

**Iowa Finance Authority**  
**Low-Income Housing Tax Credit Program**  
**2003 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 Sponsor 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 Sponsor 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 be affordable 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 and to encourage:

**1.3.1** The creation of affordable, qualified, residential rental units which serve qualified individuals and families for the longest periods of time and at the lowest income levels.

**1.3.2** The creation of either new or rehabilitated affordable housing units in areas of the greatest need for such housing in the state.

**1.3.3** The efficient use, leveraging, and coordination of various federal, state, community and private sources of funding and incentives to finance low-income housing development.

**1.3.4** The preservation and rehabilitation of existing low-income housing units without displacing low-income tenants.

**1.3.5** The creation of quality, decent, safe and affordable housing units for low-income individuals and families at reasonable costs.

**1.3.6** Projects which are located in Qualified Census Tracts and the development of which contributes to a concerted community revitalization plan.



1.3.7 Projects that have tenant populations of individuals with children.

1.3.8 Projects that are intended for eventual tenant ownership.

## **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 9, 2002.

**2.1.2** Iowa Code Section 16.52 and the rules promulgated by IFA to govern the Tax Credit Program in effect on October 9, 2002.

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

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

**2.1.3.2** Second, by giving preference to Iowa Code Sections 16.4, 16.52 and the rules governing the QAP.

**2.1.3.3** 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 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 Sponsor.** IFA will not allocate more than \$650,000 in Tax Credits for a single Sponsor 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 Sponsor may submit as many Projects as the Sponsor chooses. IFA will select which Projects are awarded Tax Credits based on the QAP. In the event a Sponsor is acting as a consultant for a Project and is not the Sponsor of such Project, the Sponsor's cap amount will be unaffected.

**2.5 Tax Credit Cap for a Single Project.** IFA will not allocate more than \$450,000 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 Nonprofit 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 Nonprofit 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 Nonprofit Projects during the following year. IFA shall allocate Tax Credits from the 10 percent set-aside to Qualified Nonprofit Organizations based upon the selection criteria and scoring and other factors described in this QAP. Nonprofit Sponsors shall be scored with all of the for-profit Sponsors except that the 10 percent Nonprofit set-aside shall be available in its entirety until the set-aside is fully allocated. In the event the Nonprofit set-aside is exhausted, Projects proposed by Qualified Nonprofit Organizations shall be permitted to compete for the remaining annual State Ceiling.

**2.7 Hard to House Set-Aside.** IFA will set-aside 10 percent of the annual State Ceiling for Projects in which at least 60% of rental units are both rent restricted and occupied by individuals whose income is 40% or less of AMGI, and up to 40% of rental units are both rent restricted and occupied by individuals whose income is 60% or less of AMGI, 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 general pool and allocated in the current year. IFA shall allocate Tax Credits from this 10 percent set-aside based upon the QAP. Hard to House 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 Hard to House shall be permitted to compete 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 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 for housing. Projects applying for this set-aside must be one or more of the following: (1) Federally Assisted Housing Preservation including low-income housing units subsidized under the following or similar programs, Section 236; Section 221(d)(3) Below Market Rate (BMIR); Section 221(d)(3) Market Rate with Section 8 rental assistance; HUD developments with Section 8 project-based rental assistance; Section 221(d)(4); and Section 515- Rural Housing Development; (2) developments that have historic significance in the local community; (3) adaptive reuse of existing buildings; and (4) conversion of existing market rate developments to affordable housing. In all instances, the Ten Year Rule will apply. Unused credit remaining in the Preservation set-aside will return to the remaining annual State Ceiling. In the event this set-aside is exhausted, Projects proposed for the Preservation set-aside shall be permitted to compete for the remaining annual State Ceiling.

**2.10 Fees.** IFA shall collect the fees 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 Sponsor. IFA will not issue a Form 8609 until the compliance monitoring fee is paid in full. All fees are nonrefundable.

<u>Fee type</u>	<u>All Applicants</u>
Application Fee	\$1,000
Reservation Fee	6 percent of the total annual Tax Credit amount.
Compliance Monitoring	\$15 per Low-Income unit x total compliance period (Example: \$15 per unit x 24 unit Project x 30 year total compliance period = \$10,800 paid in full prior to issuance of 8609)

**2.11 Application Process.** Upon request, IFA will forward an Application Package that is consistent with the provisions of this QAP to a potential Sponsor 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. Sponsors are advised to check IFA's web site periodically for any amendments or modifications to the Application Package. A Sponsor's application must include an acknowledgement of any amendments or modifications to the Application Package.

