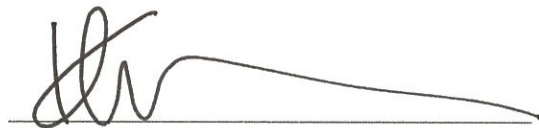


GOVERNOR'S APPROVAL

ARIZONA 2024-2025 QUALIFIED ALLOCATION PLAN FOR THE LOW INCOME HOUSING TAX CREDIT PROGRAM

Pursuant to the requirement of the Internal Revenue Code of 1986, as amended, following a public hearing by the Arizona Department of Housing, I, Katie Hobbs, Governor of the State of Arizona, hereby approve the 2024-2025 Qualified Allocation Plan for the Low Income Housing Tax Credit Program as developed and prepared by the Arizona Department of Housing.



Governor Katie Hobbs

11/21/2023
Date

2024 and 2025 QUALIFIED ALLOCATION PLAN

Submitted on November 16, 2023 by:



Arizona
Department
of Housing

1110 W. Washington #280
Phoenix, AZ 85007

<https://housing.az.gov>

Rental Programs Administrator
602-771-1031
rental-qap@azhousing.gov

TABLE OF CONTENTS

I.	INTRODUCTION	4
A.	PUBLIC INPUT AND DRAFTING PRINCIPLES	4
B.	AMENDMENTS AND CLARIFICATIONS	4
C.	USE OF DISCRETION	4
D.	DISCLAIMER AND LIMITATION OF LIABILITY	5
E.	DEFINITIONS	5
II.	APPLICATION/AWARD PROCESS AND FEES	7
A.	IDENTIFYING THE APPLICANT	7
B.	APPLICATION REQUIREMENTS	8
C.	APPLICATION/AWARD SCHEDULE	8
D.	CURING ERRORS AND OMISSIONS	9
E.	ACKNOWLEDGEMENT AND CONSENT FROM LOCAL GOVERNMENT	9
F.	ADOH FEES	9
G.	9% LIHTC UNSUCCESSFUL APPLICANTS	10
III.	9% LIHTC AND STC LIMITS, SET-ASIDES, AND AWARD ADJUSTMENTS	11
A.	LIMITS ON AWARDS	11
B.	REHABILITATION SET-ASIDE	11
C.	NEW CONSTRUCTION SET-ASIDE	11
D.	TRIBAL SET-ASIDE	12
E.	AWARD ADJUSTMENTS	12
F.	INNOVATION OR UNIQUE OPPORTUNITIES	13
G.	RECYCLED ALLOCATIONS AND FORWARD COMMITMENTS	13
H.	9% LIHTC ADJUSTMENTS	13
IV.	THRESHOLD ELIGIBILITY	14
A.	ALL PROPERTIES	14
B.	REHABILITATION	17
C.	NEW CONSTRUCTION	18
V.	SELECTION CRITERIA	19
A.	STATE TAX CREDIT	19
B.	4% LIHTC	20
C.	9% LIHTC REHABILITATION	21
D.	9% LIHTC NEW CONSTRUCTION	23
E.	9% LIHTC TRIBAL	30
VI.	UNDERWRITING STANDARDS	36
A.	9% LIHTC UNDERWRITING	36
B.	ALL PROPERTIES	37
C.	REHABILITATION DEVELOPMENT COSTS	40
D.	NEW CONSTRUCTION DEVELOPMENT COSTS	40
E.	ADOH GAP FINANCING	40
F.	SUBSIDY LAYERING REVIEW	40

VII. POST-AWARD AND COMPLIANCE	40
A. POST-AWARD REQUIREMENTS	41
B. COMPLIANCE MONITORING	41
EXHIBIT A	42
ADOH YEAR 2024-2025	ERROR! BOOKMARK NOT DEFINED.
QAP MANDATORY DESIGN STANDARDS	42
I. GENERAL DESIGN	42
II. BUILDING CODE STANDARDS	42
III. SITE, LOCATION, AND NEIGHBORHOOD	42
IV. INTERIOR DESIGN	42
V. EXTERIOR DESIGN	43
VI. LARGE UNIT DESIGN	43
VII. ON-SITE PLAYGROUND AREAS	43
VIII. COMMON AREAS FACILITIES	44
IX. NEW CONSTRUCTION	44
X. SENSORY IMPAIRED UNITS	48
XI. REHABILITATION PROJECTS	49
XII. HOUSING FOR SENIORS	51
EXHIBIT B	52

I. Introduction

The federal Low-Income Housing Tax Credit (LIHTC) program was established by the Tax Reform Act of 1986 and codified in Section 42 of the Internal Revenue Code of 1986, as amended (I.R.C. § 42), to encourage construction and rehabilitation of low-income rental housing. The Arizona Department of Housing (ADOH) is the agency responsible for allocating LIHTCs. I.R.C. § 42(m) requires allocating agencies to allocate LIHTCs pursuant to a Qualified Allocation Plan (QAP). ADOH has adopted this QAP for 2024 and 2025 to administer LIHTCs, and state tax credits (STC).

The amount of LIHTC available through this QAP will be the **annual ceiling** adjusted by the amount already allocated, forward committed, returned, carried over from the previous year, and any from the national pool. ADOH will issue an **information bulletin** listing the projected amount of LIHTCs.

A. Public Input and Drafting Principles

ADOH conducted an online survey, held a large general session at the Arizona Housing Forum, held a tribal stakeholder focus group, held a public hearing after the second draft and final draft were published, and actively solicited written comments. In addition to considering input from interested parties, ADOH followed principles in alignment with our strategic plan in drafting the QAP:

- equal distribution of resources across the state;
- need to sustain long-term partnerships;
- responsibility to low-income households;
- transparency throughout the process;
- efficient use of time for all parties; and
- selection criteria reflecting:
 - preservation of long-term affordability,
 - shovel-ready housing projects,
 - aspects already in place or within a developer's control,
 - how proposals differ in consequential ways, and
 - limits on incentives to make problematic choices.

B. Amendments and Clarifications

ADOH may amend the QAP following a posted notice on its website, a public hearing, and email notification sent to all applicants (the last for amendments after the submission due date). ADOH also will periodically post written clarifications to the QAP to elaborate or provide guidance on how to interpret QAP text. An enclosed Definitions document is incorporated herein by reference.

C. Use of Discretion

In the process of administering the LIHTC, tax-exempt bond volume, and state LIHTC, ADOH will make decisions and interpretations regarding the QAP and applications. ADOH may evaluate a Developer's progress on awarded projects and at its discretion make decisions about future awards. Unless otherwise stated, ADOH is entitled to the full discretion allowed by law in making all such decisions and interpretations. ADOH may amend, modify, or withdraw QAP provisions that are inconsistent or in

conflict with state or federal laws or regulations. In the event of a major:

- weather-related disaster,
- disruption in the financial markets,
- change in resources available, or
- other unforeseen, consequential circumstance,

ADOH may disregard any section of the QAP, including point scoring and evaluation criteria, that interferes with an appropriate response.

D. Disclaimer and Limitation of Liability

ADOH makes no representations to anyone regarding project eligibility or compliance with the Code, IRS treasury regulations, or any other laws or regulations governing the LIHTC program. All parties participate in the LIHTC program at their own risk. No member, officer, agent, or employee of ADOH or the State will be liable for any claim arising out of, or in relation to, any project or the LIHTC program, including claims for repayment of construction, financing, carrying costs, any loss resulting from a decision of the IRS, or consequential damage or loss of any kind incurred by any person.

ADOH will make a public disclosure of LIHTC Applications as provided by Title 39, Chapter 1 Article 2 of the Arizona Revised Statutes. Applicants must only enter confidential information such as taxpayer identification numbers at the specific locations required by the Application materials or the QAP. All information included in an Application submitted to ADOH is subject to disclosure to the public unless specifically exempted from disclosure by statute. Applicants must redact confidential information from documents if the information is not specifically required by ADOH. ADOH may redact information or withhold records that are protected from disclosure pursuant to Arizona law.

E. Definitions

100-year Floodplain: areas with a 1% annual chance of flooding per

<https://www.fema.gov/glossary/flood-zones>

2020 Enterprise Green Communities: <https://www.enterprisecommunity.org/impact-areas/resilience/green-communities>

Administrative Appeal: appeal process in accordance with A.R.S. §§ 41-1092 through 1092.12

Annual Ceiling: the calendar year population-based component under I.R.C. § 42(h)

Annual LIHTC Allocation: one of the 10 years of LIHTCs reserved for the associated project

Annual STC Allocation: one of the 10 years of STCs reserved for the associated project

Capital Needs Assessment (CNA): Property inspection reports on the life expectancy and cost of major items needed to maintain a property

Carryover Allocation: a contract between the ownership entity and ADOH under I.R.C. § 42(h)(1)(E)

Choice Neighborhoods: <https://www.hud.gov/cn>

Community Development Block Grant (CDBG): <https://www.hudexchange.info/programs/cdbg/>

Debt Service Coverage Ratio (DSCR): as indicated in the "Cash Flow" tab of the underwriting

spreadsheet

Determination of Qualification Letter: a letter ADOH issues after determining a project using tax-exempt bonds is eligible for LIHTCs under I.R.C. § 42(m).

Difficult Development Area (DDA): <https://www.huduser.gov/portal/datasets/qct.html>

Federal Historic Rehabilitation Tax Credit: <https://www.nps.gov/tps/tax-incentives.htm>

Form 8609: <https://www.irs.gov/forms-pubs/about-form-8609>

Forward Commitment: a contract between the ownership entity and ADOH to allocate LIHTCs in a future year

HERS Rating: standard by which a home's energy efficiency is measured

HOME Investment Partnership: https://www.hud.gov/program_offices/comm_planning/home

Homelessness: <https://www.hudexchange.info/news/huds-definition-of-homelessness-resources-and-guidance/>

Housing Choice Voucher:

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about

HUD 811 Rental Assistance: https://www.hud.gov/program_offices/housing/mfh/progdesc/disab811

I.R.C. § 42: Section 42 of the Internal Revenue Code of 1986, as amended

ICC 700 National Green Building Standard: <https://www.nahb.org/advocacy/industry-issues/sustainability-and-green-building/icc-700-national-green-building-standard>

Information Bulletin: Arizona Department of Housing notices posted to <https://housing.az.gov/blog-terms/information-bulletins>

Leadership in Energy & Environmental Design: <https://www.usgbc.org/leed>

LOCCS Balance: https://www.hud.gov/program_offices/cfo/loccs_guidelines

LURA: Land Use Restriction Agreement

Minimum Set-Aside: I.R.C. § 42(g)(1)(A), (B), or (C)

Model Content Standards: <https://www.housingonline.com/councils/national-council-housing-market-analysts/model-content-standards/>

Native American Housing Assistance and Self Determination Act:

https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda

NOFA: Notice of Funding Availability

Nonprofit: An organization tax exempt under Internal Revenue Code Section 501(c)(3) because of being organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes and that meet certain other requirements.

Ownership Entity: LLC or limited partnership named as the owner in Part I(C) of the Form(s) 8609 and in contracts with ADOH.

Passive Housing Institute US: <https://www.phius.org/home-page>

Place in Service: The day a building receives a certificate of occupancy and is ready and available for its specifically assigned function

Qualified Census Tract (QCT): <https://www.huduser.gov/portal/datasets/qct.html>

Rehabilitation Hard Costs: Line 47 in the "Costs and Eligible Basis" tab of the underwriting spreadsheet.

Reservation: a determination by ADOH that an application will result in an award of resources

Subsidy Layering Review (SLR): ADOH evaluation to determine the investment of HUD-administered resources does not exceed the amount that is necessary pursuant to 24 CFR Part 92

Tax-Exempt Organization: An organization tax exempt under Internal Revenue Code Section 501(c)(3) because of being organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, educational, or other specified purposes and that meet other requirements

TDHE: Tribally Designated Housing Entity

Technical Review: ADOH review of materials submitted by the owner, including a certification that sources, uses and equity interest and ownership have not changed since reservation

Uniform Standards of Professional Appraisal Practice: ethical and performance standards for the appraisal profession in the U.S.

US Department of Energy Zero Energy Ready Home Program:

<https://www.energy.gov/eere/buildings/zero-energy-ready-homes>

USDA-Rural Development: <https://www.rd.usda.gov/>

II. Application/Award Process and Fees

Unless otherwise indicated, the criteria in this QAP Section II applies to all applications, including those for 4% LIHTCs.

