AFFORDABLE HOUSING TAX CREDIT

2003/2004

QUALIFIED ALLOCATION PLAN

for the

STATE OF WISCONSIN

October 11, 2002

Also available on: www.wheda.com

2003/2004 TAX CREDIT QUALIFIED ALLOCATION PLAN

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I. INTRODUCTION

Thank you for your interest in the Federal Housing Tax Credit Program. The Governor 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. This Plan shall govern calendar years 2003 and 2004.

II. THE CREDIT ALLOCATION & RESERVATION PROCESS

A. Amount of Credit to be Allocated

The amount of annual Credit authority is based on the $1.75 (2002) per capita figure adjusted for inflation in accordance with the consumer price index (CPI). The per capita is derived from population estimates released by the IRS. In calendar year 2003, WHEDA will have approximately $ 9.75 million of Credit authority. Previously allocated Credit returned during the calendar year will also be available for allocation. WHEDA will allocate credit in 2004 using the same methodology.

There will be one pool of Credit divided into four set-asides in 2003 and 2004. These set-asides are General, Nonprofit, Preservation, and Reserve. All set-asides are available at the opening of the application period. Because WHEDA intends to leverage this limited public resource to the furthest extent possible, the maximum credit that will be awarded to any one development in any credit year is $825,000.

1. **General Set-Aside.** Fifty percent (50%), or approximately $4,875,000, of the total State housing Credit will be made available in the General Set-Aside.

2. **Nonprofit Set-Aside.** Ten percent (10%), or approximately $975,000, of the total State housing Credit 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 in which activities are to be carried. 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 in which the activities are to be carried.

   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 in which the activities are to be carried.

3. **Preservation Set-Aside.** Thirty-five percent (35%) or approximately $3,412,500, 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 or similar 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. Preservation of Existing Multifamily Housing. Conversion of existing market rate developments to affordable housing.

   Note that adaptive reuse developments will no longer be considered in the Preservation Set-Aside. Developments involving the adaptive reuse of existing non-housing buildings are now considered in the General Set-Aside.

4. **Reserve Set-Aside.** Five percent (5%), or approximately $487,500, of the total State housing Credit ceiling will be reserved for Credit fluctuations and contingencies.

B. Steps in the Allocation and Reservation Process

Step 1 Application Submissions January 16 through January 31 →
Step 2 Initial Application Review & Meeting with Development Team →
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1. Application Deadline

WHEDA will prepare and make an application available to all interested applicants in both 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 $500 for Assignments of Reservations or Carryover Allocations.

WHEDA will accept applications for a two-week period beginning January 16 in both 2003 and 2004. WHEDA may accept applications after that period should WHEDA determine it has not received an adequate quantity of quality applications. WHEDA may elect not to allocate any remaining credit.

Application Period Opening Date (2003):	January 16, 2003
Last Date to Submit the Application (2003):	January 31, 2003
Application Period Opening Date (2004):	January 16, 2004
Last Date to Submit the Application (2004):	February 2, 2004
Last Date to Submit Additional Documentation without a Written Extension/Applicable Fee:	90 days after initial approval

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 applicant is 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. Current financial statements for each Applicant/Developer;
g. Environmental issues or administrative proceedings exist that would adversely affect the ability to timely proceed;
h. The applicant is sufficiently ready to proceed based on site control.

As required by the Code, WHEDA will also notify the office of the appropriate official 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 evaluate all input received from the appropriate official(s) 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 evaluate 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. The market study must adhere to the market study standards published at www.wheda.com. 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 data on 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. WHEDA will make market decisions based on the application as submitted. WHEDA, at its option, may elect to contract its own third-party market study to validate or refute information provided by the developer.

WHEDA requires applicants to provide a completed Market Analysis form with the application for developments with 24 or fewer units. If the development passes the market approval threshold and receives sufficient scoring to be allowed to continue in the process, WHEDA will require the applicant to submit an independent third-party market study, conducted by a WHEDA approved market study consultant and paid for by the applicant.

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 2003/2004:

Location

1. **Lower Income Areas** **15 points**
   Developments in a qualified census tract, the development of which contributes to a concerted community revitalization plan. The developer must submit the plan to WHEDA. WHEDA will determine whether the development qualifies for these points based on additional documentation supplied by the developer.

