (20%), or approximately \$1,305,875, of the total State housing Credit ceiling will be set aside for the preservation of qualifying housing units and the strengthening of neighborhoods experiencing extreme poverty and economic distress. Unused Credit remaining in the Preservation Set-Aside will be made available in the General Set-Aside. Developments must apply in one category only - a, b, or c.

- a. Federally Assisted Housing Preservation. Low-income housing units subsidized under the following programs: Section 236, Section 221(d)(3) Below Market Rate (BMIR), Section 221(d)(3) Market Rate with Section 8 rental assistance, Section 8 project-based new construction, Section 221(d)(4), and Section 515- Rural Housing Development.
 - b. Neighborhood Preservation. The following Milwaukee census tracts are targeted for Neighborhood Preservation: 83, 84, 85, 86, 87, 100,101, 102, 103, 104, 115, 116, 117, 118, 119, 138, 139, 140,141, 142.
 - c. Other Preservation. Developments that have historic significance in the local community, adaptive reuse of existing buildings, and conversion of existing market rate developments to affordable housing.
4. **Reserve Set-Aside.** Two percent (2%), or approximately \$130,587, of the total State housing Credit ceiling will be reserved for Credit fluctuations and contingencies.

B. Steps in the Allocation and Reservation Process



1. Application Deadline

WHEDA will prepare and make available to all interested applicants a form of Application. The Application will be made available in paper and electronic formats. The application will include a prescribed form and a list of required attachments to the form.

Completed applications must be signed and include the nonrefundable application fee. WHEDA will also charge, at a later date, additional fees based on a percentage of the annual Credit dollar amount awarded to the development at the time of Reservation and again at Post-reservation or Carryover Allocation. WHEDA will charge a nonrefundable fee of \$150 for Assignments of Reservations or Carryover Allocations.

WHEDA will accept applications from the opening date of January 16, 2001 through the closing date of January 31, 2001. WHEDA may accept applications after that period in the event that WHEDA determines it has not received an adequate quantity of quality applications.

Application Period Opening Date: **January 16, 2001**

Last Date to Submit the Application: **January 31, 2001**

Last Date to Submit Missing Information: **September 1, 2001**

2. Initial Application Review & Meeting with Development Team

WHEDA will initially review all applications for completeness, including, but not limited to the following:

- a. The application is complete with all necessary attachments;
- b. The development meets the basic occupancy and rent restrictions of Section 42 of the Code;
- c. The organization applying for the Credit will have an ownership interest in the development;
- d. If a nonprofit sponsor competing in the nonprofit set-aside, the nonprofit meets the “qualified nonprofit organization” requirements of the Code;
- e. The developments owned or operated by any member of the development team in the State of Wisconsin or any other state are in compliance with the Code and the historic vacancy levels for such developments are acceptable to WHEDA;
- f. The applicant is sufficiently ready to proceed based on site control.

As required by the Code, WHEDA will also notify the office of the mayor or municipal president of the local jurisdiction in which a proposed Credit development will be located and provide that office a reasonable opportunity to comment. While Credit cannot be denied to a development based solely on such comment, WHEDA will consider this information and in its sole discretion may utilize such comment in its decision-making process. WHEDA will weigh all facts presented by the mayor or municipal president when deciding whether to award Credit to a particular development.

For applications deemed complete, a WHEDA representative will contact a member of the Development team to discuss the proposed development and arrange a visit of the site, the market, a meeting with representatives of the local municipality, and to meet with representatives of the Development team.

3. Market Approval Threshold

WHEDA will determine the market strength of all applications deemed complete during the Initial Application Review. This is a threshold determination based on the Market Study or Market Analysis provided in the application, the market visit by the WHEDA representative, and other sources. Market strength is determined by a variety of factors, including population and household growth, the number and quality of competitive units in the market, the number of new units entering or about to enter the market, the market's ability to absorb those units at the proposed rent levels and the competitiveness of the proposed project based on its amenities, unit types, sizes, rents, and location. WHEDA will also use occupancy levels of tax credit and other competitive subsidized housing in the market area to determine market strength. WHEDA may request additional information from the applicant during the market review process. All applications, including those financed with tax-exempt bonds (see 6b below) must meet the market approval threshold as determined by WHEDA.

