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EXHIBITS AND FORMS

The following Exhibits and Forms are hereby incorporated into this Plan and are to be included with the initial LIHTC application and other submittals, as directed in this Plan. Exhibits and Forms are posted on the Department's website at www.housing.az.gov.

Exhibit A	Site Amenities Supporting Documentation
Exhibit B	Supportive Services Plan
Exhibit C	Market Demand Study Guide
Exhibit D	Year ~~2020~~2021 Mandatory Design Standards for Multi-family Rental Housing
Exhibit E	Year ~~2020~~2021 DDA and QCT
Exhibit F	Tax Exempt Process and Initial Application Checklist
Exhibit G	Acknowledgment of Possible Cancellation and Return of Low-Income Housing Credit Allocation – Building Efficiency
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Exhibit I	Sample CPA Opinion
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Exhibit K	Flow of Funds
Exhibit L	Sample Ten Percent (10%) Cost Test Letter
Exhibit L-1	Project Cost Form
Exhibit M	Sample Final Cost Certification Letter
Exhibit M-1	Final Cost Certification Cost Form
Exhibit M-2	Builder's Cost Certification Forms and Instructions
Exhibit N	Architect's Certificate (at 8609)
Exhibit O	Contractor's Certificate (at 8609)
Exhibit P	Operational Risk Management Practices
Exhibit Q	Fair Housing Accessibility Checklist
Exhibit R	LIHTC Compliance Manual
Form 0	Application Receipt Form
Form 1	Project Schedule
Form 2	Self-Score Sheet
Form 2-1	Set-Aside Election Form
Form 3	LIHTC Application

Form 3-1	GAP Financing Application
Form 3-2	Application Certification and Indemnification
Form 5	Certification of Qualified Non-Profit Participation
Form 6	Development Team Experience
Form 6-1	Development Experience
Form 6-2	Authorization for Release of Information of Developer
Form 6-3	Schedule of Real Estate Owned
Form 6-4	Management Company Experience
Form 6-5	Authorization for Release of Information of Management Company
Form 8	Planning and Zoning Verification
Form 11	Schedule of Facilities
Form 12	Architect's Certificate
Form 12-1	Architect's Certificate of Building Efficiency
Form 15	Transit Oriented Design Checklist
Form 18	Targeting Low Income Levels
Form 20	Certification of Qualified Professional - CNA
Form 23	Waiver of Qualified Contract
Form 24	Community Revitalization

DEFINITIONS

The following definitions shall apply to both the QAP and LIHTC Application for the year ~~2020~~2021. Terms that are not specifically defined in the QAP shall be interpreted using common meanings typically accepted in the tax credit multi-family housing development industry, but will be ultimately interpreted by ADOH in its discretion. All capitalized terms not otherwise defined in the QAP shall have the meaning assigned to them in this Definitions section.

"10% Cost Test" means the requirement of I.R.C. § 42(h)(1)(E)(ii) that ten percent (10%) of the reasonably expected basis in the Project has been incurred within one (1) year from the date of Allocation.

"10-Year Rule" means the following:

A. In order for an existing building to qualify as part of a tax credit project, the Applicant must acquire the building from an unrelated Person who:

   1. Has held the building for at least ten (10) years at the time of the Acquisition; and

   2. Did not make substantial improvements during that period that are subject to sixty (60) month amortization under I.R.C. §167(k) or the Tax Reform Act of 1986 for buildings placed in service before July 30, 2008.

B. The 10-Year Rule may be waived by the United States Secretary of the Treasury in the case of distressed sales of certain federally-assisted projects, prepayment of mortgages that result in buildings being converted to market use, buildings acquired from failed depository institutions and single family residences used for no other purpose than a principal residence by the Owner.

C. The legal opinion provided by counsel for the Applicant must provide a detailed analysis of the Placed in Service dates and acquisition dates for Projects submitting an Application in conjunction with the 10-Year Acquisition Credits.

D. An Appraisal that separates the appraised value of the land from the appraised value of the building must be submitted with the Application when 10-Year Acquisition Credits will be claimed.

"A.R.S." means the Arizona Revised Statutes, as amended from time to time.

"Acquisition Credits" means the four percent (4%) Tax Credits (at the applicable percentage announced monthly by the IRS) awarded by ADOH in connection with the acquisition costs of an existing building.

"Actual Age" means the number of years that have elapsed since construction of an improvement was completed; also called historical or chronological age.

"Administration Fee" means the $1,500 fee due from the Applicant in the event the Applicant requests an interim underwriting or ADOH requires an additional underwriting due to, among other things, a Material Change pursuant to Section 5.5 of this Plan.

"ADOH" means the Arizona Department of Housing, which is the housing credit agency authorized to allocate federal low-income housing Tax Credits in the State of Arizona pursuant to A.R.S. Section 35-728(B).

"Affiliate" means any Person or entity which directly or indirectly owns or controls another Person by having any family relationship, ownership interest or a Controlling Interest in that Person.

"Affordable Housing" means a multifamily residential rental development with recorded use restrictions limiting the income of tenants and using one (1) or any combination of the following funding sources: Low Income Housing Tax Credits; HUD HOME Investment Partnerships Sections 202, 207, 220, 223, 231, 811, and HOPE VI programs; Native American Housing Assistance and Self-Determination Act; USDA/RD Sections 514, 515, 516 and 538 programs; the National Housing Trust Fund or the Arizona Housing Trust Fund.

"Allocation" means the award of Tax Credits by ADOH to the Owner of a LIHTC Project. The Allocation is set forth in a binding agreement between ADOH and the Owner.

"Allocation Year" means the calendar year for the current annual allocation authority for which LIHTC Applications are submitted.

"Applicable Federal Rate" means the annual long-term (more than nine years) rate published monthly in the United States by the Internal Revenue Service for federal income tax purposes via a monthly revenue ruling which may be downloaded from the Internal Revenue Service's website at: https://apps.irs.gov/app/picklist/list/federalRates.html

"Applicable Fraction" means as provided by I.R.C. § 42(c)(1)(B).

"Applicable Percentage" means as provided by I.R.C. § 42(b) as currently amended by the Housing and Economic Recovery Act of 2008, (P.L. 110-289, 122 Stat. 2654), American Taxpayer Relief Act of 2012 (H.R. 8), the Tax Increase Prevention Act of 2014 (H.R. 5771), and the Protecting Americans from Tax Hikes Act of 2015 ("PATH Act", P.L. 114-113, 12/18/15).

"Applicant" means an existing legal entity or an individual submitting an Application for LIHTC for a Project pursuant to the Allocation Plan.

"Application" means the Low Income Housing Tax Credit Application in Section 2.4 hereof.

"Application Deadline" means on or before 4:00 p.m. Mountain Standard Time of the day designated by ADOH as the last day to submit an Application for a competitive Allocation round.

"Appraisal" means an estimate of the "As-Is" Market Value of the Project's real property based on market information, including comparable properties, that is current through the period ending no earlier than six (6) months before the Application Deadline; and that is prepared in accordance with the Uniform Standards of Professional Appraisal Practice by an analyst who does not have a Controlling Interest in the Development Team, bond issuer or user of bond proceeds and who is authorized to render the

Appraisal in Arizona. An Appraisal that deviates from the requirements of this paragraph must provide a detailed explanation of why the deviation cannot be avoided.

"Area Median Gross Income" or "AMGI" means the measure of household income, published by HUD, adjusted for family size, used by the IRS as a reference in establishing income levels for the LIHTC Program (i.e. "sixty percent (60%) of AMGI", "fifty percent (50%) of AMGI") and as the base in calculations that yield maximum rents by number of bedrooms. (See the "Imputed Incomes/Allowable Rents" Tables posted on the ADOH website at www.housing.az.gov.)

""As-Is" Market Value" means the Fee Simple Interest value of the property appraised in the condition observed upon inspection and as it physically and legally exists at the time of the appraisal without hypothetical conditions, assumptions, or qualifications on the effective date of the appraisal, and under the following conditions:

1. Buyer and seller are typically motivated;
2. Buyer and seller are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (Title XI, FIRREA, 34.42(f)).

"Authorized Signatory" means an individual who is authorized to execute a binding document on behalf of a corporation, partnership or other legal entity.

"Average Surplus Cash Flow to Direct Operating Expense Ratio" means as shown on page 14 of Form 3, the quotient obtained by dividing the average Surplus Cash Flow over the term of the first mortgage lien by the average Direct Operating Expense over the term of the first mortgage lien expressed as a percentage.

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"Award Letter" means a letter from a governmental or quasi-governmental agency (i.e. the Federal Home Loan Bank) stating that funds in a specific amount are awarded or are to be awarded to the Project in a specific time frame.

"Balance of State Area" means an area outside of Maricopa County and Pima County or on Tribal Land.

"Balance of State Project" means a Project located in a Balance of State Area.

"Balcony" means a horizontal extension of an adjacent floor outside the exterior enclosure of a building that is not a roof, roof terrace, plaza, Porch or Deck. Exterior sun shades, whose purposes is only to

provide shade, are not considered to be balconies. Up to 100 square feet of balcony space per Unit may be included in Eligible Basis and Residential Floor Area.

"Benefits Specialist" means a person who assists a tenant to obtain financial benefits to which they are entitled. The Benefits Specialist is trained to navigate complex bureaucracies that provide benefits such as medical insurance, veteran's benefits, and/or social security as applicable to the target population. The Benefits Specialist may be a professional or peer with special training through a peer support services program.

"Builder" means the general contractor.

"Capital Needs Assessment" or "CNA" means the assessment as set forth in Section 2.9(T).

"Carport" means a covered area where motor vehicles are stored. It may be attached to a Single-Family or Duplex Home; it may also refer to a covered parking space in a parking lot.

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"Carryover Allocation" means an Allocation made to the Project if the Project will not be Placed in Service by close of the calendar year of the Allocation.

"Carryover Allocation Agreement Request Deadline" means the date that is 120 calendar days after the date of the Reservation letter.

"Carryover Allocation Late Fee" means an additional fee of $250 per calendar day if the information required under Section 3.1 of this Plan is submitted after the date specified in the Notice of Reservation.

"Case Management" means a collaborative process of assessment, planning, implementation, coordination, monitoring and evaluation of the options and services required to meet a client's health and human service needs. It is characterized by advocacy, communication, and resource management and promotes quality and cost-effective interventions and outcomes.

"CDBG" means Community Development Block Grant program.

"Census Designated Place" or "CDP" means a statistical entity, defined for each decennial census according to Census Bureau guidelines, comprised of a densely settled concentration of population that is not within an incorporated place, but is locally identified by a name. CDPs are delineated cooperatively by state and local officials and the Census Bureau, following Census Bureau guidelines. Beginning with Census 2000 there are no size limits.

"Chronically Homeless" means an individual and/or family who has experienced at least two (2) episodes of shelter living and has a substantiated need for long term Case Management and Supportive Services as demonstrated by a Vulnerability Index-Service Prioritization Decision Assistance Tool ("VI-SPDAT") score of eight (8) or higher. Homeless individuals and/or families must be registered in the Homeless Management Information System ("HMIS"), with the exception of domestic violence victims.

"Co-Developer" means the Person identified in Form 3 and Tab 6/Form 6 as the Co-Developer who is also one (1) of two (2) or more Developers of the same Project and which will actively participate in the

development of the Project at least through the ADOH's issuance of the Form 8609 and will receive at least ten percent (10%) of the Developer Fee.

"Code" and "I.R.C." mean the Internal Revenue Code.

"Commitment Letter" means a written commitment from a lender or other provider of funds, representing a commitment to provide financing and stating the amount, interest rate, fees, term of the loan, debt service coverage, security and repayment terms, subject only to reasonable, commercially-acceptable contingencies.

"Common Area Facilities" means on-site laundry facilities, site office, maintenance and storage areas, community rooms and community service facilities as described in Exhibit D.

"Community Facility" means community room, clubhouse, recreation center or similar area for use by residents. Lobbies and laundry facilities must not be considered within the scope of this definition.

"Community Services Facility" means a facility building as described in I.R.C. § 42(d)(4)(C)(iii). ADOH does not permit Community Services Facilities under this Plan.

"Compliance Manual" means the LIHTC Program Compliance Manual developed by ADOH.

"Compliance Monitoring Fees" means those certain fees described in Section 6.6.

"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. Approved Compliance Training providers are: ADOH, Costello Compliance, E&A Team, Zeffert and Associates, THEOPRO, Quadel, Elizabeth Moreland, National American Indian Housing Council ("NAIHC"), Novogradac, NCHM and Spectrum. ADOH programs must be specifically designated as a valid Compliance Training program that meets the requirements of the QAP.

"Compliance Period" means the compliance period for a building that begins with the first year of the building's Tax Credit period, the first taxable year in which the Owner claims Tax Credits for the Project of which the building is a part and lasts for fifteen (15) consecutive taxable years.

"Consultant" means an advisor to the Development Team or to any member of the Development Team.

"Controlling Interest" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the means of ownership, position, contract or otherwise. The holder of a more than fifty percent (50%) ownership in a legal entity is automatically determined to have a Controlling Interest in that legal entity.

"Controlling Person" is a Person who has Controlling Interest in another Person.

"Contiguous and Accessible" means on an adjoining parcel that shares at least one (1) boundary line, which can be easily entered from the Project.

"Council of Governments Area" or "COG Area" means the group of counties included in each of the regional planning districts outside Maricopa and Pima counties that are served by a council of governments. Each jurisdiction in the county shall be included, regardless of whether it participates in the council of governments. The four (4) councils outside Maricopa and Pima counties and the counties they serve are: Northern Arizona Council of Governments ("NACOG"), serving the counties of Apache, Coconino, Navajo and Yavapai Counties; Western Arizona Council of Governments ("WACOG"), serving the counties of La Paz, Mohave and Yuma; Central Arizona Governments ("CAG"), serving the counties of Gila and Pinal; and South Eastern Arizona Governments Organization ("SEAGO"), serving the counties of Cochise, Graham, Greenlee and Santa Cruz.

"DDA" means a difficult development area designated by HUD as an area that has high construction, land and utility costs, relative to the AMGI.

"Deferred Developer Fee" means a certain sum of money owed to the Developer and evidenced by a promissory note, partnership agreement or other written agreement acceptable to ADOH, such fee to be repaid from the Project's cash flow after payment of Operating Expenses of the Project and after payment of debt service for all superior liens.

"Determination of Qualification" means a letter issued by ADOH, in accordance with I.R.C. § 42(m), that indicates that the Project, which has utilized tax-exempt financing, qualifies for an amount of Tax Credits and is in compliance at the time of the letter with all rules established by this Plan.

"Determination of Qualification Fee" means the fee payable after ADOH determination that an Application represents a feasible and viable Project with a likelihood of completion and it is payable prior to the issuance of a Determination of Qualification or Reservation pursuant to I.R.C. § 42(m).

"Developer" means the Person identified in Form 3 and Tab 6/Form 6 as the Developer for the Project, who must be listed in any agreement regarding the development fee as the Person receiving a majority of the Developer Fee, is responsible for preparing the Project for residential use as a LIHTC Project and is responsible for ensuring that a material portion of all phases of the development process are accomplished.

"Developer Fee" means the amount identified in the Form 3 and partnership agreement for the Project as the fee being paid to the Developer.

"Development Activity" means any physical activity related to the installation of improvements including, but not limited to, grading, excavation, soil disturbance, placing of equipment on site and construction of any type.

"Development Budget" means the cost categories listed on Pages 8 - 11 in Form 3 that are directly related to the proposed Project as submitted in the Application. Indirect or off-site costs not directly related to the development of the project are not valid or eligible costs.

"Development Team" means the entities and professionals assembled to develop and manage the Project, typically including the Applicant, Owner, Developer(s), Co-Developer(s) and general partner or any other related entities in which the Developer or Co-Developer has an identity of interest or a Controlling Interest.

"Direct Operating Expense" means for any given period of time the fixed and variable expenses of operating the Project on an accrual basis, limited to the following expenses, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) ground/land lease costs; 6) premiums of insurance carried on or with respect to the Project; 7) costs of utilities for the Project; and 8) Supportive Services (where permitted to be paid by the Project's operations under this Plan) and excluding: replacement and operating reserves not to exceed the amount required by the primary debt lender and syndicator; interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary and partner/member loans), depreciation and amortization costs, deferred developer fees, and reasonable asset management fees to the investor.

"Donated Land" means land on which the Project will be built for which title is transferred to the Applicant and for which no consideration is provided and for which no costs are included in Section I Acquisition Costs of the Development Budget on Pages 8 - 11 of Form 3.

"DSCR" means debt service coverage ratio.

"Duplex Home" means a detached residential building with only two Units located in the Balance of State or on Tribal Land.

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"Economic Life" means the period over which improvements to real property contribute to property value.

"Effective Age" means the age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. It is the age indicated by the condition and utility of a structure and is based on an appraiser's judgment and interpretation of market perceptions. The maintenance standards of owners or occupants can influence the pace of building depreciation. If one building is better maintained than other buildings in its market area, the effective age of that building may be less than its Actual Age. If a building is poorly maintained, its effective age may be greater than its Actual Age. If a building has received typical maintenance, its effective age and Actual Age may be the same.

"Eligible Basis" means the depreciable basis of residential rental housing eligible for Tax Credits.

"Eligible Basis Analysis" means the analysis described in Section 7.2A.

"Equity Partner" or "Equity Investor" means a limited partner or investor member who contributes capital to a limited partnership or to a limited liability company that will own and operate the low-

income housing Project. Equity Investors will provide the capital requirements of the limited partnership or limited liability company either in the form of a single contribution at the time of entry or a staged level of contributions.

"Extended Use Period" means the term of the LURA and must be a minimum of fifteen (15) years after the termination of the Compliance Period, which has a term of fifteen (15) years.

"Family" and "Families" means a household with one (1) or more persons, which may not exclude households with children.

"Federal Subsidy" or "Federally Subsidized" for the purposes of tax credits, Federal Subsidies include a federal, state or local grant that is funded by a federal source. Examples of federal grants include HOME Investment Partnership Act (HOME funds), Community Development Block Grants or Urban Development Action Grants. Section 8 federal rental assistance does not constitute federal grants for purposes of I.R.C. § 42(d)(5). Below market federal loans do not constitute a Federal Subsidy under HERA. Use of these financing sources may require reductions in eligible basis or reductions in a Project's maximum Applicable Credit Percentage. (See I.R.C. §§ 42(d)(5)(A) and 42(i)).)

"Federally Qualified Health Center" means a non-administrative medical facility with a fixed permanent location that is identified on the following search engines and offers health services on a sliding scale payment system: http://findahealthcenter.hrsa.gov or http://www.ihs.gov/ or http://www.aachc.org/.

A. Grant-Supported Federally Qualified Health Centers which are public or private non-profit health care organizations that meets certain criteria under the Medicare and Medicaid Programs (respectively, Sections 1861(aa)(4) and 1905(I)(2)(B) of the Social Security Act and receive funds under the Health Center Program authorized in Section 330 of the Public Health Service Act (42 U.S.C. 254b, as amended) ("PHS Act") and administered by the Health Resources and Services Administration ("HRSA").

B. Non-Grant-Supported Health Centers that have been identified by HRSA and certified by the Centers for Medicare and Medicaid Services as meeting the definition of "health center" under Section 330 of the PHS Act.

C. Outpatient health programs/facilities operated by tribal organizations (under the Indian Self-Determination Act, P.L. 96-638) or urban Indian organizations (under the Indian Health Care Improvement Act, P.L. 94-437).

"Fee Simple Interest" means absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. *(The Dictionary of Real Estate Appraisal,* American Institute of Real Estate Appraisers, (Chicago, IL; AIREA, 1993), p. 140.)

"Final Allocation Fee" means the fee payable upon the issuance of IRS Form 8609 equal to two percent (2%) of the Allocation or any additional outstanding fees owed to ADOH.

"Financial Literacy Class" means the education designed to assist people to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely and manage the challenges associated with life events such as a job loss, saving for retirement or paying for a child's education.

"Financial Statements" means a complete and accurate balance sheet, income statement, cash-flow statement and accompanying notes prepared according to generally accepted accounting principles and reviewed or audited by a certified public accountant.

"Financing Commitment" means documentation provided by a third party extending monies for the purpose of supporting the proposed Project in a manner that outlines the terms and conditions of borrowings, grants and other financing instruments. Terms and conditions should be reflective of terms under which all parties are willing to close and fund. There should be no Material Changes to stated terms without documented cause between the issuance of a commitment and closing. Material Changes must be submitted to ADOH for approval in accordance with Section 5.5 of this Plan.

"Food Pantry" means an area of at least eighty (80) square feet with air-conditioned dry storage that contains and distributes non-perishable food at least monthly to residents at no cost on an as-needed basis. Pantries must have the proper permitting if required by the Local Government. Partnerships with food banks are strongly encouraged.

"Forward Allocation" is as defined in Section 2.2(E).

"Funding Gap" means the amount by which projected development costs exceed projected available funds.

"Gap Analysis" means the second analysis for calculating credits to determine that the Project has not been overfunded with tax credits. (See Section 7.2(B) for calculation.)

"GAP Financing" means State Housing Funds ~~up to $500,000 per project for the 9% competitive round or up to $2,000,000 as set forth in Section 4 for tax exempt bond Projects~~loaned to a Project pursuant to a Notice of Funding Availability that may be issued by ADOH from time to time, and which is ~~to be~~ used to reduce the gap between ADOH approved Total Development Costs on Line 126 of Pages 8 - 11 of Form 3 and permanent sources of funds ("Total Sources" under Column D of Page 7 of Form 3).

"Garage" means an enclosed structured floor area used for storage of motor vehicles.

"Grocery Store" means a full scale supermarket or neighborhood market where at least 5,000 gross interior square feet are dedicated to products which shall include each of the following categories: fresh meat, fresh produce, fresh dairy products, baked goods, toiletries, baby food and diapers, cleaning products, paper towels and toilet paper, beverages, canned vegetables and fruits, cooking oils, flour, sugar and frozen foods. The following full service supermarket chains shall automatically qualify for

these points: 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, Walmart Supercenter, Walmart Neighborhood Market, Whole Foods Market and WinCo Foods.

"Growing Municipality or Census Designated Place" means a city, town or Census Designated Place for which the U.S. Census Bureau has determined that the total population has grown over the total period of the most recent American Communities Survey (ACS) 5-Year Estimate available as of January 1, 2021.

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"Historic Preservation Project" means a Project that is solely the development of: 1) a structure individually listed in the National Register of Historic Places; or 2) a structure certified by the National Parks Service as contributing to a Register District. A Register District is a designated area listed in the National Register or listed under state statute or local ordinance as substantially meeting the requirements for listing of districts in the National Register. Projects that include any newly constructed buildings are not eligible for the Historic Preservation Project point in Section 2.9(U)~~2.7(H)~~.

"Home Energy Rating System" or "HERS" means a rating system for a home energy analysis of home design and construction plans established by the Residential Energy Services Network, a nonprofit membership corporation whose standards are officially recognized by the US Government and mortgage industry.

"Households with Children Project" means a Project in which forty percent (40%) of all Units are offered on a preferential basis to households comprised of individuals with children under the age of eighteen. Such 40% of all Units for Households with Children must include at least two of the three larger Unit sizes (i.e., 2- and 3- bedroom Units, or 3- and 4-bedroom Units, or 2- and 4-bedroom Units.)

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"Housing First" model or project means a particular housing approach that moves the homeless individual or household immediately from the streets or homeless shelters to their own apartments instead of using intermediate levels of housing such as transitional housing programs and then providing Supportive Services in a manner that emphasizes a non-coercive approach.

"Housing for Older Persons Project" means a Project that is composed only of Units that contain no more than two (2) bedrooms and is exempt from the Fair Housing Act's familial status requirements, provided that:

A. HUD has determined that the property is specifically designed for and occupied by elderly persons under a federal, state or Local Government program; or

B. The property is intended for and occupied solely by individuals who are age sixty-two (62) or older; or

C. The property houses at least one (1) individual who is age fifty-five (55) or older in at least eighty percent (80%) of the occupied Units and adheres to a policy or procedure that demonstrates intent to house individuals who are age fifty-five (55) or older.

"Homeless Management Information System" ("HMIS") is a software application designed to record and store client-level information on the characteristics and service needs of homeless persons. An HMIS is typically a web-based software application that homeless assistance providers use to coordinate care, manage their operations and better serve their clients.

"HUD" means the United States Department of Housing and Urban Development.

"IREM" stands for the Institute of Real Estate Management which is an international community of real estate managers across all property types dedicated to ethical business practices and maximizing the value of investment real estate.

"IRS" means the Internal Revenue Service.

"LIHTC" or "Tax Credit" means the Low-Income Housing Tax Credits issued under I.R.C. § 42.

"Letter of Interest or Intent" means the documentation addressed to the Applicant/Developer of an interest or intent to provide funding, setting forth the writer's intention to negotiate the financing and stating the amount, interest rate, security, repayment terms and including the minimum debt service coverage ratio and loan-to-value ratio used by the lender to size the financing, as applicable. If the sole Developer of the Project is a Non-Profit Organization, the Letter of Interest or Intent from the investment syndicator must state that the Non-Profit Organization holds the right to first refusal to acquire the Project following the fifteen (15) year Compliance Period. Such letters or documents may be subject to reasonable, commercially acceptable contingencies, as determined by ADOH in its sole discretion.

"Local Government" means the governing body of the city, town, county or Tribal government having jurisdiction over the real property upon which the Project will be located.

"Low-Income Unit" means a Unit that meets the income and rent limitation applicable under I.R.C. § 42(g)(2) for the Project.

"Low Income Housing Credit Minimum Unit Sample Size Reference Chart" means the table reflecting the number of Low-Income Units in the low-income housing Project with a corresponding number of Low-Income Units selected for inspection or low-income certification review (Minimum Unit Sample Size) included at the end of Section 4 of the I.R.S. Revenue Procedure 2016-15.

"LURA" means the "Extended Low-Income Housing Commitment" required by IRC § 42(h)(6) which must be in the form of a Declaration of Affirmative Land Use and Restrictive Covenants Agreement (commonly referred as the "LURA") that is recorded and runs with the land on which the Project is developed, restricting the use of land by the Owner and its successors and assigns to the terms and conditions of the Project, as approved by ADOH. All Amenities, Design Features, and Tenant Services described and committed in the Application will be identified in the LURA and will be inspected at each on-site Compliance inspection.

"Market Demand Study" means a third party report that outlines the overall market demand for a Project within a defined market area and identifies, with significant detail, the current supply of similar units,

demographics and economics contained within the market area that is prepared in accordance with the Exhibit C *Market Demand Study Guide*.

"Material Changes" are as described in Section 5.5.

"Max" or "Maximum Points" means the highest amount of points that may be awarded by the ADOH in each scoring category.

"Maximum Reservation Per Project" means $2,000,000 in Tax Credits for this year's Plan.

"Multi-Family Housing" means a building or structure that is designed to house two (2) or more different households in separate housing Units which have full kitchen facilities including oven/range, refrigerator, kitchen sink with hot and cold water supply and food storage facilities and at least one (1) full bathroom facility(s), one (1) full bedroom and one (1) living area (including a combination thereof such as studio arrangements).

"Native American Housing Assistance and Self-Determination Act" means the Native American Housing Assistance and Self-Determination Act of 1996, P.L. 104-330 (25 U.S.C. 4101 - 4212), as amended.

"National Apartment Association" is a membership association based out of Virginia that is an advocate for quality rental housing in the multifamily housing industry.

"Non-Profit Organization" means an existing entity formed and maintained as an I.R.C. § 501(c)(3) or (4) organization and is exempt from the tax under I.R.C. § 501(a).

"Non-Profit Project" means Projects in which a qualified Non-Profit Organization is the Developer. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its Affiliate. The Non-Profit Organization must comply with I.R.C. § 42(h)(5)(C).

"Non-Profit Set-Aside" means the tax credits allocated by the state to meet the requirement under I.R.C. § 42(h)(5) to allocate at least ten percent (10%) of the state housing credit ceiling for any calendar year to projects involving a qualified Non-Profit Organization that undertakes a Non-Profit Project.

"Non-Residential Square Footage" means the "Total Project Square Footage" less the "Residential Floor Area".

"Older Person" means an individual who is at least fifty-five (55) years of age and qualified to reside in a Housing For Older Persons Project.

"On-site" means directly located on the property of the Project.

"Operating Expenses" means for any given period of time the fixed and variable expenses of operating the Project on an accrual basis, limited to the following expenses, as applicable: 1) administrative (i.e. accounting and auditing, attorney and payroll); 2) operating and management expenses and fees (i.e. utilities, marketing, leasing, advertisement, commission and promotional costs); 3) maintenance and repair costs of the Project; 4) general real estate taxes; 5) ground/land lease costs; 6) premiums of

insurance carried on or with respect to the Project; 7) costs of utilities for the Project; 8) replacement and operating reserves not to exceed the amount required by the primary debt lender and syndicator; and 9) Supportive Services (where permitted to be paid by the Project's operations under this Plan); and excluding interest payments and accruals on any and all loans (including but not limited to construction, permanent, voluntary and partner/member loans), depreciation and amortization costs, deferred developer fees, and reasonable asset management fees to the investor. "Owner" means the legal entity that ultimately owns the Project and to which tax credits will be allocated.

"Period of Affordability" means the time during which the Project must comply with the Declaration of Covenants, Conditions, and Restrictions applicable to gap financing.

"Permanent Financing" means long-term debt (with a term of no less than fifteen (15) years) including a mortgage or other financing evidenced by a lien against the property. Permanent sources of financing identified on Page 7 of Form 3 to cover development costs (including capitalized operating and replacement reserves) may not include letters of credit, cash from operations, the lease up reserve or other non-cash contributions to the Project.

"Permanent Supportive Housing" means affordable permanent independent rental housing for persons who are homeless or have disabilities. These populations are limited, however, to the groups set forth in the definition of "Special Populations" below. Supportive Services are provided to residents of supportive housing on an as-needed basis for as long as they are needed with the purpose of helping residents achieve maximum possible self-sufficiency and maintain their permanent housing.

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"Permanent Supportive Housing Project" means a Project employing the Housing First model which centers on providing Chronically Homeless individuals and/or families with housing quickly and then providing Supportive Services and employment that target the specific needs of the individual. Only Projects eligible to be awarded under the Supportive Housing Set-Aside qualify as a Permanent Supportive Housing Project.

"Person" means an individual (acting on their own behalf, not merely as an employee of another entity), partnership, corporation, limited liability company, trust, or other entity.

"Person with Disability" means a person with a disability that is: 1) expected to be long-continuing or of indefinite duration; 2) substantially impedes the individual's ability to live independently; 3) could be improved by the provision of more suitable housing conditions; and 4) is a physical, mental or emotional impairment, including an impairment caused by alcohol or drug abuse, post-traumatic stress disorder, or brain injury; or a developmental disability, as defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15002); or is the disease of acquired immunodeficiency syndrome or any condition arising from the etiologic agency for acquired immunodeficiency syndrome.

"Phase I Environmental Report" means a report prepared for a real estate holding which identifies potential or existing environmental contamination liabilities.

"Placed in Service" means: 1) for a new or existing building used as residential rental property, the date on which the building is ready and available for its specifically assigned function (i.e. the date on which the first Unit in the building is certified as being suitable for occupancy in accordance with state or local law); and 2) with respect to rehabilitation expenditures that are treated as a separate new building, those buildings are placed in service at the close of any twenty-four (24) month period over which the expenditures are aggregated.

"Podium Parking" means on-grade parking that is sheltered under a building that is elevated on piers.

"Porch" or "Deck" means an unenclosed floor surface contiguous to a building that is suitable for use by an occupant and supported above the ground on at least two opposing sides by an adjacent structure, and/or posts, piers or other independent supports. A Porch or Deck may be covered or uncovered. A Porch or Deck of up to 100 square feet may be included in the Eligible Basis of the Project and included in the Residential Floor Area for purposes of calculating the building efficiency in the Building Efficiency scoring category.

"Principal" for the buyer/ lessee in a transaction means any one or more of the following: 1) all Persons or entities who are or who will become partners or members of the ownership entity or of its partners or members, 2) all Persons or entities whose Affiliates are or who will become partners or members or of the ownership entity, or of its partners or members, 3) all Persons or entities who directly or indirectly earn a portion of the Developer Fee for development services with respect to a Project and/or earn any compensation for development services rendered to such Project, which compensation is funded directly or indirectly from the Developer Fee of such Project, or 4) all Affiliates of such Persons or entities in clause 3) who directly or indirectly earn a portion of the Developer Fee for development services with respect to any Project submitted for an award of Tax Credits under this Plan. For purposes of determining Principal status ADOH may disregard multiple layers of pass through or corporate entities. A partner or member will not be a Principal where its only involvement is that of the tax credit equity investor.

"Principal" for the seller/lessor in a transaction means any one or more of the following: 1) all Persons or Entities who are or who have been at any time during the twenty-four (24) months prior to the Application Deadline, partners or members of the ownership entity, or of its partners or members; or 2) all Persons or Entities whose Affiliates are or have been at any time during the twenty-four (24) months prior to the Application Deadline, partners or members of the ownership entity, or of its partners or members. For purposes of determining Principal status ADOH may disregard multiple layers of pass through or corporate entities.

"Project" means any Project for residential rental property, including the building(s), improvements, and entire parcel(s) of land on which the Project is situated, if the Project meets the requirements of Internal Revenue Code Section 42(g)(1)(A),(B) or (C), whichever is elected by the taxpayer. ADOH has adopted additional requirements for taxpayers who elect the minimum set-aside under IRC 42(g)(1)(C), which are set forth in the applicable sections of this Plan. Any election under this definition, once made, is

irrevocable. For purposes of this definition, any property must not be treated as failing to be residential rental property merely because part of the building in which such property is located is used for purposes other than residential purposes. Scattered Sites may be considered to be one Project if the Scattered Sites meet the above definition and the requirements in the "Scattered Sites" definition in this Section.

"Property Manager" or "Property Management Company" means the entity responsible for marketing, maintenance, and tenant relations for a building financed with tax credits under this Plan.

"Property Management Fees" means monthly compensation provided to the property management agent, which may be calculated as a fixed fee per Unit or based upon a percentage of the Project's "Gross Revenue Receipts". "Gross Revenue Receipts" shall mean and refer to all items of income collected by the property manager in connection with its management and operation of the Project, including, but not limited to, rents, non-refundable deposits, laundry room income, non-refundable or forfeited cleaning and redecorating charges, receipts from vending and coin operated machines and equipment on the Project, excluding refundable security deposits, the value of employee units and sales taxes.