2. **Infill Development** **15 points**
   New construction developments that maximize land use efficiency through development within established urban service areas. WHEDA will determine whether the development qualifies for these points based on additional documentation supplied by the developer.

Local Support

3. **Local Support** **27 points**
   Developments demonstrating strong community support through elected officials and other leaders or neighborhood groups. Additional consideration is given for indirect financial support.

Resident Profile

4. **Mixed Income Incentive** **25 points**
Developments that are mixed-income with points given for up to 25% of the units being set-aside for market-rate residents.

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 Residents** **45 points**
The Plan gives priority to developments that serve the lowest-income residents 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 residents shall be of comparable quality to other units in 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. WHEDA will evaluate developments serving market-rate and lower-income residents that 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. **Resident Populations with Special Needs** **12 points**
Developments that set aside qualifying tax credit units that are intended for occupancy by persons with physical disabilities or homeless individuals/families. To be awarded points, the Market Study 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. If addressing special resident needs, the sponsor must demonstrate previous experience in the type of housing or service delivery proposed.

Building Size & Characteristics

8. **Small Developments** **24 points**
WHEDA will award 24 points to developments with 24 or fewer units.

9. **Rehabilitation** **45 points**
Developments that rehabilitate, reuse or restore existing structures, including historic rehabilitation. Points will be awarded based on hard costs only. The minimum per-unit hard cost is $12,000 for existing multifamily and $60,001 for adaptive reuse.

   Proposals for 24 units or more, not involving “gut” rehabilitation, must include an analysis of the capital needs requirements of the subject property. This analysis 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 analysis should identify significant deferred maintenance, existing deficiencies, and material building code violations that affect the property’s use and its structural and mechanical integrity.

10. Services **15 points**
Developments offering one or more service benefiting residents and promoting long-term project viability: Meal services, laundry services, beauty/barber services, public bus transportation on-site or at boundary, 24 hour on-site manager, housekeeping services, wellness monitoring/clinic, banking/financial services, development-provided scheduled transportation or dedicated vehicle, emergency call system, and exercise/stretching class. WHEDA will determine whether the development qualifies for these points based on supporting documentation supplied by the developer. Services provided to the public at large will not be awarded points.

11. Market Appeal **18 points**
Developments offering one or more of the following amenities which enhance market appeal and promote long-term project viability: Community space, playground/recreation area, separate exterior entries for family developments, both dishwasher and garbage disposal, in-unit high-speed internet access, one garage space per two units, non-community balconies/patios, garage, and washer/dryer connections (in addition to central laundry).

12. Accessibility **20 points**
Developments offering architectural features that increase accessibility will broaden the market for many units. An architect must specify and certify all items. The applicant must attach the specifications and certification to the application.

<u>**Financial Feasibility & Participation**</u>

13. Proforma Benchmarks **45 points**
Developments that demonstrate strong financial feasibility based on, but not limited to, development costs, operating/rent-up reserves, primary and secondary/subordinate debt coverage ratio, ratio of deferred fees against development budget, and projected first-year stabilized operating budget and replacement reserves.

14. Financial Participation **40 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's Division of Housing and Intergovernmental Relations
(d) Tax-Exempt Bonding Authorities;
(e) Public or private foundations;
(f) Non-profit financial support;
(g) Federal/State Historic credit

15. Owner Characteristics **6 points**
(a) Developments that are at least 51% owned and at least 51% controlled by minority group members or tribal governments.; OR
(b) The Owner is a local tax-exempt organization (including local governments, public housing authorities, Indian housing authorities and tribally designated housing entities) with previous experience in the development and/or operation of housing similar to that proposed in the application.
(c) Developments intended for eventual resident ownership.

16. Development Team **60 points**
Development team (Developer, Management Agent, General Contractor and/or consultant) will be evaluated based on past performance and previous credit program participation. Items reviewed include: development compliance, ability to work with communities, occupancy and financial capability/performance.

Duration of Low-Income Use

17. Extends Minimum Duration of Low-Income Use **6 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

18. Readiness to Proceed **20 points**
Developments that demonstrate the ability to proceed quickly by procuring all necessary zoning and other governmental approvals and all financing commitments necessary for project feasibility.

