

THE DISTRICT OF COLUMBIA

2009

LOW INCOME HOUSING TAX CREDIT

QUALIFIED ALLOCATION PLAN

Revised As Of January 27, 2009

CONTENTS

	PAGE
Introduction	3
Section 1: Qualified Allocation Plan	3
<i>Determining the Low Income Housing Tax Credit Tax Credits Available</i>	
Section 2: DHCD Program Overview	4
<i>Eligibility Types of Low Income Housing Tax Credits Authority Fees Nine Percent Tax Credits Four Percent Tax Credits</i>	
Section 3: Low Income Housing Tax Credit Set-Asides	9
<i>Nonprofit Set-aside Special Needs Housing Set-aside</i>	
Section 4: Threshold Requirements	10
<i>Federal Requirements for Eligibility District of Columbia Requirements for Eligibility</i>	
Section 5: Selection Criteria	12
Section 6: Underwriting Guidelines	22
Section 7: Reservations	22
<i>Surplus Reservations Forward Reservations Projects Unable to Meet Deadlines Insufficient LIHTC Multiple Year Reservations</i>	
Section 8: Allocations	23
<i>Carryover Allocation Evaluation Placed-in-Service Evaluation</i>	
Section 9: Monitoring for Compliance	24
<i>Record Keeping and Retention Notification of Noncompliance</i>	
Definitions	25

INTRODUCTION

The Tax Reform Act of 1986 established the Federal Low Income Housing Tax Credit (“LIHTC”) Program. The LIHTC program was subsequently made permanent by the Revenue Reconciliation Act of 1993 as further amended by The Community Renewal Tax Relief Act of 2000. The program was created to encourage the private sector to invest in the construction and rehabilitation of housing for low and moderate-income individuals and families. Project owner/investors claim the LIHTC on their Federal income tax return each year for a period of ten (10) years. However, projects generally must meet certain requirements for low-income use for thirty (30) years. The Mayor delegated the authority and assigned the responsibility of administering the LIHTC program to the District of Columbia Department of Housing and Community Development (“DHCD”) in Mayor’s Order 87-72.

The mission of the Department of Housing and Community Development (DHCD) is to create and preserve opportunities for affordable housing, promote economic development, and revitalize underserved communities in the District of Columbia. DHCD focuses on three strategic areas: 1) preserving and increasing the supply of affordable housing through new construction and rehabilitation; 2) increasing homeownership opportunities; and 3) revitalizing neighborhoods, promoting community development, and providing economic opportunities. Using the Low Income Housing Tax Credit as a tool, DHCD hopes to foster development of housing for individuals with special needs, promote mixed income housing, and prevent the displacement of rental households from the District’s changing communities.

QUALIFIED ALLOCATION PLAN

Federal law requires The District of Columbia (“District”) to adopt a plan to allocate the LIHTC to projects based on federally mandated requirements and priority needs determined by the District. The District’s Low Income Housing Tax Credit Qualified Allocation Plan (“QAP”) is intended to ensure the selection of only those projects that comply with Federal law and address, on a priority basis, the housing needs of the District.

These allocation procedures govern the award of the District’s LIHTC and apply to residential rental housing financed in conjunction with: (1) private lenders; (2) taxable bonds; and (3) local or Federal loan programs. These procedures automatically renew themselves annually, unless amended or replaced.

Determining the LIHTC

The Tax Credits are generally provided to project owners in equal annual installments over a ten (10) year period. The Tax Credits may not exceed the applicable percentage of the qualified basis of each low income building in the project as defined in Section 42(d) of the IRC Code. New construction and rehabilitation projects are eligible for a fixed credit of not less than 9 percent, or 70 percent of the net present value. Projects financed with Federal funds or involving the acquisition of existing buildings (when combined with eligible rehabilitation) are eligible for the thirty percent (30%) present value Tax

Credit. Projects in qualified census tracts are eligible for a boost in their eligible basis of thirty percent (30%) as needed to guarantee the financial feasibility of the project.

A reservation of credits is made after an initial review of the development budget, sources and uses to determine feasibility by DHCD and is conditioned upon the development's sponsor meeting certain requirements, described in Sections 4 and 5 of this Plan. Those applicants satisfying the requirements are given an allocation of credits. If the development is placed in service in the year of allocation, it qualifies for a **regular allocation** and IRS Form 8609 will be issued on or before December 31. If the development is not placed in service in the year of allocation, the Sponsor/Developer can request a **carryover allocation** (see Carryover Allocation Application section below). Upon this request, DHCD will review the development budget for continued feasibility to reflect any changes in the development's cost and/or financial structure, prior to DHCD granting a Carryover Allocation.

After a building has been placed in service (i.e., the building rehabilitation is substantially complete and Certificate of Occupancy form(s) are received), the Sponsor/Developer will request IRS Form(s) 8609 in order to begin claiming the credit on its federal tax return. A final analysis will be performed at the time of development to determine the final credit amount. The final credit amount is the lesser of the amount necessary credits to make the development feasible and the amount of the earlier carryover allocation.

Tax Credits Available

The amount of Tax Credits available for the District to allocate 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 the District 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(s) of awards for Tax Credits, or may be carried over to the next year's cycle(s) of awards at the discretion of the DHCD.

DC DHCD Program Overview

Eligibility

For profit and non-profit Sponsor/Developers that are in good standing with the District of Columbia are eligible to apply for a reservation of LIHTC to fund residential rental property located in the District and affordable to households earning less than 60 percent of the area median income (AMI).

Types of Low Income Housing Tax Credits

There are two types of LIHTCs: nine percent (9%) tax credits from the District's Per-Capita Credit Ceiling; and an automatic four percent (4%) present-value LIHTC issued to qualifying projects financed with tax-exempt bonds.

9% Credit: The nine percent (9%) per-capita LIHTC is competitively awarded to

eligible housing projects based on the selection criteria in the DHCD QAP. The credit is determined on a ten year present value calculation of seventy percent (70%) of the qualified basis of the low income units. The units must include either new construction or substantial rehabilitation totaling a minimum of six thousand dollars (\$6,000), or twenty percent (20%) of the adjusted basis, in expenditures per unit.

4% Credit: Projects financed with certain tax-exempt bonds may be eligible to receive a four percent (4%) present-value LIHTC without regard to the District’s Per-Capita Credit ceiling. Although tax-exempt bond financed projects need not compete for an allocation through the competitive process, they shall be evaluated against the threshold criteria established in District of Columbia Housing Finance Agency’s (“DCHFA”) QAP. Further, they must comply with the monitoring procedures contained in the District of Columbia, Department of Housing and Community Development’s Low Income Housing Tax Credit Program [Compliance Manual](#) (“CM”), which is incorporated by reference herein.

Authorization of the Director

This document contains the general dates for application, carryover and monitoring. However, the Director of DHCD may set deadlines for applications and apply penalties as appropriate. The Director may also substitute credits when a development is delayed.

Fees

In order to defray the management and operational cost of the program, fees are charged. The fees fall into two categories: 1) Issuance Cost, which includes application, reservation, and allocation fees and 2) Compliance Cost, which includes all compliance, monitoring and inspection fees. Full and timely payment of all fees is a determinate of every allocation; non-payment of Compliance Fees is grounds for issuance of IRS Form 8823 to the IRS to notify them of noncompliance with LIHTC regulations. All issuance costs are non-refundable.