"Public Housing Authority" means a State, county, municipality or other governmental entity or public body or agency or instrumentality of these entities that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937 in accordance with 24 CFR §5.100.

"QCT" is a LIHTC qualified census tract area determined by HUD wherein the average median income of the households in the area is less than sixty percent (60%) of the county median income or where the poverty rate is greater than twenty-five percent (25%).

"Qualified Basis" means the portion or percentage of the Eligible Basis that qualifies for the Tax Credit. It is calculated by multiplying the Eligible Basis by the Applicable Fraction.

"Qualified Contract" is as defined in I.R.C. § 42(h)(6)(F) which states: the term "qualified contract" means a bona fide contract to acquire (within a reasonable period after the contract is entered into) the non-low-income portion of the building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (specified in the extended low-income housing commitment) of: 1) the sum of (I) the outstanding indebtedness secured by, or with respect to, the building; (II) the adjusted investor equity in the building plus (III) other capital contributions not reflected in the amounts described in sub clause (I) or (II), reduced by; 2) cash distributions from (or available for distribution from) the Project. If no qualified buyer is produced within the 365-day period, the Owner may be released from all use restrictions and obligations. However, if the Owner refuses to sell the property, it must abide by the extended use restrictions enacted by the Revenue Reconciliation Act. This option is only available to Owners who did not waive their right to seek a qualified contract or agree to a longer use agreement when signing their restricted use agreement with the state housing finance authority.

"Qualified Service Provider" means a Person with specific educational training or at least two years of experience in delivering the Supportive Service(s).

"Reg" means Internal Revenue Treasury Regulations.

"Rehabilitation" or "Rehab" or "Rehabilitated" means to restore to good condition, operation or capacity, including any horizontal property regime or tenant improvements.

"Related Party Loan" means a loan that is extended to the Project by a member of the Development Team or an Affiliate of a member of the Development Team.

"Rental Assistance" means a voucher, operating subsidy, or privately funded assistance that provides the difference between the monthly rental rate and the tenant's contribution of thirty percent (30%) of their income (after certain deductions are taken out) to pay for rent and utilities combined. Examples of Rental Assistance include the following federal programs: Section 8 Project-Based Vouchers, Section 8 HAP Contracts, Public Housing, HUD 202 and HUD 811 Supportive Housing Programs for the Elderly and for People with Disabilities, Housing Opportunities for People with AIDS/HIV ("HOPWA"), McKinney-Vento permanent housing programs for the homeless, USDA Section 514/515 rental assistance and USDA Section 521 Rural Rental Assistance program. Other privately and governmentally funded programs that provide the same level of assistance to a Project as the federal programs specified in the prior sentence are also Rental Assistance. If privately funded, Applicant must substantiate a minimum of three (3) years of providing Rental Assistance in other Projects. In order to be acceptable to ADOH, privately funded Rental Assistance must include sufficient resources to pay seventy-five percent (75%) of the total pro-forma gross rent for every Unit for which Rental Assistance is claimed in the Application for the entire Compliance Period, and if federally funded, through the Period of Affordability for the HOME funds. The Applicant shall provide evidence that the Rental Assistance meets this definition.

"Replacement Cost" means the cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised using modern materials and current standards, design, and layout.

"Reservation" means a written statement issued by ADOH to the Applicant after the Application round indicating that ADOH has reserved for the Project a specific amount of tax credits.

"Reservation Fee" the Reservation Fee is calculated as ten percent (10%) of the annual credit allocation. (Eight percent (8%) of the ten percent (10%) Reservation Fee is due and payable at Reservation with the remaining two percent (2%) of the ten percent (10%) Reservation Fee due and payable at final allocation.)

"Reservation List" shall mean as defined in Section 2.2(C).

"Residential Floor Area" means the total net square footage of the floor space in all Units (measured from paint to paint of the interior of the perimeter walls) including closets within the Units and Balconies, Porches or Decks (to the exterior edge of any railing) attached to the Units for the sole use of the tenants occupying the Units. First floor patios are not included in Residential Floor Area, as they are not part of the Total Project Square Footage. Carports and/or Garages attached to a Unit are not included in Residential Floor Area.

"Residential Rental Unit" means an area legally licensed or permitted for use as a living space containing a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other Residential Rental Units. Reg. §§ 1.103-8(a) 8(i).

"RBHA" means the Regional Behavioral Health Authority.

"Rural" or "Rural Area" means an area: 1) outside Maricopa County and Pima County, Arizona; 2) on Tribal Land; or 3) the Town of Guadalupe as designated under 42 U.S.C. Section 1490.

"Satisfactory Progress" means that the Applicant, including any Person with an ownership interest in the Applicant or Development Team member, has presented evidence, satisfactory to ADOH, that each Project for which the Applicant has received a Determination of Qualification, Reservation or Allocation in Arizona or any other state, has been Placed in Service on time or otherwise is progressing without unreasonable delay through the various phases of development (i.e. financing, permitting, construction, certificate of occupancy and rehabilitation). The following competitive 9% Tax Credit Projects that were awarded in ~~2020~~2021 shall be deemed to meet the requirement to make Satisfactory Progress: The Projects have 1) met the dates stipulated in the Form 1 Project Schedule submitted with the Application unless a change is approved in writing by ADOH in its sole discretion and 2) submitted a complete and compliant equity closing package as set forth in Section 3.2 of this Plan on or before December 1, ~~2021~~2022 and 3) started construction by January 1, ~~2022~~2023.

"Scattered Sites" means a Project which is comprised of separate buildings that are considered a single Project if the buildings meet the following criteria:

A. Consists of the rehabilitation of no more than six (6) non-contiguous existing multi-family developments in any area of the State which are located within a fifteen (15) mile radius of each other and/or new construction or rehabilitation of existing Units on at least fifteen non-contiguous single family infill parcels on Tribal Land ~~within a fifteen (15) mile radius of each other~~. Longer distances may be considered on a case-by-case basis based upon the capacity and the experience of the Development Team in efficiently operating scattered site housing;

B. Any Scattered Site Project that is not located on Tribal Land must be financed with 4% Tax Credits with Tax-Exempt Bond Financing under Section 4 of this Plan.

C. Since I.R.C. §42(d)(5)(B) provides an increase in credit for *buildings* rather than projects, Scattered Site Projects situated on QCT/DDA and non-QCT/DDA parcels are not entitled to the Eligible Basis boost on all buildings unless the buildings situated on the non-QCT/DDA parcels are otherwise eligible for the boost under §42(d)(5)(B)(v) as set forth in Section 7.2(A)(1) *et seq.* of this Plan.

D. All buildings in the Project must be under the ownership of one (1) entity;

E. All Units in the scattered site Application must be managed by one (1) entity;

F. All buildings in the Project must be developed under one (1) common plan of financing and considered as a single Project by all funding sources;

G. The scattered sites must be appraised as a single proposed development, and;

H. Otherwise meets the requirements of I.R.C. § 42(g)(7) when it is Placed in Service.

"Set-Aside" means 1) a specific type of housing development category that the ADOH has identified as a priority for allocating tax credits; or 2) an identified number of housing units that the Owner will agree to be held for use by tenants with a certain level of income or by tenants in a particular group as described in Section 2.6 of this QAP.

"Single-Family Home" means a detached residential building with only one Unit located in the Balance of State or on Tribal Land.

"Site" means a parcel or portion of a parcel of land where on which the Project was, is or is intended to be, developed or rehabilitated as described in the Application.

"Site Control" means Applicant's evidence of ownership or control over the land required for the Project in the form of: 1) a binding commitment to transfer land to the Owner or Applicant; 2) a recorded deed with the Owner or Applicant as grantee; 3) a long term lease with the Owner or Applicant as the lessee; or 4) a lease option or agreement to lease between Owner or Applicant and lessor of the land recorded in the jurisdiction of the property provided the lease option is not terminable at the property lessor's discretion until 180 calendar days after the Application Deadline.

"Special Populations" means:

A. Homeless Families. Households which have experienced a long-term period without living independently in permanent housing, have experienced persistent instability as measured by frequent moves over such period and can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, histories of domestic violence and/or the presence of a child or youth with a disability.

B. Persons with HIV/AIDS. A household of one (1) or more persons that includes a member infected with the human immune-deficiency virus ("HIV/AIDS").

C. Individuals who are experiencing homelessness. A person(s) who, at the time of intake, lives: 1) in places not meant for human habitation such as cars, parks, sidewalks, abandoned buildings, etc.; 2) in an emergency or shelter facility; or 3) in a transitional housing facility (not permanent housing).

D. Persons with a Serious Emotional Disturbance. A person(s) between birth and age eighteen (18) who currently or at any time during the past year has had a diagnosable mental, behavioral, or emotional disorder that resulted in a functional impairment which substantially interferes with or limits the person's role or functioning in family, school or community activities.

E. Persons with a Serious Mental Illness. A person(s) who currently or at any time during the past year has had a diagnosable mental, behavioral or emotional disorder of sufficient duration to meet criteria specified within DSM-V with the exception of "V" codes, substance use disorders, and developmental disorders, unless they co-occur with another diagnosable serious mental illness.

F. Persons with Developmental and Physical Disabilities. A person(s) suffering from a severe, chronic condition attributable to a physical or mental impairment manifesting itself before the age of twenty-two (22) and likely to continue indefinitely. Persons with developmental disabilities are to be certified by a referral agency.

G. Victims of Domestic Violence. As certified by a referral agency.

H. Individuals Suffering from Chronic Substance Abuse. As certified by a referral agency.

I. Youth Exiting Foster Care. A person aged eighteen (18) to twenty-five (25) at initial occupancy who previously spent time in a foster care system governed by Title IV, part B or E of the Social Security Act.

"State" means the State of Arizona.

"State Annual Credit Authority" means the total amount of Tax Credits allocated to the state by the IRS each year based on the population of the state and multiplied by a dollar amount per resident that is adjusted annually for inflation.

"State Housing Fund" or "SHF" means funds in a single housing program that are comprised of federal HOME and National Housing Trust Fund resources from HUD and state resources from the State Housing Trust Fund (HTF).

"Structured Parking" means an enclosed, structured floor area used for transient storage of motor vehicles, including associated circulation and building services (such as exhaust fans and ducts that serve the parking area) but not including loading docks, sally ports and building service areas such as enclosed auxiliary lobbies used to enter a building from the parking areas. It is often referred to as a Garage. Structured Parking excludes non-structured on-grade parking even if such parking is sheltered (as in a car port or under a building that is elevated on piers above on-grade parking).

"Supportive Services" means services provided by the service provider to help residents enhance their way of living and achieve self-sufficiency. ~~Supportive Services shall be provided through coordination with existing service agencies delivered through a combination of both on- and off-site service delivery mechanisms. Supportive Services shall be provided by non-governmental entities, wherever possible. With the exception of Permanent Supportive Housing Projects not claiming points for Supportive Services under Section 2.7(C), all Supportive Services shall be provided at no cost to the Project, nor shall a reserve be included in the Development Budget for such Supportive Services.~~

"Surplus Cash Flow" means the sum of gross rent revenues (less rental taxes and tenant security deposits) and other income received by Borrower from the operation of the Project, less (a) annual accrued debt service for the Senior Lender and (b) actual operating expenses, which shall be expressly limited to: payroll; utilities; general administrative expenses of software, telephone, travel, office supplies, bank service charges, Department training and compliance fees; repairs and maintenance; real estate taxes and property insurance; Borrower's accounting and tax preparation and filing fees; Property Management fees; Borrower's annual state filing or registry fees; tenant-related legal fees; and replacement and/or operating reserves (collectively "Reserves") not to exceed the sum of $350 per unit per year with an annual increase of up to 3% over the fiscal year immediately preceding the applicable accounting period; deferred Developer Fee; and Investor Fee~~; and to the extent permitted under this Plan, Supportive Services Costs~~. No payment or disbursement shall be made to the Borrower or any of its members from revenue generated from the Project, including disbursements from the Reserves. Surplus Cash Flow shall be calculated based on the Borrower's audited Financial Statement for the fiscal year-end immediately preceding the Payment Due Date. The cost of Supportive Services may be added to the actual operating expenses, if allowable under this Plan.

"Syndication Rate" means a ratio that reflects the price to the Project for $1.00 of Tax Credits awarded.

"Tax Credit" means as described in Section 1.1(A) of the QAP.

"Tribe" or "Tribal" means a federally recognized Native American Indian tribe.

"Tribally Designated Housing Entity" or "TDHE" means a Public Housing Authority that is authorized to engage or assist in the development or operation of low-income housing in behalf of a Tribe.

"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 1) 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 2) 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 to be Tribal Land.

"Total Direct Construction Costs" means the costs to construct the Project which matches the construction contract and Line 47 on Form 3 of the Development Budget.

"Total Project Square Footage" or "Construction Gross Area" means the Total Project Square Footage (also called "Construction Gross Area") as defined in the Building Owners and Managers Association International Multi-Unit Residential Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.4-

2010), to which Applicants should refer for greater detail. It includes all residential and Common Area Facilities buildings in the Project and is measured to the building perimeter, a closed line that encompasses all structured elements of each building at every level including basements and penthouses but excluding roofs (unless they are used for Structured Parking). It includes Structured Parking, but does not include Podium Parking. It includes all fully enclosed areas including stairs, elevators, HVAC shafts, pipes, flues, as well as structured unenclosed areas, such as Balconies, roof terraces, plazas, Decks, Porches, exterior stairs and corridors. Areas with restricted headroom are included within the building perimeter. Not included within the building perimeter are the following: commercial space; non-structural protrusions including eves, cornices, canopies, awnings, sills, ledges, chimneys, casing, wainscoting, gutters, downspouts, signs, shutters, attached electrical or mechanical systems, and decorative projections. The "Construction Gross Area" must be prepared and certified by the architect of record for the Project, who may not be an employee of the Applicant or Developer. If the architect of record is an employee of the Applicant or Developer, a third party architect or engineer with no Controlling Interest in the Applicant or Developer must prepare and certify the Construction Gross Area.

"Total Construction Cost" means the Total Construction Cost (Line 55) from Form 3 Development Budget less any of the following costs that if included within Line 55: 1) Governmental Permits and Fees including Impact Fees and Utility Fees; 2) Builders Risk Insurance (Line 44); 3) all bonds including Payment and Performance Bonds and Public Improvement Bonds (Line 44).

"Total Development Cost" means the sum total of all costs in the Development Budget (Cell D138 on Line 126 on Pages 8 - 11 of Form 3).

"Uniform Standards of Appraisal Practice" means the guidance as published and amended by the Appraisal Standards Board of the Appraisals Foundation for quality control standards applicable for real property, personal property, intangibles and business valuation appraisal analysis and reports in the United States and its territories.

"Unit" means any accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation (i.e. a residential dwelling consisting of one (1) apartment, one (1) single family home, one-half (½) of a duplex, etc.). Such accommodations may be served by centrally located equipment, such as air conditioning or heating.

"Urban Podium Parking Project" is a three (3) plus-story Multi-Family Housing Project in an Urban Area in which at least seventy-five percent (75% of the parking is Podium Parking. Every building in the Project must be at least three stories high.

"Urban Structured Parking Project" a three (3) plus-story Multi-Family Housing Project in an Urban Area in which at least seventy-five percent (75%) of the parking is Structured Parking. Every building in the Project must be at least three stories high.

"Urban Area" means Maricopa and Pima counties, excluding Tribal Lands.

"USDA/RD" means United States Department of Agriculture/Rural Development.

"Useful Life" means the period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed.

"VASH" means Veterans Affairs Supportive Housing.

1. INTRODUCTION

1.1 Background

The federal Low-Income Housing Tax Credit ("LIHTC" or "Tax Credit") 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 housing credit agency responsible for allocating Tax Credits to Owners of qualifying residential rental Projects. The Revenue Reconciliation Act of 1989 amended I.R.C. § 42 by adding § 42(m), which requires allocating agencies to allocate Low-Income Housing Tax Credits pursuant to a Qualified Allocation Plan ("QAP", "Plan" or "Allocation Plan"). I.R.C. § 42(m) describes the purposes and requirements for this Plan.

There are two (2) methods for obtaining a Tax Credit Allocation pursuant to this Plan: 1) through a competitive application process; and 2) tax-exempt bond financing.

Changes to the Plan

Annual Plans. DISCLAIMER: ADOH may submit a new proposed Plan with substantial changes for public review and comment. ADOH may add, delete or substantially change eligibility requirements, Set-Asides, scoring, threshold and underwriting requirements for a new Plan.

Changes to Approved Plans. ADOH may, in its discretion, make changes to this Plan. In accordance with I.R.C. § 42(m)(1)(A)(iv), written explanation will be made available to the general public for any Allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the ADOH. Although ADOH will make every effort to avoid substantial changes to the Plan after a competitive round has been announced, such changes may be necessary from time to time to respond to changing market conditions, address critical needs and maximize the Allocation of Tax Credits. Should changes to this Plan or other tax credit programs occur, ADOH must post a public notice on the ADOH website and email a notification of the same to all applicants. Changes to this Plan due to changes in the applicable federal law must be announced by ADOH through a public notice.

Modifications to Plan. ADOH may modify this Plan, including its compliance and monitoring provisions, from time to time, or for any other reasons as determined by ADOH: 1) to reflect any changes, additions, deletions, interpretations or other matters necessary to comply with I.R.C. § 42 or regulations promulgated thereunder; 2) to respond to changes in the market for Affordable Housing; 3) to insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and that are contrary or are inconsistent with this Plan or I.R.C. § 42; or 4) to cure any ambiguity, supply any omission or correct any defect or inconsistent provision with this Plan or I.R.C. § 42.

QAP Clarifications. Between the time that the QAP is issued in its final form and the LIHTC Applications are due, ADOH will periodically post written clarifications to the QAP on its website.

The clarifications elaborate on the meaning of the text within the QAP and may sometimes add additional guidance on how to interpret the QAP. QAP clarifications are to be considered a part of the QAP. Applicants are responsible for checking the clarifications and submitting an Application that is in conformance with the clarifications. Requests for clarification must be made in writing via email or letter via US Mail and will be responded to in the written clarifications to the QAP on its website. Clarifications will be posted every Friday, beginning when the QAP is approved by the Governor. ADOH will not accept requests for clarification after February ~~28~~26, ~~2020~~2021 at 12:00 p.m. Mountain Standard Time.

General and Specific Goals

A. General Goals

The selection criteria set forth in this Allocation Plan include, in part, consideration of:

1. development location;
2. housing needs characteristics;
3. development characteristics, including whether Project uses existing housing as part of a community revitalization plan;
4. sponsor characteristics;
5. tenant population with special housing needs;
6. the existence of a public housing waiting list;
7. tenant populations of individuals with children;
8. tenant populations of older persons;
9. permanent supportive housing; and
10. projects intended for eventual tenant ownership.

For Projects that are not financed through tax-exempt bonds, the LIHTC program is a competitive program. For the process and requirements for Tax Credits to Projects financed by tax-exempt bonds, see Section 4 of this Plan.

In furtherance of the statutory provisions affecting the program, ADOH has established the following general goals for allocating Tax Credits in Arizona:

11. to maximize the number of affordable rental housing units added to the existing housing stock;
12. to develop affordable rental housing Units in areas with the highest market demand while avoiding concentration of affordable properties in distressed areas;
13. to develop affordable rental housing Units necessary to satisfy a critical need in an area;

14. to allocate Tax Credits to Projects that provide the greatest overall public benefits;
15. to encourage development of appropriate rental housing for people and families that need governmental assistance to find and maintain suitable, habitable, and affordable rental housing in the private marketplace;
16. to enable substantial rehabilitation of existing rental housing in order to prevent losses to the existing supply of affordable Units through the non-competitive 4% Tax Credit;
17. to prevent the loss from the existing stock of low-income rental housing of those Units under expiring contracts with federal agencies or subject to prepayment which, without the Allocation of Tax Credits, would be converted to market rate Units through the non-competitive 4% Tax Credit;
18. to maximize the utilization of Tax Credits;
19. to provide an equitable distribution of Tax Credits across the State;
20. to provide opportunities for participation in the Tax Credit program to all qualified sponsors of low-income rental housing; and
21. to provide Local Government entities with notice and opportunity to comment on Tax Credit development proposed within their jurisdictions.

B. Specific Goals

In allocating Tax Credits, ADOH seeks to achieve specific goals. These are:

1. to use Tax Credits in connection with rental housing "projects serving the lowest income tenants" (see I.R.C. § 42(m)(1)(B)(ii)(I));
2. to use Tax Credits in connection with rental housing "projects obligated to serve qualified tenants for the longest periods" (see I.R.C. § 42(m)(1)(B)(ii)(II));
3. to make Tax Credit funding available to projects serving low-income populations - including families with children, homeless persons, veterans, and Older Person citizens;
4. to hold competition to determine those projects considered sound investments of public funds;
5. to expend the minimum amount of public funds necessary to accomplish program goals;
6. to administer the LIHTC program in a manner that encourages timely Project completion and occupancy;
7. to encourage the highest available quality and design standards for Projects financed with Tax Credits;
8. to develop and promote energy and water efficient housing ; and

9. to develop rental housing in locations that are within reasonable proximity to frequent Bus Transit or to High Capacity Transit.

2. APPLICATION FOR TAX CREDITS

2.1 Amount and Allocation of the State's Annual Credit Authority

Annual Tax Credit Ceiling. The federal government establishes the State Annual Credit Authority which limits the dollar amount of tax credits that ADOH may allocate to qualifying Projects and detailed eligibility standards and priority uses for available tax credits. The State's Annual Tax Credit Authority is typically insufficient to fund all Applications. This Plan explains the competitive process that ADOH uses to allocate its annual authority for nine percent (9%) tax credits in ~~2020~~2021.

For calendar year ~~2020~~2021, the amount used under I.R.C. § 42(h)(3)(C)(ii) to calculate any state's LIHTC program credit ceiling amount is the greater of: 1) $2.8125 multiplied by the state's population; or 2) $3,217,500. These figures are adjusted annually for inflation. Arizona's LIHTC program credit ceiling amount for the calendar year ~~2020~~2021 is approximately $20,170,254. The amount of tax credits available through this Plan in any allocation round is the annual tax credit ceiling adjusted by the amount of tax credits already allocated, tax credits returned, tax credits carried over from the previous year and any national pool tax credits that the State may receive.

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2.2 Tax Credit Reservation

Maximum Reservation. The amount of Tax Credits awarded to any one (1) Project must be the lesser of the Eligible Basis Analysis or the Gap Analysis. The Maximum Reservation per Project will be $2,000,000 of the State's annual credit authority and one (1) Project in any Application Round for any Developer. For the purposes of the Maximum Reservation, the term "Developer" includes the Developer, Co-Developer or any Affiliate of a Developer or Co-Developer that is acting as a Developer or Co-Developer on a Project, or for which a partner or member of an Affiliate of a Developer or Co-Developer is part of the Owner.

ADOH will not award Tax Credits to more than two (2) Municipal/County Projects in any Tax Credit round. For-Profit and Non-Profit Co-Developers that submit an Application as part of a Development Team on a Municipal/County Project may not exceed the one Project and $2,000,000 limit on Tax Credits for any Developer.

In the event of a competitive round under this Plan after the 2020 calendar year, ADOH may limit the maximum amount of Tax Credits available for a Reservation in a separate notice.

A. <u>Tax Credit Reservation</u>

ADOH, based upon an evaluation of Applications and in its sole discretion, must reserve Tax Credits as follows:

1. First, to Projects in each Set-Aside category, preference being given to Projects with the highest competitive score (other than the State Special Project Set-Aside) that: 1) meet eligibility and threshold requirements; 2) demonstrate a strong market demand; and 3) meet underwriting requirements. One (1) Project may satisfy more than one (1) Set-Aside category.

2. Second, to Projects that have not designated or do not qualify for a Set-Aside category, preference being given to Projects with the highest competitive score that: 1) meet threshold and eligibility requirements; 2) demonstrate a strong market demand; and 3) meet underwriting requirements.
3. ADOH reserves the right not to reserve or allocate Tax Credits for any Project regardless of ranking under the Project scoring criteria, if it determines in its sole discretion, that an Allocation for such Project does not further the purpose and goals set forth in I.R.C. § 42 or in the Plan, or otherwise attempts to circumvent the goals and requirements of the Plan or ADOH.
4. ADOH must reserve Tax Credits to a Project through a letter notifying the Applicant of the Tax Credit Reservation. ADOH may condition the Reservation upon satisfaction of specific requirements which may include, without limitation, a request for payment of the Reservation Fee, requirements for meeting the Carryover Allocation, and requirements for meeting the ten percent (10%) Cost Test. Failure to satisfy the conditions explained in the letter may result in cancellation of the Reservation.

B. Limitations on Reservation of Tax Credits Based on Concentrations of Projects in Certain Market Areas

Notwithstanding Set-Aside amounts or competitive scores, ADOH may in its sole discretion, limit the number of Projects in a specific market or geographical area if ADOH determines that there is insufficient demand or that a particular Project would have adverse impact on low income housing developments existing in a given market area.

In the event that multiple Applications are submitted for a given market area that cannot support all of the Projects that would have received a tax credit reservation under this QAP, ADOH may select one (1) or more Projects that will best serve the market demand for the area or has less of a negative impact than the others. ADOH may, in its discretion, refuse to reserve credits to any Project if ADOH determines that the given market area cannot support the Project. If multiple Applications are filed for a given market area proposing to serve different populations (i.e. Older Person, family or Special Populations), ADOH shall analyze the Applications and may not award Tax Credits if it determines that a Project will be redundant or have adverse impact on the other Applications or existing Projects in the given area.

C. Reservation List

ADOH will establish and make available to the public a list describing Projects receiving an Allocation in the order described in this Section along with the name of the Project, Project location, Set-Aside category, and annual Tax Credit amount ("Reservation List"). Applicants who receive a Reservation of Tax Credits will receive a letter, which shall include the Applicant's score.

D. Allocation of Returned Credits

ADOH may allocate Tax Credits that have been returned and those it has received from the national pool to projects that were not fully funded (i.e., exchange returned and/or national pool Tax Credits for Tax Credits reserved from the following year's credit ceiling). ADOH may carry forward remaining Tax Credits to the next calendar year as permitted under I.R.C. § 42. In the ADOH's sole discretion, returned Tax Credits may be allocated to the next highest scoring Projects that meet eligibility requirements, threshold criteria, and underwriting review.

E. Forward Allocations

ADOH may only consider committing Tax Credits from the following year's annual Tax Credit ceiling amount (a "Forward Allocation") for those Projects that: 1) received a partial Allocation solely for the purpose of maximizing the Allocation of Tax Credits available in the current Tax Credit year; or 2) in the event that ADOH determines that a material error prevented an otherwise qualifying Project from receiving a Reservation. If a Forward Allocation is made to an Applicant based on review and underwriting at the time that the Forward Allocation credits are reserved, Applicant may not request any additional credits in the subsequent year with respect to that same Project, nor may a Developer, including any Co-Developer or any Affiliate of a Developer or Co-Developer that is acting as a Developer or Co-Developer on a Project exceed the Maximum Reservation stated in Section 2.2 of this Plan. Applicants who receive a Forward Allocation of ~~2021~~2022 Tax Credits are required to Place the Project in Service by December 31, ~~2022~~2023.

Unsuccessful Applicants

After ADOH announces the Reservation of Tax Credits, the ADOH will provide a final decision on the Application 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. Questions must be based solely on facts provided in the Applicant's original Application. The final decision denying an Application for Tax Credits will provide notice of the right to administrative appeal pursuant to A.R.S. §§ 41-1092 through 1092.12. An unsuccessful Application for Reservation of Tax Credits shall expire on the date the governor approves a subsequent Plan, December 31, ~~2020~~2021, or otherwise upon notice by ADOH.

2.3 Application Deadlines, Timetable, and Application Submission Location

A. Allocation Rounds

ADOH may hold one (1) or more Tax Credit Application rounds pursuant to this Plan.

B. Application Deadline and Payment of Fee

A non-refundable application fee of $5,000 for each Application is due on or before 4:00 p.m. Mountain Standard Time on April 1, ~~2020~~2021, or as may be otherwise announced by ADOH in an information bulletin published on the ADOH website. Bound, hard-copy Applications must be submitted to the reception desk of the Arizona Department of Housing located at 1110 West Washington Street, Suite 280, Phoenix, Arizona 85007. FACSIMILE AND E-MAIL SUBMISSIONS WILL NOT BE ACCEPTED. ALL APPLICATION MATERIALS (HARD COPY AS DESCRIBED IN SECTION 2.4 BELOW AND ELECTRONIC SUBMITTAL VIA ADOH PORTAL) MUST BE RECEIVED BY THE APPLICATION DEADLINE STATED ABOVE.

1. Notwithstanding the foregoing, ADOH will accept the hard copy package up to forty-eight (48) hours after the Application Deadline if each of the four (4) following conditions are met:
    a. The electronic copy of the entire Application was uploaded to the ADOH Portal prior to the Application Deadline.
    b. The Applicant provides evidence that the delivery of the hard copy package was scheduled for delivery by the Application Deadline with one (1) of the following carriers:
        i. FedEx;
        ii. United Parcel Service; or
        iii. DHL Express.
    c. The delivery information provided to the carrier was legible and correct.
    d. The delayed delivery was the carrier's error or due to unforeseen circumstances such as inclement weather caused the carrier's delivery to be delayed.

2.4 Application and Submittal Format

Applicant must submit one (1) electronic copy of the complete Application with all exhibits and forms via the ADOH Portal and one (1) hard copy of each of the documents and exhibits in the list below. The electronic copy must be organized to correspond to the Tabs in Section 2.9 of this Plan. Form 3 must be submitted in both Excel and PDF formats. Each Tab shall be one (1) separate easy to read document in PDF format and named as follows: "Project name - Tab # - Name of Section". Tabs with large documents should be bookmarked or in a PDF Binder to clearly show each exhibit required in the Tab.

In addition to the electronic copy of the entire Application with all exhibits and forms, Applicant must insert a hard copy of each of the following portions of the Application into a binder and deliver them to ADOH by the Application Deadline:

1. Two (2) copies of Form 0 "Application Receipt Form".
2. Evidence of the electronic submittal in the form of an email receipt issued by ADOH which follows a successful upload. If Applicant fails to include the email confirmation and evidence

of the electronic submittal issued by ADOH in their Application materials, the Application will be deemed ineligible.

3. Either the original check(s) to pay the Tax Credit Application Fee identified in Section 6.1, and applicable Gap Financing Review Fee identified in Section 6.2, or a copy of the receipt(s) for such payment(s) if paid through the ADOH Payment Portal, which may be found at the following link: https://housing.az.gov/portals/adoh-payment-portal.
4. Original notarized Applicant Certification and Indemnification for the LIHTC Application (and Gap Application, if applicable).
5. Operating plan required at Tab 5, if more than one (1) Non-Profit Organization is participating in the Project.
6. The legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement, required at Tab 6.
7. Appraisal required at Tab 7.
8. Purchase and Sale Agreement and/or lease, as applicable to the Project, as required at Tab 7.
9. The documentation required at Tab 7/Section 2.9(G)(3)(a)-(c) of this Plan, if the Project has Federal funds or Project Based Vouchers in the capital stack (i.e. sources of funding), and is (i) located in a 100-Year Floodplain; (ii) in a historic district; (iii) is eligible to be listed in the National Register of Historic Places; or (iv) is listed in the National Register of Historic Places.
10. Market Demand Study required at Tab 10.
11. Capital Needs Assessment as may be required at Tab 20.

The hard copy Application materials specified above must be in eight and one-half by eleven (8 ½ x 11) format, placed in one (1) adequate sized three (3) ring binder, indexed and Tabbed to correspond with the Tabs described in Section 2.9 of this Plan. The front cover and spine of the three ring binder must be labeled with the name of the Project. The only exception are items of significant volume (such as an Appraisal, Market Demand Study, or Capital Needs Assessment), which may be submitted as separate bound items.

Each Application must comply with the format and content of this Plan. ADOH may reject any Application or Application information that does not conform to the requirements of this Plan.

In the event that there is a discrepancy with respect to any information provided in the Application materials (where both an electronic and hard copy are required), ADOH will consider the hard copy Application document as the primary source document. ADOH retains the sole discretion in determining and interpreting whether an Application or Project meets state law, federal law or the Plan criteria, terms, conditions or definitions.

All documents in the Application and each later submittal (acceptance of Reservation, Ten Percent (10%) Test, Equity, 8609, etc.) shall be originals where requested in this Plan or specifically requested by ADOH. Applicants shall make every effort to ensure that documents submitted are easy to read, and wherever possible shall convert original electronic documents to a PDF format, rather than scan them. Documents that are not easy to read, in ADOH's sole discretion, shall be rejected by ADOH. ADOH, in its sole discretion, may request that such documents be replaced with legible documents.

2.5 Eligibility Requirements

ADOH will evaluate all Applications in a competitive review process except those financed with tax exempt bonds. ADOH shall deny an Application for Tax Credits that fails to meet eligibility requirements regardless of its score. Applications that meet the eligibility requirements must be scored and then reviewed for threshold requirements under their appropriate Set-Aside category, if any.

The following criteria must be met in order to meet the eligibility requirements:

A. Application Submittal and Fees

One (1) complete Application organized in the prescribed sequence and format, as required by this Plan, must be accompanied by a $5,000 Application fee and any Gap Financing Fee if Gap Financing is requested. The Gap Financing Application (Form 3-1) must be submitted at the time of Application to be eligible for financing. ADOH will deem an Application ineligible if an Application fee or Gap Financing Fee payment does not clear to ADOH's deposit account.

B. Application Workshop

Developer, Co-Developer, or Consultant must submit a certificate of attendance from the ~~2020~~2021 LIHTC Application Workshop.

C. Developer Compliance Training

Developer, Co-Developer, or Consultant must attend Compliance Training as defined in this Plan at a minimum of every five (5) years. Developer must provide a Compliance Training certificate as a part of the ~~2020~~2021 LIHTC Application. The compliance overview held at any LIHTC Application workshop is not sufficient to meet Compliance Training requirements. The training course must be a two (2) day certification class designed to support an exam. The exam is optional. Training certificates issued at previous LIHTC application workshops are no longer valid for meeting this training requirement.

D. Authorized Signatures

All documents that require a signature must be signed by the Applicant's authorized representative. Electronic signatures are permitted if proceeded by "/s/" or other indications that an electronic signature is intended. Applicant must be an existing legal entity authorized to conduct business in Arizona and in good standing with the applicable Arizona state agency for

the type of Applicant entity. ADOH will not consider forms signed on behalf of an entity that is not duly formed or by a representative without authority. The Applicant's authorized representative must sign the ADOH forms rather than an attached signature page.

