

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

P.O. Box 71361 San Juan, Puerto Rico 00936-8461



ANNEX O

QUALIFIED ALLOCATION PLAN 2012

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PUERTO RICO HOUSING FINANCE AUTHORITY
Subsidiary of the Government Development Bank for Puerto Rico

COMPLIANCE MONITORING PLAN

LOW INCOME HOUSING TAX CREDIT PROGRAM

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**Tax Credit
Program
Overview**

Introduction

The Internal Revenue Code (IRC) in its Section 42 and the applicable Treasury Department regulations govern the administration of the Low Income Housing Tax Credit Program (LIHTC). The federal law requires that the state allocating agencies monitor the Tax Credit projects for compliance with the provisions of Section 42 of the IRC. Furthermore, the state credit agency will notify the Internal Revenue Service (IRS) of any noncompliance with the program.

As the State Credit Agency, Puerto Rico Housing Finance Authority (PRHFA) is responsible for monitoring the Low Income Housing Tax Credit projects. The PRHFA has administered the LIHTC Program for the Commonwealth of Puerto Rico since December 30, 1987. As of May 31, 2009 the PRHFA monitors the compliance of Section 42 requirements for 126 projects with 10,021 tax credit units segregated for low-income families throughout the island.

This guide describes the rules and responsibilities of each one of the parties involved in the compliance process and provides a practical reference to owners and managers of projects participating in the LIHTC Program. It was prepared and reviewed in compliance with the final regulations published on September 2, 1992 by the IRS in 26 CFR Parts 1 and 602, "Procedure for Monitoring Compliance with Low Income Housing Credit Requirements", final regulations published on January 14, 2000 by the IRS in 26 CFR Parts 1 and 602, "Compliance Monitoring and Miscellaneous Issues Relating to the Low-Income Housing Credit", IRS notices and other regulations.

In January 2007 the Internal Revenue Service (IRS) released its Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (8823 Guide). This guide was not intended to change any Section 42 rules or policies, but to provide definitions of what IRS considers "In compliance" and for consistency in reporting "out of compliance", and "back in compliance," on IRS Form 8823.

Most of PRHFA compliance, monitoring, and reporting policy and procedure are already reflective of instructions in the 8823 Guide. However, some adjustments needed to be made and this manual is reflective of those adjustments. Owners are required to comply with the new policy and procedure by January 1, 2008.

On July 30, 2008 H.R. 3221, also known as the Housing and Economic

Recovery Act of 2008, was passed. This bill was signed by President Bush on July 23, 2008. Final passage by the Senate on July 26, exactly as passed by the House on July 30, 2008, which becomes the "date of enactment" for purposes of certain effective date provisions.

This Act was passed in response to the current market conditions and affects Tax Credit, Tax-Exempt Bond, rehab Tax Credit and other affordable housing programs. It also covers both compliance and development issues. The majority of provisions are contained in Division C – the Housing Assistance Tax Act of 2008, but some in Division B – the Foreclosure Prevention Act of 2008.

This manual has not been reviewed or approved by the IRS and should not be relied upon for the interpretation of federal income tax legislation and regulations.

This manual has not been reviewed or approved by the Internal Revenue Service (IRS) and should not be relied upon for the interpretation of federal income tax legislation or regulations. This manual is to be used only as a complement to compliance with the Code and all other applicable laws, rules and regulations. The responsibility for the compliance with the Code relies in the owner of the building(s) for which the credit was allocated. PRHFA obligation to monitor for compliance with the requirements of the Code does not make PRHFA liable for an owner's noncompliance (Treas. Reg. §1.42-5(g) (1994)).

Federal Laws and Regulations Governing the LIHTC Program

The Low Income Housing Tax Credit was introduced with the Tax Reform Act of 1986. Congress intended to create a subsidy that would provide incentives to increase the low income housing occupancy level while imposing limitations on the amount rent owners could charge tenants.

During 1988 Congress passed the Technical and Miscellaneous Revenue Act of 1988 (TAMRA), which affected the tax credit provisions under the 1986 statute. The major change was the liberalization of the rules regarding the project's placed-in-service date. Under TAMRA a building could be placed in service up for two years following the year during which the credit was allocated to the project, if certain tests were satisfied.

Afterwards, Congress passed the Omnibus Budget Reconciliation Act of 1989 and the Omnibus Budget Reconciliation Act of 1990, extending the credit through December 31, 1990 and December 31, 1991, respectively.