A. Identifying the Applicant

Each application must identify one individual or validly existing entity as the Applicant. An entity may be a corporation (including **nonprofits**), limited partnership, limited liability company, tribe, or tribally designated housing entity. The Applicant will:

- execute the application,
- receive ADOH communications, and
- exercise sole authority to make decisions (ADOH will not consider agreements regarding the relative rights of joint venture parties).

If the application receives an award, the Applicant must become a managing member or general partner of the **ownership entity** (may be through a single purpose pass-through entity).

B. Application Requirements

ADOH will specify the form, manner, and process of receiving applications and may require the submission of information, letters, and/or representations before or after submission deadlines. Applicants must comply with all such instructions to the same extent as QAP requirements.

C. Application/Award Schedule

ADOH may deem an application ineligible for failure to meet a deadline. The schedule may change to accommodate weather events or other circumstances affecting the logistics of submissions.

1. State Tax Credits

ADOH will accept STC applications using the following schedule:

Allocation Year	Competitive Allocation Round	Date	Type	Amount
2024	1 st Round	February 16, 2024	4% Metro	\$2,000,000
2024	2 nd Round	April 1, 2024	9% Rural	\$2,000,000
2024	3 rd Round	July 19, 2024	4% Rural and Metro	Any Remaining
2025	1 st Round	August 2, 2024	4% Metro	\$2,000,000
2025	2 nd Round	April 1, 2025	9% Rural	\$2,000,000
2025	3 rd Round	July 18, 2025	4% Rural and Metro	Any Remaining

Funding remaining under Rural or Metro categories after the second round will remain allocated to applicable Rural or Metro categories in the 3rd Round.

2. 4% LIHTC

ADOH will accept applications for 4% LIHTCs under the 2024-2025 QAP on an ongoing basis after the 2024-2025 QAP is adopted.

3. 9% LIHTC

2024 COMPETITIVE ALLOCATION ROUND

Applications Due	Monday, April 1, 2024 by 4:00 pm Mountain Time
Reservation Announcements	Monday, June 3, 2024

2025 COMPETITIVE ALLOCATION ROUND

Applications Due	Tuesday, April 1, 2025 by 4:00 pm Mountain Time
Reservation Announcements	Monday, June 2, 2025

D. Curing Errors and Omissions

ADOH will determine how to address erroneous, omitted, or outdated information. ADOH will apply methods equally to all Applicants. Possibilities include:

- contacting the Applicant;
- asking third parties with relevant knowledge;
- making a change and informing the Applicant;
- charging a fee of up to \$1,000 per application; and/or
- determining the application is ineligible.

Applicants may request that ADOH waive specific requirements of this QAP, including underwriting and design. Requests must be submitted with the Application and be supported by a detailed narrative explanation sufficient to permit ADOH to determine that the waiver: 1) is consistent with federal requirements; 2) is necessary; and 3) does not adversely affect the project feasibility.

E. Acknowledgement and Consent from Local Government

ADOH will notify the local government where the project is located and request that it provide a letter of acknowledgement and consent to the project pursuant to Arizona Revised Statutes (A.R.S. §35-728(C)). The local government will be required to respond to ADOH within thirty (30) calendar days from the date of the letter. An Application will not be deemed automatically ineligible in the event that the local government either fails to provide the letter or otherwise indicates that the proposed project is unfavorable. ADOH will determine whether the reason or basis for local opposition conflicts with A.R.S. §35-728(C), and/or whether the objectionable characteristic(s) can be mitigated, before determining that a project is ineligible for an award. Any allocation is conditional in the event that the local government denies consent and the allocation is the subject of review by a court or tribunal of competent jurisdiction. Tribal projects may submit a resolution to satisfy this requirement, if resolution includes language demonstrating consent from the local government.

F. ADOH Fees

All fees must be paid by original check or electronically through ADOH's payment portal and are non-refundable:

Application Fee: \$5,000 for each tax credit Application.

Gap Application Fee: \$1,500 for each ADOH rental housing gap application.

Reservation Fee 9% LIHTC: Ten percent (10%) of the **annual LIHTC allocation**. Eight percent (8%) of the ten percent (10%) Reservation Fee is due and payable within 30 days of Reservation letter with the remaining two percent (2%) of the ten percent (10%) Reservation Fee due and payable at final allocation and prior to issuance of Form(s) 8609.

Reservation Fee 4% LIHTC: Ten percent (10%) of the **annual LIHTC allocation**. Eight percent (8%) of the ten percent (10%) Reservation Fee is due and payable within 30 days of **Determination of Qualification letter** with the remaining two percent (2%) of the ten percent (10%) Reservation Fee due

and payable at final allocation and prior to issuance of Form(s) 8609.

Reservation Fee STC: Ten percent (10%) of the **annual STC allocation**. Eight percent (8%) of the ten percent (10%) Reservation Fee is due and payable within 30 days of **Determination of Qualification letter** with the remaining two percent (2%) of the ten percent (10%) Reservation Fee due and payable at final allocation and prior to issuance of STC eligibility letter.

Underwriting Fee: \$1,500 for each full underwriting.

Technical Review Fee: \$500 for each **technical review**.

Subsidy Layering Fee: \$1,000 for each **subsidy layering**.

Administration Fee: \$1,500 for each material changes or action prompting additional administrative review.

Late Fee: \$250 per day for information received after the **carryover allocation**, ten percent (10%) test, and building plan submittal deadline specified in the ADOH reservation letter.

Compliance Monitoring Fees (annual):

\$75 per low-income unit within a multiple building project.

\$85 per low-income unit when each BIN is its own project building.

\$140 per low-income unit for buildings in which the owner has elected average income.

Reimbursement for Cost Estimator: Applicants with projects involving rehabilitation or adaptive re-use are responsible for the cost of the independent cost estimator.

Reissuance of Form 8609: \$250 fee for each 8609 form that is re-issued after it is signed and issued to the owner. If 8609 forms for the entire project are necessary, the fees shall not exceed \$2,500.

G. 9% LIHTC Unsuccessful Applicants

After ADOH announces the 9% LIHTC awards, ADOH will provide a final decision to the unsuccessful Applicants, which will include their audited score and total scoring breakdown. Unsuccessful applicants may request a meeting or an informal settlement conference with program staff to discuss their application.

ADOH may also accept written questions concerning its scoring. The final decision denying an application for 9% LIHTCs will provide notice of the right to **administrative appeal** pursuant to A.R.S. §§ 41-1092 through 1092.12.

III. 9% LIHTC and STC Limits, Set-Asides, and Award Adjustments

ADOH will award 9% LIHTCs from Arizona’s 2025 and 2026 ceilings following the limits and set-asides below. The awards also may include **forward commitments**.

A. Limits on Awards

1. 9% LIHTCs Limits

The maximum award of federal 9% LIHTCs

- per application is \$2,500,000;
- projects may only compete in one set-aside;
- one in each county (an additional award per county may occur after all counties have been awarded, on an alternating basis); only applicable to New Construction set-aside; and
- per Principal is no more than the lesser of:
 - two projects or \$3,500,000; or
 - two Rural projects or \$3,750,000.

ADOH may exceed the county limit if there are insufficient eligible applications.

2. STC Limits

ADOH will award STCs per the following criteria and in accordance with Senate Bill 1124 (S.B. 1124) and A.R.S. §43-1163:

- minimum of \$500,000 per application;
- maximum of \$1,000,000 per application;
- STC amount must be a least fifty percent (50%) of the federal LIHTC amount ; and
- If combined with 4% LIHTC Bonds the project must comply with I.R.C. § 42(h)(4).

B. Rehabilitation Set-Aside

ADOH may make up to two (2) 9% LIHTC awards to applications proposing the rehabilitation of existing housing, hotel conversions and school conversions. These properties may be located in any county. In the event an application proposes both new construction and rehabilitation, ADOH will determine the appropriate set-aside.

C. New Construction Set-Aside

ADOH will make awards to applicants proposing to construct new housing (including adaptive re-use).

1. Rural / Balance of State

ADOH will make three (3) 9% LIHTC awards in the 13 Rural counties (if there are sufficient eligible applications).

2. Metro

ADOH will award the remaining 9% LIHTCs to applications in Maricopa and Pima counties.

D. Tribal Set-Aside

ADOH will make two (2) 9% LIHTC awards to applications where the subject real estate is located entirely on tribal land (if there are sufficient eligible applications) Projects located on tribal land may apply under any set-aside and will not be limited to the Tribal Set-Aside.

Tribal land means, all lands within the exterior boundaries of any land formally designated by the federal government as a Tribal reservation or land set apart by the federal government for a Tribe's use such as pueblos and tribal trust lands but it does not include land that the Tribe acquired legal title through non-federal designation or award, unless (a) the Tribe has obtained a federal public law stating that the Tribal members who reside in a particularly named area shall be considered (without any fiscal year limitation) for the purposes of the United States Housing Act of 1937 or such other federal housing law as residing on an Indian reservation or other Indian area; or (b) the Tribe has acquired the land under Public Law 99-503 that provided for the replacement of certain lands within the Gila Bend Indian Reservation, the Secretary of the Interior holds such land in trust for the benefit of the Tribe, and such land is deemed to be a Federal Indian Reservation for all purposes. The project must be wholly located in the particular area stated in the federal public law to be considered tribal land.

E. Award Adjustments

If necessary, ADOH will adjust the outcomes to ensure it is awarding at least the amounts below. Specifically, 9% LIHTCs that would have been awarded to the lowest ranking application(s) that do(es) not meet the criteria instead will be awarded to the next highest-ranking application which does. ADOH may make such adjustment(s) in any set-aside.

1. Nonprofit

Ten percent (10%) of LIHTCs to one or more applications involving a **tax-exempt organization (nonprofit)** which:

- is the listed Applicant;
- has fostering of low-income housing as one of its exempt purposes;
- becomes a managing member or general partner of the **ownership entity**; and
- materially participates, as defined under federal law, in the acquisition, development, ownership, and ongoing operation of the property for the entire compliance period.

2. Choice Neighborhoods

One (1) award to an application designated as a **Choice Neighborhoods** project by a public housing authority implementing a HUD Choice Neighborhoods implementation grant.

F. Innovation or Unique Opportunities

ADOH may award LIHTCs to one (1) application outside the QAP selection criteria based on one or more of the following considerations:

- unique construction methods;
- innovative approach to development;
- scale of community impact;
- regional distribution;
- unique funding/leveraging opportunities; and
- disaster recovery response.

The award counts towards the limits of the applicable set-aside(s).

G. Recycled Allocations and Forward Commitments

An **ownership entity** returning a valid allocation of tax credits between July and December will receive an allocation of the same amount of the subsequent year LIHTCs if:

- the project's design is the same as when awarded (other than changes approved by ADOH);
- the **ownership entity** pays a fee equal to the original allocation fee amount; and
- none of the Principals for the returned project are part of an application in the next funding round and cannot apply for funding related to a new project until construction starts on the project receiving the recycled credit allocation.

The project must **place in service** one year after the original place in service date. Should the IRS provide guidance on extensions of place in service, the Department will follow such guidance.

ADOH may make a **forward commitment** of the next year's LIHTCs in an amount necessary to fully fund project(s) with a partial award or to any application meeting QAP requirements. ADOH may elect to award and/or carry forward LIHTCs received after the application cycle ends.

H. 9% LIHTC Adjustments

ADOH will set aside up to \$1,200,000 in forward allocated 9% LIHTCs for projects with severe hardships. Projects may receive one allocation of up to 10% of the original 9% LIHTC award (regardless of hardship allocation year). Hardship requests must be documented to the satisfaction of ADOH and must demonstrate the existence of an unforeseeable hardship or emergency situation where the completion of the project is jeopardized without an award of additional LIHTCs.

Applicant must also demonstrate that an award of additional LIHTCs will remedy all outstanding barriers causing cost overruns. Severe hardship credits are only provided for material costs that are outside of the Developer's control.

Applicants must submit documentation demonstrating they have exhausted all available resources through the following methods:

1. Development contingency has been exhausted;
2. Obtained gap financing from active and available ADOH Notice of Funding Availability (NOFA);
3. Deferred developer fee to the extent which would allow for repayment through project cashflow within fifteen (15) years; and
4. Project was value engineered, where possible, to reduce construction cost.