4. Application Scoring & Minimum Scoring Threshold

Applications that are deemed complete and have passed the market approval are then scored based on the criteria listed below. Applicants will self-score a portion of these criteria in the Application. However, WHEDA will make the final determination of the applicant's score.

SCORING CATEGORIES FOR 2001:

Location

1. Rural Location

14 points

To encourage development in rural areas of the State where there is demonstrated need, developments will receive scoring points located in any county in the State except the following nine most populous counties: Brown, Dane, Kenosha, Milwaukee, Outagamie, Racine, Rock, Waukesha, and Winnebago.

2. Infill Development

15 points

Developments that maximize land use efficiency through development within established urban service areas.

Local Support

- 3. Local Support** **24 points**
Developments demonstrating strong community support through elected officials and other leaders or neighborhood groups. Additional consideration is given for indirect financial support.

Tenant Profile

- 4. Mixed Income Incentive** **40 points**
Developments that are mixed-income with points given for up to 40% of the units being set-aside for market-rate tenants.
- 5. Serves Large Families (Three-bedroom or larger units)** **12 points**
Developments in which a minimum of 10% and a maximum of 50% of the units contain three bedrooms or more.

- 6. Serves the Lowest-Income Tenants** **45 points**
The Plan gives priority to developments that serve the lowest-income tenants when qualifying tax credit units are set aside for households with incomes and rents at or below the 50% County Median Income level required for Credit developments. Units serving the lowest-income tenants must be representative of the overall unit mix of the development. The Owner will be required to maintain the stated set-aside through a Land Use Restriction Agreement (LURA). Additional Credit incentive may be provided for developments that score in this category and Category 4. Developments serving market-rate and lower-income tenants will be evaluated and may receive an increase of Credit up to the amount calculated by the qualified basis.

To be awarded points, the Market Study (or Market Analysis Summary) for developments of 24 units or fewer) must also address and demonstrate a sufficient market for the lower-income population being targeted.

In order to receive points in this category, collected rents cannot exceed the calculated rents based on 30% of the targeted lower percentages of County Median Income.

- 7. Tenant Populations with Special Needs** **12 points**
(a) Developments that set aside qualifying tax credit units that are intended for occupancy by one or more of the following populations:
- (i) Persons with physical disabilities.
 - (ii) Homeless individuals or families.

To be awarded points, the Market Study (or Market Analysis Summary) for projects of 24 units or fewer) must also address and show that there is a sufficient market for the population being targeted. The applicant must also provide a description of architectural features and a service and marketing plan to demonstrate that the development will serve this population. (9 points)

- (b) If addressing special tenant needs, the sponsor has previous experience in the type of housing or service delivery proposed and can document that experience with participation history. (3 points)

- 8. Elderly** **15 points**
Elderly developments with a minimum of four of the following services/amenities: meal services, planned social and recreational activities, 24-hour staff/aid, wellness monitoring/clinic, housekeeping, 24-hour security, scheduled transportation, emergency call system, and other amenities/services.

Building Size & Characteristics

- 9. Small Developments** **18 points**
Developments that have 24 or fewer units.

- 10. Rehabilitation** **36 Points**
Developments that rehabilitate, reuse or restore existing structures, including historic rehabilitation. Points will be awarded based on hard costs only.

Proposals for 24 units or more, not involving “gut” rehabilitation, must include an account of the capital needs requirements of the subject property. This account may be performed by either a third-party capital needs specialist or can be a letter from the lender, syndicator or consultant stating that the rehabilitation proposed for the building is “reasonable” based on the current overall physical condition of the building(s). As appropriate, this account should identify significant deferred maintenance, existing deficiencies, and material building code violations that affect the property’s use and its structural and mechanical integrity.

- 11. Amenities** **21 points**
Developments with one or more of the following amenities: community space, playground/recreation area, separate entries for family developments, dishwasher and disposal, balcony/patio, garage, and washer/dryer connections (in addition to central laundry).

- 12. Day Care** **12 points**
Developments that provide affordable child care facilities operated by licensed providers.

- 13. Energy Efficiency** **10 points**
Developments offering components or building materials that decrease energy consumption and/or provide long term environmental benefit.

Financial Feasibility & Participation

- 14. Financial Feasibility** **24 points**
Developments that demonstrate strong financial feasibility based on, but not limited to, development costs, operating/rent-up reserves, debt coverage ratio, and projected first-year stabilized operating budget and replacement reserves.