Description	Amount	Program
Application Fee (Non-Profit)	\$500	
Application Fee (For-Profit)	\$750	
Reservation Fee: Assessed at the time a reservation is given to a Sponsor/Developer. The Amount is due in full when the Sponsor/Developer accepts the reservation. No reservation will be valid if not accompanied by the reservation fee.	50% of 1% of the total 10-year allocation for the project	
Allocation Fee on per capita projects: Assessed at the time DHCD issues the carry-over allocation.	50% of 1 percent of the value of the total 10-year allocation for the project.	9%
Allocation fee for tax exempt bond funded projects.	40% of 1% of the total 10-year allocation (60% of 1% is paid to DCHFA) in two installments: 15% of 1% at application and the remaining 25% when DHCD issues the IRS Form 8609.	4%
Compliance Monitoring Fee – all projects that received an IRS Form 8609. The fee will be	\$35/unit	

assessed each year on February 15 th of each year beginning 2008 and shall be due on May 1 st of 2009 and each subsequent year. The first year's "compliance fee" is due with the application for the issuance of the IRS Form 8609 for the project.		
Re-inspection Fee: Projects failing and inspection that are issued an IRS Form 8823 are required to have a re-inspection.	\$35/unit	
Extension Fee – Sponsor/Developer unable to meet the deadline for a carryover allocation may request an extension and pay a fee at the time the request is submitted	\$1,000 per month and per project for which an extension of time is requested.	
Allocation Modification Fee – Sponsor/Developer requesting modifications to the IRS Form 8609 where the modification is not the result of administrative error.	\$1,000	
Carryover Application Late Fee	A late charge of \$500 per day will be assessed for each calendar day past the due date that the carryover allocation application is not returned to DHCD.	

Nine Percent (9%) Tax Credits

Applications will be accepted and reviewed as part of DHCD's competitive process. DHCD will provide public notice concerning the schedule of the competitive round(s) for the reservation of LIHTC. The Notice will provide application deadline dates. DHCD will announce competition results within ninety (90) days of the application deadline dates. Applications are available from the DHCD website: www.dhcd.dc.gov. For additional questions, please call 202-442-7800.

Deadline:

Application information for the following year will be posted on the DHCD website (www.dhcd.dc.gov) Application deadlines generally occur in February. Please direct your application packets to:

The District of Columbia
DC Department of Housing and Community Development
801 N. Capitol Street, N.E., 2nd Floor
Washington, D.C. 20002
ATTN: Low Income Housing Tax Credit Program

Mandatory Application Items

DHCD Form 202	Application form
Application Checklist	Complete with appropriate attachments
Application Fee	For-Profit: \$750; Nonprofit: \$500
GB-1	Intended Method of Satisfying Green Communities Criteria
GB-2	Green Development Plan

Process

After applications are submitted, DHCD will review, rate and rank the applications using the selection criteria list in Section 5 of this document. Within sixty (60) days, DHCD will announce the preliminary ranking and begin the general public comment period, which will last one (1) week. During this week, DHCD will post the preliminary rankings and project summaries on the DHCD website. The Department will accept public comments for one week. This will be followed by the general rebuttal period as necessary. Final rankings will be announced one (1) week after the rebuttal period has closed.

Reservation letters will be mailed within one (1) month after final rankings have been announced. Included in the reservation letter is an acceptance certification that must be executed by the Sponsor/Developer and returned to DHCD to show the acceptance of the reservation. No reservation will be valid if not accompanied by the reservation fee.

General Nine Percent (9%) Competitive Credit Reservation Application Schedule

Due	Description
Feb 9	ANC Contact & Development Information Form due to DHCD
Mar 13	Deadline for Application, Market Study (due with Application) & Application Fee
By Mar 29	Applications posted to DHCD website
April 14	ANC Support Letter and Revitalization Area Certification may be submitted after the Reservation Application Deadline, but no later than April 14, 2008.
May 15	Announce Preliminary Rankings/Begin General Comment Period
May 22	Close General Comment Period/Begin Rebuttal Comment period
May 29	Close Rebuttal Comment Period
June 7	Announce Final Rankings
July 6	DHCD mails Reservation Application documents (Agreement, Contract to Enforce Representations, Extended Use Agreement, and Election to Fix Percentage)
July 20	(Fully executed) reservation documents, Contract to Enforce Representation (original), Election to Fix Applicable Percentage (if applicants choose to lock in rate)and for-profit fees due to DHCD
Dec 7	Site Control Documentation, Extended Use Agreement (recorded original), Carryover Allocation Application (if applicable), non-profit reservation fees and local housing authority reservation fees due to DHCD

Four Percent (4%) Tax Credits:

If fifty percent (50%) or more of the development and acquisition costs are financed with the proceeds of DC Housing Finance Agency-issued tax-exempt bonds, Sponsor/Developers qualify to apply for four percent (4%) LIHTC automatically on the one hundred percent (100%) of the qualified basis of the projects. If less than fifty percent (50%) of costs are financed with the proceeds of these tax-exempt bonds,

Sponsor/Developers may be eligible to receive LIHTC on the portion of the qualified basis financed with the bonds. Sponsors/Developers with tax-exempt bond financing are not eligible to compete for DHCD's nine percent (9%) per capita LIHTC pool.

Process

To receive four percent (4%) LIHTC, Sponsors/Developers must apply directly to the DCHFA. Prior to the project going to a closing on the tax-exempt bonds DCHFA is required to submit an application to DHCD for the allocation of tax credits, to which the Department will respond within three (3) business days. Consistent with an inter-agency agreement DHCD will not duplicate the DCHFA underwriting of tax-exempt bonds projects and will accept and rely on the DCHFA determination of the financial feasibility in DHCD's underwriting of the tax credit allocation as required by Section 42 of Internal Revenue Code.

After construction is completed and the project is placed in service, the project Sponsor/Developers requests of DHCD, via application, that IRS Form 8609 be issued to allocate the tax credits. The application for the IRS Form 8609 must consist of:

- A revised proforma, adjusted to reflect the final development cost reflected on the cost certification prepared by the project's CPA;
- A copy of the Cost Certification;
- A draft of the IRS Form 8609 for each building in the project;
- Copies of the required DC licenses;
- A copy of the certificate of occupancy for each building; and
- A check for the remaining twenty-five percent (**25%**) balance of the one percent (1%) of the value of the Total Ten Year Allocation Fee.

For more information, call the DC Housing Finance Agency's Office of Public Finance: 202-777-1655.

Carryover Allocation Application

In general, IRC Section 42 allows an allocation to a building to be carried over if such building is placed in service no later than the end of the second (2nd) year following the allocation year. If the owner must document that ten percent (10%) of the reasonable expected basis has been spent within twelve (12) months of the allocation date.

DHCD requires the owner to obtain an Accountant's Opinion to be submitted with the Allocation Application along with an Owner's Certification documenting whether the taxpayer has met the ten percent (10%) requirement. If not met, documentation that the ten percent (10%) test has been met must be submitted to DHCD within twelve months of the allocation of tax credits. The accountant's letter documenting the costs must be submitted at that time.

Application

Applications are available on the DHCD website.

Application Deadline

Carryover Applications are due back to DHCD no later than November 7, 2009. A late charge of five hundred dollars (\$500) per day will be assessed for each calendar day past the due date that the Allocation Application is not returned to DHCD.