**2.11.1** All Applications must be completed using the Application form provided by IFA. Any substitute Application will disqualify a Project from consideration. Use of pre-Board approved Application is prohibited.

**2.11.2** The Sponsor must submit one original and two complete printed copies of the Application Package 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 assigned in the Application. Late filed Applications will be rejected outright and returned to the Sponsor. 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.

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

**2.11.4** If a Sponsor is applying for State HOME funds, the Sponsor 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 Sponsor that seeks HOME funding.

**2.12 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 Sponsors. IFA shall not be bound by any oral representation made in connection with the Application or award of Tax Credit Reservations.

**2.13 Contact with IFA After the Application is Received.** Once an Application is received by IFA, neither the Sponsor nor any person on behalf of the Sponsor 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 Sponsor's Application. IFA staff or a Sponsor 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 Nonprofit, 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 Sponsor, as appropriate, for the purpose of conducting a site inspection as more fully described in Section 2.18.

**2.14 Notification of Chief Executive Officer—Local Jurisdiction.** The Sponsor will be required to identify the local jurisdiction in which the proposed Project will be located and include the name and address of the chief executive officer of the political jurisdiction. See IRC Section 42(m)(1)(A)(ii). Upon receipt of an Application, IFA will notify the chief executive officer of the local jurisdiction 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.

**2.15 Binding Obligations.** The representations made in the Application shall bind the Sponsor and become a contractual obligation of the Sponsor and any entity that the Sponsor 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 award of Tax Credits or after the award or during the Compliance Period and any other agreements executed between IFA and the Sponsor shall constitute the agreement between the parties.

**2.16 Land Use Restrictive Covenants.** The Project shall be subject to the Land Use Restrictive Covenants, 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 Sponsor has agreed to extend the time period of affordability, the Land Use Restrictive Covenants will reflect the additional Compliance Period. In the event a Sponsor receives HOME funding for a Project, the Sponsor must enter into Land Use Restrictive Covenants with IFA for the longest Compliance Period required either by the Tax Credit Program or HOME regulations. The Land Use Restrictive Covenants 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 Land Use Restrictive Covenants must be binding on all successors of the Sponsor and run with the land as provided by Section 42(h)(6). Although the Land Use Restrictive Covenants 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 Land Use Restrictive Covenants Agreement as a restrictive covenant encumbering and running with the Land and acknowledge and agree that those provisions of the Land Use Restrictive Covenants 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 Sponsor must provide adequate evidence that the Land Use Restrictive Covenants are binding on all successors of the Sponsor and run 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.

**2.17 Other Information Sources.** IFA may contact other sources to obtain information regarding the materials contained in the Sponsor's Application to either verify the information or



to obtain independent information regarding a Sponsor'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.

**2.18 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 Sponsor 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 a particular Project. Sponsors will not be notified of a site visit unless access to a building(s) is required. If deemed necessary by IFA, sponsors shall provide building access for inspection by Evaluators to confirm basic structural soundness.

**2.19 Disclosure of Information Regarding Equity Investors or Syndicators.** The Application will require the Sponsor 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. Projects 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.

**2.20 Document Timeliness.** All supporting documentation required by the Application must be no more than 180 days old on the date that the initial 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 Nonprofit stating they are an exempt organization under 501(c)(3) or 501(c)(4).

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

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

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

**2.24 Costs Associated with Application Preparation.** IFA is not responsible for any costs incurred by a Sponsor.



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

**2.26 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 Sponsor as a public record unless the Sponsor 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 Sponsor 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 Sponsor has marked as confidential, IFA shall provide a written notice to the Sponsor 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 Sponsor. The Sponsor'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.

**2.27 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.

**2.28 IFA Policy on Civil Rights Compliance.** IFA is an equal opportunity concern. The Sponsor and any of its employees, agents or sub-contractors doing business with IFA understands and agrees that it is the responsibility of the Sponsor 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 Sponsor to be aware of and comply with all non-discrimination provisions of federal, state or local law.

**2.29 Tax Authorization Form.** An executed IRS Form 8821-Tax Information Authorization Form for each Sponsor 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 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 by the Code to apply through IFA for an allocation and for a determination that the Project satisfies the requirements of the QAP.

