

Iowa Finance Authority
Low-Income Housing Tax Credit Program
2007 Qualified Allocation Plan

SECTION 1. INTRODUCTION AND PURPOSE.

1.1 Creation of Tax Credit Program. Congress created the Low-Income Housing Tax Credit (Tax Credit) Program in 1986. The amount of Tax Credit received is based on the cost of the Project and the number of qualified Low-Income Units, and can be subtracted on a dollar-for-dollar basis from federal tax liability. The Tax Credit is received each year for ten years—the period the Ownership Entity claims the Tax Credit on its federal income tax return. The Iowa Finance Authority (IFA) is the Housing Credit Agency for the State of Iowa and administers the Tax Credit Program to facilitate the development of low-income rental-housing units in Iowa.

1.2 Adoption of a Qualified Allocation Plan. As the Housing Credit Agency responsible for allocating Tax Credits in the State of Iowa, IFA must adopt a written Qualified Allocation Plan (QAP). The purpose of the QAP is to set forth the criteria that IFA will use in evaluating and monitoring Projects submitted to it by the Developer/Ownership Entity for consideration in making an allocation of Tax Credits. The Governor must approve the QAP after the public has had the opportunity to comment through a public hearing. The pertinent statutory provisions applicable to the QAP include 26 USC §42, Iowa Code §§16.1, 16.4 and 16.52 and the various state and federal rules and interpretive documents relating to the Tax Credit Program.

1.3 Purpose of the Tax Credit Program. The purpose of the Tax Credit Program is to provide an incentive to developers to construct or to acquire or to substantially rehabilitate Qualified Residential Rental Property. The housing that is created throughout the state must include affordable units for low-income individuals and families. These individuals or families must have an income that is at 60 percent or below the Area Median Gross Income (AMGI). The units must remain in compliance for a minimum period of 30 years. IFA will select Projects that best meet the overall objectives of the Tax Credit Program.

SECTION 2. ADMINISTRATION AND PROCEDURES.

2.1 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.

2.1.1 26 USC Section 42 as amended and the related Treasury regulations in effect as of October 5, 2006.

2.1.2 Iowa Code Section 16.52 and the rules promulgated by IFA to govern the Tax Credit Program in effect on October 5, 2006.

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

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

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

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

2.1.4.3 Third, by giving preference to the QAP.

2.2 Schedule. The Tax Credit Program will follow the schedule published on IFA's web site at <http://www.ifahome.com>. IFA will have at least one reservation cycle per year. Additional reservation cycles may be made throughout the year at the sole discretion of IFA.

2.3 Tax Credit Amount Available. The amount of Tax Credits available in Iowa in each calendar year reflects the sum of the amounts allowed as the State Tax Credit Ceiling under IRC Section 42(h)(3)(C). This amount may be increased by returned Tax Credits from prior years, Tax Credits allocated to Iowa from the national Tax Credit pool or by new legislation increasing the amount of Tax Credits distributed to each state. Any unallocated or recovered Tax Credits or a combination of both may be awarded as part of the current year cycle of awards for Tax Credits, or subject to Treasury regulations, may be carried over to the next year's cycle of awards at the discretion of the Board.

2.4 Tax Credit Cap for Single Developer/Consultant. IFA will not allocate more than 15% of the annual state ceiling to a single Developer/Consultant with multiple Projects. However, if one or more of the Projects are in Qualified Census Tracts or Difficult Development Areas this Tax Credit cap may be increased by 30% for appropriately located Projects. A Developer/Consultant may submit as many Projects as the Developer/Consultant chooses. IFA will select which Projects are awarded Tax Credits based on the QAP. In the event a party is acting as a consultant for a Project and is not the Developer of such Project, the amount of Tax Credits counted against the Developer's cap will be determined by the percentage of the consultant fee for that Project. For example, if a consultant receives 20% of the total Developer/consultant fee, 20% of the Tax Credits allocated to the Project will be counted against the Developer's cap. Co-Developers will be allocated tax credits based upon the percentage of interest in the Project. For example, if a Co-Developer retains a 50% interest in the various Developer benefits realized from a Project, 50% of the tax credits will be counted against the Developer's cap. If the Developer/Consultant fee is not a 50/50 split in Co-Developer projects, the Developer/Consultant cap limitation in this paragraph governs.

The intent of the cap is to promote fair and objective administration of the LIHTC program by ensuring that no single applicant can receive an excessive share of the available tax credits in any application cycle. Parties that have an identity of interest are presumed to be sufficiently related for them to be treated as a single applicant for purposes of the cap. As described below, IFA may in its discretion identify other parties whose relationship is sufficiently close to cause them to be treated as a single applicant for purposes of the ceilings. A significant factor in IFA's evaluation will be whether, based on the facts and circumstances, a primary purpose of a party's involvement in a Project or its role in the Project structure appears to be avoidance of the ceilings.

For purposes of this Section, the following relationships constitute an identity of interest for purposes of identifying related parties in order to apply the ceilings:

Individual persons are considered related to each other (a) if they have any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, mother-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or (b) if one individual is an employer, by common law or otherwise, of the other.

Entities are considered related to each other (a) if any director, shareholder, partner, member or any other type of owner of any entity would be considered a related individual (under the previous paragraph) to any director, shareholder, partner, member or any other type of owner of another entity, (b) if the entity has the ability to control another entity, or (c) if the entity owns a material interest in another entity. An entity will be presumed to control another entity if it has a percentage of ownership in the other entity or the ability to appoint a percentage of the members

of the other entity's governing body (i.e., board of directors, board of trustees, partners, managers, etc.) that would permit it to control the other entity either by operation of law or by agreement. A material interest means any ownership interest in excess of 20% of the stock, partnership interests, membership interests or other forms of ownership of any entity; provided, however, that ownership interests held by tax credit investors, tax credit syndicators or special or special administrative partners or members shall be disregarded for purposes of the 20% test.

Without limiting the above, a trust will be considered related to any individual or entity if any trustee, trustor, grantor, settler, beneficiary, permissible distribute, any person or entity serving a role similar to the foregoing, or any person holding power of appointment (general or limited) over trust property would be considered related to the individual or entity.

Any other relationship which, while not specifically listed above, is determined to constitute an identity of interest because it is a relationship at least as close as an identity of interest described above or because it would permit an allocation that violates the intent of the cap

2.5 Tax Credit Cap for a Single Project. IFA will not allocate more than \$600,000 in Tax Credits for a single Project. However, if the Project is in a Qualified Census Tract or Difficult Development Area, this Tax Credit cap may be increased by 30% for appropriately located Projects.

2.6 Non-profit Set-Aside. In accordance with IRC Section 42 and Iowa Code Section 16.52, at least 10 percent of the annual State Ceiling must be set-aside for Qualified Non-profit Organizations that own an interest in and materially participate in the development and the operation of a Project. This Tax Credit amount cannot be used for any other purpose, and any unused Tax Credit portion may be carried over at the end of the allocation year. Any amount of the Tax Credit carried over at the end of the allocation year shall be used to fund Non-profit Projects during the following year. IFA shall allocate Tax Credits from the 10 percent set-aside to Qualified Non-profit Organizations based upon the selection criteria and scoring and other factors described in this QAP. Non-profit Developers shall be scored with all of the for-profit Developers except that the 10 percent Non-profit set-aside shall be available in its entirety until the set-aside is fully allocated. In the event this set-aside is exhausted, Projects proposed for the Non-profit Set-Aside shall be permitted to compete for the remaining annual State Ceiling.