- 15. Financial Participation** **24 points**
Developments that have financial participation, supported by written documentation, from one or more of the following sources:
- (a) Federal, state, county or city governments
 - (b) Public housing authorities
 - (c) Wisconsin Department of Administration, Tax Exempt Bonding Authorities and Division of Housing and Intergovernmental Relations
 - (d) Public or private foundations
 - (e) Incentives for historic preservation

Development Team

- 16. Sponsor Characteristics** **6 points**
- (a) Developments that are at least 51% owned and at least 51% controlled by minority group members.
- OR**
- (b) The sponsor is a local tax-exempt organization (including local governments and public housing authorities) with previous experience in the development and/or operation of housing similar to that proposed in the application.

- 17. Development Team** **54 points**
Development team performance and previous credit program participation including development and financial information.

Duration of Low-Income Use

- 18. Extends Minimum Duration of Low-Income Use** **3 points**
Development owner agrees to extend low-income use beyond the 15 years mandated by the IRS. Owners will be required to enter into a Land Use Restriction Agreement (LURA) for 30 years and agree not to implement the termination provision. WHEDA recommends that the applicant consider the overall financial impact to the development when self-scoring in this category.

Readiness

19. Readiness to Proceed

15 points

Developments that demonstrate ability to proceed quickly by procuring all necessary zoning and related approvals and subordinate financing commitments necessary for project feasibility.

TOTAL POINTS:

400

WHEDA calculates the score for each application. WHEDA then determines which applications meet or exceed a minimum established scoring threshold. These are then ranked. First ranking is given to those reasonable requests for additional credit for developments that received credit in 1999 or 2000, regardless of their score. The remaining applications that meet or exceed the minimum scoring threshold are then ranked by score. The ranking results are published on the WHEDA website (www.wheda.com).

5. Submission & Review of Additional Documents

The highest-ranking applicants within each set-aside and for which credit is deemed likely to be available are able to continue in the process. WHEDA will notify these applicants that they must submit additional application materials within 60 days of the notification date. Applications that are incomplete in one or more of the threshold requirements after the 60-day period will no longer be considered for further evaluation. WHEDA may grant a written extension, provided the applicant submits an acceptable reasonable written request to WHEDA. In the event an application is not able to proceed in the process, the next highest scoring application not under consideration (and which meets or exceeds the minimum scoring threshold) will continue in the process.

6. Credit Calculation & Reservation

a. Credit Calculation

Once a development has received market approval, achieved sufficient scoring rank, and has satisfactorily submitted all requested additional documentation, WHEDA will reserve the calculated Credit amount for the development. WHEDA determines the amount of Credit reserved through information received and the amount requested in the application. The actual reservation amount may not equal the dollar amount requested in the application. The Code requires that WHEDA determine that "the housing credit dollar amount allocated to the development does not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing project throughout the credit period." In making this determination, WHEDA will consider the following:

1. The sources and uses of funds and the total financing planned for the development;
2. Any proceeds or receipts expected to be generated by reason of tax benefits;
3. Percentage of the housing credit dollar amount used for development costs other than the cost of intermediaries;
4. The reasonableness of the developmental and operational costs of the proposed development; and
5. An analysis of the appropriate credit amount based on an "equity gap" model.

The Code allows the possibility of receiving a Credit reservation equal to 130 percent of qualified expenditures. The increased basis is allowed in areas defined by HUD as "qualified census tracts" or "difficult development areas." There are no HUD-designated difficult development areas in Wisconsin. Applicants may request the higher basis, but WHEDA reserves the right to determine the Credit allocation amount required for feasible development.

FEDERALLY DESIGNATED QUALIFIED CENSUS TRACTS ELIGIBLE FOR 130% CREDIT

City	Census Tract(s)
Appleton	101
Beloit	15
Eau Claire	11
Fond du Lac	406
Green Bay	1, 8, 9, 10 & 12
Janesville	1
Kenosha	10 & 11
La Crosse	3, 4 & 5
Madison	11, 14.01, 16.01, 16.02, 17, 25.98 & 32
Milwaukee	12, 18, 21, 28, 40, 42, 44, 45, 46, 47, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 110, 111, 112, 113, 115, 116, 117, 118, 119, 120, 121, 122, 123, 132, 134, 135, 136, 137, 138, 139, 140, 141, 142, 146, 147, 148, 149, 150, 151, 154, 155, 156, 157, 158, 159, 163, 164, 165, 166, 167, 168, 169, 174, 175, 177, 178.98
Oshkosh	6 & 7
Racine	1, 3, 4, 5 & 10.01
Sheboygan	5 & 6
Superior	201 & 202
County	Census Tract
Ashland	9501
Menominee	9701
Portage	9610
Sawyer	9807
Vilas	9509
Walworth	5