E. Current Accounts

At the time the Application is submitted, no member of the Development Team may be in default on a low-income housing financial obligation to ADOH, HUD, or to any Local Government or Public Housing Authority in Arizona.

F. Satisfactory Progress and Compliance

ADOH may reject Applications for Projects having Development Team members that did not meet the requirements of a previous year's Plan. In addition, ADOH may reject Applications from any Developer who has failed to comply with the Tax Credit requirements and conditions in previous Applications or Projects including, but not limited to, payments due on ADOH loans or payment of any other fees as described in Section 6 of this Plan.

G. Acknowledgement and Consent from Local Government

ADOH will notify the Local Government where the Project is located and request that the Local Government provide a letter of acknowledgement and consent to the Project pursuant to 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 consider the reason or basis for local opposition and determine whether it 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 Allocation of Tax Credits. Any reservation of Tax Credits is conditional in the event that the Local Government denies consent and the Reservation is the subject of review by a court or tribunal of competent jurisdiction.

H. Project Team Disqualification

ADOH may disqualify any Applicant, Owner, Person with a Controlling Interest in either such entity, or management agent who:

1. is not an existing legal entity authorized to conduct business in Arizona and in good standing with the applicable Arizona state agency for the type of entity;
2. has been denied participation in the past ten (10) years by any federal or state agency in any housing development program;
3. within the past ten (10) years has been a debtor in a bankruptcy, or 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;

4. has defaulted on a mortgage, or has a mortgage loan arrearage of three (3) months or more within the last five (5) years on any publicly subsidized project;
5. has been a member of the Development Team within the past ten (10) years in a project which previously received an allocation of tax credits but failed to meet standards or requirements of the tax credit allocation or failed to fulfill one (1) of the representations contained in the application for tax credits;
6. 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 for more than three (3) months from the date of notification by the ADOH or any other state allocating agency;
7. has outstanding compliance issues with HUD or ADOH;
8. has been involved in any project awarded tax credits in which a Final Allocation (8609) has not been issued where there has been a Material Change in the project, general partners, or managing members, that ADOH did not approve in writing beforehand;
9. has been removed by the ADOH from the ownership of a project that is subject of an Application;
10. has compliance fees that are due and remain unpaid as of the Application Deadline;
11. has outstanding reports due or has failed to otherwise meet the requirements of Section 3.6; or
12. has a loan payment that is due and remains unpaid as of the Application Deadline without a pending deferral request..

~~13. .~~

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A disqualification under this Section will result in an individual or entity involved not being allowed to participate in the ~~2020~~2021 cycle and may also result in the ADOH removing from consideration any Application where they are identified.

2.6 ~~2020~~2021 Set-Asides

In the event that there is more than one (1) qualified Application in a Set-Aside category, ADOH will allocate Tax Credits first to the highest-scoring Applications (other than in the State Special Project Set-Aside) meeting all eligibility, threshold, and underwriting requirements in the order of Set-Aside categories below. In the event that a Developer is submitting multiple Applications requesting consideration under one or more of the Set-Asides listed below, the Developer may specify its

preference for an award order in writing, if the Developer has a preference that ADOH award an Application in a subsequent Set-Aside. Such preference shall be included in a letter from the Principal Contact listed on the Form 3 that must be placed at the front of Tab 1 in each of the Applications submitted by that Developer. For example, if a Developer submits two Applications that would be eligible for an award based upon a winning score and tie-breaker, the one that is only eligible under the Non-Profit Set-Aside could be funded over a Balance of State Set-Aside Project, if the request is made in writing with the Application when it is submitted.

Applicants that request consideration in a Set-Aside category must have a minimum score of sixty (60) to qualify for each category, and no one (1) Project awarded Tax Credits under these Set-Aside categories will receive more than the Maximum Reservation Per Project in Tax Credits through this Plan. Applicants selected for a Set-Aside must maintain the score under which they were awarded to avoid a loss of the award of Tax Credits. Applicants not selected in a Set-Aside category will be evaluated with other Applications for the remaining available Tax Credits, but will still be required to complete the Project as presented in the Application.

SUPPORTIVE HOUSING	One (1) Permanent Supportive Housing Project that has a minimum of thirty (30) Units set aside for Chronically Homeless households with a preference for veterans. The Permanent Supportive Housing Project awarded under this Set-Aside shall be designed such that 100% of the Units in the Project shall be Permanent Supportive Housing for Chronically Homeless individuals. Rents shall be designated at thirty percent (30%) AMGI and supported with Rental Assistance (see Section 2.9(P)/Tab 16 for further requirements and the ranking of Applications).
TRIBAL	This Set-Aside is up to $2,250,000 that may be used for more than one (1) Project located on Tribal Land with a preference for veterans. A maximum of $2,250,000 will not be exceeded in this Set-Aside. No partial awards will be made under this Set-Aside. The criteria and selection process for the Tribal Set-Aside are set forth in Section 2.9(Y)/Tab 25 of this Plan.
BALANCE OF STATE	Three (3) Projects located in Balance of State Areas; each Project located in a separate Balance of State COG Area ("NACOG", "WACOG", "SEAGO" and "CAG") to the extent possible. Should Applications be received for fewer than three Balance of State COG Areas, up to two Projects may be funded in one Balance of State COG Area. Tribal Projects are ineligible for the Balance of State Set-Aside.

	If applicable, the first of the three Projects shall be in a Growing Municipality or Census Designated Place without public transportation. (See Section 2.9(O)(4).)
NON-PROFIT	Ten percent (10%) of the State's annual credit is Set-Aside for "Non-Profit Projects" as defined in this Plan. Only Non-Profit Projects that meet all of the threshold requirements in Section 2.9(E) will be eligible for an Allocation of Non-Profit Set-Aside credits. If a Non-Profit Project qualifies for an Allocation in another Set-Aside, as stated in this Section 2.6, it will also contribute to satisfying the ten percent (10%) of the State's annual credit requirement for the Non-Profit Set-Aside.
STATE SPECIAL PROJECT	ADOH may award one (1) Project in the Department's sole discretion that does not score high enough to receive an Allocation in the other Set-Asides or the General Pool but scores at least sixty (60) points and meets general and specific goals, threshold, and underwriting requirements of this Plan. If a Project(s) that has received a Commitment for a Housing Assistance Payment ("CHAP") under HUD's Rental Assistance Demonstration ("RAD") program or Choice Neighborhoods Implementation Grant ("Choice Neighborhoods") is submitted, the highest scoring among them meeting all eligibility, threshold and underwriting requirements will be funded under this Set-Aside. If no Applications are received for RAD or Choice Neighborhoods Projects, preference will be given to proposed Projects which are located in a Qualified Census Tract (as defined in IRS Section 42(d)(5)(C)) *and* the development of which contributes to a concerted community revitalization plan (as set forth in Tab 24). Additional criteria will include: 1. Leveraging other funds (such as deferred Developer Fee) to maximize outcome. 2. Provides housing and services to underserved population. 3. Housing and services are unique to the area. 4. If there is a Public Housing Authority that serves the area, the Public Housing waiting lists indicate a need for the type of units proposed

2.7 Project Scoring

Project scoring means review of the Applicant's self-scores by verifying that support for the points claimed is provided in the Application, based on the criteria set forth in this Plan. Applicant may only submit one (1) score sheet for consideration by the ADOH. ADOH will award or deduct points based solely on the information submitted in the Application. An Applicant must provide

documentary support as proof and evidence of the points claimed, as mandated and as described in Section 2.9 of this Plan. ADOH shall deny or deduct a claim for points if the correct forms or required information to support the points claimed are not submitted, or are not submitted at the correct Tab, or if information available to ADOH negates a claim for points. ADOH will not consider waiver requests with respect to any scoring category in this Plan ~~stated in this Section 2.7~~.

Point Scoring Summary	Maximum Points	QAP Location
Developer Experience	10	~~Sections 2.7(A), 2.9(F),~~ Tab 6
Smoke-Free Development	2	~~Sections 2.7(B), 2.9(C),~~ Form 3
Service Enriched Location	5	~~Sections 2.7(C), 2.9(K),~~ Tab 11
Building Efficiency	15	~~Sections 2.7(D), 2.9(L),~~ Tab 12
Transit Oriented Design	15	~~Sections 2.7(E), 2.9(O),~~ Tab 15
Occupancy Preferences	5	~~Sections 2.7(F), 2.9(Q),~~ Tab 17
Targeting Low Income Levels	35	~~Sections 2.7(G), 2.9(R),~~ Tab 18
Historic Preservation	1	~~Sections 2.7(H), 2.9(U),~~ Tab 21
Applicant Entity	5	~~Section 2.7(I),~~ Form 3
Waiver of Qualified Contract	10	~~Sections 2.7(J), 2.9(W),~~ Tab 23
New Construction	1	~~Sections 2.7(K), 2.9(L),~~ Tab 12, Form 3
Total Maximum Points	**104**	

2.8 Tiebreaker

In the event two (2) Projects have the same adjusted competitive score in a Set-Aside or in the General Pool, ADOH will reserve Tax Credits to the Project according to the following tiebreaker criteria:

First, to Applicants with the lowest percentage of Tax Credits in the Development Budget calculated by dividing the total Tax Credits requested (Form 3, Page 1) by the Total Development Cost. For purposes of this calculation only, the appraised value of any donated land shall be included in the Development Budget. Second, to Applicants who have Project Based Rental Assistance in descending order from the greatest percentage of Units with Project Based Rental Assistance to the lowest percentage of Units with Project Based Rental Assistance, as compared to the total number of Low Income Units in the Project (i.e., not including employee Units or market rate Units).

2.9 Threshold and Scoring Requirements

Applications must include a minimum "Threshold" of information in Tabs 1 through 25 to advance to the underwriting stage and to be considered for a scoring category, Set-Aside, Waiver, Gap Financing, etc. Applications not containing the threshold of information for any point category will be disqualified from that point category. All Facilities and transportation claimed for points must be in place, and operating as of the Application Deadline.

ADOH may verify representations, information, and data in an Application with public information, independent reports, and statistics available through recognized subscription services. Documentation must be included at the specified Tab ("Tab" or "Tab") as noted below if Applicant is seeking points in the applicable Project scoring category. In its sole discretion, ADOH may consider clarifying information submitted in a particular Tab with other information submitted in

the Application. ADOH may also contact the Applicant to clarify non-scoring items that would would not affect the rank of a Project in the review of Applications. Despite a competitive score, Applications may be denied an award of Tax Credits based on a failure to meet Threshold requirements and to provide complete, accurate and consistent information throughout the Application.

INSERT two (2) hard copies of Form 0 "Application Receipt Form" in front of Tab 1. One (1) copy will be provided to the Applicant at submission. The second will remain with the Application submission. Applicants who do not personally deliver the Application will receive a scanned copy of the receipt via email. Applicants do not need to upload a copy of a blank Form 0 to the ADOH Rental Development Portal.

Any documents not specifically requested in Sections 2.9(A) through 2.9(Y) (i.e., documents required under Section 3.1) are not required with the Application.

A. Tab 1: Cover Letter, Form 1 - Project Schedule and Waiver of Requirement Requests

1. Cover Letter. Applicant must provide a cover letter that describes the Project, the target AMGI and rent structure, public benefit, any special characteristics, a Scope of Work narrative, and any other information deemed pertinent. If applicable, a separate letter from the Principal Contact listed on Form 3 expressing the Development Team's preferred order of award for set-asides, as described at Section 2.6 shall be placed in front of the cover letter described in this paragraph. Amenities described in the cover letter will be included in the LURA.
2. Insert Form 1 - Project Schedule.
3. Insert Certificate from ~~2020~~2021 Application Workshop. (See Section 2.5(B).)
4. Insert Certificate evidencing Developer Compliance Training. (See Section 2.5(C).)
5. Waiver of Requirements. With the exception of the Tiebreaker at Section 2.8, ~~Section 2.7~~ Scoring requirements to achieve points and threshold items found in Section 2.9, ~~2.8 Tie Breaker,~~ and the size of new construction Units in Section 2.9(L)~~, and Section 2.9 Threshold items~~, Applicants may request that ADOH waive specific requirements of this Plan. Waiver requests must be submitted with the Application and shall be supported by a detailed narrative explanation sufficient to permit ADOH to determine that: 1) waiver of the requirement is consistent with I.R.C. § 42, its implementing regulations and IRS guidance; 2) waiver of the requirement is necessary; 3) waiver of the requirement accomplishes the purposes and objectives of this Plan; and 4) the waiver does not adversely affect the feasibility of the Project. Each waiver request must be submitted on a separate sheet of paper and inserted at this Tab. ADOH considers requests for waivers on a case by case basis and waivers may be denied in the ADOH's sole discretion. In the event that a waiver request is granted, ADOH will notify the Applicant in writing at the time of the award letter.

B. Tab 2: Self-Score Sheet and Set-Aside Election

1. Insert executed Form 2 "Self-Score Sheet".
2. Insert executed Form 2-1 "Set-Aside Election". An Applicant may designate one (1) or more Set-Aside categories. Applications that fail to demonstrate the requisite Applicant or Project characteristics for a designated Set-Aside will not qualify for a Reservation of Tax Credits in that Set-Aside category.

~~**Smoke Free Development**~~	
~~**Up to 2 points**~~	~~**Section 2.9(C)/Tab 3**~~
~~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.~~	~~2 points~~

C. Tab 3: Application and Certifications

1. Insert a completed Form 3 with the current date. Amenities described on Form 3 will be included in the LURA.
2. **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 two (2) points. If the Project is claiming points for Smoke Free Development ~~under Section 2.7(B)~~, Applicant must check the box in Section 12 of Form 3 under "~~Section 2.7(B)~~ Smoke-Free Development Points". Applicants who fail to check the box will not receive points. Applicants who later claim that the box was checked "in error" will nevertheless be required to enforce a "no smoking" policy as described in this Section 2.9(C)(2)~~at Section 2.7(B)~~.**
3. If the Project is located in a QCT or small DDA listed on Exhibit E, Applicant must provide a map showing the location of the Project in the QCT or small DDA using the locator tool found at the following website: https://www.huduser.gov/portal/sadda/sadda_qct.html .

~~4. Complete, execute and insert the Gap Financing Application (Form 3-1) behind Form 3. Applicant must include the Gap Financing Fee with the Gap Financing Application. Gap Financing Applications that do not include the Gap Financing Fee with the Application submission do not meet the eligibility requirements in Section 2.5 and will not be reviewed by the ADOH.~~

~~5.~~4. Complete, execute, and insert the Applicant Certification and Indemnification (Form 3-2) ~~behind the Gap Financing Application (Form 3-1)~~.

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~~6.~~5. ADOH reserves the right to require the submittal of IRS Form 8821, "Tax Information Authorization", for each entity listed on Forms 6-2, authorizing ADOH as "Appointee" to receive from the IRS available information regarding any entity in which the Developer or Co-Developer have a Controlling Interest and the conduct of its business with the IRS relating to the Low-Income Housing Tax Credit Program. Such information received from the IRS may be used by ADOH in its sole discretion to disqualify an Application pursuant to this Plan.

D. Tab 4: Legal Formation, Licensing and Business Registration

1. Organizational Chart:

Provide an organizational chart that describes the relationship whether through ownership, control or contract between the Applicant, Developer, Co-Developer and Owner.

2. Signature Block(s):

Provide a signature block for the Project Owner who will sign the Carryover Allocation Agreement. The entity documents described below in Section 2.9(D)(3)(a-d) must be provided for each entity in the signature block demonstrate the authority of the authorized signer to execute documents on behalf of the Owner.

If the Owner is not the Applicant, provide the signature block and entity documents described in Section 2.9(D)(3)(a-d) for each entity in the Applicant's signature block demonstrating the authority of the authorized signer to execute documents on behalf of the Applicant (in addition to the signature block and entity documents for the Owner).

3. Entity Documents and Board Resolution:

The Applicant must include evidence that the Applicant, Owner (if formed), Developer, and Co-Developer are duly formed legal entities authorized to transact business in the State of Arizona and in good standing with the Arizona Corporation Commission or the Office of the Secretary of the State of Arizona. ADOH reserves the right to request entity documents for Affiliates and pass-through entities to determine Principals.

Applicant must include a copy of the legal document demonstrating the authority of the Applicant to bind the Owner, such as a limited partnership agreement, operating agreement for a limited liability company, a development services agreement, or similar agreement. If the limited partnership agreement, operating agreement, or development services agreement has not been finalized, then ADOH will accept a provisional agreement with a warranty that the requisite authority will be made a part of any such agreement at the time of closing with the Tax Credit Equity Investor and the construction lender.

If the documents provided under 2.9(D)(2)(a-d) below do not specify an individual or individuals who is/are authorized to sign on behalf of the Project, provide a board resolution or equivalent

document specifying the name of the person who is authorized to act on behalf of the Applicant entity. The person specified must be authorized by a group or a person other than themselves and must be the person who signs the certifications in the Application. Applicants must highlight the section of the document authorizing the person who is authorized to act on behalf of the Applicant entity. Failure to provide adequate documentation shall result in a disqualification of the Application from further consideration.

a. Corporations. If the entity is a corporation, provide the Articles of Incorporation and Bylaws and all amendments thereto. If the corporation was incorporated in Arizona, provide a certificate of good standing issued by the Arizona Corporation Commission confirming the legal existence of the entity as of the date of the certificate ("Certificate of Good Standing") and dated not earlier than thirty (30) calendar days prior to the Application Deadline. Entities incorporated in another state and doing business in Arizona must submit a certificate of good standing or its equivalent from the state of incorporation confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Application Deadline and a certificate of good standing to transact business in Arizona ("Certificate of Authority") for such foreign corporation, issued by the Arizona Corporation Commission and dated not earlier than thirty (30) calendar days prior to the Application Deadline.

b. Limited Partnerships. If the entity is a limited partnership, provide an executed copy of the limited partnership agreement and all exhibits and amendments thereto. If the limited partnership was organized under the laws of Arizona, provide a certificate of existence issued by the Arizona Secretary of State confirming the legal existence of the entity ("Limited Partnership Certificate of Existence") and dated not earlier than thirty (30) calendar days prior to the Application Deadline. Limited Partnerships organized under the laws of another state and doing business in Arizona must submit the following: a limited partnership certificate of existence or its equivalent from the state of organization confirming the legal existence of the entity, dated not earlier than thirty (30) calendar days prior to the Application Deadline, and an Arizona Certificate of Authority from the Arizona Secretary of State dated not earlier than thirty (30) calendar days prior to the Application Deadline.

c. Limited Liability Companies. If the entity is a limited liability company, provide the Articles of Organization (or its equivalent) and Operating Agreement and all exhibits and amendments thereto. If the limited liability company is organized under the laws of Arizona, provide a certificate of good standing existence, issued by the Arizona Corporation Commission confirming the legal existence of the entity ("LLC Certificate of Good Standing"), dated not earlier than thirty (30) calendar days prior to the Application Deadline. Limited liability companies organized under the laws of another state and doing business in Arizona must submit the following: a certificate of existence or its equivalent

from the state of organization confirming the legal existence of the entity dated not earlier than thirty (30) calendar days prior to the Application Deadline and an Arizona Certificate of Good Standing issued by the Arizona Corporation Commission for such foreign limited liability company dated not earlier than thirty (30) calendar days prior to the Application Deadline.

d. Housing Authorities. If the Applicant, Developer, or Co-Developer is a Public Housing Authority, then provide the bylaws of the Public Housing Authority and a copy of the resolution or ordinance from the government entity that authorized the formation of the Public Housing Authority.

E. Tab 5: Non-Profit Organization Information

Projects competing in the Non-Profit Set-Aside must provide the information and materials described in this section. The Applicant must complete and execute Form 5, certifying that the Non-Profit Organization is the Developer. Both the Developer and any Co-Developer(s) must be Non-Profit Organizations. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its sole purpose Affiliate. Applicant must be a qualified non-profit organization as defined under I.R.C. § 42(h)(5)(C). The Non-Profit Organization cannot be formed by a member (or an Affiliate) of the Development Team for the principal purpose of being included in the Non-Profit Set-Aside. The Non-Profit Organization cannot be formed by one (1) or more individuals of for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside. Applicant must provide information on the owners, directors, officers, and any Person with a Controlling Interest in itself, its general partner and the owners of the general partner. ADOH requires that the Non-Profit Organization provide:

1. IRS documentation of I.R.C. § 501(c)(3) or 501(c)(4) status (for a Non-Profit Organization formed under Tribal governing law and that is not required under Tribal governing law to obtain IRS documentation of its status, the Tribal agency may submit documentation that the Tribal Non-Profit organization is formed and maintained in a substantially similar manner as an organization formed and maintained under I.R.C. § 501(c)(3) or (4)).
2. If not provided in Tab 4, provide a copy of the Non-Profit Organization's Articles of Incorporation and Bylaws and all amendments, one (1) of which must contain a description of the Non-Profit Organization and its activities that include the fostering of low-income housing in its Articles of Incorporation or Bylaws, as may be amended. If the Articles of Incorporation and Bylaws do not specify an individual or individuals by name who is/are authorized to sign on behalf of the Non-Profit, provide a board resolution or equivalent document specifying the name of the person who is authorized to act on behalf of the Non-Profit. The person specified must be authorized by a group or a person other than themselves.

3. Evidence that it or its officers or members have experience in developing or operating low-income housing.
4. Evidence (in the letter of intent received from the investment syndicator) that it holds the right of first refusal to acquire the Project following the fifteen (15) year Compliance Period.
5. If more than one (1) Non-Profit Organization is participating in the Project, provide evidence that each Non-Profit Organization has developed an operating plan for the Project covering its role in developing and managing the Project, including its participation in the Developer Fee, its control of Project reserves, its strategy for maintenance, replacement, and renovation, and its oversight of marketing and of compliance with I.R.C. § 42.
6. The names of board members of the Non-Profit Organization.
7. The sources of funds for annual operating expenses and current programs.

F. Tab 6: Development Team

Developer Experience	
Up to 10 points	**Section 2.9(F)/Tab 6**
LIHTC Experience: Up to ten (10) points are available to Developers and Co-Developers who demonstrate that they have experience in the development of LIHTC or Federally Subsidized low income housing projects based on criteria below:	
One (1) Project Placed in Service	2 points
Two (2) Projects Placed in Service	4 points
Three (3) Projects Placed in Service	6 points
Four (4) Projects Placed in Service	8 points
Five (5) or more Projects Placed in Service	10 points

The Applicant must demonstrate that the Development Team possesses the experience and financial capacity necessary to undertake and complete the Project, and that the Developer and/or Co-Developer, as applicable, have developed Projects of comparable size, financial complexity and whether or not the Development Team has experience with Affordable Housing programs.

1. The following items must be provided in Tab 6:
   a. Applicant must insert a completed Form 6. All Persons providing the services described in Section 7.1(C)(4)(f) must be listed on Form 6. If Form 6 does not include sufficient room because there are more than one Person, include the information on a separate sheet directly behind Form 6. ADOH will not discuss a Project with any Person who is not listed on Form 3 and Form 6.

b. Applicant must provide explanation of an identity of interest designated under Development Team Information on Form 3 Item 7. Applicant should note that the Developer must identify the existence of any identity of interest with another party to the Development Team.

c. Applicant must insert a completed Form 6-1, including a signed acknowledgement regarding any property in the process of foreclosure or that was foreclosed as described in Section 2.5(H). The Person listed with the experience must be the Developer or Co-Developer to obtain Development Experience points in this Section 2.9(F)~~Section 2.7(A)~~. If a Person identified on Form 6-1 is an individual, that individual must be the principal contact for the Project and be personally overseeing and actively involved in all aspects of the development of the Project through 8609.

d. Applicant must insert a completed Form 6-2 for each state, including Arizona, where the Developer (and Co-Developer, if applicable) has projects.

e. Insert a completed Form 6-3 for the Developer and Co-Developer (where applicable). Provide the information requested for all real estate that is owned by the Developer (and Co-Developer, where applicable) or for entities in which the Developer (and Co-Developer, where applicable) have a Controlling Interest, regardless of location and whether or not the real estate is Affordable Housing.

f. Applicant must provide a narrative describing the experience of the Development Team as it relates to the development of the proposed Project, and include resumes of the specific officers or supervisory employees of the Developer (and Co-Developer(s), if applicable) who possess the knowledge and experience required by this paragraph and as otherwise necessary to support a claim for points for Developer experience. Applicant must demonstrate the Development Team's prior, successful housing experience and engage the services of housing professionals, such as architects, appraisers, attorneys, accountants, contractors, and property managers with demonstrable tax credit and housing experience. Applicant may demonstrate the housing professional's experience through firm resumes of each member of the Development Team. The narrative must also provide a breakdown listing the specific roles and responsibilities of the Developer and Co-Developer(s), where applicable. ADOH may request a copy of the development agreement if it determines that it would be beneficial in its review of the Project.

g. Developers and Co-Developers must have the financial capacity to successfully complete and operate the proposed Project. Applicant must include evidence of financial capacity and solvency in the form of Financial Statements of the Developer (and Co-Developer, if applicable) for the prior two (2) full calendar years.

h. The Developer identified in the Application must demonstrate, in Forms 6-1 and 6-2, that it has developed the Project(s) for which it is requesting points in the Developer

experience category from concept through lease up, conversion of the construction loan, and issuance of IRS Forms 8609 for Tax Credit Projects. (Copies of the Forms 8609 are not required to be included in the Application.)

i. The Applicant must ~~demonstrate~~ insert corporate resumes that the entities responsible for operation and management of the property possess the training and education necessary to comply with all applicable program requirements. (See Section 8 of this Plan for specific compliance monitoring requirements.)

G. Tab 7: Acquisition, Site Control, and Environmental Review

1. Projects involving Acquisition - Appraisal Requirements.

Applicant should refer to Section 7.1(C)(4)(a) of this Plan regarding the land and, if applicable, building value(s) that will be accepted in the Development Budget.

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

b. Acquisition/Rehab Project or Adaptive Re-use Project. The Appraisal must include separate values for the land and the buildings, allocated in accordance with Section 7.1(C)(4)(a)(i)(3) of this Plan. 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 Section 2.9(G)(2~~1~~)~~(d)~~ below, ADOH shall randomly select the units for inspection from lists of each unit type.

c. Tribal Project. 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:

i. 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.

ii. 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.

iii. The Replacement Cost estimate shall be taken from the most recently published Marshall and Swift's Residential Cost Handbook.

2. 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.

~~2.~~3. Site Control.

Applicant must have Site Control as of the Application Deadline. To provide evidence of Site Control, the Applicant must submit the following to ADOH:

a. All Applications on Non-Tribal Land.

A "Title Commitment" (or "Title Report" if Applicant already owns the property) for the property dated within sixty (60) calendar days of the date of the Application by a title insurer licensed in Arizona. The title commitment must not include any conditions or requirements materially and substantially adverse to the feasibility of the Project.

b. Non-Government Land.

i. Purchase Contract or Options.

1) If the Applicant has a binding commitment to transfer control or ownership of the land to the Owner or Applicant, then the Applicant must submit a copy of the executed commitment. The binding commitment must describe the land to be transferred using a legal description, site address and parcel size, or parcel number. As of the Application Deadline, the only remaining contingency in a binding commitment that is in the Seller/Lessor's control may be a condition of receipt of tax credits. No other conditions will be accepted.

2) If a purchase contract and/or purchase option is submitted, a copy of the agreement must be submitted and the relevant agreement must provide for either a closing date or an initial term lasting until the period ending no less than 180 calendar days after the Application Deadline. The initial term must exceed the amount of time to complete any applicable environmental review. If more than

one (1) Project is included in the purchase contract, it must include a breakdown of costs associated with each of the Projects.

~~3) If Applicant is requesting ADOH Gap Financing, HOME or CDBG funding from any source:~~

~~a) As of the effective date for the Project in 24 CFR 58.22, conditional purchase contracts may only be used for the acquisition of existing multifamily residential properties. Land must be acquired through a purchase option.~~

~~b) A purchase option (for land or an existing multifamily residential property) must include language that it is subject to a determination by the recipient on the desirability of the property for the Project as a result of the completion of the environmental review in accordance with 24 CFR Part 58 and the cost of the option is limited to a nominal portion of the purchase price.~~

~~c) A conditional purchase contract for an existing multifamily residential property must include language similar to the following:~~

~~*"Notwithstanding any other provision of this Contract, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until ADOH (and/or other Responsible Entity, as applicable) has provided Purchase and/or Seller with a written notification that: 1) it has completed a federally required environmental review and its request for release of federal funds has been approved and, subject to any other Contingencies of this Contract, (a) the purchase may proceed, or (b) the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property; or 2) it has determined that the purchase is exempt from federal environmental review and a request for release of funds is not required. ADOH (and/or other Responsible Entity, as applicable) shall use its best efforts to conclude the environmental review of the property expeditiously."*~~

ii. Land Lease.

1) If the Applicant has entered into a lease agreement, the lease agreement must be submitted. The lease agreement must describe the land to be leased using a legal description, site address and parcel size, or parcel number. The lease must include a provision that the owner of the land will execute the LURA, encumbering the real property titled in the name of the owner. The lease must specify a specific rental amount and a term equal to or longer than the Extended Use Period. Lease payments must be evenly distributed through the term of the lease and paid as an Operating Expense through the operating budget.

iii. Land Lease Option.

1) If a lease option is submitted, a copy of the agreement must be submitted and the relevant agreement must provide for either a closing date or an initial term lasting until the period ending no less than 180 calendar days after the Application Deadline. The lease option must describe the land to be leased using a legal description, site address and parcel size, or parcel number. The lease to be entered into must be attached and specify a specific rental amount, a term equal to or longer than the Extended Use Period, and provide for the owner of the land to execute the LURA, encumbering the real property titled in the name of the owner. Lease payments must be evenly distributed through the term of the lease and paid as an Operating Expense through the operating budget.

iv. Land Owned by Applicant or Owner.

1) An Applicant or Owner who holds fee title to the property must provide a copy of the recorded deed listing the Applicant or Owner as the grantee and a final settlement statement prepared by the title company evidencing the purchase of the property. Estimated settlement statements will not be accepted.

c. Government Land - Non-Tribal.

i. In addition to all of the requirements for non-governmental property in Sections G(2)(a) - (b)(iv)(1) above, Applicant must provide evidence that the local governing body has approved all terms of the land transfer or lease.

ii. In cases requiring the use of powers of eminent domain by the Local Government, the Applicant must enclose evidence that a condemnation lawsuit has been filed for the specific parcels or real property upon which the Project may be situated together with the court's order of possession. Applicant must also include a resolution for the Local Government action on such condemnation.

d. Tribal Land.

i. 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: 1) an agreement between the Project Owner and the Tribe to enter into a lease of specific real property for a term at least equal to the duration of the LURA, 2) 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 provide that the Tribe (or TDHE) will execute the LURA.

ii. 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, a term equal to or longer the duration of the LURA, and that the Tribe (or TDHE) will execute the LURA.

iii. 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.

iv. 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.

v. For all Projects located on Tribal Land, submit a title status report from the Bureau of Indian Affairs at the time of the Equity Closing package described in Section 3.2.

~~3.~~4. Environmental Reviews.

Except as may be required to complete the documentation specified below, the Phase I Assessment and HUD Format Environmental Review described in Section 3.1(L) - (M) are due 120 days from the date of the Reservation letter.

a. Projects in a Floodway or 100-Year Floodplain

i. Projects with any improvements located in a Floodway (crosshatched in the A zone of a Flood Insurance Rate Map ("FIRM" map) are ineligible for an award of Tax Credits. ~~Projects on parcel(s) of land that include a floodway, but in which the portion of the parcel that is a floodway remains undeveloped are eligible for an award of Tax Credits, but are not eligible for ADOH Gap Financing.~~

ii. Projects located in a 100-Year Floodplain (dark shaded A zone of a FlRM map must submit either:

1) evidence that the site has received a conditional or final: Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), or Letter of Map Revision Based on Fill (LOMR-F) that removes the property from a FEMA-designated floodplain location; or

2) submit evidence that the decision making process described in 24 CFR §55.20 has been completed including all analyses and other documentation that the 8-Step Process has been completed and that no practical alternative location exists.

b. Historic Projects

Projects which include a building that meets the criteria under Section 2.9(U)(1)(c) must submit the documentation required at 2.9(U)(1)(a)-(b) evidencing that the Section 106 review process under 16 U.S.C. 470 *et seq*. has been completed and that there is No Adverse Effect or that the Adverse Effect is mitigated.

H. Tab 8: Planning and Zoning Verification

The property on which the Project is to be built or rehabilitated must be zoned for the proposed use by the governmental agency or agencies having jurisdiction to do so. If the Project requires additional zoning, one or more variances or use permit approvals, the Project shall be deemed to not meet the zoning mandated in this Section 2.9(H) that is a prerequisite as of the Application Deadline.

Applicant must:

1. Provide evidence that the property on which the Project is to be built or rehabilitated is zoned for the proposed use at the time of Application with no additional zoning, variance, or use permit approvals required. The Project, as proposed, must be able to be built on the parcel, as of the Application Deadline.
2. Insert a completed Form 8, signed by an Authorized Signatory of the Local Government. The real property described on Form 8 must have the same total land square footage as the real property described on page 3, Section 8 of the Form 3. Any additional land to be transferred, and or previous or future phases of the development must be excluded from Form 8, but must be described in the cover letter submitted at Tab 1.
3. For new construction, provide will-serve letters for water and sewer dated within 180 calendar days of the Application Deadline signed by an Authorized Signatory of the utility provider acknowledging that the utilities provided is anticipated to meet the needs of the Project. If the proposed construction activity includes acquisition/rehabilitation, adaptive re-use, or acquisition/demolition, Applicant may provide a utility bill from utility provider dated within sixty (60) calendar days of the Application Deadline, evidencing that services are presently available to the Project and will continue to serve the Project upon completion of construction.

I. Tab 9: Financial Ability to Proceed

Applicant Entity	
5 points	**Section 2.~~7~~9(I)/Form 3**
Five (5) points are available to Projects in which the Applicant is the ownership entity that will receive the LIHTCs and is the final Owner of the Project. Applications wherein the "Applicant" is identified as the partner, general partner, a member, managing member or officer of the final Owner may not claim points under this category.	