2.7 Service Enriched Set-Aside. IFA will set-aside 25 percent of the annual State Ceiling for Projects in which at least 60% of Low-Income Units are both rent restricted and occupied by individuals whose income is 40% or less of AMGI, and up to 40% of the Low-Income Units are both rent restricted and occupied by individuals whose income is 60% or less AMGI, and have a supportive service plan as outlined in an attachment to the Application. To qualify for this set-aside (1) 25 to 49% of the units must be set-aside for People with Disabilities within an Integrated Setting or a setting that promotes homeownership or transitional housing; or (2) 50 to 100% of the units must be set-aside for People with Disabilities within a Single-Purpose Setting or transitional housing. Any unused Tax Credits remaining from this set-aside may be returned to the general pool and allocated in the current year. IFA shall allocate Tax Credits from this 25 percent set-aside based upon the QAP. Service Enriched Housing Projects shall be scored with all the Projects except that the 25 percent set-aside shall be available in its entirety until the set-aside is full allocated. In the event this set-aside is exhausted, Projects proposed for the Service Enriched Housing set-aside shall be permitted to compete in the set-asides for which the Project is eligible and for the remaining annual State Ceiling.

2.8 Affordable Assisted Living Set-Aside. IFA will set-aside 10 percent of the annual State Ceiling for Affordable Assisted Living Projects that include Low-Income Units. To qualify

for this set-aside in a MSA county, at least 40% of the Low-Income Units must be both rent restricted and occupied by individuals whose income is 40% or less of AMGI. To qualify for this set-aside in a non-MSA county, all Low-Income Units must be both rent restricted and occupied by individuals whose income is 60% or less of AMGI. In addition to the above requirements, the Project must also obtain and retain certification as an assisted living program through the appropriate state agency upon Project completion, obtain and retain enrollment as a Medicaid waiver provider or maintain a contract with an enrolled Medicaid waiver provider and have a supportive service plan as outlined in an attachment to the Application. Any unused Tax Credits remaining from this set-aside may be returned to the annual State Ceiling. IFA shall allocate Tax Credits from this 10 percent set-aside based upon the QAP. Affordable Assisted Living Projects shall be scored with all of the Projects except that the 10 percent set-aside shall be available in its entirety until the set-aside is fully allocated. In the event this set-aside is exhausted, Projects proposed for Affordable Assisted Living shall be permitted to compete in the set-asides for which the Project is eligible and for the remaining annual State Ceiling.

2.9 Preservation Set-Aside. IFA will set-aside 20 percent of the annual State Ceiling for the preservation of qualifying projects. Projects applying for this set-aside must be one or more of the following: (1) federal, state, or locally assisted housing preservation including low-income housing units subsidized under the following or similar programs which are likely to lose their low-income status (HUD opt-out notice or USDA-prepayment has been filed), Section 236; Section 221(d)(3) Below Market Rate (BMIR); Section 221(d)(3) Market Rate with Section 8 rental assistance; HUD developments with Section 8 project-based rental assistance; Section 221(d)(4); and Section 515 Rural Housing Development; (2) adaptive reuse of existing buildings; and (3) conversion of existing market rate developments to affordable housing. In all instances, the Ten Year Rule will apply. Any unused Tax Credits remaining from this set-aside may be returned to the annual State Ceiling. IFA shall allocate Tax Credits from this 20 percent set-aside based upon the QAP. Preservation Projects shall be scored with all the Projects except that the 20 percent set-aside shall be available in its entirety until the set-aside is fully allocated. In the event this set-aside is exhausted, Projects proposed for the Preservation set-aside shall be permitted to compete in other set asides for which the Project is eligible and for the remaining annual State Ceiling.

2.10 Rural Set-Aside. IFA will set-aside 5% of the annual State Ceiling for the Projects in qualifying rural areas. Projects applying for this set-aside must be proposed in cities of 2,500 population or less, may not be part of a MSA, may not exceed ten units and may not be part of a scattered site Project. IFA shall allocate Tax Credits from this 5 percent set-aside based upon the QAP. Rural Projects shall be scored with all the Projects except that the 5 percent set-aside shall be available in its entirety until the set-aside is fully allocated. In the event this set-aside is exhausted, Projects proposed for the Rural set-aside shall be permitted to compete in other set-asides for which the Project is eligible and for the remaining annual State Ceiling.

2.11 Fees. IFA shall collect the fees described below for the Tax Credit Program. Checks for 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 10 business 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 Ownership Entity. IFA will not issue a Form 8609 until the compliance monitoring fee is paid in full. All fees are nonrefundable, except if there are residual funds after market study provisions are paid, the funds will be reimbursed on a pro-rata basis.

| <u>Fee type</u> | <u>All Applicants</u> |
|-------------------------|---|
| Application Fee | \$1,000 |
| Market Study Fee | \$6,000 Affordable Assisted Living and Service Enriched Projects \$5,000 Family/Older Person Projects |
| Substantial changes fee | \$1,000 If Substantial changes are made in Project from Pre-Application market study and submission of Project, an update of the study will be made. |
| Reservation Fee | 1 percent of the total ten year Tax Credit amount. |
| Compliance Monitoring | \$17 per unit, per year x total compliance period (Example: \$17 per unit x 24 unit Project x 30 year total compliance period = \$ 12,240 paid in full prior to issuance of 8609) Other fees as provided in the Compliance Manual |

2.12 Application Process. Upon request, IFA will forward an Application Package that is consistent with the provisions of this QAP to a potential Developer on disk; it is also available on the Internet at <http://www.ifahome.com>. In the event it becomes necessary to amend the Application Package, IFA will post the amended version of the Application Package on its web site at the above address. Developers are advised to check IFA's web site periodically for any amendments or modifications to the Application Package. A Developer's application must include an acknowledgement of any amendments or modifications to the Application Package. As described in Section 5.7, the developer may elect to have IFA commission a market study prior to the Application due date. If the Developer elects this option, the information required for the IFA commissioned study must be received by IFA by 3:00 p.m. local time, the date it is due. Developers that do not elect to have IFA commission a market study prior to the Application due date will be required to submit the information required for the IFA commissioned market study with the Application.

2.12.1 All Applications must be completed using the Application form provided by IFA. Any substitute Application will disqualify a Project from consideration. Use of prior year or pre-Board approved Application is prohibited. Only one Application will be allowed per Project.

2.12.2 The Developer must submit one original and two complete printed copies of the Application Package and if HOME funds are not requested one original and one complete copy by the due date. All three printed copies must be on letter size paper, bound in a three ring binder(s) and all exhibits **must be tabbed with the number or letter assigned in the Application**. Late filed Applications will be rejected outright and returned to the Developer. An Application will be late if it is not actually received in the offices of IFA by 3:00 p.m. Local Time the date it is due.

2.12.3 No amendments will be accepted to the Developer's Application after the Application due date, except as provided by the QAP.

2.12.4 If a Developer is applying for State HOME funds, the Developer must complete the HOME sections and attach the appropriate information as more fully described in the HOME Application and instructions. IDED and IFA shall appoint a Joint Review Team to review Applications applying for HOME funds and Tax Credits. No additional points will be awarded to a Developer that seeks HOME funding. IDED has the sole and final authority with respect to any award of HOME funds, while IFA has the sole and final authority with respect to any reservation of Tax Credits.

2.12.5 IFA may conduct joint reviews with other funding sources such as the Senior Living Trust, the Multi-family Loan Program or the Substance Abuse Transitional Housing Revolving Loan Fund. If a Developer is applying for Senior Living Trust funds, the Multi-family Loan Program or the Substance Abuse Transitional Housing Revolving Loan Fund, the Developer must attach the appropriate information for Senior Living Trust funds, the Multi-family Loan Program or the Substance Abuse Transitional Housing Revolving Loan Fund to the Application. IFA will appoint a review team to review Applications applying for Senior Living Trust, and/or the Multi-family Loan Program, and/or the Substance Abuse Transitional Housing Revolving Loan Fund information and Tax Credits. No additional points will be awarded to a Developer that seeks Senior Living Trust, the Multi-family Loan Program, or the Substance Abuse Transitional Housing Revolving Loan fund. IFA has the sole and final authority with respect to any award of Senior Living Trust, Multi-family Loan Program or the Substance Abuse Transitional Housing Revolving Loan Fund.