ADOH will reduce the Applicant's current year's allowable 9% LIHTC maximums by 150% of the approved adjustment request.

IV. Threshold Eligibility

Unless otherwise indicated, the criteria in this QAP Section IV apply to all applications and properties, including those for or with 4% LIHTCs and/or STCs. ADOH may determine eligibility by contacting third parties.

A. All Properties

Applications must meet the applicable underwriting standards in QAP Section VI. Properties must be designed and constructed in accordance with Exhibit A and applicable federal and state requirements for accessibility by persons with disabilities, including the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) and Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794).

1. PRE-APPLICATION REQUIREMENTS

For 9% LIHTC applications, a minimum of one (1) representative of each Applicant must attend ADOH's 2024-2025 QAP Application Workshop.

2. QUALIFIED CONTRACT

By submitting an application for Low Income Housing Tax Credits, the Applicant waives the right to request a qualified contract under Section 42(h)(6)(E)(i) of the IRC.

3. PLAN SUBMITTAL AND CONSTRUCTION START DATE (9% LIHTC ONLY)

PLAN SUBMITTAL

ADOH will require evidence that the building plans have been submitted to the local jurisdiction by December 31st of the calendar year of the 9% tax credit awards. ADOH will require written evidence of submittal to the local jurisdiction along with written confirmation from the local jurisdiction that they received the plans. In the event the Applicant does not meet this deadline, a late fee will be assessed until the evidence of plan submittal is received. Tribal projects not required to submit building plans to a local jurisdiction should submit evidence of completion of the bid set.

CONSTRUCTION START DATE

ADOH will require evidence that construction/rehabilitation of the project is underway by December 31st of the subsequent calendar year of the initial 9% tax credit awards. Principals who do not meet the mandatory construction start date will not be allowed to apply for 9% tax credits in the next funding round. ADOH will require evidence that construction/rehabilitation is underway – a copy of the signed construction contract, the notice to proceed, and other applicable evidence will be required.

4. APPLICANT EXPERIENCE

DEVELOPER AND OWNER

The Applicant or a consultant must have been listed in an awarded application form as a developer or as a consultant (may be a joint venture) for at least one (1) LIHTC property. If a consultant provides the required experience, that consultant must be the principal contact and actively involved in all aspects of the development through issuance of Form(s) 8609. The Applicant may not terminate its contract with the consultant without ADOH approval.

PROPERTIES

The LIHTC property or properties must:

- have been placed in service between January 1, 2000 and December 31, 2021, and not be in material noncompliance with any applicable affordable rental housing program requirements

5. PRINCIPALS

DEFINITION

Principals include the Applicant and any individuals or entities:

- listed as a developer;
- listed as a member/partner of the eventual **ownership entity** (excluding LIHTC equity providers); or
- who are immediate family members or affiliates of the foregoing. Applicants must disclose all applicable related parties.

DISQUALIFICATION

ADOH may disqualify an application based substantive evidence connecting a Principal to any of the following:

- making misrepresentation or providing materially false information in an application;
- has been involved in any project awarded LIHTCs where there has been a material change (including general partners or managing members) between award and **Form 8609** that ADOH did not approve in writing beforehand;
- allowing an affordable rental housing property to enter into foreclosure;
- being removed from an LIHTC **ownership entity** by an equity investor or ADOH;
- not being in good standing with any affordable rental housing program administrator or the State of Arizona;
- has been a debtor in a bankruptcy within the past five(5) years;
- has been a party in a civil, administrative or criminal matter which resulted in an adverse fair housing settlement, an adverse civil rights settlement, or an adverse federal or state government

proceeding and settlement against that party or a pattern of adverse civil proceeding and judgments against that party as evidenced by three (3) or more adverse judgments within the previous five (5) years;

- has been found to be directly or indirectly responsible for any other project within the past five (5) years in which there is or was uncorrected noncompliance with state or federal rules, regulations or standards;
- has outstanding compliance issues with HUD or ADOH;
- has ADOH fees that are due and remain unpaid as of the Application Deadline;
- has a loan payment that is due and remains unpaid as of the Application Deadline without a pending deferral request; and
- being debarred from any federal housing program.

6. LIHTC MANAGEMENT EXPERIENCE

The proposed management company must be:

- a management company for at least three (3) LIHTC properties, and
- considered in good standing with all affordable rental housing program administrators.

Applications may list two management agents so long as one meets the requirements above. The eligible entity must remain in the lead role for at least two years after the last building places in service.

7. SITE CONTROL

NON-TRIBAL

Applications must include documentation of either current ownership or the legal ability to purchase the real estate for the proposed property (may be a long-term ground lease) that is:

- in the name of the Applicant, Principal, or an affiliated entity, and
- valid through at least one month after the anticipated award date.

TRIBAL

For projects located on Tribal Land, where the Applicant has not yet entered into a lease agreement, Applicant must establish legal control of the property by submitting: (aa) an agreement between the **ownership entity** and the Tribe to enter into a lease of specific real property for a term at least 25 years with an option to renew for another 25 years (b) a resolution of the Tribe (or **TDHE** as applicable) authorizing the Tribe (or **TDHE**) to enter into the submitted agreement. The agreement to enter into a lease must also specify a rental amount and reference that the Tribe (or **TDHE**) will execute the **LURA**.

For projects located on Tribal Land where the Applicant has entered into a lease agreement, attach evidence that the Tribal land has been leased and all necessary approvals from the Tribe, the Bureau of Indian Affairs, and other governmental approvals (as applicable) have been secured. The lease must specify the specific real property being leased, a specific rental amount, 25 years with an option to renew for another 25 years, and that the Tribe (or **TDHE**) will execute the **LURA**.

For Tribal leases only, ADOH may consider the length of the lease to be the original term of the lease plus the term of any option to renew, provided that the option to renew is held solely by the Applicant.

For off-reservation Tribal Lands that are established by a federal public law, Applicant must also submit documentation of the federal public law that establishes that the property qualifies as Tribal Land.

8. MARKET NEED

Applications must include a study prepared by a market analyst on ADOH's approved list, unaffiliated with any Principal, who has experience with multifamily rental housing. Market studies must show adequate demand for the property and meet the most recent **Model Content Standards** adopted by the National Council of Housing Market Analysts. ADOH may request an alternate market demand study, at the expense of the Applicant, if the study submitted by the applicant is unsatisfactory.

9. FUNDING SOURCES

Applications must include executed commitment letters for all funding sources, other than ADOH loans and LIHTC equity. The commitment letters must comply with QAP Section VI(A)(5).

10. AVERAGE INCOME MINIMUM SET-ASIDE

Applications must indicate the property's **minimum set-aside**, which cannot change after submission. Projects electing the average income **minimum set-aside** may not:

- contain market-rate units or
- propose average designations exceeding sixty percent (60%) of area median income (AMI) for any bedroom type (a pro-rata distribution).

ADOH may waive the foregoing, if necessary, for a rehabilitation application to better fit the household incomes of in-place tenants.

For projects with more than one building, the **ownership entity** must select that each building is part of a multiple building set-aside on line 8b in Part II of IRS **Form 8609**.

11. PUBLIC HOUSING AND HOUSING CHOICE VOUCHER (HCV) WAITLIST

Applicants will represent that at least one month prior to commencing lease-up, the management company will inform the local public housing authority and **Housing Choice Voucher** administrator of accepting their referrals.

B. Rehabilitation

1. SCOPE OF WORK AND CNA

Applicants must submit a detailed Capital Needs Assessment (CNA) conducted by an independent third-party expert and a specific scope of work addressing all units.

2. MINIMUM PER UNIT

Buildings must require an average of at least \$25,000 per unit in **rehabilitation hard costs**, as determined by the CNA and ADOH's assessment.

3. RELOCATION

The Application must include a relocation/displacement plan, including a projected budget and an explanation of efforts to mitigate the impact on residents. For developments also using federal funds, the **ownership entity** must comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

4. INCOME AND RENT TARGETING

Properties will comply with the more restrictive of the:

- elected LIHTC **minimum set-aside**, or
- applicable requirements of any other affordable rental housing program.

C. New Construction

1. INCOMPATIBLE USES

ADOH will not consider an application ineligible if Applicant demonstrates a multifamily market rate project or multiple single-family homes within one (1) mile of the incompatible use.

HALF MILE

ADOH may determine an application is ineligible due to the site being within 0.5 miles (calculated from the edge of the subject property using line of sight to the edge of any below use) of the following:

- airport;
- chemical or hazardous materials storage/disposal;
- commercial junk or salvage yards;
- industrial or agricultural activities generating odors or pollution;
- landfills currently in operation; or
- wastewater treatment facilities.

NEARBY

An application may be ineligible if the site is adjacent to, or across a street from, any of the uses listed above or the following:

- adult entertainment establishment;
- distribution facility involving trucking;
- factory or similar industrial operation;
- jail or prison; or
- source of excessive noise.

2. SITE

An application may be ineligible if an improvement

- has any portion on a **100-year floodplain** (and has not completed the 8-step process or obtained a Conditional Letter of Map Revision or Letter of Map Revision), or
- is in, or has an un-mitigatable effect on, a wetland.

3. ZONING

Applications must include documentation that all necessary

- legislative land use authorizations (rezoning),
- quasi-judicial approvals (conditional or special use permits), and
- all known variances from administrative requirements

are in place for the proposed property.

4. CONNECTIONS

Applications must include documentation that:

- all necessary utilities are currently available or connections are possible, and
- the proposed property has or will have access to a publicly maintained road.

ADOH will allow Tribal properties more time to meet this requirement, when necessary.

5. 9% LIHTC INCOME AND RENT TARGETING

For 9% LIHTC applications the average income and rent restrictions of the low-income units (not including units set aside for employees) must be fifty percent (50%) or lower.

6. 9% LIHTC MINIMUM SCORE

Applications under the competitive 9% LIHTC round must have a minimum total score of 90 points.

V. Selection Criteria

ADOH will make awards using the following selection criteria for STCs, 4% LIHTCs, and 9% LIHTCs.

A. State Tax Credit

[S.B. 1124](#) sets an annual STC cap of \$4 million. The STC can be allocated and carried forward according to state law and any applicable regulations. Properties placed in service on or after June 30, 2022, are eligible and the state LIHTC is currently set to sunset Dec. 31, 2025.

1. STC AND 4% LIHTC

Maximum of 120 points.

NUMBER OF UNITS

Maximum of 60 points.

ADOH will award points based on the total number of units in the project.

Total Units	Points
1-100	20
101-200	40
201+	60

LOW-INCOME TARGETING

Maximum of 60 points.

ADOH will award points based on the following criteria:

AMI Targeting	Points
20% at 30% (using the 40% at 60% minimum set-aside) or the designations for all units average to 54% (using income averaging)*	60
20% at 40% (using the 40% at 60% minimum set-aside) or the designations for all units average to 56% (using income averaging)*	40
20% at 50% (using the 40% at 60% minimum set-aside) or the designations for all units average to 58% (using income averaging)*	20

**Applicable to projects that have elected to operate a property in accordance with LIHTC income averaging methodology.*

TIEBREAKER

In the event more than one application earns the same total number of points, and there are not enough STCs remaining for all, ADOH will make awards based on the following, in descending order:

- Greatest total number of LIHTC units;
- which demonstrate ownership or applicable land lease of the entire subject real estate by a Principal.

2. STC AND 9% LIHTC

In the event the amount of Rural / Balance of State project 9% LIHTC interest exceeds available STC resources, then STC award(s) will be made to the application(s) with the highest 9% LIHTC score.

B. 4% LIHTC

4% LIHTCs will not be scored, ADOH will make awards of 4% LIHTC on a first come first serve basis to complete application submissions (contains only de minimis errors or omissions). I.R.C. § 42(h)(4) allows applications financed with tax-exempt bonds to apply for 4% LIHTCs. Applications financed with tax-exempt bonds must have a confirmed allocation of Private Activity Bonding Authority Volume Cap Allocation from the Arizona Finance Authority in order to receive an ADOH issued I.R.C. § 42(m) Determination of Qualification of Tax Credits Letter.

Applicants must provide a bond inducement resolution (or preliminary resolution) and an application for the 4% LIHTCs with accompanying documentation. ADOH will make decisions within no more than 30 days of a properly documented submission.