Applicant must demonstrate that the Developer has funding sources necessary to complete the Project to such a point that the ADOH can properly issue the Form 8609. Applicant must provide the following documentary support:

1. Letter of Interest or Intent from Tax Credit Syndicator. A Letter of Interest or Intent from a Tax Credit syndicator proposing the terms and pricing of purchase of Tax Credits allocated to the Project. The letter must also include all project assumptions, including but not limited to the minimum set-aside to be elected on Form 8609, development schedule, general terms of all loans, and required reserves. ~~If the Applicant is requesting ADOH Gap Financing, the terms and conditions of the ADOH Gap Financing must be included in the Letter of Interest or Intent. (See Section 7.1(D) for further details.) If the Applicant is requesting to elect the "average income" minimum set aside on Form 8609, the letter shall also acknowledge that election.~~

2. Letters of Interest or Intent from Other Sources of Financing. Copies of Letters of Interest/ Intent or term sheet from all sources of financing that defines: the amount of the loan, interest rate (also the proposed interest rate to be used for underwriting, if the interest rate is expressed as a spread over an index), all points charged, amortization period (if applicable), term of the loan, loan-to-value factor, minimum debt service coverage allowable (not required if the permanent lending source is a governmental or Tribal entity), all commitment and/or origination fees, and a description of all other fees directly attributed to the funding of the loan. Soft loans should also include the terms of any applicable deferred payment terms and/or forgiveness provisions. Federal funds that are forgivable will be deducted from Eligible Basis. Projects which have received a Choice Neighborhoods Implementation Grant should insert evidence of that award here. ~~If the Applicant is requesting to elect the "average income" minimum set aside on Form 8609, the letter shall also acknowledge that election.~~

3. ~~Pro Forma and~~ Operating Expenses. Insert a letter from the proposed management company certifying that the Operating Expenses are reasonable for the Project.

   ~~3. Include a fifteen (15) year pro forma. (See Section 7.1 for assumptions relating to operating expenses that must be included in the pro forma.) Rehabilitation projects must submit three (3) years of historical operating financials, if available. The pro forma submitted at Application does not need to be signed by lenders or syndicators, but it must be consistent with the Letters of Intent that are submitted with the Application.~~

   ~~a. The pro forma must reflect the rent structure in the Application, all lenders' assumptions such as principal and interest payments, cash flow obligations, non-rental income, detailed operating expenses, required reserves, annual fees and debt service coverage ratio.~~

   ~~b. If the pro forma reflects negative cash flow in any year, the Application must demonstrate the funding and utilization of an operating deficit escrow account or describe the source~~

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~~of the operating deficit funds. A commitment from the entity funding the operating deficit reserve/escrow funds must be included with the other funding source documents.~~

~~c. The pro forma may reflect rental assistance if supported by the other funding source documents.~~

~~d.~~a. Applicants proposing operating expenses that are not compliant with Section 7 of this Plan must submit at least two (2) forms of data supporting the feasibility and reasonableness of the proposed operating expenses ~~stated in the pro forma~~ (for example, comparable Project information as illustrated in a Market Demand Study, IREM information, or National Apartment Association information). ADOH may require submission of the audited Financial Statements for comparable Projects owned by the Applicant. Rehabilitation Projects may use the required three (3) years of historical information as evidence of operating expense assumptions if the proposed operations are not compliant with Section 7 and the need for rehabilitation is not due to deferred maintenance. ~~In addition, the proposed management agent shall certify that the Operating Expenses are reasonable for the Project, as required under Section 7.1(C)(2)(e).~~

~~e. The pro forma income and expense amounts must increase each year at a rate of two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligation amounts must increase each year at a rate of three percent (3%). ADOH will consider waiver requests for these assumptions if required by a syndicator or lender and the request is supported by documentation that justifies the proposed assumptions.~~

4. Developer Fee & Consulting Agreement(s) – Insert a list describing all Persons who will receive a portion of the Developer Fee and the amount to be paid to each Person supported by copies of the agreement(s) describing the services to be provided and amounts supporting the payments.

J. Tab 10: Market Demand Study

The Applicant must include a Market Demand Study that meets the requirements of Exhibit C, Market Demand Study guide.

K. Tab 11: Service Enriched Location

Service Enriched Location	
Up to 5 points	**Section 2.9(K)/Tab 11**
Project is located within an **Urban Area**:	
Up to five (5) points are available to Projects located two (2) miles or less from a Grocery Store, as measured in a straight line distance from the Site.	
Project is located within a **Balance of State Area**:	

Up to five (5) points are available to Projects located five (5) miles or less from a Grocery Store, as measured in a straight line distance from the Site.

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To claim points in this scoring category:

1. Insert a completed Form 11 at the front of Tab 11. The information for ~~each~~ the Grocery Store claimed must be complete in order to receive ~~the~~ points ~~for that Grocery Store~~ in this scoring category. ~~Facilities for which incomplete information is listed on Form 11 will not be awarded points for that Grocery Store.~~

2. ~~Applicant must p~~Provide an eight and one-half by eleven (8 ½ x 11) Google Earth aerial map ~~for each of the following Facilities claimed for points,~~ demonstrating that ~~each~~ the Grocery Store is located within the applicable straight line distance stated in the table above for points~~Section 2.7(C) of this Plan~~.

   The Applicant may calculate distance from the Project to the Grocery Store from the edge of the Project property line closest to the Grocery Store. The distance from the Project property line to the Grocery Store must be accurately demonstrated to ADOH using Google Earth aerials with a distance line and Google Earth's calculation of the distance in feet, not miles. The results should be able to be duplicated during ADOH's review of the Application.

   ~~In the event the Project is comprised of Scattered Sites on Tribal Land, Applicant must demonstrate that the Grocery Store is within the required distance to the parcel that would earn the most points in conjunction with Tab 15 based upon its location in the subdivision that contains the most housing Units to be developed in this Project.~~

   In addition, each Grocery Store must be located at a fixed location, be clearly identified by name on the applicable Google Aerial map along with the category within which the Applicant is claiming points. (See Exhibit A for requirements for mapping the Project and facilities.)

3. ~~Applicant must provide evidence of full scale grocery store/supermarket or neighborhood meeting the QAP definition of Grocery Store.~~ Applications claiming points for Grocery Stores that are not listed in the QAP's definition of Grocery Store must ~~provide~~insert evidence that it meets the entire definition in order to be awarded points. Evidence may be in the form of Grocery Store advertisements, internet information, and/or a letter on company letterhead from the Grocery Store manager, but must be able to be verified by ADOH during its review of the Application

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~~a.~~4. Insert an 8½"x 11" Google Earth aerial map of ~~E~~existing LIHTC and any other governmental subsidized housing developments within five (5) miles of the Project site. (Applicant should note that this is not a point requirement, but is required to be provided within this Section).

~~b.~~a. Grocery Store. ~~Applicant must provide evidence of full scale grocery store/supermarket or neighborhood meeting the QAP definition of Grocery Store. Applications claiming points for Grocery Stores that are not listed in the QAP's definition of Grocery Store must provide evidence that it meets the entire definition in order to be awarded points. Evidence may be in the form of Grocery Store advertisements, internet information, and/or a letter on company letterhead from the Grocery Store manager, but must be able to be verified by ADOH during its review of the Application~~.

~~**Building Efficiency**~~		
~~**15 points**~~		~~**Section 2.9(L)/Tab 12**~~
~~Up to fifteen (15) points will be awarded to Projects that demonstrate the percentage of the building dedicated to residential Units calculated as follows: the Residential Floor Area divided by the Total Project Square Footage.~~ ~~ADOH will score Building Efficiency based upon the Form 12-1. In order to receive points under this scoring category, Form 12-1 must be certified by the Architect and match the square footage in the Form 3 submitted with the Application. If awarded, the Applicant will be required to execute Exhibit G acknowledging the potential loss of these points and recapture of any award of Tax Credits.~~ ~~For the points below, ADOH will round up if the percentage is not a whole number and the percentage is at least point five percent (.50%) greater than the whole number (i.e. sixty-nine point five percent (69.50%) will be rounded up to seventy percent (70%))~~		
~~**Project Type**~~	~~**Percentage of Residential Floor Area as compared with the Total Project Square Footage is:**~~	~~**Score**~~
~~Urban Structured Parking Project or one-hundred percent (100%) Permanent Supportive Housing Project:~~	~~At least fifty percent (50%) but less than fifty-five percent (55%)~~	~~5 points~~
	~~At least fifty-five percent (55%) but less than sixty percent (60%)~~	~~10 points~~
	~~At least sixty percent (60%)~~	~~15 points~~
~~Urban Podium Parking Project or Housing for Older Persons Project in which all residential Unit entries are on double loaded corridors:~~	~~At least sixty percent (60%) but less than sixty-five percent (65%)~~	~~5 points~~
	~~At least sixty-five percent (65%) but less than seventy percent (70%)~~	~~10 points~~
	~~At least seventy percent (70%)~~	~~15 points~~
~~Single Family or Duplex Subdivisions located on~~	~~At least sixty percent (60%) but less than sixty-five percent (65%)~~	~~5 points~~

~~Tribal Land or in a Balance of State Area~~	~~At least sixty-five percent (65%) but less than seventy percent (70%)~~	~~10 points~~
	~~At least seventy percent (70%)~~	~~15 points~~
~~All other Projects:~~	~~At least seventy percent (70%) but less than seventy-five percent (75%)~~	~~5 points~~
	~~At least seventy-five percent (75%) but less than eighty percent (80%)~~	~~10 points~~
	~~At least eighty percent (80%)~~	~~15 points~~

~~The Minimum and Maximum Residential Floor Area per Unit that may be newly constructed regardless of any claim for points (excluding any Balcony, Porch, Deck) are as follows:~~

~~Unit Type~~	~~Minimum Residential Floor Area (excluding Balcony, Porch or Deck)~~	~~Maximum Residential Floor Area (excluding Balcony, Porch or Deck)~~
~~Efficiency:~~	~~380 square feet~~	~~585 square feet~~
~~One (1) Bedroom:~~	~~575 square feet~~	~~735 square feet~~
~~Two (2) Bedroom:~~	~~800 square feet~~	~~973 square feet~~
~~Three (3) Bedroom:~~	~~1,050 square feet~~	~~1,243 square feet~~
~~Four (4) Bedroom:~~	~~1,200 square feet~~	~~1,360 square feet~~
~~Five (5) Bedroom:~~	~~1,350 square feet~~	~~1,700 square feet~~

~~A Balcony, Porch, or Deck of up to 100 square feet may be added to the Residential Floor Area set forth above – such Balcony, Porch, or Deck is Residential Floor Area. Garages or Carports attached to Single-Family or Duplex Homes are limited to 300 net square feet for a two- or three-bedroom home, and 600 net square feet for a four- or five-bedroom home. Garages and Carports are not Residential Floor Area.~~

~~For example, a Housing for Older Persons Project, in which the front entry of each Unit is on a double-loaded corridor, with thirty (30) one (1) bedroom Units with 638 square feet each and twenty-four (24) two (2) bedroom Units with 850 square feet each, with a Total Project Square Footage of 54,487 square feet, would be calculated as follows:~~

~~Thirty (30) one (1) bedroom Units x 638 square feet = 19,140 square feet~~

~~Twenty-four (24) two (2) bedroom Units x 850 square feet = 20,400 square feet~~

~~19,140 square feet + 20,400 square feet = 39,540 square feet total Residential Floor Area~~

~~39,540 square feet total Residential Floor Area ÷ 54,487 square feet Total Project Square Footage = Seventy-two point six percent (72.6%)~~

~~This Project would earn fifteen (15) points.~~

L. Tab 12: Property Design Standards, Drawings and Plans

New Construction	
1 point	**Section 2.9(L)/Tab 12**
One (1) point is available to Projects which are 100% new construction and do not include the rehabilitation or improvement of any existing buildings. If the Project consists of the acquisition and demolition of one or more housing Units, the Project must offer to any person who is considered to be displaced under the Uniform Relocation Assistance Act (42 U.S.C. § 4601, *et seq*) ("URA") either: 1) permanent relocation benefits under the URA, if desired by the displaced person; or 2) temporary relocation and a replacement Unit when the Project is placed in service. Such replacement Unit in the Project must be rented at an initial rent that does not exceed the rent the displaced person would be entitled to pay under a Rental Assistance program as of the date the displaced person moves into the Project. Such initial rent is subject to annual adjustments to reflect increases in income. Applicants claiming the point under this scoring category shall follow the URA for housing Units. If the Project receives Federal funds, further URA requirements may apply.	

Building Efficiency	
15 points	**Section 2.9(L)/Tab 12**
Up to fifteen (15) points will be awarded to Projects that demonstrate the percentage of the building dedicated to residential Units calculated as follows: the Residential Floor Area divided by the Total Project Square Footage. ADOH will score Building Efficiency based upon the Form 12-1. In order to receive points under this scoring category, Form 12-1 must be certified by the Architect and match the square footage	

in the Form 3 submitted with the Application. If awarded, the Applicant will be required to execute Exhibit G acknowledging the potential loss of these points and recapture of any award of Tax Credits.

For the points below, ADOH will round up if the percentage is not a whole number and the percentage is at least point five percent (.50%) greater than the whole number (i.e. sixty-nine point five percent (69.50%) will be rounded up to seventy percent (70%))

Project Type	**Percentage of Residential Floor Area as compared with the Total Project Square Footage is:**	**Score**
Urban Structured Parking Project or one-hundred percent (100%) Permanent Supportive Housing Project:	At least fifty percent (50%) but less than fifty-five percent (55%)	5 points
	At least fifty-five percent (55%) but less than sixty percent (60%)	10 points
	At least sixty percent (60%)	15 points
Urban Podium Parking Project or Housing for Older Persons Project in which all residential Unit entries are on double loaded corridors:	At least sixty percent (60%) but less than sixty-five percent (65%)	5 points
	At least sixty-five percent (65%) but less than seventy percent (70%)	10 points
	At least seventy percent (70%)	15 points
Single Family or Duplex Subdivisions located on Tribal Land or in a Balance of State Area	At least sixty percent (60%) but less than sixty-five percent (65%)	5 points
	At least sixty-five percent (65%) but less than seventy percent (70%)	10 points
	At least seventy percent (70%)	15 points
All other Projects:	At least seventy percent (70%) but less than seventy-five percent (75%)	5 points
	At least seventy-five percent (75%) but less than eighty percent (80%)	10 points
	At least eighty percent (80%)	15 points

~~The Minimum and Maximum Residential Floor Area per Unit that may be newly constructed regardless of any claim for points (excluding any Balcony, Porch, Deck) are as follows:~~

~~Unit Type~~	~~Minimum Residential Floor Area (excluding Balcony, Porch or Deck)~~	~~Maximum Residential Floor Area (excluding Balcony, Porch or Deck)~~
~~Efficiency:~~	~~380 square feet~~	~~585 square feet~~

One (1) Bedroom:	575 square feet	735 square feet
Two (2) Bedroom:	800 square feet	973 square feet
Three (3) Bedroom:	1,050 square feet	1,243 square feet
Four (4) Bedroom:	1,200 square feet	1,360 square feet
Five (5) Bedroom:	1,350 square feet	1,700 square feet
A Balcony, Porch, or Deck of up to 100 square feet may be added to the Residential Floor Area set forth above. such Balcony, Porch, or Deck is Residential Floor Area. Garages or Carports attached to Single Family or Duplex Homes are limited to 300 net square feet for a two- or three-bedroom home, and 600 net square feet for a four- or five bedroom home. Garages and Carports are not Residential Floor Area.		
For example, a Housing for Older Persons Project, in which the front entry of each Unit is on a double-loaded corridor, with thirty (30) one (1) bedroom Units with 638 square feet each and twenty-four (24) two (2) bedroom Units with 850 square feet each, with a Total Project Square Footage of 54,487 square feet, would be calculated as follows: Thirty (30) one (1) bedroom Units x 638 square feet = 19,140 square feet Twenty-four (24) two (2) bedroom Units x 850 square feet = 20,400 square feet 19,140 square feet + 20,400 square feet = 39,540 square feet total Residential Floor Area 39,540 square feet total Residential Floor Area ÷ 54,487 square feet Total Project Square Footage = Seventy-two point six percent (72.6%) This Project would earn fifteen (15) points.		

The Applicant must include preliminary drawings and renderings of the development and:

1. Insert Form 12, Architect's Certificate, stating that the architect has read Exhibit D Year 2020 2021 Mandatory Design Standards for Multifamily Rental Housing, and certifies that the Project complies with the requirements, and Form 12-1 Architect's Certificate of Building Efficiency.

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The Applicant must include preliminary drawings and renderings of the development and:

1. 2. Insert Form 12-1 prepared by the architect that includes:

   a. Residential Floor Area of each Unit Type;

   b. Total Residential Floor Area (the sum total of the Residential Floor Area);

c. Total Project Square Footage.

Refer to the definitions in this Plan for specific information regarding what is included in each of the terms above. **The square footage in the Form 12-1 schedule must match the square footages listed on Form 3 submitted with the Application.**

2.3. Insert a A site plan showing the site topography (if the site is not generally flat), general development of the site, streets bordering the site, the all buildings, outdoor amenities and parking location. Outdoor amenities claimed on Form 3 must be shown on the site plan. Municipal site plan approval is not required as of the Application Deadline.

3.4. Insert Tthe building layout and net floor area for Projects proposing Common Area Facilitiesof each Unit type and the Common Area Facilities.,

4.5. Plans and elevations for each proposed building and clubhouse.

6. New Construction Square Footage Limits allowed in Eligible Basis are set forth in the table below. No waivers will be granted for this criteria in the 9% competitive round.

5. The Minimum and Maximum Residential Floor Area per Unit that will be used to calculate Building Efficiency points are set forth in the table below. may be newly constructed, and included in Eligible Basis, regardless of any claim for points (excluding any Balcony, Porch, Deck) are set forth in the table below. All Applicants may build a Balcony, Porch, or Deck of up to 100 square feet, which will be added may be added to the Residential Floor Area of a Unit for inclusion in both Eligible Basis and in the Building Efficiency calculation. , Such Balcony, Porch, or Deck is Residential Floor Area. Applicants developing Garages or Carports attached to Single-Family or Duplex Homes located in Balance of State or on Tribal Land may also build an attached Garage or Carport for each Unit, which are limited to 300 net square feet for a two- or three-bedroom home, and 600 net square feet for a four- or five-bedroom home, however, such. Ga Garages and Carports are not included in the Residential Floor Area when calculating the Building Efficiency. Single-Family and/or Duplex Homes may only be built in the Balance of State or on Tribal Land.

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Unit Type	Minimum Residential Floor Area (excluding Balcony, Porch or Deck)	Maximum Residential Floor Area (excluding Balcony, Porch or Deck)
Efficiency:	380 square feet	585 square feet
One (1) Bedroom:	575 square feet	735 square feet
Two (2) Bedroom:	800 square feet	973 square feet
Three (3) Bedroom:	1,050 square feet	1,243 square feet
Four (4) -Bedroom:	1,200 square feet	1,360 square feet

Five (5) Bedroom:	1,350 square feet	1,700 square feet

M. Tab 13: Utility Allowance Schedule

1. Utility allowances shall be based on the energy consumption model (Treas. Reg. § 1.42-10(b)(4)(ii)(E)) and must be prepared by a qualified professional as described in this paragraph. For purposes of this Section 2.9(M), a qualified professional is a Certified RESNET Home Energy Rater who is in good standing with the Residential Energy Services Network ("RESNET"). Furthermore, the qualified professional must not be related to the building owner, Property Manager or any other entities owned or controlled by these parties within the meaning of I.R.C. § 267(b) or § 707(b).

   a. Existing-Non-Rehab Projects. For existing properties that are not being remodeled/ rehabilitated, the qualified professional shall obtain from the appropriate utility companies actual utility bills for the previous twelve (12) months of building operation and calculate the average, total utility bill for each unit type for the property. Once approved, the new utility allowances are to be utilized for building operation and rent calculations for the property and must be updated and submitted annually to ADOH using the same process outlined in this paragraph.

   b. Existing-Rehab Projects. For existing properties that are being remodeled/rehabilitated, a Certified RESNET Home Energy Rater shall perform an energy analysis for the property following the RESNET Home Energy Rating System Standards. The analysis shall establish an estimated utility allowance for each unit type based on the implementation of all ADOH approved improvements. After all improvements have been made and all necessary verification testing and inspections have been completed, a RESNET "confirmed rating" or "sample rating" shall be issued for the Project.

   c. New Construction Projects. For new construction properties, a Certified RESNET Home Energy Rater shall perform an energy analysis for the property following the RESNET Home Energy Rating System Standards. The analysis shall establish an estimated utility allowance for each unit type based on the implementation of all ADOH approved design requirements. At Project final, and completion of all necessary verification testing and inspections, a RESNET "confirmed rating" or "sample rating" shall be issued for the Project.

   d. For Existing-Rehab and New Construction Projects, the Owner must submit to ADOH documentation that the "confirmed" or "sampled" rating is completed and include a report of the utility allowance estimates for each unit type. Once approved, the estimated utility allowances are to be utilized for the first year of building operation and rent calculations.

e. For Existing-Rehab and New Construction Projects, at the conclusion of the first year of operation utilizing the utility allowance estimates, the qualified professional shall obtain from the appropriate utility companies actual utility bills for the previous twelve (12) months of building operation. The professional shall calculate the average actual utility bill allowance for each unit type for the property. The Owner must submit to ADOH a report of the average actual utility allowance for each unit type. Once approved, the new utility allowances are to be utilized for building operation and rent calculations for the property and must be updated and submitted annually to ADOH using the same process outlined in this paragraph.

2. ADOH has determined that the energy consumption model shall be used to conform to the requirements under 24 CFR 92.252(d). All Applicants, with the following exceptions, shall be required to submit a utility allowance prepared by a Certified RESNET Home Energy Rater:

   a. Projects supported by USDA Rental Assistance or Section 8 HAP Contracts must submit copies of the most recent USDA/HUD approved utility allowance and rent schedule.

   b. Projects with one hundred percent (100%) Owner paid power (and if applicable, gas) are not required to submit a utility allowance schedule.

   c. Projects for which a Controlling Interest is held by a Public Housing Authority are permitted to use the method required by HUD to determine a utility allowance for their programs.

   d. Projects where a Local Government is providing HOME or CDBG funds may use the method prescribed by the Local Government for the HOME-assisted or CDBG-assisted Units only, which shall not be one hundred percent (100%) of the Units. Therefore, these Projects will be required to submit the utility allowance prepared by the RESNET Certified Home Rater for the non-assisted Units.

N. <u>Tab 14: Energy Conservation</u>

1. Energy Conservation

   a. Insert an energy analysis prepared by a Certified RESNET Home Energy Rater as follows:

      i. In New Construction residential buildings, perform an energy analysis utilizing a Certified RESNET Home Energy Rater following the RESNET Home Energy Rating System Standards based upon the Project's schematic design. All New Construction buildings will be required to achieve a weighted average HERS Index of sixty-five (65).

      ii. In Rehabilitation residential buildings, perform an energy analysis utilizing a Certified RESNET Home Energy Rater following the RESNET Home Energy Rating System Standards. The HERS Rater must evaluate the building to establish a HERS Index for

the existing building condition, then preparing an energy improvement report which identifies cost-effective energy improvements that achieve a minimum of fifteen percent (15%) reduction in energy usage over the existing building condition. The weighted average HERS Index that equates to a fifteen percent (15%) reduction, excluding the use of renewable energy, will be required by ADOH.

The projected, pre-construction HERS index must be submitted again to the ADOH once the construction drawings have been completed, and the final HERS Index must be submitted at 8609 submission after testing is completed. Common areas must use construction materials and methods consistent with those used in the dwelling Units, where possible.

To verify the projected HERS score at the time of Application, Applicant must provide a certification from a Certified RESNET Home Energy Rater that the Project's schematic design has been reviewed and it is possible for Applicant to achieve the projected HERS Index score. In the event Applicant does not meet the projected HERS Index score, ADOH will withhold issuance of 8609s until Applicant provides ADOH with a method to improve the energy efficiency of the building, excluding the use of renewable energy, to achieve the approved projected HERS Index score and the improvements have been completed.

b. If the Project includes renewable energy, insert a separate additional financial worksheet showing all of the applicable financial incentives including, but not limited to: energy tax credits (include syndication agreements for valuing these credits); power purchase agreements (include PPAs, if applicable); federal, state, and local tax deductions; enhanced/accelerated depreciation values; manufacturers' rebates; and property tax assessment exemptions, credits, or offsets.

2. Energy Inspections.

All Applicants must engage a Certified RESNET Home Energy Rater to perform the inspections that ensure that the building has qualified for the required HERS Index score.

HERS Raters shall follow Chapter 6 of the RESNET National Home Energy Rating Standards to determine the units to be selected for testing and inspections. The HERS Rater shall also inspect all energy efficiency items in Exhibit D Section IX(R) and Section XI.

O. Tab 15: Transit Oriented Design

Transit Oriented Design		
	15 points	**Section 2.9(O)/Tab 15**

Project is located in a certain proximity of a Frequent Bus Transit System (see Section 2.9(O)(2) *and/or* High Capacity Transit Station (see Section 2.9(O)(3).	15 points

Applicants may earn points in the Transit Oriented Design scoring category by meeting the requirements under this Section 2.9(O) ~~as applicable under Section 2.7(E)~~. Insert Form 15 and other documentation described in this Section 2.9(O)(1) – (3) to claim points in this scoring category.

1. The Project must be located at or within the distances stated below of a Frequent Bus Transit System or a High Capacity Transit Station. Distance is measured from the closest edge point of the Project property line to the closest edge point of the bus stop or transit station. Applicant must provide:

   a. A map to scale, using Google Earth aerials with a distance line and Google Earth's calculation of the distance in feet, not miles, evidencing that the proposed site is within the required distance in relation to the Frequent Bus Transit System or High Capacity Transit Station; and

   b. A transportation schedule published by the transit authority with stops and frequencies evidencing that all requirements in this Section are met for each transit oriented design type. ~~Scattered Site Projects will be scored based upon the site that contains the most housing units. In the event that all sites have an equal number of housing units, the site that scores the best in conjunction with the points in Tab 11 will be used to determine the score in this section.~~

   c. A letter from the transit authority confirming that there are no plans to move a bus route claimed for points to a different corridor or to reduce bus service on that route.

2. Frequent Bus Transit System. A "Frequent Bus Transit System" must be in operation as of the Application Deadline and meet the below listed frequency of stops and travel depending on the location of the Project. The bus route corridor must also provide one (1) or more fixed route bus stops that are at or within the applicable straight line distance of the proposed site as stated in (a)-(c) below and the transit agency must confirm that there currently are no plans to move the fixed bus route(s) to a different corridor or to reduce bus service map and stops. Bus routes that do not meet these criteria are not a "Frequent Bus Transit System". A "headway" as used in this Plan, means the time interval between two (2) buses traveling in the same direction on the same route.

   a. "Frequent Bus Transit" for a Project located in the City limits of Phoenix must have:

      i. Location is at or within one-half (½) mile (2,640') straight line distance of the Project.

ii. Minimum thirty (30) minute weekday headways between 6:00 a.m. and 6:00 p.m.

iii. Minimum one (1) hour headways between 6:00 a.m. and 6:00 p.m. on weekend days.

iv. Minimum fifteen (15) hours of service on weekdays; minimum twelve (12) hours on weekend days.

b. "Frequent Bus Transit" for a Project located in Tucson or the balance of the Greater Phoenix Area is defined as:

i. Location is at or within one-half (½) mile (2,640′) straight line distance of the Project.

ii. Minimum thirty (30) minute weekday headways between 6:00 a.m. and 6:00 p.m.

iii. Minimum one (1) hour headways between 6:00 a.m. and 6:00 p.m. on weekend days.

iv. Minimum twelve (12) hours of service on weekdays; minimum ten (10) hours on weekend days.

c. "Frequent Bus Transit" is defined as follows for a Project located in the Balance of State or in areas in Maricopa or Pima County currently eligible for multifamily loan programs guaranteed by USDA Rural Development as reported on the following website. (If applicable, insert the page from the website demonstrating that the property address is eligible.) https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do

i. For municipalities and Census Designated Places with populations of 35,000 persons or more:

1) Location is at or within one (1) mile (5,280′) straight line distance of the Project.

2) Minimum one (1) hour weekday headways between 9:00 a.m. and 5:00 p.m.

3) Minimum eight (8) hours of service on weekdays.

ii. For municipalities and Census Designated Places with populations under 35,000:

1) Location is at or within one (1) mile (5,280′) straight line distance of the Project.

2) Minimum two (2) hour weekday headways between 9:00 a.m. and 3:00 p.m.

3) Minimum six (6) hours of service on weekdays.

iii. The most recent population of the Census Designated Place, city or town as identified by the United States Census Bureau's quick facts population estimate published at https://www.census.gov/quickfacts/fact/Table/US/PST045216 or its replacement webpage as of January 1, ~~2020~~2021 shall be used to determine the population of municipalities identified in Section 2.9(O)(2)(c)(i) and (ii). Census Designated Places, cities and towns with a population of less than 5,000 may provide evidence of the population using other U.S. Census Bureau documentation.

3. High Capacity Transit. Proposed site is to be located at or within one-half (½) mile (2,640′) straight line radius of a High Capacity Transit Station. Applicant must provide map to scale as shown in Exhibit A to this Plan.

   a. A High Capacity Transit Station ("High Capacity Transit Station") includes:

      i. all existing light rail transit stations;

      ii. South Central Light Rail Extension to Baseline Road;

      iii. Northwest Phase II Light Rail Extension from Dunlap Avenue to Metrocenter;

      iv. Tempe Streetcar;

      iii. the commuter rail;

      iv. the intercity rail.

      v. Stops along the three point nine (3.9) mile Sunlink streetcar route in Tucson, Arizona.

4. To document a claim for consideration in the Balance of State Set-Aside for a Growing Municipality or Census Designated Place in a Balance of State Area with no public bus transportation, Applicant must:

   a. Insert evidence that the most recently issued (as of January 21, 2021) U.S. Census Bureau American Communities Survey 5-Year Estimate shows an increase in population growth over the five-year period.

   ~~v.~~b. Insert a letter from the chief official of the Local Government with jurisdiction over the site certifying that no public bus transportation is available within the jurisdictional boundaries of the municipality or Census Designated Place

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P. Tab 16: Supportive Housing Development

The Supportive Housing Set-Aside is one (1) Project with a minimum of thirty (30) Units each of Permanent Supportive Housing for Chronically Homeless households with a preference for veterans. ADOH will award the Permanent Supportive Housing Project to the highest scoring Project that meets all of the threshold requirements set forth in ~~as described in this~~ Tab 16, and the other requirements of this Plan. ~~Rents shall be designated at thirty percent (30%) AMGI and supported with Rental Assistance.~~

Only Permanent Supportive Housing Projects ("PSHP") utilizing the Housing First model with Supportive Services are eligible to compete in this Set-Aside. Supportive Services must be provided with the purpose of helping residents achieve maximum possible self-sufficiency and maintain their permanent housing. (See Section 2.9(P)(2)(c) *et seq.*) Rents shall be ~~designated~~affordable to households with incomes at thirty percent (30%) AMGI and must supported with Rental Assistance.

The Project awarded under this Set-Aside will be required to coordinate intake with the local homeless Coordinated Entry to the maximum extent that it is feasible.

~~1. Assuming that evidence meeting the threshold requirements of Section 2.9(P)(2)(a) through 2.9(P)(2)(c) below are provided as well as meeting the other QAP requirements, Applications will be ranked in the order of the level of the commitment for Section 2.9(P)(2)(b) Rental Assistance, and then by Applicant's score, until one Project with Permanent Supportive Housing for Chronically Homeless receives an Allocation.~~

~~If only one (1) Project requesting this portion of the Permanent Supportive Housing Set Aside has an executed contract for project based Rental Assistance, then that Project, if it complies with and fulfills all other applicable requirements of this Plan will receive the Allocation. If more than one (1) Application submitted includes an executed contract for project based Rental Assistance, the Application among them with the highest scoring Application will receive the Allocation. If the level of Rental Assistance commitment is the same among Applications, the Application among them with the highest QAP score will receive the Allocation. Some examples of levels of commitment, which are not all inclusive, include the following in order of highest consideration:~~

~~a. An executed contract (binding commitment) for project based Rental Assistance, either public (issued in accordance with 24 CFR 983.51(b)(1)) or private;~~

~~b. A letter of interest specifying the terms of the contract with a firm date to enter into a contract, which if public, conforms with 24 CFR 983.51(b)(1);~~

~~c. A letter from a government entity, as described in Section 2.9(P)(2)(b) below.~~

~~2.~~1. The threshold requirements for a PSHP are as follows:

a. A minimum of thirty (30) housing units that are dedicated to Chronically Homeless households with rents designated at thirty percent (30%) AMGI. ~~Highest priority in this Set-Aside will be given to the PSHP that meets the requirements herein and has highest score among the Applications requesting the Permanent Supportive Housing Set-Aside.~~

b. ~~Adequate financial support must be in place in order for the PSHP to be viable. Residents of PSHP are charged thirty (30%) of their income, if any, for rent.~~ Rental Assistance ~~will be~~is required for each of the housing units dedicated to Chronically Homeless households. ~~Adequate rental support must be demonstrated at Application by documentation. To show the level of commitment, Applicants must submit~~Insert evidence of one (1) or more of the following; an executed contract (binding commitment) for project based Rental Assistance~~, either public~~ (issued in accordance with 24 CFR 983.51(b)(1)) ~~or private~~; a letter of interest specifying the terms of the contract with a firm date to enter into a

contract, which ~~if public,~~ conforms with 24 CFR 983.51(b)(1); a letter from the Local Government stating 1) availability of vouchers; 2) Annual Housing Plan defining process for project-basing vouchers; and 3) targeted population for vouchers~~; or other evidence of privately funded assistance~~. Rental Assistance must be shown in the Rental Analysis Worksheet in Form 3. A Rental Assistance contract, confirming the commitment to provide Rental Assistance to the PSHP, shall be submitted to the ADOH at equity underwriting and approved by ADOH.

c. The Supportive Services provider must provide a Supportive Services plan as outlined in Exhibit B and demonstrate proven capacity and experience to serve Chronically Homeless households. Supportive Services must be tenant-centered and flexible with a focus on housing retention. Individual person-centered planning, twenty-four (24) hour emergency on-call coverage, group and individual programming, on-site case management and life skills services, collaborative treatment with area providers, and on-site property management and client support staffing are hallmarks of effective support services programming in a Housing First Model. A Supportive Services contract must be attached.

   i. All Projects must have an on-site Food Pantry and all residents must be connected to a Federally Qualified Health Center.

   ii. Where the resident is eligible, the Applicant must coordinate to provide supportive services financed through the Regional Behavioral Health Authority ("RBHA") to the Project. Applicants should contact the Housing Administrator at the RBHA to establish and/or formalize connection to an eligible behavioral health service provider.

   iii. The Supportive Services provided should adhere to the fidelity standards of the Substance Abuse and Mental Health Services Administration ("SAMHSA") model. Services, at a minimum, must include:

      1. harm reduction strategies to reduce the consequences of substance use, if applicable;

      2. twenty-four (24) hour on-call coverage;

      3. on-site case management and coordination services;

      4. on-site habilitation/life skills training;

      5. on-site, or contiguous and accessible to the Project, Benefits Specialist;

      6. on-site, or contiguous and accessible to the Project, on-going job training, search assistance and/or placement;

      7. on-site, or contiguous and accessible to the Project, financial literacy classes;

8. on-site, or contiguous and accessible to the Project, computer training.

d. The PSHP must be designed to meet the needs of the population being served using the Housing First model recommendations provided in the Corporation for Supportive Housing's June 2009 publication entitled "Recommendations for Designing High-Quality Permanent Supportive Housing" such as secured point of entry to the building(s), community room spaces, overflow drains and similar features that create a safe living environment.

e. A preference for veterans must include: 1) a commitment to make available Case Management services to address the bio-psycho-social needs of tenants including connection to veteran-specific services and resources as part of its Supportive Services plan; and 2) a veteran-specific outreach plan. The service provider listed in the Supportive Services plan must have a minimum of two (2) years' experience providing the required services stated in this paragraph. Letters of support and collaboration from the nearest Veterans Administration Hospital/community based outreach clinic, or the Arizona Department of Veterans Services are required to demonstrate coordination of veteran-specific resources and services.