2.13 Contacts with IFA before the Application is received. IFA will designate a contact(s) for the Tax Credit Program to receive questions before the Applications are due. The contact(s) will be identified on IFA's web site. Questions concerning the QAP and the Application may be addressed in writing to IFA's contact(s) by mail, E-mail, hand delivery or facsimile. Questions received and answers provided by IFA will be posted to IFA's web site, generally on a weekly basis. Individual responses will not be sent to Developers. IFA shall not be bound by any oral representation made in connection with the Application or award of Tax Credit Reservations.

2.14 Contact with IFA after the Application is received. Once an Application is received by IFA, neither the Developer nor any person on behalf of the Ownership Entity may contact IFA's Board, Evaluators or other IFA staff to discuss the Application or any of its components for the round under consideration, except as specifically allowed by the QAP. Any such contact shall result in rejection of the Ownership Entity's Application. IFA staff or a Developer or their representative may contact each other to discuss matters unrelated to the Tax Credit Application under review. During the evaluation period Applications will not be made available to the public for examination and copying. Following the due date of the Applications and after the information is collected, IFA will post on its web site the aggregate totals of: Applications, dollars requested, units, acquisition/rehab or new, older persons/family, profit or Non-profit, and Applications for set-asides. 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. Also see Section 2.26. This Section does not preclude IFA from contacting the Developer, as appropriate, for the purpose of conducting a site inspection as more fully described in Section 2.18.

2.15 Notification of Chief Executive Officer—Local Jurisdiction. The Developer will be required to identify the city in which the proposed Project will be located and include the name and address of the chief executive officer of the city. See IRC Section 42(m)(1)(A)(ii). Upon receipt of an Application, IFA will notify the chief executive officer of the city of the proposed Project. This notification will include characteristics of the proposed Project and provide an opportunity for the Governmental Entity to comment on the Project.

2.16 Binding Obligations. The representations made in the Application shall bind the Developer 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 the 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.

2.17 Land Use Restrictive Covenants (aka 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 compliance period. If the Ownership Entity 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 Compliance Period for which the Ownership Entity has waived its rights to early termination. In the event an Ownership Entity 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 Tax Credit 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 Compliance 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 (3) 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.

2.18 Other Information Sources. IFA may contact other sources to obtain information regarding the materials contained in the Developer's Application to either verify the information or to obtain independent information regarding a Developer's 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.

2.19 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 Developer 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. Developers will not be notified of a site visit unless access to a building(s) is required. If deemed necessary by IFA, Developers shall provide building access for inspection by Evaluators to, among other things, confirm basic structural soundness.

2.20 Disclosure of Information Regarding Equity Investors or Syndicators. The Application will require the Developer 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 is not known at the time of Application, the Application can be amended after Tax Credits are awarded. A Form 8609 will not be issued unless the name of a syndicator or equity partner is revealed to IFA. Ownership Entities 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. 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.

2.21 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 specifically produced for the Applications, including but not limited to: letters from the city regarding zoning, evidence of the availability of Utilities, financing commitment letters, market study and documents regarding Local Contributing Efforts must meet the timeliness requirement. 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 Non-profit stating they are an exempt organization under 501(c)(3) or 501(c)(4).

2.22 Opinions and Certifications. The Application will require the Developer to file certifications and professional opinions in support of the Application. All certifications, opinions and documents submitted by attorneys, the Developer, 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.

2.23 Fractional Rounding. For the purposes of determining the number of units in a Developer's election(s), fractional units will be increased to the next whole unit.

2.24 Self Evaluation. IFA will include a self-evaluation form for both threshold and selection criteria for Developers to use to evaluate their Applications. The self-evaluation is for the convenience of the Developers and does not bind IFA to any information contained therein. Completing these exhibits is not required.

2.25 Costs Associated with Application Preparation. IFA is not responsible for any costs incurred by an Ownership Entity or Developer.

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

2.27 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 a Developer as a public record unless the Developer 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 Developer 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 a Developer has marked as confidential, IFA shall provide a written notice to the Developer 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 Developer. The Developer'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.

2.28 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.

2.29 IFA Policy on Civil Rights Compliance. IFA is an equal opportunity concern. The Ownership Entity 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.

2.30 Tax Authorization Form. An executed IRS Form 8821-Tax Information Authorization Form for each Developer for sharing of information between IFA and the IRS must be included in the Application Package. Form 8821 must be provided to IFA with the Application, at the time of Carryover Application, at the time the Project is placed in service and annually during the Compliance Period.

SECTION 3. TAX-EXEMPT BOND FINANCED PROJECTS. Under IRC Section 42(h)(4), Projects financed with tax-exempt bonds may be entitled to 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:

3.1 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 50 percent 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.

3.2 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 is a HUD/FHA insured mortgage through HUD's multifamily accelerated processing (MAP), IFA will accept the underwriting and market study information conducted by the MAP lender.

3.3 Application Criteria. Except as provided in this section, a Project using tax-exempt financing must satisfy all of the threshold requirements to be considered for Tax Credits. The market study provisions (Section 5.7) shall not apply to a tax-exempt bond financed project; however, a market study is required to be submitted by a disinterested third party analyst. The Tax Credit cap for a single Developer (Section 2.4), the Tax Credit cap for a single Project (Section 2.5), and the scoring criteria outlined in Section 6 shall not apply with respect to a tax-exempt bond financed Project. The Board in its discretion may apply the provisions of Section 6.2 to determine whether to award Tax Credits to a Project using tax exempt financing and applying for Tax Credits pursuant to this Section of the QAP. Additionally, the Ownership Entity must fulfill all post award requirements and must keep the Project in compliance for the

Compliance Period. The Project will be subject to the compliance monitoring requirements of the QAP.

3.4 Application Process. Developer may submit an Application at any time in accordance with the following process:

3.4.1 The Developer must submit a request for Tax Credits to IFA after the issuer of the bonds has approved an “inducement” resolution for the Project and after the Project has been assured that state private activity bond cap is available. If the Project is seeking mortgage insurance through the Federal Housing Administration (FHA), or credit enhancement from another source, the Developer should submit the request to IFA after the FHA or the credit enhancer has approved a preliminary mortgage amount.

3.4.2 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.

3.4.3 IFA is required by the Code to notify the Chief Executive Officer of the local jurisdiction, where the proposed Project will be located, of the Tax Credit Application, and provide adequate opportunity for comment.

3.4.4 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.

3.4.5 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).

3.4.6 After satisfactory review and if a Project satisfies the QAP requirements, IFA will provide the Ownership Entity and the bond issuer with a 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.

3.4.7 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.

3.4.8 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 web site. IFA will provide a Form 8609 Application Package for final allocation requests. The Ownership Entity will be governed by the same deadlines required of other Tax Credit recipients.

3.4.9 Tax-exempt Projects are required to enter into a LURA, 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.

SECTION 4. UNDERWRITING. The Application will require the Developer to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credit. IFA shall determine whether the Developer has requested the least amount of Tax Credit necessary to

ensure Project feasibility and to conform to the QAP. 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 Carryover, and before a Form 8609 is issued. Developers will be required to file a new pro forma at each of these stages in the Tax Credit process. 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. In addition the Developer must supply the following information:

4.1 Project Financial Information. The Application will require the Developer 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 Developer 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 may not be used in underwriting if a gap in financing is created.

4.2 Operating Reserves. Projects are required to establish an operating reserve equal to six months of projected operating expenses plus debt service payments and annual replacement reserve payments, and must be maintained for seven full years commencing after the Project has reached stabilized occupancy. Stabilized occupancy is based on the vacancy rate identified by the Developer in the Application. The Application will require the Developer to include a narrative explaining how the operating reserve will be established. The requirement for an operating reserve may be satisfied as follows:

4.2.1 The Developer 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;

4.2.2 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 seven year period described above in Section 4.2; or

4.2.3 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.

4.3 Replacement Reserves. Projects are required to establish and make monthly deposits for a replacement reserve equal to \$250 per unit per annum for new construction for older persons units and \$300 per unit per annum for rehabilitation and for new construction family units. The Application will require the Developer to include a narrative explaining how the replacement reserve will be escrowed and used only for repair to the units and the replacement of components. The replacement reserve must be shown on the pro forma.