C. 9% LIHTC Rehabilitation

ADOH will score 9% LIHTC rehabilitation applications that meet threshold requirements.

1. PROJECT TYPE

Maximum of 35 points.

ADOH will award up to 35 points to projects based on the following type:

Preservation of Residential Historic Project	15 points
School or Hotel Conversion	20 points
Existing Vacant Housing	25 points
Existing USDA, or other Federally Funded Project	30 points
Existing LIHTC project	35 points

2. REHABILITATION WORK

Maximum of 60 points.

ADOH will award up to 60 points for an Application proposing “per unit” rehabilitation hard costs (supported by a third party capital needs assessment and a scope of work meeting ADOH’s design standards for Rehabilitation Projects in Exhibit A) in excess of the \$25,000 minimum.

Less than \$26,000	0 points
\$26,001 to \$40,000	20 points
\$40,001 to \$50,000	40 points
\$50,001 and above	60 points

3. PROJECT-BASED RENTAL ASSISTANCE

Maximum of 40 points.

ADOH will award up to 40 points for the percentage of total units supported by project-based rent assistance or federally funded operating subsidy.

15% or less	10 points
16% to 30%	20 points
31% to 45%	30 points
46% or more	40 points

4. COMMUNITY REVITALIZATION PLANS, QUALIFIED CENSUS TRACTS, AND DIFFICULT DEVELOPMENT AREAS

Maximum of 10 points.

- ADOH will award 5 (five) points to applications that are in a Community Revitalization Plan.
- ADOH will award 5 (five) points to applications that are in a Qualified Census Tract.
- ADOH will award 5 (five) points to applications that are in a Difficult Development Area.

CRP CRITERIA

Applications claiming CRP points must meet the criteria below.

- As of the application deadline, a local government formally adopted a plan to revitalize a defined geographic area (CRP) containing the proposed site. A standard land use, comprehensive, or general plan is ineligible unless it contains a specific revitalization area where the site will be located.
- Completing the property proposed in the application would contribute to one or more of the CRP's stated goal(s).
- The local government has made or is committed to making specific investments in non-housing infrastructure, amenities, or services beyond developing the proposed property. A Neighborhood Revitalization Plan and Indian Housing Plan will qualify if it meets the above criteria.
- The local government certifies that no Principal initiated the CRP being adopted (other than a publichousing authority or a related entity) and confirms the Plan meets the criteria above.

QUALIFIED CENSUS TRACTS (QCT)

Projects must have at least one building is in a **Qualified Census Tract** (as of 2024 or 2025).

DIFFICULT DEVELOPMENT AREA (DDA)

All of the projects' buildings would be located in a DDA in effect as of the year of application submission.

5. APPLICANT'S AND PRINCIPALS' EXPERIENCE

Maximum of 25 points.

ADOH will award up to 25 points to Applicants or consultants who have placed the following number of LIHTC or federally subsidized low-income housing projects in service:

One (1)	5 points
Two (2)	10 points
Three (3) – Four (4)	15 points
Five (5) – Six (6)	20 points
Seven (7) or more	25 points

If a consultant provides the qualifying experience, that consultant must be the Principal contact and actively involved in all aspects of the development through issuance of Form(s) 8609. The Applicant may not terminate its contract with the consultant without ADOH approval.

6. TIEBREAKER

In the event more than one application earns the same total number of points, and there are not enough LIHTCs remaining for all, ADOH will make awards based on the following, in descending order:

- contains the greatest number of total LIHTC units;
- which demonstrate ownership or applicable land lease of the entire subject real estate by a Principal.

D. 9% LIHTC New Construction

ADOH will score 9% LIHTC new construction applications which meet threshold requirements.

1. APPLICANT’S AND PRINCIPALS’ EXPERIENCE

Maximum of 25 points.

ADOH will award up to 25 points to Applicants or consultants who have placed the following number of LIHTC or federally subsidized low income housing projects in service:

One (1)	5 points
Two (2)	10 points
Three (3) – Four (4)	15 points
Five (5) – Six (6)	20 points
Seven (7) or more	25 points

If a consultant provides the qualifying experience, that consultant must be the principal contact and actively involved in all aspects of the development through issuance of Form(s) 8609. The Applicant may not terminate its contract with the consultant without ADOH approval.

2. SUPPORTIVE HOUSING

Maximum of 30 points.

Applications may not earn points in multiple subsections below.

SECTION 811 PARTICIPATION

ADOH will award 30 points based on the Applicant committing to accept a contract for **HUD 811 rental assistance** for the subject application for at least ten percent (10%) of the proposed units. The HUD 811 contract will be between the **ownership entity** and ADOH. The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to twenty percent (20%) of the units.

TENANT BASED RENTAL ASSISTANCE PARTICIPATION

ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of

the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units.

RENTAL ASSISTANCE

ADOH will award points using the following matrix to projects committed to targeting units for special populations such as: persons with disabilities, veterans, persons experiencing **homelessness**, victims of domestic violence and youth exiting foster care using one of the listed forms of rental assistance:

Federal Project Based Vouchers, Tribal Housing Assistance Payment Agreement, operating reserve for tenant based rental assistance, or other rental assistance (rapid rehousing, AHCCCS, emergency housing vouchers)	
15% of units	20 points
30% of units or more	30 points

The targeting will be pursuant to a plan approved by ADOH before commencing lease-up. Among other terms, the plan will include an agreement by the **ownership entity** to hold open the required number of units for special populations for the following periods:

- 60 days after certificate of occupancy
- 10 days during operations.

ADOH will post a template plan on its website and coordinate with human services agencies to establish process for referring potential tenants.

The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on-site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing.

3. PROXIMITY TO AMENITIES

Maximum of 35 points.

MEASUREMENT

Applicants must provide documentation of the driving distances calculated by Google Maps for the listed eligible amenities. Routes must be drivable as of the application deadline. The measurements will be between the points closest to:

- the site entrance, to or from

- the amenity driving entrance.

For scattered site properties or properties with multiple buildings, the measurement will be from the location with the shortest distance(s) with at least twenty-five percent (25%) of the total project units.

ELIGIBLE AMENITIES

The eligible amenities below will qualify for the points indicated if within:

- two and one half (2.5) miles in Metro
- four (4) miles in Rural / Balance of State, and
- ten (10) miles on Tribal land.

Each must be open to the general public and operating as of the application deadline.

1. Grocery ten (10) points – includes the following stores: AJ’s Fine Foods, Albertsons, Bashas’ Grocery Stores, Costco, Fry’s Food and Drug, Food City, IGA, Los Altos Ranch Market, Safeway, Sam’s Club, Sprouts Farmers Market, Target, Super Target, Walmart Supercenter, Walmart Neighborhood Market, Whole Foods Market, Natural Grocers, Trader Joe’s, and WinCo Foods (ADOH may consider additional locations upon request, if the location includes access to grocery staples and essential household products);
2. Shopping or pharmacy five (5) points – Target, Super Target, Big Lot’s, Dollar General, Dollar Tree, Walmart, and Family Dollar (ADOH may consider additional locations upon request);
3. Medical Facility five (5) points – includes hospital, urgent care business, general/family medical practice, or full-service primary care facilities co-located within a pharmacy (does not include specialists or clinics within pharmacies that are not full-service primary care);
4. Bus or Transit Stop five (5) points – at a fixed location served by a public transportation system:
 - six days a week (if within service area of Valley Metro or Sun Tran), or
 - five days a week (if within service area of another public transit system).
 Rural/Balance of State or Tribal projects may use alternate transportation methods such as dial-a-ride;
5. Employment Center five (5) points – an employment center is a single university or college, single hospital, single governmental entity, or single private company that has at least 250 year-round, full-time employees in one location for Metro developments and at least 50 year-round, full-time employees in one location for Rural/Balance of State developments and at least 30 year-round, full-time employees in one location for developments on Tribal land. The project must provide a letter from the employer, a third-party employment agency, or the local body of government stating the number of year-round, full-time employees that work at the location. All employees must be at the same site to receive points;
6. One of the following five (5) points:
 - Senior Center – with scheduled activities operated by a local government (age-restricted projects),
 - School – non-alternative public elementary, middle or high school (family, open occupancy projects),
 - Community Center – owned and operated by a local government with scheduled activities,

- Public Park – operated by a local government listed on its map or website containing playground equipment and/or walking trails,
- Library – operated by a local government open at least five days a week,

The same establishment or location may count under multiple categories.

4. COMMUNITY REVITALIZATION PLANS, QUALIFIED CENSUS TRACTS, AND DIFFICULT DEVELOPMENT AREAS

Maximum of 10 points.

- ADOH will award 5 (five) points to applications that are in a Community Revitalization Plan.
- ADOH will award 5 (five) points to applications that are in a Qualified Census Tract.
- ADOH will award 5 (five) points to applications that are in a Difficult Development Area.

CRP CRITERIA

Applications claiming CRP points must meet the criteria below.

- As of the application deadline, a local government formally adopted a plan to revitalize a defined geographic area (CRP) containing the proposed site. A standard land use, comprehensive, or general plan is ineligible unless it contains a specific revitalization area where the site will be located.
- Completing the property proposed in the application would contribute to one or more of the CRP's stated goal(s).
- The local government has made or is committed to making specific investments in non-housing infrastructure, amenities, or services beyond developing the proposed property. A Neighborhood Revitalization Plan and Indian Housing Plan will qualify if it meets the above criteria.
- The local government certifies that no Principal initiated the CRP being adopted (other than a public housing authority or a related entity) and confirms the Plan meets the criteria above.

QUALIFIED CENSUS TRACTS (QCT)

Projects must have at least one building is in a **Qualified Census Tract** (as of 2024 or 2025).

DIFFICULT DEVELOPMENT AREA (DDA)

All of the projects' buildings would be located in a DDA in effect as of the year of application submission.

5. COMMUNITY WIFI

Maximum of 15 points.

ADOH will award up to 15 points for applicants that provide WIFI in common areas and residential units throughout the project, and entirely paid for by the project owner.

6. BELOW MARKET LOANS AND LOCAL SUPPORT

Maximum of 20 points.

ADOH will award up to 20 points for meeting the following criteria.

LOCAL GAP FINANCING

Loans committed from any of the following sources will receive 10 points.

- **Community Development Block Grant;**
- **HOME Investment Partnership** (from a non-ADOH source);
- **Native American Housing Assistance and Self Determination Act;**
- Established tribal or local government housing programs;
- Public Housing Authority resources;
- Charitable organizations registered in Arizona;
- Federal Home Loan Bank Affordable Housing Program;
- Other sources from governmental agencies.

Minimum loan amounts required:

- \$500,000 per project or more for projects located in Metro area
- \$100,000 per project or more for projects located in Rural/Balance of State and Tribal

For scoring purposes, ADOH

- may disregard a source affiliated with a Principal (excluding tribes and public housing authorities);
- will reduce the amount from a local government by the cost of any land to be sold to the **ownership entity** by that local government.

The source(s) must be listed as a loan with terms no more demanding than those currently used under ADOH's gap financing programs. Applicants may reference ADOH's most recent **NOFA** for applicable terms.

HISTORIC

ADOH will award 5 points if the property will be eligible for the **federal historic rehabilitation tax credit**.

LAND LEASE

ADOH will award 5 points for projects with land owned by a unit of local government which proposes a landlease structure with the Applicant at the time of application. Land lease demonstrates no more than \$2,000 in cost line-items for land and buildings. The local government must not have purchased any portion of the real estate from a Principal.

OTHER

Applicants may request that ADOH approve another form of support prior to application deadline. The request must include relevant documentation.

7. SUBSEQUENT PHASE

Maximum of 10 points.

ADOH will award 10 points if the building(s) proposed in the application:

- was/were always planned as part of a phased development, as evidenced by written documentation that clearly establishes it was phased at the time of the first development;
- is/are the second or third phase; and
- is/are within 0.25 miles of the previous phase(s).

Fully constructed earlier phases must have:

- market demand study demonstrating a vacancy rate of less than five percent (5%), and
- waitlists representing at least fifty percent (50%) of what would be the proposed phases' units.

Earlier phases still under construction at the time of application must have:

- documentation demonstrating pre-leasing activities for the phase under construction; and
- waitlists of more than 100% for the phase under construction and the proposed phase.

ADOH may require documentation that land was paid for only once.

