



IOWA FINANCE AUTHORITY

Iowa Finance Authority Low-Income Housing Tax Credit Program 2012 Qualified Allocation Plan

SECTION 1. INTRODUCTION

Thank you for your interest in the Low-Income Housing Tax Credit (LIHTC) Program. The Iowa Finance Authority (IFA) administers this program in Iowa, as specified in Iowa Code Section 16.52. In accordance with Section 42 of the Internal Revenue Code (the Code), IFA has developed this Qualified Allocation Plan (QAP) to establish the criteria and process for the allocation of the housing Tax Credit to qualified rental housing developments in Iowa. IFA will implement the QAP following approval of the QAP by the IFA Board of Directors, and final approval by the Governor. This QAP shall govern the allocation year 2012 and additional Tax Credits authorized by the Heartland Disaster Tax Relief Act of 2008.

The QAP consists of three parts and two appendices:

- Part A establishes the requirements for nine percent (9%) Tax Credits.
- Part B establishes the requirements for four percent (4%) Tax Credits with tax-exempt bonds.
- Part C establishes the terms and conditions that apply to all Tax Credit funded Projects.
- Appendix 1 establishes the threshold requirements for building, construction, site, and rehabilitation that apply to all Tax Credit funded Projects.
- Appendix 2 establishes a glossary of terms.

To the extent possible, the following schedule applies to the Tax Credit Reservation Application process for nine percent (9%) Tax Credits:

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| Step 1 | Rules and QAP become final | Upon adoption and filing of the rules |
| Step 2 | Application and accompanying exhibits available based on 2012 QAP | On or about December 7, 2011 |
| Step 3 | Mandatory Developer Application training session | On or about December 13 – 15, 2011 |
| Step 4 | Nonprofit set-aside exhibits due at IFA (if applicable) | On or about January 10, 2012 |
| Step 5 | Application due at IFA | February 3, 2012 at 4:30 PM |
| Step 6 | IFA Tax Credit Reservation recommendations presented to Board | May 2012 IFA Board of Directors meeting |
| Step 7 | Issuance of 2012 Carryover Agreements | On or about July 31, 2012 |

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| Step 8 | 10% Test Submission due: Taxpayer incurs 10% of the taxpayer's reasonably expected basis | 10 months following date of Carryover Reservation |
| Step 9 | Form 8609 Application package due to IFA | 3 months prior to the deadline established by Internal Revenue Service |

PART A – REQUIREMENTS FOR 9% TAX CREDITS

SECTION 2. TAX CREDIT RESERVATION AND ALLOCATION PROCESS

2.1 Amount of Tax Credit to be Allocated. The amount of annual Tax Credit (“Per Capita Tax Credit”) authority is based on a per-capita amount derived from population estimates released by the Internal Revenue Service (IRS). In allocation year 2011, IFA’s Per Capita Tax Credit authority was \$6,549,663. 2012 Per-Capita Tax Credit is yet to be determined. In addition to Per Capita Tax Credit, IFA may have returned Tax Credit from previous Tax Credit years to allocate. IFA may also elect not to allocate a de minimis amount of Tax Credits.

2.2 Set-Asides. There will be one pool of Tax Credit with five set-asides in 2012. These set-asides are Nonprofit, Community Housing Development Organization (CHDO), Preservation, Rural, and Rural Development Preservation Demonstration. With the exceptions of the Rural Development Preservation Demonstration set-aside, after filling the Nonprofit, CHDO, Preservation, and Rural set-asides, the remaining Tax Credits will be awarded in the General Pool. All set-asides are available at the opening of the Application period. An Applicant may apply for the Nonprofit, Preservation, CHDO, and Rural set-asides, and if those set-asides are filled and the Project remains unfunded, the Project may compete in the General Pool. For 2012, the set-aside percentages are:

2.2.1 Nonprofit Set-Aside. Ten percent (10%) of the State housing Per Capita Tax Credit is set aside for Qualified Nonprofit Organizations. This Tax Credit amount cannot be used for any other purpose. IFA reserves the right to conduct due diligence to determine whether an Entity is a Qualified Nonprofit Organization.

The Applicant is required to demonstrate the involvement of a Qualified Nonprofit Organization. To qualify, the Nonprofit must meet the following requirements:

1. The Nonprofit must have a 501(c)(3) or 501(c)(4) designation from the IRS and be qualified to do business in Iowa.
2. The Nonprofit cannot be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Nonprofit Set-Aside. Nor can the Nonprofit be controlled by a for-profit organization. IFA may make a determination as to whether a Nonprofit is controlled by a for-profit.
3. The Nonprofit and/or parent Nonprofit organization must have as one of its exempt purposes the fostering of low-income housing and must have been so engaged for the two years prior to the Application submission date. The Application must demonstrate that the Nonprofits’ programs include a low-income housing component. The Application must explain how the Nonprofit will accomplish its charitable purposes, as an organization that provides low-income housing, consistent with the safe harbor or the facts and circumstances test set forth in Rev. Proc. 96-32, 1996-1 C.B. 717.
4. The Nonprofit must be an Owner Representative, either directly as a General Partner or through a wholly owned subsidiary as defined in IRC Section 42(h)(5)(d)(ii) and (iii). If the Nonprofit is one of two or more Owner Representatives, each of the Owner Representatives must be a Nonprofit organization; only one of the Nonprofit Owner Representatives must have as one of

its exempt purposes the fostering of low-income housing, and have been doing so for the two years prior to the Application submission date.

5. The Nonprofit must demonstrate its capacity and intention to materially participate (regular, continuous and substantial on-site involvement) in the operation of the Project throughout the Compliance Period.

6. The Nonprofit shall receive no less than fifty percent (50%) of the combined total of the Developer and Consultant Fee.

2.2.2 Community Housing Development Organization (CHDO) Set-Aside. Five percent (5%) of the State housing Per Capita Tax Credit is set aside for qualified CHDOs. IFA reserves the right to conduct due diligence to determine whether an entity is a qualified CHDO in the state of Iowa.

2.2.3 Preservation Set-Aside. Ten percent (10%) of the State Housing Per Capita Tax Credit is set aside for preservation of existing affordable properties where more than 50 percent (50%) of the units are currently income-restricted and rent-restricted to households at or below 60 percent (60%) area median income by Land Use Restrictive Agreement, Regulatory Agreement, or Section 8 project-based contract; or the entire Project is currently in the Section 515 Rural Rental Housing Program.

2.2.4 Rural Set Aside. Ten percent (10%) of the State housing Per Capita Tax Credit is set aside for projects located in a non-MSA city or county.

2.2.5 Noncompetitive Set-Asides

2.2.5.1 Rural Development Preservation Demonstration Set-Aside. This set-aside is for USDA-Rural Development Section 515 Rural Rental Housing Program properties that are at risk of losing affordability restrictions. No additional 2012 Per Capita Tax Credit is set aside; however, any credits that have not been awarded from the Rural Development Preservation Demonstration Set-Aside from the 2009 Second Amended Qualified Allocation Plan, the 2010 First Amended Qualified Allocation Plan, or the 2011 Qualified Allocation Plan not to exceed ten percent (10%) of the 2009, 2010, and 2011 State housing Per Capita Tax Credits, shall be carried forward for the purpose of preserving USDA-Rural Development Section 515 properties during the current allocation round.

In order to be eligible for consideration of a reservation of LIHTC, IFA staff, USDA-RD staff, and the Applicant must work together to address issues, concerns, and/or additional requirements of the Rural Development Preservation Demonstration Program. Projects will be selected to participate in the Demonstration Program through a Request for Proposal process, and when a Project is selected, the Project team will meet with IFA and USDA Rural Development State office staff to prepare a final Application for the Demonstration Program. The timeline for allocation will be established in the Request for Proposal process, and will be dependent primarily on whether the Project is ready to proceed with a funding request. Those accepted into the Demonstration Program will not be guaranteed a reservation of IFA resources. The Project must meet all QAP threshold items specific to the funding requested, as well as those additional requirements of the Demonstration Program (which additional requirements will be determined by IFA in its sole discretion based on an individualized in-depth analysis of each Project). The Project may be eligible

for a 30% basis boost. Once a Project is ready to proceed in all aspects, the Project is eligible to be considered by IFA for an allocation of resources.

This set-aside is not governed by the timetable established in Section 1, Introduction, nor are the Credits available under this section available for Applicants submitting an Application on February 3, 2012. This set-aside does not transfer into the General Pool.

2.2.5.2 Reserved Set -Aside Discontinued. The Reserved Set-Aside provided for in previous QAPs is discontinued. All tax credits remaining in the 2011 Reserved Set-Aside shall transfer to the General Pool.

2.3 Tax Credit Cap for Single Developer/Project. IFA will not allocate more than \$1,200,000 in Tax Credits to Projects being developed by a single Developer. A Developer may submit as many Projects as the Developer chooses. IFA will select which Projects are awarded Tax Credits based on the QAP. Co-developers will be allocated Tax Credits based upon the percentage of interest in the Project. For example, if a co-developer retains a fifty percent (50%) interest in the various Developer benefits realized from a Project, fifty percent (50%) of the Tax Credits will be counted against the Developer's cap. The maximum Tax Credits that will be awarded to any one Project is \$800,000.

Parties that have an Identity of Interest may be treated as a single Applicant for purposes of the cap if IFA concludes, based on the relevant facts and circumstances, that the submission of an application by one of more of the applicants is intended, in whole or in part, as a means of circumventing the annual Developer Tax Credit Cap. Consideration will be given to the familial, financial, business or any other significant relationship in the review of the Identity of Interest as it relates to the Developer cap limit.

The Tax Credit Cap for a single Developer will not limit a Developer's ability to participate in the Rural Development Preservation Demonstration Program.

SECTION 3. APPLICATION PROCESS

IFA will prepare and make an online Application available on its website at www.IowaFinanceAuthority.gov. The Application will include a prescribed Application form and exhibits. All initial and subsequent competitive and noncompetitive LIHTC Applications must be submitted using IFA's prescribed forms and method of Application. The completed Application must contain electronic signature(s) and the initial Application must be accompanied by an electronic payment for the appropriate nonrefundable Application fee(s) specified in Section 3.4.7. In the event it becomes necessary to amend the Application Package, IFA will post the amended version of the Application Package on its website at the above address. Applicants are advised to check IFA's website periodically for any amendments or modifications to the Application Package

3.1 Joint Review. IFA reserves the right to conduct joint reviews with other funding sources including any other party, loan or grant program. IFA may contact other sources to obtain information regarding the materials contained in the Application to either verify the information or to obtain independent information regarding a Project. In the event IFA obtains information from other sources, the information shall be reduced to writing. The information will be available for review after the Applications have been evaluated and Tax Credits have been reserved. In the event that additional Federal sources become available, IFA may choose to allow a simultaneous review of both LIHTC and the Federal source.

3.2 Contact with IFA Before the Application is Received. If an Applicant has a question regarding an interpretation or clarification of the QAP, IFA policies, procedures or rules related to the LIHTC Program, the question must be submitted in writing to the attention of the Tax Credit Manager, via the IFA 2012 Q&A email box established on the IFA website. The response will be placed on the website at www.IowaFinanceAuthority.gov. IFA shall not be bound by any oral or written representation made in connection with the Application or award of Tax Credit Reservations other than those provided on the website.

3.2.1 New Developer in Iowa. If the Applicant has not previously submitted an Application to IFA in previous LIHTC rounds, the Applicant shall meet with the Tax Credit Manager to review the QAP and the Application process.

3.2.2 New Tax Credit Developer. A first time Tax Credit recipient must complete at least one LIHTC Project in which all LIHTC Units have been leased at least once, in Iowa or any other state, before being allowed to submit a subsequent Application.

3.3 Contact with IFA After the Application is Received. Once the Application is received by IFA, in order to expedite the analysis of applications, IFA will notify the Applicant of any required information for supplemental or clarifying data and specify the date and time by which a response from the Applicant is expected. For initial Application submission, no changes shall be allowed that maintain or improve the score received by an Applicant. Except when contacted by IFA to clarify a threshold item within the Application, an Applicant shall not contact any IFA staff or Board members, nor shall anyone contact staff or Board on the Applicant's behalf, in order to unduly influence IFA's determination related to the award of Tax Credits. If it has been determined by IFA that a staff member or Board member has been contacted by the Applicant or a party on behalf of the Applicant, then the Application will be withdrawn by IFA from consideration for LIHTC. Following the receipt of an Application, information identifying the Applicant will be placed on the IFA website. During the evaluation period, Applications will not be made available to the public for examination and copying. After the Board approves the selections and awards Tax Credits, Applications and files are public information and available for inspection and copy in accordance with Iowa Code Chapter 22. IFA shall not be precluded from requesting any and all such information needed to properly evaluate the Application.

3.4 Application Process for Market Analysis, Threshold, and Scoring. The complete Application consists of market study and analysis, threshold review and scoring determination. Any revisions to the schedule proposed in Section 1, Introduction, will be published on IFA's website at www.IowaFinanceAuthority.gov. IFA will accept Applications on or before the Application deadline that meet the allocation criteria, so long as adequate Tax Credits are available.

3.4.1 Market Study and Analysis. IFA will commission a market study for all proposed Projects. An Applicant shall select only one of three possible tenant populations: Family, Older Persons 55 and older (80% of the tenants must be 55 or older, no tenants under age 18), or Older Persons 62 and older (all tenants must be 62 years of age or older).

3.4.1.1 Applicants are encouraged to submit any market information they believe may be helpful in determining market feasibility of their Project, including an independent market study, information from proposed service providers, information from syndicators or any other third party, or other market information the market study analyst should evaluate. All market information provided by the Applicant will be provided to IFA's commissioned market analyst. By submitting this information, Applicants are afforded the opportunity to provide input that may be important in the determination of market feasibility. However, IFA will not be bound by the opinion or conclusions reached in the Applicant's independent market study or other market information provided.

3.4.1.2 Market feasibility for a proposed Project as measured by the IFA commissioned market analyst will be based on, but not limited to, the following factors: market capture rate, market penetration rate, absorption rate, market support of Unit mix, stabilized occupancy rate, vacancy rate of comparables, rent comparisons to comparables, the overall housing market, and impact on the market and financial health of comparables in market area. If the market study or IFA's analyses of the market study (which may contain independent information obtained by IFA) do not demonstrate, at the sole discretion of IFA, that the market area will sustain the proposed Project or that additional units within a market will have a detrimental effect on existing affordable units, the Project will be rejected at threshold.

3.4.1.3 Following the review of the Market Study and Analysis, IFA may specify elements of the Application that must be changed within 14 calendar days following the initial written deficiency request (or such shorter time as IFA may reasonably require) in order for the Project to be considered feasible within the proposed market area. If the Applicant does not make the requested change(s), then the Project may fail to meet threshold by reason of market feasibility. No other Application changes other than those specified by IFA shall be allowed.

3.4.1.4 In the case of a scattered site Project, the market study will evaluate each location. If more than one site is located outside of the primary market area for the first site, an additional fee established in Section 3.4.7 must be paid for each primary market location.

3.4.2 Application for Threshold ("Application"). This Application will be used by IFA to determine if the Project has met the threshold requirements for award of Tax Credits. The

Applicant must submit the 2012 Low-Income Housing Tax Credit Application, and all required exhibits by the due date published on the website, www.IowaFinanceAuthority.gov.

IFA intends to implement and require Applicants to submit the Application and exhibits through an on-line Application system; notification will be placed on the website, www.IowaFinanceAuthority.gov, specifying the submission requirements.

3.4.2.1 No amendments to the Application will be accepted after the Application due date, except as provided by the QAP. If the amendment is submitted and causes the IFA staff to re-underwrite the Application resulting in a change to the Tax Credit requested, a change in Application fee will be collected, as specified in Section 3.4.7.

3.4.3 HOME Funds. If an Applicant is applying for State HOME funds, the Applicant must complete the HOME sections and attach the appropriate information as more fully described in the HOME Application and instructions. IFA may appoint a Joint Review Team to review Applications applying for HOME funds and Tax Credits. No additional points will be awarded to an Applicant that seeks HOME funding. IFA has the sole and final authority with respect to any reservation of Tax Credits or HOME funds. IFA will work jointly with IFA- approved participating Cities that have an allocation of City HOME funds to coordinate the application and allocation process. IFA will accept applications for City HOME funds as part of the 2012 LIHTC Application. IFA will submit the applications to the participating City and a joint review process will be conducted.

3.4.4 Nonprofit Participation. If a nonprofit organization is materially participating in the Project then the Applicant must provide information necessary for the Authority to determine if the Project is in compliance with IRC Section 42(h). If a nonprofit organization is found by the Authority to be materially participating, this designation will be recorded in the Carryover Agreement and the LURA.

3.4.5 Site Visits. IFA will make site visits as it deems necessary to review proposed Project sites and verify any of the information provided by the Applicant in the Application. IFA shall prepare a document describing the site and make it available to the Board for review in the consideration of awarding Tax Credits to Projects. Applicants may or may not be notified of a site visit. If deemed necessary by IFA, Applicants shall provide building access for inspection by Evaluators to, among other things, confirm basic structural soundness.

3.4.6 Authorization Forms. The Application must include an executed IRS Form 8821, Tax Information Authorization Form, for each Developer for sharing of information between IFA and the IRS. The Form 8821 must be provided to IFA for the Ownership Entity, at the time of Carryover Application, at the time the Project is placed in service, and annually during the Compliance Period. Members of the Qualified Development Team, as determined by IFA, must execute an Authorization to Release Information as part of the on-line application.

3.4.7 Fees. IFA shall collect the fees described below for the LIHTC Program. Electronic payment of the fees must be made payable to the Iowa Finance Authority. An Application shall not be accepted unless the Application fee accompanies the Application. The reservation fee will be due within 30 calendar days after the date of the Tax Credit Reservation letter. If the date that the reservation fee is due falls on a weekend or holiday, the fee is due on the next business day. The Carryover Allocation Agreement shall not be valid until the reservation fee is paid to the IFA. If the reservation fee is not received, IFA may withdraw the reservation of Tax Credits from the Applicant. IFA will not issue a Form 8609 until the compliance

monitoring fee is paid in full. All fees are nonrefundable, except for the following circumstances:

1. If there are residual funds after market study provisions are paid, the funds will be reimbursed on a pro-rata basis.
2. If the Applicant withdraws the Application within three business days of receipt by IFA, the Application fee will be reimbursed.

| Fee Type | All Applicants |
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| Market Study Fee (due with Application) | <p>\$6,000 – Resident Population with Special Needs Project</p> <p>\$5,000– Family/Older Persons Project</p> <p>\$6,000– Scattered Site Project for Resident Population with Special Needs Project for first location, and an additional \$3,000 for each subsequent location not in primary market area of first location</p> <p>\$5,000 – Scattered Site Project for Family/Older Persons Project for first location, and an additional \$3,000 for each subsequent location not in primary market area of first location</p> |
| Application Fee | <p>35 Units or fewer: \$1,600</p> <p>36 to 60 Units: \$2,100</p> <p>61 to 100 Units: \$2,600</p> <p>Over 100 Units: \$5,200</p> |
| Market Study Change(s) Fee | Applicant negotiates with the market study analyst and the fee is paid directly to the market study analyst |
| Change in Application Fee | \$800 each time the Applicant submits a revised Application that changes the Tax Credit amount requested, or requests amendments or changes to the Application under section 8.2, 8.3, or 8.8. |
| Reservation Fee | 1% of the total 10-year Tax Credit amount |
| 8609 Application Fee | One tenth of one percent (.1%) of the total 10-year Tax Credit amount based on the 8609 Application will be due at the time the 8609 Application is submitted to IFA. |
| Compliance Monitoring Fee | <p>\$25 per Unit x number of total Project Units; submitted annually on or before January 31 for each year of the Compliance Period and the Extended Use Period (if applicable)</p> <p>(Example: \$25 per Unit x 24-Unit Project = \$600.00 paid annually for 30 years.)</p> <p>Additional fees may apply if the Ownership Entity does not successfully elect to treat a Project as a multiple building Project on the Form 8609, if eligible to do so.</p> <p>Annual rate increases may apply.</p> <p>First annual payment must be submitted with the Form 8609 Application. The Ownership Entity has the option of paying the Compliance Monitoring Fee in advance for the entire Compliance</p> |

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| | <p>Period and the Extended Use Period (if applicable); however, additional fees may be assessed to the Property during the Compliance and Extended Use Period if annual rate increases are applied during that time.</p> <p>Other fees as provided in the Compliance Manual</p> |
| Filing of Land Use Restrictive Agreement (LURA) | Applicant will be billed for actual cost for electronic or paper filing (if electronic filing is not available in a particular county) of the LURA with the county that the Property(ies) is/are located. |
| Late Submission of the Carryover 10% Test Application, or Late Submission of the 8609 Application | If a late submission of the Carryover 10% Test or the 8609 Application is allowed by IFA, the Applicant will be billed for an additional amount equal to the Application Fee as listed above. |
| Legal Fees | <p>Legal fees incurred by IFA with respect to the Project will be assessed and billed to the Applicant, including but not limited to the following:</p> <ul style="list-style-type: none"> • Fees for research relating to irregular situations • Ownership agreements • Rental rate questions • Unusual timing situations • Specific technical questions relating to IRC Section 42 <p>Legal fees of IFA's in-house counsel will be billed at the rate of \$150 per hour. Legal fees of outside counsel will be billed at the rate charged to IFA. If IFA anticipates that legal work on a matter will exceed five hours, IFA will notify the Applicant prior to commencement of the legal work.</p> |

3.4.8 Prioritization of Review and Award of Credits. IFA will use the following priority list to review and award credits:

1. Nonprofit set-aside Applicants for all counties.
2. Community Housing Development Organization Applicants for all counties.
3. Preservation set-aside Applicants for all counties.
4. Rural project Applicants in non-MSA cities or counties.
5. General Pool Applicants for all counties.

Applications will be scored and ranked within each of these categories. If there are insufficient credits to be awarded to all Applicants within a set-aside, the Applicant will be considered in additional set-asides that were applied for in the Initial Application, and the General Pool. If a balance remains in one of the set-asides, other than the General Pool, IFA may exceed the set-aside amount in order to award the next qualifying project within the specific pool. The excess funds needed to complete the set-aside award will be drawn from the General Pool.