4.3.1 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. Developers 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 Limits on Developer and Builder Fees.

4.4.1 Developer fees including overhead and profit and Consultant fees shall not exceed the percentages described below. 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. The fees will be limited as follows: For new construction Projects; first 24 units – not to exceed 15%, units 25 and greater – not to exceed 12%. For acquisition/rehabilitation, adaptive reuse or historic preservation projects - not to exceed 17%.

4.4.2 Builder and general contractor fees will be limited to a total of 14% of the Hard Construction Costs.

4.4.3 In the event 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.

4.5 Debt Service Coverage Ratio. In order to receive a Tax Credit Reservation, Developers must present a Project that can service its debt. The pro forma cash flow will calculate the Debt Service Coverage Ratio for each year of the Project included in the pro forma. In order to satisfy this item the Project's Debt Service Coverage Ratio should fall within the range of 1.15 to 1.35 for each year of the pro forma. Projects, including those applying for the Service Enriched Housing Set-Aside in Section 2.7 and the Affordable Assisted Living Set-Aside in Section 2.8, may have Debt Service Coverage Ratio outside this range. However, the Developer must provide a narrative to justify the deviation. This justification could include long-term guarantees from service provider(s). Service providers include but are not limited to the county. If the Debt Service Coverage Ratio is outside the range and the justification is not acceptable to IFA, the Project may be rejected.

4.6 Annual Rent, Expense Trends and Vacancy Rates. The Developer must elect the annual rent trend, expense trend and vacancy rate for underwriting the Project. The Developer must provide a narrative to justify the annual rent trend, expense trend and vacancy rate elected for the Project. The pro forma must substantiate that the Project will maintain a positive cash flow for 15 years.

4.7 Subsidy Layering Review. HUD is required to undertake subsidy layering reviews of each Project receiving HUD housing assistance to ensure that Ownership Entity do 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 Section 4.4 will be applied by IFA in its subsidy layering review. IFA will complete the subsidy layering review for applicable Projects after the Developer and HUD submit relevant documentation for review at carryover. This information includes the results of HUD's underwriting analysis, the Developer'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.

4.8 Unit Cost Cap. The total development cost (total project cost minus cost of land, commercial hard construction, bridge loan interest, operating reserves, IFA compliance monitoring fee, replacement reserves, developer/consultant fee, reservation fee and application fee) per unit must not exceed 105% of the HUD 221(d)(3) high cost mortgage limits by bedroom size as outlined in an Attachment to the Application.

4.8.1 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. IFA may, on a case by case basis, allow a Project receiving historic rehabilitation tax credits or participating in HUD's portfolio re-engineering program to exceed the unit cost cap. Portfolio re-engineering projects should include a copy of the Project's physical condition assessment to demonstrate the potential unit cost.

4.8.2 Affordable Assisted Living Projects are allowed an exceptional per unit cost of 125% of the HUD 221(d)(3) high cost mortgage limits as outlined in an attachment to the Application.

4.8.3 Scattered Site Projects are allowed an exceptional per unit cost of 115% of the HUD 221(d)(3) high cost mortgage limits as outlined in an attachment to the Application.

4.8.4 Projects in Qualified Census Tracts (QCTs) are allowed an exceptional per unit cost of 130% of the HUD 221(d)(3) high cost mortgage limits as outlined in an attachment to the Application.

4.8.5 Tax exempt bond projects funded under Section 3 are exempt from this Section.

4.8.6 Rural Set-aside Projects are allowed an exceptional per unit cost of 110% of the HUD 221(d)(3) high cost mortgage limits as outlined in an attachment to the Application.

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. Once the Application deadline has passed, Applications will be reviewed for completeness. An Application that is not substantially complete may be rejected. IFA, in its sole discretion, may provide a written notice of deficiencies in the Application to the Developer\Ownership Entity. The notice will be sent by overnight delivery. The receipt from the overnight carrier will be proof of receipt by the Developer\Ownership Entity. No new information that would increase the score of the Application will be considered. The Developer\Ownership Entity will have seven business days from the date of receipt to provide requested clarifications or documents to IFA. The Developer\Ownership Entity may contact IFA during this seven day period to discuss the requirements of the Developer\Ownership Entity in addressing the deficiencies. Any Application, which after seven business days remains deficient, will be rejected. IFA reserves the right to contact Developers\Ownership Entities in ways other than overnight delivery to clarify information contained in the Application.

5.1.1 Legal Ownership Entity. The legal Ownership Entity must be formed before the Application is submitted and documentation of that formation must be included with the Application.

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

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 Developer must be ready to proceed with the Project by documenting all of the following:

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

5.4.1.1 The Ownership Entity 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 Ownership Entity or a title guaranty certificate showing title in the name of the Ownership Entity;

5.4.1.2 The Ownership Entity has an executed and exclusive purchase option agreement or other binding agreement that is valid up to and including the date of the reservation. Evidence of site ownership must be submitted with the Carryover package;

5.4.1.3 The Ownership Entity has an executed purchase contract; or

5.4.1.4 The Ownership Entity 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.

5.4.2 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. The Application requires a narrative of the current use of the Property, all adjacent property land uses, the surrounding neighborhood, and identification and distance from services available to the proposed property. Labeled 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 Developer 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:

5.4.2.1 Sites located with 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;

5.4.2.2 Sites where the slope/terrain is not suitable for Project;

5.4.2.3 Sites where there are obvious physical barriers to the Project;

5.4.2.4 Sites that are located within ½ mile of a sanitary landfill or sites that were previously used as a sanitary landfill;

5.4.2.5 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;

5.4.2.6 Sites that are located within 500 feet of an airport runway clear zone or accident potential zone; or

5.4.2.7 Sites that are landlocked. All sites proposed must have direct contiguous access from the Project site to existing paved publicly dedicated right of ways.

5.4.3 Zoning. The Application will require the Developer to demonstrate that the zoning for each site on which the Project will be located allows for the use(s) proposed by the Developer. 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 is located on a paved street, 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 Developer 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 8.2.4 of the QAP.

5.4.4 Utilities. The Application will require the Developer to show that all Utilities are or will be physically available to and have adequate capacity for the proposed Project. The appropriate utility company for each service or the city must confirm in writing the availability and capacity of utilities at the proposed Project site. If Utilities are not available to the site on the date the Application is submitted, the Developer 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 Developer 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.

5.4.5 Land/Acquisition from related parties. For land and building which are acquired from a related party, the Ownership Entity must provide documentation showing past transactions which substantiate the value of the property shown in the Application or an appraisal by an MAI certified appraiser who is not a related party.

5.5 Qualified Development Team. The Application will require the Developer to identify the Development Team (Ownership Entity, Developer, contractor, architect, engineer, consultant, tax accountant, tax attorney, management company, syndicator and general partner). The Developer will be required to provide a narrative describing each member's function and explain how the 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 Development Team will be evaluated again at Carryover and the reservation of Tax Credits may be revoked, at the sole discretion of IFA, if the Development Team is not qualified to successfully complete the proposed Project.

5.6 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. The standards are:

5.6.1 2003 International Building Code adopted & published by the International Code Council.

5.6.2 2003 International Residential Code adopted and published by the International Code Council.

5.6.3 2003 International Fire Code adopted and published by the International Code Council.

5.6.4 2003 International Mechanical Code adopted and published by the International Code Council.

5.6.5 2001 Uniform Plumbing Code adopted by the International Association of Plumbing and Mechanical Officials.

5.6.6 2005 National Electric Code adopted by the National Electrical Code Committee and published by the National Fire Protection Association, Inc.

5.6.7 2003 International Energy Conservation Code adopted by the International Code Council.

5.6.8 Uniform Federal Accessibility Standards provided in 24 CFR Part 8 and delineated in the American National Standards Institute Standard 1986 A117.1.

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

5.6.10 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.

5.6.11 For adaptive reuse/rehab, the Lead Base 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.

5.6.12 For adaptive reuse/rehab, 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.

5.6.13 The minimum development characteristics as outlined in an Attachment to the Application that includes both minimum construction and scoring requirements.