**3.3 Application Criteria.** A Project using tax-exempt financing must satisfy all of the threshold requirements to be considered for Tax Credits. A Market Study in accordance with the QAP will not be required if the need is demonstrated by the underwriting criteria of the permanent lender or provider of credit enhancements, and a copy of their review accompanies the Application. In addition, the Tax Credit cap for a single Sponsor (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 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 Sponsor 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.** Sponsors may submit an Application at any time in accordance with the following process:

**3.4.1** The Sponsor 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 Sponsor 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** IFA will provide the Sponsor 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 Sponsor's election, the month in which the bonds are issued. If the latter is desired, the election statement must be signed by the Sponsor, 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 Sponsor 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 Sponsor 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 Land Use Restrictive Covenants, 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 Sponsor to demonstrate that the Project is financially feasible and viable using the least amount of Tax Credit. IFA shall determine whether the Sponsor 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. Sponsors 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. In addition the Sponsor must supply the following information:

**4.1 Project Financial Information.** The Application will require the Sponsor 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 Sponsor 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. 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 must be maintained for one full year starting after reaching stabilized occupancy. Stabilized occupancy is based on the vacancy rate identified by the Sponsor in the Application. The Application will require the Sponsor 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 Sponsor 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 Sponsor may fund the operating reserve using an irrevocable letter of credit. The letter of credit will be released after one full year of operation after stabilized occupancy has been achieved.

**4.2.3** The Sponsor may provide a personal guarantee. In order to support the guarantee, the Sponsor 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 Sponsor'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 \$200 per unit per annum for new construction and \$300 per unit per annum for rehabilitation. The Application will require the Sponsor 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. Sponsors 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 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 or builder fee limits are in excess of the limits imposed, IFA will make the appropriate adjustment to Eligible Basis during the underwriting phase of the evaluation of the Applications.

**4.5 Debt Service Coverage Ratio.** In order to receive a Tax Credit Reservation, Sponsors 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 for years one, two, three and four should fall within the range of 1.10 to 1.30. Projects, including those applying for the Hard to House Set Aside in Section 2.7 and the Affordable Assisted Living Set Aside in Section 2.8, may have Debt Coverage Ratio outside this range. However, the Sponsor 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 Sponsor must elect the annual rent trend, expense trend and vacancy rate for underwriting the Project. The Sponsor 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 sponsors 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 developers 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 sponsor and HUD submit relevant documentation for review at carryover. This information includes the results of HUD's underwriting analysis, the Sponsor'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.

**SECTION 5. THRESHOLD REQUIREMENTS—ALL SPONSORS.** 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 cycle has closed, 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 Sponsor. The notice will be sent by overnight delivery. The receipt from the overnight carrier will be proof of receipt by the Sponsor. No new information that would increase the score of the Application will be considered. The Sponsor will have seven business days from the date of receipt to provide requested clarifications or documents to IFA. The Sponsor may contact IFA during this seven day period to discuss the requirements of the Sponsor in addressing the deficiencies. Any Application, which after seven business days remains deficient, will be rejected. IFA reserves the right to contact Sponsors 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 Application is filed and documentation submitted with Application.

**5.2 Qualified Residential Rental Property.** The Project must be a Qualified Residential Rental Property. The Sponsor must certify that the Project as proposed is a Qualified Residential Rental Property. IFA reserves the right to require the Sponsor 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 Sponsor 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 Sponsor must have site control. The Application will require the Sponsor to show evidence of site control by providing executed documents. The following may be proper evidence of site control:

**5.4.1.1** The Sponsor 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 Sponsor or a title guaranty certificate showing title in the name of the Sponsor;



**5.4.1.2** The Sponsor 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 Sponsor has an executed purchase contract in the name of the Project ownership entity; or

**5.4.1.4** The Sponsor has an executed 99-year land lease or option on a long-term lease in the name of the Project ownership entity.

**5.4.1.5** The site should be sized to accommodate the number and type of units proposed. Land cost allocated to the project cannot include excess acreage unnecessary for the construction and use of the current project.