SECTION 4. UNDERWRITING

The Application will require the Applicant to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credits. Underwriting will be completed by IFA during the review of the Application. IFA may adjust the amount of Tax Credit based upon the underwriting. Underwriting shall be completed for a Project prior to the time a reservation is awarded, at submission of the Carryover 10% test, and before a Form 8609 is issued. The pro forma cash flow is part of the Application. If a gap in financing is discovered after underwriting the Project, the gap may be filled from the Developer's fee if the fee is sufficient not to exceed fifty percent (50%) of the fee. No other fee will be used to fill a gap in financing. IFA may require the Applicant to provide annual financial statements for the Project Developer and the Ownership Entity.

The Application will require the Applicant to supply sufficient information to allow IFA to determine whether the Project is financially feasible during the construction phase and the operational phase of the Project. The Application will require the Applicant to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity partners or private funding sources for the Tax Credits, Property tax abatements, tax increment financing, enterprise zone benefits and any other type of financing or contributions that are relevant to the economic feasibility of the Project and are available to the Project. State tax credits may be used provided that the Applicant can demonstrate that the credits will be available to the Project prior to the due date of the Carryover 10% Test submission date.

The following minimum financial underwriting requirements apply to all Projects. Projects that cannot meet the minimum requirements, as determined by IFA, will not receive Tax Credits.

4.1 Underwriting Standards.

4.1.1 Projects will be underwritten with income escalating at a minimum of two percent (2%) and operating expenses escalating at a minimum of three percent (3%), with a minimum spread of one percent (1%) required between the income and expense escalators.

4.1.2 Projects will be underwritten assuming no less than a seven percent (7%) vacancy rate and no more than a nine percent (9%) vacancy rate. For a Project qualified under Section 2.2.3, IFA will allow a five percent (5%) vacancy rate if the Property has maintained a ninety-five percent (95%) or higher annual occupancy rate for the previous three (3) years, and is currently occupied at a minimum of ninety-five percent (95%).

4.1.3 All Projects must reflect a Debt Service Coverage Ratio (DSCR) between 1.20 and 1.50 for the first 15 years. If the Debt Service Coverage Ratio falls outside of this range, the Applicant must provide a narrative to justify the deviation. If the justification is not acceptable to IFA, the Project may be rejected. A Project may exceed a 1.50 DSCR if the majority of the units of the Project will provide rents targeting extremely low income tenants that meet the Federal definition of Homeless. Also at IFA's discretion, small projects as defined in Section 4.1.4, and special needs housing may exceed the 1.50 DSCR.

4.1.4 Projects with less than 20 Units must also demonstrate \$150 per Unit per year of net cash flow for the first 15 years. This does not apply to Projects with rental assistance through RD.

4.2 Operating Expenses.

4.2.1 Housing for Older Persons: Minimum of \$2,750 per Unit per year not including taxes, reserves and resident support services.

4.2.2 Housing for Families: Minimum of \$3,250 per Unit per year not including taxes, reserves, and resident support services.

4.3 Reserves.

4.3.1 Operating Reserve. The operating reserve will be the greater of 1) \$1,500 per Unit or 2) six (6) month's debt service and operating expenses. The operating reserve must be in place for the first 10 years and be used solely to cover operating deficits. The Applicant must include a narrative explaining how the operating reserve will be established.

4.3.1.1 The Applicant may use the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section.

4.3.1.2 The operating reserve can be funded by deferring the Developer's fees of the Project.

4.3.1.3 The Ownership Entity may fund the operating reserve using an irrevocable letter of credit. The letter of credit will be released after the end of the 10-year period described in Section 4.3.1. If a letter of credit is used, the proceeds should not be included in the Project costs. The fees associated with obtaining the letter of credit may be included in Project costs.

4.3.1.4 The requirement for the operating reserve is a compliance issue and may be satisfied using the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the operating reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service. If the operating reserve will be established with the final equity payment, a letter from the syndicator or investor will be required.

4.3.2 Replacement Reserve. All Family Projects must budget replacement reserves of \$400 per Unit per year. All Older Persons Projects must budget replacement reserves of \$300 per Unit per year.

4.3.2.1 The Application will include a narrative explaining how the replacement reserve will be escrowed and used only for the replacement of capital components of the Project. The replacement reserve must be shown on the pro forma.

4.3.2.2 The requirement for the replacement reserve is a compliance issue and may be satisfied using the terms and conditions of the replacement reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the replacement reserve required

by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service.

4.4 Deferred Developer Fees.

4.4.1 Developer fees can be deferred to cover a gap in funding sources as long as:

1. The entire amount will be paid within 15 years and meets the standards required by the IRS to stay in basis;
2. The deferred portion does not exceed fifty percent (50%) of the total amount as of the full Application; and
3. Payment projections do not negatively impact the operation of the Project.

If the deferred Developer fee cannot be paid within 15 years, IFA will consider the unpaid amount to be a Developer contribution to the Project. Each of these will be determined by IFA. Nonprofit organizations must include a resolution from the Board of Directors allowing such a deferred payment obligation to the Project. The deferred Developer fee must be paid from the net cash flow and not be calculated into the minimum Debt Service Coverage Ratio.

4.5 Financing Commitment.

4.5.1 For all Projects proposing private construction and permanent financing, a letter of intent from the lending institution on their letterhead is required. This letter must clearly state the term of the permanent loan, how the interest rate will be indexed and the current rate at the time of the letter, the amortization period, fees, any prepayment penalties, anticipated security interest in the Property and lien position. The letter of intent must extend at least 6 months beyond the Application due at IFA date.

4.5.2 For all other sources, except state HOME funds and IFA-approved participating Cities with allocated HOME funds, a commitment for funding must be made in advance. This includes any other grants, loans, tax credits, etc. Documentation that specifies the value of the commitment, the purpose the funds can be used for, and time limitations related to the commitment must be provided from the Entity making the commitment.

4.5.3 Unless a request is being submitted for a loan from IFA, Applications may only include one set of proposed funding sources. IFA will not consider multiple funding scenarios. A Project will be ineligible for allocation if any of the listed funding sources will not be available in an amount and under the terms described in the Application. IFA may waive this limitation if the Project otherwise demonstrates financial feasibility. If a loan is being requested from IFA for a revolving loan program, the Applicant may submit the designated financial documents listing the IFA construction and/or permanent loan(s) listed as a source, and may submit the designated financial documents with an alternative source for the construction and/or permanent loan(s).

4.6 Developer and Builder Fees.

4.6.1 Developer fees (including overhead and profit and Consultant fees) shall not exceed the percentages described below. For new construction, the Developer's fee is calculated as a percentage of Total Project Costs minus land, Developer's fee, Developer's overhead and profit, Consultant Fees and Project reserves. For Acquisition/Rehabilitation or Rehabilitation

Projects, the Developer's fee is listed in the schedule below. The fees will be limited as follows:

| Project Type | Fee Limit |
|--|---|
| Developer fee for New Construction Projects: | |
| First 36 units within the project | Not to exceed 14% |
| Remaining units within the project above 36 | Not to exceed 12% |
| | |
| Developer fee for Acquisition/Rehabilitation or Rehabilitation Projects: | |
| Rehabilitation Portion of Acq/Rehab or Rehab Projects, including Adaptive Reuse, Historic, and Preservation Projects | Not to exceed 16% of the Total Project Costs minus land, building purchase (existing structures), Developer' fee, Developer's overhead and profit, Consultant Fees, and Project reserves. |
| Acquisition Portion of Acq/Rehab Projects, including Adaptive Reuse, Historic, and Preservation Projects | Not to exceed 8% of the purchase cost of the buildings (existing structures). |

4.6.2 Builder and general contractor fees will be limited to a total of twelve percent (12%) of the Hard Construction Costs.

4.6.3 In the event the Developer fee, Consultant fee or builder fee limits are in excess of the limits imposed, IFA will make the appropriate adjustments during the underwriting phase of the evaluation of the Applications.

4.6.4. When the General Partner of the Ownership Entity is a nonprofit organization, the Nonprofit shall receive no less than fifty percent (50%) of the combined total of the Developer and Consultant fee.

4.6.5 IFA reserves the right to limit professional fees in Section IV of the Cost and Credit Calculation of the on-line application if deemed excessive.

4.7 Other Fees and Considerations.

4.7.1 Investor Services Fees. Investor services fees are an allowable expense and shall be calculated into the minimum Debt Service Coverage Ratio.

4.7.2 Construction Contingency Funding. All new construction Projects shall have a hard cost Construction Contingency line item of no more than five percent (5%) of total Hard Construction Costs, including Builder Profit and Builder Overhead, less Construction Contingency. For Acquisition/Rehabilitation or Preservation Projects, the hard costs Construction Contingency limits will be no less than seven percent (7%) and no more than twelve percent (12%); for Adaptive Reuse and Historic Preservation Projects the hard cost Construction Contingency limits will be no less than eleven percent (11%) and no more than fourteen percent (14%) of the total Hard Construction Costs, including Builder Profit and Builder Overhead, less Construction Contingency.

4.7.3 Project Ownership. There must be a common ownership between all Units and buildings within a single Project for the duration of the Extended Use Period.

4.8 Subsidy Layering Review. HUD is required to undertake subsidy layering reviews of each Project receiving HUD housing assistance to ensure that the Applicant does not receive excessive government subsidies by combining HUD housing assistance with other forms of federal, State or local assistance. For Projects that combine HUD housing assistance with Tax Credits, HUD has delegated the subsidy layering review to IFA. HUD and IFA have entered into a Memorandum of Understanding (“MOU”) governing the procedures that IFA must follow when undertaking the subsidy layering review. Generally, the fee limits for Developer’s fee, overhead, builder’s profit and other fee limits set forth in this QAP in Sections 4.6 and 4.7 will be applied by IFA in its subsidy layering review. IFA will complete the subsidy layering review for applicable Projects after the Applicant and HUD submit relevant documentation for review at Carryover. This information includes the results of HUD’s underwriting analysis, the Applicant’s proposed development costs, and information concerning any syndication of the Project. IFA will undertake the subsidy layering review for each Project after completion of HUD’s and IFA’s underwriting, if applicable. IFA will complete a second subsidy layering review at the time the IRS Form 8609 is issued for the Project. IFA reserves the right, without amending this QAP, to amend its subsidy layering procedures as necessary to comply with changes in applicable federal law or regulations, HUD guidelines or the MOU. HOME and CDBG funding, when combined solely, with Tax Credits do not trigger the subsidy layering review process.

4.9 Unit Cost Cap. IFA shall not award LIHTC to a Project in which the cost per unit is greater than the amounts listed below less the costs of off-site land improvements. Enterprise Zone sales tax rebates and utility company rebates for energy efficiency measures will be included in the calculation of total project costs.

| All projects except those with Federal or State Historic Tax Credits | | | | |
|--|-----------|------------|------------|------------|
| 0 bedrooms | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| \$115,000 | \$130,000 | \$155,000 | \$185,000 | \$205,000 |

Unit cost caps are maximum amounts. IFA provides no guarantee that Projects at or below the Unit cost caps will be deemed financially feasible. At the time of the Carryover 10% Test or 8609 Application, if the Project costs exceed the unit cost caps, the Developer must provide a narrative explaining the extenuating circumstances and request an exception to the unit cost cap.

4.9.1 Projects receiving state and/or federal historic rehabilitation Tax Credits will be allowed to deduct the residential portion of the historic Tax Credit from the Project costs to allow for stricter rehabilitation standards and the costs of off-site land improvements, however, IFA shall not award LIHTC to a Project if the overall cost per unit is greater than the unit cost cap listed below:

| Projects with Federal or State historic rehabilitation tax credits (total project costs less residential portion of federal historic tax credits) | | | | |
|---|-----------|------------|------------|------------|
| 0 bedrooms | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| \$135,000 | \$150,000 | \$175,000 | \$205,000 | \$225,000 |

SECTION 5. THRESHOLD REQUIREMENTS - ALL DEVELOPERS\OWNERSHIP ENTITIES

To be considered for a reservation of Tax Credits, a Project must demonstrate that it meets the requirements described in this Section.

5.1 Complete Application. In order for IFA to review an Application fairly and accurately, it must be complete. If there is not adequate information provided to review the Application, and upon request from IFA to the Applicant, adequate information is not submitted, then IFA shall reject the Application. In the case that additional information is requested by IFA, the notice for information will be sent via mail, facsimile, email, or through the online Application. The Applicant will have 14 calendar days to respond to the initial written deficiency notification, as specified in the notice for information. The Applicant may contact the Tax Credit Manager or other Tax Credit staff during this period to request clarification. IFA reserves the right to contact the Applicant in other ways to clarify information contained in the Application.

5.2 Legal Ownership Entity. The Ownership Entity must be formed prior to submission of the Application. For the purposes of the Application, the Applicant is the Ownership Entity.

5.3 Location Requirements. The proposed Project must be located in an incorporated city. Applications shall not contain or propose alternate sites. Alternate sites must be presented as separate Projects with separate Applications.

5.4 Readiness to Proceed. The Applicant must be ready to proceed with the Project by documenting site Control, site suitability, adherence to building standards, and a Qualified Development Team. Refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation for related requirements. In addition, the following must also be met:

5.4.1 Appraisals

5.4.1.1 Land/Acquisition with an Identity of Interest. For land and buildings which are acquired from a party with an Identity of Interest, the Applicant must provide an appraisal by an MAI certified appraiser who is not a related party. The appraisal must be no more than 180 days old on the date that the Application is submitted to IFA. The appraisal may be submitted to IFA 30 days following the Application due date.

5.4.1.2 State HOME funded Projects. For all Projects that are requesting State HOME funds, the Applicant must provide an appraisal by an MAI certified appraiser who is not a related party. The HOME program requires the appraisal in order to determine the market value of the acquired land and/or buildings. The appraisal must be no more that 180 days old on the date that the Application is submitted to IFA. The appraisal may be submitted to IFA 30 days following the Application due date.

5.4.2 Qualified Development Team. The Application will require the Applicant to identify the Qualified Development Team also referred as QDT. The Applicant will be required to provide a narrative describing the function of each mandatory member of the Qualified Development Team and explain how the Qualified Development Team possesses the necessary experience to successfully complete the proposed Project and all other projects under construction, and that it has developed projects of comparable size and financing complexity. The qualifications of the QDT will be evaluated again at Carryover and the reservation of Tax Credits may be revoked, at the sole discretion of IFA, if the QDT is not

qualified to successfully complete the proposed Project. The Management Company/Manager must have at least one (1) year of experience successfully managing a Section 42 Property.

As part of the Application and at such other times as required by IFA, a financial background check may be completed for the Project Developer, General Partner/Managing Member, Consultant, and the Management Company, or the Affiliates of any of the foregoing. If the background check discloses any financial difficulties, risks or similar matters that IFA believes might substantially impair or harm the successful development and operation of the Project as a qualified low-income housing Project, IFA may:

1. Refuse to allow the Qualified Development Team member to participate in the Tax Credit Program;
2. Reject or disqualify an Application and cancel any Credit reservation and Carryover allocation; and/or
3. Demand additional assurances that the development, ownership, operation or management of the Project will not be impaired or harmed (such as performance bonds, pledging unencumbered assets as security, opinions of financial solvency by an independent certified public accountant, or such other assurances as determined by IFA).

5.4.3 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects. The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement and that IFA will require the Capital Needs Assessment prior to the start of construction. For the requirements related to the Capital Needs Assessment, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

5.4.4 Commitment to Notify Public Housing Authority (PHA) of Vacancies. The Application will require the Applicant to acknowledge the Commitment to Notify Public Housing Authority (PHA) of vacancies.

5.4.5 Notification of Chief Executive Officer of Local Jurisdiction. The Applicant shall provide accurate information through the online Application identifying the Chief Executive Officer of the local jurisdiction where the proposed Project is located. The letter shall include the name, address, and email address of the Chief Executive Officer of the local jurisdiction. A summary of the characteristics of the proposed Project, and an area for the Chief Executive Officer to comment on the Project will be sent by IFA through the online Application.

5.4.6 Ineligible Applicant/Significant Parties. For this Section, the term “Significant Parties” includes, but is not limited to, the Ownership Entity, the eventual owner of the Tax Credit Project, the eventual taxpayer of the Tax Credit Project, the Developer, General Partner, Managing Member, accountant, architect, engineer, financial consultant, any other consultant, management agent and the general contractor, and other Persons determined by IFA to have a commonality of Control or of personnel with any Significant Party.

5.4.6.1 The following Significant Parties and the projects with which they are associated may be ineligible to participate in the LIHTC Program and may not receive a Tax Credit Reservation, Tax Credit Allocation at Carryover time or a Form 8609:

5.4.6.1.1 Significant Parties who have been materially involved in any Project that has had unsatisfactory performance in any IFA sponsored or assisted program, as determined by IFA. This would include parties who have 90-day delinquent loans to any IFA program. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default of any agreement between the Significant Party and IFA.

5.4.6.1.2 Significant Parties who have served as an officer, director, General Partner, managing member, accountant, architect, engineer, management agent, financial consultant, or any other consultant of any Entity that has unsatisfactory performance in any IFA sponsored or assisted program, or under any agreement with or loan from IFA, as determined by IFA. This would include Entities that have one or more 90-day delinquent loans with IFA. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default between the entity and IFA.

5.4.6.1.3 Significant Parties who have been materially involved in a Project that has received from IFA or from any other state a Form 8823 on which a box in the column headed “Out of compliance” has been checked (regardless of whether the non-compliance for which the Form 8823 was issued has subsequently been corrected) or who have a history of repeated or significant Tax Credit compliance deficiencies, even if such significant Tax Credit compliance deficiencies have not resulted in an uncorrected Form 8823. IFA may consider as mitigating or aggravating factors, the number of instances of non-compliance, whether the non-compliance has been corrected, the speed with which the Project was brought back into compliance, and the degree of Control of the significant party in question over the out-of-compliance Project. Applicants are encouraged to work with the IFA Compliance staff to correct any outstanding issues prior to the Application deadline. If corrections can not be completed prior to the Application deadline, the Applicant must submit a detailed account, on the exhibit provided in the Application, of any noteworthy compliance issues or uncorrected 8823’s that have been issued with respect to properties associated with any Significant Parties. IFA issues a report, similar to an 8823, called the “Low Income Housing Tax Credit Notice of Non-Compliance –Land Use Restrictive Agreement (LURA) Extended Use Period which addresses issues that are not in compliance with the LURA to the Owner that also must be corrected.

5.4.6.1.4 Significant Parties who have been:

1. Convicted of;
2. Entered an agreement for immunity from prosecution for;
3. Received a deferred judgment or suspended sentence or judgment for; or
4. Pled guilty, including a plea of no contest to a crime of dishonesty, fraud, tax fraud, embezzlement, bribery, payments of

illegal gratuities, perjury, false statements, racketeering, blackmail, extortion, falsification, destruction of records, or crimes of violence.

5.4.6.1.5 Significant Parties who have been debarred from any program administered by IFA, by any other Iowa state agency, by an agency of any other state, or by any federal agency, such as, but not limited to, the Federal Excluded Parties List System (EPLS).

5.4.6.1.6 Significant Parties who have an Identity of Interest with any debarred entity.

5.4.6.1.7 Significant Parties who fail to disclose any direct or indirect financial or other interest a member of the Project Qualified Development Team may have with another member of the Project Qualified Development Team or with the Project.

5.4.6.1.8 An Applicant who fails to disclose all known members of the Project Qualified Development Team.

5.4.6.1.9 Significant Parties who have been removed as a General Partner or managing member by the equity investor from any previously approved LIHTC Project in Iowa or any other state.

5.4.6.1.10 Significant Parties who have voluntarily agreed to be replaced as a General Partner or managing member of any previously approved LIHTC Project in Iowa or any other state as a result of performance issues.

5.4.6.1.11 In the case of a syndicator, equity partner, private placement originator or limited partner, if during the construction period, the purchaser of Tax Credit equity withdraws; the limited partner may not be allowed to participate in an Iowa-based LIHTC Project for a period of at least five (5) years.

5.4.6.1.12 Significant Parties who, within the past ten years, have been in a bankruptcy, an adverse fair housing settlement, or an adverse civil rights settlement.

5.4.6.1.13 Developers, Ownership Entities and the General Partners/Managing Members thereof, and consultants or any other persons determined by IFA to have a commonality of control or of personnel with any thereof, who materially participated in a Project for which Tax Credits awarded in a prior Tax Credit round were returned to IFA in calendar year 2011 prior to the closing of such project's equity investment and no subsequent year tax credits were issued to replace the returned tax credits. An ownership entity or developer who returns excess tax credits at the time of the 8609 issuance is not disqualified from participating in the current tax credit funding round.

5.4.6.1.14 Developers, Ownership Entities and the General Partners/Managing Members thereof, and consultants or any other persons determined by IFA to have a commonality of control or of personnel with

any thereof, who materially participated in a Project that was awarded Tax Credits in 2010 or 2011 in which the Project costs exceeded the applicable unit cost cap at the time of the Carryover 10% Test or 8609 Application.

5.4.6.2 In the event IFA discovers that the Applicant, its Affiliates or other Significant Parties or any other Person with an Identity of Interest associated with the Project have misrepresented the certifications made consistent with this Section or Section 2.3, Tax Credit Cap for a Single Developer; or the Applicant, its Affiliates, other Significant Parties or any other Person with an Identity of Interest associated with the Project has failed to make the disclosures required by the QAP and Application; or the Applicant, its Affiliates, other Significant Parties or any other Person with an Identity of Interest associated with the Project made any material misrepresentation on the Application or in any of the documents submitted with the Application; or that the Form 8609 Part II elections are not the same as those represented on the Application, IFA may do one or more of the following: bar the offending party from applying for Tax Credits for a period of up to five years, revoke the Tax Credit Reservation awarded or issue a Form 8823 if the Project has been placed in service.

5.5 Displacement of Tenants. IFA will accept Applications that have displaced (or will displace) tenants, although involuntary permanent displacement of existing tenants is strongly discouraged. IFA reserves the right to reject any Application that fails to minimize permanent displacement of tenants and/or provide an adequate relocation plan. A formal relocation plan must be submitted with the Application if the Project scope requires any form of temporary or permanent relocation of existing tenants. The proposed relocation plan must provide an overview of the need for relocation, a proposed timeline, an estimated budget, and other information as requested in the Application to document that the need for temporary or permanent relocation of existing tenants is adequately addressed.