TOTAL POINTS: **450 points**

WHEDA calculates the score for each application, then determines which applications meet or exceed a minimum established scoring threshold. These are then ranked. First priority is given to reasonable requests for additional credit for developments that received credit in the previous application year. Remaining applications that meet or exceed the minimum scoring threshold are then ranked by score. Ranking results are published on the WHEDA website (www.wheda.com). WHEDA recognizes that its decisions, or other events beyond the developer's control, may affect the development and potentially change its score. ***WHEDA, at its discretion, may allow changes in scoring. Whether the development receives credit in such a circumstance will depend on its new score and ranking within its respective set-aside category.***

WHEDA requires a minimum point score for all applications of 160.

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 90 days of the notification date. Applications that fail to meet all threshold requirements without extension from WHEDA after this 90-day period will no longer be considered for further evaluation. WHEDA, at its option, may approve a written request for an extension, provided the applicant submits an acceptable written request to WHEDA. WHEDA will charge a fee of one-half percent (1/2%) of the total development credit amount for each 30-day extension period. In the event an application is not able to proceed in the Credit process, the next highest-ranked scored application that meets or exceeds the minimum scoring threshold will continue in the process.

6. Credit Calculation & Reservation

a. Credit Calculation:

WHEDA will reserve the calculated Credit amount for the development after a development has received market approval, achieved sufficient scoring rank, and has satisfactorily submitted all requested additional documentation. 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 development and operational costs of the proposed development;
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" (QCT) or "difficult development areas (DDA)". 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. A map of the census tract showing the project location must be submitted with the application for Credit.

Credit may be awarded to that portion of a building used as a community service facility not in excess of 10% of the total eligible basis. The building must be located in a qualified census tract. Community service facility may include childcare, workforce development, healthcare, etc. and must be designed primarily to serve individuals whose income is 60% or less of area median income.

Under certain circumstances described in the Code, buildings financed under the Native American Housing Assistance and Self-determination Act of 1996 (NAHASDA) are eligible for the 9% credit.

Federally Designated Qualified Census Tracts
Eligible for 130% Credit
(Published September 11, 2001)

City	**Census Tracts**
Appleton	101
Beloit	15, 16 & 18
Eau Claire	6, 10, 11 & 12
Fond du Lac	406
Green Bay	1, 8, 9, 10 & 12
Janesville	1 & 3
Kenosha	9, 10, 11 & 16
LaCrosse	3, 4, 5 & 9
Madison	11, 12.98, 14.01, 15.01, 16.01, 16.02, 17, 25.98 & 32
Milwaukee	12, 18, 19, 21, 24, 28, 40, 42, 44, 45, 46, 47, 48, 60, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 78, 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, 114, 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, 152, 154, 155, 156, 157, 158, 159, 163, 164, 165, 166, 167, 168, 169, 174, 175, 177, 178.98
Oshkosh	6 & 7
Racine	1, 2, 3, 4, 5 & 10.01
Sheboygan	5 & 6
Superior	201, 202 & 203
Wausau	1

County	**Census Tracts**
Ashland	9501
Bayfield	9601
Dunn	9708
Eau Claire	1
Forest	9504
Grant	9609
Menominee	9701
Portage	9603, 9604 & 9610
Racine	22
Sawyer	9805 & 9807
Vernon	9602
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 a 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. The Owner must contact WHEDA to schedule a monitoring inspection, which must be completed prior to 8609 application/issuance.
5. The Owner must certify the management agent on the initial application will continue to manage the property prior to 8609 issuance.
6. the Owner is required to submit an ACH (Automated Clearing House) form prior to 8609 issuance.
7. WHEDA assigns building identification number(s) (BINs) 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.

The second review is due from the applicant no later than 90 days after the date of Reservation. 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 2003 credit must be placed in service during the calendar year 2003 or qualify for and receive a Carryover Agreement prior to December 1, 2003. To qualify for a carryover allocation, the taxpayer must incur costs that exceed 10% of the taxpayer's "reasonably expected basis" or total development cost by the later of: a) December 31, 2003 or b) six months after the date the carryover allocation is issued. The owner must submit a third-party accountant's review certifying that the required 10% expenditure has occurred, or is likely to occur as of either a) or b), above. WHEDA requires a breakdown of expenditures as well as proof of expenditure by the specified deadline. Developments eligible for 2004 credit must meet the specified requirements by the applicable date in 2004.