**5.4.2 Site Suitability.** The site must be suitable for the proposed 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. A map locating services to be scored must be provided (see 6.3.3.3). 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 site or proposed replating map of site must be submitted. If the site(s) includes any detrimental characteristics, the Sponsor 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 within ½ mile of pipelines (excluding low or medium pressure natural gas distribution lines, water and sewer lines) or storage areas for hazardous or noxious materials, sewage treatment plant or other solid waste facility or the site is a prior storage area for hazardous or noxious materials, sewage or other solid waste; or

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

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

**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; or

**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; or

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

**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 Sponsor to demonstrate that the zoning for each site on which the Project will be located allows for the use(s) proposed by the Sponsor. A letter from the local jurisdiction regarding zoning must be submitted with the Application. If the proposed Project location does not have zoning regulations, a letter from the Governmental Entity must be submitted attesting to the fact that no zoning regulations are in effect. If zoning for the Project's property is not appropriate for the proposed use on the date the Application is submitted, the Sponsor must supply



adequate evidence that demonstrates zoning will be appropriate by the time construction begins or a Carryover Agreement is executed.

**5.4.4 Utilities.** The Application will require the Sponsor 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 Sponsor 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 Sponsor 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

**5.5 Qualified Development Team.** The Application will require the Sponsor to identify the Development Team (Sponsor, contractor, architect, engineer, consultant, tax accountant, tax attorney, management company, syndicator and general partner). The Sponsor 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 any 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.

**5.6 Building Standards.** IFA generally yields to the local jurisdiction in all matters pertaining to development and construction standards. If a local jurisdiction, therefore, has published more restrictive standards than those stated below, the standards of the local jurisdiction will apply. All Projects financed and built under the Program are to meet or exceed the following standards, unless the Project is statutorily exempt due to the nature of the Project. The Application will require the Sponsor to demonstrate that they have or will meet the standards that apply to the Project. The standards are:

**5.6.1** Uniform Building Code of 1997 adopted & published by the International Conference of American Building Officials

**5.6.2** Uniform Mechanical Code of 1997 adopted & published by the International Association of Plumbing & Mechanical Officials

**5.6.3** Uniform Plumbing Code adopted & published by the International Association of Plumbing & Mechanical Officials

**5.6.4** National Electrical Code of 1999 adopted by the National Electrical Code Committee & published by the National Fire Protection Association, Inc.

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

**5.6.6** The Americans With Disabilities Act of 1990

**5.6.7** 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

**5.6.8** The International Energy Conservation Code of 1998 adopted by the International Code Council of the Conference of American Building Officials

**5.6.9** The Lead Based Poisoning Prevention Act, the HUD Guidelines for the Evaluation and Control of lead Based Painting Housing, Environmental Protection Administration



(EPA) and Occupational Safety and Health Act (OSHA) provisions shall apply when applicable.

**5.6.10** The minimum development characteristics as outlined in an attachment to the Application that includes both minimum construction and scoring requirements.

**5.7 Market Study.** All Projects requesting Tax Credits, regardless of the number of units, must have a Market Study submitted with the Application. The Market Study must document the housing needs of the community. If the Market Study or IFA's analysis of the Market Study and/or analysis of independent information obtained by IFA does not demonstrate, at the sole discretion of IFA, that the locality needs the low-income housing as proposed by the Project, the Project will be rejected at threshold and will not be scored. The Market Study requirements will be provided as an attachment to the Application and will include, but not be limited to, the housing needs of low-income and /or special needs population in the area served by the Project, proposed project description, market area analysis, supply analysis, demand analysis, and conclusions and recommendations. The study must be conducted at the Sponsor's expense by a disinterested party approved by IFA.

**5.8 Capital Needs Assessment for Rehabilitation, Preservation and Adaptive Reuse Projects.** The Application will require the Sponsor 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 Sponsor. 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 Sponsor 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 Sponsor to notify the local PHA having jurisdiction in the political subdivision where the Project is located. The letter shall state the Sponsor's desire to be placed on the PHA's list. The Sponsor 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 Sponsor, 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 or other persons identified on the Project Development Team, 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. 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. For purposes of this Section uncorrected shall mean an 8823 that has not been corrected within the prescribed 90 day correction period or any extensions thereof. Sponsors 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 Sponsor who fails to disclose all known members of the Project Development Team.

**5.11.2** In the event IFA discovers that the Sponsor, its Affiliates or other Significant Parties or any other person with an Identity of Interest associated with the Project have misrepresented the certifications made consistent with this Section or the Sponsor, 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 Sponsor, 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, 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 Nonprofit Organizations.** To be eligible for Tax Credits from the Nonprofit Set-Aside, the Applicant is required to demonstrate the involvement of a Qualified Nonprofit Organization. To qualify, the nonprofit must:

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

**5.12.3** The nonprofit and/or parent nonprofit organization must have as one of its exempt purposes the fostering of low-income housing and must have been so engaged for the two years prior to the Application submission date. The Application must demonstrate the nonprofits' programs include a low-income housing component.