5.6 Confirmation of Eligibility—Rehabilitation or Acquisition. The Application will require the Applicant to confirm eligibility under IRC Section 42(d)(2)(B)(ii) (the 10-year rule) by listing each building by address, the date the building was placed in service by the Applicant from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Applicant, and the number of years between the date the building was last placed in service and the expected date of acquisition. If the number of years for any building is less than 10 years, the Applicant must explain any exception under the Internal Revenue Code which would make the building eligible for Tax Credit under IRC Section 42(d)(2)(B)(ii).

5.7 Rehabilitation Standards. The Application will require the Applicant to provide information regarding Rehabilitation Expenditures for each building as specified in Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation. The Applicant must identify, with respect to each building as required by the Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of twenty percent (20%) of the expected adjusted basis of the building or a \$25,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the twenty percent (20%) or the \$25,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the twenty percent (20%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$6,000 per Unit requirement or that there are different circumstances for each building as described by the Applicant.

5.8 Building Standards. Preliminary site plan and floor plans are to be submitted with the Application to IFA for all of the buildings in the proposed development. The Applicant must demonstrate that they have or will meet local state and federal standards that apply to the Project, and meet IFA's minimum development characteristics. For additional requirements and a list of the minimum development characteristics, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

5.9 Scattered Sites. The Applicant must submit a composite Application reflecting the total of all sites as well as separate site specific exhibits for each site included in the Project. A scattered site is a Project where multiple buildings with similar Units are not located in proximity to one another, but are owned by the same party and financed under the same agreement(s), and are located within a 20-mile radius, as determined by Google Maps (www.Googlemaps.com) using driving directions. A scattered site Project may be new construction, acquisition, rehabilitation or a combination of these types. Applicants that qualify under Section 2.2.3.1 may request an exception to the 20-mile radius requirement for scattered sites. For scattered site Projects, all units must be qualified LIHTC units.

5.10 Affirmative Marketing Plans. Each Applicant must acknowledge the Affirmative Marketing Plan requirement and that IFA will require the Applicant to submit an Affirmative Marketing Plan to IFA no less than 60 days prior to Placed in Service date.

5.11 Adequate Market. The Market Study and Analysis must demonstrate that there is adequate sustained demand for the proposed Project, and that the construction or rehabilitation of the additional affordable Units will not have an adverse impact on the existing affordable Units in the market area.

5.12 Project Score. If there are more Applicants for LIHTC than credits available, IFA will use a Project's score to rank those Projects that will be awarded credits within the prioritization established in Section 3.4.8.

5.13 Senior Projects. Senior Projects are not allowed anything greater than 2 bedrooms per unit.

SECTION 6. SCORING CRITERIA

IFA will award threshold points based on information provided in the Application or Exhibits thereto for the following items, provided adequate evidence supports the award of points for all sites within the Project. Applicants will tentatively self-score a portion of the criteria in the Application. However, IFA will make the final determination of the Applicant's score.

Resident Profile

Category 1. Serves Lowest Income Residents 0 to 20 points
Projects that provide Units that are set aside and occupied by tenants with incomes at or below forty percent (40%) AMGI and are rent restricted.
1 point for each full one percent (1%) of the total Project Units (20 points maximum)

This category is not available to an Applicant that elects points in Building Characteristics-Category 3, "Projects that are Subsidized Project-Based Rental Assistance Projects".

Category 2. Mixed Income Incentive 0 to 25 points
Projects that provide market rate Units (not eligible for Tax Credits. On-site staff Units cannot be counted for points.
1 point for each full one percent (1%) of the Units (20 points maximum)
And Serve 30% AMGI qualified tenants.
1 point for each full one percent (1%) of the Units at 30% AMGI
(5 points maximum)

In order to obtain points in category 2, the Applicant must commit to providing market rate units first and then the Applicant may be elect to provide 30% units.

Category 3. Resident Populations with Special Needs 30 points
Projects providing service-enriched housing or Assisted Living in which twenty-five percent (25%) or more of the total Project Units give preference in tenant selection to any of the following special needs populations:
Homeless Persons, including homeless individuals, families, youth, and/or veterans
Persons with a physical or mental, and/or developmental Disability
Victims of domestic violence
Frail Older Persons
Persons living with HIV/AIDS
Persons in recovery from chemical dependency

To receive points, services must be actively linked to the Project, not simply provided to the community at-large, and the Applicant must submit all requested documentation on IFA required forms at Application including, but not necessarily limited to, the following:

- Commitment to hold, pursuant to IFA's held for occupancy policy, twenty-five percent (25%) or more of the total Project Units for occupancy by the selected special needs population(s)
- Comprehensive Supportive Services Plan
- Service budget that supports the proposed services plan
- Marketing plan describing outreach to potential tenants to whom services are targeted
- Executed memorandum of understanding between the Ownership Entity or Developer, the lead service provider, and the Management Company outlining the duties and responsibilities of each party in relation to service delivery to the tenants
- Letters of intent, agreements, and/or contracts with one of more local service providers, if services will be delivered by outside organizations

Category 4. Provides an Opportunity for Homeownership 50 points
 Iowa Renter to Ownership Savings Equity (ROSE) Program: 50 points will be awarded to an Applicant who implements a bona fide long-term Iowa ROSE Program. The Iowa ROSE Program provides a savings plan for first-time homeownership for tenants in years 1 through 15, and provides a plan to sell the house to a qualified tenant at the end of the initial 15-year Compliance Period.

This category is not available to an Applicant that elects points in Resident Profile-Category 6, “Waives Right to a Qualified Contract”.

Category 5. Rent Reasonableness 20 points
 Rents for one hundred percent (100%) of the Low-Income Units are set at or below one hundred percent (100%) of fair market rent for the county of residence, as established annually by HUD. This category is not available to an Applicant that elects points in Building Characteristics-Category 3, “Projects that are Subsidized Project-Based Rental Assistance Projects”.

Category 6. Waives Right to Qualified Contract 50 points
 Ownership waives the right to ask IFA to find a buyer after year 14.

This category is not available to an Applicant that elects points in Resident Profile-Category 4, “Provides an Opportunity for Homeownership.”

Location

Category 1. Location Near Services 0 to 15 points
 The calculated distance from the Project’s Primary Address (PA) as shown in the Building Tab of the LIHTC online application and the Applicant has clearly defined the PA by listing “True”. The PA address will be used to provide distance the services that are available using existing roads that can be traveled by automobile or pedestrian is not greater than 1.0 mile from the (PA) as determined by Google Maps (www.Googlemaps.com) using driving directions. Should the PA not be shown on the Google Map(s), contact the LIHTC Manager via email prior to submission of the Application providing evidence that the PA can’t be shown on the Google Maps(s) and an explanation on why a different map (Yahoo, etc.) should be considered by IFA. The Google Map(s) must list the name of the service and show the mileage between the PA and the service location. If a scattered site project, Google Maps must be provided for all building addresses listed at all site locations. Each address of a scattered site project must meet the 1.0 mile or less requirement. All information must be provided and cannot be requested during the deficiency period since it is a scoring item. (www.Googlemaps.com).

| Services | Points |
|--|---------------|
| Full Service Grocery Store | 5 points |
| Schools (Family project only) | 5 points |
| Senior Center (Older Persons project only) | 5 points |
| Medical Services | 5 points |

Category 2. Great Places 5 points

Projects will be located in and be a part of a Great Place community approved by the Department of Cultural Affairs. The community must have a 28E agreement in place.

Category 3. Local Government Contribution 0 to 50 points

A qualified Government Entity or Political Subdivision contributes one percent (1%) of the Total Project Costs in the form of a cash contribution, gift of land or building, tax abatement (not tax exemption), tax increment financing, enterprise zone credit (equity value), enterprise zone sales tax rebate, waiver of fees, or below market interest rate loan (value calculated on imputed savings) 5 points

A qualified Government Entity or Political Subdivision contributes one percent (1%), not derived from any Federal resources, of the Total Project Costs, in the form of a cash contribution, gift of land or building, tax abatement (not tax exemption), tax increment financing, enterprise zone credit, waiver of fees, or below market interest rate loan (value calculated on imputed savings). For scoring purposes under this Category, a Government Entity or Political Subdivision contribution to a Project provided through a certified Local Housing Trust Fund (LHTF) will be considered a qualified Local Government Contribution only if the Applicant provides documentation from the LHTF that the Government Entity or Political Subdivision has made contributions to the LHTF during the current fiscal year totaling at least the amount of the proposed Local Government Contribution to the Project. The source of contributions from the Government Entity or Political Subdivision to the LHTF cannot be from any Federal resources. State HOME funds or USDA funds are not eligible sources for this category.

5 points for each full one percent (1%) of the Total Project Costs (45 points maximum)

Category 4. Underserved County 0 to 5 points

A project is located in a county that has not received an award of Low-Income Tax Credits in the last three (3) years. 5 points

Developer or Owner Contribution 0 to 5 points

Category 1. Developer or General Partner contributes cash to the Project. A cash contribution does not include a deferral of a developer fee.

1 point for each full one percent (1) of the Total Project Costs (5 points maximum)

Building Characteristics

Category 1. Market Appeal 0 to 35 points

Projects offer amenities at no cost to tenants that enhance market appeal and promote long-term viability.

- Health and wellness program on-site 0 to 10 points
- In-Unit microwave 5 points
- In-Unit laundry space with washer and dryer hook-ups 5 points
- Security System 0 to 15 points
 - Video Security System. The security system must record the activity at all doors that access each unit and all property entrances, hallways, and other common space areas except for restrooms, and at all parking lots or garages, play grounds, and walking paths. The recordings must be maintained for a minimum of 30 days. 5 points
 - Monitored Video Security System. Video Security System as described above, but which is monitored in real time by one or more persons who will contact emergency responders as deemed necessary. 10 points
 - Medical Alert System. The project must be an elderly type or one that serves a resident population with special needs. The system must be available to all tenants of

the elderly project or all tenants who have special needs. Installation and/or set-up of the system as well as monthly operating costs must be at the expense of the Project ownership. 5 points

Category 2. Projects with Historical Significance 10 points
Entire Projects that are on the National Register of Historic Places or are determined eligible for the National Register by the State Historic Preservation Officer.

Category 3. Projects that are Subsidized Project-Based Rental Assistance Projects 0 to 40 points
At least fifty percent (50%) of the Units are covered by a project-based rental assistance contract. 20 points

At least seventy-five percent (75%) of the Units are covered by a project-based rental assistance contract. 30 points

One hundred percent (100%) of the Units are covered by a project-based rental assistance contract. 40 points

A written binding commitment from a public housing authority to provide the project based assistance will also be acceptable if a contract is not yet in existence for the Project. This category is not available to an Applicant that elects points in Resident Profile-Category 1, "Serves Lowest Income Residents".

Category 4. Construction/Unit Characteristics 0 to 20 points

- Exterior construction: durability 0 to 8 points
- Doors 2 points
- Window sills 2 points
- Main entrance areas (Unit main entrance to interior) 2 points
OR covered entry and storm door (Unit main entrance to exterior)
- Storage units 6 points

Cost containment: Luxury items i.e. granite or marble countertops, will not be allowed in LIHTC Projects. The intent of the program is to provide moderate housing.

Category 5. Handicapped Accessibility (not adaptable units) 0 to 15 points

At least twenty-five percent (25%) of the LIHTC units are fully Handicapped Accessible 5 points

At least fifty percent (50%) of the LIHTC units are fully Handicapped Accessible 10 points

At least seventy-five percent (75%) of the LIHTC units are Handicapped Accessible 15 points

Should an Applicant commit to providing the above handicapped accessible units, the Project Architect must acknowledge this commitment at the time of the LIHTC Application submittal.

Category 6. Readiness to Proceed 0 to 35 points
The Applicant can demonstrate readiness to proceed (e.g. impact, need, and likelihood of completion). Such determination includes the following factors:

Capital Needs Assessment: The Applicant submits a complete Capital Needs Assessment. 15 points

Utilities: The Applicant demonstrates that all of the required Utilities are already available at the Project site, they are adequately sized for the Project, and no extensions are needed. This must be evidenced by a letter from the applicable utility companies. 10 points

Paved road: The Applicant demonstrates that the Project has direct access to an existing paved road, with no extensions needed. This must be evidenced by a letter from the municipality. 10 points

Zoning: The Applicant provides evidence that the Project site is properly zoned for its proposed use. 15points

Category 7. Impact on the Environment 0 to 10 points

All interior paints and primers comply with Green Seal standards for low VOC limits. 2 points

All adhesives comply with Rule 1168 of the South Coast Air Quality Management District. All caulks and sealants comply with Regulation 8, Rule 51 of the Bay Area Air Quality Management District. 2 points

Implement and enforce a “no smoking” policy in all common and individual living areas of all buildings. The common area does not include the public areas of the exterior grounds of the building for this “no smoking” policy. Projects that have HUD financing or HUD subsidy are not eligible. 2 points

Water heaters have a minimum energy factor (EF) of 0.61 for tank type gas and 0.93 for tank-type electric, or shall be tankless water heaters. 2 points

Water conserving measures: Toilets are high efficiency WaterSense toilets that use 1.28 gallons per flush or less; faucet aerators use 1.5 gallons per minute (gpm) or less in kitchens and 1.0 gpm or less in bathrooms; showerheads use 1.5 gpm or less. 2 points

Category 8. Energy Efficiency 0 to 20 points

Refer to Appendix 1 – Threshold Requirements for Building, Construction, Site and Rehabilitation Item G.23.

New Construction:

| | |
|--|------------------|
| <u>Home Energy Rating Systems (HERS) Index of 74 or less</u> | <u>10 points</u> |
| <u>Home Energy Rating Systems (HERS) Index of 68 or less</u> | <u>20 points</u> |

Existing Structures:

| | |
|---|------------------|
| <u>2009 International Energy Conservation Code (IECC) exceeded by 8% or more</u> | <u>10 points</u> |
| <u>2009 International Energy Conservation Code (IECC) exceeded by 15% or more</u> | <u>20 points</u> |

For new construction developments, if a project elects a lower HERS index, then the project must obtain that lower index score prior to the issuance of an 8609. For existing structures that receive a Tax Credit Reservation, an energy audit conducted by a certified home energy rater must be provided on each building prior to the preparation of the final work rehabilitation order. At the completion of the rehabilitation and prior to the issuance of an 8609, an energy audit by a certified energy rater is required to verify that the rehabilitation work on each building exceeds the standards of IECC as noted for the above score.

IFA requires an energy consultant as part of the Qualified Development Team. The Applicant is required to engage the energy consultant prior to submitting the Application. Refer to the minimum energy sufficiency standards are stated in Appendix 1, G-23.

Other

Category 1. Title Guaranty 10 points

The Applicant must certify that the Ownership Entity will obtain a Final Title Guaranty Certificate on the real estate of the Project from the Iowa Finance Authority's Title Guaranty Division prior to submittal of the 8609 package.

Category 2. Reserved

Category 3. Qualified Development Team Experience/Efficiency and Syndication Pricing. 0 to 18 points

Developer, Managing Member, or General Partner has 10 or more years of Section 42 experience and has completed at least one (1) LIHTC Project through 8609 within the last 5 years. 10points

Developer successfully closed in 2008 through 2011 a Tax Credit Project with a third party equity investment, and the syndication or third party equity investor closing was completed within 9 months of the tax credit award. 5 points

Syndication price:

If LIHTC Project is in a Metropolitan Statistical Area (MSA), the syndication price is in the upper fifty percent of MSA projects submitted in the 2012 round. 3 points

If LIHTC Project is in a non- MSA, the syndication price is in the upper fifty percent of non-MSA Projects submitted in the 2012 round. 3 points

Category 4. Reduced Developer Fee: 0 to 30 points
5 points for each full one percent (1%) reduction in Developer fee below the maximum allowed by Section 4.6.1. (30 points maximum)

Refer to the Developer fee Section 4.6.1.

Examples: 1) If the project is new construction and includes 50 units, a full 1% reduction means lowering the percentage on the first 36 units from 14% to 13% and lowering the percentage on the remaining 14 units from 12% to 11%.

2) If the project is acquisition/rehabilitation, a full 1% reduction means lowering the percentage on the rehabilitation portion from 16% to 15% and lowering the percentage on the acquisition portion from 8% to 7%.

Category 5 Project Costs 0 to10 points

For new construction projects, the Application for LIHTC includes per unit costs that are in the lower fifty percent of new construction Projects applications submitted in the 2012 round. 5 points

For Acquisition/Rehabilitation Projects, or Historic projects, the Applicant does not apply for or request acquisition tax credits 5 points

Percentage of Construction Costs to Total Project Costs (from LIHTC Application):

New Construction Projects: 67% or higher 5 points

Acquisition Rehabilitation, Rehabilitation projects, and Historic Projects: 50% or higher 5 points

6.1 Selection Criteria. Applications will be evaluated using the preference and selection criteria required in IRC Section 42. Aggregate rankings or scoring will in no way guarantee an award of Tax

Credits to a particular Applicant. During Application review and throughout the Allocation process, IFA will utilize its sound and reasonable judgment and will exercise its discretion consistent with sensible and fair business practices. IFA reserves the right not to reserve Tax Credits to any Applicant of a Project, regardless of the proposal's score. Certain selection criteria are subject to compliance monitoring and will be incorporated into the LURA and will be binding for the length of the LURA or any renewal thereof. In the event that the final scores of more than one Application are identical, the tiebreaker favors the Application requesting the least amount of tax credits per unit based on IFA's equity needs analysis.

IFA reserves the right to limit the reservation of Tax Credits to: 144 units in Polk County; 96 units in each of the other Iowa MSA central counties (Black Hawk, Dubuque, Johnson, Linn, Pottawattamie, Scott, Story, and Woodbury), and 48 units in each of the other counties except the non-central counties in an MSA which will be limited to a combined 48 units, unless IFA determines, using its sound and reasonable judgment, to award Tax Credits for a greater number of units.

6.2 Reserved

6.3 Discretion by the Board. The Board may determine that:

6.3.1 A Project shall receive a lower amount of Tax Credit than has been requested if the Project would otherwise have been awarded Tax Credit, but there is an insufficient amount of Tax Credit ceiling available to fully reserve the amount of the Tax Credit requested. The Board may award the amount of the remaining State Ceiling to the Project if the amount available is ninety percent (90%) of the underwritten Tax Credit amount. If the Applicant decides to accept the partial tender of Tax Credit, the Applicant will agree to accept the amount in full and will not request to be placed on the waiting list for additional Tax Credits unless Section 6.3.2 applies. The Applicant can request reasonable revisions to approved Application in order to address the shortfall of ten percent (10%) of the Tax Credits. IFA, in its sole discretion, can approve or deny the revision request, or may propose alternative revision(s).

If the Applicant declines to accept the offer of partial tender, or the amount of remaining Tax Credits is less than ninety percent (90%) of the underwritten Tax Credit amount, then to maximize the use of the available Tax Credits, IFA at its sole discretion, may make an offer to the next highest Project whose underwritten Tax Credit amount is eligible for a full award or partial tender of Tax Credits, pursuant to this Section.

6.3.2 Acquisition/Rehabilitation, Preservation, Adaptive Reuse or Historic Preservation Projects may apply for additional Tax Credits if Project costs exceed original cost estimates including Construction Contingency fund. A Construction Contingency fund of at least eleven percent (11%) must be included in all Acquisition/Rehabilitation, Preservation or Historic Preservation Projects. Additional Tax Credits may be granted by the Board, if excess Tax Credits are available after the Carryover Allocation Agreement is complete. IFA does not make a forward allocation of tax credits. The amount of contingency funds in the original Application may be taken into consideration when awarding additional Tax Credits. No additional Developer's fee or Consultant fee will be allowed under this section. The additional Tax Credit request may not exceed ten percent (10%) of the original Tax Credit award for the project. IFA will not accept Applications for Tax Credits under this section before May 15, 2012.

IFA will not allow additional tax credits to projects that exceed the unit cost caps.

6.3.3 A Project satisfies the preferences described in Iowa Code Section 16.4.

6.3.3.1 If the State Ceiling is not fully utilized in any year because of HOME funds being exhausted, IFA may allow the Applicant to find an alternative source (or sources) of funds with similar financing terms. Applicants must inform IFA of the new funding source (or sources) within 30 days of notification. These Projects will be subject to the same Carryover requirements of other Projects awarded in that year.

6.3.4 A Project may not be awarded Tax Credits for any of the reasons described in this Section. In the event IFA elects not to award Tax Credits to a Project for the reasons identified herein, the Board will identify the primary reasons a Project was not funded.

6.3.4.1 The Project is not needed in the community for which it has been proposed. The Board may consider the market study, any independent information IFA has obtained, including but not limited to, vacancy rate and rents in the market and affordable or subsidized housing projects, or population trends in the area.

6.3.4.2 The Project is not preferred by other Governmental Entities. IFA may consider city council resolutions. IFA may also consider whether funding commitments made by other Governmental Entities have been received by a Project.

SECTION 7. NOTICE OF THE TAX CREDIT AWARD

7.1 Tax Credit Calculation and Reservation. IFA will reserve the calculated Tax Credit amount after the development has received market approval, received financial feasibility and site approval, achieved sufficient score, has successfully submitted all requested additional documentation, and paid all fees. IFA determines the amount of Tax Credits reserved through information received and the amount requested in the Application. The actual reservation amount may not equal the dollar amount requested in the Application. The Code requires that IFA determine that “the housing credit dollar amount allocated to the development does not exceed the amount the Housing Credit Agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing Project through the Credit period.” In making this determination, IFA will consider, but is not limited to, the following:

- The sources and uses of funds and the total financing planned for the development;
- Any proceeds or receipts expected to be generated by tax benefits;
- Percentage of the housing Tax Credit dollar amount used for development;
- The reasonableness of operating expenses, rent and vacancy assumptions, and proposed debt service coverage, the development and operational costs of the proposed development;
- An analysis of the appropriate Tax Credit amount based on an “equity gap” model;
- An analysis of the appropriate Tax Credit amount based on an Eligible Basis calculation;
- An analysis of the appropriate Tax Credit amount based on the Cost Cap calculation;
- The score derived from the criteria set forth in Section 6, Scoring Criteria;
- The selection of Projects that meet the requirements of Section 2.2, Set-Asides, and
- Adequate Tax Credits are available in the 2012 funding round.