On December 11, 1991 President Bush signed the Tax Extension Act of 1991, extending the program through June 30, 1992; however, the PRHFA received authorization to use the 1991 remaining tax credit balance through December 31, 1992.

On October 10, 1993, President Clinton signed the Omnibus Reconciliation Act of 1993 (OBRA 93) which permanently extended the credit through July 1, 1993. The act clarified some of the technical language of previous legislation, including some minor changes to the program.

On December 15, 2000 both houses passed the credit reform bill which includes changes to Section 42. The effective date of those provisions was January 1, 2001. The bill requires regular site inspections by the Housing Credit Agencies to monitor compliance with habitability standards applicable to the project. IRS regulations, effective January 2001, mandate site visits at least once every three years.

Puerto Rico Housing Finance Authority incorporates those changes and further IRS changes into its Compliance Monitoring Plan.

The Owner is responsible for being aware of all applicable rules and regulations.

This Low-Income Housing Tax Credit Compliance Manual (the "Manual") is intended to provide a basic description and explanation of the rules and regulations to maintain compliance for properties which have received an allocation of affordable housing tax credits pursuant to Section 42 of the Internal Revenue Code (the "Code"). In addition to a narrative description, the Manual includes copies of current forms used to collect resident and income information.

Note: Virtually every tax credit rule has a variation or exception for specific circumstances. The following overview by necessity oversimplifies some aspects; otherwise, no overview would be possible. It is the responsibility of the property owner and management company to be aware of applicable rules and regulations affecting the property and to ensure compliance with tax credit regulations and any additional compliance agreements that may be required by other programs.

In return for the tax credits, an owner must, at a minimum, commit to serve households earning at or below 60% of the Area Median Gross Income (AMGI) for the county in which the property is located.

The minimum election of 60% or 50% AMGI affects all low-income units within a property

Once the set-aside choice is made, it is irrevocable.

I. Program Summary

A. Minimum Set-Aside Requirements

When applying for an allocation of tax credits, the developer must choose one of two minimum set-aside requirements that must be followed during the compliance period. Set-asides obligate the property owner to rent a certain percentage of the dwelling units to households of a specified income level. Once the developer chooses which of the Internal Revenue Code set-asides to use, his choice is irrevocable. The minimum set-asides are as follows:

20/50 - No less than 20 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income, or;

40/60 - No less than 40 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income.

Each building is considered a separate project under IRC Section 42(g)(3)(D), and the minimum set-aside applies separately to each building, unless the owner elects to treat buildings as a multiple-building project, in which case the minimum set-aside applies on a project-wide basis. Owner identifies the building(s) in a multiple-building project by attaching a statement to the owner's first-year tax return. See instruction for Form 8609, line 8b for details.

Management Company or manager should confirm the set-aside that was established by the building owner at the time the set-aside option was made (the election is made on Form 8609 for the first year of the credit period), to ensure continued compliance. Once selected, the option cannot be changed. Note that this is only the minimum set-aside income and rent election. For example, for 20/50 minimum set-aside, if building applicable fraction is 100%, all tax credit units must have an income and rent restriction of 50% AMGI.

To earn more ranking points in the competitive process of applying for tax credits, owners may select additional set-asides that are more stringent than the 40/60 and 20/50 set-asides. If chosen, these optional set-asides will be described in the project's

Agreement as to Restrictive Covenants.

If a property is financed using HOME funds which:

- Have not been subtracted from the basis calculation or
- Have an interest rate below the Applicable Federal Rate and the owner receives tax credits at the 70% present value rate

Then the owner must rent 40% of the units in each building to households whose income is 50% less of area median income.

There is not a corresponding rent restriction with this HOME income limit set-aside. Rent limits are set according to the elected tax credit set-aside and/or any additional rent restrictions under which the allocation was made.

Note: Buildings placed in service after July 30, 2008 are not subject to this provision.

1. Deep Rent Skewed Election

In addition to the basic minimum set-aside, a developer can also choose to follow a set-aside for "deep rent skewed" developments. This set-aside provides that, in addition to the 40/60 or 20/50 set-aside, the owner will also reserve 15 percent or more of the residential units as rent-restricted and occupied by individuals whose income is 40 percent or less of area median gross income. In exchange for making this election, tenant household incomes can increase to 170% of the limit before they become over-income tenants.

2. Deadline for Meeting Set-Asides

The selected set-aside must be met by the end of the first year of the credit period (the end of the first tax year for which the owner chooses to claim tax credits). If management fails to meet the minimum set-aside by this time, the development can only receive a substantially reduced amount of credits for the entire compliance period.