**5.12.4** The nonprofit 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 nonprofits who meet all the requirements of this section or:

**5.12.4.2** Own, along or with other nonprofits 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 nonprofit 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 Nonprofit Organization.

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

**5.14 Confirmation of Eligibility—Rehabilitation or Acquisition.** The Application will require the Sponsor 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 Sponsor from whom the building was or will be acquired, the date the building was or is planned for acquisition by the Sponsor, 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 Sponsor 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 Sponsor is proposing to rehabilitate a building(s), the Application will require the Sponsor to provide information regarding rehabilitation expenditures for each building. A Sponsor 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 affordable units in such building. A Sponsor 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 \$3,000 rehabilitation expenditure per Low-Income Unit. Additionally, a Sponsor 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 Sponsor.

**5.16 Scattered Sites.** The Sponsor 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). 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.** Applicants will be evaluated using the preference and selection criteria required in IRC Section 42. Certain selection criteria are subject to compliance monitoring and will be incorporated into the Land Use Restrictive Covenants and will be binding for the length of the Land Use Restrictive Covenants or any renewal thereof. IFA reserves the right to limit the reservation of Tax Credits to: 144 units in the Des Moines MSA; 96 units in all other MSA's or 48 units in any Non-MSA county unless market study or studies or independent information obtained by IFA would support awarding Tax Credits for a greater number of units. These limits will not include Projects that are part of the Hard to House 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 to the community. Awards for the Hard to House, Assisted Living and Preservation 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 Hard to House and Affordable Assisted Living 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 Sponsor 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 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 will be allowed under this section.



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

**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 purposes and objectives 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 verification IFA has completed, 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 state or federal governmental units or political subdivisions. IFA may consider city council resolutions. IFA may also consider whether funding commitments made by other governmental units have been received by a Project.

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

**6.3.1 Tenant related categories. (105 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 (15 points maximum) **0 to 15 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 3 or 4 bedrooms. Points will not be awarded if IFA determines that the market does not have a need for this type of housing.

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

Projects with 4 or more bedrooms and 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. The Sponsor 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. **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. Sponsors may elect either an additional compliance period or eventual tenant ownership under Section 6.3.2.2. or Section 6.3.2.3 (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 Sponsor 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. Sponsors may elect either an additional compliance period or eventual tenant ownership **0 to 5 points**

**6.3.2.3** Iowa ROSE (Renter to Ownership Savings Equity) Program: 15 points will be awarded to a project owner 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 in advance by IFA with the house to be sold to a qualified tenant at the end of the 15 year compliance period. **0 to 15 points**

**6.3.3 Location related categories. (80 points maximum)**

**6.3.3.1** Projects that are 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 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 located in: an IDED Enterprise Zone; a HUD Enterprise Community; a Brownfield Site; an IDED Main Street Program; an In-Fill Lot; the attendance district of a Section 1113(3)(A) Elementary School (applies only to a multi family project). 10 points each (up to 40 points maximum) **0 to 40 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
			<b>0 to 10 points</b>

**6.3.3.4** Projects with services located on-site.

Day Care (on site)		5 points	Both
Computer Learning Center (on site)		5 points	Both
			<b>0 to 10 points</b>

**6.3.4 Project characteristics related categories. (140 points maximum)**

**6.3.4.1** Projects that use existing housing, adaptive reuse or new construction, the improvement of which has been designated as part of a community revitalization plan. A 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 (SHPO). The Project site must be 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 10 points**

**6.3.4.2** Projects that are locally, state or federally designated historic structures. Projects that provide for the rehabilitation of blighted buildings. Blighted buildings are buildings that are in severe disrepair, including, but not limited to, boarded up, abandoned or uninhabitable buildings, all of which have serious building code violations.

**0 or 30 points**

**6.3.4.3** Projects that are subsidized Preservation or Replacement Projects. Preservation subsidized Projects are defined as (not withstanding 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 in need of repair. Points will not be awarded if the Sponsor has an ownership interest in the existing HUD Section 8 or USDA project that is subject to the Preservation. Replacement Projects are defined as a Project submitted under this QAP that is located in a community where an owner of a prior Section 8 project based or USDA 515 has already terminated their project based rental assistance contract and the Market Study determines there is a need in the community for the number and type of units being proposed. Points will not be awarded if the Sponsor had an ownership interest in the HUD Section 8 or USDA project that is subject to the Preservation. A family project must replace a family Project, and an Older Person project must replace an Older Person Project.