Please note: ADOH will sunset this scoring category in the 2026 QAP.

8. SENIOR AND FAMILY

Maximum of 20 points.

Applications will earn 20 points for agreeing to comply with one of the following three options.

SENIOR HOUSING WITH SERVICES

Senior developments that commit to at least three of the following will receive 20 points:

- garages or covered parking,
- design units to provide an additional five percent (5%) accessible units above the minimum required,
- fitness room with equipment,
- walking path and outdoor seating area,
- community garden,
- adjacent to a senior center or community center with regular programming (property provides regular transportation to senior center or community center),
- regular transportation or on-site bus stop, or
- structured recreational or educational programs.

Senior housing serving persons with ages 55+ must have no fewer than 80% of total project units occupied by at least one person who is 55 years of age or older. Senior housing serving persons with ages 62+ may include up to 100% of total project units serving this demographic.

OR

THREE OR MORE BEDROOMS

Applications proposing a family property with at least twenty percent (20%) of units containing three or more bedrooms will receive 20 points.

9. SMOKE-FREE DEVELOPMENT

Maximum of 5 points.

Projects which enforce a “no smoking” policy (including electronic smoking devices) in all common and individual living areas in all buildings and offer a designated smoking area outdoors on property are eligible for five (5) points.

10. ENERGY EFFICIENCY

Maximum of 10 points.

ADOH will award 10 points to applicants committing to obtain one of the following certifications:

- **2020 Enterprise Green Communities**
- **Leadership in Energy & Environmental Design (LEED)** – silver or higher
- **ICC 700 National Green Building Standard (NGBS)** – silver or higher

ADOH will award 5 points to applicants agreeing to construct housing with one of the following:

- **HERS rating** of 55 or better
- **US Department of Energy Zero Energy Ready Home Program**
- **Passive Housing Institute US**

11. INCREASE IN EXTENDED USE PERIOD OR HOMEOWNERSHIP

Maximum of 20 points.

For increases beyond the initial 15-year extended use period, five (5) additional points will be awarded for each additional five (5) year period the applicant agrees to extend the extended use period (up to an additional 20 years).

OR

Applicants will receive 10 points for projects that will be converted to homeownership for the residents after the initial fifteen (15)-year compliance period has expired.

HOMEOWNERSHIP CONVERSION

Applications proposing the following:

- single family units or townhomes on separate lots,
- either on tribal land or qualifies for the **nonprofit** set-aside,
- a Principal has experience with affordable homeownership,
- includes a comprehensive plan for conversion to ownership by the tenants after 15 years, and
- will have no common property requiring a homeowner association post-conversion.

*Purchasing a unit must be optional to the tenant household and not be a condition of continued occupancy. The **ownership entity** will remain responsible for leasing and managing all units pursuant to the Declaration of Land Use Restrictive Covenants for 30 years or until each is converted.*

12. TIEBREAKER

In the event more than one application earns the same total number of points, and there are not enough LIHTCs remaining for all, ADOH will make awards based on the following, in descending order:

- contains the greatest number of total LIHTC units;
- which demonstrate ownership or applicable land lease of the entire subject real estate by a Principal; then
- which projects have the longest extended use period.

E. 9% LIHTC Tribal

ADOH will score 9% LIHTC Tribal projects applications which meet threshold requirements.

1. APPLICANT'S AND PRINCIPALS' EXPERIENCE

Maximum of 25 points.

ADOH will award up to 25 points to Applicants or consultants who have placed the following number of LIHTC or federally subsidized low income housing projects in service:

One (1)	5 points
Two (2)	10 points
Three (3) – Four (4)	15 points
Five (5) – Six (6)	20 points
Seven (7) or more	25 points

If a consultant provides the qualifying experience, that consultant must be the principal contact and actively involved in all aspects of the development through issuance of Form(s) 8609. The Applicant may not terminate its contract with the consultant without ADOH approval.

2. SUPPORTIVE HOUSING

Maximum of 30 points.

Applications may not earn points in multiple subsections below.

SECTION 811 PARTICIPATION

ADOH will award 30 points based on the Applicant committing to accept a contract for **HUD 811 rental assistance** for the subject application for at least ten percent (10%) of the proposed units. The HUD 811 contract will be between the **ownership entity** and ADOH. The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to twenty percent (20%) of the units.

TENANT BASED RENTAL ASSISTANCE PARTICIPATION

ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units.

RENTAL ASSISTANCE

ADOH will award points using the following matrix to projects committed to targeting units for special populations such as: persons with disabilities, veterans, persons experiencing **homelessness**, victims of domestic violence and youth exiting foster care using one of the listed forms of rental assistance:

Federal Project Based Vouchers, Tribal Housing Assistance Payment Agreement, operating reserve for tenant based rental assistance, or other rental assistance (rapid rehousing, AHCCCS, emergency housing vouchers)	
15% of units	20 points
30% of units or more	30 points

The targeting will be pursuant to a plan approved by ADOH before commencing lease-up. Among other terms, the plan will include an agreement by the **ownership entity** to hold open the required number of units for special populations for the following periods:

- 60 days after certificate of occupancy
- 10 days during operations.

ADOH will post a template plan on its website and coordinate with human services agencies to establish process for referring potential tenants.

The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on-site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing.

3. PROXIMITY TO AMENITIES

Maximum of 35 points.

MEASUREMENT

Applicants must provide documentation of the driving distances calculated by Google Maps for the listed eligible amenities. Routes must be drivable as of the application deadline. The measurements will be between the points closest to:

- the site entrance, to or from
- the amenity driving entrance.

For scattered site properties or properties with multiple buildings, the measurement will be from the location with the shortest distance(s) with at least twenty-five (25%) of the total project units.

ELIGIBLE AMENITIES

The eligible amenities below will qualify for the points indicated if within fifteen (15) miles. Each must be open to the general public and operating as of the application deadline.

1. Grocery - ten (10) points – includes the following stores: AJ's Fine Foods, Albertsons, Bashas' Grocery Stores, Costco, Fry's Food and Drug, Food City, IGA, Los Altos Ranch Market, Safeway, Sam's Club, Sprouts Farmers Market, Target, Super Target, Walmart Supercenter, Walmart Neighborhood Market, Whole Foods Market, Natural Grocers, Trader Joe's, and WinCo Foods (ADOH may consider additional locations upon request, if the location includes access to grocery staples and essential household products);
2. Shopping or pharmacy - five (5) points – Target, Super Target, Big Lot's, Dollar General, Dollar Tree, Walmart, and Family Dollar (ADOH may consider additional locations upon request).
3. Medical Facility - five (5) points – includes hospital, urgent care business, general/family medical practice, or full-service primary care facilities co-located within a pharmacy (does not include specialists or clinics within pharmacies that are not full-service primary care);
4. Bus or Transit Stop - five (5) points – at a fixed location served by a public transportation system:
 - six days a week (if within service area of Valley Metro or Sun Tran), or
 - five days a week (if within service area of another public transit system).Rural/Balance of State or Tribal projects may use alternate transportation methods such as dial-a-ride;
5. Employment Center - five (5) points – an employment center is a single university or college, single hospital, single governmental entity, or single private company that has at least 250 year-round, full-time employees in one location for Metro developments and at least 50 year-round, full-time employees in one location for Rural/Balance of State developments and at least 30 year-round, full-time employees in one location for developments on Tribal land. The project must provide a letter from the employer, a third-party employment agency, or the local body of government stating the

number of year-round, full-time employees that work at the location. All employees must be at the same site to receive points;

6. One of the following - five (5) points:
 - Senior Center – with scheduled activities operated by a local government (age-restricted projects),
 - School – non-alternative public elementary, middle or high school (family, open occupancy projects),
 - Community Center – owned and operated by a local government with scheduled activities,
 - Public Park – operated by a local government listed on its map or website containing playground equipment and/or walking trails,
 - Library – operated by a local government open at least five days a week,

The same establishment or location may count under multiple categories.

4. LOCCS BALANCE

Maximum of 25 points.

ADOH will award points on a sliding scale based upon the number of years of NAHASDA funding are un-expended as of the 9% LIHTC application deadline, as demonstrated through a printout of a report from the HUD LOCCS system.

- Less than the greater of \$1 million or one (1) full year of NAHASDA funds in the **LOCCS Balance** – 25 points
- One (1) full year but less than two (2) full years or the greater of \$2 million of NAHASDA funds in the **LOCCS Balance** – 15 points

5. COMMUNITY REVITALIZATION PLANS

Maximum of 15 points.

CRP CRITERIA

ADOH will award 10 points to applications meeting the criteria below.

- As of the application deadline, a local government formally adopted a plan to revitalize a defined geographic area (CRP) containing the proposed site. A standard land use or comprehensive plan is ineligible unless it contains a specific revitalization component.
- The local government certifies that no Principal initiated the CRP being adopted (other than a public housing authority or a related entity).
- Completing the property proposed in the application would contribute to one or more of the CRP's stated goal(s).
- The local government has made or is committed to making specific investments in non-housing infrastructure, amenities, or services beyond developing the proposed property. A Neighborhood Revitalization Plan and Indian Housing Plan will qualify if it meets the above criteria.

QUALIFIED CENSUS TRACTS (QCT)

ADOH will award 5 points if at least one building is in a **Qualified Census Tract** (as of 2024 or 2025).

6. DIFFICULT DEVELOPMENT AREA (DDA)

Maximum of 5 points.

ADOH will award 5 points if all of the projects' buildings would be located in a **DDA** in effect as of the year of application submission.

7. BELOW MARKET LOANS AND LOCAL SUPPORT

Maximum of 15 points.

ADOH will award up to 15 points for meeting the following criteria.

LOCAL GAP FINANCING

Loans committed from any of the following sources will receive 10 points.

- **Community Development Block Grant;**
- **HOME Investment Partnership** (from a non-ADOH source);
- **Native American Housing Assistance and Self Determination Act;**
- Established tribal or local government housing programs;
- Public Housing Authority resources;
- Charitable organizations registered in Arizona;
- Federal Home Loan Bank Affordable Housing Program;
- Other sources from governmental agencies.

For scoring purposes, ADOH:

- may disregard a source affiliated with a Principal (excluding tribes and public housing authorities);
- will reduce the amount from a local government by the cost of any land to be sold to the **ownership entity** by that local government.
- Will require a minimum loan amount of \$250,000 per project or more.

The source(s) must be listed as a loan with terms no more demanding than those currently used under ADOH's gap financing programs. Applicants may reference ADOH's most recent **NOFA** for applicable terms.

HISTORIC

ADOH will award 5 points if the property will be eligible for the **federal historic rehabilitation tax credit**.

LAND LEASE

ADOH will award 5 points for projects with land owned by a unit of local government which proposes a landlease structure with the Applicant at the time of application. Land lease demonstrates no more than \$2,000 in cost line-items for land and buildings. The local government must not have purchased any

portion of the real estate from a Principal.

LOCAL GOVERNMENT RFP

ADOH will award 5 points for projects selected by local government using a request for proposals/qualifications process.

OTHER

Applicants may request that ADOH approve another form of support prior to application deadline. The request must include relevant documentation.

8. SENIOR, FAMILY AND HOMEOWNERSHIP

Maximum of 30 points.

Applications will earn 30 points for agreeing to comply with one of the following three (3) options.

SENIOR HOUSING WITH SERVICES

Senior developments that commit to at least three of the following will receive 30 points.

- garages or covered parking,
- design units to provide an additional five percent (5%) accessible units above the minimum required,
- fitness room with equipment,
- walking path and outdoor seating area,
- community garden,
- adjacent to a senior center or community center with regular programming (property provides regular transportation to senior center or community center),
- regular transportation or on-site bus stop, or
- structured recreational or educational programs.

Senior housing serving persons with ages 55+ must have no fewer than 80% of total project units occupied by at least one person who is 55 years of age or older. Senior housing serving persons with ages 62+ may include up to 100% of total project units serving this demographic.

THREE OR MORE BEDROOMS

Applications proposing a family property with at least twenty percent (20%) of units containing three or more bedrooms will receive 30 points.

HOMEOWNERSHIP CONVERSION

Applications proposing the following will earn 30 points:

- single family units or townhomes on separate lots,
- either on tribal land or qualifies for the **nonprofit** set-aside,
- a Principal has experience with affordable homeownership,
- includes a comprehensive plan for conversion to ownership by the tenants after 15 years, and
- will have no common property requiring a homeowner association post-conversion.