5.7 Market Study. IFA will commission a market study for all Applications. The Developer may elect to have IFA commission a market study prior to the Application due date (Pre-Application) or have IFA commission the market study after the Application is submitted (Post Application). If the Developer elects to have IFA commission a market study Pre-Application, the Developer will be permitted to make changes to their proposed Project prior to the Application due date in accordance with the Market Study Guide. IFA strongly recommends,

that prior to submitting the information required for the IFA commissioned market study, Developers independently obtain market information sufficient to satisfy their own concerns as to market viability as outlined in the Market Study Guide. Developers 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 or other market information the market study analyst should evaluate. All market information provided by the Developer will be provided to IFA's commissioned market analyst. By submitting this information, Developers 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 Developer's independent market study or other market information provided. 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; absorption period; market support of unit mix; stabilized occupancy rate; vacancy rate of comparables; rent comparisons to comparables; and impact on the market and financial health of comparables in market area. If the market study or IFA's analysis 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 needs the proposed Project, the Project will be rejected at threshold and will not be scored.

5.8 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects. The Application will require the Developer to acknowledge the Capital Needs Assessment requirement and that IFA will use it in the Carryover evaluation. 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 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. The Application will fully describe the Capital Needs Assessment requirements.

5.9 Local Contributing Effort. The Application will require the Ownership Entity to document a Local Contributing Effort by a public or private agency with a value of at least one percent of the Hard Construction Costs. The IFA provided exhibit in the Application must be used in documenting the Local Contributing Effort. A Local Contributing Effort will not be considered as qualifying for this Section if the Local Contributing Effort was made more than one year before the effective date of the QAP unless it is a contribution in the form of land or buildings. The agency making the Local Contributing Effort must indicate the value of its contribution including a description of land value and how it was determined. The value of the Local Contributing Effort is the value of the contribution made by the agency minus the value of any consideration or accommodation received by the agency in return for the contribution. The Local Contributing Effort may be contingent upon the receipt of a Tax Credit Reservation.

5.10 Commitment to Notify Public Housing Authority (PHA) of Vacancies. The Application will require the Developer to notify the local PHA having jurisdiction in the political subdivision where the Project is located. The letter shall state the Developer's desire to be placed on the PHA's list. The Developer must provide a copy of this letter with their Application.

5.11 Ineligible Significant Parties. For this Section, 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 Development Team or determined to be Significant Parties by IFA, but does not include syndicators, equity partners, private placement originators or limited partners.

5.11.1 The following Significant Parties may be ineligible to participate in the Tax Credit Program and may not receive a Tax Credit Reservation, Tax Credit allocation at Carryover time or a Form 8609:

5.11.1.1 Significant Parties who have 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.

5.11.1.2 Significant Parties who have received an uncorrected Form 8823 issued by IFA or any other state. Developers are encouraged to submit detailed explanations, on the exhibit provided in the Application, of any uncorrected 8823's that have been issued with respect to properties associated with any Significant Parties.

5.11.1.3 Significant Parties who have been convicted of or entered an agreement for immunity from prosecution, received a deferred conviction or sentence or suspended conviction, or 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, or falsification or destruction of records or crimes of violence toward vulnerable populations.

5.11.1.4 Significant Parties who have been debarred from any program administered by IFA, any other state agency, or any federal agency.

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

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

5.11.1.7 A Developer who fails to disclose all known members of the Project Development Team.

5.11.2 In the event IFA discovers that the Ownership Entity, 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 2.4; or the Ownership Entity, 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 Ownership Entity, 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.

5.12 Additional Threshold Requirements for Non-profit Organizations. To be eligible for Tax Credits from the Non-profit Set-Aside, the Developer is required to demonstrate the involvement of a Qualified Non-profit Organization. To qualify, the non-profit must:

5.12.1 The Non-profit must have a 501(c)(3) or 501(c)(4) designation from the IRS and be qualified to do business in Iowa.

5.12.2 The Non-profit cannot be formed by one or more individuals or for-profit entities for the principal purpose of being included in the Non-profit Set-Aside. Nor can the Non-profit be controlled by a for-profit organization. IFA may make a determination as to whether a Non-profit is controlled by a for-profit.

5.12.3 The Non-profit and/or parent non-profit 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 the non-profits' programs include a low-income housing component. The Application must explain how the Non-profit 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.

5.12.4 The Non-profit must, directly or through a partnership, prior to the reservation of Tax Credits:

5.12.4.1 Own all of the general partnership interests of the ownership entity of the Project; or own one hundred percent of the stock of a corporate ownership entity of the Project alone or with other Non-profits who meet all the requirements of this section or:

5.12.4.2 Own, along or with other Non-profits who meet all of the requirements of this Section, one hundred percent of the stock of an entity that is the sole general partner or sole managing member of the ownership entity of the Project.

5.12.5 The Non-profit must be materially participating (regular, continuous and substantial on-site involvement) in the operation of the Project throughout the Compliance Period.

5.12.6 IFA reserves the right to conduct due diligence to determine whether an entity is a Qualified Non-profit Organization.

5.13 Displacement of Tenants. IFA will accept Applications that have displaced (or will displace) tenants. The Application will require the Developer to submit an acceptable relocation plan.

5.14 Confirmation of Eligibility—Rehabilitation or Acquisition. The Application will require the Developer to confirm eligibility under IRC Section 42(d)(2)(B)(ii) (the ten-year rule) by listing each building by building address, the date the building was placed in service by the Ownership Entity from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Ownership Entity, 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 ten years, a Developer 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).

5.15 Rehabilitation Standards. If the Developer is proposing to rehabilitate a building(s), the Application will require the Developer to provide information regarding rehabilitation

expenditures for each building. A Developer 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 10 percent of the expected adjusted basis of the building or a \$10,000 rehabilitation expenditure limited to hard construction costs per Low-Income Unit. Additionally, a Developer must indicate that all buildings in the Project qualify for the exception provided for in IRC Section 42(e)(3)(B) regarding the ten percent (10%) basis requirement or that all the buildings qualify for the exception provided for in IRC Section 42(f)(5)(B)(ii)(II) regarding the \$3,000 per unit requirement or that there are different circumstances for each building as described by the Developer.

5.16 Scattered Sites. The Developer 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 Project will be treated as a single Project if all Low-Income Units in the buildings are rent-restricted. 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 in one county or MSA. A scattered site project may be new construction, acquisition, rehabilitation or a combination of these types. In the case of a single family scattered site Project, a maximum number of 12 units are allowed at any separate site.

SECTION 6. 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 Developer. 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 Developer of a Project, regardless of the proposal's aggregate scoring or ranking. 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. IFA reserves the right to limit the reservation of Tax Credits to: 144 units in Polk County; 96 units in all other Iowa MSA central counties (Black Hawk, Dubuque, Johnson, Linn, Pottawattamie, Scott, Story, and Woodbury), and 48 units for all 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. These limits will not include Projects that are part of the Service Enhanced Housing Set-Aside in Section 2.7, the Affordable Assisted Living Set-Aside in Section 2.8 or Projects that are the rehabilitation of existing low-income units and are therefore not adding any additional Low-Income Units. Awards for the Serviced Enriched Housing, Affordable Assisted Living, Preservation and Rural Set-Asides will be made followed by the federally mandated Non-profit Set-Aside. If there are insufficient Non-profit Projects to fulfill the requirements of Section 42, Non-profits awarded in the Serviced Enriched Housing, Affordable Assisted Living, Preservation and Rural Set-Asides will be counted to meet the Section 42 requirements.

6.1 Tie Breaking Procedure. A tie breaking procedure will apply in the event that a Project accumulates an equal number of points with another Project(s) and only a limited number of the Projects are eligible to receive a reservation under the remaining amount of State Ceiling. Under this circumstance, the Project that is located in the community with the greatest demand for the proposed Project, at the sole discretion of IFA, will be selected.