~~**Occupancy Preferences**~~
~~**Up to 5 points Section 2.9(Q)/Tab 17**~~
~~**Households with Children**~~
~~Five (5) points are available to Projects in which forty (40%) of the total Units are two (2), three (3), and four (4) bedroom Units which are offered on a preferential basis to households with children. The applicable 40% of Units for Households with Children must include at least two of the three larger Unit sizes (i.e., 2- and 3- bedroom Units, or 3- and 4 bedroom Units, or 2- and 4 bedroom Units.)~~
~~**Housing for Older Persons Project**~~
~~Five (5) points are available to independent living Housing for Older Persons Projects. The Applicant must not propose Units with more than two (2) bedrooms.~~
~~**Veterans Project**~~
~~Five (5) points are available to Projects in which at least fifty percent (50%) of the Units in the Project will serve Families with at least one (1) veteran, and a minimum of twenty-five (25) units shall be set aside to serve the target population. Families may include households with one (1) or more persons, but may not be used to exclude households with children.~~
~~**Special Populations Project**~~
~~Five (5) points are available to Projects in which twenty-five percent (25%) of the Units in the Project will serve Special Populations.~~

Q. Tab 17: Occupancy Preferences

Up to five (5) points are available to Projects which meet one of the four Occupancy Preferences described below **and** which include the documents described in this Section 2.9(Q) that are applicable to that Occupancy Preference.

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1. Households with Children.

   a. Projects in which forty percent (40%) of all Units are offered on a preferential basis to households ~~comprised of individuals~~ with children under the age of eighteen. The 40% of total Units must include at least two of the three following Unit types: two (2), three (3) and four (4) bedroom Units. Applicant must also insert a description of the Project's specific design elements that serve the needs of individuals with children ~~the document listed below,~~ to be eligible for the five (5) points in this scoring category.

      ~~i.~~ Independent ~~Insert a description of the Project's specific design elements that serve the needs of individuals with children.~~

2. Independent Housing for Older Persons.

   a. Housing for Older Persons means a Project that is composed only of Units that contain no more than two (2) bedrooms and is exempt from the Fair Housing Act's familial status requirements, provided that:

      i. HUD has determined that the property is specifically designed for and occupied by elderly persons under a federal, state or Local Government program; or

      ii. The property is intended for and occupied solely by individuals who are age sixty-two (62) or older; or

      iii. The property houses at least one (1) individual who is age fifty-five (55) or older in at least eighty percent (80%) of the occupied Units and adheres to a policy or procedure that demonstrates intent to house individuals who are age fifty-five (55) or older.

   ~~a.~~b. Applications proposing a Housing for Older Persons Project~~s~~ for independent living in which all Units include two (2) or fewer bedrooms, and which insert a description of the Project's specific design elements that serve the needs of Older Persons ~~the document listed below,~~ are eligible for the five (5) points in this scoring category.

      ~~i. Insert a description of the Project's specific design elements that serve the needs of Older Persons.~~

3. Veterans Project.

   a. Projects in which fifty percent (50%) of the total Project units will serve Families with at least one (1) veteran, with a minimum of twenty-five (25) Units set aside to serve the target

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population **and**~~,~~ insert each of the documents below, are eligible for the five (5) points in this scoring category. Families may include households with one (1) or more persons, but may not be used to exclude households with children.

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i. Insert a description of the Project's specific design elements that serve the needs of veterans;

ii. Insert letters of support and collaboration from the nearest Veterans Administration Hospital or community based outreach clinic and the Arizona Department of Veterans Services to demonstrate coordination of veteran-specific resources and services.

4. Special Populations Project.

a. Special Populations are limited to the following: homeless families, persons with HIV/AIDS, individuals who are experiencing homelessness, persons with serious emotional disturbance, persons with a serious mental illness, persons with developmental and physical disabilities, victims of domestic violence, individuals suffering from chronic substance abuse, and youth exiting foster care. Each of these populations is further defined in the definitions section of this Plan.

~~a.~~b. Projects in which twenty-five percent (25%) of the total Project units will serve an identified Special ~~Needs~~ Population **and**~~,~~ insert each of the documents below are eligible for the five (5) points in this scoring category.

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i. Insert a description of the Project's specific design elements (beyond those required by UFAS) that will be integrated into the Project to address the needs of the Special ~~Needs~~ Population targeted. The description shall also specifically address the specific need established for housing of the Special Population is covered under the Fair Housing Act in accordance with the following paragraph:

> Under the Fair Housing Act, a privately funded housing Project may establish a preference for people with certain disabilities. However, pursuant to Section 504, a Project that receives federal financial assistance may exclude non-disabled persons only if there has been a specific need established for housing for the disabled populations listed in the Special ~~Needs~~ Population definition in this Plan. Moreover, homeless individuals, victims of domestic violence, and individuals suffering from chronic substance abuse are not necessarily disabled, although a preference for these groups is generally allowed under the Fair Housing Act.

ii. Insert letters of support and collaboration that demonstrate coordination of population-specific resources and services.

~~Targeting Low Income Levels~~	
~~35 points~~	~~Section 2.9(R)/Tab 18~~

~~Thirty-five (35) points are available to Projects in which the average income of the Low-Income Units (not including any Units set aside for employees) is 50.0000% or lower, as calculated automatically on Form 18. Income limits must be equally distributed among bedroom sizes (other than a single Unit per AMGI limit if necessary due to odd numbers).~~

R. Tab 18: Targeting Low Income Levels

Targeting Low Income Levels	
Up to 35 points	**Section 2.9(R)/Tab 18**
Up to thirty-five (35) points are available to Projects in which the average income of the Low-Income Units (not including any Units set aside for employees), as calculated automatically on Form 18 is: 50% or lower – 35 points 55% or lower – 30 points 60% or lower – 25 points ~~Thirty-five (35) points are available to Projects in which the average income of the Low-Income Units (not including any Units set aside for employees) is 50.0000% or lower, as calculated automatically on Form 18.~~ Income limits must be equally distributed among bedroom sizes (other than a single Unit per AMGI limit if necessary due to odd numbers). The equal distribution among bedroom sizes shall be waived to the extent necessary to facilitate a Supportive Housing Project awarded under the Supportive Housing Set-Aside.	

~~Up to thirty-five (35) points are available for Projects which set aside units for rental exclusively for persons with incomes at or below forty percent (40%) and/or fifty percent (50%) of the Adjusted Gross Median Income (AMGI) for the entire Compliance Period and Extended Use Period (as those terms are defined in the 2020 QAP, and Internal Revenue Code Section 42(h)(6)(D) for the Project), or until sold to a qualified lease holding tenant under conditions approved by the ADOH. All Permanent Supportive Housing Units must have Rental Assistance.~~

~~Points will be awarded based upon the Table in Section 2.7(C) as automatically calculated in Form 18. Employee units (whether or not included in the common area or removed from the Applicable Fraction for the building) shall be counted as sixty percent (60%) AMGI units for scoring purposes. Individual units may not be counted under more than one (1) category. If one hundred percent (100%) of the units are set aside at forty percent (40%) or below, the Project will receive the full thirty-five (35) points.~~

Insert completed Form 18. The information provided in Form 18 will be binding on the Applicant in the event that the information provided in Form 18 is inconsistent with Form 3. Units must be

set-aside in accordance with the income limits on Form 18 for the entire Compliance Period and Extended Use Period (as those terms are defined in the 2021 QAP, and Internal Revenue Code Section 42(h)(6)(D) for the Project), or until sold to a qualified lease-holding tenant under conditions approved by the ADOH.

S. Tab 19: Eventual Tenant Ownership

Applicants may propose a Project with an ownership proposal. The ownership proposal must demonstrate that one hundred percent (100%) of the Project is designed for eventual home ownership. This is not a scoring category.

1. Tenant lease purchase Projects are limited to single family, duplex, four (4)-plex or townhome style Projects.
2. Project must be designed at the time of Application for eventual home ownership and demonstrate that the design will meet the subdivision and building code requirements, including fire department requirements of the Local Government that exist at the time of the Carryover Allocation Request Deadline, as evidenced by a letter from the Local Government.

T. Tab 20: Relocation and Capital Needs Assessment

1. Relocation Plan. Applications for Projects with existing tenants must be supported by a relocation plan. The relocation plan must comply with the Uniform Relocation Assistance Act, 42 U.S.C. § 4601, *et seq*. The relocation plan must detail the actual dates that required notices are anticipated to be issued. The Project budget and the relocation plan must both include an estimate of all associated relocation costs including, but not limited to, temporary relocation, permanent relocation and replacement housing payments. Acquisition/Demolition and New Construction Projects must ~~follow the provisions in Section 2.7(K) of this Plan~~submit a Relocation Plan supporting the displaced tenants in the housing to be demolished.
2. Capital Needs Assessment. A Capital Needs Assessment ("CNA") is required as a threshold item for each Project that includes rehabilitation or adaptive re-use of a building. The Application must include supporting documentation that validates the credentials of the licensed professional preparing the CNA.
   a. Insert Form 20 (Certification of Qualified Professional).
   b. The rehabilitation improvements and the amount of rehabilitation and/or adaptive re-use costs will be based on the CNA. ADOH shall utilize the services of an independent cost estimator in determining whether the rehabilitation and/or adaptive re-use costs are reasonable and meet the requirements of this Plan. The Applicant will be responsible for the costs of the cost estimator. Applicant must provide a full set of plans and specifications in PDF format to the cost estimator upon completion of the plans, but no later than forty-five (45) days prior to the anticipated equity closing date. Cost of

rehabilitation (including adaptive re-use) per Unit is determined by dividing "Total Direct Construction Costs" on Form 3 by the number of Units.

c. 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. For purposes of this Scoring Category, 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 Form 20 in the front of the CNA certifying that it meets these requirements. CNAs must conform to each of the requirements in Section 2.9(T)(2)(c) - 2.9(T)(2)(e)(vii) (including the Form 20 certification). 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:

   i. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities, and lines.

   ii. Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage.

   iii. 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.

   iv. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection.

   v. Elevators (if applicable).

   vi. Provide 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.

d. The CNA must also include the following major parts:

   i. 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.

ii. 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 this Plan and Exhibit D.

iii. 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.

e. The professional preparing the CNA report must:

i. 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 (i.e. one (1) bedroom, two (2) bedroom, etc.). All vacant Units must be inspected.

ii. 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.

iii. 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.

iv. 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.

v. Prepare a rehabilitation plan, addressing separately all two (2) year and long-term physical needs.

vi. 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 (i.e. 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.

vii. 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.

~~Historic Preservation~~	
~~Section 2.9(U)/Tab 21~~	
~~Historic Preservation Project~~	~~1 point~~
~~One (1) point is available for Historic Preservation Projects, as defined in the definitions section of this Plan. Only Projects that are 100% Rehabilitation of an existing historic building are eligible for points in this scoring category.~~	

U. Tab 21: Historic Preservation

Historic Preservation	
Section 2.9(U)/Tab 21	
Historic Preservation Project	1 point
One (1) point is available for Historic Preservation Projects, as defined in the definitions section of this Plan. Only Projects that are 100% Rehabilitation of an existing historic building are eligible for points in this scoring category.	

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1. All Historic Preservation Projects. ~~For this type of Project,~~ regardless of request for points under this section, ~~Applicant~~ must submit the following documentation at Application:

   a. Evidence that the review described by Section 106 of the National Historic Preservation Act has been completed for the Project.

   b. Letters from the Certified Local Government or State Historic Preservation Office (SHPO) indicating No Adverse Effect or that the Adverse Effect is mitigated, as required by Section 106 of the National Historic Preservation Act.

   c. Evidence that the Project: 1) consists of one (1) or more structures individually listed in the National Register of Historic Places as evidenced by a letter from the National Parks Service, SHPO or Tribal equivalent thereof; or 2) consists of one (1) or more structures certified by the National Parks Service, SHPO Office, or certified local government as contributing to a Register District (a Register District is a designated area listed in the National Register or listed under state statute or local ordinance as substantially meeting the requirements for listing of districts in the National Register.

V. Tab 22: Project Based Rental Assistance

This is not a scoring category. Projects with project based Rental Assistance must ~~include~~ insert documentation of the Rental Assistance, and commitments for continuing rental payments. Documentation must include a description of the term of the commitment and provisions for renewal. Rental Assistance that is not in the form of vouchers for each Unit must provide a financial analysis that demonstrates that the Rental Assistance provided meets the definition in this Plan. ADOH in its sole discretion will determine the viability of the Project based upon the Rental Assistance documentation provided. Projects receiving Rental Assistance under the Rental Assistance Demonstration ("RAD") program must insert the Commitment for Housing Assistance Payment ("CHAP") here.

W. Tab 23: Waiver of Qualified Contract

~~In the event the Applicant desires to waive its option to obtain a Qualified Contract pursuant to IRC Section 42(h)(6)(E)(i)(II),~~ Applicants who ~~must~~ insert a properly completed and executed Form 23, ~~signed by Applicant in order to obtain the~~will be awarded ten (10) points for waiving the option to obtain a Qualified Contract pursuant to IRC Section 42(h)(6)(E)(i)(II).

X. Tab 24: Concerted Community Revitalization Plan

If Applicant desires to be considered under the State Special Project Set-Aside, Applicant must submit a copy of the concerted community revitalization plan ("CCRP") approved by the Local Government with jurisdiction over the land on which the Project is situated, if applicable. When evaluating the CCRP, ADOH will consider the extent to which the CCRP:

1. is geographically specific and provides a clear direction for implementation;
2. includes a strategy for applying for or obtaining commitments of public and private investment in non-housing infrastructure, amenities, or services beyond the Project;
3. demonstrates the need for revitalization;
4. is providing other new benefits to the area inside the geographically specific boundaries of the area being revitalized under the CCRP (such as jobs, transportation, commercial amenities, child care centers, healthcare centers, educational facilities, and safe open spaces);
5. includes the solicitation of input from community residents and other stakeholders in the creation of the CCRP.

Y. Tab 25: Applications Requesting Consideration Under the Tribal Set-Aside

ADOH selects the Projects awarded under this Set-Aside as follows:

The Tribal Set-Aside is limited to $2,250,000 in Tax Credits. If an Application is not able to be fully funded within the Tribal Set-Aside based upon scoring and tie-breaker order, it will not be awarded, and the Tribal Set-Aside will be deemed to be fulfilled by the higher scoring Application(s).

The following scoring criteria will apply to Projects considered under the Tribal Set-Aside. If the Applicant includes a Form 2 for General Pool Projects, that Project (not funded under the Tribal Set-Aside) will be considered under the General Pool scoring criteria in Section ~~2.7~~2.9 with other General Pool Applications.

Tribal Applicants are typically entities formed by a TDHE and which include the TDHE as the general partner or managing member. All Tribal Applicants, regardless of whether they are formed by a TDHE, Tribal district, Tribal village, Tribal chapter, or other Person must include a resolution from the Tribe that authorizes the Tribal Applicant to act on behalf of the Tribe to develop the Project including, but not limited to, the authorization to execute a lease of the Tribal Land. Regardless of the entity that forms the Tribal Applicant, Applications submitted under the Tribal Set-Aside shall be scored as if the TDHE of the Tribe on which the Tribal Land is situated is the Developer with no other Co-Developer.

ADOH will not award more than one Project situated on a Tribe's Tribal Land under the Tribal Set-Aside in this Plan.

Tribal Applicants who have not placed at least five LIHTC projects in service must use a Consultant with successful experience preparing LIHTC applications for projects on Tribal Land. The Consultant must assist the Applicant to prepare the Application and if awarded, assist them in developing the Project through the receipt of Form 8609.

In the event that the Tribal Applicant elects to build Units that are larger than the RFA set forth above in Section 2.9(L)/Tab 12 of this Plan and in Exhibit D, ADOH will reduce the Eligible Basis to the Project. Please refer to Exhibit H regarding the calculation of the reduction.

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1. Accountability	
15 points	**Section 2.9(Y)/Tab 25**
This scoring category is based upon the expenditure of funds available to the Tribe through HUD's NAHASDA funding. Points will be awarded on a sliding scale based upon the number of years of NAHASDA funding are un-expended as of the Application Deadline, as demonstrated through a printout of a report from the HUD LOCCS system.	
Less than one (1) full year of NAHASDA funds in the LOCCS Balance	15 points
One (1) full year but less than two (2) full years of NAHASDA funds in the LOCCS Balance	10 points

2. Service Enriched Location			
Up to 5 points			**Section 2.9(K)/Tab 11**
Project is located within Tribal Land:			
Up to five (5) points are available to Projects with an existing Grocery Store located within the straight line radius of the Site below. In the event the Project is comprised of Scattered Sites on Tribal Land, Applicant must demonstrate that the Grocery Store is within the required distance to the parcel that would earn the most points in conjunction with Tab 15 based upon its location in the subdivision that contains the most housing Units to be developed in this Project.			
Distance from Project:	**5 miles**	**10 miles**	**15 miles**
Grocery Store	5 points	3 points	1.5 points
3. Targeting Low Income Levels			
35 points			**Section 2.9(R)/Tab 18**
Up to thirty-five (35) points are available to Projects in which the average income of the Low-Income Units (not including any Units set aside for employees), as calculated automatically on Form 18 is: 50% or lower – 35 points 55% or lower – 30 points 60% or lower – 25 points Income limits must be equally distributed among bedroom sizes (other than a single Unit per AMGI limit if necessary due to odd numbers). Insert completed Form 18 at Tab 18. The information provided in Form 18 will be binding on the Applicant in the event that the information provided in Form 18 is inconsistent with Form 3. Insert completed Form 18 at Tab 18. The information provided in Form 18 will be binding on the Applicant in the event that the information provided in Form 18 is inconsistent with Form 3. Units must be set-aside in accordance with the income limits on Form 18 for the entire Compliance Period and Extended Use Period (as those terms are defined in the 2021 QAP, and Internal Revenue Code			

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Section 42(h)(6)(D) for the Project), or until sold to a qualified lease-holding tenant under conditions approved by the ADOH. ~~Select the percentage (%) of restricted Low Income Units per the Area Median Gross Income (AMGI). POINTS WILL BE DETERMINED BASED UPON AUTOMATIC CALCULATIONS IN FORM 18. ALL UNITS IN THE PROJECT, INCLUDING EMPLOYEE UNITS ARE INCLUDED IN THE CALCULATION.~~	
~~Low Income Units at fifty percent (50%) AMGI or less~~	~~Low Income Units at forty percent (40%) AMGI or less~~
~~40% + = 15 points~~ ~~21% - 39% = 10 points~~ ~~10% - 20% = 5 points~~	~~30% + = 20 points~~ ~~16% - 29% = 15 points~~ ~~5% - 15% = 10 points~~

4. Tribal Local Government Leverage	
5 points	**Section 2.9(Y)/Tab 25**
Projects are eligible to receive five (5) points for a Tribal Local Government leverage of new funding towards the Development Budget that is committed to the Project by the Tribe, a Tribal district, chapter, village or TDHE, as of the Application Deadline in an amount based upon the enrolled Tribal members (as designated in HUD's NAHASDA award letter to the TDHE) as follows:	
Percentage of Total Construction Cost:	**Tribal Enrollment not Greater Than:**
.5%	1,000
1%	5,000
2%	15,000
3%	More than 25,000

5. Applicant Entity	
5 points	**Section 2.9~~7~~(I)/~~Form 3~~Tab 9/Form 3**
Five (5) points are available to Projects in which the Applicant is the ownership entity that will receive the LIHTCs and is the final Owner of the Project. Applications wherein the "Applicant" is identified as the partner, general partner, a member, managing member or officer of the final Owner may not claim points under this category.	

6. Project Based Rental Assistance	
10 points	**Section 2.9(V)/Tab 22**

Projects that have project based Rental Assistance, at the time of Application, for at least eighty percent (80%) of the Units. See Tab 22 for requirements.

7. Waiver of Qualified Contract	
10 points	**Section 2.9(W)/Tab 23**
Ten (10) points are available to Applicants who waive their right to apply for a Qualified Contract. See Tab 23 for requirements.	

8. Building Efficiency

15 points **Section 2.9(L)/Tab 12**

Up to fifteen (15) points will be awarded to Projects that demonstrate the percentage of the building dedicated to residential Units calculated as follows: the Residential Floor Area divided by the Total Project Square Footage.

ADOH will score Building Efficiency based upon the Form 12-1. In order to receive points under this scoring category, Form 12-1 must be certified by the Architect and match the square footage in the Form 3 submitted with the Application. If awarded, the Applicant will be required to execute Exhibit G acknowledging the potential loss of these points and recapture of any award of Tax Credits.

For the points below, ADOH will round up if the percentage is not a whole number and the percentage is at least point five percent (.50%) greater than the whole number (i.e. sixty-nine point five percent (69.50%) will be rounded up to seventy percent (70%))

Project Type	**Percentage of Residential Floor Area as compared with the Total Project Square Footage is:**	**Score**
Single Family or Duplex Subdivisions located on Tribal Land	At least sixty percent (60%) but less than sixty-five percent (65%)	5 points
	At least sixty-five percent (65%) but less than seventy percent (70%)	10 points
	At least seventy percent (70%)	15 points
All other Projects:	At least seventy percent (70%) but less than seventy-five percent (75%)	5 points
	At least seventy-five percent (75%) but less than eighty percent (80%)	10 points
	At least eighty percent (80%)	15 points

See Tab 12 for further information regarding the documentation required to qualify for points in this scoring category.

~~The Minimum and Maximum Residential Floor Area per Unit that will be included in the calculation of building efficiency (excluding any Balcony, Porch, Deck) is as follows:~~		
~~Unit Type~~	~~Minimum Residential Floor Area (excluding Balcony, Porch or Deck)~~	~~Maximum Residential Floor Area (excluding Balcony, Porch or Deck)~~
~~Efficiency:~~	~~380 square feet~~	~~585 square feet~~
~~One (1) Bedroom:~~	~~575 square feet~~	~~735 square feet~~
~~Two (2) Bedroom:~~	~~800 square feet~~	~~973 square feet~~
~~Three (3) Bedroom:~~	~~1,050 square feet~~	~~1,243 square feet~~
~~Four (4) Bedroom:~~	~~1,200 square feet~~	~~1,360 square feet~~
~~Five (5) Bedroom:~~	~~1,350 square feet~~	~~1,700 square feet~~
~~A Balcony, Porch, or Deck of up to 100 square feet may be added to the Residential Floor Area set forth above – such Balcony, Porch, or Deck is Residential Floor Area. Garages or Carports attached to Single-Family or Duplex Homes are limited to 300 net square feet for a two- or three-bedroom home, and 600 net square feet for a four- or five bedroom home. Garages and Carports are not Residential Floor Area.~~		
~~For example, a Tribal Project consisting of Single-Family Homes with ten (10) three (3) bedroom Units with 1,243 square feet each and twenty (20) four (4) bedroom Units with 1360 square feet each, with a Total Project Square Footage of 54,487 square feet, would be calculated as follows:~~ ~~Ten (10) three (3) bedroom Units x 1,243 square feet = 12,430 square feet~~ ~~Twenty (20) four (4) bedroom Units x 1,360 square feet = 27,200 square feet~~ ~~12,430 square feet + 27,200 square feet = 39,630 square feet total Residential Floor Area~~ ~~39,630 square feet total Residential Floor Area ÷ 54,586 square feet Total Project Square Footage = Seventy-two point six percent (72.6%)~~ ~~This Project would earn fifteen (15) points.~~		

~~In the event that the Tribal Applicant elects to build Units that are larger than the RFA set forth above in this section, ADOH will reduce the Eligible Basis to the Project in the following manner:~~

~~ADOH will divide the Total Construction Costs on Line 55 of the Development Budget on pages 8-11 of Form 3 by the Total Project Square Footage to arrive at a construction cost per gross square foot. For example, if a Project had $7,370,018 in Total Construction Costs and the Total Project Square Footage is 42,862.00, then the total construction cost per square foot would be $171.95.~~

~~ADOH will add 10% to the interior RFA to calculate a maximum gross square feet permitted in Eligible Basis for that Unit. For example, a 1,243 RFA 3-bedroom home x 1.1 = 1,367.30 gross square feet maximum 3-bedroom Unit.~~

~~ADOH will compare the gross square feet of the proposed building (including the exterior skin of the building) to the gross square feet permitted to be included in Eligible Basis. If the 3-bedroom Unit is actually 1,500.00 gross square feet without any Porch or Deck, then the gross square feet to be excluded from Eligible Basis is 132.70 gross square feet.~~

~~Then the 132.70 excess gross square feet in the example is multiplied by the $171.95 per gross square foot construction cost to determine the reduction in Eligible Basis for that Unit. In this instance, 132.70 x $171.95 = $22,817.7650.~~

~~For purposes of calculating the Building Efficiency points, the excess 132.70 square feet for the larger home would be removed from the Building Efficiency calculation. Thus, the 1,243 RFA plus a 100 square foot Porch would be compared to the Total Project Square Footage 42,862.00 minus the 132.70 square feet equals 42,729.30 remaining Total Project Square Footage in the building efficiency calculation.~~

3. POST RESERVATION SUBMITTALS

3.1 Carryover Allocation

Projects that will not place buildings in service before December 31, ~~2020~~2021, must request a Carryover Allocation Agreement (the "Carryover Agreement") by submitting the Reservation Fee by the specific deadline provided in the Reservation letter and the following documents within 120 calendar days from the date of the Reservation Letter (the "Carryover Allocation Agreement Request Deadline"). ADOH will perform its second underwriting at this time.

Each of the documents submitted by the Carryover Allocation Agreement Request Deadline will be reviewed by the ADOH, as the second phase of the Application. **Applicants must comply with Section 5.1 regarding consistency and accuracy of submittals.**

Failure to satisfy the requirements below by the Carryover Allocation Agreement Request Deadline and execute the Carryover Agreement by the deadline date stipulated in the Reservation letter may result in cancellation of the Reservation of Tax Credits. The person signing the Carryover Agreement must have authority to bind the Owner. ADOH will not execute the Carryover Agreement until the Owner has met all the requirements listed below in addition to any additional requirements as may be described in the Reservation letter.

All documents submitted for the Carryover Allocation Agreement Request shall be in electronic format and uploaded to the ADOH Rental Development Portal. Each letter A – M below in this Section 3.1 shall be uploaded as one separate easy to ready document in PDF format and named as follows: "Letter – title of document content". In addition, the documents requested in Section 3.1(B), 3.1(L) and 3.1(M) below shall also be provided in hard copy format.

A. Updated Form 3 that includes ADOH adjustments made during Application scoring. The date on the Form 3 must be updated to the current date.

B. Updated original notarized Owner Certification and Indemnification.

C. Current Certificate of Good Standing or Certificate of Existence, as applicable for Owner, or if previously provided, Applicant must provide a new Certificate within thirty (30) calendar days of submittal.

D. Updated project schedule.

E. IRS Documentation for Employer Identification Number ("EIN").

F. Receipt of the Reservation Fee by the deadline specified in the Reservation letter.

G. Rehabilitation Projects: copy of RESNET analysis in Exhibit D Section XI(F).

H. CPA Opinion. Applicant must provide, on CPA letterhead and in substantially similar form to Exhibit I, an opinion that includes all reductions to Eligible Basis such as solar credits, historic tax credits and grants.

I. Legal Opinion: The Applicant must include a legal opinion stating that the Project meets the requirements of I.R.C. § 42 and that the Project has not been Placed in Service prior to the LIHTC Application date. The legal opinion must be provided by an attorney, on professional letterhead, in accordance with Arizona Supreme Court Rules 31 and 33 (requiring that an attorney licensed to practice law in Arizona provide the opinion on the formation of any Arizona entity listed in the opinion) and must at a minimum address the issues stated in Exhibit J. If the attorney's professional letterhead includes a business address outside of Arizona, the opinion should include an acknowledgement that an attorney licensed to practice law in Arizona provided the opinion with respect to the portions that necessitate the opinion of an attorney licensed in Arizona, and the name of the attorney who wrote or reviewed that portion of the opinion.

If Acquisition Credits are being requested in connection with an Acquisition/Rehabilitation Project only, the legal opinion must clearly address the ten (10) Year Rule regarding the eligibility for Acquisition Credits. If the legal opinion submitted in the Application does not meet the requirements of I.R.C. § 42, ADOH may require the Applicant to update the legal opinion.

J. Compliance Monitoring Plan. Applicant must insert a Compliance Monitoring Plan that describes how the Project will meet the requirements of I.R.C. § 42, the requirements of other applicable housing programs, and state and local requirements.

K. Marketing Plan. The Applicant must provide an affirmative marketing plan that is dated no earlier than the Reservation Letter and is completed in accordance with fair housing requirements and demonstrates how the Project will meet lease up requirements consistent with I.R.C. § 42 and any requirements of the Equity Investors and permanent lenders to the Project. The marketing plan must specifically address any potentially adverse demographic, rent-up or capture rate information in the Application for the primary market area identified in the Market Demand Study. If Applicant has designated certain Units for a certain population, the marketing plan must indicate how the population will be targeted. All projects must include the HUD Affirmative Fair Housing Marketing Plan (HUD Form 935-2a), which may be obtained through the following website: https://www.hud.gov/sites/documents/935-2A.PDF

The Marketing Plan must include outreach to the local Public Housing Authority. At minimum, in the event that the Project is at less than seventy-five percent (75%) occupancy after six (6) months from the Placed in Service date, the Owner must contact the local Public Housing Authority to occupy the units from the current, public housing waiting list.

L. An ASTM E 1527-13 Phase I Assessment (with asbestos and lead paint reports if a rehabilitation), is required for all LIHTC projects. LIHTC projects that are partially funded with federal funds (HOME, CDBG, federal project based Rental Assistance) also require the completion of a HUD Format Environmental Review in accordance with 24 CFR 50 and 24 CFR 58. The ASTM E 1527-13 Phase I Assessment should be completed first because it provides information for the HUD Format Environmental Review.

1. The Phase I Assessment may not be dated more than one (1) year prior to the date of the Reservation letter. The lead based paint report may not be dated more than twenty-four (24) months prior to the date of the Reservation letter. If the Phase I identifies issues and/or the need for remediation, further testing or a Phase II, Applicant must submit the remediation plan, Phase II and/or studies identified in the Phase I with the Carryover Allocation Request. Applicant's Form 3 - Development Budget, must also include the costs associated with the need for further testing Phase II or additional studies.

2. The body of the Phase I Assessment or an executive summary thereof that includes the certification of the professional preparing the report, the site description, findings, and conclusions must be submitted in hard copy and electronic formats. The balance of the Phase

I Assessment including all records reviews and appendices may be submitted in electronic format.

M. If the Project includes Federal funds or Project Based Vouchers in the capital stack (i.e., funding sources), provide a HUD Part 58 Environmental Assessment that is ready to publish a FONSI/RROF (finding of no significant impact/request for release of funds). HUD Format Environmental Reviews assess the effects of activities carried out with Federal funds, including project based Rental Assistance. ***The acquisition of property or any physical action taken on a proposed site prior to the completion of HUD Format Environmental Review precludes the ability to use federal funds such as HOME, CDBG, or project based Rental Assistance.*** HUD Format Environmental Reviews generally require between thirty (30) and 120 calendar days to complete, depending upon the type of activity and its location, so Applicants are encouraged to begin the HUD Format Environmental Review prior to a Reservation of Tax Credits in order to meet the Carryover Allocation Request Deadline.

3.2 Equity Closing

The following items are required to be submitted at least thirty (30) days prior to the equity closing. ADOH will perform its third underwriting at this time. All documents must be uploaded to the ADOH Rental Development Portal. Each letter A – EE below in this Section 3.2 shall be uploaded as one separate easy to ready document in PDF format and named as follows: "Letter – title of document content". Where specifically stated, documents must also be provided in hard copy format. Applicants must comply with Section 5.1 regarding consistency and accuracy of submittals.

Applicants may not close on equity until receipt of ADOH's written notification that the Equity Closing submittal has been approved and all conditions in ADOH's closing instructions to the title company providing the title insurance for the transaction have been met.

A. Updated notarized Owner Certification & Indemnification (Hard copy required.)

B. Updated Form 3 that includes terms and conditions under which the Project will close.

C. Evidence of land ownership.

D. Updated title report.

E. If the Land has been purchased, a copy of the settlement statement.

F. Final documents for all sources of financing for the Project including documents that support the eligibility of deferred Developer Fee in basis. (Hard copy required.)

a. All terms and conditions must be included (i.e., no blanks to be filled in later).

b. Executed copies must be received within five (5) days after the equity closing.

G. A fifteen (15) year pro forma signed by the senior lender (or the syndicator/investor if the Project is funded one hundred percent (100%) by equity) that exclusively reflects the following language verbatim: "We acknowledge that this pro forma financial statement substantially matches the assumptions used in our underwriting".