A unit must be rented to a low-income household before it can be considered a low-income unit and counted toward meeting the minimum set-aside. Units that are vacant and have never been rented to a low-income household have "no character" and do not count toward the set-aside.

Units that are vacant and have never been rented to a low-income household do not count toward the set-aside

Management should not attempt to move existing low-income residents to previously unrented units in order to make those units count toward the minimum set-aside. This "unit swapping" practice is monitored and will not benefit the development because first year credits are calculated based on monthly occupancy rates.

B. Income Limits & Calculations

Every year, the Department of Housing & Urban Development (HUD) publishes median income of the metropolitan and non metropolitan area in which the project resides, adjusted to family size. HUD's Low Income level is 80% of the median income based on family size.

Do not use the Low Income (80%) numbers for tax credit purposes. The Very Low Income figures are 50% of the median income based on family size. These figures may be used as tax credit income limits for properties using the 20/50 set-aside. Multiply the very low income figures by 1.2 to compute the 60% income limits for properties using the 40/60 set-aside.

The PRHFA will provide annually an update of Tax Credit Income and Rent limits to development sponsors and managers. However, it is the owner's responsibility to obtain these limits when they are published by HUD and to implement the new limits within 45 days of the effective date.

C. Maximum Rent Requirements

Gross rent must include an allowance for utilities if they are paid by the tenant. Gross rent does not include utility allowances paid under Section 8 of the U.S. Housing Act of 1937 or any comparable rental assistance program.

Gross rent does not include any fees for a supportive service which is paid to the owner of the unit (on the basis of the low-income status of the tenant of the unit) by any governmental program of assistance (or by an organization described in Section 501 (c)(3) of the Internal Revenue Code and exempt from tax under Section 501 (a) of the Internal Revenue Code) if such program (or organization) provides assistance for rent and the amount of assistance provided

for rent is not separable from the amount of assistance provided for supportive services. All other fees for supportive services must be included in the gross rent.

D. Establishing Maximum Rent

1. Family Size Rent Calculations (1987-1989)

Properties which received tax credit allocations between January 1, 1987 and December 31, 1989 whose owners did NOT elect to use the "number of bedrooms" method of calculating maximum rent may charge tenants a maximum gross rent of thirty percent (30%) of the annual median income limit adjusted for family size for the county in which the development is located.

2. Bedroom Size Rent Calculations (1990 - Forward)

For developments receiving an allocation of Low Income Tax Credits from January 1, 1990 forward, the maximum gross rents are computed based on the number of bedrooms in the unit.

Units with no separate bedroom are treated as being occupied by one (1) person; larger units are treated as being occupied by 1.5 persons per each separate bedroom (see chart below).

Between 1987 through 1989 LIHTC owners who DID ELECT to use the "number of bedrooms formula and filed a Notice of Election form (NOE-1) with the IRS and the PRHFA by February 7, 1994 calculate their maximum rent this way also.

- 0 Bedroom Unit = 1.0 person income
- 1 Bedroom Unit = 1.5 person income
- 2 Bedroom Unit = 3.0 person income
- 3 Bedroom Unit = 4.5 person income
- 4 Bedroom Unit = 6.0 person income

Example:

To calculate the Maximum Gross Rent by bedroom size for projects that received an allocation from January 1, 1990 forward the following steps must be performed:

-----Income Limits by Household Size-----							
% AMGI	1	2	3	4	5	6	7
60%	12,720	14,520	16,380	18,180	19,620	21,060	22,560

- Select the unit factor that applied based on the bedroom size. For a 1 bedroom unit the factor is 1.5 person incomes.
- To obtain the 1.5 person income an average must be calculated between the Income Limit for a Household size of one person and two persons; the result must be divided by 2.

$\frac{12,720 + 14,520}{2} = \frac{27,240}{2} = \$13,620$

- The income limit for 1.5 persons must be multiplied by 30% to calculate the annual rent. To obtain the monthly rent divide the annual rent by 12. The result is the Maximum Gross Rent by bedroom size.

$13,620 \times 30\% = \$4,086 \quad \text{Annual Rent}$
$\frac{4,086}{12} = \$340 \quad \text{Maximum Gross Rent (Monthly)}$

3. Establishing LIHTC Rents in Subsequent Years

Each year, the owner must re-compute the maximum allowable rent and the utility allowances for each project using the latest publication by HUD. If a LIHTC restricted unit is rented to an unqualified tenant or the owner charges rents in excess of the maximum allowable rent, the unit could be subject to recapture. The project should never fall below the minimum set-aside.