Mandatory Carryover Allocation Application Items

- Executed original Allocation Application
- Accountant’s Opinion
- Owner’s Certification
- Owner’s itemized list of expenditures
- Recorded Extended Use Agreement

General Nine Percent (9%) Carryover Allocation Application Schedule

Due	Description
Aug 15	DHCD sends out customized Allocation Applications to Sponsor/Developers that have received a reservation of credits
Nov 7	(1) Allocation Application (electronic and original copy); (2) site control documentation; (3) <u>original recorded</u> Extended Use Agreement; (4) <u>original</u> Accountant’s Opinion; (5) <u>recorded</u> Nonprofit or DC Housing Authority Purchase Option; (6) Owner’s Certification; and (7) IRS Letter with EIN# assignment due to DHCD
Dec	(1) Allocations are finalized and for regular allocations, IRS Form 8609 is mailed to Sponsor/Developers; (2) Carryover Agreements are mailed by DHCD to Sponsor/Developers
Jan	Carryover Agreements due back to DHCD

An itemized list of expenditures must accompany the Owner’s Certification. Expenditures do not have to be certified by a CPA, unless required by the attorney for the Attorney’s Opinion Letter. If the ten percent (10%) test has not been met by this time, the Sponsor/Developer has twelve (12) months from the date the allocations are issued to meet it. DHCD will provide additional forms to the Sponsor/Developer, which will be used to present proof of having met the ten percent (10%) test.

LIHTC SET ASIDE

Non-profit Set-aside - As required by Federal law, ten percent (10%) of the Per-Capita Credit ceiling is set-aside exclusively for projects developed by qualified non-profit Sponsor/Developers. To be eligible to receive a reservation from this set-aside, Sponsor/Developers must show that they will meet the following Federal requirements throughout the compliance period: (1) qualified Sponsor/Developers must be exempt from tax under Section 501(c)(3) or 501(c)(4) of the IRC or be a wholly owned subsidiary of a qualified non-profit organization; (2) they must have as one of their tax-exempt purposes the development of low income housing; (3) they must own an interest in the project either directly or through a partnership; (4) they must materially participate in the development and operation of the project through regular, continuous and substantial actions; and (5) they must not be

affiliated with or controlled by a profit-motivated organization.

Reservations from the non-profit set-aside are permitted under circumstances where a partnership between non-profit and profit-motivated entities exists, only if each organization is independently controlled and operated and the non-profit materially participates in the development and operations of the project.

Special Needs Housing Set-aside – DHCD made a commitment to the development of special needs housing. To reach that goal, DHCD may set aside up to seventy-five (75%) of available LIHTC funds to the development of housing that serves special needs consumers.

Director’s Special Initiatives Program – The Director may utilize up to twenty-five percent (25%) of any annual per capita allocation and any unallocated carryover of a prior year allocation as a Director’s Special Initiatives program for stimulating development in any targeted area.

THRESHOLD REQUIREMENTS

To be rated and ranked during any round of competition, projects must meet all of the following threshold criteria. These requirements are intended to eliminate projects that do not meet basic program guidelines and to ensure that LIHTC is reserved for projects that are viable and in compliance with District and Federal requirements. Projects that do not meet the threshold criteria will not be rated and ranked during competitive rounds. In addition to these criteria, projects must fully comply with all Federal requirements as set forth in Section 42 of the IRS Code.

Federal Requirements for Eligibility

Minimum Occupancy Restrictions - At a minimum, Sponsor/Developers must elect that either: twenty percent (20%) of the units in the project must be rented to families with incomes at fifty percent (50%) or less of area median income; or forty percent (40%) of the units in the projects must be rented to families with incomes at sixty percent (60%) or less of the area median income.

Maximum Rent Levels - Low income units in the project must be rent restricted as defined by Section 42(g) (2) of the IRC for a period of thirty (30) years (The compliance period of fifteen (15) years and a concurrent extended use period of thirty (30) years total a period of thirty (30) years). Prior to the issuance of the IRS Form 8609 by the District the Sponsor/Developer must provide evidence of that the restrictive covenants have been recorded.

If the recorded Extended Use Agreement is not returned from the Recorder of Deeds by the due date noted above, submit a copy of the Extended Use Agreement and copy of the recording

receipt. Remember to submit to DHCD the original recorded Extended Use Agreement when it is received from the Recorder of Deeds.

Eligible Projects - Projects must involve new construction, acquisition, or rehabilitation. For projects involving rehabilitation, the rehabilitation costs must be the greatest of six thousand dollars (\$6,000) per unit or twenty percent (20%) of the adjusted basis. This minimum rehabilitation requirement must be met within the two years preceding the placed in service date. If applying for acquisition credit, projects must not have been placed in service or undergone substantial rehabilitation within the previous ten (10) years. Exceptions to the ten (10) year rule are provided for projects that are federally or locally assisted. In these cases, waivers from the IRS will be required before the LIHTC is allocated. A request for a waiver from the IRS will be required to meet the threshold criteria. The appropriate form will be available from DHCD. In addition, an exception has been provided for buildings substantially financed, assisted or operated under any Federal or local housing programs.

Subsidy Layering – Projects that combine certain other forms of federal assistance require a certification from HUD through the DC Housing Finance Agency that the assistance will not be more than is necessary to make the project feasible.

District of Columbia Threshold Eligibility Requirements

Development Team –

1. Members of the development team must certify that they are free of suspension or debarment from participating in any government programs, both local and Federal.
2. With respect to substantial liens and/or judgments and/or foreclosures and/or bankruptcies, applicants must have a history that is acceptable to DHCD.
3. Applicants must be in compliance with any existing prior agreements with DHCD, including
 - a. Major health, safety or building codes;
 - b. Previous LIHTC obligations, including compliance, meeting commitments made during the application process, and building requirements.
4. Within the past three years, the applicant may not have had credits terminated by DHCD.
5. Applicants may not list in their applications, a management company that is rated unsatisfactory by DHCD, nor should the ownership of any applicant include a principal, who in a previous application hired a management company to manage a tax credit development, after such management company received an “unsatisfactory” rating from DHCD during the extended use period of such development.

The Application - The LIHTC Application must be fully completed and all required attachments must be included. The specific form(s) and required exhibits will be included in

the annual Notice; all required forms must be properly executed and included.

Site Control Requirements - Satisfactory evidence of site control of the project must be provided. Satisfactory evidence of site control includes: the presentation of deeds, contracts of sale, leases with purchase options or other forms acceptable to DHCD. Satisfactory evidence of site control must include evidence verifying notification of tenant’s rights and or zoning compatible and permissible of the proposed development.

Green Building Compliance – The approved design plan must meet or exceed District Green Building Requirements as defined in the 2006 Green Building Act. ([Attachment B](#))

Design Quality Standards and Requirements – The approved site and floor plans must meet or exceed the design quality standards stated in [Attachment A](#) of the application package, including materials, unit design, mechanical requirements and common areas and amenities of the applicant project.

SELECTION CRITERIA

Once projects meet the threshold requirements, they will be competitively evaluated, rated and ranked based on pre-determined selection criteria, established in accordance with Federal law and the District’s housing priorities and needs. The selection criteria may be revised, from time to time, to reflect the changing housing needs of the District. The basic criteria is on a 400 point scale, with an addition 100 points available as bonus points.