Purchasing a unit must be optional to the tenant household and not be a condition of continued occupancy. The **ownership entity** will remain responsible for leasing and managing all units pursuant to

the Declaration of Land Use Restrictive Covenants for 30 years or until each is converted.

9. ENERGY EFFICIENCY

Maximum of 10 points.

ADOH will award 10 points to applicants committing to obtain one of the following certifications:

- **2020 Enterprise Green Communities**
- **Leadership in Energy & Environmental Design (LEED)** – silver or higher
- **ICC 700 National Green Building Standard (NGBS)** – silver or higher

ADOH will award 5 points to applicants agreeing to construct housing with:

- **HERS rating** of 55 or better
- **US Department of Energy Zero Energy Ready Home Program**
- **Passive Housing Institute US**

10. TIEBREAKER

In the event more than one application earns the same total number of points, and there are not enough LIHTCs remaining for all, ADOH will make awards based on the following, in descending order:

- contains the greatest number of total LIHTC units; or
- length of applicable housing authority waiting list.

VI. Underwriting Standards

ADOH reserves and allocates LIHTC at the minimum level needed to realize projects' financial feasibility throughout the end of the extended use period.

A. 9% LIHTC Underwriting

ADOH will conduct a full underwriting process a minimum of two (2) times:

- prior to issuing a binding reservation;
- at submission of documents requesting a **Form 860g**.

ADOH will complete a **technical review** a minimum of one (1) time (only applicable to 9% LIHTC):

- prior to acceptance of ten percent (10%) test.

Technical reviews will include certification that sources, uses and equity interest and ownership have not changed since reservation.

Unless otherwise indicated, the requirements apply to both 9% and 4% LIHTCs. ADOH may request updated information at any time. Upon an increase in funding sources, ADOH may reduce the LIHTC allocation and/or gap financing.

B. All Properties

Applicants must correctly complete and submit all required application forms.

1. PRO-FORMA

Applications must:

- use a vacancy rate as stated in the market study, but in no event will the vacancy rate be greater than ten percent (10%); trend rent increases by two percent (2%) and expenses by three percent (3%);
- demonstrate a **Debt Service Coverage Ratio (DSCR)**
 - o between 1.15 and 1.35 in the first year of normal operation if projected to trend upward;
 - o between 1.10 and 1.50 during the entire first 15 years of normal operation if projected to trend downward

ADOH will assess the **DSCR** without regard to any deferred developer fees or funds paid to members/partners (e.g., distributions, asset management fees, loan payments). DSCR alternatives may be provided to Rural and Tribal projects.

2. OPERATING EXPENSES

ADOH will base the minimum operating expenses for rehabilitation applications on the property's current operations, as may change resulting from physical improvements.

The new construction per unit per year range is \$4,700 through \$5,200, excluding real estate taxes and reserve payments. ADOH will require waivers for an operating budget that is more than \$100 per unit per year higher or lower than this standard. Applicants may request a lower amount by including documentation of comparable properties. ADOH may allow an increase in operating expenses for supportive services.

3. REQUIRED RESERVES

The requirements in this subsection do not apply to properties with **USDA-Rural Development (RD)** rent assistance.

LEASE-UP

Owners must deposit a minimum of \$300 per unit. The management agent will use these funds to pay rent-up expenses. Any amount remaining when the property reaches ninety-three percent (93%) occupancy must be transferred to the replacement reserve account, operating reserve account, or to pay capital costs including deferred developer fee.

OPERATING

The operating reserve must equal at least four (4) months of operating expenses and debt service. Properties using 4% LIHTCs may propose an alternative.

REPLACEMENT

All developments must fund an annual replacement reserve of a minimum of \$250 per unit for new construction projects for older persons and \$350 for all other project types, increased annually by three percent (3%).

4. EQUITY PRICING

ADOH will conduct a survey of federal and state LIHTC equity providers to determine appropriate pricing assumptions and will announce the results no later than two months prior to the application deadline. The results will be a range (minimum-maximum) and may vary based on property type, size, and/or geography. Applicants will submit their application using an equity price within the ADOH determined range.

5. COMMITMENT LETTERS

Applications must include commitment letters indicating the following for all permanent loans:

- amount,
- term and amortization (minimum of 15 years),
- fixed interest rate,
- fees charged,
- reserve requirements,
- anticipated lien position, and
- the election of the average income is acknowledged and affirmed, if applicable.

If the **ownership entity** will assume a loan, the application must include a letter from the lender stating the loan can be assumed and details of the terms/conditions.

6. 9% LIHTC BASIS BOOST

ADOH will allow for a statewide thirty percent (30%) increase in eligible basis for 9% LIHTC projects which demonstrate a financial need. ADOH will approve a basis boost only to the level needed to realize projects' feasibility. ADOH will assess financial feasibility to determine if the project requires a boost.

7. APPRAISALS

Applicants showing cost to purchase real estate must submit a real estate "as is" appraisal that is:

- dated no more than six months from the application deadline;
- prepared by an independent, state certified appraiser; and
- complies with the **Uniform Standards of Professional Appraisal Practice**.

Applications may include no more than the lesser of appraised value or the purchase price. Appraisals for properties with existing structures not to be demolished must break out the land and building values.

8. DEVELOPER FEES

TOTAL

Applications must list developer fees between a minimum of \$200,000 and maximum of:

Percent of Total Eligible Basis		
4% LIHTC Units	9% LIHTC Units	Percent Allowed
1 – 30	1 – 30	Nineteen percent (19%)
31 – 60	31 – 60	Seventeen percent (17%)
61 – 90	61+	Sixteen percent (16%)
91+	N/A	Nineteen percent (19%) – 4% LIHTC Only

These totals are inclusive of any consulting fees.

9% LIHTC DEFERRED

ADOH will ensure that deferred developer fee amounts are sustainable and can be repaid by project cash flow within fifteen (15) years at zero percent (0%) interest. 9% LIHTC applications may not show more than half of the developer fee as deferred, and any amount over \$2,750,000 must be deferred.

4% LIHTC DEFERRED

ADOH will ensure that deferred developer fee amounts are sustainable and can be repaid by project cash flow within fifteen (15) years at zero percent (0%) interest. The \$2,750,000 limit will not apply to 4% LIHTC projects. Developer fees will be locked in at 8609 for 4% LIHTC.

9. CONTRACTOR AND OTHER FEE MAXIMUMS

Contractor fees cannot exceed:

- General Requirements – 6%
- Builder’s Overhead – 4%
- Builder’s Profit – 5%

ADOH may allow for an increase in general requirements when needed to accommodate an increase in costs for small Rural/Balance of State projects.

ADOH will not recognize in eligible basis architectural and engineering fees in applications exceeding:

Units	Per Unit
1 – 30	\$9,000
31 – 60	\$8,000
61+	\$7,000

C. Rehabilitation Development Costs

ADOH will determine the appropriate amount for each line item based on the:

- appraisal,
- applicant's proposed amounts,
- **Capital Needs Assessment**, and
- staff's professional judgement.

Maximum contingency is ten percent (10%) of rehabilitation hard cost line-items.

D. New Construction Development Costs

Underwriting standards for new construction proposals will apply to both new construction and applicable adaptive reuse projects. ADOH will evaluate applications according to the criteria below.

ADOH will:

- determine applications show development budget amounts outside the standard deviation among applications submitted, and
- require all such Applicants to provide explanations.

Inability to explain the costs may result in disqualification of the application.

Applicants will propose costs for the non-vertical components. ADOH will determine the appropriate amount for each based on:

- comparisons with other applications,
- recently submitted cost certifications,
- input from third parties, and
- staff's professional judgment.

Maximum contingency range is seven and one half percent through ten percent (7.5%-10%) of new construction hard cost line-items.

E. ADOH Gap Financing

A separate Notice of Funding Availability (NOFA) describing the terms and conditions of any ADOH Gap Financing that becomes available will be announced via **Information Bulletin**.

F. Subsidy Layering Review

If applicable, ADOH will perform a **Subsidy Layering Review** (SLR) based on HUD's most current subsidy layering review guidelines in conjunction with the underwriting. This review is designed to ensure that such projects do not receive excessive assistance.

VII. Post-Award and Compliance

At any time between award and issuance of the Form(s) 8609, ownership entities must have written approval from ADOH prior to any of the following material changes:

- altering the designs ADOH approved, including amenities, site layout, floor plans and elevations; or
- in ownership or general partner or managing member;
- increasing rents for low-income units.

Failure to comply with a requirement of this subsection may result in a fine of up to \$25,000, revocation of the LIHTC reservation or allocation, future disqualification of any Principal involved or other recourse available.

A. Post-Award Requirements

The **ownership entity** must conform with all applicable administrative policies as defined in the LIHTC Post-Award Manual.

B. Compliance Monitoring

Ownership entities and property management companies must use ADOH's Compliance Manual Low Income Housing Tax Credit Program.

The **ownership entity** will:

- allow ADOH and/or its designee to audit any property during the extended use period (includes a physical inspection and review of records);
- submit the Annual Owner's Certification of Continued Program Compliance along with other annual reporting requirements annually;
- submit required state forms prior to changes in management companies and/or ownership;

An individual with responsibility for the project must attend ADOH Compliance Training at a minimum of every five (5) years. Compliance training means a two (2) day certification class designed to support an exam taught by authorized providers on operating and managing Projects in conformance with the requirements of **I.R.C. § 42**, Reg. 1.42-5, the QAP and the **LURA**.

Exhibit A | ADOH QAP 2024-2025

Mandatory Design Standards

I. General Design

- A. The building design should be appropriate and integrated into the topography and neighborhood.
- B. Project amenities should be shown clearly on the plans and fully described within the narrative portion of the application package.

II. Building Code Standards

All projects MUST meet or exceed the most recent local building codes.

III. Site, Location, and Neighborhood

A. Walkable Neighborhoods – Sidewalks and Pathways

Site plans shall demonstrate that the project is connected to the pedestrian grid. Site plans shall describe sidewalks or other all-weather pathways within a multifamily property linking residential development to public spaces, open spaces and adjacent development (where permitted). Sidewalks shall meet local, State and Federal accessibility guidelines. This section is only applicable to areas with existing connectable uses and will not be required for new growth areas with no surrounding connectable uses.

B. Erosion and Sedimentation Control

Project plans and specifications shall implement EPA’s Best Management Practices for erosion and sedimentation control during construction and refer to EPA documents for Storm Water Management for Construction Activities.

IV. Interior Design

Residential dwelling units must meet minimum Residential Floor Area (“RFA”) requirements. Both the minimum and maximum RFA below exclude any Balcony, Porch, Deck or patio that may be attached to the Unit for the tenant’s use. Any Balcony, Porch or Deck in excess of 100 square feet shall be excluded from eligible basis. The minimum and maximum RFA requirements apply to new construction projects and rehabilitation projects where the Applicant is changing the structure of the unit to change the number of bedrooms in the unit or otherwise changing the exterior footprint of the unit.

Unit Size	Minimum RFA	Maximum RFA
Efficiency	380 net square feet	585 net square feet
1 bedroom	575 net square feet	735 net square feet
2 bedrooms	800 net square feet	973 net square feet
3 bedrooms	1,050 net square feet	1,243 net square feet
4 bedrooms	1,200 net square feet	1,360 net square feet
5 bedrooms	1,350 net square feet	1,700 net square feet

*ADOH will allow for larger maximum square footage for Tribal projects.
*A waiver request may be submitted for projects using innovative housing typologies not meeting these requirements.

- A. The minimum bedroom size is 100 net square feet.
- B. Kitchens must be equipped with pantries, either free standing closet with shelving, full-height casework or equivalent for Type A units.
- C. Other features which must be provided include:
 - Linen closets or cabinet.
 - General storage for items such as, suitcases and sport equipment. This may be an interior closet or closet located outside each unit, and shall not be shared with a gas water heater.
- D. Garages and Carports attached to a unit are limited to 300 net square feet for a two- or three-bedroom unit, and 600 net square feet for a four- or five-bedroom unit.