Most Tax Credit
Properties are
100%
"affordable"
Units

E. Applicable Fraction

The applicable fraction is the lesser of:

- The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units; or
- The floor space fraction, which is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

When determining the units to be included in the numerator (low-income units), and in the denominator (total units) of the applicable fraction, the following aspects should be taking into consideration:

- Units that have never been occupied or are occupied by a nonqualified household cannot be included in the numerator, but must be included in the denominator;
- Vacant units that were last occupied by a nonqualified household cannot be included in the numerator, but must be included in the denominator.
- Units not suitable for occupancy, including tax credit units being rehabilitated in the first year of the credit period, cannot be included in the numerator, but must be included in the denominator.
- Common space units (units for FT manager, FT maintenance or security -see par. E, below), are not included in either the numerator or denominator.

F. Full Time Resident Manager's Unit

The Full time resident or on-site manager's unit may or may not be included in determining the applicable fraction depending on the circumstances.

According to IRS Revenue Ruling 92-61, the ways in which the on-site manager's unit may be considered are:

- For buildings that have been placed in service after September 9, 1992, the full time manager's unit must be treated as common space (i.e., it would not be included in either the numerator or denominator of the applicable fraction).
- For buildings that were placed in service prior to September 9, 1992, the full time manager's unit may be treated as follows:
 - a. The full time manager's unit is considered a qualified low-income unit (the rent is restricted to a qualifying amount and the resident manager is a certified low-income tenant); or
 - b. The full time manager's unit is considered common space. As common space, the unit would not be included in either the numerator or the denominator of the applicable fraction.

Example:

A building contains 24 units and the applicable fraction is 100%. Credits were allocated on 23 units. This means that the manager's unit was treated as common space when credit was allocated. The applicable fraction would be 23/23 or 100%.

A full time manager or maintenance person must occupy a resident manager's unit. The number of hours worked does not define full-time; rather it is defined that the manager's presence on site is reasonably required for the development. Some things to consider are: what is warranted by the type, size and/or location of the development, as well as what is needed in terms of the resident population. Some developments may not need to employ a resident manager for what is normally considered full-time and other developments may need to employ more than one on-site manager or maintenance person. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. As a general guide, a manager who performs management functions such as leasing units, preparing certification paperwork, cleaning, general maintenance, preparing turnover, collecting rent, etc., and is available to the site on an on-call basis to respond to emergencies may be considered a full-time manager under this ruling. According to Revenue Ruling 2004-82, dated August 30, 2004, a unit may also be occupied by a full-time security

officer and be treated as common space, if reasonably required.

All developments, especially those that are new allocations, need to notify PRHFA of the status of common space unit(s) and which method is being used. When notifying PRHFA, it is necessary to include the project name and LIHTC number, the building address and BIN number, the unit number, the number of bedrooms in the unit, the square footage, the current resident manager, maintenance person, or security personnel's name and a description of duties and time involved. If not previously considered as part of the allocation process, PRHFA will issue a letter acknowledging such common space unit. For the most part, PRHFA will rely on the owner's determination of whether a full time unit is reasonably required by the development. However, if PRHFA becomes aware that the unit is not occupied by a full time manager, maintenance, or security personnel, as represented by the owner, it may become a noncompliance issue.

Note: If the owner is charging rent for the unit, the Internal Revenue Service may determine that the unit is not reasonably required by the project because the owner is not requiring the manager, maintenance or security personnel to occupy the unit as a condition of employment.

G. Calculating the First Year Applicable Fraction

The applicable fraction for the first year is calculated as follows:

- Find the low-income portion as of the end of each full month that the building was in service during the year.
- Add these percentages together and divide by 12 (per instructions on IRS Form 8609 and Schedule A). Note that the applicable fraction must be calculated for both the unit and floor space fraction (See table in the next page).