POINT CATEGORIES

A. Readiness. Total Points: 25		
Category	Points	Explanation/Instructions
Plan of Development	20	The Plan of Development is approved by the Department of Consumer and Regulatory affairs (“DCRA”) without substantive modification and no earlier than three (3) months before the Reservation Application Deadline.
Sponsor/Developer Fee Deferral	1 to 5	Sponsor/Developer applicants receive additional points (up to five (5)), for deferring a portion of the potential development fee in the project. 1 pt 1 to 10% of anticipated deferred development fee 2 pts 11 to 20% of anticipated deferred development fee 3 pts 21 to 30% of anticipated deferred development fee 4 pts 31 to 40% of anticipated deferred development fee 5 pts 41 or greater% of anticipated deferred development fee

B. Housing Needs Characteristics. Total Points: 135		
Category	Points	Explanation/Instructions
Support Letter	20	<p>Letters addressed to DHCD and signed by the affected Advisory Neighborhood Commission(s) (“ANC”) and City Council Member where the proposed development is to be located, which reflects (1) support; (2) neutrality; or (3) opposition. The letter must be dated within three (3) months prior to the Application Deadline, without qualification or limitation.</p> <ul style="list-style-type: none"> • Development will help meet the housing needs and priorities of the ANC/Ward and the ANC/Council Member supports the allocation of tax credits requested. 20 points • A letter from the ANC/Council Member opposing the allocation of credits to the Applicant. In any such letter, the ANC/Council Member must certify that the proposed development is not consistent with current zoning or other applicable land use regulations. 0 points <p>If you have already received a support letter, include it with the Application.</p> <p>A list of ANCs can be found in Exhibit R of the Exhibit checklist.</p>
Evidence of location in a targeted neighborhood revitalization area	15	<p>Neighborhood Revitalization Strategy Areas (“NRSA”), Neighborhood Investment Fund, Great Streets Initiative, the New Communities Initiative, Neighborhood Investment Fund area and HOPE VI areas are neighborhoods in need of economic and community development, and where The District has made a strong commitment of resources.</p> <p>The Sponsor/Developer must certify that the development is located in a one of these areas. Sponsor/Developer must provide documentation from the appropriate District agency of the type of developments that will be encouraged, the potential sources of funding, and services to be offered in the area , or evidence that the development is subject to a plan using Hope VI funds from HUD</p>
Location In A HUD QCT and a revitalization area	5	<p>If the proposed development is located in a QCT and is in a Revitalization Area. Please document by completing DHCD’s Qualified Census Tract Certification and Revitalization Area Certification forms.</p>
Section 8 or PHA Waiting List Preference	10	<p>Developments where leasing preference is given to households on the public housing or Section 8 waiting list maintained by the DC Housing Authority (“DCHA”).</p> <p>Applicants receiving points in this category will not be allowed to impose an annual minimum income requirement for prospective households that exceed the greater of three thousand six hundred dollars (\$3,600) or 2.5 times the portion of rent to be paid by qualified households.</p>

Evidence of Subsidized Funding Interest	Up to 20	<p>Documentation of any of the following: (i) firm financing commitment(s) from the local government, local housing authority, Federal Home Loan Bank affordable housing funds; (ii) a commitment to donate land, buildings or tap fee waivers from the DC government. The amount of such financing or dollar value of District Government support will be divided by the total development sources of funds and the proposed development receives two (2) points for each percentage point up to a maximum of forty (20) points.</p> <p>Such commitment or obligation may contain conditions, but only within the control of or based upon the performance of the borrower, not the local government.</p>
Existing HUD Section 8 or Section 236 Program	10	<p>The development is subject to HUD Section 8 or Section 236 programs at the time of Application, including program participation. However, if the Applicant is the current owner or has any common interests with the current owner, either directly or indirectly, points will only be awarded if the Applicant waives all rights to any Sponsor/Developer fee and any other fees associated with the acquisition and rehabilitation (or rehabilitation only) of the development. The preceding condition may be waived by DHCD for good cause. Such waiver must be granted prior to Application submission.</p>
Tax Abatement or New Project-Based Rental Subsidy (HUD or RD)	10	<ol style="list-style-type: none"> 1. Meet the criteria to receive a real estate tax abatement on the increase in the value of the development, or 2. Provide documentation of <u>new</u> project-based subsidy from HUD for the greater of five (5) units or ten percent (10%) of the units of the proposed property.
Special Needs Supportive Services	20	<p>The development provides services for individuals with special needs. Services may include wrap-around services for activities of daily living, substance abuse counseling, mentoring programs, access to primary healthcare, educational programs, or job training and search service. The service plan must be submitted with the application. Points will be awarded based on how comprehensive, feasible, and appropriate for the population the services are. Two points will be given for each service for a total of 20 points</p>
Special Needs Housing	Up to 10	<p>Points will be given for the percentage of units dedicated to seniors or special needs consumers:</p> <p>More than 30% of the units: 10 points</p> <p>20% to 30% of the units: 8 points</p> <p>10% to 19% of the units: 6 points</p> <p>5% to 9% of the units: 4 Points</p> <p>1% to 4% of the units: 2 Points</p>
Census Tract with <10% Poverty Rate, No Tax Credit Units	15	<p>The development is located in a census tract that has less than a ten percent (10%) poverty rate (based upon Census Bureau data) with no other tax credit units in such census tract.</p>

C. Development Characteristics. Total Points: 75		
Category	Points	Explanation/Instructions
Developments with Less Than 100 Low-Income Housing Units	Up to 20	Up to 20 points will be awarded for any development in which the Applicant proposes to produce up to one hundred (100) low-income housing units. At 80 percent or less of the units, the Applicant can receive the total twenty (20) points; however, for every unit over eight (80) percent of the units, the score will be reduced 0.4 points. The Applicant will receive zero (0) points for developments with one hundred (100) or greater low-income housing units.
Affordable Housing Preservation Projects	10	10 points will be award to developments that are a reuse or rehabilitation of existing affordable housing.
Community Room	5	The development has a community room with a minimum of 800 sq. ft. Points associated with this item are not allowed unless the community room is physically located within the boundaries of the development being submitted for credits. The IRS has stated that common space (pool, meeting room, community building, laundry room, etc.) located in one phase may not be used by residents from another phase unless the area is treated as commercial space. Therefore, the common space must be subtracted from basis in order to be used by households living in another phase.
High Speed Cable, DSL, Wireless Internet	2	Necessary infrastructure is provided in all units for high-speed cable, DSL or wireless internet service
Front-Control Ranges - Elderly or Physically Disabled	1	If every unit in the development has a cooking range with front controls
Independent/Supplemental Heat Source - Elderly or Physically Disabled	1	If all full bathrooms in the development have an independent or supplemental heat source
Two Eye Viewers - Elderly or Physically Disabled	1	If every unit in the development has an entrance door with two eye viewers, one at 42" and the other at standard height
Historic Rehab	5	Structure is listed individually in the National Register of Historic Places or is located in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and the rehabilitation will be completed in such a manner as to be eligible for historic rehabilitation tax credits
> 80% of Units Having 2 or More Bedrooms	15	If greater than eighty percent (80%) of the units in the property are two (2) or more bedrooms.
% of Units With 3 or More Bedrooms	Up to 15	0.75 points for each percent of the low-income units in the development with three (3) or more bedrooms, e.g. 0.75 x

		15% = 11.25 points.
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D. Development Characteristics – Accessibility. Total Points: 45		
Category	Points	Explanation/Instructions
Federal Project-Based Rent Subsidies or Equivalent – <u>Unit Accessibility</u>	20	Any non-elderly development in which the greater of five (5) units or ten percent (10%) of the units (i) provide federal project-based rent subsidies or equivalent assistance in order to ensure occupancy by extremely low-income persons; (ii) conform to HUD regulations interpreting the accessibility requirements of Section 504 of the Rehabilitation Act; and (iii) are actively marketed to people with special needs in accordance with a plan submitted as part of the Application for credits.
HUD’s Housing Choice Voucher (“HCV”) Rent Payment Standard – <u>Unit Accessibility</u>	15	Any non-elderly development in which the greater of five (5) units or ten percent (10%) of the units (i) have rents within HUD’s Housing Choice Voucher (“HCV”) payment standard; (ii) conform to HUD regulations interpreting the accessibility requirements of Section 504 of the Rehabilitation Act; and (iii) are actively marketed to people with mobility impairments including HCV holders in accordance with a plan submitted as part of the Reservation Application.
HUD 504 Accessibility – Four Percent (4%) of Units	10	Any non-elderly development in which four percent (4%) of the units (i) conform to HUD regulations interpreting the accessibility requirements of Section 504 of the Rehabilitation Act and (ii) are actively marketed to people with mobility impairments in accordance with a plan submitted as part of the Reservation Application.