6.2 Discretion by the Board. Irrespective of scoring including a tie in the scoring, the Board may determine that:

6.2.1 A Project shall receive a lower amount of Tax Credit than has been requested if the Project would otherwise have been awarded Tax Credits 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 even though the amount is less than the amount requested. The Ownership Entity can decide whether to accept the partial tender of Tax Credit or be placed on a waiting list for the full amount of the requested Tax Credit.

6.2.2 Acquisition/Rehabilitation, Preservation, Adaptive Reuse or Historic Preservation Projects may apply for additional credits if Project costs exceed original cost estimates including contingency fund. A contingency fund of up to 15% must be included in all Acquisition/Rehabilitation, Preservation or Historic Preservation Projects. Additional Tax Credits may be granted by the Board, if excess credits are available after the carryover allocation agreement is complete. Amount of contingency funds in 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.

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

6.2.3.1 If the State Ceiling is not fully utilized in any year because of HOME funds being exhausted, the board may offer credits to projects (after the initial ranking and awarding of credits) in rank order who may find an alternative source (or sources) of funds with similar financing terms. Projects offered credits must inform IFA of the new funding source (or sources) within 30 days of offer. These projects will be subject to the same Carryover requirements of other projects awarded in that year.

6.2.4 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.

6.2.4.1 The Project does not further the stated purpose of the Low-Income Housing Tax Credit Program as described in Section 1 of the QAP.

6.2.4.2 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.

6.2.4.3 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.

6.2.5 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 Developer 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).

6.3 Scoring Criteria. IFA will award points for the following items provided adequate evidence supports the award of points for all sites within the Project. Evidence will be identified in the Application or an exhibit to the Application.

6.3.1 Tenant related categories. (100 points maximum)

6.3.1.1 Projects that provide units that are to be set-aside and occupied by tenants with incomes at or below 40% AMGI and rent restricted. 1 point for each full 1% of units in the Project (20 points maximum) **0 to 20 points**

6.3.1.2 Market Rate units (not eligible for Tax Credits). At least 20% of Project must be Market Rate Units in order to receive points. 1 point for each 1% of units over 20% (30 points maximum) **0 to 30 points**

6.3.1.3 Electing 20/50 AMGI as the IRS Minimum Set-aside Requirement. If the 20/50 election is made, in order for any unit to qualify as a Low-Income Unit, the unit must be both rent restricted and occupied by individuals whose income is at or below 50% of the AMGI, or if the 40/60 election is made in order to qualify as a Low-Income Unit, the unit must be both rent restricted and occupied by individuals whose income is at or below 60% of the AMGI. **0 or 10 points**

6.3.1.4 Projects that can serve tenant populations with large families. Projects will qualify for this designation only if the Tax Credit units are for family projects.

Projects with at least 3-bedrooms and at least 1-1/2 Baths. 1 point (up to 10 points maximum) for each full 1% of LIHTC units. **0 to 10 points**

6.3.1.5 Projects designed to serve a Special Needs population. In order to qualify for points under this category, the Developer is required to provide no less than \$100 per tax credit funded unit annually for the provision of supportive services. The Developer must submit a complete supportive services plan in accordance with the attachment to the Application in order to score points in this category. The supportive services plan must be specific to the proposed Project. All requirements, including all population specific service requirements, must be listed in the plan. The descriptions of services must include enough details and information so that the Evaluator can determine how and who is provided the services and the population served. Applicant must identify what service need is unmet, how the unmet need is determined and how proposed services will impact the unmet need.

0 to 30 points

6.3.2 Compliance Period related categories. (20 points maximum)

6.3.2.1 Projects obligated to serve qualified tenants for additional years beyond the minimum 15-year Compliance Period and 15 year extended compliance period required by IRC Section 42. Points will be awarded based on 5 points (up to a maximum of 20 points) for each full 5 years of additional compliance period elected. Ownership Entities may elect either an additional compliance period or eventual tenant ownership under Section 6.3.2.2. To get these points, the ownership entity waives the right to ask IFA to find a buyer after year 15. (points will not be awarded under both categories).

0 to 20 points

6.3.2.2 Projects that are intended for eventual tenant ownership. The Developer must include a plan as an attachment to the Application addressing: 1) services that prepare tenants to become owners of the property 2) plans for conversion of Project to tenant ownership at the end of the 15 year compliance period and 3) proposed budget to support 1 and 2 above. Ownership Entities may elect either an additional compliance period or eventual tenant ownership.

0 or 5 points

6.3.2.3 Iowa ROSE (Renter to Ownership Savings Equity) Program: 15 points will be awarded to a Developer who develops a bona fide long-term Iowa ROSE Program. Long-term Iowa ROSE is a lease-to-own single family home program pursuant to a plan and with documents approved by IFA with the house to be sold to a qualified tenant at the end of the 15 year compliance period.

0 or 15 points

6.3.3 Location related categories. (55 points maximum)

6.3.3.1 Projects that are entirely located within a qualified census tract and can demonstrate that they contribute to a concerted community revitalization plan. A concerted community revitalization plan is an IDED Enterprise Zone, HUD Enterprise Community, IDED Main Street Program, IDED Tax Increment Finance (TIF) Variance approved communities, Self-Supporting Municipal Improvement District or historic structures listed on the National Register of Historic Places or determined eligible for the National Register by the State Historic Preservation Officer. The Project site must be entirely within the geographic boundaries of the community revitalization plan and the plan must describe revitalization activities in the neighborhood surrounding the proposed Project.

0 or 20 points

6.3.3.2 Projects entirely located in: the attendance district of a Section 1113(3)(A) Elementary School (applies only to a multi family project); a brownfield site (engineer’s certification is required) 10 points each

0 to 20 points

6.3.3.3 Projects located near services.

| <u>Services</u> | <u>Within 1 Mile</u> | <u>Within 2 Miles</u> | <u>Older Persons/ /Family/Both</u> |
|--|--------------------------|---------------------------|--|
| Public Transportation | 2 points | 1 point | Both |
| Schools | 2 points | 1 point | Family only |
| Pharmacies | 2 points | 1 point | Both |
| Medical Services | 2 points | 1 point | Both |
| Grocery Store (Not Convenience Store) | 2 points | 1 point | Both |
| Day Care (not on-site) | 2 points | 1 point | Family only |
| Library | 2 points | 1 point | Both |
| Senior Center | 2 points | 1 point | Older Persons only |
| Community Center | 2 points | 1 point | Both |
| Congregate Meal Site | 2 points | 1 point | Older Persons only |
| Before and After School Care Program | 2 points | 1 point | Family only |

0 to 10 points

6.3.3.4 Projects with a Computer Learning Center on-site.

0 or 5 points

6.3.4 Project characteristics related categories. (125 points maximum)

6.3.4.1 Reserve.

6.3.4.2 Entire Projects that are locally, state or federally designated historic structures or entire Projects that provide for the rehabilitation of abandoned or unsafe buildings that are considered a “public nuisance” as defined in Chapter 657A of the Code.

0 or 30 points

6.3.4.3 Projects that are subsidized Preservation Projects. Subsidized Preservation Projects are defined as (notwithstanding Threshold and other requirements in this QAP) a Project that has federal subsidy (HUD Section 8 or USDA Section 515) and is likely to lose their low-income status (HUD-opt out notice or USDA-prepayment filed), or a pre 1990 Section 42 Project that has successfully completed their 15-year compliance period.

0 or 15 points

6.3.4.4 Projects that receive a resolution of support from the local governing body of the local political subdivision where the Project will be located.

0 or 10 points

6.3.4.5 Projects that have a written agreement with the Public Housing Authority (PHA) in the form provided by IFA and signed by both the Ownership Entity and the PHA.