7.2 Special Considerations for Projects Located in a Qualified Census Tract. The Code allows the possibility of receiving a Tax Credit Reservation equal to one hundred thirty percent (130%) of Eligible Basis. The increased basis is allowed in areas defined by HUD as “Qualified Census Tracts” (QCT) or “Difficult Development Areas” (DDA). There are currently no HUD designated DDAs in Iowa. Applicants may request the higher basis, but IFA reserves the right to determine the Tax Credit Allocation amount required for feasible development. The 2012 LIHTC Application will provide a list of Qualified Census Tracts.

7.2.1 Community Service Facility. Tax Credit may be awarded to that portion of the building used as a Community Service Facility not in excess of twenty-five percent (25%) of the total Eligible Basis, if the building is located within a Qualified Census Tract. “Community Service Facility” may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is sixty percent (60%) or less of AMGI.

7.3 Special Considerations for Projects Located in a non-MSA City or County, or Projects Applying for Tax Credits under the Rural Development Preservation Demonstration Set-Aside. Upon the request of the Applicant, Projects in a non-MSA City or County, or Projects applying for Tax Credits under the Rural Development Preservation Demonstration Set-Aside may be designated by IFA as requiring a thirty percent (30%) increase in eligible basis in order for such Projects to be financially feasible, as allowed by the Housing and Economic Recovery Act of 2008.

7.4 Notice of Tax Credit Reservation. Once IFA has reserved Tax Credits, an electronic notice of Tax Credit Reservation shall be emailed to all approved Applicants. The effective date of the award will coincide with the date of the notice. The unsuccessful Applicant shall be notified by email that IFA did not select their Project, including an explanation as to why IFA did not select the Project.

An Applicant may not transfer Tax Credit to another development or another development site. IFA will not allow changes to the development that affect scoring after the reservation letter has been issued without its written approval. All developments receiving a reservation of Tax Credit will be required to erect an IFA construction sign meeting specifications outlined in the 2012 LIHTC Application and appendices.

7.5 Second and Third Application, and Credit Allocation. Federal law requires that IFA evaluate the Application three times: 1) At initial Application, 2) at submission of the Carryover 10% test Application, and 3) at the time the building(s) is (are) placed in service. On each occasion, the Applicant must submit a complete Tax Credit Application including a financial feasibility threshold test and certify to all Federal, State and local subsidies expected to be available to the development. IFA may choose to award the Carryover Allocation at the time of initial Application. If IFA selects this procedure, the second Application shall be due at the time that the Applicant documents that the taxpayer has incurred costs that meet ten percent of the taxpayer's reasonably expected basis. The process requires that Applicants provide detailed and accurate information concerning all development costs at each evaluation. Applicants with Reservations will be subject to cancellation of the Reservation if they are unable to provide IFA with satisfactory evidence of progress toward timely completion of the proposed development, or if there are significant changes to the proposed development from the approved Application.

7.5.1 Second Application for Carryover Agreement. All Applicants requesting a Carryover Allocation must submit all items described in IFA's current Carryover Application Package by IFA's required deadline as posted on IFA's website. A valid Carryover Allocation Agreement requires that the taxpayer shall incur costs that meet ten percent (10%) of the taxpayer's "reasonably expected basis" or total development cost by the date specified in the Carryover Agreement; however, under no circumstances later than allowed by IRC Section 42(h)(1)(E)(ii).

7.5.2 Initiation of Construction. Developments receiving Carryover Allocations must begin construction within 18 months from reservation. The Carryover Agreement will be void unless an extension has been approved by IFA. If the Ownership Entity does not comply with this requirement, IFA reserves the right to revoke the Tax Credit Allocation.

7.5.3 Third Application for IRS Form 8609. The third and final review is conducted after the development has been placed in service. IFA will again review financial feasibility, revised costs, and the equity requirement based on information provided by the Applicant in a third updated Application to determine the appropriate amount of Tax Credit to be allocated. All Ownership Entities requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 Application Package. Payment of Compliance fees referenced in Section 3.4.7 is due prior to issuance of an IRS Form 8609.

7.5.3.1 Marketable Title Requirement. As part of the Form 8609 Application Package, the Ownership Entity must provide adequate evidence that the Ownership Entity's title in the real estate on which the Project is to be located is a marketable title pursuant to Iowa Land Title Examination Standards, or other applicable law. Adequate evidence of marketable title is demonstrated by either: 1) a title opinion of an attorney authorized to practice law in Iowa showing marketable title in the Ownership Entity, or 2) a title guaranty certificate issued by the Title Guaranty Division of IFA showing the Ownership Entity as the guaranteed. In the case of leased land, a copy of the recorded lease must be provided.

7.5.4 IFA Discretion. If IFA, at any time, has reason to believe that the development: 1) will not be placed in service in a timely fashion, 2) fails to comply with the requirements for a Carryover Allocation, 3) is not in compliance with Section 42 of the Code, or 4) that the Application contains misrepresentations, IFA may revoke the Tax Credit Allocation.

7.6 Destruction of a Project Prior to Placement in Service. In the event that a Project suffers a casualty loss (such as a fire or a tornado) of a significant character prior to the Project being placed in service, such that the Project cannot be placed in service within the applicable time limitations required by Section 42 of the Code and the accompanying regulations, IFA will allow the Applicant to return the reserved or allocated Tax Credits via mutual consent in return for a binding commitment by IFA to allocate a future year's Tax Credits, in an amount not to exceed the original allocation to the Project. This section is only intended to cover those casualty losses that are not otherwise provided under Section 42 of the Code and the applicable regulations and IRS rulings (such as losses in federally declared disaster areas, for which Rev. Proc. 95-28 applies).

7.7 Waiting List. The Board, in its discretion, may establish a waiting list and adjust the order on the waiting list for any reason, including but not limited to the result of an appeal. An Applicant placed on the waiting list shall be required to reapply for Tax Credits if the Applicant seeks funding from the next cycle of Tax Credit awards. An Applicant who files a new Application for substantially the same Project already on IFA's waiting list shall be removed from the waiting list on the date that the new Application is received by the Authority. Placement on the waiting list does not imply, either directly or indirectly, that the Board will forward fund the Applicant's Project. The waiting list may be established based on financial feasibility, relative scoring, Developer concentration, geographic distribution, or any of the other criteria described in the QAP. If Unreserved Tax Credits become available, the Application will be reviewed to ensure that the Applicant continues to satisfy all of the requirements of the QAP and that if scored and ranked, the Project would have been funded according to ranking and set-asides. If the Applicant is in compliance with the QAP, the Board, at its next regular meeting, may make a Tax Credit Reservation award. On December 31, 2012, if Unreserved Tax Credits remain available and no Project listed on the waiting list can be funded in total, then the remaining credits will be combined with the available credits for the 2013 funding round for the purpose of funding the Applicants' Projects submitted in the 2013 funding round, and are no longer available to fund Projects that remain on the waiting list.

7.7.1 Prioritization of Waiting List. The Board may maintain a waiting list for Projects to be funded from unreserved Tax Credits. The Board generally shall prioritize Projects on the waiting list as follows:

1. Projects seeking additional Tax Credits pursuant to Section 6.3.2.
2. Projects placed on the waiting list following a successful appeal of a denial of Tax Credits by the Board pursuant to Section 7.10.
3. Projects placed on the waiting list as a result of a waiver of one or more administrative rules by the Board.
4. Projects that meet Threshold Requirements for the current funding round, but do not receive a Reservation of Credits because of an inadequate amount of available Tax Credits to fund the Project under Section 6.3.1, provided that the Applicant does not have an outstanding appeal under Section 7.8, or petition for a waiver of one or more administrative rules by the Board.
5. Projects that meet Threshold Requirements for the current funding round, but do not receive a Reservation of Credits because the Project was passed over due to a

single Developer exceeding the Tax Credit cap of \$1,200,000; provided that the Applicant does not have an outstanding appeal under Section 7.8, or petition for a waiver of one or more administrative rules by the Board.

Projects placed on the waiting list for any other reason may be prioritized at the Board's sole discretion. The Board, in its sole discretion, may deviate from the foregoing guidelines if it determines cause to do so exists.

Within the foregoing categories, Projects on which construction or rehabilitation has begun will be given priority over Projects on which construction or rehabilitation has not begun; and Projects from previous funding rounds will be given priority over Projects funded in the most current funding rounds, in chronological order.

7.8 Appeals. An Applicant whose Application has been timely filed and whose Project did not receive an allocation of Tax Credits may appeal the decision by filing a written notice of appeal within seven days of the award before the Iowa Finance Authority, 2015 Grand Avenue, Des Moines, Iowa 50312. Filing a notice of appeal shall not stay the Tax Credit Reservation awards made by IFA. The notice of appeal must actually be received at this address within the time frame specified to be considered timely. A written notice of appeal may also be filed by fax transmission at (515)725-4901 within seven days of the date of the award. The notice of appeal shall state the grounds upon which the Applicant challenges IFA's award.

7.8.1 Procedures for Applicant Appeal. The filing of an appeal constitutes the initiation of a contested case proceeding. The contested case will be governed by the procedures set forth in this Section, together with the contested case rules set forth in 265 IAC Chapter 7. If the provisions of this Section conflict with any of the provisions in 265 IAC Chapter 7, the provisions of this Section will govern.

7.8.2 Hearing. Upon receipt of a notice of an Applicant appeal, IFA may contact the Department of Inspections and Appeals to arrange for a hearing. A written notice of the date, time and location of the appeal hearing will be sent to the parties to the appeal. IFA shall select a presiding officer and hold a hearing on the Applicant appeal in conformance with its rules on contested cases.

7.8.3 Discovery. Any discovery requests shall be served simultaneously on the parties within 10 days of the notice of appeal. Responses to any discovery requests must be submitted to all of the parties within 10 days of receiving the discovery request.

7.8.4 Witnesses and Exhibits. Within 20 days following the notice of appeal, the parties shall contact each other regarding witnesses and exhibits. There is no requirement for witness and exhibit lists. However, the parties must meet prior to the hearing regarding the evidence to be presented in order to avoid duplication or the submission of extraneous materials. The parties may request a pre-hearing conference to discuss witnesses, exhibits or other matters relating to the hearing.

7.8.5 Settlements.

7.8.5.1 A contested case may be resolved by informal settlement. Settlement negotiations may be initiated at any stage of a contested case by the Executive Director, prosecuting attorney, or the aggrieved party. No party is required to participate in the informal settlement process.

7.8.5.2 The Executive Director shall have authority to negotiate on behalf of the Board. No party shall communicate with any Board member about settlement negotiations until a written proposal settlement is submitted to the full Board for approval, unless all parties to the settlement negotiations waive this prohibition. No proposed settlement shall be presented to the full Board for approval until it is in final, written form signed by the aggrieved party.

7.8.5.3 Waiver of notice and opportunity to be heard. The decision to enter into settlement negotiations is voluntary on the part of the parties. By entering into informal settlement negotiations, the respondent waives the right to seek disqualification of the Executive Director from being present during the Board's deliberations and the making of the contested case decision if the appeal goes to a hearing.

7.8.5.4 All proposed settlements are subject to approval of a majority of the full Board. If the Board fails to approve a proposed settlement, it shall be of no force or effect to either party and shall not be admitted into evidence during the hearing on the contested case.

7.8.5.5 A Board member who is presented with a settlement proposal pursuant to Section 9.5.3 that is rejected by the Board shall not be disqualified from adjudicating the contested case due to that participation.

7.9 Evidence for a Telephone or Network Hearing. If the hearing is conducted by telephone or on the fiber optic network, all exhibits must be delivered to the IFA office three days prior to the time the hearing is conducted. Any exhibits which have not been served on the opposing party shall be served at least seven days prior to the hearing.

7.10 Remedies on Appeal. In the event an Applicant passed the threshold requirements and is successful in demonstrating that the Applicant should have been awarded Tax Credits, the Board may place the Project on a waiting list for Unreserved or returned Tax Credits.

In the event an Applicant is successful in demonstrating that a Project was improperly determined by IFA to have not met the threshold requirements, the Board shall cause the Project to be scored. In the event the Project receives a score equal to or greater than the lowest score of any Project receiving credits in the same round, the Board may place the Project on a waiting list for Unreserved or returned Tax Credits.

7.11 Contents of Decision. The presiding officer shall issue a decision in writing that includes finding of fact and conclusions of law stated separately. The decision shall be based on the record of the contested case and shall conform with Iowa chapter 17A. The decision shall be sent to all parties by first-class mail.

7.12 Record Requirements. The record of the contested case shall include all materials specified in Iowa Code subsection 17A.12 (6). The record shall also include any requests for a contested case hearing and other relevant procedural documents regardless of their form.

7.12.1 Oral proceedings in connection with an Applicant appeal shall be recorded either by mechanized means or by certified shorthand reporters. Parties requesting that the hearing be recorded by a certified shorthand report shall bear the cost of the reporter.

7.12.2 Oral proceedings with a hearing in a case or any portion of the oral proceedings shall be transcribed at the request of any party with the expense of the transcription charged to the requesting party.

7.12.3 Copies of the tapes of oral proceedings may be obtained from the Board at the requestor's expense.

7.12.4 The recording or stenographic notes of the oral proceedings or the transcription shall be filed and maintained by the Board for at least two years from the date of the proposed decision.

7.13 **Dismissal.** A ruling dismissing all of the party's claims or a voluntary dismissal is a decision under Iowa Code Section 17A.15.

7.14 **Requests for Rehearing.** Requests for rehearing shall be made to IFA within 20 days of issuing a final decision. A rehearing may be granted when new legal issues are raised, new evidence is available, an obvious mistake is corrected, or when the decision fails to include adequate findings or conclusions on all issues. A request for rehearing is not necessary to exhaust administrative remedies.

7.15 **Judicial Review.** Judicial review of IFA's final decisions may be sought in accordance with Iowa Code Section 17A.19.

SECTION 8. POST RESERVATION REQUIREMENTS

Once a Tax Credit Reservation has been awarded, the following additional requirements will apply. Failure to comply with any provision of this Section may result in the revocation of the Tax Credit Reservation, denial of the Carryover Allocation, withholding of Form 8609, or the issuance of Form 8823.

8.1 Construction. Construction must begin on a Project within 18 months from reservation date.

8.1.1 IFA may periodically request a status report on the Project's construction timeline.

8.1.2 An IFA construction sign meeting specifications outlined in the Application and appendices must be erected at the initiation of construction.

8.1.3. Final plans and specifications must be submitted to and approved by IFA before commencing site work and construction. Plans must meet all applicable building standards and codes, minimum development characteristics, and all construction related scoring criteria for which points were awarded. Final plans must incorporate any and all remediation plans to address detrimental site characteristics.

8.1.4 Applicant must promptly inform IFA of any changes or alterations which deviate from the final plans and specifications, as approved by IFA.

8.1.5 If the site was not zoned appropriately at the time of Application, prior to commencing construction, IFA shall receive a letter or other document from the city that states appropriate zoning has been approved.

8.16 If required for the Project in Appendix 1, J, a Capital Need Assessment must be submitted to and approved by IFA prior to commencing construction.

8.1.7 For existing structures, prior to the preparation of the final work rehabilitation order and start of rehabilitation, provide a copy of the energy audit conducted by a certified home energy rater to IFA. The rater, owner, and IFA will determine the feasibility of meeting the requirements of IECC. Appropriate specifications to meet IECC standards or alternate cost-effective energy improvements must be included in the final work rehabilitation order.

8.1.8 If the Project meets the criteria set forth in Section 5.5, a copy of the final relocation plan and copy of the notice to existing tenants must be provided to IFA prior to the start of relocation.

8.2 Amendments to the Application After Award. The Ownership Entity may amend, with IFA's consent, the Application after a reservation of Tax Credits is made solely for the purpose of showing changes as described in this Section.

8.2.1 Sources and uses of funds that do not increase the amount of Tax Credits awarded.

8.2.2 A minor change in the nature of the Project or changes in partnership members, shareholders, or limited liability members. IFA will only approve an amendment to an executed Carryover Agreement due to an IFA approved project change prior to December 31 of the calendar year in which the allocation is made. The only exceptions will be for IFA administrative errors or omissions as allowed by Section 42 of the Code.

8.2.3 Site changes that are equal to or exceed the site characteristics of the site first described in the Application. A site change will be permitted only if in IFA's sole discretion the substituted site does not reduce the number of points awarded during the evaluation process, it is within the same city, and the request for such site change is submitted sufficiently in advance to permit IFA to approve the site change prior to December 31 of the calendar year in which the tax credit allocation is made. IFA will only approve an amendment to an executed carryover agreement due to an IFA approved project change prior to December 31 of the calendar year in which the allocation is made. The only exceptions will be for IFA administrative errors or omissions as allowed by Section 42 of the Code.

8.3 Material Changes. If, upon the submission of the Carryover Application or the Form 8609 Application, or at any other time, it is determined that the Project is not substantially the same as the Project described in the Application, the Project will not receive an allocation of Tax Credit Reservation, or the amount of the Tax Credit will be adjusted, or an IRS Form 8823 will be issued. It is expected that the Projects will be the same as were originally scored under this QAP.

8.3.1 Generally, changes in the total number of Tax Credit Units, number of bedrooms per Unit mix, tenant mix (low-income/market rate), and amenities, are deemed to be material, and are not permitted.

8.3.2 Changes in the number of buildings and Units contained in each building will be allowed if changes are required by local regulatory codes and the Applicant has obtained written approval from IFA prior to making the changes.

8.3.3 Failure to notify IFA of a material change will result in the revocation of the Tax Credit Reservation, denial of the Carryover Allocation, withholding of Form 8609, or the issuance of Form 8823.

8.3.4 Generally a change in the Project minimum set-aside requirement from 20-50 to 40-60 is deemed to be material and is not permitted.

8.4 Transfers. Tax Credit Reservation and Carryover Allocations are not transferable. Form 8609 allocations will be issued only in the name of the Ownership Entity named in the Application. Transfers subsequent to the issuance of the Form 8609 allocation are subject to the LURA and to the provisions of Sections 42(d) (7) and 42(j) of the Code.

8.5 Return of Tax Credit. Allocations of Tax Credit may only be returned in accordance with applicable U.S. Treasury Regulations on a date agreed upon by IFA and the Ownership Entity or in accordance with the provisions of Section 7.6.

8.6 Agreement with PHA. The Ownership Entity must have a written agreement with the PHA, in the form provided by IFA, and signed by both the Ownership Entity and the PHA, and this agreement must be included in the Form 8609 Application Package.

8.7 Form 8609. All Applicants requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package. The Ownership Entity must complete and sign Part B of the Form 8609 before IFA will sign Part A.

Owners and Management Companies of developments are required to attend compliance training that is either approved or conducted by IFA prior to receiving the Form 8609 from IFA. At the time the Form 8609 Application Package is submitted, a Certificate of Training on compliance for the General Partner

and Property Manager shall be provided. The date for the Certificate of Training shall be issued no earlier than 12 months from the time that the Form 8609 Application is submitted.

8.7.1 Owner must certify that construction of paved road is complete, as set forth in Appendix 1.D.

8.7.2. Owner must certify that Utilities are available at the Project site, as set forth in Appendix 1.E.

8.8 Change in General Partner, Majority Shareholder or Managing Member. In the event there is a proposed change in a General Partner, majority shareholder of a corporation or majority membership of a limited liability company after the reservation of Tax Credits is issued, IFA shall be notified by the partnership, corporation or limited liability company to obtain approval prior to the effective date of such change. The new General Partner or new majority shareholder shall agree to meet the requirements described in the QAP before IFA shall consent to the change. If the requirements outlined in the QAP are not met, the request for transfer may not be approved. If IFA is not notified of a change in the General Partner, IFA may deny the issuance of the Carryover Allocation, withhold the Form 8609 or issue a Form 8823. IFA will not allow any change in the General Partner, majority shareholder or managing member prior to the issuance of the Project 8609.

8.9 Prior to Placed in Service Date. Sixty (60) days prior to the Placed in Service Date, a copy of the Affirmative Marketing Plan must be submitted to IFA.

8.9.1 Prior to the Placed in Service Date, for new construction Projects with three stories or less, the Owner must provide IFA a copy of the home energy rating report as performed by a certified HERS rater. The Project must receive a final HERS index of 80 or less.

8.9.2 Prior to the Placed in Service Date, for new construction Projects with four stories or more, the Owner must provide IFA documentation by an independent licensed engineer that the Project exceeds ASHRAE 90.1 Appendix G-2004 by at least fifteen percent (15%).

8.9.3 Prior to the Placed in Service Date, for existing structures, the Owner must provide IFA a copy of the energy audit by a certified energy rater that verifies that the recommended energy performance measures established in the final rehabilitation work order were installed correctly.

8.9.4 Prior to the 8609 Application, provide IFA verification that the replacement and operating reserves have been established, and the terms and conditions have been met.

8.9.5 Prior to the Placed in Service Date, provide IFA a copy of the Notification to the Public Housing Authority, as set forth in Section 5.4.4.

8.9.6. For Projects receiving points under the scoring criteria for Resident Population with Special Needs, provide a written plan for implementing IFA's held for occupancy policy prior to Placed in Service Date.

PART B – REQUIREMENTS FOR 4% TAX CREDITS WITH TAX-EXEMPT BONDS

SECTION 9. TAX-EXEMPT BOND FINANCED PROJECTS CREDIT RESERVATION AND ALLOCATION PROCESS

Under IRC Section 42(h)(4), Projects financed with tax-exempt bonds may be entitled to thirty percent (30%) present value Tax Credits not subject to the State Ceiling and without the need to participate in the competitive round. The requirements for a Project using tax-exempt bond financing are as follows:

9.1. Private Activity Bond Cap. The bonds to finance the Project must have received an allocation of private activity bond cap pursuant to IRC Section 146 and Iowa Code Chapter 7C. Additionally, principal payments on the bonds must be applied within a reasonable period to redeem the bonds. Tax Credits are allowed for that portion of a Project’s Eligible Basis that is financed with the tax-exempt bonds. If fifty percent (50%) or more of a Project’s aggregate basis (land and building) is so financed, the Project is entitled to Tax Credits for up to the full amount of Eligible Basis.

9.2 Allocation Through IFA. Projects financed with tax-exempt bonds are required to apply to IFA for an allocation and for a determination that the Project satisfies the requirements of the QAP. If the Project utilizes a federal lending program or a lending program available through Fannie Mae or Freddie Mac, IFA may accept the underwriting and market study information approved by that lending Entity.