**0 or 30 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 Sponsor 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 13 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 14 points**

Community Rooms **0 or 5 points**

Main Entrance Areas **0 or 2 points**

Storage Units **0 or 2 points**

**6.3.5 Sponsor characteristics related categories. (110 points maximum)**

**6.3.5.1** Financing Leverage using any combination of: Sponsor's Equity, local funding, state funding, federal funding or conventional financing (not the value of the Tax Credits, whether kept by the Sponsor, syndicated and/ or sold), 1 point for each full 1% of total Project cost multiplied by the applicable fraction.

**0 to 100 points**

**6.3.5.2** Projects with participation in the Development Team by a firm designated as an Iowa Targeted Small Business. Points will only be available in this category for the following Development Team members: general partner, consultant, tax accountant, engineer, architect, general contractor, management company and tax attorney. Joint ventures, subcontracts, or joint fee arrangements cannot be used to score points in this category.

**0 or 10 points**

**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 Sponsors. The effective date of the award will coincide with the date of the written notice. The unsuccessful Sponsors 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 Sponsor's Project.

**7.2 Waiting List.** The Board may establish a waiting list for unsuccessful Projects. The Board in its discretion may adjust the order on the waiting list for any reason, including but not limited to the result of an appeal. A Sponsor placed on the waiting list shall be required to reapply for Tax Credits if the Sponsor seeks funding from the next round of Tax Credit awards. Placement on the waiting list does not imply either directly or indirectly that the Board will forward fund the Sponsor'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 Sponsor continues to satisfy all of the requirements of the QAP. If the Sponsor 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 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 Sponsor may amend, with IFA's consent, its Application after an award 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 change 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 political subdivision or a part thereof.

**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 Sponsor has obtained written approval from IFA to make 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.** Reservation and Carryover Allocations are not transferable. Form 8609 allocations will be issued only in the name of the entity named in the initial Application. Transfers subsequent to the issuance of the Form 8609 allocation are subject to provisions of Section 42(j)(6) 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 Sponsor(s).

**8.6 Carryover Agreement.** All Sponsors 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 Owner must provide adequate evidence that the Owner'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 Owner or (2) a title guaranty certificate issued by the Title Guaranty Division of the Iowa Finance Authority showing the Owner as the guaranteed.

**8.7 Form 8609.** All Sponsors 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 Sponsor whose Application has been timely filed may appeal IFA's award of Tax Credits by filing a written notice of appeal within seven days of the award before the Iowa Finance Authority, 100 East Grand Avenue, Suite 250, Des Moines, Iowa 50309. 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. The notice of appeal shall state the grounds upon which the Sponsor challenges IFA's award. In order to prevent the award of credits by IFA, an aggrieved party must request a stay of IFA's decision in conformance with rule 265 IAC 7.29(17A) within fourteen days of the date of the award.

**9.1 Procedures for Sponsor Appeal.** Any appeal of Tax Credit awards shall be heard by the Executive Director of IFA. The Executive Director shall grant the appellant reasonable opportunity to gather information and inquire as to why Tax Credits were not awarded. The Executive Director shall allow the appellant and IFA staff to make a presentation bringing forth all the relevant facts supporting their respective position. Such presentation shall be held no later than thirty days after the filing of an appeal, except where the party requests a stay under 265 IAC 7.29 (17A), in which case the presentation shall be held after the hearing requesting a stay.

**9.2 Decision.** Within seven days of the presentation, the Executive Director shall issue a written decision which clearly states why the appellant should have been awarded Tax Credits or why the decision to not award Tax Credits was appropriate. Such decision shall be delivered to the appellant and the Board.

**9.3 Remedies.** If the Executive Director determines that the appellant should have been awarded Tax Credits, the Executive Director shall include in the written decision a recommendation that the Board place the Project on a waiting list for unreserved or returned credits.

**9.4 Final Agency Action.** After receiving a written decision from the Executive Director, the Board must either approve or decline to approve the Executive Director's recommendation no later than the next regularly scheduled Board meeting. Such action by the Board shall be the final decision of the agency.