Developments receiving assistance under the HOME Investment Partnerships Act are considered Federally subsidized unless 40% or more of the residential rental units in the building are set aside at rents of, and occupied by households whose income is based on 50% or less of the area median income. In this case, the development may utilize the 9% Credit but cannot receive the "high cost" increase in basis. HOME *grants* are subtracted from eligible basis.

b. Rules for Developments Receiving Non-Competitive Credit when Financed with Tax-Exempt Bonds

Applicants applying for tax credits for development financed by WHEDA or locally-issued tax-exempt bonds must follow a two-tier application process.

Applicants must submit the first application prior to commencing construction of the development. WHEDA will review the application to confirm that the development meets the requirements of the Plan, including a determination that the application meets both the market threshold and minimum-scoring threshold. Developments may rely on the Plan and form of application in effect for the year in which they make their first application. In its review of the first application, WHEDA also confirms that 50% or more of the aggregate basis of building(s) and land is being financed with tax-exempt bonds. **Since all tax credit applications must meet the market threshold and minimum scoring threshold, developers are encouraged to make the first application for credit as early in the development process as possible.**

Applicants submit the second application at the time of request for Credit allocation (the issuance of Form 8609).

Along with approval of the first and second applications, Applicants must meet the following requirements to qualify for credit:

1. The governmental unit that issues the bonds must make a determination of allowable Credit under rules similar to those required in Section 42(m)(2)(A)&(B), and will be required to provide an affidavit in a form acceptable to WHEDA that it has made this determination.
2. Applicants must submit evidence of applicable tax credit percentage election in accordance with Section 42(b)(2). If no such election is submitted, WHEDA will issue an allocation based on the appropriate percentage prescribed by the law.
3. The Owner must enter into a Land Use Restriction Agreement (LURA) with WHEDA.
4. WHEDA must assign building identification number(s) and issue IRS Form 8609(s) for each building in the development.

WHEDA will charge an application fee and additional review fees for all tax-exempt bond financed developments. These fees are based on a percentage of the annual allowable Credit.

c. Reservation of Credit

WHEDA will issue a letter reserving the determined Credit amount to qualifying applicants. An applicant may not transfer any Credit authority to another development nor transfer Credit to another development site. WHEDA will not allow changes to the development that affect scoring after the reservation letter has been issued without its written approval.

7. Second & Third Application Reviews

Federal law requires that WHEDA evaluate the application three times: a) at initial application, b) at carryover allocation/post-reservation application, and c) at the time the building(s) is (are) placed in service. On each occasion, the applicant must submit a complete credit application, and certify to all Federal, State, and local subsidies expected to be available to the development. The process requires that applicants provide detailed and accurate information concerning all development costs at each evaluation. Applicants with reservations will be subject to cancellation of the reservation if they are unable to provide WHEDA with satisfactory evidence of progress toward timely completion of the proposed development, or if there are significant changes to the proposed development from the approved application.

Provided the second evaluation is in order, WHEDA will issue either a Carryover Agreement or a Post-Reservation letter at the time of completion of the second evaluation. Developments eligible for 2001 credit must be placed in service during the calendar year 2001 or qualify for and receive a Carryover Agreement prior to December 1, 2001. To qualify for a carryover allocation, the taxpayer must incur costs in 2001 that exceed 10% of the taxpayer's "reasonably expected basis" or total development cost. To receive a Carryover Agreement, the owner must submit no later than December 1, 2001 a third-party accountant's review certifying that the required 10% expenditure has occurred. A breakdown of expenditures will be required as well as proof of expenditure by the specified deadline.

The third and final evaluation will be conducted after the development has been placed in service. WHEDA will again review revised costs and the equity requirement based on information provided by the application in a third updated application to determine the appropriate amount of credit to be allocated. Submission of a third application for final allocation must be made within 90 days of the placed in service date or an extension must be requested.