9.3 Application Criteria. Except as provided in this Section, a Project using tax-exempt financing must satisfy all of the underwriting and threshold requirements stated in Part B, Part C-Terms and Conditions, and Appendix 1, Threshold Requirements for Building, Construction, Site, and Rehabilitation to be considered for Tax Credits. A market study, completed within the past six (6) months, is required to be submitted by a disinterested third party analyst. If IFA believes there is inadequate demand or proposed occupancy rates would impact long-term feasibility, IFA can require a written analysis of the market study by a market study analyst of IFA’s choosing. The Applicant shall agree to pay the cost of the written analysis. The Ownership Entity must fulfill all post-award requirements and must keep the Project in compliance for the Extended Use Period. The Project will be subject to the compliance monitoring requirements of Section 13.14.

All of the Low-Income Units shall be generally distributed in terms of location and number of bedrooms throughout the Project. The Low-Income Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those Units which are available to other tenants.

9.4 Application Process. Applicant may submit an online Application at any time at www.IowaFinanceAuthority.gov in accordance with the following process. Applicants are advised to check IFA’s website periodically for any amendments or modifications to the Application Package.

9.4.1 The Applicant must submit a request for Tax Credits to IFA after the issuer of the bonds has approved an “inducement” resolution for the Project. If the Project is seeking mortgage insurance through the Federal Housing Administration (FHA), or credit enhancement from another source, the Applicant should submit the request to IFA after the FHA or the credit enhancer has approved a preliminary mortgage amount.

9.4.2 The Tax Credit request must be submitted in accordance with the QAP and Application that is in effect at the time of the request. These QAP and Application requirements, including fees, will also be used in the Form 8609 Application process.

9.4.3 IFA will review the Application, determine whether the Project is eligible and meets the requirements of the QAP, and make an initial determination of the Project's Tax Credit amount.

9.4.4 If the Project loan will be FHA-insured, IFA will complete a HUD-required subsidy-layering review to assure that the Project complies with HUD guidelines pursuant to Section 911 of the 1992 Housing and Community Development Act (combining Tax Credits with HUD assistance).

9.4.5 After satisfactory review and if a Project satisfies the QAP requirements, IFA will provide the Applicant and the bond issuer with a 42(m) letter confirming that the Project satisfies the requirements of the QAP and stating the preliminary amount of Tax Credits for the Project. At the time the letter is sent, IFA will request that the issuer confirm IFA's determination of the Tax Credit amount. In the event IFA is the issuer, its own calculations shall be deemed sufficient to fulfill this requirement.

9.4.6 The Project must be placed in service no later than 24 months following the date of the bond issuance.

9.4.7 The Applicable Percentage is established at either the month in which the building is placed in service, or at the Ownership Entity's election, the month in which the bonds are issued. If the latter is desired, the election statement must be signed by the Ownership Entity, notarized and submitted to IFA before the close of the fifth calendar day following the month in which the bonds are issued.

9.4.8 In the year in which the Project is placed in service, the Ownership Entity must request a final allocation of Tax Credits in accordance with deadlines posted on IFA's website. IFA will provide a Form 8609 Application Package for final allocation requests.

9.4.9 Tax-exempt Projects are required to enter into a LURA for a 30-year period, which will govern the low-income use and any other QAP requirements, and to follow the same final allocation Application process as Projects awarded Tax Credits in the competitive round.

9.4.10 Special Considerations for Projects Located in a Qualified Census Tract. The Code allows the possibility of receiving a Tax Credit Reservation equal to one hundred thirty percent (130%) of Eligible Basis. The increased basis is allowed in areas defined by HUD as "Qualified Census Tracts" (QCT) or "Difficult Development Areas" (DDA). There are currently no HUD designated DDAs in Iowa. Applicants may request the higher basis, but IFA reserves the right to determine the Tax Credit Allocation amount required for feasible development. A map of the census tract showing the Project location must be submitted with the Application for Tax Credit. The 2012 LIHTC Application will provide a list of Qualified Census Tracts. IFA may, on a case-by-case basis, pursuant to Section 10.8.1 allow a Project in a QCT to exceed the unit cost cap specified in Section 10.8.

9.4.10.1 Community Service Facility. Tax Credit may be awarded to that portion of the building used as a Community Service Facility not in excess of ten percent (10%) of the total Eligible Basis, if the building is located within a Qualified Census Tract. “Community Service Facility” may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is sixty percent (60%) or less of AMGI.

9.4.11 Site Visits. IFA will make site visits as it deems necessary to review proposed Project sites and verify any of the information provided by the Applicant in the Application. Applicants may or may not be notified of a site visit. If deemed necessary by IFA, Applicants shall provide building access for inspection by Evaluators to, among other things, confirm basic structural soundness.

9.4.12 Authorization Forms. The Application must include an executed IRS Form 8821, Tax Information Authorization Form, for each Developer for sharing of information between IFA and the IRS. The Form 8821 must be provided to IFA for the Ownership Entity, at the time of Carryover Application, at the time the Project is placed in service, and annually during the Compliance Period. Members of the Qualified Development Team, as determined by IFA, must execute an Authorization to Release Information as part of the online Application.

9.4.13 Fees. IFA shall collect the fees described below for the LIHTC Program. Electronic payment of the fees must be made payable to the Iowa Finance Authority. An Application shall not be accepted unless the Application fee accompanies the Application. The reservation fee will be due within 30 calendar days after the date of the Tax Credit Reservation letter. If the reservation fee is not received, IFA may withdraw the reservation of Tax Credits from the Applicant. IFA will not issue a Form 8609 until the compliance monitoring fee is paid in full. All fees are nonrefundable, except if the Applicant withdraws the Application within three business days of receipt by IFA, the Application fee will be reimbursed.

| Fee Type | All Applicants |
|---------------------------|--|
| Application Fee | 35 Units or fewer: \$1,600 36 to 60 Units: \$2,100 61 to 100 Units: \$2,600 Over 100 Units: \$5,200 |
| Change in Application Fee | \$800 each time the Applicant submits a revised Application that changes the Tax Credit amount requested, or requests amendments or changes to the Application under section 12.1, 12.2 or 12.6. |
| Reservation Fee | 1% of the total 10-year Tax Credit amount |
| 8609 Application Fee | One tenth of one percent (.1%) of the total 10-year Tax Credit amount based on the 8609 Application will be due at the time the 8609 Application is submitted to IFA. |
| Compliance Monitoring | \$25 per Unit x number of total Project Units; submitted annually on or before January 31 st for each year of the |

| | |
|---|--|
| | <p>Compliance Period and the Extended Use Period (if applicable)</p> <p>(Example: \$25 per Unit x 24-Unit Project = \$600.00 paid annually for 30 years.)</p> <p>Annual rate increases may apply.</p> <p>First annual payment must be submitted with the Form 8609 Application.</p> <p>Other fees as provided in the Compliance Manual</p> |
| Filing of Land Use Restrictive Agreement (LURA) | Applicant will be billed for actual cost for electronic or paper filing (if electronic filing is not available in a particular county) of the LURA with the county that the Property(ies) is/are located. |
| Late Submission of the 8609 Application | If a late submission of the 8609 Application is allowed by IFA, the Applicant will be billed for an additional amount equal to the Application Fee as listed above. |
| Legal Fees | <p>Legal fees incurred by IFA with respect to the Project will be assessed and billed to the Applicant, including but not limited to the following:</p> <ul style="list-style-type: none"> • Fees for research relating to irregular situations • Ownership agreements • Rental rate questions • Unusual timing situations • Specific technical questions relating to IRC Section 42 <p>Legal fees of IFA's in-house counsel will be billed at the rate of \$150 per hour. Legal fees of outside counsel will be billed at the rate charged to IFA. If IFA anticipates that legal work on a matter will exceed five hours, IFA will notify the Applicant prior to commencement of the legal work.</p> |

9.4.14 Discretion by the Board. The Board in its discretion, may determine whether to award Tax Credits to a Project using tax-exempt financing and applying for Tax Credits pursuant to the QAP.

9.4.15 New Developer in Iowa. If the Applicant has not previously submitted an Application to IFA in previous LIHTC rounds, the Applicant shall meet with the Tax Credit Manager to review the QAP and the Application process prior to submitting an Application.

9.4.16 New Tax Credit Developer. A first time Tax Credit recipient must complete at least one LIHTC Project in which all LIHTC Units have been leased at least once, in Iowa or any other state, before being allowed to submit a subsequent Application.

SECTION 10. UNDERWRITING

The Application will require the Applicant to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credits. Underwriting will be completed by IFA during the review of the Application. IFA may adjust the amount of Tax Credit based upon the underwriting. Underwriting shall be completed for a Project prior to the time a reservation is awarded and before a Form 8609 is issued. The pro forma cash flow is part of the Application. If a gap in financing is discovered after underwriting the Project, the gap may be filled from the Developer's fee if the fee is sufficient. No other fee will be used to fill a gap in financing.

The Application will require the Applicant to supply sufficient information to allow IFA to determine whether the Project is financially feasible during the construction phase and the operational phase of the Project. The Application will require the Applicant to provide information regarding loans, grants, equity contributions, the anticipated value received from syndicators, equity partners or private funding sources for the Tax Credits, property tax abatements, tax increment financing, enterprise zone benefits and any other type of financing or contributions that are relevant to the economic feasibility of the Project and are available to the Project. State Historic Tax Credits (SHTCs) may be used provided that the Applicant can demonstrate that equity received from these credits will be received prior to the issuance of the Form 8609. SHTCs may not be used in underwriting if a gap in financing would exist beyond the issuance of Form 8609.

The following minimum financial underwriting requirements apply to all Projects. Projects that cannot meet the minimum requirements, as determined by IFA, will not receive Tax Credits.

10.1 Underwriting Standards.

10.1.1 Projects will be underwritten with income escalating at a minimum of two percent (2%) and operating expenses escalating at a minimum of three percent (3%), with a minimum spread of one percent (1%) required between the income and expense escalators.

10.1.2 Projects will be underwritten assuming no less than a five percent (5%) vacancy rate and no more than a nine percent (9%) vacancy rate.

10.1.3 All Projects must reflect a Debt Service Coverage Ratio (DSCR) between 1.20 and 1.50 for the first 15 years. If the Debt Service Coverage Ratio falls outside of this range, the Applicant must provide a narrative to justify the deviation. If the justification is not acceptable to IFA, the Project may be rejected. A Project may exceed a 1.50 DSCR if the majority of the units of the Project will provide rents targeting extremely low income tenants that meet the Federal definition of Homeless. Also at IFA's discretion, small projects as defined in Section 4.1.4, and special needs housing may exceed the 1.50 DSCR.

10.2 Operating Expenses.

10.2.1 Housing for Older Persons: Minimum of \$2,750 per Unit per year not including taxes, reserves and resident support services.

10.2.2 Housing for Families: Minimum of \$3,250 per Unit per year not including taxes, reserves, and resident support services.

10.3 Reserves.

10.3.1 Operating Reserve. The operating reserve will be the greater of 1) \$1,500 per Unit or 2) six (6) months' debt service and operating expenses. The operating reserve must be in place for the first 10 years and be used solely to cover operating deficits. The Applicant must include a narrative explaining how the operating reserve will be established.

10.3.1.1 The Applicant may use the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section.

10.3.1.2 The operating reserve can be funded by deferring the Developer's fees of the Project; or, the Developer may provide a personal guarantee. In order to support the guarantee, the Developer must demonstrate financial capacity and liquidity, its track record as it relates to developing a successful Project and the number of other guarantees it has outstanding. Adequate evidence of this item will be a financial statement showing assets, liabilities, contingent liabilities and other information necessary to demonstrate financial capacity to perform the guarantee and a narrative description of the Developer's record relating to successful Project development.

10.3.1.3 The Ownership Entity may fund the operating reserve using an irrevocable letter of credit. The letter of credit will be released after the end of the 10-year period described in Section 10.3.1. If a letter of credit is used, the proceeds should not be included in the Project costs. The fees associated with obtaining the letter of credit may be included in the Project costs.

10.3.1.4 The requirement for the operating reserve is a compliance issue and may be satisfied using the terms and conditions of the operating reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the operating reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service. If the operating reserve will be established with the final equity payment, a letter from the syndicator or investor will be required.

10.3.2 Replacement Reserve. All Family Projects must budget replacement reserves of \$400 per Unit per year. All Older Persons Projects must budget replacement reserves of \$300 per Unit per year.

10.3.2.1 The Application will require the Applicant to include a narrative explaining how the replacement reserve will be escrowed and used only for the replacement of capital components of the Project. The replacement reserve must be shown on the pro forma.

10.3.2.2 The requirement for the replacement reserve is a compliance issue and may be satisfied using the terms and conditions of the replacement reserve required by lenders or other funders financing the Project provided the reserve is equal to or greater than the reserve required by this Section. Applicants are required to submit to IFA a verification that the terms and conditions of the replacement reserve required by lenders or other funders financing the Project has or will be satisfied at the time a building is placed in service.

10.4 Deferred Developer Fees.

10.4.1 Developer fees can be deferred to cover a gap in funding sources as long as:

1. The entire amount will be paid within 15 years and meets the standards required by the IRS to stay in basis;
2. The deferred portion does not exceed sixty-five percent (65%) of the total amount as of the full Application; and
3. Payment projections do not negatively impact the operation of the Project.

If the deferred Developer fee cannot be paid within 15 years, IFA will consider the unpaid amount to be a Developer contribution to the Project. Each of these will be determined by IFA. Nonprofit organizations must include a resolution from the Board of Directors allowing such a deferred payment obligation to the Project. The deferred Developer fee must be paid from the net cash flow and not be calculated into the minimum Debt Service Coverage Ratio.

10.5 Financing Commitment.

10.5.1 For all Projects proposing private construction and permanent financing, a letter of intent from the lending institution on their letterhead is required. This letter must clearly state the term of the permanent loan, how the interest rate will be indexed and the current rate at the time of the letter, the amortization period, fees, any prepayment penalties, anticipated security interest in the Property and lien position. The letter of intent must extend at least 6 months beyond the Application due at IFA date.

10.5.2 For all other sources, except state HOME funds and IFA approved participating Cities with allocated HOME funds, a commitment for funding must be made in advance. This includes any other grants, loans, tax credits, etc. Documentation that specifies the value of the commitment, the purpose the funds can be used for, and time limitations related to the commitment must be provided from the entity making the commitment.

10.5.3 Applications may only include one set of proposed funding sources. IFA will not consider multiple funding scenarios. A Project will be ineligible for allocation if any of the listed funding sources will not be available in an amount and under the terms described in the Application. IFA may waive this limitation if the Project otherwise demonstrates financial feasibility.

10.6 Developer, Builder, and Architect Fees.

10.6.1 Developer fees (including overhead and profit and Consultant fees) shall not exceed the percentages described below. For new construction, the Developer's fee is calculated as a percentage of Total Project Costs minus land, Developer's fee, Developer's overhead and profit, Consultant Fees and Project reserves. For Acquisition/Rehabilitation or Rehabilitation Projects, the Developer's fee is listed in the schedule below. The fees will be limited as follows:

| Project Type | Fee Limit |
|--|---|
| Developer fee for New Construction Projects: | |
| First 36 units within the project | Not to exceed 14% |
| Remaining units within the project above 36 | Not to exceed 12% |
| Developer Fee for Acquisition/Rehabilitation or Rehabilitation Projects: | |
| Rehabilitation Portion of Acq/Rehab or Rehab Projects, including Adaptive Reuse, Historic, and Preservation Projects | Not to exceed 16% of the Total Project Costs minus land, building purchase (existing structures), Developer' fee, Developer's overhead and profit, Consultant Fees, and Project reserves. |
| Acquisition Portion of Acq/Rehab Projects, including Adaptive Reuse, Historic, and Preservation Projects | Not to exceed 8% of the purchase cost of the buildings (existing structures). |

10.6.2 Builder and general contractor fees will be limited to a total of twelve percent (12%) of the Hard Construction Costs.

10.6.3 In the event the Developer fee, Consultant fee or builder fee limits are in excess of the limits imposed, IFA will make the appropriate adjustments during the underwriting phase of the evaluation of the Applications.

10.6.4. When the General Partner of the Ownership Entity is a nonprofit organization, the Nonprofit shall receive no less than fifty percent (50%) of the combined total of the Developer and Consultant Fee.

10.6.5 IFA reserves the right to limit professional fees in Section IV of the Cost and Credit Calculation of the on-line application if deemed excessive.

10.7 Other Fees and Considerations.

10.7.1 Investor Services Fees. Investor services fees are an allowable expense and shall be calculated into the minimum Debt Service Coverage Ratio.

10.7.2 Project Ownership. There must be a common ownership between all Units and buildings within a single Project for the duration of the Extended Use Period.

10.8 Unit Cost Cap. IFA shall not award LIHTC to a Project in which the cost per unit is greater than the amounts listed below less the costs of off-site land improvements. Enterprise Zone sales tax rebates and utility company rebates for energy efficiency measures will be included in the calculation of total project costs.

| All projects except those with Federal or State historic tax credits | | | | |
|--|-----------|------------|------------|------------|
| 0 bedrooms | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| \$115,000 | \$130,000 | \$155,000 | \$185,000 | \$205,000 |

Unit cost caps are maximum amounts. IFA provides no guarantee that Projects at or below the Unit cost caps will be deemed financially feasible. At the time of the 8609 Application, if the project costs exceed the unit cost caps, the Developer must provide a narrative explaining the extenuating circumstances and request an exception to the unit cost cap.

10.8.1 Projects receiving state and/or federal historic rehabilitation Tax Credits will be allowed to deduct the residential portion of the historic Tax Credit from the Project costs to allow for stricter rehabilitation standards and the costs of off-site land improvements, however, IFA shall not award LIHTC to a Project if the overall cost per unit is greater than the unit cost cap listed below:

| Projects with Federal or State historic tax credits (total project costs less residential portion of federal historic tax credits) | | | | |
|--|-----------|------------|------------|------------|
| 0 bedrooms | 1 bedroom | 2 bedrooms | 3 bedrooms | 4 bedrooms |
| \$135,000 | \$150,000 | \$175,000 | \$205,000 | \$225,000 |

SECTION 11. THRESHOLD REQUIREMENTS - ALL DEVELOPERS\OWNERSHIP ENTITIES

To be considered for a reservation of Tax Credits, a Project must demonstrate that it meets the requirements described in this Section.

11.1 Complete Application. In order for IFA to review an Application fairly and accurately, it must be complete. If there is not adequate information provided to review the Application, and upon request from IFA to the Applicant, adequate information is not submitted, then IFA shall reject the Application. In the case that additional information is requested by IFA, the Applicant will be notified by email, mail, facsimile, or through the online Application. The Applicant will have a reasonable amount of time to submit the requested information, as specified in the notice for information. The Applicant may contact the Tax Credit Manager at any time to request clarification.

11.2 Legal Ownership Entity. The Ownership Entity must be formed prior to submission of the Application. For the purposes of the Application, the Applicant is the Ownership Entity.

11.3 Location Requirements. The proposed Project must be located in an incorporated city. Applications shall not contain or propose alternate sites. Alternate sites must be presented as separate Projects with separate Applications.

11.4 Readiness to Proceed. The Applicant must be ready to proceed with the Project by documenting site Control, site suitability, adherence to building standards, and a Qualified Development Team. Refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation for related requirements. In addition, the following must also be met:

11.4.1 Appraisals.

11.4.1.1 Land/Acquisition with an Identity of Interest. For land and buildings which are acquired from a party with an Identity of Interest, the Applicant must provide an appraisal by an MAI certified appraiser who is not a related party. The appraisal must be no more than 180 days old on the date that the Application is submitted to IFA. The appraisal may be submitted to IFA 30 days following the Application due date.

11.4.1.2 State HOME funded Projects. For all Projects that are requesting State HOME funds, the Applicant must provide an appraisal by an MAI certified appraiser who is not a related party. The HOME program requires the appraisal in order to determine the market value of the acquired land and/or buildings. The appraisal must be no more than 180 days old on the date that the Application is submitted to IFA. The appraisal may be submitted to IFA 30 days following the Application due date.

11.4.2 Qualified Development Team. The Application will require the Applicant to identify the Qualified Development Team also referred as QDT. The Applicant will be required to provide a narrative describing the function of each mandatory member of the Qualified Development Team and explain how the Qualified Development Team possesses the necessary experience to successfully complete the proposed Project and all other projects under construction, and that it has developed projects of comparable size and financing

complexity. The qualifications of the QDT will be evaluated again at Carryover and the reservation of Tax Credits may be revoked, at the sole discretion of IFA, if the QDT is not qualified to successfully complete the proposed Project. The Management Company/Manager must have at least one (1) year of experience successfully managing a Section 42 Property.

One of the following members of the Qualified Development Team must have completed a Project through the successful attainment of a Form 8609 in order to be deemed “qualified” and that Project must be in good standing with the allocating agency: Project Developer, General Partner/Managing Member, or the Development Consultant.

As part of the Application and at such other times as required by IFA, a financial background check may be completed for the Project Developer, General Partner/Managing Member, Consultant, and the Management Company or the Affiliates of any of the foregoing. If the background check discloses any financial difficulties, risks or similar matters that IFA believes might substantially impair or harm the successful development and operation of the Project as a qualified low-income housing Project, IFA may:

1. Refuse to allow the Qualified Development Team member to participate in the Tax Credit Program;
2. Reject or disqualify an Application and cancel any Credit reservation and Carryover allocation; and/or
3. Demand additional assurances that the development, ownership, operation or management of the Project will not be impaired or harmed (such as performance bonds, pledging unencumbered assets as security, opinions of financial solvency by an independent certified public accountant, or such other assurances as determined by IFA).

11.4.3 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects. The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement and that IFA will require the Capital Needs Assessment prior to the start of construction.

11.4.4 Commitment to Notify Public Housing Authority (PHA) of Vacancies. The Application will require the Applicant to acknowledge the Commitment to Notify Public Housing Authority (PHA) of vacancies.

11.4.5 Notification of Chief Executive Officer of Local Jurisdiction. The Applicant shall provide accurate information through the online Application identifying the Chief Executive Officer of the local jurisdiction where the proposed project is located. The letter shall include the name, address, and email address of the Chief Executive Officer of the local jurisdiction. A summary of the characteristics of the proposed Project, and an area for the Chief Executive Officer to comment on the Project will be sent by IFA through the online Application.