**9.5 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 Sponsor 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 Sponsor 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 Sponsor 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 Sponsor 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 Sponsor to inspect any individual units in a Project. Otherwise, advance notice to the Sponsor 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 Sponsor 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 Sponsor of a Project if found to be out of compliance. The notice will describe the events of noncompliance and advise the Sponsor 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 Sponsor. 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 Sponsor 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 a Sponsor. Copies of Form 8823 and the Internal Revenue Service notice will be forwarded to the Sponsor.

**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 Sponsor of any building that the authorized delegate monitors.



**10.9 Liability.** Compliance with the requirements of IRC Section 42 is the responsibility of the Sponsor 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 a Sponsor'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. **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.
2. **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).
3. **Applicable Percentage** means the percentage multiplied by the Sponsor's Qualified Basis to determine the annual Tax Credit available to the Sponsor for each year of the Tax Credit Period and as more fully described in IRC Section 42(b).
4. **Application or Application Package** means those forms and instructions prepared by IFA to make a determination to allocate Tax Credits. Sponsors 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.
5. **Assisted Living** means housing with services as defined in Chapter 231C of the Iowa Code.
6. **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).
7. **Board** means the Board of Directors of IFA.
8. **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 is required to qualify as a Brownfield site for purposes of the QAP.
9. **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.
10. **Builder Overhead** means the cost of continuing operations of a building construction firm.
11. **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.
12. **Carryover Agreement and Allocation and Sponsor'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 a Sponsor.
13. **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.
14. **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 Sponsor to a longer period of time.



- 15. 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 Sponsor 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.
- 16. Consultant fee** means a fee paid to a housing consultant. No entity having an identity of interest with the Sponsor 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.
- 17. 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.
- 18. Day Care** means a Department of Human Services licensed Day Care.
- 19. 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.
- 20. 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.
- 21. 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).
- 21.1** Eligible Basis shall not include garages or storage units or other amenities where the Sponsor 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.
- 21.2** 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.
- 22. 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:
- 22.1** The building is acquired by purchase;
- 22.2** 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 Sponsor's adjusted basis in the building;
- 22.3** The building was not previously placed in service by a related person to the current Sponsor. For the purposes of this paragraph "related person" shall have the same meaning as Section 42(d)(2)(D)(iii); and
- 22.4** The used building is rehabilitated in a manner, which is eligible for Tax Credit.
- 23. Enterprise Community** is as defined by HUD.
- 24. Enterprise Zone** is as defined by IDED.
- 25. Equity Gap** means the difference between the Total Project Costs less permanent financing, and less sources of funds, (grants or other moneys as described in the Application). All financing commitments for a Project may be contingent upon receipt of a Tax Credit Reservation.
- 26. 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.



27. **Forward Funding** shall have the same meaning as described in IRC Section 42(b)(2)(A)(ii)(I) and 42(h)(1)(C).
28. **Frail Older Person** means an Older Person requiring assistance with three or more activities of daily living. Also see Tenants with Special Housing Needs in this Glossary.
29. **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.
30. **Housing Projects for Older Persons** shall have the same meaning as described in 42 U.S.C. Section 3607(b)(2).
31. **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.
32. **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.
33. **HUD** means the United States Department of Housing and Urban Development, or its successor.
34. **IDED or DED** means the Iowa Department of Economic Development.
35. **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 Sponsor/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.
36. **In-fill Lot** means land that has been platted and subdivided, must have been previously improved and may not have been taxed as agricultural land after the year 1970.
37. **IRS** means the Internal Revenue Service, or its successor.
38. **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.
39. **Land Use Restrictive Covenants** means an agreement between IFA and the Sponsor 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 Sponsor and upon which the award of Tax Credits was in part, based. The Land Use Restrictive Covenants will contain restrictive covenants that must encumber the land where the Project is located for the life of the agreement. The Land Use Restrictive Covenants must conform to the requirements of IRC Section 42(h), Iowa Code Section 16.52 and the QAP.
40. **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 nonprofits, a below market rate loan or grant from the Federal Home Loan Bank through a member bank, infrastructure improvements, an equity contribution by a Sponsor from the Project location (Notwithstanding the definition of private agency included in 265 IAC Rule 1.9, a deferred development fee contributed by a Sponsor from the location where a Project will be built does not qualify as a local contributing effort.), an equity contribution by a tax-exempt Sponsor from the Project location, the value of an in-kind contribution by a tax-exempt organization, tax-exempt bond financing from a local political subdivision and property acquired at below appraised value from a local political subdivision. Examples that do not qualify as Local Contributing Effort include but are not limited to: a HOME loan from the IDED or Tax-exempt bonds issued through IFA.