The third and final review is 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 applicant in a third updated application to determine the appropriate amount of credit to be allocated. At the third application, the Owner is required to submit an ACH (Automated Clearing House) form. Prior to 8609 issuance, the Owner must have WHEDA complete a compliance monitoring inspection of the development. The Owner must certify the management agent identified on the initial application will continue to manage the property. 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 upon:

a. Developer's ability to meet its proposed time schedule;
b. Approved occupancy permit(s);
c. Architect's certification of substantial completion for new construction/substantial rehabilitation developments;
d. Allocation Certification Request form(s) 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;
e. Owner certified rent roll for most recent month;
f. Current legal description with the tax parcel identification number(s) photocopied from the final title policy;
g. 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);
h. Submission of any other documents which WHEDA will require in determining the actual amount of Credit to be allocated to the development;
i. 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;
j. 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;
k. A photocopy of the final title insurance policy that includes the legal description and the tax parcel ID number(s). If the final title policy does not reflect the tax parcel ID number(s) photocopies of the most recent tax bills for the property may be submitted;
l. One exterior photograph for each building of the completed development; and
m. If there has been a change in Owner entity since the "Carryover Allocation" letter, include a photocopy of the original signed and dated organizational documents filed with the Wisconsin Department of Financial Institutions; change the Owner information on the application for Credit and note the correct Federal Identification number on the application for Credit.

The above requirements must be submitted in an acceptable form to WHEDA. WHEDA will then allocate Credit and send a completed photocopy of IRS Form(s) 8609 to the owner. WHEDA will forward the **original** Form(s) 8609 to the IRS. **WHEDA will assess fees for the re-issuance of 8609 form(s) at the Owner's request for non-WHEDA errors. This fee shall not exceed $500 and must be paid in full prior to WHEDA's mailing or faxing of the revised/corrected 8609 form(s) to the Owner.**

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 on the Internet at www.wheda.com. Once the Form(s) 8609 is (are) 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 resident 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);
   vii) The eligible basis and qualified basis of the building at the end of the first year of the credit period; and
   viii) 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.

b. 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 Resident Income Certification from each qualifying resident 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, an 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 resident 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 residents 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 residents having a qualifying income and while the unit is vacant, no units of comparable or smaller size are rented to residents not having a qualifying income;
   viii) If the income of residents 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 residents 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.

c. 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 (b) 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.

d. 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.

e. 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.

f. 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.

g. 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 March 15 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 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. Fees will be charged on all units within each project and drawn via ACH agreement. A $50 fee will be charged to each property that does not implement an ACH agreement with WHEDA. Monitoring fees are as follows:

   Initial compliance fees for all buildings placed in service after January 1, 2001:
   The initial compliance fee for developments of 24 or fewer units 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).

   Effective January 1, 2001, WHEDA and Rural Development Services entered 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. Therefore, developments financed by Rural Development will be exempt from the annual physical inspection fee. However, this exemption will not apply to developments that 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 Unit Status Reports:

Rural Development	$20/ per unit per annum
WHEDA-financed	$20/ per unit per annum
All Other	$35/ per unit per annum

   Electronic Unit Status Reports:

Rural Development	$15 / per unit per annum
WHEDA-financed	$15/ per unit per annum
All Other	$30/ per unit per annum

III. PUBLIC REVIEW PROCESS FOR THE QUALIFIED ALLOCATION PLAN

WHEDA will convene public hearings to receive oral and/or written comments regarding this Plan. After the hearings, the Plan will be presented to the WHEDA Board Members or their Assignees and the Governor of the State of Wisconsin 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.

Though WHEDA anticipates no changes from 2003 to 2004, it reserves the right to make changes as it deems necessary, including changes to fee structure. Such changes will be available for public comment and approved by WHEDA’s board.

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) resident 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 residents and those that are obligated to serve qualified residents 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 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 2003/2004 if they have: 1) failed to make the required 10% expenditure for more than two allocations in the two calendar years preceding the application; 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:

2003/2004 Qualified Allocation Plan
2003/2004 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 forward
Updates on Wisconsin's Tax Credit Program
List of Reservations for the Current Year
List of Applicants for the Current Year
Income and Rent Limits
Applicable Federal Tax Credit Percentages
Archived Documents from previous tax credit cycles