H. Flow of funds using ADOH's form. (Exhibit K.)

I. Complete Syndication or investor agreement, including all exhibits. (Hard copy required.)

J. Executed construction contracts. (Hard copy required.)

K. Legible Full Set of Plans and Specifications approved by the Local Government, in PDF format. (ADOH should be able to zoom in and read all text in the plans.) Additional information such as photos shall be provided upon request. **The plans shall include the Residential Floor Area and Total Project Square Footage as defined in this Plan.** If the Local Government requires a different method of measuring the square footage (i.e., International Building Code), a full explanation along with the calculations to reach the Residential Floor Area and Total Project Square Footage (including how the square footage ties back numerically to the Plans) is required.

L. Updated Form 12-1 – Architect's Certification of Building Efficiency that matches both the Form 3 and the full set of plans and specifications in Section 3.2(K) above.

M. Building permits (within five (5) days of closing on the construction loan).

N. Construction lender's appraisal. (Hard copy required.)

O. Form 12 - Architect Certification evidencing compliance with Exhibit D Mandatory Design Guidelines, Fair Housing and sustainability.

P. Updated project schedule. (Form 1.)

Q. GANNT Chart with construction schedule.

R. Any unpaid fees owed to ADOH.

S. Eight by ten (8 x 10) photograph of an erected sign at the construction site listing all sources of financing. The sign must be a minimum size of twenty-four (24) inches high by thirty-six (36) inches wide, include a minimum five (5) inch high ADOH logo and text printed at a minimum seventy-two (72) point font. An individual ADOH sign does not have to be provided if incorporated into a larger group sign.

T. A resume demonstrating that the Property Management Company possesses the experience and capacity to manage the Project as required by I.R.C. § 42, the requirements of other applicable federal and state programs, and this Plan. In determining whether the Property Management Company identified in the Application has the requisite experience and capacity, ADOH will consider the following:

1. Whether the Property Management Company will make staff available to the Project that have managed Tax Credit properties for a period of five (5) years or more;
2. Whether the Property Management Company will make staff available to the Project that have industry-standard training and are certified to manage Tax Credit properties;
3. Whether the Property Management Company has unresolved compliance issues at two (2) or more properties within the period beginning two (2) years before the date of the Application Deadline;

U. Insert a completed Form 6-4 "Management Company Experience".

V. Insert a completed Form 6-5 "Authorization for Release of Information", for the Property Management Company.

W. HUD Authority to Use Grant Funds, if Project includes Federal funding from any source or project based Rental Assistance.

X. Evidence of Rental Assistance award, if applicable.

Y. Subsidy layering review, as applicable for federally funded projects. (Hard copy required.)

Z. If requesting a subsidy layering review, evidence that ADOH, the Local Government providing the Federal funds, and HUD are listed as authorized users of all third party reports (i.e. appraisal) in the reliance provision of the report.

~~**AA.** If receiving ADOH Gap Financing, a Certification that there is no pending litigation against the Owner, Developer and (if applicable) Co-Developer.~~

~~**BB.**~~**AA.** For Projects claiming Historic Tax Credits, a copy of any master lease, complete Syndication or investor agreement for any master tenant entity and all pro-formas, flow of funds and other such documents as may be requested by ADOH. (Hard copy required.)

~~**CC.**~~**A.** ~~The LURA for compliance with I.R.C. § 42(h)(6) in a form of a declaration of covenants, conditions and restrictions effective for a period of at least thirty (30) years satisfactory to ADOH shall be executed and recorded at the Equity Closing. The LURA shall specify the Units Set-Aside for lower income tenants and the percentage of median income tenants served, both of which must be consistent with the project described in the Application. The amenities, design features and Supportive Services promised in the Application will be identified in the LURA and will be inspected with each Compliance on-site inspection.~~

~~A. Evidence of that recording must be presented to ADOH within five business days of closing.~~

~~a. The LURA must be recorded at the equity closing in a priority position as directed by ADOH prior to the equity closing.~~

~~B.~~A. ~~Projects proposing eventual tenant ownership will be required to execute and record a LURA that includes the provisions set forth in Section 3.2(DD) below for the remaining~~

~~Compliance Period and portion of the Extended Use Period until the Unit is purchased by the tenant.~~

~~DD.~~BB. If Applicable, provide the Eventual Tenant Ownership documentation set forth below:

1. A letter of intent from a) a qualified Non-Profit Organization; b) tenant cooperative; c) resident management corporations; d) tenants; or e) government agencies to purchase the Units.
2. A detailed description of the ownership proposal to include:
   a. an exit strategy that incorporates a valuation estimate/calculation per I.R.C. § 42;
   b. home-ownership financial counseling services;
   c. how the eligible tenants will be identified and offered a right of first refusal;
   d. the anticipated original construction cost of the Units and how they will be priced in accordance with I.R.C. § 42(i)(7);
   e. the manner in which homebuyer assistance will be generated by the Applicant or Owner and provided to the homebuyer;
   f. whether homebuyers will receive a mortgage, who will be providing the mortgage, and on what terms; and
   g. a draft of the proposed sale agreement that complies with the federal and state fair housing laws.
   h. A legal opinion on professional letterhead opining that the Project, as described in the ownership proposal in Section 3.2(DD)(2)(a)-(g), is permitted under IRC Section 42.
3. Compliance issues, if any, must be resolved to ADOH's satisfaction prior to contacting ADOH to request a transfer of the Units to tenants.

CC. Additional documents, if requested by ADOH.

Land Use Restriction Agreement

Once the Project is underwritten, ADOH will prepare ~~T~~the LURA for compliance with I.R.C. § 42(h)(6) in a form of a declaration of covenants, conditions and restrictions effective for a period of at least thirty (30) years satisfactory to ADOH shall be executed and recorded in a priority position as directed by ADOH prior to other documents recorded at ~~at~~ the Equity Closing. The LURA shall specify the Units Set-Aside for lower income tenants and the percentage of median income tenants served, both of which must be consistent with the project described in the Application. The amenities, design features and Supportive Services promised in the Application will be identified in the LURA and will be inspected with each Compliance on-site inspection.

A. Evidence of that recording must be presented to ADOH within five business days of closing.

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~~The LURA must be recorded at the equity closing in a priority position as directed by ADOH prior to the equity closing.~~

B. Projects proposing eventual tenant ownership will be required to execute and record a LURA that includes the provisions set forth in Section 3.2(DD) below for the remaining Compliance Period and portion of the Extended Use Period until the Unit is purchased by the tenant.

~~EE.~~

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3.3 Ten Percent (10%) Cost Test Requirements

The IRS requires that Owners of Projects receiving a Tax Credit Allocation which are not Placed in Service in the year their Allocation is made must meet the Ten Percent (10%) Cost Test to have a valid Carryover Agreement. The Ten Percent (10%) Cost Test due date will be twelve (12) months from the issuance of the Tax Credit Reservation Letter.

To satisfy the Ten Percent (10%) Cost Test, the Owner must demonstrate it has incurred or expensed, by the deadline date stipulated in the Reservation letter, qualified costs in an amount that is at least ten percent (10%) of the reasonably expected basis in the Project (including land costs) at the close of the second calendar year. If I.R.C. § 42(h)(1)(E)(ii) is more restrictive, it will govern.

The following items are required to be submitted for the Ten Percent (10%) Cost Test. All documents are to be uploaded to the ADOH Rental Development Portal.

A. Updated Form 3 with current date

B. Independent auditor's report (Exhibit L)

C. Certification of costs incurred (Exhibit L-1)

3.4 Requirements for Issuance of Final Allocation (IRS Form 8609)

ADOH makes a final determination of the amount of Tax Credits at the time the Project is Placed in Service in accordance with the requirements of I.R.C. § 42. For the Final Tax Credit Allocation, the Project must submit final Tax Credit Allocation materials to ADOH as required by I.R.C. § 42. ADOH evaluates the Project's final costs and the amount of revenues from the sale of the Tax Credits. ADOH's final evaluation may require review of documentary support for development costs including, but not limited to, invoices, canceled checks, and contracts. ADOH, in its sole discretion, may reduce credits based on its final evaluation and require a return of Tax Credits to ADOH.

The materials submitted must be in conformance with this Plan.

Applicants must comply with Section 5.1 regarding consistency and accuracy of submittals.

Immediately upon construction completion, Applicant shall request the Final Tax Credit Allocation materials from the ADOH Project Specialist. Delays in requesting this package may delay the

issuance of the IRS Form 8609. Applicant must submit the Final Tax Credit Allocation materials within twelve (12) months of the date that the last building in the Project receives a final certificate of occupancy in order to avoid late fees as set forth in Section 6.4 of this Plan.

For buildings that are Placed in Service as part of a qualified Project (by December 31st following the twenty-four (24) months of closing of the bonds or from issuance of a Carryover Allocation), and upon compliance with all requirements of the Code and ADOH, ADOH shall issue an IRS Form 8609 for each building as of the time the building is Placed in Service. ADOH shall issue the Form 8609 after the Applicant: 1) receives a letter from ADOH's Compliance Department stating that all (if any) issues from the initial monitoring visit have been cleared; 2) fully pays all fees; and 3) submits the items described below (and any responses to further inquiries regarding the submittal) via the ADOH Rental Development Portal. The documents required in hard copy format must be submitted in eight and one-half by eleven (8 ½ x 11) format, bound in a three (3) ring binder, and Tabbed accordingly:

A. Updated Form 3 with current date.

B. A fifteen (15) year pro forma starting with the Placed in Service date. ADOH will underwrite the Project's cash flow based upon stabilized occupancy.

C. Updated Final Appraisal of the Project prepared by the permanent lender. (Hard copy required.)

D. All certificates of occupancy, issued by the appropriate governmental authorities, for qualifying buildings that must indicate the dates the buildings were Placed in Service and the addresses of those buildings.

E. A Builder's cost certification in the form of an independent auditor's report prepared *and certified* by *an independent* Certified Public Accountant *with no identity of interest with any member of the Development Team*, according to general accepted accounting principles for Projects with more than ten (10) Units *and for which there is an identity of interest between the Builder or any subcontractor and any other member of the Development Team. The Builder's cost certification shall be rolled up into the final cost certification for the Project in Section 3.4(F) below.*

The Builder must complete a Builder's Certification on ADOH's form, which must be submitted to ADOH with an unqualified audit report from the independent Certified Public Accountant who is preparing the Builder's cost certification of the Project. Complete instructions and forms are included in Exhibit M-2.

ADOH will reduce the Development Budget by any additional costs beyond the cost of labor plus materials plus the Builder's Profit, Overhead and General Requirement limits in Section 7.1(C)(4)(g).

F. A final cost certification in the form of an independent auditor's report prepared by a Certified Public Accountant certifying the final cost according to generally accepted accounting principles for Projects with more than ten (10) Units as required by IRS Regulation 1.42-17, as follows:

1. The auditor must certify to ADOH the full extent of all sources of funds and all development costs for the Project including any federal, state, and local subsidies that apply (or that the Applicant expects to apply) to the Project.
2. The auditor must prepare the required schedule of development costs based on the method of accounting used by the Applicant for federal income tax purposes, and it must detail the Projects total costs as well as those costs that may qualify for inclusion in eligible basis under I.R.C. § 42.
3. The Applicant must make the required certifications on the Certificate of Actual Costs Form satisfactory to ADOH. (See Exhibit M and M-1.) IRS Regulation 1.42-17 also requires that Projects with greater than ten (10) units submit a Certified Public Accountant's audit report on the schedule of Project costs.
4. The cost certification shall include a note explaining any unexpended costs and a calculation of anticipated permanent loan costs.

G. The Applicant's building-by-building tax credit computation (on ADOH form Table A). The Tax Credit amounts inserted on Table A shall be whole numbers that do not exceed the Qualified Basis and Eligible Basis that is necessary to support the Tax Credits awarded to the Project.

H. A letter from the permanent lender summarizing the terms and conditions of the permanent loan. Upon closing of the permanent loan, the Applicant must submit copies of the executed promissory note, recorded deed of trust, and recorded consent and subordination agreement.

I. Copies of the restrictive covenants from any gap financing from other sources. (Hard copy required.)

J. A promissory note from the Owner payable to the Developer in an amount sufficient to cover any Deferred Developer Fee. Other forms of obligation to pay may be substituted if allowed under the definition of Deferred Developer Fee and if they include the following: 1) the interest rate; 2) the term of repayment; 3) the source of repayment and proof that the source of repayment is supported by cash flow projections or a binding commitment from a party capable of repayment; and 4) if there is a lien, language stating that the lien is subordinate to other liens relating to permanent financing.

K. One (1) eight by ten (8 x 10) inch color photograph of at least one (1) of the Project's buildings with signage.

L. A completed form stating the Project's first credit year (ADOH provided form).

M. Fully executed partnership, operating, or joint venture agreements, and other agreements between the Project and the Equity Investor and all attachments and exhibits, thereto. (Hard copy required.)

N. An Equity Investor certification letter (ADOH sample form provided). The certification letter must break out the gross pricing of each type of Tax Credit (i.e. solar, historic, four percent (4%) and nine percent (9%)).

O. Written certification from the architect that the Project meets the design standards of this Plan. (See Exhibit N.)

P. Calculation of the "Construction Gross Area" prepared and certified by a licensed architect or engineer with no identity of interest with the Applicant or Developer.

Q. Completed and signed certification from the contractor (Contractor's Certificate - Exhibit O) that the Project was built in compliance with the plans and specifications provided by the architect and as described in the Application.

R. Completed and signed Placed in Service Acknowledgement (ADOH provided form) for each building in the Project.

S. Completed Exhibit P - Operational Risk Management (ADOH provided form).

T. Proof of flood insurance or verification that property is not located in a flood zone.

U. Updated title report.

V. Copy of Settlement Statement for acquisition, if not previously provided.

W. Final Allocation Fee.

X. As built survey, drawings, and specifications of completed Project.

~~**Y.** If the Project has received ADOH Gap Financing, a Certification on ADOH's form that there is no pending litigation against the Owner, Developer or Co-Developer and an insurance certificate evidencing that ADOH is an additional insured for the insurance required in the loan documents.~~

~~**Z.**~~**Y.** Any additional information requested by ADOH.

3.5 Final Allocation Underwriting

Prior to the issuance of IRS Form 8609, ADOH underwrites the Project using the information provided in Section 7. In addition to the limitation regarding Eligible Basis, ADOH limits the total amount of Tax Credits to the amount computed under the Gap Analysis, so Projects are not awarded Tax Credits in excess of the amount necessary to make the Project feasible. Unreasonable costs, changes in financing sources, funding amounts, or excess equity may reduce the final amount of Tax Credits ~~and, or ADOH Gap Financing~~.

In the event that changes in the Project result in a failure to maximize Permanent Debt as required under Section 7.1(C)(3)(b), ADOH will require one (1) of the following remedies to cure the deficiency:

A. Reduce Tax Credits

B. Increase the Permanent Loan

C. Increase Deferred Developer Fee

D. Reduce ADOH Gap Financing

If any Person participating in the Project Owner has any outstanding compliance issues on the subject Project or on any other project in Arizona or any other state, such compliance issues must be resolved by the Owner of the project prior to issuance of Forms 8609.

3.6 Post-Reservation

Commencing upon the receipt of a Reservation, Applicants must submit the following reports and documentation until the Project has received Forms 8609. Applicants who fail to timely comply with this section will not be considered to be in good standing with ADOH.

A. Bi-Monthly Performance Report on ADOH's form on the 20th day of every odd-numbered month (i.e. September 20th), which shall be accompanied by:

1. An updated Project schedule on the report form;
2. An updated brief narrative description of Project progress; and
3. An Architect's field report, during construction.

B. Change Orders

1. Applicant shall submit copies of proposed change orders for ADOH's approval prior to commencement of work.

C. Material Changes

Any proposed changes to the Project must be approved by ADOH in accordance with Section 5.5 of this Plan prior to making such changes.

D. Inspections

Applicant must cooperate with ADOH's representative(s) regarding plan review and inspections, as requested.

4. FOUR PERCENT (4%) TAX CREDITS WITH TAX-EXEMPT BOND FINANCING

4.1 Determination of Tax Credits for Tax-Exempt Bond Projects

A. General Requirements

I.R.C. § 42(h)(4) allows low-income housing Projects financed with tax-exempt bonds to be eligible for four percent (4%) Tax Credits if the Project meets the minimum requirements of the law and the Plan.

An I.R.C. §42(h)(4) low-income housing Project financed with tax-exempt bonds must have a confirmed allocation of Private Activity Bonding Authority Volume Cap Allocation from the Arizona Finance Authority (telephone (602) 364-1314) in order to receive an I.R.C. §42(m) Determination of Qualification of Tax Credits Letter, which is issued by ADOH. Information regarding bond processes and links to reach the Program Manager or Bond Counsel may be found at the following website: http://www.azcommerce.com/financing/ private-activity-bond-volume-cap

Applications for Projects financed with tax-exempt bonds may be submitted to ADOH between January 1 and December 31, ~~2020~~2021, but no earlier than the date that the Applicant receives a preliminary inducement resolution from the issuer of the tax-exempt bonds and has prepared a complete Application.

At the time the Applicant submits the Application described in Section 4.1(C) below, Applicants sponsoring tax-exempt bond financed Tax Credit Projects will be required to:

1. pass all eligibility requirements stated in Section 2.5 of this Plan;
2. adhere to all general regulations set forth in this Plan at Section 5; and
3. comply with all applicable requirements under Sections 3.4, 3.5, 3.6, 4, 6 - 8 of this Plan.

Applicants applying for Tax Credits pursuant to I.R.C. § 42(h)(4) are not subject to:

1. the Maximum Reservation Per Project, or the following sections of this Plan:
    a. Section 2.7;
    b. Section 2.8;
    c. Section 2.9(F)(1);
    d. Section 7.2(A)(3).

ADOH will determine whether the Applicant and the Project comply with all eligibility requirements of the Plan.

Applications submitted under this Section 4 must include, a letter from the bond issuer delegating the determination under IRC § 42(m)(2)(D) to ADOH (see sample in Exhibit F), all non-scoring Application exhibits under Section 2.9, and all documents requested under Sections 3.1 and 3.2 of this Plan. See Exhibit F for information regarding general steps in the process to obtain tax-exempt

bonds and an I.R.C. §42(m) Determination of Qualification of Tax Credits Letter and a list of items required to be included in the Application under this Section 4.

Applicants should anticipate receiving an initial response thirty (30) days after submission of an Application. Applications that are, in the sole discretion of ADOH, substantially incomplete or that do not meet the underwriting requirements in this Plan will be returned and the Applicant will need to re-submit a new Application with the applicable fee. **Applicants must comply with Section 5.1 regarding consistency and accuracy of submittals.**

The review of an Application for a Determination of Qualification under I.R.C. § 42(m)(1)(D) may be combined with any tax-exempt bond hearing pursuant to A.R.S. Section 35-726(E).

Under I.R.C. §42((h)(4), tax-exempt bond financed Projects may receive Tax Credits in the full amount of their Eligible Basis only if at least fifty percent (50%) of the Project's "aggregate basis" of any building and land upon which the building is located is financed with tax-exempt bonds.

Applications submitted under this Section 4 must meet the requirements of Exhibit D - Design Requirements. If applicable, rehabilitation costs claimed under §42(h)(4) which are incurred prior to the submittal of the Application must meet the requirements described in Exhibit D. The Applicant shall be responsible for the costs of ADOH's third party reviewer who reviews the proposed scope of work and inspects the work for compliance with Exhibit D.

ADOH will perform a feasibility analysis during its review of the submittals required at Section 4.1(C) and (F) of this Plan. ADOH's feasibility analysis will include an underwriting of the Project in accordance with ADOH's current standards as set forth in this Plan. For Projects subject to the requirements of A.R.S. §35-726(E), ADOH underwriting will include a comparison of the Application submitted for the §35-726(E) hearing before making a Determination of Qualification for Tax Credits.

~~**B. Gap Financing**~~

~~Gap Financing is generally not available for tax-exempt bond Projects. Applicants, who are Non-Profit Organizations, should consult with ADOH to determine whether funds are available prior to submitting an Application. For profit Applicants are not eligible for ADOH Gap Financing under this Plan. Tax exempt bond Projects requesting Gap Financing through ADOH must submit an Application for such Gap Financing at the same time that the Applicant submits its Tax Credit Application. Applicants must include the Gap Financing Fee with the Gap Financing Application (Form 3-1).~~

~~If ADOH Gap Financing is available and approved for the tax exempt bond Project, the Land Use Restriction Agreement will restrict any applications for a Qualified Contract until such time as the Period of Affordability for the ADOH Gap Financing has been completed and the ADOH Gap Financing loan has been repaid in full.~~

~~C.~~B. Application

Applications for Projects financed with tax-exempt bonds ("4% Applications") are split into two parts, which may be submitted in two stages as described below (Steps 3 and 11 in Exhibit F describing the bond process). 4% Applications are accepted on a first come first reviewed basis from January 1 - December 31, ~~2020~~2021, but the review of 4% Applications submitted during the review of 9% Tax Credit Applications (April 1 – June 30) may be delayed.

The Applicant must use the current year forms and exhibits. If the Applicant is compliant with all deadlines stipulated in the conditional (if applicable) and final Determination of Qualification letter(s), the Application will continue to be considered under the current year QAP. If the Applicant is unable to meet the deadlines, the Application will be rejected and need to be re-submitted with the Administration Fee described in Section 6.5. Re-submittals after December 31, ~~2020~~2021 shall be considered under the ~~2021~~2022 QAP and Applicant shall prepare the re-submittal using ~~2021~~2022 forms.

1. **Exhibit F Step 3:**

   Once a preliminary (or inducement) resolution is approved by the Industrial Development Authority ("IDA") that is the issuer of the bonds, the Applicant is eligible to submit a complete Tax Credit Application that includes the exhibits described in QAP Sections 2.9 and 3.1.

   a. The Application must be accompanied by the fee set forth in Section 6.1.

   b. Applications submitted in this paragraph may be submitted with the exhibits referred to in Section 4.1(C)(2), but must be submitted on or before the date the exhibits set forth in Section 3.2 are delivered to ADOH.

   c. Applicants proposing a re-syndication or HUD refinance must include a transition plan modeled upon I.R.C. §42(h)(6)(E)(ii) with the Application. Such transition plan shall be included as an attachment to the LURA.

   d. Upon approval of the materials described in QAP Sections 2.9 and 3.1, ADOH will issue a Determination of Qualification letter that is among other stipulations, conditioned upon ADOH review and approval of the portion of the Application described in QAP Section 3.2. This conditional Determination of Qualification letter shall expire six months from the date the letter is issued.

   e. Upon approval, any further changes to the Application are Material Changes subject to QAP Section 5.5.

2. **Exhibit F Step 11**:

   a. Applicant shall submit the exhibits described in Section 3.2 of this Plan.

   b. The issuer of the bonds (IDA) must provide a Delegation of Determination required by I.R.C. § 42(m)(2)(D) with this portion of the Application. (*See* Exhibit F for format.)

c. This portion of the Application must be submitted at least (30) calendar days prior to the earlier of:

i. Any hearing that may be conducted pursuant to A.R.S. § 35-726(E), and

ii. The desired bond closing date.

d. Upon approval, ADOH will issue a Determination of Qualification letter to close the transaction as described in the Application. Any further changes to the Application are Material Changes subject to QAP Section 5.5, which shall invalidate the Determination of Qualification letter until ADOH completes the review of the Material Change.

i. The Determination of Qualification letter shall expire 45 days from the date it is issued.

~~D.~~C. LURA and Consent and Subordination Agreement

The Applicant must submit to ADOH the recorded LURA, and Consent and Subordination Agreement from each permanent lender for the Project along with:

1. Evidence that each low-income tenant has received notification of their rights under the transition plan set forth in Section 4.1(C)(2)(a) above, if applicable.

~~E.~~D. After Determination of Qualification Letter

1. Applicant. Within five business days of closing, the Applicant must submit to ADOH:

a. a written election statement, referencing I.R.C. § 42(b)(1)(ii)(II) on ADOH's form. This election statement must certify that the Applicant has chosen to lock in the applicable percentage as of the Placed in Service date or as of the month that the tax-exempt bonds are issued. If the Applicant does not provide the original notarized election statement to ADOH before the close of the 5th calendar day following the end of the month in which the tax-exempt bonds are issued, then ADOH must use the percentage based upon the Placed In Service date.

b. Certification, using the form of certification in Exhibit F, that the tax-exempt bonds issued to finance all or a portion of the Project have received an Allocation of the State's private activity bond volume cap pursuant to 26 U.S.C. § 146;

c. Executed copies of all financing documents (promissory notes, deeds, loan agreements, assignments, guarantees, complete partnership agreement/operating agreement, CC&Rs, etc.);

d. Copy of final settlement statement;

e. Copy of building permit(s); and

f. Copy of executed construction contract.

2. Bond Issuer. The issuer of the bonds (IDA) must provide a Certificate of Bond Issuance Month on ADOH's form.

3. Post-Determination of Qualification

   Commencing upon the receipt of a Determination of Qualification, Applicants must submit the following reports and documentation until the Project has received Forms 8609:

   a. Bi-Monthly Performance Report on ADOH's form on the 20th day of every odd-numbered month (i.e. September 20th), which shall be accompanied by:

      i. An updated Project schedule on the report form;

      ii. An updated brief narrative description of Project progress; and

      iii. An Architect's field report, during construction.

   b. Change Orders

      i. Applicant shall submit copies of proposed change orders for ADOH's approval prior to commencement of work.

   c. Material Changes

      Any proposed changes to the Project must be approved by ADOH in accordance with Section 5.5 of this Plan prior to making such changes.

   ~~d. Inspections~~

      ~~If the Project includes ADOH Gap Financing, Applicants shall cooperate with ADOH's representative(s) regarding inspections of the construction.~~

~~F.~~E. Final Tax Credit Allocation

The Applicant must submit to ADOH:

1. A completed submittal of all exhibits required under Section 3.4 of this Plan, plus:

2. An opinion of the Applicant's certified public accountant or tax attorney that fifty percent (50%) or more of the aggregate basis for any building included within the Project and the land on which the building is located are financed with tax-exempt bonds.

3. An opinion of the Applicant's counsel that the Project is eligible to receive Tax Credits under I.R.C. § 42(h)(4).

4. Evidence that the Project complies with IRC §42(h)(4)(A)(i) and (ii).

At this point ADOH will perform the final feasibility analysis of the Project. Projects that fail to submit the materials described in this Section 4.1(E) to ADOH on or before the period ending three (3) years after the date of the Determination of Qualification letter described in paragraph (C)(1) of this Section 4 are subject to additional fees as provided in Section 6.4 of this Plan.

~~G.~~F. Form 8609

If the requirements of I.R.C. § 42, State law and this Plan are satisfied, ADOH may issue I.R.C. Form 8609 for the Project at the applicable credit percentage under I.R.C. § 42(B)(2) and may file the original of the election statement with the original of the Form 8609 with the appropriate IRS Form 8610.

~~H.~~G. Rental Assistance Demonstration Program (RAD)/Choice Neighborhood Transactions

ADOH reserves the right to waive the timing of submittals set forth in this Section 4, in its sole discretion, in order to meet HUD deadlines under the RAD and Choice Neighborhoods programs.

5. GENERAL REGULATIONS

5.1 Consistency and Accuracy

A. 9% Tax Credit Competitive Round

1. During the evaluation of Applications, as defined in this Plan, submitted in the 9% Tax Credit competitive round, ADOH will not correspond with the Applicant to seek clarification of, or to otherwise obtain answers to or explanations for, deficiencies, inconsistencies and/or conflicting data/information within the Application. The Application must fully document any claim for points in a scoring category in order to receive points. However, in the event of deficiencies, inconsistencies and/or conflicting data/information in the Application, ADOH may use its reasonable discretion to rely upon any portion of the Application in making its decision whether, and to what extent, the Applicant has sufficiently documented the threshold and underwriting criteria in this Plan to reserve Tax Credits to the Project based upon its score and rank in the Tiebreaker described at Section 2.8 of this Plan.

2. Should a Project be awarded Tax Credits, ADOH will include with the Reservation letter a notification of deficiencies, inconsistencies and/or conflicting data/information in the Application that must be clarified or further documented to support the Reservation. The Applicant's response to any issues identified in the notification must be submitted with the Carryover Allocation Agreement Request described in Section 3.1 of this Plan. To the extent that the Applicant's response demonstrates that the Applicant is not eligible for an award of Tax Credits, or is not eligible for the total amount of Tax Credits awarded, ADOH will, as applicable, withdraw the Reservation or adjust the Tax Credits awarded.

3. ADOH Notifications Issued Regarding Carryover Allocation Agreement Request, Equity Closing Package and 8609 Request.

   a. <u>Notification of Three or Less Deficiencies, Inconsistencies and/or Conflicting Data/Information</u>

      In the event ADOH identifies three or less deficiencies, inconsistencies and/or conflicting data/information at the time Applicant submits to ADOH its Carryover Allocation Agreement Request, Equity Closing Package or its 8609 Request, ADOH will provide the Applicant a list of those deficiencies, inconsistencies and/or conflicting data/information. The Applicant must provide a complete and substantive response within five (5) business days following the Department's notification to avoid rejection of the information submitted and ADOH's placement of the resubmittal to the end of queue of projects then under ADOH's review.

b. Notification of Four or More Deficiencies, Inconsistencies and/or Conflicting Data/Information

In the event ADOH identifies four (4) or more deficiencies, inconsistencies and/or conflicting data/information at the time Applicant submits to ADOH its Carryover Allocation Agreement Request, Equity Closing package or its 8609 Request, the submittal will be rejected and returned to the Applicant for correction of all deficiencies, inconsistencies and/or conflicting data/information. ADOH will only include in the notification the first four (4) deficiencies, inconsistencies and/or conflicting data/information. The Applicant is responsible to find any others in the package. Rejected packages must be resubmitted in their entirety, as if no submittal had been made prior thereto. All resubmittals will be placed at the end of queue of projects then under ADOH's review.

Applicants must bear in mind that delays caused by deficiencies, inconsistencies and/or conflicting data/information in the Applicant's submittal may result in the loss of Tax Credits due to the inability to receive a Carryover Allocation Agreement by the end of the calendar year, changes in financing terms, failure to close on the Equity transaction, or delays in receiving payments from equity providers, among others.

B. 4% Tax Credit Round

1. During ADOH's evaluation of Applications requesting 4% Tax Credits pursuant to Section 4 of this Plan, or during ADOH's review of the Applicant's Equity Closing Package or Applicant's 8609 Request, ADOH will correspond with the Applicant by issuing notifications seeking clarification of, or to otherwise obtain answers to or explanations for, deficiencies, inconsistencies and/or conflicting data/information.

a. Notification of Three or Less Deficiencies, Inconsistencies and/or Conflicting Data/Information

In the event ADOH identifies three (3) or less deficiencies, inconsistencies and/or conflicting data/information at the time Applicant submits to ADOH its Application, its Equity Closing Package or its 8609 Request, ADOH will provide the Applicant a list of those deficiencies, inconsistencies and/or conflicting data/information. The Applicant must provide a complete and substantive response within five (5) business days following the Department's notification to avoid rejection of the information submitted and ADOH's placement of the resubmittal to the end of queue of projects then under ADOH's review.

b. Notification of Four or More Deficiencies, Inconsistencies and/or Conflicting Data/Information

In the event ADOH identifies four (4) or more deficiencies, inconsistencies and/or conflicting data/information at the time Applicant submits to ADOH its Application, its Equity Closing Package or its 8609 Request, the submittal will be rejected and returned to the Applicant for correction of all deficiencies, inconsistencies and/or conflicting data/information. ADOH will only include in the notification the first four (4) deficiencies, inconsistencies and/or conflicting data/information. The Applicant is responsible to find any others in the package. Rejected packages must be resubmitted in their entirety, as if no submittal had been made prior thereto. Resubmittal of a previously rejected Application will require a new Application Fee to be paid. All resubmittals will be placed at the end of queue of projects then under ADOH's review.

Applicants must bear in mind that delays caused by deficiencies, inconsistencies and/or conflicting data/information in the Applicant's submittal may result in extension fees on the Volume Cap, changes in financing terms, failure to close on the Equity transaction in the timeframe contemplated, consideration of the resubmittal under a later year's Qualification Allocation Plan, or delays in receiving payments from equity providers, among others.

5.2 False Filing

An Application, including all exhibits, appendices, and attachments thereto, made to ADOH for an award of low-income housing Tax Credits, including any materials filed at a later time with ADOH in connection with an Application, is considered to be an "instrument" for the purposes of A.R.S. § 39-161. According to that statute, knowingly including any false information in or with the Application is a class 6 felony. Such an act may also result in barring the Applicant and Development Team members from future awards of low-income housing Tax Credits. In addition, false filing may be subject to the provisions of A.R.S. § 13-2311 (designating as a class 5 felony the conduct of business with any department or agency of this state by knowingly using any false writing or document).

5.3 Satisfactory Progress

A. Applicants who have previously received a Determination of Qualification, Reservation, or Allocation in Arizona or any other state must make Satisfactory Progress and be in substantial compliance with the requirements of federal law with respect to all prior Projects before ADOH may consider a new Application. If the Applicant fails to demonstrate Satisfactory Progress, ADOH may cancel the Reservation or Allocation of Tax Credits and reject any new Application from the same Applicant, Development Team, and any Person with an ownership interest in the Applicant or a member or members of the Applicant or Development Team.

B. Applicants that have received previous Allocations must demonstrate Satisfactory Progress. Applicants that have not closed on construction loans before December 31st of the calendar year following the year of Allocation are not eligible for future awards without a written waiver request explaining the circumstances causing and justifying the delay. Waivers for any delay will be granted or denied by ADOH in its sole discretion. All Applicants that have received a Determination of Qualification or Reservation, Carryover Allocation, or Allocation will be required to report on Project progress, using the "Bi-Monthly Performance Report," accompanied by a brief narrative, every sixty (60) calendar days after receipt of the Determination of Qualification, Reservation, Carryover Allocation, or Allocation. Applicants with Projects that include Tax Credits that have not received a final Allocation must make a written request for an approval of the deviation from the approved project schedule submitted with the Application. Projects that are not proceeding according to the original Project schedule submitted to the ADOH, and approved amendments, may be subject to revocation due to lack of Satisfactory Progress.

C. ADOH may monitor both the progress and quality of construction. If progress or quality has not been satisfactory to the ADOH, ADOH may report significant deficiencies to any funding source (including LIHTC investor or syndicator), to other members of the Project team, and to the Applicant, and the Project may be subject to revocation due to lack of Satisfactory Progress.