E. Sponsor Characteristics. Total Points: 45		
Category	Points	Explanation/Instructions
Sponsor/Developer Experience	Up to 20	<p>10 points - Evidence attached with the PPC and IRS Form 8609 that the principal or principals, as a group or individually, for the proposed development have developed at least one tax credit development that contains at least the number of housing units in the proposed development (can include market units)</p> <p>20 points - Evidence attached with the PPC and IRS Form 8609 that the principal or principals, as a group or individually, for the proposed development have developed, as controlling general partner or managing member, (i) at least three tax credit developments that contain at least 3x the number of housing units in the proposed development or (ii) at least six (6) tax credit developments that contain at least the number of housing units in the proposed development.</p>

Management Company Experience	Up to 20	<p>10 points: Evidence that the management company has managed at least one (1) tax credit development that contains at least the number of housing units in the proposed development (can include market units)</p> <p>20 points: Evidence that the management company has managed (i) at least three (3) tax credit developments that contain at least three times (3x) the number of housing units in the proposed development or (ii) at least six (6) tax credit developments that contain at least the number of housing units in the proposed development.</p> <p>(Exhibit N)</p>
Fair Housing Accessibility First Certification by the Architect of Record	5	Evidence that the proposed development's architect of record has completed the Fair Housing Accessibility First program offered by HUD or an equivalent organization. To document, submit the Certificate of Completion, showing the certified individual's name, along with the Architect's Certificate.

F. Efficient Use of Resources. Total Points: 75

Category	Points	Explanation/Instructions
Cost Per Unit	Up to 75	<p>Up to 75 points will be awarded based on the percentage by which the cost per low-income housing unit type for a given property is less than the highest per unit type cost. The cost per unit type for the proposed property will be determined by dividing the total development costs, as adjusted, by the total heated residential square feet area. The cost calculation will exclude land cost, tap fees and operating reserves. This cost per square foot will then be multiplied by the average unit square footage for each unit type. This average cost per unit type will then be used in the following equation:</p> $1 - \frac{\text{Subject cost per Unit Type}}{\text{Highest cost per Unit Type}} \times \% \text{ of Unit Type} \times 75 \text{ pts}$

G. Bonus Points. Total Points: 100

Category	Points	Explanation/Instructions
Units rent-restricted at or below 40% of the AMGI	Up to 10	For each percentage point of housing units in the proposed development which are restricted to rents at or below forty percent (40%) of the AMGI.
Units that are both rent and income restricted and occupancy-restricted	Up to 20	Commitment by the Applicant to impose income limits on the low-income housing units throughout the extended use period (as defined in the IRC) below those required by the IRC in order for the development to be a qualified low-income development.

to households at or below 50% of the AMGI		Applicants receiving points under this fifty (50) point category may not receive points in either of the following two point categories. The product of (i) twenty (20) points multiplied by (ii) the percentage of housing units in the proposed development both rent-restricted to and occupied by households at or below fifty percent (50%) of the AMGI.
Units that are rent-restricted at or below 50% of the AMGI and income-restricted at or below 60% of the AMGI	Up to 15	The product of (i) fifteen (15) points multiplied by (ii) the percentage of housing units in the proposed development rent-restricted at or below fifty percent (50%) of the AMGI. Applicants receiving points in this twenty (20) point category may not receive points under the above twenty (20) point category.
Extended Use Restriction	15 or 30	<ul style="list-style-type: none"> • 15 points - Applications documenting that the owner will maintain the low-income units in compliance for ten (10) years over the standard thirty (30) year extended use period (forty (40) years of total compliance) • 30 points - Applications documenting that the owner will maintain the low-income units in compliance for twenty (20) years over the standard thirty (30) year extended use period (fifty (50) years of total compliance) <p>If points are requested for extended compliance, no points will be awarded for a purchase option or right of first refusal.</p>
Nonprofit or DCHA Purchase Option	25	A recordable purchase option or right of first refusal to a qualified nonprofit or the DC Housing Authority for the transfer of the property at the end of the minimum fifteen (15) year compliance period. The qualified nonprofit must have a minimum of ten percent (10%) ownership in the general partnership for the full fifteen (15) year compliance period to qualify for these points. The acquisition price shall be limited to outstanding debt and exit taxes. Points under this category are not available to Applicants receiving points for extended compliance. If, during the document review and scoring process, DHCD determines that the nonprofit is not a qualified nonprofit or local housing authority, the Applicant may submit a request to select one of the extended compliance options, and DHCD may award the appropriate points.

**For purposes of determining scores in the below categories, percentages will be calculated using only tax credit units so as not to penalize mixed-income properties.

UNDERWRITING

Projects meeting threshold requirements that are rated and ranked against the selection criteria will also be evaluated to determine how much LIHTC is needed. DHCD will calculate the maximum LIHTC for which projects are eligible and the minimum required for feasibility and viability. In no event will more than One Million Dollars (\$1,000,000.00) of LIHTC be allocated to one (1) project.

Underwriting will be performed on a Project at three (3) stages: 1) prior to the time a reservation is awarded, 2) at Allocation Carryover, and 3) before an IRS Form 8609 is issued evidencing the allocation of LIHTC. Sponsor/Developers will be required to file an updated pro forma at each stage of the Tax Credit process. In addition, the Sponsor/Developer must supply the following information:

Project Financial Information

The Application requires the Sponsor/Developer to provide information regarding project loans, grants, equity contributions, the anticipated funds to be received from syndicators, equity partners or private funding sources for purchase of the Tax Credits, enterprise zone benefits, and any other type of financing or contributions that are relevant to the economic feasibility of the Project.

Operating Reserves

Projects are required to establish an operating reserve of between \$2,800 and \$3,400 per unit plus “must-pay” debt service payments. Such reserves must be maintained for five full years’ commencing after the Project has reached stabilized occupancy. The Application will require the Sponsor/Developer to include a narrative explaining how the operating reserve will be established.

The requirement for an operating reserve may be satisfied if the Sponsor/Developer utilizes the operating reserve required by the Project lenders or investors provided the reserve is equal to or greater than the reserve required by this Section. The reserve may be funded using an irrevocable letter of credit, which may be released at the end of the five (5) year period described above.

Replacement Reserves - Projects are required to establish a replacement reserve account by making monthly deposits equal to two hundred dollars (\$200) per unit per year for new construction and three hundred dollars (\$300) per unit per year for rehabilitation projects. The Application requires a narrative explaining how the replacement reserve will be escrowed and used. The replacement reserve must be shown on the pro forma.

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 funds financing the Project provided the reserve is equal to or greater than the reserve required by this Section.

Sponsor/Developers are required to submit to DHCD a verification that the terms and conditions of the replacement reserve required by lenders or other funds financing the Project has or will be satisfied at the time a building is placed in service.