V. Exterior Design

- A. Building design shall incorporate durable low maintenance exteriors that are appropriate to the climate and surrounding areas.
- B. Plans shall include a complete landscape plan, designed by a licensed landscape architect which maximizes existing natural features or otherwise enhances open space. Wherever possible native plants should be used. Landscape plans shall also detail a complete automated irrigation system and scheduling as necessary to maintain the landscaping.
- C. Project must use xeriscaping. Internally located lawn areas of minimal size are permitted for specific uses, such as play areas. Fire wise® design principles are recommended in areas susceptible to wildfires.
- D. Trash/Recycle removal areas must be screened.
- E. Buildings and dwelling units must be individually marked with visible, contrasting, identifying devices as required by local police, fire and other emergency services to minimize their response time. The building identifying devices must be appropriately lit from dusk until dawn, while observing dark sky lighting strategies.

VI. Large Unit Design

Applicable to units which have three or more bedrooms:

- A. The areas of common spaces of units, living area, kitchen, dining, etc., shall increase in proportion to the number of bedrooms.
- B. Three-bedroom units must have at least 1.75 baths. Four and five-bedroom units must have at least 2 full baths.

VII. On-site Playground Areas

- A. Recreational facilities must be provided for different age groups. For example, a sandbox within sight of units can be provided for children under 5; a "tot lot(s)" provided for ages 5 to 12; and a sport court, pool, or area in the clubhouse for ages 12 and older.
- B. Play areas and playgrounds for children should be located away from areas with high volume automobile traffic, and situated so that the play area is visible from the maximum number of dwelling units possible for safety.
- C. Designated play areas and playgrounds are considered "common areas", and must be on an accessible route in accordance with applicable accessibility codes. Equipment must also meet accessibility requirements.

- D. A bench must be provided at play areas and playgrounds to allow a child’s supervisor to sit and rest comfortably. All benches must be anchored permanently, must be on an accessible route, must be weather resistant, and must have a back.
- E. A “warning” sign must be posted to advise residents and guests that using a playground is at their ownrisk. The sign must be posted at a visible location and use contrasting colors for better visibility.

VIII. Common Areas Facilities

A. On-Site Laundry Facilities

- 1. There must be a minimum of one washer and one dryer per twelve dwelling units within common laundry facilities if washer/dryer hookups are not available in each dwelling unit.

Common laundry facilities also require the following:

- Front-load washers/dryers compliant with ADA standards.
 - A “folding” table or countertop must be installed.
 - Seating area
 - The laundry room must have an interior or exterior window and adequate entrance lighting, which must be on from dusk to dawn to assist in greater security during evening hours.
- 2. If hookups are available in each dwelling unit, there must be a minimum of one washer and one dryer per twenty dwelling units.
 - 3. If in addition to washer/dryer hookups, if Applicant provides washers and dryers in each unit, a common washer and dryer facility is not required.

B. Community/Office Space

- 1. All developments must have a community room on site.
- 2. All developments consisting of twenty (20) residential dwelling units or more must have a site office of at least 200 square feet (inclusive of accessible toilet facility) and a maintenance room of at least 100 square feet. Single-family projects are exempted from this requirement if the Applicant provides evidence that the Project is part of a phased development, for which such facilities exist in prior phases of the development.

IX. New Construction

A. Site Work

- 1. A geotechnical investigation report by an Arizona Registered Engineer is required.
- 2. Site drainage must conform to the recommendations of the geotechnical investigation report or the following minimum slopes whichever is more restrictive:
- 3. Minimum slopes required for proper drainage are as follows:
 - Slopes away from foundations: five percent (5%) first 10 feet (6 inches in first 10 feet).
 - Design slopes on paved areas should be sufficient to prevent ponding.
 - Exterior grade adjacent to buildings should be shown a minimum of 6-8 inches below the top of slabs on grade.

B. EV Ready Parking Spaces

- 1. ADOH will allow EV ready parking spaces; one (1) space for ten (10) or less total parking spaces and ten percent (10%) for more than ten (10) parking spaces.

C. Foundation and Slabs

Slab on grade foundations shall be designed by an Arizona Registered Structural Engineer per the geotechnical report recommendations.

D. *Frame Construction*

- The framing system will be dictated by the methods selected to meet the International Energy Conservation Code requirements, sound barrier requirements and engineer's specifications. Exterior walls should be designed to achieve a thermal resistant value per local code or better.
- Floor-ceiling truss assemblies must be fabricated in the State of Arizona.

E. *Roof*

Roof Sheathing shall be called out on the Structural Roof Framing Plan. Required: minimum ½-inch exterior grade plywood or ½-inch exterior grade OSB (oriented strand board). All sheathing must be gapped 1/8-inch on the edges and ends.

- Pitched Roof: Roofing systems must have a minimum life of 30 years, a 10-year material and labor warranty, and be installed per manufacturer's specifications with wood truss framing, and a minimum slope of 3:12.
- Low-Sloped Roof: Low-Sloped roofs must have a minimum 3/8"/1' slope and have a minimum rated life of 20 years and a 10-year material and labor warranty.

F. *Electrical*

Install ENERGY STAR qualified light fixtures or LED light bulbs in all interior unit fixtures and use ENERGY STAR or LED light bulbs in all common areas and outdoors.

G. *Plumbing*

1. Durable fixtures for bathroom sinks, toilets, tubs/shower and surrounds.
2. Mandatory water conservation devices shall include the following maximum flow rates:

<u>Fixture</u>	<u>Maximum Flow Rate</u>
Toilets	1.1 GPF (or dual flush)
Showerheads	1.75 GPM
Kitchen faucets	2.0 GPM
Bathroom faucets	0.5 GPM

3. All accessible clothes washers must be front loading or horizontal axis. All other washers shall be Tier 2 or greater by the Consortium for Energy Efficiency ("CEE").
4. No plumbing shall be permitted directly in exterior framed walls in cold climates where the exterior temperature goes below 32° F. Projects located in warmer climates where the temperature occasionally could reach 32° F should ensure that there is adequate insulation to prevent pipes from freezing, or run plumbing through interior walls only.

H. *Doors*

1. Interior: Paint grade pre-hung hollow-core interior doors with residential grade finish hardware or better with universal design handles are required throughout.
2. Single cylinder deadbolts and eye viewers are required on all entry doors to residential units in compliance with accessibility codes.

I. *Floors*

1. Floor base, painted or pre-finished, must be provided;
2. In wet areas, materials that have smooth, durable, cleanable surfaces are to be used. Do not use mold-propagating materials such as vinyl, wallpaper, or unsealed grout.
3. All carpets must be Green Label Plus ("Green Label Plus") certified by the Carpet and Rug Institute.
4. Water resistant floor coverings or concrete must be installed under hot water heaters.

J. *Walls & Ceilings*

All walls and ceilings are to be painted with low-VOC paint coatings as defined by Green Seal or similar; use 5/8" gypsum board throughout; moisture resistant at substrate for tiled areas at water closet; glass mat water-resistant gyp board or cementitious backer unit for wall tile at tubs and showers; type 'X' or 'C' at areas required by prevailing building code.

K. *Appliances*

1. All units to have a refrigerator, disposal, dishwasher, range/oven, exhaust hood above range,

microwave. For rehabilitation projects only, if microwave is also the range hood AND recirculates the air, it must include a carbon filter. All new construction projects are required to have the exhaust hood above the range vented to the outside.

2. All Appliances where ENERGY STAR rating is available shall be ENERGY STAR (e.g. clothes washers, dishwashers, and refrigerators).

L. *Cabinets*

1. Cases: Solid wood, MDF or particleboard with durable laminate.
2. Countertops: durable laminate at a minimum.

M. *Exterior Stairs, Entrance Landings, and Balconies.*

At a minimum precast concrete or cast in place treads on painted steel framing with painted steelguardrails and handrails or a system of equivalent or greater durability and quality.

N. *Irrigation*

1. If irrigation is necessary, use recycled gray water, roof water, collected site run-off, water from a municipal recycled water system, or a highly efficient irrigation system including all of the following: system designed by licensed landscape or irrigation professional; plant beds with a dripirrigation system; separately zoned turf and bedding types; a watering zone timer/controller; and rain sensor.

O. *Exterior Fencing*

1. Fence the property to limit access of non-residents, as appropriate and required by the Local Government. Gates are not required unless specified by the Local Government or needed to provide access from one property to the other for services, etc. Installed fencing and gates shall be designed for permanent use. Construction chain link fencing and padlocks shall be removed upon certificate of occupancy.

P. *Exterior Finish*

1. Select a finish material that will withstand extended weathering in the project location.
 - Desert and mountain localities: at a minimum three-coat cement stucco with metal expansion joints, or 3/8-inch, fiber-reinforced stucco on wire lath, on 1-inch foam insulation.
 - Mountain localities at higher elevations: various siding products (cementitious board or vinyl) may be substituted for stucco if warranted by the manufacturer for a minimum of 30 years.

Q. *Site Lights*

1. For security purposes, provide adequate site lighting, at the rear of all buildings in compliance with the recommendation of the Illuminating Engineering Society of North America (IESNA), pedestrian walkways, parking, corridors and stairways. Adhere to dark sky design strategies and minimize light trespass to adjacent properties (0.5 fc at property line) confirmed by a photometric study.
2. Install daylight photocells or timers on all outdoor lighting for dusk to dawn operation.

R. *Bathrooms*

1. Tiled tub and shower wall areas require a cementitious wall board or glass mat water-resistant gypboard.
2. Durable toilet accessories must include a medicine cabinet with a mirror and towel bar.

S. *Energy Conservation*

New construction buildings must achieve a HERS Index of sixty-five (65). Buildings being rehabilitated must achieve a HERS Index that equates to a fifteen percent (15%) reduction in energy usage over the existing building condition.

1. Insulation:

Insulation must be installed so that there are no gaps, voids, air intrusion or compression of the insulation. The insulation and a rigid air barrier (e.g. gypsum board) must be continuously in contact and aligned in all cases. Slab edge insulation shall be installed in accordance with the IECC 2012 or later requirements. Measured envelope leakage shall be less than or equal to one (1) CFM₅₀ per ft² of CFA (Conditioned Floor Area) or later requirements.

2. Minimum HVAC efficiencies by Energy Code:
 - AC: 15 SEER₂
 - Heat Pump: 15 SEER₂ and 8.8 HSPF₂
 - Combustion furnace: 80% AFUE in IECC Climate Zones 1 and 2; 90% AFUE in IECC Climate Zones 3 and higher.
 - Size heating and cooling equipment in accordance with the Air Conditioning Contractors of America Manual, Parts J and S, ASHRAE handbooks, or equivalent software.

Electric resistance heating can be used only if the Owner documents, in accordance with IECC Section R405 Simulated Performance Alternative approach, that the utility costs for the structure are equal to or less than the 2018 IECC standards design of like architectural characteristics. The analysis will be completed utilizing a combustion furnace for the standard design with an efficiency value of 80% AFUE. If utilized in climate zones 3 and higher, the RESNET energy modeling, (when applicable), must confirm that it meets the minimum IECC 2018 requirements.

3. Air Distribution Systems:
 - a. All joints in the air distribution system shall be sealed with duct mastic or approved equivalent to comply with IBC, IRC or IMC.
 - b. For duct systems located outside the conditioned envelope, leakage to outdoors shall be less than or equal to 2 CFM per 100 ft² of conditioned floor area (CFA) or a total leakage less than or equal to 4 CFM per 100 ft² of CFA when tested at a pressure differential of 25 Pa across the entire system, including the manufacturer's air handler enclosure. If the air handler is not installed, leakage to outdoors shall be less than or equal to 1 CFM per 100 ft² of CFA or a total leakage less than or equal to 3 CFM per 100 ft² of CFA (for rooftop air handlers).
 - c. If the entire system, including the manufacturer's air handler enclosure, is located entirely within the building thermal envelope, duct leakage testing is not required.
 - d. Airflow to each room will match design airflow calculations to within +/- 10%.
4. *Room Pressure:* Under normal operating conditions, an air handler cannot create a differential pressure greater than +/-

3 Pascals between a room and any area outside the room, anywhere in the Unit.

5. *Indoor Air Quality:*

- a. Exhaust hoods above ranges must be vented to the outside. Install power vented fans or range hoods that exhaust to exterior.
- b. Install ENERGY STAR – labeled bathroom fans that exhaust to the outdoors and are connected to a switch or timer.
- c. Clothes dryers must exhaust directly to the outdoors.
- d. Unvented combustion appliances (fireplaces, heaters or gas logs) are not allowed.
- e. A carbon monoxide detector, hardwired, shall be installed in all Units with an attached garage or with any combustion appliance located in the conditioned space.
- f. Applicant must install a ventilation system for the dwelling unit, providing adequate fresh air per ASHRAE 62.1-2007 for buildings over three stories, or ASHRAE 62.2 for single family and low-rise multi-family.
- g. All particleboard and MDF must be certified compliant with ANSI A208.1-2009 Particleboard and ANSI A208.2 -2009 MDF for Interior Applications. All adhesives shall comply with Rule 1168 of the South Coast Air Quality Management District and be low VOC products. Caulks and sealants must comply with Regulation 8, Rule 51 of the Bay Area Air Quality Management District and be low VOC products.
- h. All interior paints and primers must be rated low VOC.