0 or 10 points

6.3.4.6 Projects that exceed the minimum construction characteristics as outlined in an attachment to the Application.

Exterior Construction **0 to 12 points**

Insulation **0 to 8 points**

Doors **0 or 2 points**

Window Sills **0 or 2 points**

Laundry **0 or 2 points**

HVAC **0 to 10 points**

Community Rooms **0 or 5 points**

Main Entrance Areas **0 or 2 points**

Storage Units **0 or 2 points**

6.3.4.7 Projects that provide high speed internet access to each unit by wiring for broadband, wireless or digital subscriber line (DSL). Service provider is responsibility of tenant

0 or 5 points

6.3.4.8 Projects that participate in green building methods or obtain LEED certification.

0 to 10 points

6.3.5 Developer characteristics related categories. (10 points maximum)

6.3.5.1 Projects that receive the average or greater of the syndication value per Tax Credit dollar (in cents) based on the weighted average cents per dollar of all Projects submitted in that round.

0 or 10 points

6.3.5.2 Reserve.

SECTION 7. NOTICE OF THE TAX CREDIT AWARD.

7.1 Written Notice of Tax Credit Awards. Once IFA has reserved Tax Credits, a written notice of Tax Credit Reservation shall be faxed and mailed to all approved Ownership Entities. The effective date of the award will coincide with the date of the written notice. The unsuccessful Ownership Entity shall be notified by fax and by mail that IFA did not select their Projects, including an explanation as to why IFA did not select the Project.

7.2 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. A Developer placed on the waiting list shall be required to reapply for Tax Credits if the Developer seeks funding from the next cycle of Tax Credit awards. Placement on the waiting list does not imply either directly or indirectly that the Board will forward fund the Developer'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 Tax Credits become available, the Application will be reviewed to ensure that the Developer 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 Developer is in compliance with the QAP, the Board, at its next regular meeting, may make a Tax Credit Reservation award.

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, issuance 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.

8.2 Amendments to the Application after Award. A Developer 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. This Section does not apply to Tax Credits awarded to a Tax-Exempt Project qualifying pursuant to Section 3 of this QAP.

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.

8.2.3 Changes to the equity investors, syndicator or equity partner.

8.2.4 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 and it is within the same city.

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, special needs targeting, and tenant mix (low-income/market rate), 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 Developer 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 or the issuance of Form 8823.

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 6.2.5.

8.6 Carryover Agreement. All Developers requesting a Carryover Allocation must submit all items described in IFA's current Carryover Application Package.

8.6.1. Marketable Title Requirement. As part of the Carryover 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.

8.7 Form 8609. All Developers requesting an IRS Form 8609 allocation must submit all items described in IFA's current Form 8609 request package.

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 an allocation of Tax Credits has been made, 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 issue a Form 8823.

SECTION 9. APPEALS. A Developer 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 Developer challenges IFA's award.

9.1 Procedures for Developer 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.

9.2 Hearing. Upon receipt of a notice of a Developer 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 Developer appeal in conformance with its rules on contested cases within 30 days of the date IFA receives the notice of appeal.

9.3 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.

9.4 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.

9.5 Settlements.

9.5.1 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.

9.5.2 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.

9.5.3 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.

9.5.4 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.

9.5.5 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.

9.6 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.

9.7 Remedies. In the event a Developer is successful in demonstrating that the Developer should have been awarded tax credits, the board may place the Project on a waiting list for unreserved or returned credits.

9.8 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.

9.9 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.

9.9.1 Oral proceedings in connection with a Sponsor 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.

9.9.2 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.

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

9.9.4 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.

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

9.11 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.

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

SECTION 10. 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.

10.1 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.

10.2 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.

10.3 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 3 years covering the 15-year Compliance Period under IRC Section 42(i)(1). If the Ownership Entity agreed to an extended Compliance Period, the reviews, audits and inspections shall continue through the length of the Compliance Period. 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.

10.4 Notice of Noncompliance. IFA will provide prompt written certified 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.

10.5 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.

10.6 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.

10.7 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.

10.8 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.

10.9 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.

10.10 Effective Date. These procedures for monitoring for noncompliance became effective on January 1, 1992, were amended on February 3, 1993, and apply to buildings placed in service for which a Low-Income Housing Tax Credit is, or has been, allowable at any time.

Notwithstanding the effective date, if IFA becomes aware of noncompliance that occurred prior to January 1, 1992, it is required to notify the Internal Revenue Service of that noncompliance.

Glossary

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

1. **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.
2. **Affiliate** means a corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other person, and specifically shall include parents or subsidiaries.
3. **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).
4. **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).
5. **Application or Application Package** means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Developers 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.
6. **Assisted Living** means housing with services as defined in Chapter 231C of the Iowa Code.
7. **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).
8. **Board** means the Board of Directors of IFA.
9. **Brownfield Site** means an abandoned, idled, or underutilized industrial or commercial site where expansion or redevelopment is complicated by real or perceived environmental contamination. A Brownfield site includes property contiguous with the property on which the individual or commercial facility is or was located. A Brownfield site shall not include property which has been placed or is proposed to be included on the national priorities list established pursuant to the Federal Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C.} 9601 et seq. Completed EPA Phase 1 documentation and an engineer's certification is required to qualify as a Brownfield site for purposes of the QAP.
10. **Builder General Requirements (job overhead)** means items, which will vary due to Project type, location and site conditions. This category generally includes but is not limited to supervision, job site engineering, job office expenses including clerical wages, whether on-site or offsite, if for the Project, temporary buildings, tool sheds, shops and toilets, temporary heat, water, light and power for construction, temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental, construction equipment rental not in individual trade item costs, clean-up and disposal of construction debris, medical and first aid supplies and temporary facilities, watchman's wages, security cost and theft and vandalism insurance signage or other barriers.
11. **Builder Overhead** means the cost of continuing operations of a building construction firm.
12. **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.

- 13. Carryover Agreement and Allocation and Ownership Entity's election statement** means an allocation of current year Tax Credit Reservations by IFA pursuant to IRC Section 42(h)(1)(E) and Treasury Regulations, § 1.42-6 and the Carryover Agreement and Carryover Application filed by an Owner Entity.
- 14. 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 thereunder 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 10, 2001. 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.
- 15. Community Service Facility** means any facility designed to serve primarily individuals whose income is 60 percent or less of median 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 (60) percent or less of area median 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 (60) percent or less of area median income.
- 16. Compliance Period**, as defined in IRC Section 42(i)(1) as amended to January 1, 1986, means, with respect to any building, the period of 15 consecutive taxable years beginning with the first taxable year of the Tax Credit Period unless extended by the Owner Entity to a longer period of time.
- 17. Computer Learning Center** means an area and/or room designated within the project containing 1 or more computer(s) and related hardware (i.e. printer, modem for internet access) that is part of an organized program that provides computer related opportunities and training that has as its focus at least one of the following areas: job skills training to enhance employment opportunities, introduction to/familiarization with computers, basic adult education, literacy, GED, Economic Development (micro enterprises, small businesses, telecommuting), youth education, senior services, or continuing education. To qualify as a Computer Learning Center the Developer must provide the following minimum information: a) Description of the center's purpose and its intended customers/clients; b) Focus and objective of center; c) Time Line; d) Retrofitting or construction required; e) Equipment (hardware, software); f) Staffing of Center; g) Third Party/Voluntary Organizations participation and funding for initial set up and ongoing maintenance and operational costs; h) Training Program and Classes and i) Budget showing how center will be set up and maintained.
- 18. 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.
- 19. Control** (including the terms Controlling, 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 50 percent 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.
- 20. Debt Service Coverage Ratio** 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.
- 21. Developer**
- 21.1** The Developer is acting as agent for the eventual owner or taxpayer benefiting from an award of a Tax Credit Reservation.
- 21.2** The Developer and any of its successors in interest will be bound by the representations made in the Application. Further, the Developer or its successors shall be obligated to carry out the commitments made to IFA by the Developer on its own behalf or on behalf of other Persons or Affiliates.
- 22. Developer's Equity** means Developer's contributions of cash and land, but does not include Developer's Fee or Syndication proceeds. Developer's Equity will only be considered if the equity remains in the Project throughout the Compliance Period and not taken out from surplus cash flow, cash flow notes or mortgages or any other method.
- 23. Difficult Development Area** means any area that is so designated by the Secretary of HUD as an area which has high construction, land, and utility costs relative to area median family income.