Limits on Sponsor/Developer and Builder Fees

The Sponsor/Developer’s fee is calculated as a percentage of Total Project Costs less the sum of the cost of land, Sponsor/Developer’s fee, Sponsor/Developer’s overhead and profit, consultant

fees and project reserves. Builder and general contractor fees will be limited to twelve percent (12%) of the Hard Construction Costs. The Sponsor/Developer fees will be limited as follows:

Type of Project	1 to 100 units	101 units and greater
New Construction	15%	12%
Acquisition/rehabilitation, adaptive reuse, or historic preservation	15%	12%

If the Sponsor/Developer fee, consultant fee or builder fee limits are in excess of the limits imposed, DHCD will make the appropriate adjustments during the underwriting phase of the evaluation of the Application.

Debt Service Coverage Ratio

In order to receive a Tax Credit Reservation, Sponsor/Developers must present a Project that can service its debt. The Debt Service Coverage Ratio for each year must be shown on the pro forma cash flow statement. In order to satisfy this requirement, the Project’s Debt Service Coverage Ratio for years two (2), three (3) and four (4) must exceed one point one percent (1.1%). The Sponsor/Developer must provide a narrative to justify any deviation.

Annual Rent, Expense Trends and Vacancy Rates

The Sponsor/Developer must assume and select the annual rent trend, expense trend and vacancy rate for underwriting the Project. The Sponsor/Developer also must provide a narrative justification for the election of the factors. In addition, the pro forma must reflect the Project’s ability to maintain a positive cash flow for fifteen (15) years.

Subsidy Layering Review

For Projects that combine HUD housing assistance with four percent (4%) Tax Credits, HUD has delegated subsidy layering review to DCHFA to ensure that the Ownership Entity does not receive excessive government subsidies. HUD and DCHFA have entered into a Memorandum of Understanding (“MOU”) governing the procedures that DCHFA must follow when undertaking the subsidy layering review.

DCHFA also will complete the subsidy layering review for applicable Projects after the Sponsor/Developer and HUD submit relevant documentation for review at carryover. This information includes the results of HUD’s underwriting analysis, the Sponsor/Developer’s proposed development costs, and information concerning any syndication of the Project. DCHFA will undertake the subsidy layering review for each Project after completion of HUD’s and DHCD’s underwriting, if applicable. HUD has established safe harbor and ceiling standards for specific project costs. When evaluating projects under HUD’s guidelines, DCHFA may apply the safe harbor standards unless the Sponsor/Developer can show that projects meet certain criteria making them eligible for the increased ceiling standards. To be considered for

the higher ceiling standards, projects must be either high risk or small developments (thirty (30) units or less)

DCHFA will complete a second subsidy layering review at the time the IRS Form 8609 is issued for the Project.

DHCD and DCHFA reserve the right, without amending this QAP, to amend the subsidy layering procedures as necessary to comply with changes in applicable Federal law or regulations, HUD guidelines or a MOU. HOME and CDBG funding when combined solely with Tax Credits do not trigger the subsidy layering review process.

Unit Cost Cap

The total development cost per unit must not exceed the HUD 221(d)(3) high cost mortgage limits by bedroom size, which are outlined in an attachment to the Application. Projects receiving Federal historic rehabilitation tax credits will be allowed to deduct the residential portion of the historic tax credit from the project costs to allow for stricter rehabilitation standards. DHCD may, on a case-by-case basis, allow a Project receiving historic rehabilitation tax credits or participating in HUD's portfolio re-engineering program to exceed the unit cost cap.

Portfolio re-engineering projects should include a copy of the project's physical condition assessment to demonstrate the potential unit cost. However, total adjusted eligible basis (before qualified census tract adjustment) will be limited to the HUD 221(d)(3) high cost mortgage limits in any case. Affordable Assisted Living Projects are allowed an exceptional per unit cost of one hundred and twenty percent (120%) of the HUD 221(d)(3) high cost mortgage limits. Tax-exempt bond projects funded under Section 3 are exempt from this Section.

Underwriting Review

LIHTC Equity Projections - DHCD will evaluate the reasonableness of the proposed syndication value of the LIHTC based on current market conditions. Evaluation of the market will be based on current syndication proposals and information on the status of funds from various national syndication firms.

Special Target Areas - Federal law permits jurisdictions to calculate and reserve a greater amount of LIHTC than traditionally permitted when calculated on the eligible basis for projects in certain areas. These areas are known as Qualified Census Tracts ("QCT") and Difficult Development Areas ("DDA"). QCT's are areas in which fifty percent (50%) of the population has incomes of less than sixty percent (60%) of the area median or which has a poverty rate of at least twenty five percent (25%). A listing of QCT's for the District is available from the HUD [website](http://qct.huduser.org/tables/data_request.odt) (http://qct.huduser.org/tables/data_request.odt). Difficult Development Areas ("DDA") are those areas designated by HUD because of high construction, land and utility costs relative to area median income. The eligible basis for projects in these areas may be increased by as much as thirty percent (30%). This higher LIHTC may be calculated and reserved where Federal law permits and where the feasibility analysis indicates the need for the additional

LIHTC.

RESERVATIONS

The Reservation is a conditional commitment of LIHTC and, therefore, does not meet the definition of a binding allocation as stated in Section 42 of the IRC. Once the conditions of the Reservation Agreement have been met, the Sponsor/Developer will receive a binding allocation agreement that meets all requirements as set forth in Section 42 of the IRC. Reservations will be made based on DHCD's rating and ranking of the projects and the availability of resources. DHCD's Director will issue reservation of LIHTC Letters to the highest rated applicants.

Surplus Reservations

In the event that the supply of LIHTC, in a given year, exceeds the demand in the initial round, those Surplus Credits may, at the sole discretion of the Director, be reserved in the following order of priority, without the need for an advertised competitive round.

- (1) To a Director's Special Initiatives program for stimulating development in any targeted area;
- (2) To a project(s) that received a reservation from a prior year LIHTC, that has sufficient eligible basis to qualify for additional credit and that needs additional credit in order to complete the project's funding in a manner that creates financial feasibility and economic vitality;
- (3) For projects that are in a high state of readiness and have sufficient eligible basis and the project needs LIHTC in order to complete the project's funding in a manner that creates financial feasibility and economic vitality;
- (4) For projects that have sufficient eligible basis and the project is located in a strategic development zone as defined in the GPM and the project needs LIHTC's in order to complete the project's funding in a manner that creates financial feasibility and economic vitality.

Forward Reservation

Under certain conditions, a project may be eligible to receive a Reservation of LIHTC from the District's Per-Capita Credit ceiling for future years (known as a Forward Reservation). To receive a Forward Reservation, project Sponsor/Developer must agree to comply with all conditions imposed by DHCD and the IRS. The following types of projects may receive Forward Reservations from future years' LIHTCs.

- *Projects Unable to Meet Deadlines* - A project(s) that has already received Reservations and is not able to meet time schedules of the Reservation, and such project(s) may be deemed by the Director to be essential to DHCD's strategic plan or mission. In this event the previous Reservation may be voided and, at the sole discretion of the Director, a Reservation from future

years may be substituted for the LIHTC reserved under the voided Reservation.