X. Sensory Impaired Units

In the event ADOH awards federal funds, two percent (2%) of units must be equipped with the following sensory impaired items:

- A. Lighted switches for garbage disposal, range fan, and bathroom fan. Both visual and audible notification for doorbell and fire alarm.
- B. Construction finish materials and techniques that minimize reverberation and improve sound control.
- C. Open sightlines in community rooms, meeting areas, landings, stairwells, and other building areas to remove visual communication barriers.
- D. Lighting design and window placement that minimizes glare to facilitate communication in American Sign Language. Light fixtures should be selected and located to minimize glare that can interfere with seeing hand motions or reading lips.
- E. Windows on the west and south facing walls that receive the most direct sunlight are to be sized and located appropriately. Exterior awnings may be used to help prevent glare. Background colors should be chosen to provide contrast to aid communication in sign language.
- F. Large community rooms intended for gatherings of greater than 100 people should include a loop amplification system. Loop systems will be designed to work with hearing aids to help residents with a hearing impairment hear better, especially in group settings. Installation of a loop system involves additional wiring inside building walls.
- G. Visual emergency indicators are to be provided in elevators. Emergency situations are made more stressful by a lack of information and the absence of any indication that helps on the way. Elevators are to be modified to provide information to deaf individuals trapped in a malfunctioning elevator. Lighted buttons can be pressed from outside the elevator to signal to those inside the cab that assistance is on the way. An interior emergency button can then trigger a visible response to indicate that a request for assistance has been received.
- H. Wider hallways and larger community rooms and elevator lobbies are to be provided to accommodate the additional spacing requirements between individuals when communicating in American Sign Language as compared with speaking.
- I. Community Room furnishings are to be designed and functional for deaf persons. Tables, for example, are rounded rather than rectangular to allow all persons seated at the table to see each other more easily during conversations.
- J. Accessibility features for residents with mobility impairments and physical disabilities are to be located throughout the building. Handrails are to be located on one side of common hallways, automatic door openers installed at main entrances to the building, and washers and dryers are to be front loading.

XI. Rehabilitation Projects

Applications must propose a scope of work appropriate to the building(s), as reflected in the Capital Needs Assessment (CNA).

All Additions, must comply to the minimum new construction design standards latest adopted local building and energy codes as well as meeting the standards in 24 CFR 5.703 and 24 CFR 5.705 (Uniform Physical Conditions Standards or "UPCS").

- A. HVAC replacements and new installations shall include the following:
 - 1. Sealing of all accessible duct connections including the drywall to boot connections with duct mastic or approved equivalent.
 - 2. Installation of any new duct systems that comply with the new construction Energy Conservation Air Distribution Systems standard.
 - 3. Room Pressures shall comply with the new construction Energy Conservations standard.
- B. Install insulation such that there are no gaps, voids, compression or wind intrusion of the insulation. The insulation and air barrier (e.g. gypsum board) must be continuous and aligned in all cases.
- C. Common areas must be handicap accessible.
- D. Upgrade site and exterior dwelling lighting in compliance with the latest adopted code and Arizona State Dark Sky Ordinance.
- E. Upgrade landscaping/fencing.
- F. All installed exterior finish materials must withstand extended weathering (minimum 10-year performance) in the project's location.
- G. Provide porches or other aesthetic features to enhance the exterior quality and interest of the project.
- H. Perform an energy analysis of the existing building condition, prepare an estimate for costs of improvements, and implement measures that will improve building energy performance by a minimum of fifteen percent (15%) from pre-renovation figures. A Residential Energy Services Network ("RESNET") certified Home Energy Rater ("HERS Rater") in good standing with RESNET must evaluate the building to establish a HERS Index for the existing building condition, then prepare an energy improvement report which identifies cost-effective energy improvements that achieve a minimum of fifteen percent reduction in energy usage over the existing building condition. The weighted average HERS Index that equates to a fifteen percent reduction, excluding the use of renewable energy, will be required by ADOH. The sampling of units selected for the analysis must be representative of each of the unit types for the project, and be in accordance with Chapter 6 of the RESNET National Home Energy Rating Standards. All work must be completed to the Department of Energy Standard Work Specifications. The Arizona Weatherization Program Field Guide provides the critical details for this standard and may be downloaded from the ADOH website.
- I. Where applicable, use energy-efficient related products to replace inferior ones, including insulated windows and doors, and adding additional insulation.
- J. Improve heating and cooling units, plumbing fixtures, water heaters, toilets, sinks, faucets and tub/shower units, especially with use of water conserving equipment and systems.
- K. Improve quality of interior conditions and fixtures, including carpet, vinyl, interior doors, painting, drywall repairs, cabinets, appliances, light fixtures in compliance with the latest adopted code, and mini-blinds.
- L. Upgrade bathrooms and kitchens. Refer to Section IX – New Construction – for all categories that apply.
- M. For properties built before 1978, use lead-safe work practices during renovation, remodeling, painting and demolition.

- N. Complete a Phase I Environmental Assessment for all projects.
- O. Complete a Hazardous Materials Study (asbestos and lead paint) for projects built before 1980.
- P. Prepare a Capital Needs Assessment (CNA). The following requirements must be met:
 1. The CNA report must be prepared by a qualified professional (architect or engineer) who has no financial interest in the project and no identity of interest with the Developer. A "qualified professional" is a licensed professional architect or engineer, who can substantiate a minimum of five (5) years' experience providing CNA reports in accordance with ADOH standards, and who performs the assessment and supplies ADOH with their professional opinion of the property's current overall physical condition. The preparer must insert application form from the Low-Income Housing Tax Credit Application in the front of the CNA certifying that it meets these requirements. CNAs must conform to each of the requirements in this Section. The CNA must include the identification of significant deferred maintenance, existing deficiencies, and material building code violations that affect the property's use and its structural or mechanical integrity. Furthermore, the CNA must examine and analyze the following building components:
 - a. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities and lines.
 - b. Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system and drainage.
 - c. Interiors, including Unit and common area finishes (carpeting, vinyl tile, interior walls, paint condition, etc.), Unit kitchen finishes and appliances, Unit bathroom finishes and fixtures and common area lobbies and corridors.
 - d. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical and fire protection.
 - e. Elevators (if applicable).
 2. The CNA will include a building life cycle study that lists each building component, the base cost and opinions of probable cost immediately (critical repair item), within two (2) years and within ten (10) years along with an analysis of the reserves for replacement needed to fund long-term physical needs of the Project, accounting for inflation, the existing reserves for replacement balance and the expected useful life of major building systems.
 3. The CNA must also include the following major parts:
 - a. All health and safety deficiencies or violations of Uniform Physical Conditions Standards ("UPCS") under 24 CFR 5.705, requiring immediate remediation. If the Project has tenants, these repairs are to be made a first priority.
 - b. Repairs, replacements, and significant deferred and other maintenance items that need to be addressed within twenty-four (24) months of the date of the CNA. Include any necessary redesign of the Project and market amenities needed to restore the property to the standard outlined in the Qualified Allocation Plan and this Exhibit A.
 - c. Repairs and replacements beyond the first two (2) years that are required to maintain the Project's physical integrity over the next twenty years, such as major structural systems.
 4. The professional preparing the CNA report must:
 - a. Conduct site inspections of a minimum of thirty-five percent (35%) of all Units. Units must be randomly sampled but must also include a pro-rata portion of each type of Unit while taking into consideration the Unit size mix, e.g., one- bedroom, two (2) bedroom, etc. All vacant Units must be inspected.
 - b. Identify any physical deficiencies as a result of 1) visual survey; 2) review of pertinent documentation; and 3) interviews with the property owner as of the date of the CNA, management staff, tenants, community groups, and government officials.
 - c. Identify physical deficiencies, including critical repair items, two (2) year physical needs, and long-term physical needs. These must include repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred

- maintenance, and material building code violations that would limit the expected useful life of major components or systems.
- d. Explain how the Project will meet the requirements for accessibility to persons with disabilities. Identify the physical obstacles and describe methods to make the Project more accessible, and list needed repair items in the rehabilitation plan.
 - e. Prepare a rehabilitation plan, addressing separately all two (2) year and long-term physical needs.
 - f. Conduct a cost/benefit analysis of each significant work item in the rehabilitation plan (items greater than \$5,000) that represents an improvement or upgrade that will result in reduced operating expenses (e.g., individual utility metering, extra insulation, thermo-pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of building systems.
 - g. The assessment must include a site visit and physical inspection of the interior and exterior of the units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs/improvements and an examination of invoices, contracts or work orders relating to the repairs/improvements over the last twenty-four (24) months, pending repairs, and existing or chronic physical deficiencies. Any information from the interview must be included in the CNA. The assessment must also consider the presence of hazardous materials on the site.

XII. Housing for Seniors

- A. Projects that are intended to serve eighty percent (80%) or more senior individuals must consist of single-story buildings or multi-level buildings with elevators serving all levels of the building. All projects must comply with local, state, and Federal accessibility requirements. Additionally, the following must be provided:
 1. Grab bars shall be provided in all type A units. Reinforcement for future grab bars shall be provided in all type B units.
 2. Handheld showerheads shall be provided in all units.
 3. Maximum height for the microwave shall be at countertop height.
 4. All cooktop controls shall be front mounted.
- B. Playgrounds are not applicable to Senior Projects. However, sports courts, walking paths, community gardens, etc. are highly encouraged to be included in the design of Senior Housing projects.

Exhibit B

Appraisal Requirements for Projects Involving Acquisition

New Construction. A land only Appraisal of real property that is not subject to a lease must be provided as part of the Application submittal.

Acquisition/Rehab or Adaptive Re-use. The Appraisal must include separate values for the land and the buildings, allocated in accordance with this QAP. Projects with Single-Family detached homes must include a separate valuation and inspection of at least twenty-five percent (25%) of each unit type and condition in the Appraisal. If an additional appraisal is required under this QAP, ADOH shall randomly select the units for inspection from lists of each unit type.

Tribal. Projects on tribal land may submit cost-based appraisals utilizing the appraisal guidebook published by U.S. Department of Housing and Urban Development, Valuation Analysis for Single Family One (1) to Four (4) Unit Dwellings, Directive 4150.2, including an estimate of depreciation on improvements using an economic age-life method of estimating depreciation using the following assumptions:

- The total Economic Life shall be forty-five (45) years for framed houses and fifty (50) years for masonry houses based upon Marshall and Swift life expectancy estimates for a low-cost house. Improvements with an Actual Age greater than the applicable forty-five (45) or fifty (50) years in the preceding sentence are not eligible for an Acquisition/Rehabilitation Project unless they have undergone sufficient rehabilitation within the applicable past forty-five (45) or fifty (50) years bringing them to a condition that otherwise demonstrates that the improvements should not be demolished and re-constructed.
 - i. The Effective Age should be the Actual Age of the improvements, unless documented improvements have been made to reduce the Effective Age. However, the lack of typical maintenance may increase the Effective Age of the improvements. Documentary evidence of the improvements (such as proof of payment of invoices) shall be included in the Appraisal.
 - ii. The Replacement Cost estimate shall be taken from the most recently published Marshall and Swift's Residential Cost Handbook.

Appraisal Validation. In the event that the Appraisal submitted with the Application is not acceptable to ADOH in its sole discretion, ADOH will select a second appraiser who will provide an Appraisal at the Applicant's expense to determine whether the valuation provided in the Applicant's submitted Appraisal is reasonable and use the lower value of the two appraisals in its Application stage underwriting. If the appraiser requests further information, ADOH shall request such documentation from Applicant. ADOH shall be present during all inspections of the property pursuant to the second Appraisal.