A final allocation of Credit cannot be made until the development building(s) has/have been placed in service and the owner has provided a third-party cost certification to actual development costs. Awarding of the actual credits will be contingent on:

- a. Sponsor's ability to meet its proposed time schedule;
- b. Required documents including approved occupancy permit(s), architect's certification of substantial completion for new construction/ substantial rehabilitation developments, a copy of a certified rent roll for most recent month, and a current legal description with the tax key number from the title policy;
- c. Third-party cost certifications (for those developments of 10 units or less, a cost review is required; for developments consisting of 11 units or more, an audited third-party cost certification must be submitted);
- d. Submission of any other documents which WHEDA will require in determining the actual amount of Credit to be allocated to the development;
- e. The development's compliance with the requirements of Section 42 of the Code;
- f. Completion by the applicant of all required agreements, including certification of all Federal, State, and local subsidies which apply; reporting and record keeping requirements; nondiscrimination regulations and any special conditions imposed by WHEDA or the U.S. Department of Treasury;
- g. Execution of a Land Use Restriction Agreement (LURA) mandated under Section 42 of the Code that commits to extend use for low-income housing for the required time frame.

Upon receipt of the above documentation (in a form acceptable to WHEDA) and a signed Allocation Certification Request (from the owner stating that the development is in compliance with Section 42 of the Code and will remain in compliance for the Credit period specified in the Code), WHEDA will allocate Credit and send a completed copy of IRS Form 8609 to the owner. WHEDA will forward the original Form 8609 to the IRS.

If WHEDA at any time has reason to believe that the development: 1) will not be placed in service by the end of the year for which Credit has been allocated, or 2) fails to comply with the requirements for a carryover allocation, or 3) is not in compliance with Section 42 of the Code, or 4) that the application contains misrepresentations, it (WHEDA) may revoke the Credit allocation.

8. Compliance Monitoring Procedures

The Code requires housing credit agencies to monitor all Credit developments to determine whether they are complying with the requirements of the Credit program. The monitoring requirement applies to all buildings placed in service for which the Credit is, or has been, allowable at any time. WHEDA's internal monitoring process is outlined in the Tax Credit Program Compliance Monitoring Manual, which is provided to the owner of each Credit development.

Once the Form 8609 is issued, WHEDA will only allow changes to the development affecting the selection criteria on which the allocation of Credit was awarded upon satisfactory evidence that the change is necessary for the ongoing financial viability of the development. WHEDA will consider no change within the first three years of the Credit period.

All Credit developments are required to comply with the following regulations:

- a. The owner of a Credit development must keep records for each qualified building that show for *each year* in the compliance period:
 - i) Total number of residential rental units and percentage that are qualifying units;
 - ii) Rent charged on each residential unit (including any utility allowances);
 - iii) Number of occupants in each qualifying unit;
 - iv) Qualifying unit vacancies and information that shows when, and to whom, the next available units were rented;
 - v) Annual income certifications of each qualifying tenant per unit and documentation to support each certification;
 - vi) Character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d); and
 - vii) The eligible basis and qualified basis of the building at the end of the first year of the credit period.

- b. The owner of a Credit development is required to retain the records described in Section a. above for each building in the development for at least six (6) years beyond the due date (with extensions) for filing the Federal income tax return for that year. Records for the *first* year of the credit period must be retained for at least six (6) years beyond the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period of the building.
- c. The owner of a Credit development must certify annually to WHEDA under penalty of perjury, on forms and in a manner prescribed by WHEDA that:
- i) The development meets the minimum set-aside test applicable to the development;
 - ii) The owner has received an annual Tenant Income Certification from each qualifying tenant and documentation to support that certification;
 - iii) Each qualifying unit in the development is rent-restricted under Section 42(g)(2) of the Code;
 - iv) All units in the development are for use by the general public (as defined in §1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the development. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, and adverse final decision by a substantially equivalent State or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgement from a Federal court, The buildings and each residential unit in the development are suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or residential unit in the development;
 - v) Either there has been no change in the eligible basis as defined in Section 42(d) of any building, or there has been a change, and the nature of the change, including any new Federal funds received;
 - vi) All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the development, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances are provided on a comparable basis without a separate fee to all tenants in the buildings;
 - vii) If a qualifying unit in the development becomes vacant during the year, reasonable attempts are made to rent that unit to tenants having a qualifying income and while the unit is vacant, no units of comparable or smaller size are rented to tenants not having a qualifying income;
 - viii) If the income of tenants of qualifying units increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income;
 - ix) Either there has been no change in the applicable fraction as defined in Section 42(c)(1)(B), or there has been a change, and the nature of the change;
 - x) The development complies with the requirements or special provisions on which the allocation was based as outlined in the allocation documents, including, but not limited to, special set-asides and the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1927, 42 U.S.C. 1437s (for buildings subject to section 13142(b)(4) of the Omnibus budget Reconciliation Act of 1993, 107 Stat. 312, 438-439);
 - xi) All qualifying units in the project are used on a nontransient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv) of the Code);
 - xii) The development complies with the requirements for all Federal or state housing programs (e.g. RHS assistance, HOME assistance, Section 8, FHA, tax-exempt financing or other programs), as applicable;
 - xiii) If the owner received its credit allocation from the portion of the State ceiling set-aside for a development involving “qualified non-profit organizations” under Section 42(h)(5) of the code, the non-profit entity materially participates in the operation of the development within the meaning of Section 469(h) of the Code, as applicable;