- *Insufficient LIHTC* - A Forward Reservation may be approved for a project that ranked high enough in a round of competition for an award, but for which there is insufficient remaining LIHTC's that can be allocated in the current year.
- *Multiple Year Reservations* - Where projects require more than Four Hundred Thousand Dollars (\$400,000) of annual LIHTC and/or reservations would be more appropriately staged over two or more years, DHCD may agree to reserve, subject to availability, LIHTCs from a future year(s). DHCD will determine if the benefits to the District are sufficient to warrant the issuance of a Forward Reservation. In most cases this determination will rely most heavily on the following factors: (1) whether the Sponsor/Developer request for LIHTC is large enough to eliminate the availability of LIHTC to other competitive applicants, and (2) if the scope of the rehabilitation or construction is such that it is unlikely that the entire project can be "placed in service" within the time constraints imposed under the IRC.

ALLOCATIONS

Sponsors/Developers who meet the requirements of the Reservation Agreement shall receive binding allocation agreements that meet all qualifications required under Section 42 of the IRC. To qualify for a Carryover-Allocation, Sponsor/Developer must incur more than ten percent (10%) of the reasonably anticipated basis by the close of the calendar year in which the allocation is made and then place the project in service no later than the end of the second year following the date of the binding allocation. Failure to meet these requirements will result in the loss of the LIHTC for the project.

Reservation Agreements will identify a date certain by which Sponsor/Developer must certify that projects have been placed in service or, at a minimum, that more than ten percent (10%) of the reasonably anticipated basis has been incurred. If Sponsor/Developer has not met either of these requirements, the Reservation may be cancelled. Any LIHTC available from cancelled reservations will be awarded to other projects or carried forward in the District's unallocated pool.

Carryover Allocation Evaluation

Sponsors/Developers who have received a LIHTC reservation and have incurred more than ten percent (10%) of the reasonably anticipated basis must submit an application for a Carryover Allocation from DHCD. To issue the Carryover Allocation, DHCD must receive documentation and certification concerning the costs incurred as well as evidence that all application and reservation fees have been paid. Sponsors/Developers must submit a certification from a third party attorney or certified public accountant that includes an itemization of the project's reasonably expected basis and the costs incurred. The application must include evidence that the restrictive covenant has been recorded and, the application must be accompanied by a check for the allocation fee.

Placed-in-Service Evaluation

At the time buildings are placed in service, DHCD will complete a final evaluation of the project to determine the amount of LIHTC needed to make the development feasible. Only the amount needed for financial feasibility and economic viability will be awarded. Any additional LIHTC previously allocated to projects, above and beyond this amount, will be recaptured.

Before IRS Form 8609 is issued, DHCD must receive, review and approve the documentation specified below.

1. *Revised Application* – An updated application adjusting the development budget to the sources and uses reflected on the cost certification and incorporating all changes in the development team and management group.
2. *Date Project Placed in Service* - Occupancy permits and licenses or other evidence of completion satisfactory to DHCD for each building within the project.
3. *Cost Certification* - A cost certification prepared by the Sponsor/Developer’s accountant detailing the total sources and uses of funds. (For projects insured by the Federal Housing Administration (“FHA”), the Federal cost certification may be substituted if it includes the total sources and uses of funds for the project.)
4. *Eligible Basis* - A statement of the computation of the Project’s development costs that qualify as eligible cost per IRC Section 42.
5. *Limited Partnership Agreement* - A copy of the executed limited partnership agreement including all attachments and exhibits executed by all parties to the agreement.
6. *Extended Use Covenant* - A copy of the document that extends and restricts the use of the property with evidence that it has been legally recorded.
7. *Allocation Fee* - The appropriate Allocation fee as described above.

MONITORING FOR COMPLIANCE

DHCD will monitor each project to make sure that owners comply with all Federal and District LIHTC provisions. The compliance period is for fifteen (15) years beginning with the first (1st) taxable year of the building’s credit period and is extended over a concurrent thirty (30) year period by the restrictive covenant for a total of thirty (30) years. Monitoring procedures have been established by DHCD which include provisions for record-keeping and retention, certification, review, inspection; and notification of non-compliance. These procedures are provided in detail in the DHCD LIHTC [Compliance Manual](#) (“CM”).

Record Keeping and Retention

For each qualified low income building in the project, Owners must maintain records that provide specific information for each year of the compliance period. The failure to maintain these records or otherwise comply with the requirements as set forth in the CM may result in the issuance of IRS Form 8823 and the eventual recapture of Tax Credits. All applicants are urged to review the CM and to require that project property managers have a thorough knowledge of the requirements under the IRC and the CM. All Owners must certify that the project will be able to send and receive data electronically and must provide and maintain a current electronic address.

Notification of Noncompliance

DHCD will promptly notify project owners in writing in the event that its monitoring reveals that the project is in non-compliance. This notice will provide a cure period of up to ninety (90) days from the date of the notice during which time the owner must bring the project into compliance. Failure to cure a condition of noncompliance may result in recapture of the LIHTC. All incidents of noncompliance must be reported to the IRS on IRS Form 8823 notwithstanding the resolution of compliance issues. For good cause, DHCD may grant an extension of the cure period for up to an additional six (6) months.

DEFINITIONS

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

1. **Accessibility:** Buildings used by the public, accessible to, and functional for, the physically handicapped, to go through and within their doors, without loss of function, space, or facility where the public is concerned.
2. **Accessible Route:** A continuous unobstructed path connecting all accessible elements and spaces in a building or facility that can be negotiated by a severely disabled person using a wheelchair and that is also safe for and usable by people with other disabilities. **Interior Accessible Routes** may include corridors, floors, ramps, elevators, lifts, and clear floor space at fixtures. **Exterior Accessible Routes** may include parking, access aisles, curb ramps, walks, ramps and lifts.
3. **Affiliate:** 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 parent companies or subsidiaries.
4. **Applicable Fraction:** 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).

5. **Applicable Percentage:** The percentage multiplied by the Project's Qualified Basis to determine the annual Tax Credit available to the Ownership Entity for each year of the Tax Credit Period and as more fully described in IRC Section 42(b).
6. **Application or Application Package:** Those forms and instructions prepared by DHCD to make a determination to allocate Tax Credits. Sponsor/Developers are required 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 DHCD.
7. **Area Median Gross Income (AMGI):** The most current tenant income requirements published by HUD pursuant to the qualified Low-Income Housing Project requirements of IRC Section 42(g).
8. **Builder General Requirements:** 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 off site, (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.
9. **Builder Overhead:** The cost of continuing operations of a building construction firm.
10. **Builder Profit:** 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.
11. **Carryover Agreement and Allocation and Ownership Entity's election statement:** An allocation of current year Tax Credit Reservations by DHCD pursuant to IRC Section 42(h)(1)(E) and Treasury Regulations Sections 1.42-6 and the Carryover Agreement and Carryover Application filed by an Owner Entity.
12. **Code or IRC:** The Internal Revenue Code of 1986 as amended together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued there under by the United States Department of the Treasury or the Internal Revenue Service relating to the Low-Income Housing Tax Credit Program authorized by IRC Section 42. These documents are incorporated in the QAP by reference. A copy of the Internal Revenue Code and Treasury regulations and related information relating to this program are found in the District of Columbia Public Library and are available for review by the public.

13. **Compliance Period** (as defined in IRC Section 42(i)(1) as amended to January 1, 1986.): With respect to any building, the period of fifteen (15) consecutive taxable years beginning with the first taxable year of the Tax Credit Period in addition to a concurrent thirty (30) year extended use period.

14. **Consultant:** A professional who provides expert advice in a particular area of knowledge.