Example:

Assume that a low-income building of 50 units was placed in service on March 1, 2008, and has the following lease-up schedule during the first year of the credit period:

Month	Low-Income Units	Total Units	Monthly Unit Fraction	Low Income Sq Ft	Total Square Feet	Monthly Square Foot Fraction
January	3	50	*0%	2,400	50,000	*0.00%
February	10	50	*0%	8,000	50,000	*0.00%
March	15	50	30%	12,000	50,000	24%
April	30	50	60%	24,000	50,000	48%
May	40	50	80%	32,000	50,000	64%
June	50	50	100%	50,000	50,000	100%
July	50	50	100%	50,000	50,000	100%
August	50	50	100%	50,000	50,000	100%
September	50	50	100%	50,000	50,000	100%
October	50	50	100%	50,000	50,000	100%
November	50	50	100%	50,000	50,000	100%
December	50	50	100%	50,000	50,000	100%
Totals	Sum of monthly Unit Fraction/12		72.50%	Sum of monthly Sq Ft Fraction/12		69.67%

*The owner may not count the unit occupied in January and February toward the first-year applicable fraction since the building was not placed in service for a full month. For all other months, even if a resident moved in to a unit on the last day of the month, that unit is considered occupied at the end of the month. The first year applicable fraction for this building would be 69.67% based on this lease-up schedule.

H. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to Housing Tax Credit units in a building. Qualified Basis is the product of a project's Eligible Basis multiplied by the Applicable Fraction. The original qualified basis is determined as of the last day of the first year of the credit period and is reported to the IRS on Part II of Form 8609.

I. Claiming Credits

The credits may be taken annually for 10 years and are based on a percentage of the qualified costs of the building. For 1987, the applicable rates were 9 percent for new construction and substantial rehabilitation and 4 percent for buildings with federal subsidies and for acquisition and rehabilitation of existing buildings. In order for an existing building to qualify for the credit in connection with substantial rehabilitation, there must be a period of at least 10 years between the date of acquisition and the date the building was last placed in service.

After 1987, the credit percentage is based on the Applicable Federal Rate (AFR) for the month the project is placed in service, or, at the owner's election, the month in which a carryover/commitment is entered into by the owner and PRHFA.

Owners of qualified residential rental projects must satisfy the minimum set aside and gross rent requirements for a minimum 15-year period, and in many cases, a 30-year period, depending on the deed restrictions. Developments with allocations in 1990 and each year thereafter are required to comply with these requirements for a minimum of 30 years.

J. Compliance Period

1. All LIHTC Developments

In order to receive the credit, all developments receiving a credit allocation since 1987 must comply with eligibility requirements for a period of 15 years beginning with the first taxable year of a building's credit period. The credit period for a building begins in either the year it is placed in service or the

first year after, as declared in Part II of the IRS for 8609. This 15 year period is referred to in the Code as the "Compliance Period" [Section 42(i) (1)].

2. Developments that received allocations from 1987 through 1989

These developments are only subject to a fifteen- (15) year compliance period. However, any building in such a development that received an additional allocation of credit after December 31, 1989, must comply with eligibility requirements in effect beginning January 1, 1990, and will also be bound by the Declaration of Land Use Restrictive Covenants.

3. Developments which received LIHTC allocations after December 31, 1989

These developments must comply with eligibility requirements for a minimum compliance period of fifteen (15) years and an extended use period of an additional fifteen (15) year period stipulated by a recorded agreement as to restrictive covenants.

Federal Requirements

- To qualify for tax credits, a property must meet either the 20/50 or 40/60 test (see Program Summary for an explanation of the 20/50 – 40/60 test)
- All affordable unit Households must have their anticipated income for the next 12 months certified at time of initial occupancy.
- Re-certifications of income are required after the first year
- Individuals in a Household don't have to be related.
- All affordable units must be rent and income-restricted
- Rent charged is determined after subtracting out a utility allowance for any Resident-paid utilities.

Summary

- Rules specify which utility allowance to use, depending on whether buildings received HUD or Rural Development assistance, or whether a Resident receives Section 8 assistance.
- Affordable units must be suitable for occupancy and be rented to the general public on a non-Transient basis.
- A unit is not "qualified" until it is initially occupied by a qualified Household.
- If an affordable unit becomes vacant, and the last occupant was a qualified Household, the vacant unit continues to be considered an affordable unit, as long as the next available unit of comparable size or smaller is rented to a qualified Household (Vacant Unit Rule)
- If an affordable Household's income increases above 140% of the elected applicable minimum election income limit (50% or 60%), the next available unit of comparable size must be rented to a qualified affordable Household (Available Unit Rule)
- Certain Households are not qualified for tax credit housing, e.g., if all the occupants of a unit are fulltime Students, the unit is generally not eligible for tax credits.
- Properties must comply with all Fair Housing regulations.
- After January 1, 1990, all tax credit properties must have a Regulatory Agreement (extended use agreement) recorded as a restrictive covenant against the subject property.
- Owners must make annual certifications regarding compliance and must maintain records verifying Household qualification.
- Noncompliance is reportable to the IRS and may result in recapture of credit claimed.