5.4 Return of Credits

If at any time ADOH concludes that a Project no longer meets the requirements of I.R.C. § 42 or this Plan, ADOH may cancel a Reservation, a Carryover Allocation Agreement, or a Determination of Qualification(s). Tax Credits that were reserved in a competitive round will be considered returned to ADOH. In the event that ADOH requires a return of a Tax Credit Reservation, ADOH will give notice to the Applicant. ADOH may deny or revoke a notice of eligibility for four (4%) tax-exempt bond credits, Reservation, or Carryover Allocation for nine percent (9%) tax credits for any Project. Denial or revocation may occur at ADOH's sole discretion, due to actions taken by the Applicant, Affiliate or Project Owner up to the Placed in Service date, for any of the following reasons:

A. Subsequent regulations issued by Department of Treasury or the Internal Revenue Service.

B. Information submitted in the Project Application to ADOH is determined to be fraudulent and/or misleading.

C. Failure to pay fees, including late fees, described in Section 6.

D. Failure to make Satisfactory Progress as defined in this Plan or failure to meet the deadlines stated in this Plan.

E. Instances of curable or incurable noncompliance existing at any time during the Compliance Period and the Extended Use Period for any federal or state subsidized Project located in any state.

F. Failure by an Applicant or Owner to promptly notify ADOH of any material or adverse changes from the original Application.

G. Material Changes without written approval of ADOH.

H. Change in the Unit design, square footage, Unit mix, number of Units, and number of buildings described in an Application for Tax Credits without the written approval of ADOH.

I. Debarment by HUD or other federal and state programs, bankruptcy, criminal indictments, and convictions.

J. Failure to comply with federal or state fair housing laws.

K. Other cause demonstrating the failure of the Applicant or the Project to be qualified or meet the requirements of federal or state law or the requirements of the applicable Tax Credit program.

5.5 Extended Use Period

Pursuant to I.R.C. § 42, the state requires that all recipients of Tax Credits enter into an initial fifteen (15) year compliance requirement and an additional extended use restriction for at least an additional fifteen (15) years after the initial compliance requirement, extending the total commitment to a minimum of thirty (30) years. At the Equity Closing, the Owner of the Project must execute and record with the county recorder where the Project is located, a LURA which must constitute a restrictive covenant running with the property upon which the Project is located. The agreement must be in the form provided by the ADOH and is available from ADOH upon request. All Amenities, Design Features and Tenant Services promised in the Application will be identified in the LURA and will be inspected with each Compliance on-site inspection.

5.6 Material Changes

Material changes may be approved by ADOH after an allocation of LIHTC in accordance with this section. Development Team members with Controlling Interest in the Project must deliver a Project as described in the Application for Tax Credits unless ADOH approves a Material Change request in writing.

A. <u>Material Change</u>

In order to obtain ADOH approval of a Material Change, the Applicant must submit a written request to ADOH explaining the change and the reasons justifying the change. A $1,500 Administration Fee must accompany the written request. ADOH will not consider the request unless the fee is included. Because of ADOH's statutory mandate to award Tax Credits only to the extent they are necessary for Project feasibility, the Applicant must communicate in writing any proposed Material Change in the Project immediately to ADOH for an assessment of the impact on the Project. The written request must include the Applicant's reasons under I.R.C. § 42 or in this Allocation Plan for believing that the change is permissible and why the Material Change is necessary. Projects applying for a Material Change will be underwritten to the

standards in the Allocation Plan of the year that Tax Credits were awarded. The Applicant must submit to ADOH written approvals of the Material Change from the Local Government, the lender, and the syndicator as discussed below.

B. Specific Material Changes

1. Change of Location and Use. ADOH will not allow an Applicant to change the location of a Project once the Application has been submitted. Notwithstanding the foregoing, ADOH may allow Project relocation prior to the Carryover Allocation of Tax Credits if the new site for the Project is within the census tract specified in the Application, ADOH receives the written approval of the Local Government, and the need for relocation was unforeseeable and beyond the Developer's control at the time of Application. If an Applicant changes the location of a Project without the written approval of ADOH, ADOH may revoke the Tax Credits determined for the Project. A change in the use of a Project (i.e. Housing for Older Persons, family) after the Application has been submitted may not be allowed except with the written approval of both the Local Government and ADOH.
2. Changes to Principals. Substitution of a general or limited partner or a syndicator or permanent lender constitute a Material Change, and therefore, must be approved by ADOH.
3. Other Material Changes. Other Material Changes that involve a change in what is proposed in the Application, including but not limited to a change in Project design such as change in amenities, change in operating budget of more than $100 per Unit per year, change in sustainable features, change in the number of units, in the amount of borrowed funds, the uses of funds in excess of $250,000 or in the sources of funds will be reviewed following the guidelines below:
   a. Unforeseeable circumstances or the imposition of extraordinary governmental rules and regulation, if fully documented and justified, may be viewed as reasons to approve a Material Change.
   b. A request for Material Change will be denied if it results in a change in the Project score, the eligibility for a Set-Aside, failure of the Project to meet eligibility or threshold requirements, or the change is not necessary for feasibility of the Project.
   c. Notwithstanding subparagraph b, above, ADOH may approve a request for a Material Change as necessary to further the goals of this Plan.
   d. When the Material Change involves a restructuring, all commitments (i.e. Set-Asides, amenities) must be proportionately the same as at time of Application.

C. Project Name Change

In the event Applicant changes the name of a Project at any time prior to the completion of construction or any time thereafter through the Compliance Period and Extended Use Period,

Applicant must notify ADOH and obtain ADOH's written approval of the name change. A name change may cause the Department to revise legal documents and other relevant Project specific documents. Applicant agrees to cooperate in any revisions the ADOH feels are necessary to reflect the name change.

D. Failure to Obtain ADOH Approval

If the Project fails to obtain ADOH's prior written approval to a Material Change, ADOH may recapture or reduce all or part of the Tax Credits determined or reserved for the Project.

5.7 Disclaimer and Limitation of Liability

A. ADOH makes no representations to the Applicant, Developer, Owner, Syndicator, or to any other Person as to Project eligibility or compliance with the Code, IRS treasury regulations, or any other laws or regulations governing the LIHTC program.

B. ADOH makes every effort to ensure that the references in this Plan are accurate. All references in this Plan to cells, line items and columns on forms are subject to amendments as forms are updated periodically. All references to URL webpages are subject to amendment as they are periodically updated by their webmasters.

C. Applicants, Development Team members, lenders, Equity Investors, and syndicators participate in the Tax Credit 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 Tax Credit 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 an Applicant, Development Team member, lender, Equity Investor, syndicator, or any other Person. Applicants shall be required to execute a release and indemnification of ADOH and related parties as part of the Application of Tax Credits and as a condition of final Allocation of Tax Credits.

D. Disclosures. Public disclosure of LIHTC Applications shall be 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.

FEES

All fees set forth in this Section 6 are non-refundable.

ADOH assesses all non-refundable fees described herein for the purpose of covering the costs and expenses of processing an Application to the point where the Applicant may receive a Final Tax Credit Allocation. If an Application, Reservation, or Carryover Allocation is denied due to action or inaction by the Applicant, the fees are nonetheless due and payable to ADOH upon demand. Notwithstanding ADOH's determination of the amount of the final Tax Credit Allocation, no Reservation Fee and Final Tax Credit Allocation Fee shall be refundable by ADOH.

6.1 Tax Credit Application Fee

A Tax Credit Application fee of $5,000 is due to ADOH at the time of submission of the Application. Tax Credit Applications will not be accepted unless accompanied by this fee.

6.2 ~~Gap Financing Review Fee~~

~~A Gap Financing review fee in the amount of $1,500 shall be due and payable at Application.~~

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6.3 Reservation Fee, Determination of Qualification Fee, and Final Allocation Fee

A payment totaling ten percent (10%) of the annual amount of Tax Credits is due and payable to ADOH as follows:

Fee	Percent of the Annual Amount of Tax Credits	Due and Payable
Reservation Fee (nine percent (9%) Tax Credits)	Eight percent (8%) (non-refundable)	Within thirty (30) days of the issuance of the Reservation letter
Determination of Qualification Fee (four percent (4%) Tax Credits with Bonds)	Eight percent (8%) (non-refundable)	Within thirty (30) days of the issuance of the Determination of Qualification letter (*See* Section 4.1(C)(2)(d))
Final Tax Credit Allocation Fee (all Tax Credit Projects)	Two percent (2%) (as adjusted to be no higher than the greater of ten percent (10%) of the final Tax Credit Allocation or the amount previously paid at Reservation or Determination of Qualification)	At final allocation and prior to issuance of 8609.

6.4 Late Fees

ADOH charges a Carryover Allocation and Ten percent (10%) Test late fee of $250 per day for information received after the deadline date specified by ADOH in the Reservation Letter. Information not received by the close of business of the deadline established by ADOH may result in the Project not receiving a Carryover Allocation. In extreme circumstances, such as a late Reservation of Tax Credits, ADOH may waive the late fees.

ADOH charges a late fee of $250 per day for 9% Tax Credit Projects that fail to submit the documents required in Section 3.4 of this Plan entitled Requirements for Issuance of Final Allocation (IRS Form 8609) on or before the period ending one (1) year after the date the Applicant receives a final certificate of occupancy for the last building in the Project to be placed into service.

ADOH charges a late fee of $250 per day for 4% Tax Credits with Tax-Exempt Bond Financing Projects that fail to submit the documents required in Section 4.1(E) of this Plan entitled Final Tax Credit Allocation on or before the period ending three (3) years after the date of the Determination of Qualification letter described in Section 4.1(C)(7) of this Plan.

6.5 Administration Fees

An Administration Fee in the amount of $1,500 is due and payable to ADOH: 1) if an Owner or Applicant requests additional underwriting after a Reservation has been made; 2) in the event that an Owner or Applicant requests approval of a Material Change; and 3) in the event that an Owner or Applicant requests the Department's Second Review of the plans and specifications under Exhibit G entitled *Acknowledgement of Possible Cancellation and Return of Low-Income Housing Credit Allocation – Building Efficiency*.

6.6 Compliance Monitoring Fees

Every Applicant for a Project that receives an Allocation must pay to ADOH an annual, non-refundable Compliance Monitoring Fee. The timing and amount of the annual Compliance Monitoring Fee is as described in this Section unless the LURA applicable to the Project property specifically provides otherwise. ~~Beginning January 2020, and until a subsequent QAP becomes effective, the~~The annual Compliance Monitoring Fees for the 2021 calendar year are:~~shall be:~~

- $75 per Low-Income Unit for buildings which are part of a multiple building project for purposes of § 42 as elected on Form 8609 line 8(b);
- $85 per Low-Income Unit for buildings which are not part of a multiple building projects for purposes of § 42 as elected on Form 8609 line 8(b); and
- $140 per Low-Income Unit for buildings in which the Owner has elected "Average Income" on line 10(c) of Form 8609 pursuant to I.R.C. § 42(g)(1)(C).

Compliance Monitoring Fees are due annually whether or not a physical inspection is conducted on the property. Payment of the Compliance Monitoring Fee is part of the Annual Report and is due and payable by no later than March 15th.

ADOH assesses a $100 late fee for every thirty (30) days that the Applicant is delinquent in paying the monitoring fee after March 15th.

6.7 Reimbursement for Cost Estimator

As stated in Section 2.9(T)(2)(b) under Tab 20, Applicants with Projects involving Rehabilitation or adaptive re-use are responsible for the costs of the independent cost estimator.

6.8 Reissuance of Form 8609

ADOH assesses a $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.

7. UNDERWRITING

ADOH's underwriting review process of Applications for Tax Credits focuses on the feasibility and the long-term viability of the Project. ADOH reserves and allocates Tax Credits at the minimum level needed to realize the financial feasibility and viability of a Project consistent with the requirement of I.R.C. § 42 and this Plan throughout the end of the Extended Use Period.

7.1 Underwriting Financial Evaluation Requirements

A. Underwriting Process

A Project will undergo the underwriting process a minimum of four (4) times: 1) prior to issuing a binding Reservation; 2) prior to issuance of a Carryover Allocation; 3) prior to admission of the Equity Investor/Partner into the ownership entity; and 4) at submission of documents requesting a Form 8609. ADOH may request, at any time, updated information needed to perform an interim underwriting and evaluation if a Material Change has occurred as defined in Section 5.5. **Upon an increase in tax credit pricing or other financing terms and conditions which increase the total sources to the Project, ADOH shall reduce the amount of ~~ADOH Gap Financing and~~ Tax Credits to the amount needed by the Project under the Development Budget submitted at Application, as approved by ADOH during initial underwriting, unless a Material Change has been approved.**

Applicants must comply with -Section 5.1 regarding consistency and accuracy of submittals.

B. ADOH Analysis

ADOH allocates an amount of Tax Credits based upon its determination after analyzing all financial considerations of a Project. During each underwriting, ADOH performs a layering analysis of all public subsidies, and coordinates with other public funding agencies that, by regulation or practice, undertake layering reviews of Projects proposed to be funded with Tax Credits. ADOH may contact lenders and syndicators directly to obtain needed information. During its analysis of development costs, financing sources, Developer Fees, and projected operations, ADOH may make adjustments to ensure that financial considerations that are reasonable.

If applicable, ADOH will perform a Subsidy Layering Review (SLR) in conjunction with the underwriting described at Section 3.2 on behalf of HUD's Public & Indian Housing Financial Management Division ("PIH-FMD"). If the financial projections, including but not limited to expenses and income, later change from that used when the original SLR was performed, resulting in over-subsidization and/or above market expenses that are not otherwise reasonably justified, ADOH will notify HUD's PIH-FMD, or its equivalent, of such changes to the Project.

~~Based on information submitted and other relevant information available, ADOH analyzes and, if necessary, adjusts the financial considerations in accordance with this Plan. ADOH will review~~

~~development costs, permanent financing sources and amounts, public funding amounts, Developer Fees, projected rents, projected Operating Expenses, vacancy rates, and other financial considerations of a Project as necessary in accordance with this Plan, and reserves the right to contact lenders and syndicators directly to obtain additional information, if needed. Based on its review ADOH may make adjustments as necessary to ensure that proposed sources and uses of funds and other financial considerations are reasonable. ADOH will allocate an amount of Tax Credits and ADOH Gap Financing, if required, based on its determination.~~ ADOH may deny an Application for Tax Credits, revoke a Reservation of Tax Credits, or deny an Application for a final Allocation of Tax Credits if ADOH concludes that:

1. Sources of funds are insufficient to finance the Total Development Cost of the Project;
2. Applicant fails to maximize its primary debt;
3. Operating revenues are insufficient to ensure the viability of the Project through the end of the Compliance Period according to the standards described in this Plan;
4. The Project does not generate sufficient income to cover Operating Expenses and debt service;
5. The Application is inconsistent with the requirements of I.R.C. § 42 and A.R.S §§ 35-728(B), (C) and 41-3953;
6. The Application is inconsistent with applicable federal law including without limitation the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), the program requirements for any source of funding and any requirements or conditions described in an applicable notice of funding availability;
7. The Application fails to reasonably meet the underwriting standards and guidance described in this QAP;
8. The information submitted is insufficient to permit ADOH to make a determination on the Project's feasibility and long term viability;
9. A submittal contains material errors and inconsistencies including without limitation incorrect or contradictory information, incorrect numbers, and mathematical errors; or
10. A Project is collateralized by real property that is financed with Tax Credits or other government soft funds.

C. <u>ADOH Underwriting Threshold Requirements and Standards.</u>

(See Tab 9: Financial Ability to Proceed for additional requirements.)

1. Rental Analysis - Form 3. ADOH restricts costs in the operating budget to the costs directly associated with operating the Project.
   a. Rental Analysis. Project rents shall:
      i. Not exceed the maximum allowable permitted under I.R.C. § 42; and

ii. Undergo verification against the Market Demand Study with any adjustments to rent made during the underwriting process to be in line with the market. Absent justification in the Market Demand Study supporting the inability of the Project to collect the maximum allowable Tax Credit rent allowable under I.R.C. §42, rents shall be underwritten at the maximum allowable rents under I.R.C. §42. Adjustments to rents made during underwriting may affect the amount of tax credits reserved for a Project~~, ADOH Gap Financing~~ or the amount of the primary mortgage.

b. Additional Monthly Income.

i. ADOH restricts miscellaneous monthly income to no more than $20 per Unit per month.

ii. Rental assistance may be considered as additional income if supported by the funding source documents at Tab 16 for a Permanent Supportive Housing Project.

c. Vacancy. ADOH will underwrite to a stabilized Project vacancy rate as stated in the Market Demand Study, but in no event will the vacancy rate be greater than ten percent (10%). A Project may be deemed unfeasible with a vacancy rate greater than ten percent (10%). If the ADOH does not agree with the conclusions of the Market Demand Study, the ADOH reserves the right to commission an additional independent market study, at the expense of the Applicant, and to rely on those findings.

2. Annual Operating Expenses - Form 3. ADOH underwrites annual Operating Expenses for Projects at $4,700 per Unit per year, not including replacement reserves and resident Supportive Services. Any employee Unit, whether or not it is rent-commanding, is included in the calculation of Operating Expenses. The $4,700 Operating Expense assumption also assumes that the utilities for the Units will be broken down as follows: 1) tenants will pay for power and gas in their Units; and 2) water, sewer, and trash expenses will be borne by the Owner. If the Owner is paying for power and/or gas in the Units, ADOH will underwrite to the $4,700 Operating Expense assumed earlier in the paragraph, plus the allowance for the utility paid for by the Owner, as determined in the HERS Rater analysis set forth in Section 2.9(M) and provided at Tab 13 of the Application.

Waivers will be required for an operating budget that is more than $100 per unit per year higher or lower than this standard. Waivers for operating budgets that are higher than the standard must demonstrate that the additional costs are reasonable and necessary for project operations. Waivers will only be considered where the Developer can demonstrate by providing past operating statements from similar properties over which the Developer has a Controlling Interest, which demonstrate capacity to operate the Project within the proposed operating budget without deferred maintenance.

a. Land Lease. Lease payments for land are an Operating Expense and are not permitted to be included in the Development Budget. Lease payments must be evenly distributed through the term of the lease and paid as an Operating Expense through the operating budget. ADOH reserves the right to order a third party valuation of the lease payment at the Applicant's expense.

b. Replacement Reserves. ADOH underwrites replacement reserves for new construction of Housing for Older Persons Projects at the rate of $250 per Unit per year, and other new construction projects and all acquisition/rehabilitation projects at $350 per Unit per year. Replacement reserves must be shown on the Project pro forma beginning in year one (1) and must increase at three percent (3%) per year during the Compliance Period.

c. Costs for Supportive Services may only be included in the pro-forma of a Permanent Supportive Housing Project awarded Tax Credits under the Supportive Housing Set-Aside~~s for which no points are claimed for Supportive Services under Section 2.7(C)~~, where it will be considered an additional annual Operating Expense. The cost of Supportive Services may not exceed the amount included in the Application. ~~Thus, a Permanent Supportive Housing operating budget that includes Supportive Services must equal the sum of the annual Operating Expenses plus the annual cost for the Supportive Services. If the permanent lender is including the cost of such Supportive Services in the sizing of the loan, it should be noted in the loan commitment letter. Increases in the cost of Permanent Supportive Housing Supportive Services shall only be considered under a Material Change request for unforeseen, extraordinary circumstances.~~

d. Applicant must include property taxes in annual Operating Expenses with the formula used to calculate the real estate taxes shown in Section 15 of Form 3. If the property is exempt from property taxes, the Applicant must submit a written certification confirming the exemption from the county treasurer or assessor's office or the governmental entity having taxing authority over the Project.

e. The proposed management company must submit a statement at time of application confirming that the Operating Expense projections are reasonable.

f. ADOH does not include asset management fees in ordinary annual Operating Expenses.

g. ADOH may underwrite to higher operating costs for Projects proposing specialized or unique characteristics such as rehabilitation of buildings located in historic areas.

3. Project Pro forma/Cash Flow Analysis

a. Yearly Increases. Revenues and expenses shown on the pro forma must increase annually at two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligations must increase at three percent (3%) per year. An exception may be permitted if operating subsidy is provided by USDA/RD or HUD to guarantee break-even

operations of the Project. A waiver request must be submitted with the LIHTC Application.

b. Debt Service Requirement. ADOH will expect the Applicant to maximize its lending sources by paying at least the maximum mortgage payment supportable by Project net operating income as described hereafter. Tax Credits will be adjusted, if necessary, to assume financing requiring maximum mortgage payments or such other maximum mortgage payment as is approved by the ADOH. Mortgage terms (i.e. interest rate and amortization period) will be taken from the lender's Commitment Letter or Letter of Interest or Intent.

i. The term of the primary loan shall be no less than fifteen (15) years.

ii. The primary loan shall be amortized over a period of no less than twenty-five (25) years.

iii. The interest rate on the loan shall be reflective of similar competitive transactions in the marketplace.

1) Financing provided by a non-arm's length lender must be on terms at least as favorable as competitive market rate product provided to other Projects within the same tax credit round. Inclusion of prepayment penalties, or other penalties that allow the non-arm's length lender to foreclose or create excessive interest accruals will not be permitted. The interest rate may not be higher than the highest arm's length primary debt transaction in the ~~2020~~2021 Tax Credit round.

iv. The amount and terms of any debt to be assumed must also be shown on Page 7 of Form 3.

v. All terms of any construction loan to perm loan must be disclosed.

vi. A two-part assessment shall be used to determine whether the Applicant has maximized the primary loan. For purposes of this analysis, ADOH will assume the yearly increases described in 7.1(C)(3)(a), that Deferred Developer Fee will be paid in equal installments over the first fifteen years of the loan, and that all other below the line payments will be paid in equal installments over the term of the loan.

1) ADOH will first review the Debt Service Coverage Ratio ("DSCR") of the primary loan. The DSCR will be reviewed to ensure that it is not greater than 1.20:1 or less than 1.10:1 at loan maturity. (The DSCR is the quotient obtained by dividing the annual net operating income by the annual debt service payment for the primary loan.)

2) ADOH will further assess the ratio between the Surplus Cash Flow and Direct Operating Expense to determine if the Applicant has maximized the permanent financing for the Project. The Average Surplus Cash Flow to Direct Operating Expense Ratio is not to be greater than ten percent (10%). The Average Surplus Cash Flow to Direct Operating Expense Ratio will be calculated using the worksheet included in the Form 3 workbook.

3) If both the DSCR and Average Surplus Cash Flow to Direct Operating Expense Ratio meet the above criteria, then the Applicant is deemed to have satisfied the requirement to maximize the permanent financing to the Project.

4) If the DSCR and Average Surplus Cash Flow to Direct Operating Expense Ratio fails to comply with the criteria in Section 7.1(C)(3)(b)(vi)(3), then ADOH shall reduce the Tax Credits to the Project until the DSCR and/or the Average Surplus Cash Flow to Direct Operating Expense Ratio are adjusted to the criteria in QAP Section 7.1(C)(3)(b)(vi)(1) and/or (2).

5) ADOH reserves the right to review and make adjustments to either or both the DSCR and the Average Surplus Cash Flow to Direct Operating Expense Ratio to determine whether the Applicant has maximized the permanent financing to the Project.

c. ADOH may reduce the amount of Tax Credits ~~and/or ADOH Gap Financing~~ and maximize the amount of primary debt financing. ADOH may consider information gathered to determine whether the Applicant has committed the maximum amount of private sources of funds available to the Project.

d. ADOH may consider a minimum debt service ratio of one point one five (1.15) for Projects with commitments for loan guarantees or Rental Assistance through HUD or the United States Department of Agriculture Rural Development Authority.

e. Secondary debt from an unrelated third party with a hard payment that is not based upon cash flow will be included in the calculation of the Debt Service Requirement in Section 7.1(C)(3)(b) above.

~~f. The cost of Permanent Supportive Housing Supportive Services, for Permanent Supportive Housing Projects not claiming Supportive Services points under Section 2.7(C), should be paid from cash flow and fall below the first lien holder's permanent loan and secondary debt in Section 7.1(C)(3)(e) in priority of payment unless other committed sources to fund Supportive Services are documented in the Application. If the Project includes ADOH Gap Financing, the promissory note shall include a ceiling for the cost of such Supportive Services that will be permitted to be paid from the Project's operations.~~

~~g.~~f. A reasonable investor/syndicator asset management fee may be permitted as an expense payable from available cash flow after all items in Section 7.1(C)(3)(b)-(e~~f~~).

~~h.~~g. The Deferred Developer Fee (included in Eligible Basis) shall be paid from cash flow after all items in Section 7.1(C)(3)(b)-(f)~~and fall below the cost of Permanent Supportive Housing Supportive Services (where permitted in this Plan) paid from cash flow in priority of payment~~. The Applicant must provide evidence that the Deferred Developer Fee will be paid to avoid a reduction in eligible basis. Interest on a Deferred Developer Fee note shall be simple interest that does not exceed the applicable federal rate in effect at the time the note is executed.

~~i.~~h. Subordinate debt (including ADOH Gap Financing) shall fall below the first lien holder's permanent loan, secondary hard debt~~, the cost of Permanent Supportive Housing Supportive Services (where permitted under this Plan)~~, the investor's asset management fee, and Deferred Developer Fee in priority of payment. Local Government financing shall follow ADOH Gap Financing in priority of payment. All soft financing, including seller carryback loans and Related Party Loans shall fall below ADOH Gap Financing and Local Government financing in priority of payment. The Applicant must provide evidence that any Federal soft debt will be repaid to avoid a reduction in eligible basis. Projects for which a soft Local Government deferred loan is the primary debt, and for which no provisions for payment from cash flow during the Compliance Period are included in the loan terms, will be required to defer sufficient Developer Fee to meet the Debt Service requirements in Section 7.1(C)(3)(b) above.

4. Development Budget - Form 3. Applicants shall disclose all uses of development funds including, but not limited to, funds used to build commercial and/or retail space. Costs are limited to those that are necessary to build the Project. All sources, including reserves and contingency items, must be funded from cash sources that are dedicated to the Project. With the exception of the Lease-Up Reserve, Letters of credit and cash from operations are not acceptable financing sources to cover financing gaps in the Development Budget.

   a. Acquisition costs:

      i. ADOH will limit acquisition costs in the Development Budget to the lowest of: original purchase price with documented extension fees, the "As-Is" Market Value in the appraisal submitted with the application, and the "As-Is" Market Value in the construction lender's appraisal submitted prior to equity closing. "As-If" prospective values are not an acceptable form of valuation for determination of acquisition costs. In addition:

1) Principals in common between the seller and buyer: (See definition of Principal in the definitions section of this Plan.) For Projects that include existing buildings which are currently or have been used for affordable housing, any equity or appreciation in value realized over time by a Project Principal will remain in the Project as a seller carryback loan, at an interest rate, if applicable, that does not exceed the average conventional arms-length permanent loan interest rate in both the current Projects under consideration for an award of Tax credits and Projects which have closed on equity during the six-month period preceding ADOH's announcement of Tax Credit Reservations for the current round. Example #1: A Principal purchased an apartment complex (including the land upon which the buildings are situated) for $1,000,000. A portion of the apartments are income restricted. The Principal now wishes to re-finance the apartment complex using Tax Credits. Any appreciation in the valuation of the land and buildings that is included in the Development Budget shall be sourced with a seller carryback loan as described above. Example #2: A Principal develops a parcel of land as affordable housing. The Principle now wishes to re-finance the development using Tax Credits. Any appreciation in the valuation of the land and buildings, which is included in the Development Budget (over the Total Development Costs incurred during development of the parcel), shall be sourced with a seller carryback loan as described above. Example #3: A Principle owns a parcel of vacant land and wishes to develop affordable housing on the parcel using Tax Credits. The land is conveyed to the Project Owner entity at the appraised value of the land (as further limited by Section 2.9~~7~~(R~~G~~) of this Plan). Example #4: A Principle owns an apartment complex and wishes to use Tax Credits to re-finance and convert the development to affordable housing. The development has no land use restrictions or CC&Rs on the parcel or the improvements restricting the incomes of any of the tenants. The apartment complex shall be conveyed to the Project Owner entity at the appraised value of the land and buildings (as further limited by Section 2.9~~7~~(R~~G~~) of this Plan).

2) Projects which include Acquisition/Demolition and New Construction components are limited to the "As If" Vacant Land value. The value of buildings to be demolished (or torn down to the foundation) shall not be included in the Development Budget.

3) For Projects that include Acquisition/Rehabilitation or Adaptive Re-Use components, the value of the land shall be the "As If" Vacant Land value. The remaining value of the "As-Is" Market Value of the land and buildings combined shall be allocated to the building(s).

ii. An upfront capitalized payment of a land lease may not be included in the Development Budget. Land lease payments must be evenly distributed through the term of the land lease and paid as an Operation Expense.

b. Construction Costs for Residential Floor Area in excess of the maximum square footage listed in Exhibit D(IV) shall be removed from Eligible Basis. Notwithstanding the foregoing, ADOH will not deduct excess Residential Floor Area of Rehabilitated Units for which the existing floor plan is not changing during the Rehabilitation.

c. Construction Contingency. Applications shall include a minimum hard cost contingency of five percent (5%) of the Total Direct Construction Cost line item for New Construction and seven percent (7%) of the Total Direct Construction Cost line item for all other project types. The maximum hard cost contingency for all project types is ten percent (10%) of the "Total Direct Construction Cost" line item. Rehabilitation projects and Acquisition/Demo projects may also include a hazardous waste contingency of up to seven percent (7%) of the "Total Direct Construction Cost" line item.

d. Construction Loan Finance Costs Limits. ADOH evaluates construction loan finance costs based on information provided in Commitment Letters and Letters of Interest or Intent submitted in the Application. ADOH may compare an Applicant's stated costs to industry standards and other Applications submitted during the tax credit round and may make adjustments to the Development Budget during the underwriting process.

i. ADOH will allow construction loan finance costs up to a maximum of two percent (2%) of the construction loan amount as stated in the Commitment letter or Letter of Interest or Intent prepared by the construction lender.

ii. The maximum construction interest allowable in Eligible Basis shall be calculated as follows: construction loan amount multiplied by the MONTHLY Interest Rate, divided by two (2), multiplied by the number of months in the construction phase.

iii. ADOH will reduce the construction loan costs and/or interest reserve allowed in the Development Budget if it determines the size of the construction loan is overstated and/or the interest rate is in excess of industry standards. If ADOH reduces the size of the construction loan, it shall also adjust other Development Budget line items affected by the reduction in the loan size.

e. Primary Mortgage Financing Costs Limit. ADOH evaluates primary mortgage financing costs based on the information provided in the Commitment letters and Letters of Interest or Intent submitted in the Application. ADOH may compare an Applicant's stated costs to industry standards and/or other Applications submitted during the tax credit round and may make adjustments to the Development Budget during the underwriting process. Origination and loan fees are capped at two percent (2%) of the primary loan amount.

f. Developer Fee Limits. For the purpose of the limits in the Table below, the Developer Fee also includes overhead and profit, construction management fees, non-profit fees, and all consultant and advisory fees to perform development work including but not limited to preparation of applications, and representation of the Applicant to obtain entitlements, coordinate utilities, inspect construction, purchase furniture and fixtures. The total amount of Developer Fee that can be included in Line 116 of the Development Budget shall be limited as set forth in the Table below. The total Developer Fee may be reduced if Total Eligible Basis is decreased, but the total Developer Fee in the Form 3 Development Budget submitted in the Application on the date it is first submitted shall not be increased.

Developer Fee Limits As A Percent of Total Eligible Basis in Cost Categories I-IV of the Development Budget	
Number of Units	**Percent Allowed**
1 - 30	Seventeen percent (17%)
31 - 60	Fifteen percent (15%)
61+	Fourteen percent (14%)

i. The allowable Developer Fee shall be further limited to exclude the Eligible Basis for the acquisition of the building(s) in the event that any of the Principals of the seller are related to any of the Principals of the Owner, Developer, Co-Developer or Consultant of the Project. (See definition of Principal in the definitions section of this Plan.) Applications submitted under I.R.C. §42((h)(4) may include Developer Fee for such acquisition of the building(s) if needed for feasibility and the portion of the Developer Fee for the acquisition of the building(s) is deferred in its entirety.

1) If the Project is a 9% Tax Credit Project, the portion of the Developer Fee associated with Category I in the Development Budget (acquisition cost) shall be allocated to the four percent (4%) Eligible Basis column for any Projects in which there are no Principals of the seller who are related to any Principals of the Owner, Developer, Co-Developer or Consultant to the Project.

ii. Up to forty percent (40%) of the Developer Fee may be deferred for a term no greater than fifteen (15) years to cover a gap in funding sources. Payment projections of the Deferred Developer Fee must not negatively impact the cash flow operations of the project. Applicant must demonstrate that the Deferred Developer Fee is entitled to be included in eligible basis.

iii. The portion of any Developer Fee that exceeds $2,500,000 shall be deferred. If the portion of Developer Fee that exceeds $2,500,000 represents more than 40% of the total

Developer Fee, the percentage of Developer Fee that may be deferred shall be increased accordingly.

g. Builder's Profit, Overhead, and General Requirement Limits. These limits are calculated as a percentage of line item "Subtotal Direct Construction Costs" (Cell D59 on Line 47 of Form 3 Pages 8 - 11) as set forth in the Table below:

NOTE: *General Requirements include Project-related site costs such as temporary fencing, utilities to the site during construction, job site supervision, job site office and similar costs.*

Builder's Profit, Overhead and General Requirements	**Percent of Costs**				
Project size in Units	1-15	16-30	31-45	46-60	61+
Builder's profit	06.00	05.75	05.50	05.25	05.00
Builder's overhead	03.00	02.75	02.50	02.25	02.00
General requirements	06.00	05.75	05.50	05.25	05.00
Total maximum percentage	15.00	14.25	13.50	12.75	12.00

h. Architectural and Engineering Fees. Architectural and engineering fees, including design and inspection costs that can be included in Eligible Basis shall be limited to $4,500 per Unit for acquisition/rehabilitation and the limits in the following Table for new construction, acquisition/demolition/new construction or adaptive re-use. The limits include architectural design and construction administration, structural engineering, civil engineering, mechanical engineering, electrical engineering, plumbing engineering, landscape architecture, green consultant/LEED rater/HERS Rater, and geotechnical engineering (including the soils report), and the cost of architectural design and civil engineering associated with re-zoning (prior to Application) and site plan approvals. ADOH may make reasonable reductions in the architecture budget if all of the above services are not required for the Project. Applicants with extensive off-site civil

engineering in remote areas may request a waiver, with justification and other sources to fund the off-site civil engineering and construction costs.