11.4.6 Ineligible Applicant/Significant Parties. For this Section, the term “Significant Parties” includes, but is not limited to, the Ownership Entity, the eventual owner of the Tax Credit Project, the eventual taxpayer of the Tax Credit Project, the Developer, General Partner,

accountant, architect, engineer, financial consultant, any other consultant, management agent and the general contractor, other Persons identified on the Project Qualified Development Team or determined to be Significant Parties by IFA.

11.4.6.1 The following Significant Parties and the Projects with which they are associated may be ineligible to participate in the LIHTC Program and may not receive a Tax Credit Reservation, Tax Credit Allocation at Carryover time or a Form 8609:

11.4.6.1.1 Significant Parties who have been materially involved in any Project that has had unsatisfactory performance in any IFA sponsored or assisted program, as administered by IFA. This would include parties who have 90-day delinquent loans to any IFA program. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default of any agreement between the Significant Party and IFA.

11.4.6.1.2 Significant Parties who have served as an officer, director, General Partner, or managing member of any Entity that has unsatisfactory performance in any IFA sponsored or assisted program, or under any agreement with or loan from IFA, as determined by IFA. This would include entities that have one or more 90-day delinquent loans with IFA. Unsatisfactory performance may include, but is not limited to, a default of any obligation owed to IFA in any of its programs or an uncorrected default between the Entity and IFA.

11.4.6.1.3 Significant Parties who have been materially involved in a Project that has received from IFA or from any other state a Form 8823 on which a box in the column headed “Out of compliance” has been checked (regardless of whether the non-compliance for which the Form 8823 was issued has subsequently been corrected) or who have a history of repeated or significant Tax Credit compliance deficiencies, even if such significant Tax Credit compliance deficiencies have not resulted in an uncorrected Form 8823. IFA may consider as mitigating or aggravating factors, the number of instances of non-compliance, whether the non-compliance has been corrected, the speed with which the Project was brought back into compliance, and the degree of Control of the significant party in question over the out-of-compliance Project.

Applicants are encouraged to work with the IFA Compliance staff to correct any outstanding issues prior to the Application deadline. If corrections can not be completed prior to the Application deadline, the Applicant must submit a detailed account, on the exhibit provided in the Application, of any noteworthy compliance issues or uncorrected 8823’s that have been issued with respect to properties associated with any Significant Parties. IFA issues a report, similar to an 8823, called the “Low Income Housing Tax Credit Notice of Non-Compliance –Land Use Restrictive

Agreement (LURA) Extended Use Period which addresses issues that are not in compliance with the LURA to the Owner that also must be corrected.

11.4.6.1.4 Significant Parties who have been:

1. Convicted of;
2. Entered an agreement for immunity from prosecution for;
3. Received a deferred judgment or suspended sentence or judgment for; or
4. Pled guilty, including a plea of no contest to

a crime of dishonesty, fraud, tax fraud, embezzlement, bribery, payments of illegal gratuities, perjury, false statements, racketeering, blackmail, extortion, falsification, destruction of records, or crimes of violence.

11.4.6.1.5 Significant Parties who have been debarred from any program administered by IFA, by any other Iowa state agency, by any agency of any other state, or by any federal agency, such as, but not limited to, the Federal Excluded Parties List System (EPLS).

11.4.6.1.6 Significant Parties who have an Identity of Interest with any debarred Entity.

11.4.6.1.7 Significant Parties who fail to disclose any direct or indirect financial or other interest a member of the Project Qualified Development Team may have with another member of the Project Qualified Development Team or with the Project.

11.4.6.1.8 An Applicant who fails to disclose all known members of the Project Qualified Development Team.

11.4.6.1.9 Significant Parties who has been removed as a General Partner or Managing Member by the equity investor from any previously approved LIHTC Project in Iowa or any other state.

11.4.6.1.10 Significant Parties who have voluntarily agreed to be replaced as a General Partner or Managing Member of any previously approved LIHTC Project in Iowa, or any other state as a result of performance issues.

11.4.6.1.11 In the case of a syndicator, equity partner, private placement originator or limited partner, if during the construction period, the purchaser of Tax Credit equity withdraws, the limited

partner may not be allowed to participate in an Iowa-based LIHTC project for a period of at least five (5) years.

11.4.6.1.12 Significant Parties who, within the past ten years, have been in a bankruptcy, an adverse fair housing settlement, an adverse civil rights settlement.

11.4.6.1.13 Developers, Ownership Entities and the General Partners/Managing Members thereof, and consultants or any other persons determined by IFA to have a commonality of control or of personnel with any thereof, who materially participated in a Project for which Tax Credits awarded in a prior Tax Credit round were returned to IFA in calendar year 2011 prior to the closing of such project's equity investment and no subsequent year tax credits were issued to replace the returned tax credits. An ownership entity or developer who returns excess tax credits at the time of the 8609 issuance is not disqualified from participating in the current tax credit funding round.

11.4.6.1.14 Developers, Ownership Entities and the General Partners/Managing Members thereof, and consultants or any other persons determined by IFA to have a commonality of control or of personnel with any thereof, who materially participated in a Project that was awarded Tax Credits in 2010 or 2011 in which the Project costs exceeded the applicable unit cost cap at the time of the Carryover 10% Test or 8609 Application.

11.4.6.2 In the event IFA discovers that the Applicant, its Affiliates or other Significant Parties or any other Person with an Identity of Interest associated with the Project have misrepresented the certifications made consistent with this Section; or the Applicant, its Affiliates, other Significant Parties or any other Person with an Identity of Interest associated with the Project has failed to make the disclosures required by the QAP and Application; or the Applicant, its Affiliates, other Significant Parties or any other Person with an Identity of Interest associated with the Project made any material misrepresentation on the Application or in any of the documents submitted with the Application; or that the Form 8609 Part II elections are not the same as those represented on the Application; IFA may do one or more of the following: bar the offending party from applying for Tax Credits for a period of up to five years, revoke the Tax Credit Reservation awarded or issue a Form 8823 if the Project has been placed in service.

11.4.7 Displacement of Tenants. IFA will accept Applications that have displaced (or will displace) tenants, although involuntary permanent displacement of existing tenants is strongly discouraged. IFA reserves the right to reject any Application that fails to minimize permanent displacement of tenants and/or provide an adequate relocation plan. A formal relocation plan must be submitted with the Application if the Project scope requires any form of temporary or permanent relocation of existing tenants. The proposed relocation plan must

provide an overview of the need for relocation, a proposed timeline, an estimated budget, and other information as requested in the Application to document that the need for temporary or permanent relocation of existing tenants is adequately addressed.

11.4.8 Confirmation of Eligibility—Rehabilitation or Acquisition. The Application will require the Applicant to confirm eligibility under IRC Section 42(d) (2) (B) (ii) (the 10-year rule) by listing each building address, the date the building was placed in service by the Applicant from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Applicant, and the number of years between the date the building was last placed in service and the expected date of acquisition. If the number of years for any building is less than 10 years, the Applicant must explain any exception under the Internal Revenue Code which would make the building eligible for Tax Credit under IRC Section 42(d)(2)(B)(ii).

11.4.9 Rehabilitation Standards. The Application will require the Applicant to provide information regarding Rehabilitation Expenditures for each building as specified in Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation. The Applicant must identify, with respect to each building as required by the Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of twenty percent (20%) of the expected adjusted basis of the building or a \$25,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the 20% or the \$25,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the twenty percent (20%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$6,000 per Unit requirement or that there are different circumstances for each building as described by the Applicant.

11.4.10 Building Standards. Preliminary site plan and floor plans are to be submitted with the Application to IFA for all of the buildings in the proposed development. The Applicant must demonstrate that they have or will meet local state and federal standards that apply to the Project, and meet IFA's minimum development characteristics. For additional requirements and a list of the minimum development characteristics, refer to Appendix 1, Threshold Requirements for Building, Construction, Site and Rehabilitation.

11.4.11 Scattered Sites. The Applicant must submit a composite Application reflecting the total of all sites as well as separate site specific exhibits for each site included in the Project. A scattered site is a Project where multiple buildings with similar Units are not located in proximity to one another, but are owned by the same party and financed under the same agreement(s), and are located within a 20-mile radius, as determined by Google Maps (www.Googlemaps.com) using driving directions. A scattered site Project may be new construction, acquisition, rehabilitation or a combination of these types. For scattered site Projects, all units must be qualified LIHTC units.

11.4.12 Affirmative Marketing Plans. Each Applicant must acknowledge the Affirmative Marketing Plan requirement and that IFA will require the Applicant to submit an Affirmative Marketing Plan to IFA no less than 60 days prior to Placed in Service date.

11.4.13 Adequate Market. The Market Study and Analysis must demonstrate that there is adequate sustained demand for the proposed Project, and that the construction or rehabilitation of the additional affordable Units will not have an adverse impact on the existing affordable Units in the market area.

11.4.14 Minimum Scoring Met. As a threshold requirement upon submission, the Project must obtain a score of at least 160 points under the criteria set forth in Section 6 Scoring Criteria.

11.4.15 Senior Projects. Senior projects are not allowed anything greater than 2 bedrooms per unit.

SECTION 12. POST RESERVATION REQUIREMENTS

Once a Tax Credit Reservation has been awarded, the following additional requirements will apply. Failure to comply with any provision of this Section may result in revocation of the Tax Credit Reservation, withholding of Form 8609, or issuance of Form 8823.

12.1 Amendments to the Application After Award. The Ownership Entity may amend, with IFA's consent, the Application after a reservation of Tax Credits is made solely for the purpose of showing changes as described in this Section.

12.1.1 A minor change in the nature of the Project or changes in partnership members, shareholders, or limited liability members.

12.1.2 Site changes that are equal to or exceed the site characteristics of the site first described in the Application. A site change will be permitted at IFA's sole discretion. The substituted site must be within the same city.

12.2 Material Changes. If, upon the submission of the Form 8609 Application, or at any other time, it is determined that the Project is not substantially the same as the Project described in the Application, the Project will not receive an allocation of Tax Credit Reservation, or the amount of the Tax Credit will be adjusted or an IRS Form 8823 will be issued.

12.2.1 Generally, changes in the total number of Tax Credit Units, number of bedrooms per unit mix, tenant mix (low-income/market rate), and amenities are deemed to be material, and are not permitted.

12.2.2 Changes in the number of buildings and units contained in each building will be allowed if changes are required by local regulatory codes and the Applicant has obtained written approval from IFA prior to making the changes.

12.2.3 Failure to notify IFA of a material change will result in revocation of the Tax Credit Reservation, withholding of Form 8609, or issuance of Form 8823.

12.2.4 Generally a change in the Project minimum set-aside requirement from 20-50 to 40-60 is deemed to be material and is not permitted.

12.3 Transfers. Tax Credit Reservation is not transferable. Form 8609 allocations will be issued only in the name of the Ownership Entity. Transfers subsequent to the issuance of the Form 8609 allocation are subject to the LURA and to the provisions of Sections 42(d)(7) and 42(j) of the Code.

12.4 Agreement with PHA. The Ownership Entity must have a written agreement with the PHA, in the form provided by IFA, and signed by both the Ownership Entity and the PHA, and this agreement must be included in the Form 8609 Application Package.

12.5 Form 8609. All Applicants requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package. The Ownership Entity must complete and sign Part B of the Form 8609 before IFA will sign Part A.

Owners and Management Companies of developments are required to attend compliance training that is either approved or conducted by IFA prior to receiving the Form 8609 from IFA. At the time the Form 8609 Application Package is submitted, a Certificate of Training on compliance for the General Partner and Property Manager shall be provided. The date for the Certificate of Training shall be issued no earlier than 12 months from the time that the Form 8609 Application is submitted.

12.5.1 Owner must certify that construction of paved road is complete, as set forth in Appendix 1.D.

12.5.2 Owner must certify that utilities are available at the Project site, as set forth in Appendix 1.E.

12.6 Change in General Partner, Majority Shareholder or Managing Member. In the event there is a proposed change in a General Partner, majority shareholder of a corporation or majority membership of a limited liability company after the reservation of Tax Credits is issued, IFA shall be notified by the partnership, corporation or limited liability company to obtain approval prior to the effective date of such change. The new General Partner or new majority shareholder shall agree to meet the requirements described in the QAP before IFA shall consent to the change. If the requirements outlined in the QAP are not met, the request for transfer may not be approved. If IFA is not notified of a change in the General Partner, IFA may withhold the Form 8609 or issue a Form 8823. IFA will not allow any change in the General Partner, majority shareholder or managing member prior to the issuance of the Project 8609.

12.7 Prior to Placed in Service Date. Sixty (60) days prior to the Placed in Service Date, a copy of the Affirmative Marketing Plan must be submitted to IFA.

12.7.1 Prior to the Placed in Service Date, for new construction Projects with three stories or less, the Owner must provide IFA a copy of the home energy rating report as performed by a certified HERS rater. The Project must receive a final HERS index of 80 or less.

12.7.2 Prior to the Placed in Service Date, for new construction Projects with four stories or more, the Owner must provide IFA documentation by an independent licensed engineer that the Project exceeds ASHRAE 90.1 Appendix G-2004 by at least fifteen percent (15%).

12.7.3 Prior to the Placed in Service Date, for existing structures, the Owner must provide IFA a copy of the energy audit by a certified energy rater that verifies that the recommended energy performance measures established in the final rehabilitation work order were installed correctly.

12.7.4 Prior to the 8609 Application, provide IFA verification that the replacement and operating reserves have been established, and the terms and conditions have been met. A binding commitment from the syndicator or direct investor to fund the replacement and operating reserves from the final tax credit equity installment will be allowed.

12.7.5 Prior to the Placed in Service Date, provide IFA a copy of the Notification to the Public Housing Authority, as set forth in Section 11.4.4.

12.7.6. For Projects receiving points under the scoring criteria for Resident Population with Special Needs, provide a written plan for implementing IFA's held for occupancy policy prior to Placed in Service Date.

PART C – TERMS AND CONDITIONS

The following terms and conditions apply to all Applicants and Projects that receive a reservation of either four percent (4%) or nine percent (9%) Tax Credits, Carryover Allocation [nine percent (9%) Tax Credits only], and Form 8609 allocation.

SECTION 13: TERMS AND CONDITIONS

13.1 Documents Incorporated by Reference. The items described in this Section are incorporated by reference in the QAP. The QAP will be deposited in the Iowa State Law Library. Statutory references are available in the Iowa State Law Library.

13.1.1 26 USC Section 42 as amended and the related Treasury regulations in effect as of January 1, 2012.

13.1.2 Iowa Code Section 16.52 and the rules promulgated by IFA to govern the LIHTC Program in effect on January 1, 2012.

13.1.3 The Compliance Manual adopted by IFA pursuant to 265 IAC 12.3.

13.1.4 In the case of any inconsistency or conflict between the items listed in this Section, conflicts shall be resolved as follows:

13.1.4.1 First, by giving preference to IRC Section 42 and the related Treasury regulations.

13.1.4.2 Second, by giving preference to Iowa Code Sections 16.4, 16.52 and the rules governing the QAP; and

13.1.4.3 Third, by giving preference to the QAP.

13.2 Binding Obligations. The representations made in the Application shall bind the Applicant and become a contractual obligation of the Developer and the Ownership Entity and any Entity the Developer or the Ownership Entity is representing in the presentation of the Application or a successor in interest in the event Tax Credits are awarded to a proposed Project. The QAP and Application with any permitted amendments either prior to the reservation of Tax Credits or after the Carryover Allocation, issuance of Form 8609 or during the Compliance Period and any other agreements executed between IFA and the Ownership Entity shall constitute the agreement between the parties.

13.3 Land Use Restrictive Covenants (a/k/a Land Use Restrictive Agreement (LURA)). The Project shall be subject to the LURA which requires among other things, that the Project will be used for affordable housing for the required 15-year Compliance Period and the required 15-year Extended Low-Income Housing Commitment, as set forth in Section 42(h)(6)(B). If the Applicant has agreed to extend the time period of affordability and has waived rights to early termination of the Extended Use Period in its Application, the LURA will reflect the additional Extended Use Period for which the Ownership Entity has waived its rights to early termination. In the event an Applicant receives HOME funding for a Project, the Ownership Entity must enter into a LURA with IFA for the longest Compliance Period required either

by the LIHTC Program or HOME regulations. The LURA shall contain covenants that run with the land requiring that the Property be used as an affordable housing Project until the end of the Extended Use Period. The original document must be recorded before a Form 8609 is issued. The LURA must be binding on all successors of the Ownership Entity and run with the land as provided by Section 42(h) (6). Although the LURA will terminate in the event of foreclosure, Section 42(h) (6) (E) (ii) requires that certain limitations as to termination of tenancies and rent increases survive such foreclosure for a period of three years. As a result, all other lenders or prior lien holders must consent to the recording of the LURA as a restrictive covenant encumbering and running with the land and acknowledge and agree that those provisions of the LURA that set forth the requirements of section 42(h)(6)(E)(ii) of the Code are superior to the lender or lien holder's security interest and shall continue in full force and effect for a period of three years following the date of acquisition of the Project by foreclosure (or instrument in lieu of foreclosure). The Ownership Entity must provide adequate evidence that the LURA is binding on all successors of the Ownership Entity and runs with the land. Adequate evidence includes but is not limited to a copy of a final title opinion showing all the current liens against the Property or a title guaranty certificate showing exclusions. The LURA will also will comply with other requirements under the Code, Plan, other relevant statutes and regulations and all representations made in the Project Application.

13.4 Disclosure of Information Regarding Equity Investors or Syndicators. The Application will require the Applicant to reveal the name and address of all of the equity partners, investors or syndicators involved in a Project regardless of the nature of the placement of the Tax Credits. If the name of the equity partner or syndicator changes following the time of Application, the Application can be amended after the reservation of Tax Credits is issued. A Form 8609 will not be issued unless the name of a syndicator or equity partner is revealed to IFA. Applicants that have been awarded Tax Credits must also disclose the name and address of equity partners, investors or syndicators involved with Projects being monitored by IFA. If Form 8609 has been issued, failure to supply the syndicator or equity partner or investor information may result in the filing of a Form 8823 with the Internal Revenue Service. See Treasury Regulation 1.42-5(a) (2) (ii); IRS Tax Memorandum No. 199944019, August 8, 1999.

13.5 Document Timeliness. All supporting documentation required by the Application must be no more than 180 days old on the date that the Application is submitted to IFA. Documents that must be timely will be designated on the Application additional documentation checklist. Exceptions allowed would include, documents not specifically produced for the Application, such as a valid purchase agreement, deed, land title document, Articles of Incorporation and IRS letters to a Nonprofit stating they are an exempt organization under 501(c)(3) or 501(c)(4).

13.6 Opinions and Certifications. The Application will require the Applicant to file certifications and professional opinions in support of the Application. All certifications, opinions and documents submitted by attorneys, the Applicant, or other professionals must be based on an independent investigation into the facts and circumstances regarding the proposed Project. Any opinion submitted by any professional that is not based on an independent investigation of the facts and circumstances of a proposed Project will not be accepted. All certifications must be in the form specified by IFA. The certifications shall be made under penalty of perjury.

13.7 Fractional Rounding. For the purposes of determining the number of Units in an Applicant's election(s), fractional Units will be increased to the next whole Unit.

13.8 Costs Associated with Application Preparation. IFA is not responsible for any costs incurred by the Applicant.

13.9 Ownership of Applications. By submitting an Application, the Applicant agrees that IFA shall become the owner of the Application and that the Application shall not be returned to the Applicant even in the event that no Tax Credits are awarded.

13.10 Public Information. At the conclusion of the selection process, the contents of all Applications shall be placed in the public domain and be opened to inspection by interested parties subject to the provisions of Iowa Code Chapter 22. IFA may treat all information submitted by the Applicant as a public record unless the Applicant properly requests that the information be treated as confidential information at the time the Application is submitted. Any request for confidential treatment of information must be included in a cover letter with the Application and must enumerate the specific grounds in Iowa Code Chapter 22 or other provisions of law that support treatment of the material as confidential and must indicate why disclosure is not in the best interest of the public. The request must also include the name, address, and telephone number of the Person authorized by the Applicant to respond to any inquiries by IFA concerning the confidential status of the materials. In the event IFA receives a request for the release of information that includes material the Applicant has marked as confidential, IFA shall provide a written notice to the Applicant regarding the request. Unless otherwise directed by a court of competent jurisdiction, IFA will release the requested information within 20 days after providing the written notice of the request to the Applicant. The Applicant's failure to request confidential treatment of material pursuant to this Section may be deemed by IFA as a waiver of any right to confidentiality.

13.11 No Representation or Warranty Regarding the QAP. IFA makes no representation or warranty to any Person or Entity as to compliance issues or the feasibility or viability of any Project.

13.12 IFA Policy on Civil Rights Compliance. IFA is an equal opportunity concern. The Applicant and any of its employees, agents or sub-contractors doing business with IFA understands and agrees that it is the responsibility of the Developer and Ownership Entity to adhere to and comply with all federal civil rights legislation including the Fair Housing Laws, Section 504 of the Rehabilitation Act of 1973, the Americans With Disabilities Act as well as any state and local civil rights legislation. It is the legal responsibility of the Developer and Ownership Entity to be aware of and comply with all non-discrimination provisions of federal, state or local law.

13.13 Qualified Residential Rental Property. The Project must be a Qualified Residential Rental Property. The Applicant must certify that the Project as proposed is a Qualified Residential Rental Property. IFA reserves the right to require the Applicant to supply a legal opinion that the Project as proposed is a Qualified Residential Rental Property.

13.14 Compliance. IFA is required to establish procedures for monitoring compliance with the provisions of IRC Section 42 and for notifying the Internal Revenue Service of any noncompliance. Each Ownership Entity is required to comply with the requirements described in this Section, the Treasury Regulations governing Section 42, and the compliance manual adopted by IFA pursuant to 265 IAC 12.3.

13.14.1 Record Keeping. For each year in the Compliance Period, the Ownership Entity or its successor in interest shall keep records for each qualified low-income building in the Project, consistent with the Treasury Regulations governing Section 42. The Ownership Entity or its successor in interest shall retain these records for each building in the Project for at least six years after the due date (with extensions) for filing the federal income tax return for

that year. The records for the initial taxable year must be retained for at least six years after the due date for filing the federal income tax return for the last year of the Compliance Period of the building.

13.14.2 Certifications. The Ownership Entity shall make all necessary certifications required by IFA for the preceding 12-month period, as described in the Treasury Regulations governing Section 42.