15. **Consultant Fee:** The charge for services rendered and cost incurred by a Consultant. No entity having an identity of interest with the Sponsor/Developer may earn an additional fee for providing services that would otherwise be provided by the Sponsor/Developer. Consultant efforts must be directed exclusively towards serving the specific Project being proposed.

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

17. **Debt Service Coverage Ratio:** The ratio of a property's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations.

18. Developer or Sponsor/Developer:

- The party acting as agent for the eventual owner or taxpayer benefiting from an award of a Tax Credit Reservation
- That party and any of its successors in interest that will be bound by the representations made in the Application or documents executed in applying for or accepting the allocation of LIHTC.
- That party or its successors that shall be obligated to carry out the commitments made to DHCD by the Sponsor on its own behalf or on behalf of other Persons or Affiliates.

19. **Developer's Equity or Sponsor/Developer's Equity:** The Sponsor/Developer's contributions of cash and land, but does not include Sponsor/Developer's Fee or Syndication proceeds. Sponsor/Developer's Equity will only be considered if the equity remains in the Project throughout the Compliance Period and not taken out from surplus cash flow, cash flow notes, mortgages, or any other method.

20. **Difficult Development Area:** Any area that is so designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to area median family income.
21. **Eligible Basis:** 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).
22. **Enterprise Community** is as defined by HUD.
23. **Evaluator:** Member(s) of DHCD Staff, temporary staff hired to evaluate the Tax Credit Applications, or staff from other District of Columbia agencies.
24. **Forward Funding** shall have the same meaning as described in IRC Section 42(b)(2)(A)(ii)(I) and 42(h)(1)(C).
25. **Frail Older Person:** An Older Person requiring assistance with three or more activities of daily living. Also, see **Tenants with Special Housing Needs** in this Glossary.
26. **Hard Construction Costs:** 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.
27. **High Risk:** Projects that involve adaptive re-use or require extraordinarily challenging substantial rehabilitation or provide more than fifty percent (50%) of units for tenants with annual income of fifty percent (50%) or less of the area median.
28. **Housing Credit Agency:** District of Columbia Department of Housing and Community Development ("DHCD"). Pursuant to Mayor's Order 87-72, DHCD is charged with the responsibility of allocating Tax Credits pursuant to IRC Section 42(h)(8)(A).
29. **Housing Projects for Older Persons** shall have the same meaning as described in 42 U.S.C. Section 3607(b)(2).
30. **HUD:** The United States Department of Housing and Urban Development, or its successor.
31. **Identity of Interest:** A financial, familial or business relationship that permits less than an arm's length transactions. No matter how many transactions are made subsequently between persons, corporations, or trusts Controlled by the Ownership Entity/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.

32. **In-fill Lot:** Land that has been platted and subdivided, and must have been previously improved.

33. **Integrated Setting:** Mixed population housing that is integrated “in the community” rather than in certain buildings.

34. **IRS:** The Internal Revenue Service, or its successor.

35. **Land Use Restrictive Covenants a/k/a District of Columbia Department of Housing and Community Development Indenture of Restrictive Covenants for Low-Income Housing Tax Credits (Restrictive Covenants):** An agreement between DHCD and the Ownership Entity and all of its successors in interest where the parties agree that the Project will be an affordable housing Project for the length of the Compliance Period elected by the Ownership Entity and upon which the award of Tax Credits was in part, based. The Restrictive Covenants will contain language that must encumber the land where the Project is located for the life of the agreement. The Restrictive Covenants must conform to the requirements of IRC Section 42(h), and this QAP.

36. **Low-Income Unit:** 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.

37. **Metropolitan Statistical Area (“MSA”):** A central city containing at least Fifty Thousand (50,000) people with a total metropolitan population of at least One Hundred Thousand (100,000) as defined by the U.S. Census Bureau.

38. **Older Persons:** A person fifty five (55) years of age or older, in accordance with District of Columbia law.

39. **Ownership Entity:** Any Person and any Affiliate of such Person:

- i. Submitting an Application to DHCD requesting a Tax Credit Reservation pursuant to this QAP;
- ii. Who receives a Tax Credit Reservation, Carryover Agreement or IRS 8609 Tax Credit Allocation;
- iii. Who is the successor in interest to the Sponsor/Developer who owns or intends to own and develop a Project or expects to acquire Control of a Project consistent with Control documents provided by the Ownership Entity to DHCD as part of the Application.

40. **People with Disabilities or Disability (The term “disability”):** With respect to an individual (A) a physical or mental impairment that substantially limits one, or more, of the major life activities of such individual (B) a record of such an impairment; or (C) being regarded as having such impairment.
41. **Project:** A low-income rental housing property the Sponsor/Developer of which represents that it is or will be a qualified low-income housing Project within the meaning of IRC Section 42(g). With regard to this definition, the Project is that property which is the basis for the Application.
42. **Property:** 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.
43. **Qualified Allocation Plan (QAP):** A plan to select and award Tax Credits to qualified recipients.
44. **Qualified Basis:** 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).
45. **Qualified Census Tract:** Any census tract which is so designated by the Secretary of HUD and, for the most recent year for which census data are available on household income in such tract, either in which fifty percent (50%) or more of the households have an income which is less than sixty percent (60%) of the adjusted gross median income for such year or which has a poverty rate of at least twenty-five percent (25%).
46. **Qualified Non-profit Organization or Non-profit:** 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.
47. **Qualified Non-profit Project:** A Project in which a qualified Non-profit organization has Control (directly or through a partnership or wholly owned subsidiary as defined in IRC Section 42(h)(5)(D)(ii)) and materially participates (within the meaning of IRC Section 469(h)) in its development and operation throughout the Compliance Period.
48. **Qualified Residential Rental Property** shall have the same meaning as defined in IRC Section 103.
49. **Recovered Tax Credits:** 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/Developer/Ownership Entity.

50. **Rehabilitation Expenditure:** 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/Developer is at least the greater of ten percent (10%) of the Sponsor/Developer's adjusted basis of the building at the start of the twenty-four (24) month period, or six thousand dollars (\$6,000) per unit. See also, IRC Section 42(e)(2).

51. **Single Family:** A single-family residence whether detached or vertically attached, including a town-home, duplex, triplex or fourplex.

52. **Small Projects:** Projects that contain less than thirty (30) residential rental units.

53. **"Special needs"** refers to an umbrella group of families and individuals (that may or may not be homeless) that have conditions or needs that require the provision of supportive services. These conditions include age and age-related problems, mental health problems, drug/substance abuse problems, mobility impairment issues, HIV/AIDS and other chronic disease problems, and homelessness.

54. **Stabilized occupancy** is calculated by determining the percentage of units required to be rented to attain the net cash flow necessary to achieve the required debt coverage ratio on the must-pay debt.

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

56. **Tax Credit:** The Low-Income Housing Tax Credits issued pursuant to the program, IRC Section 42 and Chapter 42 of Title 10 DCMR. 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.

57. **Tax Credit Allocation or Reservation amount:** With respect to a Project or a building within a Project, the amount of Tax Credit DHCD 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.

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

42(f)(1).

59. **Total Development Cost:** Total project cost minus cost of land, commercial hard construction, bridge loan interest, operating reserves, DHCD compliance monitoring fee, operating and replacement reserves

60. **Total Project Cost:** The total costs reflected in the Application.

61. **Transitional Housing:** 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 within twenty-four (24) months and in which a Governmental Entity or qualified Non-profit organization provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.

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

63. **Utilities:** Oil, gas, electricity, and water and sewer service.

FOR MORE INFORMATION

For applications or for additional information, please contact

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Telephone (202) 442-7284

APPROVED:

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