41. **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.
42. **Main Street Program** means an IDED designated area.
43. **Metropolitan Statistical Area (MSA)** means a central city containing at least 50,000 people with a total metropolitan population of at least 100,000 as defined by the U.S. Bureau. The MSA list for Iowa is attached to the Application.
44. **Non-MSA County** means all counties not listed as a MSA.
45. **Older Persons** means a person 55 years of age or older, in accordance with State law.
46. **Person** shall have the same meaning as contained in Iowa Code Chapter 4.
47. **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) Is at least 18 in years of age or older; and, 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.
48. **Project** means a low-income rental housing property the Sponsor 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.
49. **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.
50. **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.
51. **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).
52. **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.
53. **Qualified Nonprofit Organization or Nonprofit** means an organization that is described in IRC Section 501(c)(3) or (4), that is exempt from federal income taxation under IRC Section 501(a), that is not affiliated with or Controlled by a for-profit organization, and includes as one of its exempt purposes the fostering of low-income housing within the meaning of IRC Section 42(h)(5)(C) and is allowed by law or otherwise to hold and develop property.
54. **Qualified Nonprofit Project** means a Project in which a qualified Nonprofit 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.
55. **Qualified Residential Rental Property** shall have the same meaning as defined in IRC Section 103.
56. **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.
57. **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 Sponsor.



- 58. 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 Sponsor is at least the greater of 10 percent of the Sponsor'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).
- 59. 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.
- 60. Self-Supported Municipal Improvement District** means a district which has been created and the property therein taxed in accordance with Iowa Code Section 386.
- 61. Single Family** means a single-family residence whether detached or vertically attached, including a townhome, duplex, triplex or fourplex.
- 62. Sponsor**
- 62.1** Sponsor means any Person and any Affiliate of such Person:
- 62.1.1** Submitting an Application to IFA requesting a Tax Credit Reservation pursuant to this QAP.
- 62.1.2** Who receives a Tax Credit Reservation, Carryover Agreement or 8609 Tax Credit Allocation.
- 62.1.3** Who is the successor in interest to the Sponsor 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 Sponsor to IFA as part of the Application.
- 62.2** The Sponsor is acting as agent for the eventual owner or taxpayer benefiting from an award of a Tax Credit Reservation.
- 62.3** The Sponsor and any of its successors in interest will be bound by the representations made in the Application. Further, the Sponsor or its successors shall be obligated to carry out the commitments made to IFA by the Sponsor on its own behalf or on behalf of other Persons or Affiliates.
- 63. Sponsor's Equity** means Sponsor's contributions of cash and land, but does not include Developer's Fee or Syndication proceeds. Sponsor'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.
- 64. 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).
- 65. Targeted Small Business** means a business that has been certified as a Targeted Small Business by the Department of Inspections and Appeals. Only businesses meeting the requirements of the program and which are approved and registered with the Department of Inspections and Appeals are considered Targeted Small Businesses for the purpose of Tax Credit Program.
- 66. 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.
- 67. 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.
- 68. 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 Sponsor, the succeeding taxable year, as more fully defined in IRC Section 42(f)(1).



**69. Tenants with Special Housing Needs** means affordable housing for large families (units with three or more bedrooms), supportive housing for Persons with Disabilities, housing for Older Persons or Frail Older Persons, (an older person requiring assistance with three or more activities of daily living including assistance with eating (may need assistance with cooking, preparing, or serving food, but must be able to feed self), bathing (may need assistance with getting in and out of the shower or tub, but must be able to wash self), grooming (may need assistance in washing hair, but must be able to take care of personal appearance), dressing (may need occasional assistance, but must be able to dress self) and home management (may need assistance in doing laundry, housework, grocery shopping, or getting to and from activities such as going to the doctor and shopping, but must be mobile; this does not exclude persons in wheelchairs or those requiring mobility devices), Transitional Housing for the homeless, housing for persons diagnosed with AIDS, or housing for families participating in organized programs to achieve economic self-sufficiency.

**70. Total Project Cost** means the total costs reflected in the Application.

**71. 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 homeless individuals to independent living with 24 months and in which a Governmental Entity or qualified Nonprofit organization provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.

**72. 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 carry forwarded to the next year's allocation cycle.

**73. USDA-Rural Housing Services (USDA-RHS)** means the rural housing division of the United States Department of Agriculture.

**74. Utilities** mean gas, electricity, water and sewer service.



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