13.14.3 Review and Inspections. IFA shall review the certifications submitted in conformance with the Treasury Regulations governing Section 42 effective on the effective date of this QAP. IFA shall have the right to inspect the Projects in conformance with the standards set forth in the Treasury Regulations governing Section 42. IFA will provide 48 hours' advance notice to the Ownership Entity to inspect any individual units in a Project. Otherwise, advance notice to the Ownership Entity is not necessary for purposes of the inspection provisions set forth in the Treasury Regulations governing Section 42. The owner certifications and reviews of compliance reports shall be made annually, the physical inspections and tenants files once every three years covering the 15-year Compliance Period under IRC Section 42(i)(1). IFA may require that certifications, reviews and inspections be made more frequently, provided that all months within each 12-month period are subject to certification. The reviews, audits and inspections shall continue through the length of the Extended Use Period.

13.14.4 Notice of Noncompliance. IFA will provide prompt written notice to the Ownership Entity of a Project if found to be out of compliance. The notice will describe the events of noncompliance and advise the Ownership Entity of the Tax Credit Project of the time period to correct the events of noncompliance.

13.14.5 Correction Period. The correction period shall not exceed 90 days from the date the notice of noncompliance is sent to the Ownership Entity. IFA may extend the correction period for up to six months, but only if IFA determines there is good cause for granting the extension. During the 90-day time period, or an extension thereof, the Ownership Entity must supply any missing certifications and bring the Project into compliance with the provisions of IRC Section 42.

13.14.6 Notice to Internal Revenue Service. IFA will send a written notice to the Internal Revenue Service along with Form 8823 in the event of a finding of noncompliance by an Ownership Entity. Copies of Form 8823 and the Internal Revenue Service notice will be forwarded to the Ownership Entity.

13.14.7 IFA Retention of Records. IFA shall retain records of noncompliance or failure to certify for six years beyond IFA's filing of the respective IRS Form 8823. In all other cases, IFA will retain the certifications and records described in the QAP for a period of three years from the end of the calendar year in which IFA receives the certification and records.

13.14.8 Delegation of Monitoring. IFA may retain an agent or other private contractor (the "authorized delegate") to perform compliance monitoring. The authorized delegate must be unrelated to the Ownership Entity of any building that the authorized delegate monitors.

13.14.9 Liability. Compliance with the requirements of IRC Section 42 is the responsibility of the Ownership Entity of the building for which the Tax Credit is allowable. IFA's obligation to monitor for compliance with the requirements of IRC Section 42 shall not make IFA liable for an Ownership Entity's noncompliance.

APPENDIX 1 – THRESHOLD REQUIREMENTS FOR BUILDING, CONSTRUCTION, SITE AND REHABILITATION

The terms of this Appendix 1 are the minimum requirements for any Project awarded Tax Credits under the 2012 QAP. Required documents for Sections B, F, G, H, I and J must be prepared by an engineer or architect licensed to do business in Iowa.

Once final plans and specifications have been completed, the Applicant must submit them to IFA and receive written approval before commencing site work or construction.

At all times after award, the Applicant is responsible for promptly informing IFA of any changes or alterations which deviate from the final plans and specifications approved by IFA. In particular, the Applicant must not take action on any material change in the site layout, floor plan, elevations or amenities without written authorization from IFA, as specified in Section 8.3 and Section 12.2. This includes changes required by local governments to receive building permits. Handicapped Accessibility must be met regardless of the building type, such as single family or duplex designs.

A. Site Control. At the time of Application, the Applicant must have site control. The Application will require the Applicant to show evidence of site control by providing executed documents. The following may be proper evidence of site control:

1. The Applicant holds title to the Property on which the Project will be located by a properly executed and recorded warranty deed or a title opinion showing title in the name of the Applicant or a title guaranty certificate showing title in the name of the Applicant;
2. The Applicant has an executed and exclusive purchase option agreement or other binding agreement that is valid for six months following the date of the Application deadline. Evidence of site ownership must be submitted with the Carryover Package;
3. The Applicant has an executed purchase contract; or
4. The Applicant has an executed lease or an option on a lease, which lease has a term not less than the longer of: 1) the entire period during which the proposed Project will be subject to the LURA, 2) 50 years, or 3) the expected useful life of the buildings comprising the proposed Project.

B. Site Suitability. The site must be suitable for the proposed Project and should be sized to accommodate the number and type of units and the amenities proposed. The land costs allocated to the Project cannot include excess acreage unnecessary for the construction and use of the Project. Existing sites shall not be native prairie land, lowland flood plains and wet lands, or endangered habitats.

C. Zoning. The Application will require the Applicant to demonstrate that the zoning for each site on which the Project will be located allows for the use(s) proposed by the Applicant. A letter from the city regarding zoning must be submitted with the Application. The city zoning department shall provide a statement that the official plat is properly zoned, will have the proper number of parking stalls, and will be located on a paved road, the Property is not landlocked and has a legal easement, and right of ways have been granted if applicable. If the proposed Project location does not have zoning regulations, a letter from the city must be submitted attesting to the fact that no zoning regulations are in effect. If the site is not

zoned appropriately at Application, the Applicant must provide a letter stating that the site will be zoned appropriately by Carryover. If proper zoning is ultimately not possible, a substitute site may be submitted in accordance with Section 8.2.3 and Section 12.1.2 of the QAP.

D. Access to Paved Roads. All sites proposed must have direct contiguous access from the Project site to existing paved publicly dedicated right of ways. If the path from the proposed Property entrance to a paved road is de minimis, as determined solely at IFA's discretion, then the Applicant will be allowed to provide a binding commitment for both the construction and financing of the paved road, using funds outside of the Tax Credit development budget. The cost of construction of the paved road must not be included in the Project costs, and the construction of the paved road must be completed prior to the issuance of Form 8609.

E. Access to Utilities. The Application will require the Applicant to show that all Utilities are or will be physically available to and have adequate capacity for the proposed Project. If Utilities are not available to the site on the date the Application is submitted, the Applicant must supply adequate evidence that demonstrates that the Utilities will be available by start of construction. This evidence must include the appropriate funding source the Applicant will utilize for the Utility extension. Any charges for the extension of services that are not normal extensions may not be included in Eligible Basis. Utilities must be available at the site prior to the issuance of the Form 8609.

F. Building Standards. Preliminary site plan and floor plans are to be submitted with the Application to IFA. The Application will require the Developer to demonstrate that they have or will meet local, state and federal standards that apply to the Project, except for any portions thereof the deletion of which has been approved by the Department of Public Safety, the Department of Public Health, or other implementing State agency (see, e.g., Note following Iowa Administrative Code 661 – 301.8(103A) (2010)), unless a local building code is more restrictive. The current standards are:

1. 2009 International Building Code adopted and published by the International Code Council.
2. 2009 International Existing Building Code adopted and published by the International Code Council.
3. 2009 International Residential Code adopted and published by the International Code Council.
4. 2009 International Fire Code adopted and published by the International Code Council.
5. 2009 International Mechanical Code adopted and published by the International Code Council.
6. 2008 Uniform Plumbing Code adopted by the International Association of Plumbing and Mechanical Officials.
7. 2008 National Electric Code adopted by the National Electrical Code Committee and published by the National Fire Protection Association, Inc.
8. 2009 International Energy Conservation Code adopted by the International Code Council.

9. Iowa Administrative Code Chapters: 300 (Administration), 301 (General Provisions), 302 (Accessibility of Building), 303 (Energy Conservation), and 350 (State Historic Building), and 25 (State Plumbing Code).

10. Uniform Federal Accessibility Standards provided in 24 CFR Part 8 and delineated in the American National Standards Institute Standard 2003 A117.1.

11. The Americans with Disabilities Act 1990 provided by the Federal Department of Justice.

12. The Federal Fair Housing Act of 1988 including Title VI of the Civil Rights Act of 1964, Section 109 of the Housing and Community Development Act of 1974, Title VIII of the Civil Rights Act of 1968, Section 3 of the Housing and Urban Development Act of 1968, Executive Order 11063, Section 504 of the Rehabilitation Act of 1973.

13. For adaptive reuse/rehabilitation, the Lead Base Paint Poisoning Prevention Act, the Department of Housing and Urban Development (HUD) Guidelines for the Evaluation and Control of Lead Based Paint Hazards, Environmental Protection Administration (EPA) and Occupational Safety and Health Act (OSHA) provisions shall apply when applicable.

14. For adaptive reuse/rehabilitation, State Historic Preservation Office (SHPO) clearance Section 106 of the National Historic Preservation Act, 36 CFR Part 800 for Projects receiving any direct federal funding (HOME or categorical grant) or affecting properties listed in the National Register of Historic Places, or in a designated historic preservation district or zone.

G. Minimum Development Characteristics. Iowa's environments places heavy demands upon building envelope energy requirements and exterior building components systems. In order to enable long term housing affordability, low maintenance building exteriors and high energy efficiency, structural envelopes and appliances uses are encouraged. For nine percent (9%) Tax Credits, installations that exceed minimal standards may be awarded extra points in the Application as described in Section 6, Scoring Criteria.

The following minimum development characteristics must be utilized in all construction.

1. Exterior Construction: Air infiltration barrier building wrap required on all new siding Applications.
2. Roofs: If shingles will be installed then, use of a minimum of 25-year shingles with a minimum of 30# roofing felt.
3. Exterior Entry Doors to Common Areas: Insulated metal or fiberglass type with optional thermo-pane glass insert or thermo-pane glass full lite doors with metal thermal break type frame, to IECC standards.
4. Unit Doors: Direct Unit access to exteriors, insulated metal or fiberglass panel type with optional thermo-pane glass insert to IECC standards, 180-degree peephole, lockset and deadbolt lock with one inch throw.

5. Unit Doors: Interior common hall Unit entry doors as required by the International Building Code/International Residential Code with 180-degree peephole, with passage set and deadbolt lock with one inch throw.
6. Overhead Doors: Embossed steel panel doors without insulation to non-heated areas.
7. Carpeting: Within dwelling Unit, 26 oz. minimum face weight, low level loop Olefin or Nylon/Olefin blend. In common areas, 28 oz. minimum face weight, low level loop one hundred percent (100%) Nylon carpeting. Carpets, carpet cushion (i.e. padding), and carpet adhesives shall be labeled with the Carpet & Rug Institute (CRI) Green Label or documented to meet the CRI Green Label testing program criteria. Products labeled with the CRI Green Label Plus also meet this requirement.
9. Resilient Flooring: Kitchens – either 1/8 inch vinyl composition tile, color and pattern full thickness or sheet vinyl complying with bathroom specification below 1/8 inch thick, color and pattern full thickness, made from products that do not use vinyl chloride in the manufacturing process and do not produce dioxin. An alternative to vinyl composite tile or sheet vinyl is natural linoleum flooring, tile flooring, or bamboo.
10. Resilient Flooring: Bathrooms – sheet vinyl with wear surface of 20 mills or greater, with underlayment product on second or higher floors. Resilient flooring should be made from products such as that do not use vinyl chloride in the manufacturing process and do not produce dioxin. An alternative is natural linoleum flooring, tile flooring, or bamboo.
11. Shower Flooring: Bathrooms that have Handicapped Accessible roll in showers – must use molded fiberglass pan or manufactured fiberglass surround unit, non-slip type ceramic floor tiles, or terrazzo flooring.
12. Cabinetry: All cabinets, shelves, and countertops made with formaldehyde free materials: solid wood, formaldehyde free particleboard or MDF (medium density fiberboard), metal with natural or baked enamel factory finish. Laminate countertops at a minimum, with Family Units to have two bowl kitchen sink.
13. Window Covering: Required. A spring loaded type window shade is not an approved covering.
14. Sidewalks: A concrete sidewalk shall be provided from each entrance door to a public way. Sidewalks should be made with recycled content concrete. Where possible, combine sidewalks. In the event the city requires additional sidewalks, that requirement shall be followed. ADA/UFAS/ANSI A117.1 slope and curb cut ramp requirements shall rule.
15. Laundry: A common laundry room facility located on site with a minimum of one washer/dryer to serve each 12 Units. (A minimum of one front loading accessible washer and dryer.) Central laundry facilities in buildings with an elevator will comply. An Applicant can provide a washer and dryer in each Unit in lieu of a common laundry room facility.

16. Storage Rooms: If storage rooms are provided, the rooms should be maintained in compliance with manufacturer's installation requirements for fire safety and Uniform Fire Code, which limits flammable and combustible materials.
17. Heating and Air Conditioning: All Units shall be heated and air conditioned. Air conditioning equipment should be at least 13 SEER and use R-410a refrigerant that is charged according to manufacturer specifications. Window or thru-wall A/C units must be at least 10.7 EER. Heating equipment should be at least 90 AFUE for furnaces and 85 AFUE for boilers.
18. Handicap Accessibility: In new as well as rehab construction, a minimum of five percent (5%) of all Units supplied must be fully handicap accessible on the building accessible routes which includes all floors if an elevator is provided. All Units on the accessible routes must be adaptable upon reasonable tenant request for special needs. A minimum of two percent (2%) of all Units supplied must be adapted for hearing and/or vision impairments. The two percent (2%) cannot be included in the five percent (5%) of the accessible Units that must also be provided with hearing and vision impaired equipment. (e.g. with strobes and horns)
19. Construction Warranty: Obtain a minimum of one-year construction warranty that is enforceable.
20. Computer Learning Center: A Computer Learning Center is required. In lieu of a Computer Learning Center, the Owner may provide and maintain a computer in each Unit. The Computer Learning Center must be provided onsite, and the Computer Learning Center provided in a previous or subsequent phase cannot be substituted.
21. High-Speed Internet Access: Provide high speed internet access to each Unit by wiring for broadband, wireless, or digital subscriber line (DSL). Service provider is the responsibility of tenant, unless Applicant requested scoring points for providing this service in each Unit to be paid by owner.
22. Bedrooms: A closet with a door must be provided in each bedroom.
23. Energy Efficiency: New construction developments with three stories of residential space or less must meet or exceed Energy Star 2.0 standards and receive a Home Energy Rating Systems (HERS) Index of 80 or less from a certified rater in Iowa based on the 2009 International Energy Conservation Code (IECC). At the credit reservation stage, IFA requires an engineer or architect to certify that the design meets the 2009 IECC. The review must be documented with a letter from the engineer or architect to IFA indicating whether the proposed construction meets the IECC. In the event that the proposed construction does not meet the code requirements, the engineer or architect will provide suggestions for corrections to plans and specifications that will ensure that IECC will be met. A home energy rating performed by a certified HERS rater is required on each building after it is completed to verify that actual construction meets the above listed requirements. Five (5) Units with different floor plans and orientations for complexes of less than 50 Units and five percent (5%) or at least ten (10) Units in complexes of 50 or more Units must be rated. The contract for the determination of the HERS index must be between the certified rater and the Ownership Entity. If upon completion, a Project does not meet the HERS index of 80 or less, additional steps must be taken by the Ownership Entity to obtain the HERS index of 80 prior to issuance of Form 8609.

New construction developments with four stories or more must exceed ASHRAE 90.1 Appendix G-2004 by at least fifteen percent (15%). Supporting documentation shall be provided by an independent licensed engineer. If upon completion, a Project does not exceed ASHRAE 90.1 Appendix G-2004 by at least 15%, additional steps must be taken by the Ownership Entity to exceed the standard by 15% prior to issuance of Form 8609.

For existing structures that receive a Tax Credit Reservation, an energy audit conducted by a certified home energy rater must be provided on each building prior to the preparation of the final work rehabilitation order. The rater, the owner and IFA will determine the feasibility of meeting the requirements of IECC prior to the start of the rehabilitation. If it is determined to be feasible to meet the IECC standards, appropriate specifications will be written into the work order. If it is not feasible to meet the requirements of IECC, the rater will provide information indicating effective and cost-effective energy improvements that could be included as a part of the rehabilitation Project. At the completion of the rehabilitation, an energy audit by a certified energy rater is required to verify that the rehabilitation work on each building meets the standards of IECC or includes recommended energy performance measures designed to achieve energy use reductions projected as a part of the initial performance audit and consultation. The contract for the determination of the energy audit must be between the certified rater and the Ownership Entity. If upon completion, a Project does not verify that the Project has met the specified energy improvements, additional steps must be taken by the Ownership Entity prior to the issuance of Form 8609.

24. Minimum Unit Square Footage:

| Unit Type | Minimum Unit Square Footage |
|------------|-----------------------------|
| Efficiency | 450 |
| 1 Bedroom | 625 |
| 2 Bedroom | 800 |
| 3 Bedroom | 1000 |
| 4 Bedroom | 1175 |

Exceptions to the minimum unit square footage requirements may be granted for rehabilitation of existing housing projects or for historic preservation projects; or if the majority of the units of the Project will provide rents targeting extremely low income tenants that meet the Federal definition of Homeless. At least 10 business days prior to the Application due date, the Applicant must provide a narrative to the Tax Credit Manager requesting prior approval.

H. Submission of Site Characteristics. The Application requires a narrative of the current use of the Property, all adjacent Property land uses, and the surrounding neighborhood. Labeled colored photographs (or color copies) of the proposed Property and all adjacent properties must be provided, as well as a clear map identifying the exact location of the Project site. In addition, a plat map of the site or proposed replatting map of the site must be submitted. If the site(s) includes any detrimental characteristics, the Applicant must provide a remediation plan and budget, subject to IFA’s approval at its sole discretion, to make the site suitable for the Project. If any detrimental site characteristics exist on, or

adjacent to the site, IFA may reject the Application. The following may represent some, but not all, detrimental site characteristics:

1. Sites located within ½ mile of storage areas for hazardous or noxious materials, sewage treatment plant or other solid waste facility, businesses or equipment producing foul odors or excessive noise or the site is a prior storage area for hazardous or noxious materials, sewage or other solid or liquid waste;
2. Sites where the slope/terrain is not suitable for Project based on extensive earth removal/replacement required for development;
3. Sites where there are obvious physical barriers to the Project;
4. Sites that are located within ½ mile of a sanitary landfill or sites that were previously used as a sanitary landfill;
5. Sites that are located within a flood hazard area, at or on a 100-year flood plain as determined by the Iowa Department of Natural Resources, FEMA or FIRMA map or a designated wetland;
6. Sites that are located within 500 feet of an airport runway clear zone or accident potential zone;
7. Sites that are landlocked.

I. Rehabilitation Standards. For all preservation and rehabilitation Projects, IFA requires the Applicant to provide information regarding Rehabilitation Expenditures for each building. The information must address how the Applicant will meet all of the Building Standards and Minimum Construction Characteristics. The Applicant must identify, with respect to each building as required by the Application, the Rehabilitation Expenditures as defined in IRC Section 42(e)(2) which shall be allocable to or substantially benefit the Low-Income Units in such building. The Application must show the calculations for whether the amount of Rehabilitation Expenditures is at least equal to the greater of twenty percent (20%) of the expected adjusted basis of the building or a \$10,000 Rehabilitation Expenditure limited to Hard Construction Costs per Low-Income Unit. If neither the twenty percent (20%) or the \$10,000 requirement has been met, the Applicant must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the twenty percent (20%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$6,000 per Unit requirement or that there are different circumstances for each building as described by the Applicant. The Applicant must complete and submit a Scope of Work in the required format to describe the proposed rehabilitation activities.

The Scope of Work shall, at a minimum, address activities related to:

1. Making common areas handicap accessible, creating or improving sidewalks, installing new roof shingles, adding gutters, sealing brick veneers, applying exterior paint or siding, and re-surfacing or re-paving parking areas.

2. Improving site and exterior dwelling lighting with Energy Star Qualified lighting fixtures, landscaping/fencing, and installing high quality vinyl, hardiplank siding or brick.
3. Use energy efficient related Energy Star labeled products to replace inferior ones, including insulated windows.
4. Improving heating and cooling units, plumbing fixtures and water heaters toilets, sinks, faucets, and tub/shower units to meet minimum efficiency standards for new construction above.
5. Improving quality of interior conditions and fixtures, including carpet, vinyl, interior doors, painting, drywall repairs, cabinets, Energy Star appliances, Energy Star light fixtures, and window coverings to meet minimum efficiency standards for new construction above.

J. Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects.

The Application will require the Applicant to acknowledge the Capital Needs Assessment requirement and that IFA will use it prior to commencing construction. The Capital Needs Assessment must be prepared by a competent third party, such as a licensed architect or engineer. The third party may be a member of the Qualified Development Team with prior approval by IFA after the allocation of Tax Credits, but may not be the Ownership Entity or Developer. The assessment must include a site visit and physical inspection of the interior and exterior of Units and structures, as well as an interview with available on-site Property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment must also consider the presence of hazardous materials on the site. The assessment must include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. When a Capital Needs Assessment is completed, all of the IFA minimum development characteristics and Applicant-elected scoring criteria must be addressed.

APPENDIX 2 – GLOSSARY OF TERMS

The following capitalized terms shall have the meanings set forth herein unless context clearly requires a different meaning.

Accessibility means buildings used by the public, accessible to, and functional for, the physically handicapped to, through and within their doors, without loss of function, space, or facility where the general public is concerned. An accessible route means a continuous unobstructed path connecting all accessible elements and spaces in a building or facility that can be negotiated by a severely disabled person using a wheelchair and that is also safe for and usable by people with other disabilities. Interior accessible routes may include corridors, floors, ramps, elevators, lifts, and clear floor space at fixtures. Exterior accessible routes may include parking, access aisles, curb ramps, walks, ramps and lifts.

Affiliates means with respect to any Person, (i) any other Person directly or indirectly Controlling, Controlled by, or under common Control with such Person, (ii) any other Person directly or indirectly Controlling fifty percent (50%) or more of the voting securities of such Person, or (iii) any officer, director, manager, member, or partner acts in any such capacity.

Affirmative Marketing Plan means to carry out an affirmative program to attract prospective tenants of all minority and non-minority groups in the housing market area regardless of their race, color, religion, sex, national origin, Disability, familial status, religious affiliation, creed, sexual orientation, and gender identity. Racial groups include White, Black or African American, American Indian or Alaska Native, Asian, Native Hawaiian or Other Pacific Islander. Other groups in the housing market area who may be subject to housing discrimination include, but are not limited to, Hispanic or Latino, Persons with disabilities, families with children, or Persons with different religious affiliations. The Applicant shall describe in the Marketing Plan the proposed activities to be carried out during advance marketing, where applicable, and during all rent ups. The affirmative marketing program also should ensure that any group(s) of Persons ordinarily not likely to apply for this housing without special outreach, know about the housing, feel welcome to apply and have the opportunity to rent.