- 24. 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).
- 24.1** 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.
- 24.2** 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.
- 25. Eligible Basis for Rehabilitation Project** includes the definition of Eligible Basis with the adjustments described in this Section. No Tax Credit is available for acquisition of an existing building unless:
- 25.1** The building is acquired by purchase;
- 25.2** Subject to limited exceptions, at least ten years has elapsed since the building was last placed in service or if more recent the date of certain improvements costing at least 25% of the Developer's adjusted basis in the building;
- 25.3** The building was not previously placed in service by a related person to the current Developer. For the purposes of this paragraph "related person" shall have the same meaning as Section 42(d)(2)(D)(iii); and
- 25.4** The used building is rehabilitated in a manner, which is eligible for Tax Credit.
- 26. Enterprise Community** is as defined by HUD.
- 27. Enterprise Zone** is as defined by IDED.
- 28. Evaluator** means members of IFA Staff, temporary staff hired to evaluate the Tax Credit Applications, or staff from other state agencies, including but not limited to the Department of Human Services, Department of Elder Affairs and IDED.
- 29. Forward Funding** shall have the same meaning as described in IRC Section 42(b)(2)(A)(ii)(I) and 42(h)(1)(C).
- 30. Frail Older Person** means an Older Person requiring assistance with three or more activities of daily living.
- 31. 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.
- 32. Housing Projects for Older Persons** shall have the same meaning as described in 42 U.S.C. Section 3607(b)(2).
- 33. 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.
- 34. 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.
- 35. HUD** means the United States Department of Housing and Urban Development, or its successor.
- 36. IDED or DED** means the Iowa Department of Economic Development.
- 37. Identity of Interest** means a financial, familial or business relationship that permits less than an arm's length transactions. 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 of its shareholders.
- 38. IRS** means the Internal Revenue Service, or its successor.

- 39. Integrated Setting** means mixed population housing that is integrated “in a community” rather than in certain buildings. The property may not limit occupancy based on the type of disability or election of services offered.
- 40. Joint Review Team** means representatives of IFA and the IDED that are appointed by each agency to review Projects that have requested funding by IFA’s Tax Credit Program and HOME funds. Staff for each agency will make recommendations regarding Tax Credit awards and HOME awards to their respective decision makers. A decision by one agency to fund a Project does not bind the other agency to fund a Project. The failure to provide funds is a financial feasibility issue that could ultimately disqualify the Project from consideration.
- 41. 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 for the length of the Compliance 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.
- 42. LEED Certification:** Leadership in Energy and Environmental design is a building rating and certification developed and operated by the U.S. Green Building Council. (www.usgbc.org)
- 43. Local Contributing Effort** means contributions by local governmental units or by local or regional agencies, public or private. Contributions may include but are not limited to: land, building(s), infrastructure, cash, TIF proceeds, local HOME grants or loans, tax abatement, value received from Enterprise Zone site remediation (Brownfield), private contributions, loans at substantially below market interest rates or with favorable features such as delayed principal and interest, utility costs reductions, employer assisted housing programs (EAH), rent or operating deficit guarantees, the value of a charitable property tax exemption for non-profits, a below market rate loan or grant from the Federal Home Loan Bank through a member bank, infrastructure improvements, (a deferred development fee contributed by a Developer from the location where a Project will be built does not qualify as a local contributing effort.), the value of an in-kind contribution by a tax-exempt organization, tax-exempt bond financing from IFA or from a local political subdivision and property acquired at below appraised value from a local political subdivision. A HOME loan from the IDED does not qualify as Local Contributing Effort.
- 44. 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.
- 45. Main Street Program** means an IDED designated area.
- 46. Metropolitan Statistical Area (MSA)** means, as defined by the U.S. Office of Management and Budget an area with at least one urbanized area of 50,000 or more population and may include adjacent counties that have a minimum of 25 percent of the workers commuting to the central counties of the metropolitan statistical area. The MSA list for Iowa is attached to the Application.
- 47. Non-MSA County** means all counties not listed as a MSA.
- 48. Older Persons** means a person 55 years of age or older, in accordance with State law.
- 49. Ownership Entity**
- 49.1** Ownership Entity means any Person and any Affiliate of such Person:
- 49.2** Submitting an Application to IFA requesting a Tax Credit Reservation pursuant to the QAP.
- 49.3** Who receives a Tax Credit Reservation, Carryover Agreement or 8609 Tax Credit Allocation.
- 49.4** Who is the successor in interest to the Developer who owns or intends to own and develop a Project or expects to acquire Control of a Project consistent with Control documents provided by the Ownership Entity to IFA as part of the Application?
- 50. Person** shall have the same meaning as contained in Iowa Code Chapter 4.

- 51. Person with Disability** means a person with a disability is a household composed of one or more persons, at least one of whom meets 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 twenty-two, 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.
- 52. Project** means a low-income rental housing property the Developer 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.
- 53. 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.
- 54. 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.
- 55. 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).
- 56. 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 50 percent or more of the households have an income which is less than 60 percent of the adjusted gross median income for such year or which has a poverty rate of at least 25 percent.
- 57. Qualified Non-profit Organization or Non-profit** 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.
- 58. Qualified Non-profit Project** means a Project in which a qualified Non-profit organization has Control (directly or through a partnership or wholly owned subsidiary as defined in IRC Section 42(h)(5)(D)(ii)) and materially participates (within the meaning of IRC Section 469(h)) in its development and operation throughout the Compliance Period.
- 59. Qualified Residential Rental Property** shall have the same meaning as defined in IRC Section 103.
- 60. Real Estate Owned (REO) Projects** means any existing residential development that is owned or that is being sold by an insured depository institution in default, or by a receiver or conservator of such an institution, or is a property owned by HUD, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), a federally chartered bank, a savings bank, a savings and loan association, the Federal Home Loan Bank (FHLB), a federally approved mortgage company or any other federal agency.
- 61. Recovered Tax Credits** means either Tax Credits previously awarded to a Project or Projects that cannot use all the Tax Credits the Project was awarded or Tax Credits from Projects that cannot be placed in service by the Developer/Ownership Entity.
- 62. Rehabilitation Expenditure** 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 twenty-four month period selected by the Developer is at least the greater of 10 percent of the Developer's adjusted basis of the building at the start of the twenty-four month period, or \$3,000 per unit. See also, IRC Section 42(e)(2).
- 63. Section 1113(3)(A) Elementary School** means an Elementary School in which 75% of children are from low-income families. An attachment to the Application provides the current list of Elementary Schools that meet the Section 1113(3)(A) requirements.

- 64. Self-Supported Municipal Improvement District** means a district which has been created and the property therein taxed in accordance with Iowa Code Section 386.
- 65. Single Family** means a single-family residence whether detached or vertically attached, including a town home, duplex, triplex or fourplex.
- 66. Single Purpose Setting** means housing that affords people with disabilities the opportunity to receive the services needed to live independently, and receive the peer support, encouragement and assistance that can enhance their overall quality of life. The property may not limit occupancy based on the type of disability or election of services offered.
- 67. 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).
- 68. 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.
- 69. 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.
- 70. Tax Credit Period** means, with respect to a building within a Project, the period of ten 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).
- 71. Special Needs** means serving individuals with one or more of the following characteristics: Persons with Disabilities, Older Persons or Frail Older Persons, homeless persons or others needing Transitional Housing, or families participating in programs to achieve economic self-sufficiency.
- 72. Total Project Cost** means the total costs reflected in the Application.
- 73. Transitional Housing** means a unit that contains sleeping accommodations, a kitchen and bathroom facilities and is located in a building which is used exclusively to facilitate the transition of individuals to independent living with 24 months and in which a Governmental Entity or qualified organization provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.
- 74. Unallocated or 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.
- 75. USDA** means the rural housing division of the United States Department of Agriculture.
- 76. Utilities** mean gas, electricity, water and sewer service.