- xiv) The development is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations;
 - xv) There has been no change in the ownership or management of the project or any such changes have been reported to the State Monitoring Agency; and,
 - xvi) The applicable fraction as reported to the IRS for each building in the development at the close of the most recent tax year.
- d. WHEDA requires that an owner of a Credit development submit to WHEDA during the compliance period, at times and in a manner prescribed by WHEDA, which may include transmission via e-mail or through a website the following information:
- i) The Form 100 owner's certification as described in Section c. above;
 - ii) Unit event information including data as described in Section a.;
 - iii) Utility documentation as required by the Code of Federal Regulations (26 CFR §1.42-10) and described in WHEDA's Tax Credit Program Compliance Monitoring Manual;
 - iv) Copy of signed 8609's the owner submits in the first year credit is claimed; and
 - v) Other documentation as required.
- e. WHEDA has the right to perform inspections of any Credit development through the end of the compliance period, including any extended use period. An inspection includes a physical inspection of any building and units in the development, as well as a review of the records described in Section a. above.
- f. WHEDA will provide prompt written notice to the owner of a Credit development if WHEDA does not receive the required certifications or discovers through inspection, review or any other manner, that the development is not in compliance with the provisions of Section 42. In general, the owner will have an opportunity to correct noncompliance within 90 days from the date of notice to the owner and to submit missing documentation within 30 days. During the correction period, an owner must supply any missing certifications and bring the project into compliance with the provisions of Section 42. WHEDA may extend the correction period for up to six (6) months if it determines there is good cause for granting an extension.
- g. WHEDA is required to file Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described above, including any extension, whether or not the noncompliance or failure to certify is corrected.
- h. Compliance with the requirements of Section 42 is the responsibility of the owner of the development for which the Credit is allowable. WHEDA's obligation to monitor for compliance does not make WHEDA liable for an owner's noncompliance. WHEDA will charge an annual fee to the development for conducting compliance monitoring. The annual fee is due January 31 of each year during the 15-year compliance period. WHEDA will also charge an initial compliance monitoring fee payable when the Form 8609 is issued. This initial compliance monitoring fee shall apply to all buildings placed in service after January 1, 2001. A physical inspection fee based on the number of units to be inspected will be charged in the year a development is inspected. This fee is not assessed during the first inspection year. WHEDA's "Compliance Monitoring Fee Schedule" and "Compliance Monitoring Fee Policy" is included in WHEDA's "Tax Credit Program Compliance Monitoring Manual" and the Qualified Allocation Plan. After the building/project is initially notified of monitoring fees due, WHEDA will not send annual invoices. Fees will be charged on all units within each project. The fees for 2001 are as follows:

Initial compliance fees for all buildings placed in service after January 1, 2001:

The initial compliance fee for developments of 24 units or less is \$600. For developments of 25 or more units, the fee is \$40 per unit with a maximum of \$4000.

Annual physical inspection fees:

\$10 per unit inspected (minimum of \$150 and maximum of \$350).

If WHEDA and Rural Development Services enter into a "Memorandum of Understanding" (as described in 26 C.F.R., Parts 1 & 602 issued by the Department of Treasury on January 14, 2000), developments financed by Rural Development will not be subject to the annual physical inspection fee. However, this exemption from the annual physical inspection fee will not apply to developments which WHEDA is required to review for curing noncompliance with physical requirements under the Code. A fee for such a review will be charged at the time the review is undertaken.