Applicable Fraction means the fraction used to determine the Qualified Basis of the qualified low-income building, which is the smaller of the Unit fraction or the floor space fraction, as defined more fully in IRC Section 42(c)(1).

Applicable Percentage means the percentage multiplied by the Ownership Entity's Qualified Basis to determine the annual Tax Credit available to the Ownership Entity for each year of the Tax Credit Period and as more fully described in IRC Section 42(b).

Applicant means the Ownership Entity.

Application or Application Package means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Applicants are required by IFA to use the forms contained in the Application Package. The Application must include all information required by the QAP and as may be subsequently required by IFA.

Assisted Living means housing with services, as defined in Chapter 231C of the Iowa Code.

Area Median Gross Income (AMGI) means the most current tenant income requirements published by HUD pursuant to the qualified Low-Income Housing Project requirements of IRC Section 42(g).

Board means the Board of Directors of IFA.

Builder Overhead means the cost of continuing operations of a building construction firm.

Builder Profit means the return anticipated for providing building construction services under competitive conditions taking into consideration on-site construction time, work performed by the builder, number of subcontractors and extent of subcontract work and risk and responsibility.

Capital Needs Assessment means an assessment of the rehabilitation needs of an existing structure that is prepared by a competent third party, such as a licensed architect or engineer. The third party may be a member of the Qualified Development Team with prior approval by IFA, but may not be the Ownership Entity/Developer. The assessment must include a site visit and physical inspection of the interior and exterior of Units and structures, as well as an interview with available on-site Property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment must also consider the presence of hazardous materials on the site.

The assessment must include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. The assessment must include a projection of recurring probably expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per Unit per annual basis. The following components should be examined and analyzed for a Capital Needs Assessment:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utilities and lines;
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
- Interiors, including Unit and common area finishes (carpeting, vinyl tile, plaster walls, paint conditions, etc.), Unit kitchen finishes, cabinets and appliances, Unit bathroom finishes and fixtures, and common area lobbies and corridors; and
- Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators.

Carryover Allocation Agreement or Carryover Agreement or Carryover Allocation means the document which contains the Ownership Entity's election statements for an allocation of Tax Credit Reservations by IFA pursuant to IRS Section 42(h)(1)(E) and Treasury Regulations, § 1.42-6 and the contents are derived from the Carryover Allocation Package.

Carryover Agreement Date means the date that the Carryover Allocation Agreement is executed by IFA and the Ownership Entity.

CHDO: Community Housing Development Organization as defined in 24 CFR Part 92 is a nonprofit organization that is organized under State or local laws; has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; is neither controlled by, nor under the direction of, individuals, or entities seeking to derive profit or gain from the organization; has a tax exemption ruling from the Internal Revenue Service under Section 501(c)(3) or (4) of the IRC of 1986; doesn't include a public body; has standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems"; has among its purposes the provision of decent housing that is affordable to low income and moderate-income persons as evidenced in its charter, articles of incorporation, resolutions, or by-laws; maintains accountability to low-income community residents; has a demonstrated capacity for carrying out activities assisted with HOME funds; has a history of serving the community within which housing to be assisted with HOME funds is to be located.

Code or IRC means the Internal Revenue Code of 1986, as amended, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued there under by the United States Department of the Treasury or the Internal Revenue Service relating to the Low-Income Housing Tax Credit Program authorized by IRC Section 42 to and including October 31, 2008. These documents are incorporated in the QAP by reference and pursuant to 265 IAC §§ 17.4(2) and 17.12(2). A copy of the Internal Revenue Code and Treasury regulations and related information relating to this program are found in the state law library and are available for review by the public.

Community Room means a defined space made available exclusively to all tenants and guests of the Project, either in a stand alone building or incorporated within a residential structure, located in whole upon the Property. The size of the Community Room shall equal or exceed 20 square feet per residential Unit.

Community Service Facility means any facility designed to serve primarily individuals whose income is sixty percent (60%) or less of Area Median Gross Income within the meaning of in Section 42(g)(1)(B). It must meet the following criteria: 1) The facility must be used to provide services that will improve the quality of life for community residents, 2) The taxpayer must demonstrate that the services provided at the facility will be appropriate and helpful to individuals in the area of the Project whose income is sixty percent (60%) or less of Area Median Gross Income, 3) The facility must be located on the same tract of land as one of the buildings that comprises the qualified low-income housing Project, 4) If fees are charged for the services provided, they must be affordable to individuals whose income is sixty percent (60%) or less of Area Median Gross Income, and 5) The Community Service Facility must be located in a QCT.

Compliance Period means the 10-year credit period and additional 5-year period for a total of 15 taxable years, beginning with the first taxable year of the credit period.

Computer Learning Center means a physical space or room designated within the Project for the purpose of providing access and education related to computers. The Applicant may, in lieu of a Computer Learning Center, provide and maintain a computer in each Unit. The following information must be provided in either circumstance: 1) Description of the center's purpose and its intended customers/clients, 2) Equipment (hardware, software, training materials) and 3) staffing of the center.

Construction Contingency means a set percentage of Hard Construction Costs that is budgeted for unforeseen emergencies or shortfalls identified after construction commencement.

Construction Costs: Is defined by Iowa's tax credit on-line Application under the "Cost and Credit Calc" tab, item III. Construction.

Consultant Fee means a fee paid to a housing consultant. No Entity having an Identity of Interest with the Developer may earn a fee for providing services that would otherwise be provided on a fee basis by a housing consultant. Consultant efforts must be directed exclusively towards serving the specific Project being proposed.

Control (including the terms Controlling, Controls, Controlled by, under common Control with, or some variation or combination of all three) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person or Affiliate thereof, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than fifty percent (50%) of the General Partner interest in a limited partnership, or designation as a managing General Partner or the managing member of a limited liability company.

Debt Service Coverage Ratio (DSCR) or Debt Coverage Ratio (DCR) means the ratio of a Property's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations.

Developer means any individual or Entity responsible for initiating and controlling the development process and ensuring that all phases of the development process, or any material portion thereof, are accomplished.

Difficult Development Areas mean any areas that are so designated by the Secretary of HUD as areas which have high construction, land, and utility costs relative to area median family income.

Disability means at least one of the following criteria: 1) Has a physical, mental or emotional impairment which is expected to be of long-continued and indefinite duration, substantially impedes the person's ability to live independently, and is of a nature that such ability could be improved by more suitable housing conditions; OR 2) Has a developmental Disability, defined as a severe chronic Disability which is attributable to a mental or physical impairment or combination of mental and physical impairments, is manifested before the Person attains age 22, is likely to continue indefinitely, results in substantial functional limitation in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and which reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services which are of lifelong, or extended duration and are individually planned and coordinated.

Disaster Relief Tax Credits means low-income housing tax credits for Disaster Recovery Assistance housing in the amount of \$8.00 per capita authorized pursuant to the Heartland Disaster Tax Relief Act of 2008.

Eligible Basis means, with respect to a building within a Project, the building's Eligible Basis at the close of the first taxable year of the Tax Credit Period and as further defined in IRC Section 42(d).

Eligible Basis shall not include garages or Storage Units or other amenities where the Ownership Entity is charging tenants for the use of the garage or Storage Unit or other amenities, except when

the garage or Storage Units or other amenities are part of normal rent for all of the units in the Project.

If a grant is made with respect to any building or its operation during any taxable year of the Compliance Period and any portions of such grant is funded with federal funds, the Eligible Basis of the building for that taxable year and all succeeding taxable years must be reduced by the portion of the grant.

Eligible Basis for Rehabilitation Project includes the definition of Eligible Basis with the adjustments described in this Section. No Tax Credit shall be available for acquisition of an existing building unless all of the following criteria are met:

- The building is acquired by purchase;
- Subject to limited exceptions, at least 10 years has elapsed since the building was last placed in service or if more recent, the date of certain improvements costing at least twenty-five percent (25%) of the Applicant's adjusted basis in the building;
- The building was not previously placed in service by a related Person to the current Applicant. For the purposes of this paragraph "Related Person" shall have the same meaning as Section 42(d)(2)(D)(iii); and
- The used building is rehabilitated in a manner which is eligible for Tax Credit.

Entity means any General Partnership, Limited Partnership, corporation, joint venture, trust, Limited Liability Company, limited liability partnership, business trust, cooperative or other business association.

Evaluators mean members of IFA Staff, temporary staff hired to evaluate the Tax Credit Applications, or staff from municipalities, or other state or federal agencies, including but not limited to the Department of Human Services, Department of Cultural Affairs, IEDA, and USDA.

Extended Use Period or Extended Low Income Housing Commitment means the time frame which begins the first day of the initial 15-year Compliance Period, in which the building is a part of a qualified low-income housing Project and ends 15 years after the close of the initial Compliance Period, or the date specified by IFA in the LURA.

Family means one or more individuals that may be domiciled with one or more Persons under age 18. A Family Project is not an Older Persons Project.

Frail Older Persons mean Older Persons requiring assistance with three or more activities of daily living.

Full Service Grocery Store means a grocery store that has available for purchase the following categories: Fresh meat (i.e. beef, pork, chicken, etc.); dairy products (i.e. milk, cheese, butter, etc.); frozen foods (i.e. vegetables, pizza, ice cream, frozen meals, etc.); canned goods (i.e. beans, tomato products, juices, soups, etc.); paper products (i.e. toilet paper, paper towels, diapers, feminine products, etc.); health & beauty products (i.e. OTC medicines, hair care products, deodorant, etc.); spices (i.e. salt,

pepper, cinnamon, oregano, etc.); and bread & bakery products (i.e. loaves, buns, donuts, lunch/snack items, etc.).

General Partner means the General Partner of a limited partnership or a limited liability limited partnership as set forth in the limited partnership agreement or as otherwise established by the Uniform Limited Partnership Act, Iowa Code chapter 488.

General Pool means all low income housing per capita tax credits available under the QAP, other than those committed to Set-Asides under the QAP.

Governmental Entity or Political Subdivision means federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities, their employees, board members or agents.

Handicapped Accessible means meeting the construction standards for the Unit set forth in Chapter 11 of the International Building Code 2006, or the local building code related to Accessibility of Units if more stringent.

Hard Construction Costs mean the following items: site improvements or work, new construction, accessory buildings, garages, general requirements, trade items (building materials), Construction Contingency, builder's overhead, builder's profit, bond premium, other fees, architect's and engineering fees—design, architect's and engineering fees—supervisory, rehabilitation.

Homeless means the term as defined by The McKinney-Vento Homeless Assistance Act as amended by S. 896 The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009.

Housing Credit Agency means IFA. Pursuant to Iowa Code Section 16.52, IFA is charged with the responsibility of allocating Tax Credits pursuant to IRC Section 42(h)(8)(A) and pursuant to Iowa Code Section 16.52.

HUD means the United States Department of Housing and Urban Development, or its successor.

IEDA means the Iowa Economic Development Authority.

Identity of Interest means a financial, familial or business relationship that permits less than an arm's length transaction. No matter how many transactions are made subsequently between Persons, corporations, or trusts Controlled by the Ownership Entity/Developer, these subsequent transactions shall not be considered "arm's-length". Identity of Interest includes but is not limited to the following: the existence of a reimbursement program or exchange of funds; common financial interests; common officers, directors or stockholders; family relationships among the officers, directors or stockholders; the Entity is Controlled by the same group of corporations; a partnership and each of its partners; a limited liability company and each of its members; or an S Corporation and each of its shareholders.

IFA means the Iowa Finance Authority.

IRS means the Internal Revenue Service, or its successor.

Joint Review Team means representatives of IFA, IEDA, USDA, or the City of Des Moines to review Projects that have requested funding by IFA's LIHTC Program and the state HOME funds, and city HOME funds. Staff for the respective agency (ies) will make recommendations regarding Tax Credit awards and HOME awards to their respective decision makers. A decision by one agency or department within an agency to fund a Project does not bind the other department or agency to fund a Project. The failure to provide funds is a financial feasibility issue that could ultimately disqualify the Project from consideration.

Land Use Restrictive Covenants a/k/a Land Use Restrictive Agreement (LURA) means an agreement between IFA and the Ownership Entity and all of its successors in interest where the parties agree that the Project will be an affordable housing Project through the length of the Extended Use Period elected by the Ownership Entity and upon which the award of Tax Credits was in part, based. The LURA will contain restrictive covenants that must encumber the land where the Project is located for the life of the agreement. The LURA must conform to the requirements of IRC Section 42(h), Iowa Code Section 16.52 and the QAP.

LIHTC means the Low-Income Housing Tax Credit Program authorized by IRC Section 42.

Local Government Contribution means contributions by a city or county, or an agency, department or similar subunit thereof, in the form of a cash contribution, gift of land, tax abatement (not tax exemption), tax increment financing, enterprise zone credit, waiver of fees, or below market interest rate loan (value calculated on imputed savings). The following shall not qualify as a Local Government Contribution:

- A HOME loan or
- Funds provided to a city or county with the understanding or express agreement that such funds will be contributed to a Low Income Housing Tax Credit Project.

Local Housing Trust Fund (LHTF) means a local housing trust fund that has been certified by the Iowa Finance Authority in accordance with administrative rules governing the Local Housing Trust Fund Program.

Low-Income Unit means any residential rental Unit if such Unit is rent-restricted and the occupant's income meets the limitations applicable as required for a qualified low-income housing Project.

Medical Services means a clinic or hospital at which a clinical diagnosis can be obtained from a medical doctor (MD), Doctor of Osteopathic Medicine (DO) or a Physician Assistant (PA). A physician or physician assistant is concerned with preventing, maintaining, and treating human illness and injury. The Physician and Physician Assistants may conduct physical exams, diagnose and treat illnesses, order and interpret tests, counsel on preventive health care, assist in surgery, and write prescriptions.

Metropolitan Statistical Area (MSA). MSA as defined by the U.S. Office of Management and Budget (OMB), Federal Register Doc. 2010-15605, dated June 25, 2010, is a Core Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying

counties that have a high degree of social and economic integration with the central county or counties as measured through commuting. A listing of Iowa MSA's will be available in the on-line application.

New Developer means a Developer that has not been allocated low-income housing Tax Credits in the last five years.

Non-Metropolitan Statistical Area (MSA). An area not identified as a MSA as defined by the U.S. Office of Management and Budget (OMB), Federal Register Doc. 2010-15605, dated June 25, 2010.

Older Persons means persons 55 or older. An Older Persons Project is exempt from the prohibition against familial status discrimination under the Fair Housing Act if:

- The HUD Secretary has determined that it is specifically designed for and occupied by elderly Persons under a Federal, State or local government program or
- It is occupied solely by Persons who are 62 or older or
- It houses at least one Person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house Persons who are 55 or older.

Owner Representative means the General Partner(s) or managing member(s) of the Ownership Entity.

Ownership Entity means the Entity to which Tax Credits will be or have been awarded.

Ownership Entity Agreement means a written, legally binding agreement describing the rights, duties, and obligations of the owners in the Ownership Entity.

Per Capita Tax Credits means the credits that IFA is authorized to allocate pursuant to the formula set forth in IRC Section 42(h)(3)(c)(ii)(1).

Person means any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits; and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter and vice versa.

Placed-In-Service Date means the date the property is ready for occupancy. The placed-in-service date generally marks the beginning of the credit period.

Project means a low-income rental housing Property the Applicant of which represents that it is or will be a qualified low-income housing Project within the meaning of IRC Section 42(g). With regard to this definition, the Project is that Property which is the basis for the Application.

Property means the real estate and all improvements thereon which are the subject of the Application, including all items of personal property affixed or related thereto, whether currently existing or proposed to be built thereon in connection with the Application.

Qualified Allocation Plan (QAP) means an allocation plan to select and award Tax Credits to qualified recipients. The requirements of the QAP apply to any tax-exempt bond financed Project. Tax-exempt bond financed Projects must pay particular attention to the Sections of the QAP relating to these Projects.

Qualified Basis means, with respect to a building within a Project, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of IRC Section 42(c)(1).

Qualified Census Tract means any census tract which is so designated by the Secretary of HUD and, for the most recent year for which census data are available on household income in such tract, either in which fifty percent (50%) or more of the households have an income which is less than sixty percent (60%) of the adjusted gross median income for such year or which has a poverty rate of at least twenty-five percent (25%).

Qualified Contract means a bona fide contract to acquire a LIHTC Project for the sum of the existing debt, adjusted investor equity and other capital contributions, less project cash distributions.

Qualified Development Team means the individuals or companies that develop the Project including but not limited to the Project Developer (mandatory), General Partner/Managing Member (mandatory), Development Consultant, Architect, Engineer, Energy Consultant (mandatory), Contractor, Tax Accountant (mandatory), Tax Attorney (mandatory), Management Company (mandatory), and Syndicator

Qualified Nonprofit Organization or Nonprofit means an organization that is described in IRC Section 501(c)(3) or (4), that is exempt from federal income taxation under IRC Section 501(a), that is not affiliated with or Controlled by a for-profit organization, and includes as one of its exempt purposes the fostering of low-income housing within the meaning of IRC Section 42(h)(5)(C) and is allowed by law or otherwise to hold and develop property.

Qualified Residential Rental Property shall have the same meaning as defined in IRC Section 42(d).

RD means the United States Department of Agriculture (USDA) Rural Development Program.

Rehabilitation Expenditure(s) means depreciable expenditures which are for Property or improvements that are chargeable to the capital account and which are incurred in connection with the rehabilitation of a building. Rehabilitation Expenditures are not eligible for Tax Credits unless the expenditures are allocable to or substantially benefit one or more Low-Income Units and the amount of such expenditures during any 24 month period selected by the Applicant is at least the greater of twenty percent (20%) of the Applicant's adjusted basis of the building at the start of the 24 month period, or \$6,000 per Unit. See also, IRC Section 42(e)(2).

Resident Population with Special Needs means one of the following:

- Homeless Persons, including homeless individuals, families, youth, and/or veterans
- Persons with a physical or mental, and/or developmental Disability
- Persons with mental illness
- Victims of domestic violence
- Frail Older Persons
- Persons living with HIV/AIDS
- Persons in recovery from chemical dependency

ROSE Program means Renter to Ownership Savings Equity (ROSE) Program. For each month that the tenant resides in a Unit, at least \$50 will be placed in an account to be used by the tenant, at the completion of a lease term, for the purpose of securing homeownership. If a tenant leaves a Property without securing homeownership, the residual of the deposits made on behalf of the tenant are to be shared among the remaining tenants. Interest earned on the account shall go to the tenant, or be used by the Owner to assist with the cost of providing homeownership education and credit counseling. Property types that qualify for the ROSE Program are single family dwellings, duplexes, or townhomes. At the completion of the 15-year Compliance Period, the Unit shall be offered to the current tenant. Prior to sale of the Unit, any reserves available shall be used to make improvements as determined by a Capitol Needs Assessment performed by a third-party contractor. If the reserves are not sufficient, the Owner will provide other sources of funds to make repairs. The owner must provide documentation illustrating how the purchase price is being determined, and evidencing the tenants' monthly anticipated mortgage payment, and tenant-paid Utilities.

Schools mean an elementary, junior high or high school accredited by the Iowa Department of Education. The school(s) selected must be in the school district which would serve the project and the school must be tuition free for those attending.

Senior Center means a community-based program that provides a variety of services that can include social activities, nutrition, and educational and recreational opportunities for older adults.

Single Room Occupancy (SRO) housing means housing consisting of single room dwelling Units that is the primary residence of its occupant or occupants. The Unit must contain either food preparation or sanitary facilities, or both, if the Project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure, neither food preparation nor sanitary facilities are required to be in the Unit. If the Units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants. SRO does not include facilities for students.

State Ceiling means the limitation imposed by IRC Section 42(h) on the aggregate amount of Tax Credit Allocations that may be made by IFA during any calendar year, as determined from time to time by IFA in accordance with IRC Section 42(h)(3).

Storage Unit means a lockable, solid, floor to ceiling room that is at least twenty (20) square feet. The storage unit must be in addition to and excess of the standard two feet (2 ft.) by five feet (5 ft.) required closet. Storage rooms must be maintained in compliance with the manufacturer's installation requirements for fire safety and Uniform Fire Code, which limits flammable and combustible materials.

Tax Credit means the Low-Income Housing Tax Credits issued pursuant to the program, IRC Section 42 and Iowa Code Section 16.52. Tax Credits are determined under IRC Section 42(a) for any taxable year in the Tax Credit Period equal to the amount of the Applicable Percentage of the Qualified Basis for each qualified low-income building.

Tax Credit Allocation or Reservation amount means, with respect to a Project or a building within a Project, the amount of Tax Credit IFA allocates to a Project and determines to be necessary for the financial feasibility of the Project and its viability as a qualified low-income housing Project throughout the Compliance Period.

Tax Credit Period means, with respect to a building within a Project, the period of 10 taxable years beginning with the taxable year the building is placed in service or, at the election of the Ownership Entity the succeeding taxable year, as more fully defined in IRC Section 42(f)(1).

Tax Credit Reservation Date means the date that the notice of Tax Credit Reservation was emailed to an approved Applicant.

Total Project Costs means the total costs reflected in the Application.

Transitional Housing for homeless means a unit shall be considered to be used other than on a transient basis if the unit contains sleeping accommodations and kitchen and bathroom facilities and is located in a building which is used exclusively to facilitate the transition of homeless individuals (within the meaning of section 103 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11302), as in effect on the date of the enactment of this clause) to independent living within 24 months, and in which a governmental entity or qualified nonprofit organization (as defined in subsection (h)(5)) provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.

Underserved County means a county that has not received an allocation of Low-Income Tax Credits in the last three (3) years.

Unit means a room or a group of related rooms designed for use as a dwelling for which rent is paid. A Unit contains sleeping accommodations, a kitchen and a bathroom, except as allowed in a Single Room Occupancy. The kitchen must have a cook top, an oven or microwave, a cooling/freezing unit, and a sink. A Family Unit must have a two bowl kitchen sink

Unreserved Tax Credits means Tax Credits that were not awarded by IFA during its most recent round of allocation or are returned to IFA during the current year. These Tax Credits would be eligible for redistribution in accordance with the rules of IFA or may be carried forward to the next year's allocation cycle.

Utilities mean gas, electricity, water and sewer service.