Architectural and Engineering Fee Limits for New Construction, Acquisition/ Demolition/New Construction and Adaptive Re-use Projects	
Number of Units	**Per Unit Allowed**
1 - 30	$9,000
31 - 60	$8,000
61+	$7,000

i. Capitalized Reserve Requirements. Capitalized Reserves included in the Development Budget are limited to the following:

   i. Lease-up Reserve. Four (4) months of Operating Expenses plus four (4) months of primary debt service must be shown in the Development Budget. All funds remaining in the lease-up reserve account at the time the Project reaches ninety-five (95%) occupancy must be used first to pay capital costs including Deferred Developer Fee with any balance remaining to be placed in the operating reserve. The partnership agreement or operating agreement must contain language restricting the use of these funds as indicated and providing control of the funds to the Equity Investor.

   ii. Operating Reserve. Four (4) months of Operating Expenses plus four (4) months of primary debt service must be shown in the Development Budget. Operating reserve funds must remain in an account solely for Project use during the Project Extended Use Period, unless recapitalized through a refinance upon completion of the fifteen (15) year Compliance Period. The Applicant must include a narrative explaining how the operating reserve will be established. Funds in the operating reserve account are used solely to cover Project Operating Expenses as defined in this Plan when revenues are not sufficient. The partnership agreement or operating agreement must contain language restricting the use of these funds.

j. Replacement Reserve. The Operating Budget shall include an annual replacement reserve in the following amounts: $250 per Unit per year for new construction of Housing for Older Persons Projects, and $350 per Unit per year for other new construction and all acquisition/rehabilitation and adaptive/re-use Projects. Replacement reserves shall not be capitalized in the Development Budget. Replacement reserves, including annual deposits less amounts spent on eligible replacements, must remain in an account solely for Project use during the Project Extended Use Period unless recapitalized through a refinance upon

completion of the fifteen (15) year Compliance Period. Funds in the replacement reserve account are used solely to cover the replacement of capitalized cost items.

k. Equity Pricing. ADOH may underwrite to the pricing in the letter of interest from the Equity Investor unless pricing is deemed unreasonable, in which case ADOH will use pricing from similar projects underwritten under this Plan to calculate the amount of Tax Credits needed for feasibility. In the event that the equity pricing increases after a Reservation is awarded, ADOH may reduce the award of Tax Credits to the amount needed for feasibility.

5. A tax credit Application submitted during any round may only include one (1) set of proposed funding sources. The ADOH will not consider multiple financial scenarios submitted with the original Application.

6. A Project will be ineligible for allocation if any of the committed funding sources in the Application will not be available in an amount or under the terms described in the Application. The ADOH may waive this limitation if the Project otherwise demonstrates financial feasibility, as determined through a Material Change Request pursuant to Section 5.5 of this Plan. Commitments for funding sources may not include any terms that would reduce the amount committed.

7. If the Project includes the Federal Home Loan Bank's Affordable Housing Program (AHP) or Local Government funding as a source in the Application, the Project must submit as applicable, a letter from the Local Government by the Application Deadline as set forth in Section 2.9(I)(2) of this Plan that is only conditioned on an award of Tax Credits and city council approval, and the AHP application prior to ADOH's announcement of tax credit reservations. In the event that the AHP or Local Government funds are not awarded, ADOH will provide the Applicant a period up to 150 days from Reservation to secure an alternative source of permanent soft funding, in the same amount(s) submitted in the Application, before making a determination that the Project is ineligible to receive an allocation of tax credits in the ~~2020~~2021 round. ADOH will delay issuance of a Carryover Allocation under Section 3.1 of this Plan until the AHP and/or Local Government funding gap is filled with an alternative permanent soft source of financing that meets the underwriting requirements in Section 7 of this Plan.

~~**D. ADOH Gap Financing and Layering Analysis.**~~

~~1. ADOH Gap Financing. ADOH Gap Financing is not available to competitive 9% LIHTC Projects during the program year covered by this Plan. While funding is not anticipated to be available, ADOH may, in its sole discretion and subject to funding availability, provide up to $1,500,000 for tax exempt Projects that are submitted by Non Profit Organizations under~~

~~Section 4 of this Plan. If available State Housing Fund (HOME, State Housing Trust Fund, National Housing Trust Fund) for Gap Financing would be awarded in accordance with the most recent State Housing Fund Program Summary and Application Guide, applicable federal regulations, and this Plan.~~

~~a. Applicants that request Gap Financing from ADOH must insert the following documents at Tab 3, directly behind Form 3: (i) a Gap Financing Application (Form 3-1), (ii) a Gap Financing Application acknowledgement executed by the person authorized to act on behalf of the Applicant entity, and (iii) the Gap Financing Fee set forth in Section 6 of this Plan. The Gap Financing Application may be downloaded from ADOH's website.~~

~~b. If awarded Gap Financing, the Applicant must request draft loan documents at least thirty days prior to any required review of the draft loan documents. ADOH reserves the right to revise its draft loan documents as it deems necessary until they are issued to be executed at the time of closing.~~

~~c. ADOH Gap Financing loans include the following terms:~~

~~i. Payment shall be the greater of: (1) an annual simple interest hard payment to be determined by ADOH during underwriting or (2) Surplus Cash Flow;~~

~~ii. Interest shall be the long term Applicable Federal Rate on the day the loan closes;~~

~~iii. Loan shall mature 20 years from the date the Project receives a Final Certificate of Occupancy, unless a waiver is approved based upon the term of the primary debt.~~

~~d. The determination regarding eligibility for ADOH Gap Financing is made during the underwriting of the Application prior to a Reservation of Tax Credits (or Determination of Qualification for Tax Credits). In order to maintain the eligibility for ADOH Gap Financing after a determination is made under Section 7.1(D)(1)(f) below, the Applicant must deliver the Project as described in the Application for Tax Credits. Any Material Changes to the Project design such as change in amenities, operating budget, units, or financing, under Section 5.5 of this Plan, may jeopardize the eligibility for ADOH Gap Financing.~~

~~e. ADOH Gap Financing may not be used as a construction loan. In the event that a Funding Agreement has been executed, and all or a portion of the funds are not necessary, ADOH will reduce the Tax Credits to the amount needed for Project feasibility based upon its underwriting.~~

~~f. In ADOH's sole discretion, Applicants with USDA or HUD-insured loans may not be eligible for ADOH HOME funds unless guarantees or equivalent security are provided to ensure full collateralization of the ADOH Gap Financing for the entire Period of Affordability.~~

~~g. The following Applications are ineligible for ADOH Gap Financing:~~

~~i. Applications in which Total Development Cost in Cell D138 on Line 126 on Pages 8 - 11 of Form 3 exceed the maximum allowable amounts of Eligible Basis in Section 7.2(A)(3) plus the total of all non-basis eligible line items on Lines 1, 3, 4, 5, 43, 64, 69, 88 - 92, 96 - 98, 105 - 106 on Pages 8 - 11 of Form 3 and to the extent they are not basis eligible, Lines 36-37, 60 - 62, and 103 on Pages 8 - 11 of Form 3. An explanation of the eligibility of Lines 36 - 37, 60 - 62, and 103 must be included in the Application and later supported by the CPA Opinion (provided at the Carryover Allocation Agreement Request Deadline or with the Bond Application, as applicable).~~

~~ii. Applications where a member of the Development Team has a past due ADOH loan payment for which no deferral is currently pending.~~

~~iii. 9% LIHTC Projects.~~

~~h. Applicants who receive a reservation for ADOH Gap Financing must complete the Environmental Review within one hundred fifty (150) calendar days of Reservation and receive an Authority to Use Grant Funds within one hundred eighty (180) calendar days of the reservation for ADOH Gap Financing and prior to execution of a Funding Agreement for State Housing Fund Gap Financing. Applicants must submit to ADOH a copy of the Environmental Review and the Authority to Use Grant Funds by the deadlines above. If this deadlines are not met, ADOH may deny the request for ADOH Gap Financing and revoke the Applicant's Determination of Qualification for Tax Credits, if Project sources and uses no longer balance.~~

~~i. If ADOH Gap Financing is awarded to a Project, all loan and related documents must be fully executed and recorded (if applicable) prior to the start of construction or the Project will lose the award of Gap Financing. The required documents include, but are not limited to, the Environmental Review, Release of Funds, Promissory Note, Deed of Trust, Covenants Conditions and Restrictions and the Funding Agreement.~~

~~j. Applicant must evidence that the Equity Partner or Equity Investor has agreed to the terms, conditions, and repayment schedule of an award of ADOH Gap Financing through a provision in the partnership or operating agreement, including priority of payment that is only subordinate to the primary debt (first lienholder), Supportive Services (to the extent permitted under this Plan), investor's asset management fee, and Deferred Developer Fee that is included in eligible basis. If Applicant fails to secure the Equity Partner/Investor approval, as evidenced in the partnership or operating agreement, ADOH may deny or revoke ADOH Gap Financing.~~

~~k. Applicant must evidence that the first lienholder has agreed to the terms, conditions, and repayment schedule of an award of ADOH Gap Financing through the execution~~

~~of a subordination agreement that is acceptable to ADOH in its sole discretion. Priority of payment shall only be subordinate to the primary debt (first mortgage and secondary hard debt), Supportive Services (to the extent permitted under this Plan), investor's asset management fee, and Deferred Developer Fee that is included in Eligible Basis. If the first lienholder is unable to agree to a form of subordination agreement that is acceptable to ADOH, the ADOH Gap Financing reservation will be rescinded and the Applicant will be required to find an alternative source of Permanent Financing to balance sources and uses.~~

~~2. Layering Analysis. A layering analysis shall be performed during at each underwriting of the Project.. ADOH takes into account all public subsidies in its layering analysis. Federal regulations prohibit the layering, or excessive use, of Federal Subsidy for any Project or activity. ADOH will coordinate with other public funding agencies that, by regulation or practice, undertake layering reviews of Projects proposed to be funded with Tax Credits.~~

~~During the layering analysis review, the ADOH may reduce the amount of ADOH Gap Financing and may also reduce Tax Credits if it determines that the Project has excess sources of permanent funds.~~

~~E.~~D. Market Demand Study Analysis

In addition to the concentration of Units criteria outlined in Section 2.2(B) of this Plan, ADOH may also limit the number of developments in a specific market or geographical area if ADOH determines that there is insufficient demand or that a proposed Project would cause an adverse impact on existing Low Income Housing developments. In the event that multiple Applications are submitted for a market area that cannot support multiple projects, ADOH may select one (1) or more Applications that best address market demand or that have less negative impact on existing Projects. If multiple Applications are submitted for a targeted market area that serves different populations (i.e. Housing for Older Persons or Households with Children), ADOH will analyze the Applications to ensure that no Project will be redundant or have an adverse impact on other Applications or existing Projects. ADOH may refuse to reserve Tax Credits to any Project if, ADOH determines that the targeted market area cannot support the Project.

ADOH may deny an application due to market conditions for the following reasons:

1. Market Demand Study does not comply with requirements in Exhibit C.
2. Market Demand Study fails to demonstrate strong new market demand for the type of low-income housing proposed.
3. Market Demand Study fails to address all salient features of a Project including, but not limited to, market rate units, multiple-use projects, commercial/retail or other non-affordable components and location in a high crime area.

4. Market Demand Study that fails to clearly describe the effective date or fails to specifically identify the age of all data and third party information, including but not limited to, demographic information and rates of population change, rental market, vacancy data and the dates of any interviews.
5. The number of Units proposed in the Application may adversely affect the financial viability of existing housing stock in the primary market area.
6. Market Demand Study fails to objectively and explicitly justify the limits of the primary market area consistent with the requirements of the Exhibit C.
7. The Market Demand Study fails to describe reasonable and appropriate ameliorating considerations for negative market information including, but not limited to, vacancy rates that exceed underwriting standards, high property or violent crime rates, and excessive gross or net capture rates.

Should ADOH determine the Market Demand Study supplied with the Application is unsatisfactory and requires additional information, the Market Demand Study shall be updated at the sole expense of the Applicant. ADOH may verify information and conclusions in the Market Demand Study through alternative sources.

~~F.~~E. Income Averaging

Owners that elect "average income" as the minimum set-aside on IRS Form 8609 pursuant to I.R.C. § 42(g)(1)(C) shall comply with each and every one of the following restrictions and requirements in addition to any federal requirements under this minimum set-aside election:

1. Only Projects requesting Tax Credits through an Application submitted under this Plan are eligible to elect the "average income" set aside. Prior Applications are ineligible;
2. The average income of the Units shall be limited to 60%;
3. The Project shall maintain the average income promised in the Application for scoring through the Extended Use Period. Failure to do so shall result in the Project (and any and all of the Projects affiliated with the Developer) to be considered out of compliance with ADOH until the average income is restored to the level promised in the Application;
4. Owners shall pay the applicable increased fee in Section 6.6;
5. 100% of the Units in the Project shall be LIHTC Units;
6. Project is not a re-syndication of a prior Allocation of Tax Credits;
7. Project's capital stack shall not include USDA Rural Development, Rental Assistance, RAD, or National Housing Trust Fund;

8. Income and rent levels shall be limited to four of the following income bands: thirty percent (30%) of AMGI, forty percent (40%) of AMGI, fifty percent (50% of AMGI, sixty percent (60%) of AMGI, seventy percent (70%) of AMGI, eighty percent (80%) of AMGI;
9. All buildings in the Project shall be included as one multiple building Project, as referenced on line 8b of IRS Form 8609;
10. Units shall be represented in the Application for Tax Credits as fixed with the defined AMGI percentage and all AMGI levels shall be dispersed evenly among all Unit sizes;
11. Any changes to the fixed defined AMGI percentage shall be a Material Change under Section 5.5 of this Plan, subject to ADOH approval. Approval after Forms 8609 are issued shall be processed through ADOH's compliance division;
12. Written approval of the syndicator, all lender(s) and the Property Manager shall be required in the Application, and with the equity closing submittal described in Section 3.2 of this Plan (if applicable), and with the 8609 package set forth in Section 3.4 of this Plan;
13. The Market Demand Study described in Exhibit C shall evidence sufficient demand for all Unit designations and rent levels proposed in the Application.

7.2 Calculation of Tax Credits

Tax Credits are awarded based on the lesser of two (2) calculations, the Eligible Basis Analysis or the Gap Analysis. Both methods are included in Form 3.

A. Eligible Basis Analysis

Tax Credits are calculated by multiplying the Eligible Basis by one hundred percent (100%) times the Applicable Fraction times the Applicable Percentage.

1. ADOH has elected to designate the following types of Projects as requiring an increase in credit of up to 130% as needed for feasibility, under I.R.C. § 42(d)(5)(B)(v) as follows. Projects which qualify under more than one of the following categories may layer those categories, if the total credit does not exceed 130%, and is needed for feasibility.
   a. Projects qualifying for participation in the Supportive Housing Set-Aside, by meeting all of the requirements in Section 2.9(P) of this Plan shall qualify for up to 130%.
   b. Projects on Tribal Land shall qualify for up to 130%.
   c. Urban Structured Parking Projects and Urban Podium Parking Projects , which are located within one-half (½) mile of a High Capacity Transit line shall qualify for up to 115%.
   d. Projects located above the Mogollon Rim in Coconino, Navajo and Apache counties shall qualify for up to 112%.
   e. Single Story Projects for Older Persons shall qualify for up to 105%.

f. Projects requiring Davis-Bacon wages shall qualify for up to 105%

2. Adjustments to Eligible Basis shall be made for the following reasons:

   a. Project qualifies under I.R.C. § 42(d)(5)(B)(i)-(iv) for an increase in credit.

   b. Federal grant funds used to finance costs pursuant to I.R.C. § 42(d)(5)(A).

   c. Amount of non-qualifying/nonrecourse financing pursuant to I.R.C. § 42(b)(1), 49(a)(1)(A).

   d. Non-qualifying units and/or excess costs related to units above the average quality standard for a Low-Income Unit pursuant to I.R.C. § 42(d)(3)(A).

   e. Cost allocable to nonresidential mixed use square footage.

   f. Historic or solar tax credits.

   g. Development costs exceeding the limits set forth in this Plan.

   h. Costs associated with unapproved waivers.

3. Maximum Allowable Eligible Basis for Total Development Cost (no waivers will be considered for this item.)

   The maximum allowable Eligible Basis for Total Development Cost shall be determined by multiplying the following cost per Unit (specific to unit type) by the number of Units of that type in the Project.

Unit Size	New Construction	Acq/Rehabilitation
Efficiency	$218,528	$138,281
One (1) Bedroom	$243,746	$150,890
Two (2) Bedroom	$296,526	$177,280
Three (3) Bedroom	$324,450	$191,242
Four(4) Bedroom	$335,161	$196,598
Five (5) Bedroom	$387,217	$222,625

   Adaptive re-use of a building shall be considered to be rehabilitation for purposes of the maximum allowable Eligible Basis for Total Development Cost. **The maximum allowable Eligible Basis for Total Development Cost for Rehabilitation shall be further limited in ADOH's sole discretion, based upon the evaluation of the rehabilitation costs and scope of work by the independent cost estimator described in Section 2.9(T)(2)(b) of this Plan.**

   Permanent Supportive Housing Projects are eligible for up to an additional $107,557 in Eligible Basis to account for the additional case management space needed to provide those services that is not needed for other Project types.

ADOH will allow Balconies, Porches, Decks or patios of up to 100 square feet that are attached to a Unit to be included in the Eligible Basis of the Project. ADOH will reduce the Eligible Basis for any Balconies, Porches patios or Decks that are in excess of 100 square feet by 1) dividing the Total Direct Construction Cost that is included in Eligible Basis by the Total Project Square Footage, 2) multiplying the resulting quotient of the calculation in the preceding phrase by the square footage of the ineligible Balconies, Porches or Decks.

For example, if the Project has the following Unit Mix, the Maximum Allowable Eligible Basis for Total Development Cost would be calculated as follows: Number of Units by Unit Size and Construction Type multiplied by the Maximum Allowable Eligible Basis for that Unit Type equals the Total Maximum Allowable Eligible Basis for that Unit Type in the Project. The Total Maximum Allowable Eligible Basis for each Unit Type are then added together to derive the Maximum Allowable Eligible Basis for Total Development Cost in Cell E138 plus Cell F138 on Line 126 of Pages 8 - 11 of Form 3. ~~Applications must meet this limit on Eligible Basis in this Section 7.2(A)(3) of this Plan in order to be eligible for ADOH Gap Financing.~~

Construction Type	Unit Size	Number of Units		Maximum Allowable Eligible Basis		Total Maximum Allowable Eligible Basis by Unit Type
New Construction	One (1) Bedroom	30	X	243,746	=	$7,312,372
New Construction	Two (2) Bedroom	15	X	296,526	=	$4,447,891
Rehabilitation	One (1) Bedroom	40	X	150,890	=	$6,035,596
Rehabilitation	Two (2) Bedroom	10	X	177,280	=	$1,772,801
Maximum Allowable Eligible Basis for Total Development Cost (for all but Permanent Supportive Housing Projects)						$19,568,660
Plus Permanent Supportive Housing/additional Eligible Basis (if applicable)						$107,557
Maximum Allowable Eligible Basis for Total Development Cost (if Permanent Supportive Housing Project)						$19,676,217

B. Gap Analysis

In addition to the limitation regarding Eligible Basis as discussed above, Projects are not awarded credits in excess of the amount necessary to make the Project feasible. ADOH will calculate the amount of annual Tax Credits reserved for a Project by taking the lesser of Eligible Basis (calculated as described above) and the net annual credits needed after subtracting all sources of

permanent funds, then adjusting for credit pricing and Equity Partner/Investor ownership percentages.

If the United States Congress acts to establish a four percent (4%) credit rate floor for four percent (4%) Tax Credits so that it is applicable to Projects receiving a ~~2020~~2021 LIHTC Allocation, such four percent (4%) credit rate will be used to underwrite all eligible Projects receiving a four percent (4%) Tax Credit.

If a four percent (4%) credit rate floor is not established for four percent (4%) Tax Credits, ADOH uses the monthly rate published by the U.S. Internal Revenue Service that is applicable to the Project at the time of underwriting. ~~will establish a credit rate to be used for underwriting based on an average of the monthly rates published by the U.S. Internal Revenue Service. The ADOH established credit rate will be announced at the Application Workshop and must be included in the Application. If credit rates are trending upward, ADOH may at its discretion use the credit rate that is published for the month during which Reservations are issued to determine the final tax credit award amount and adjust ADOH Gap Financing requested. If applicable, Projects with 2020 credits that have been forward allocated will be underwritten at the ADOH established credit rate.~~

8. COMPLIANCE MONITORING

7.1 Project Compliance Monitoring

A. Monitor and Inspect

ADOH is required to monitor and inspect Projects for compliance with I.R.C. § 42, Treasury Regulation 1.42-5, the QAP, and the terms of and provisions of the LURA. Effective January 1, 2021 final regulations amending Treasury Regulation 1.42-5, published in the Federal Register on February 26, 2019, will be used as the new monitoring requirements by ADOH for the LIHTC Program. Amendments published by the I.R.S. via Proposed Regulation REG-123027-19 will also be used for purposes of unit sampling size. ~~ADOH currently monitors for compliance under temporary regulation Revenue Procedure 2016-15. On December 31, 2020 these temporary regulations will become obsolete. In its place, final regulations amending Treasury Regulation 1.42-5, published in the Federal Register on February 26, 2019, will be used as the new monitoring requirements by ADOH for the LIHTC Program.~~

~~ADOH will monitor for compliance under temporary regulations set forth in I.R.S. Revenue Procedure 2016-15 until December 31, 2020 when final regulations amending Treasury Regulation 1.42-5 (published in the Federal Register on February 26, 2019) will take effect and be implemented by ADOH in its LIHTC Program.~~

Generally, ADOH monitors to ensure: 1) Low-Income Units are rent restricted and occupied by qualifying tenants; 2) the property as a whole is suitable for occupancy; 3) the Owner is keeping and retaining the necessary records; and 4) the Project meets the requirements (Set-Asides, income restrictions, rent skewing, affordability period, design features, amenities and services, etc.) described in the Application for Tax Credits. All funding sources (including LIHTC investor or syndicator) will be notified of all compliance issues. The initial monitoring shall occur prior to issuance of the Form 8609.

B. Publish and Institute Monitoring Procedures

The I.R.C. also requires that ADOH publish and institute monitoring procedures as part of the Plan. This compliance monitoring procedure applies to all Projects to which ADOH has allocated Tax Credits. Accordingly, Projects allocated Tax Credits since January 1, 1987, are subject to compliance monitoring except as specifically provided by the Code.

C. Compliance Manual and Training Requirements

1. Compliance Manual. ADOH has prepared a Low Income Housing Tax Credit Program Compliance Manual for all Program participants. The manual describes ADOH's compliance monitoring procedures and reporting requirements. ADOH's website, www.housing.az.gov, includes samples of all annual reports, certifications, and other documents relevant to compliance monitoring.

2. Management Agent Compliance Training. Management Agent Compliance Training is offered by ADOH on the Compliance Manual and Owners'/managers' compliance responsibilities. Property Manager must attend and be certified annually on ADOH compliance monitoring. Property Managers must submit a Compliance Training certificate with the Project annual report to ADOH.

D. Fees

The Code also allows ADOH to collect fees from Owners to cover the cost of administering the compliance-monitoring program. Annual Compliance Monitoring Fees are set forth in Section 6 above.

E. Registration with Social Serve

Applicants who receive an Allocation must agree to register the units with socialserve.com and maintain such registration with socialserve.com for the duration of the Compliance Period.

7.2 Compliance Monitoring Requirements

The Owner of a qualified LIHTC Project for which Tax Credits are allowable is required to comply with the following:

A. Qualified Tenants

Low-income Units must be occupied by tenants who meet income eligibility standards described by the Code. Tenants occupying Low-Income Units must be income qualified as required by the Code.

B. Rent Restrictions

The rents charged for Low-Income Units must be restricted as required by the Code.

C. Distribution of Units

Projects must allocate the low and moderate-income Units among the different sized Units. Low and moderate-income Units shall be distributed throughout the Project so that tenants of those Units may have equal access to and enjoyment of all common facilities of the Project.

D. Uniform Physical Condition Standards

The Owner must maintain the Project property in compliance with physical conditions standards that include local building codes.

E. Annual Report

By no later than March 15th of each year the Owner must submit the annual report that contains the following:

1. Payment of the Compliance Monitoring Fee described in Section 6.6.
2. The Annual Owner's Certification Form described in Section 8.2(H) on a form provided by ADOH.
3. A PDF format copy of the Owner's audited Financial Statements (balance sheet, profit and loss and cash flow statements) for the preceding year evidencing financial capacity and solvency.
4. The Utility Allowance Schedule as of December 31st of the reporting year.
5. The income and rent limits in effect as of December 31st of the reporting year.
6. Leases for households occupying Units for less than six (6) months in the reporting year.
7. Initial certifications and reporting year re-certifications for households over 140% of the income limit for the family size. Prior year over-income household documents need not be submitted unless specifically requested by ADOH.
8. Management Agent's Annual Compliance Training Certificate described in Section 8.1 (C)(2).
9. An updated Property Contact Sheet on a form provided by ADOH.
10. A list showing the ADOH-approved income designation for each Unit (applicable for Projects subject to the average income minimum set-aside under § 42(g)(1)(C) only).
11. Effective January 1, 2015, all LIHTC Multi-Family Housing developments are required to enter tenant events annually using the ADOH online system.

For new Projects: The first Annual Report is due the first year after the calendar year that was elected by the Owner to begin taking Tax Credits, as evidenced by the First Year Credit Election Form submitted with the Final Allocation package described in Section 3.4 of this Plan. For example, if the first credit year is ~~2020~~2021, the first report is due March 15, ~~2021~~2022.

F. Record Keeping

The Owner must maintain accurate records for each building in the low-income housing Project. These records must include:

1. The total number of Residential Rental Units in the building, including the number of bedrooms and the square footage of each Residential Rental Unit.
2. The total number of Low-Income Units in the building.
3. The total number of occupants in each Low-Income Unit.

4. The rent charged on each Residential Rental Unit in the building, including any utility allowance.
5. The Low-Income Unit vacancies in the building.
6. The number and household eligibility criteria for all special Set-Aside units in the building.
7. The rentals of the next available Units in each building including when and to whom rented.
8. The character and use of the non-residential portion of the building that was included in the building's Eligible Basis under the Code (i.e. facilities that are available on a comparable basis to all residents and for which no separate fee is charged for use of the facilities or facilities reasonably required by the Project).
9. Documentation regarding the Eligible and Qualified Basis of each building as of the end of the first year of the Tax Credit period.
10. For each low-income household:
    a. Completed rental application, including the tenants' certification of assets.
    b. Tenant income certification form, including all required signatures.
    c. Documentation supporting each household's income certification (third party verifications, asset certification, asset documentation and verification if more than $5,000 in value).
    d. Documentation of student status.
    e. For Housing for Older Persons Projects, the tenant file must include proof of date of birth and/or proof of the qualifying disability, if applicable.
    f. The initial lease showing a minimum term of six (6) full months.
    g. Household demographics, including age(s) of occupants, income, race, ethnicity, and disability status.
    h. For Projects utilizing the income averaging minimum set-aside under § 42(g)(1)(C), an updated list showing the ADOH-approved income designations for each Unit.
11. Current-year utility allowance schedule.
12. Documentation from a medical doctor licensed in Arizona or prepared by a social service or health service agency that qualifies a tenant for the Special Population and any documentation that identifies any special accommodations that the tenant may require.

G. <u>Record Retention</u>

Owners are required to keep all records for each building for a minimum of six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The Owner must

retain the records for the first year of the credit period for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

H. Annual Owner Certification

The Owner must certify the following, under penalty of perjury, at least annually through the end of the Compliance Period:

1. The Project complied with the requirements for special Set-Asides on which the Allocation was based (i.e. twenty percent (20%), thirty percent (30%), forty percent (40%) or fifty percent (50%) AMGI), as applicable.
2. At least twenty percent (20%) of the Residential Rental Units in the Project are both rent restricted and occupied by individuals whose income is fifty percent (50%) or less of the AMGI; or at least forty percent (40%) of the Residential Rental Units in the Project are both rent restricted and occupied by individuals whose income is sixty percent (60%) or less of the AMGI; or the average income is fifty-eight (58%) or less of the AMGI.
3. The Owner/Agent has received an annual tenant income certification (commonly called the "TIC") form from each low-income resident and verifying documentation to support that certification.
4. The entire Project/building was occupied by LIHTC residents and the IRS has or has not provided a waiver for the annual recertification of resident income.
5. Each Low-Income Unit was rent restricted as defined in the Code.
6. All Units in the Project are for use by the general public and are not used on a transient basis.
7. Each building in the Project is in decent, safe, and sanitary condition and in good repair taking into account local health, safety, building codes, and HUD's Uniform Physical Condition Standards. (See 24 CFR 5.703.)
8. All resident facilities included in the Eligible Basis of any building in the Project were provided on a comparable basis without a separate fee to all residents in the Project.
9. There was no change in the applicable fraction of any building in the Project (or if there was a change, a description of the change). (Applicable fraction is defined as the percentage of Qualified Basis in a building or the percentage of tax credit floor space to rentable floor space in a building, whichever is less.)
10. There has been no change in any building's Eligible Basis under the Code (or that there has been a change, with an explanation of the change).
11. A LURA is in effect for Projects receiving Allocations on or after January 1, 1990.

12. The Project complied with the requirements of all federal or state housing programs (i.e. RD assistance, HOME, Section 8, tax-exempt financing), as applicable.
13. If the Owner received its Allocation Set-Aside for Projects involving "qualified Non-Profit Organizations," the Non-Profit entity is a qualified Non-Profit Organization under I.R.C. Section 42(h), received no less than twenty-five percent (25%) of the Developer Fee, and materially participated in the operation of the development within the meaning of I.R.C. § 469(h).
14. If a Low-Income Unit in the Project becomes vacant during the year, reasonable attempts are made to rent that Unit or the next available Unit of comparable or smaller size to residents having a qualifying income before any Unit in the Project is rented to a resident not having a qualifying income.
15. If the income of the residents of a Low-Income Unit increases above 140% of the limit allowed in the Code, the next available Unit of comparable or smaller size shall be rented to residents having a qualifying income.
16. For buildings with four (4) Units or less, whether any of the Units in the building were occupied by the Owner or a Person related to the Owner for the preceding year.
17. Whether, for the preceding year, the Project was the recipient of a federal grant or other Federal Subsidy that would cause a reduction in eligible basis.
18. The state or local government unit responsible for making building code inspections did not issue a report of a violation for the Project for the preceding twelve (12) month period.
19. The Owner has not refused to lease a Unit to a rental applicant due to the rental applicant holding a HUD Section 8 voucher or certificate.
20. The Project has received no finding of discrimination under the Fair Housing Act (an adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency or an adverse judgment from a Federal court).
21. The Owner has not evicted or terminated the tenancy of any existing tenant of any Unit (other than for good cause) or increased the gross rent with respect to a Unit not otherwise permitted.
22. The Owner has notified residents of their VAWA rights in accordance with HUD's Final Rule published in the Federal Register on November 16, 2016 and ADOH's August 2, 2017 guidance.

I. Reviews and Inspections

Before ADOH issues the IRS Form 8609 or the end of the second calendar year following the year the last building in a Project is Placed in Service, whichever is first, ADOH conducts on-site

inspections of all new buildings in the Project and, the lesser of twenty percent (20%) of the Projects Low-Income Units or the number of Low-Income Units set forth in the Low Income Housing Credit Minimum Unit Sample Size Reference Chart, ADOH inspects the Units and reviews the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units.

1. ADOH conducts on-site inspections of all buildings in each low-income housing Project at least once every three (3) years, beginning after the Placed in Service date. For the lesser of twenty percent (20%) of the Project's Low-Income Units or the number of Low-Income Units set forth in the Low Income Housing Credit Minimum Unit Sample Size Reference Chart, as selected by ADOH, ADOH inspects the Units (including a sample of vacant Units) and reviews the low-income certifications, the documentation supporting such certifications, and the rent record.
2. ADOH follows HUD's inspection protocol under 24 CFR § 5.703 in conducting physical inspections. ADOH selects Units for physical inspection and reviews files only at the time of the on-site visit.

J. Miscellaneous Owner Responsibilities

In addition to the responsibilities described in this Section, the Owner must:

1. Obtain ADOH approval prior to any change in ownership. (See Section 6.5 for Administrative Fee associated with this Material Change.)
2. Obtain ADOH approval prior to any change in the management agent.
3. Notify ADOH prior to any change in Project name.
4. Perform annual tenant recertification as required by the LURA.
5. Establish the utility allowance as required by Treas. Reg. 1.42-10.
6. Comply with the program requirements relating to the source of any funding to the Project and the Fair Housing Act (42 U.S.C. § 3601 et seq.), the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794).

K. Liability

The Owner is responsible for compliance with the requirements of the Code and the QAP. ADOH shall not be liable to third parties for claims arising from an Owner's failure to comply with the requirements of the Code or the QAP.

L. Correction of Non-Compliance Condition

1. ADOH shall provide written notice of noncompliance to the Owner if:

a. ADOH has not received a complete annual certification report with attachments by the due date.

b. ADOH finds that the Project is out of compliance with any of the provisions of the Code or the terms and provisions of the LURA.

2. The Owner shall have thirty (30) calendar days from the date of notice of noncompliance to correct the annual certification report. The Owner shall have ninety (90) calendar days from the date of notice of noncompliance to correct other issues. ADOH may grant an extension of up to 180 calendar days to complete corrective action if the Owner demonstrates good cause for the extension to the satisfaction of ADOH.

3. ADOH is required to file IRS Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS within forty-five (45) calendar days of the end of the allowable correction period. ADOH must report all noncompliance issues whether corrected or not. ADOH may explain the nature of the noncompliance or failure to certify and state whether the noncompliance has been corrected. The IRS, not ADOH, shall make any determinations as to the applicability of recapture penalties.

4. In the event that the Owner fails to take corrective action within the cure period described in Section 8.2(L)(2), ADOH may commence legal action to enforce the duties and obligations of the Owner described in the LURA.

5. ADOH must perform inspections of the Project and perform on-site audits of the resident certification forms and supporting documentation throughout the first fifteen (15) years of the Compliance Period and any agreed-upon extended Compliance Period. ADOH shall notify the Owner in writing of the scheduling of any such inspection or audit.