Paper Quarterly Status Reports:

Rural Development	\$22/ per unit per annum
WHEDA-financed	\$22/ per unit per annum
All Other	\$37/ per unit per annum

Electronic Quarterly Status Reports:

Rural Development	\$16 per unit per annum
WHEDA-financed	\$16/ per unit per annum
All Other	\$31/ per unit per annum

III. PUBLIC REVIEW PROCESS FOR THE QUALIFIED ALLOCATION PLAN

WHEDA will convene public hearings to discuss this Plan. After the hearings, the Plan, along with comments received, will be presented to the Members of WHEDA and the Governor for approval.

IV. MODIFICATIONS TO THE QUALIFIED ALLOCATION PLAN

WHEDA may modify this plan to facilitate the allocation of Credit. WHEDA's Executive Director may make modifications deemed necessary to facilitate the administration of the Credit program or to address unforeseen circumstances. The Executive Director is also authorized to waive any conditions not mandated by Section 42 of the Code on a case-by-case basis for good cause. To the extent that anything contained in this Plan does not meet the minimum requirements of Federal law or regulation, such law or regulation shall take precedence over this Plan. WHEDA reserves the right and shall have the power to allocate Credit to a development irrespective of points scored, if such intended allocation is: 1) in compliance with the Code; 2) in furtherance of the housing priorities stated herein; and 3) determined by WHEDA to be in the best interests of the citizens of the State of Wisconsin.

V. STATEMENT OF POLICY

The Code requires that the Plan provide selection criteria that include "(i) project location, (ii) housing needs characteristics, (iii) project characteristics, (iv) sponsor characteristics, (v) participation of local tax-exempt organizations, (vi) tenant populations with special housing needs, and (vii) public housing waiting lists." In addition, the Plan must give preference to developments that serve the lowest-income tenants and those that are obligated to serve qualified tenants for the longest period. The Plan may also include other criteria as WHEDA deems appropriate, and except for the inclusion of the specified preference items, WHEDA has discretion with regard to the relative weight of these criteria. WHEDA is also given the discretion to determine the appropriate amount of Credit allocated to developments selected under the plan. In developing this Plan, WHEDA considered the State Housing Plan and the Wisconsin Consolidated Plan as well as its experience in creating affordable housing throughout Wisconsin.

WHEDA is responsible for allocating only the amount of Credit to a given development required to make that development economically feasible. This decision shall be made solely at the discretion of WHEDA, but in no way represents or warrants to any person that the development is, in fact, feasible or viable.

WHEDA review of documents submitted in connection with this allocation is for its own purposes. By allocating the Credit, WHEDA makes no representations to the applicant, owner, or any other entity regarding adherence to the Code, Treasury regulations, or any other laws or regulations governing low-income housing tax Credit.

No member, officer, agent, or employee of WHEDA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Credit. WHEDA reserves the right to revoke Credit in the case of misrepresentations made to WHEDA by any member of the development team.

VI. NONCOMPLIANCE & PREVIOUS PERFORMANCE

WHEDA will review the compliance history and overall performance of members of the development team. The development team is defined as the developer, applicant, owner, management agent, contractor, general partner or managing member of the ownership entity, or any related entity which controls, is controlled by, or under common control with any of the foregoing. Noncompliance may result in any member of the development team being denied participation in the Credit Program. All compliance fees owed by any member of the development team must be paid in full and compliance reports must be current before WHEDA will process an application. WHEDA will reject applications and bar the development team from program participation for at least one year if the development team has submitted information to WHEDA, that when verified by WHEDA or other third-party review, is found to materially affect the qualified basis of the building. A development team is ineligible to compete for credit in 2001 if they have: 1) failed to make the required 10% expenditure for more than two allocations in 2000; 2) returned Credit for two or more allocations or more in the previous two calendar year period(s); or 3) not made satisfactory progress on existing allocations.

VII. WHEDA INTERNET SITE

The following materials will be made available on WHEDA's Internet site at www.wheda.com:

2001 Qualified Allocation Plan
2001 Affordable Housing Tax Credit Application and Attachments
Updated Market Study Guidelines
Approved List of Market Study Providers
Wisconsin's Tax Credit Projects listed by County from 1987 - 2001
Updates on Wisconsin's Tax Credit Program
List of Reservations for the Current Year
List of Applicants for the Current Year