II. Owner's Responsibilities

Each property owner or developer has decided to participate in the LIHTC program to take advantage of the tax benefits it provides. In exchange for these tax benefits, the owner must meet requirements designed to make sure the housing development will benefit a particular class of low-income tenants. A description of these program requirements follows:

A. Source of Program Requirements

Section 42 of Internal Revenue Service, IRS Regulations found in 26 CFR Section 1.42, IRS Revenue Rulings and Revenue Procedures, additional program rules prescribed by the PRHFA, representations in a development's application, and provisions included in the Agreement as to Restrictive Covenants, all regulate how low-income housing properties are to be operated. For the entire compliance period, owners are obligated to provide the PRHFA with required reporting documents and any other information requested in relation to the property, the tenants and units in the property, and documentation filed with the Service for the purpose of claiming the tax credits.

B. Proper Administration

The owner or developer is responsible to the PRHFA to insure that the project is properly administered and maintained. The owner must make certain that the on-site management team understands and complies with all appropriate rules, regulations and policies that govern LIHTC developments and he must keep the development well maintained so that units are suitable for occupancy.

If the Management Company or owner determines that a development is not in compliance with LIHTC requirements, they should notify the PRHFA immediately. Most noncompliance is correctable issues and the PRHFA will work with owners and managers to remedy them within a reasonable amount of time.

Because the owner is ultimately responsible for a development's compliance with program rules, the PRHFA will direct any correspondence about noncompliance and corrections to the owner, as well as to the management company.

C. Progress Report, Notice of Project Changes and Semi-Annual Reports

It is the responsibility of the owner or developer to keep the PRHFA informed throughout all phases of development, rent-up and operation. This includes the construction phase during which owners are responsible for sending the PRHFA progress reports, notice of the scheduled placed-in-service date, and notice of any major changes in the development's costs, financing, syndication, unit types, and completion schedule.

After all the buildings in a development are placed-in-service, the owner or company in charge of the management of a LIHTC project must submit to the PRHFA, via electronically, the following information on a semi-annual basis:

1. Building Status Report General Information for each building in each project
2. Tenant Income Information of each new move-in and annual re-certifications of income for each existing tenant.

This information must be submitted to the PRHFA by the 15th day after the end of each semester during the compliance period. The PRHFA will provide the Tax Credit Certifications Online Reporting Software for the electronic submission of this information.

The COL System is an internet based reporting system. It enables management companies to enter and submit the following information:

1. Tenant Income Information of each new move-in and annual re-certifications of income for each existing tenant.
2. Annual Owner Certifications

Each management company is responsible for the data input into COL, the accuracy of all information on COL, and associated Tenant Income Certifications Forms generated by the program. The PRHFA is not responsible for computer input discrepancies. The management company/project sponsor should review all computer generated forms for completeness and accuracy prior to the

electronic submission of the data to the PRHFA.

D. Recordkeeping Provisions

Under the record keeping provision of Reg. 1.42-5, the owner of a low income Tax Credit project must keep records for each building for each year in the compliance period showing the following information:

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
- The number of occupants in each Tax Credit unit and the student resident status.
- The number and percentage of residential rental units in the building that are Tax Credit units, models, offices, and management units;
- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants. Documentation must include rent rolls, leases, and utility allowances as required by Internal Revenue Service;
- The Tax Credit unit vacancies in the building, marketing information, and information which shows when and to whom each of the next available units were rented;
- The annual income certification of each Tax Credit tenant;
- Documentation to support each Tax Credit tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and **annually** re-certified for continued eligibility (i.e. Written third party verification is always preferred. Income verifications are sent directly to and returned by the source to management, not through the applicant).
- The character and use of the nonresidential portion of the building included in the building's eligible basis under

Section 42(d) (e.g. tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project); and

- The eligible basis and qualified basis of the building at the end of the first year of the credit period.
- Records demonstrating that any state established set-aside elected by the owner has been complied with for each year of the compliance period.

E. Record Retention

Owner must retain the records described above 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 first year of the credit period, however, must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

The Revenue Ruling 2004-82, published on August 30, 2004 clarified that owners may comply with the record retention provisions under IRC Section 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that electronic storage system satisfies the requirements of Revenue Procedure 97-22. Be advice that the owner must satisfy any additional recordkeeping and record retention requirements of the monitoring procedures adopted by our agency.

Owners must maintain applicant and tenant information in a way to ensure confidentiality. Any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages and seek other relief, as appropriate. Owners must dispose of records in a manner that will prevent any unauthorized access to personal information, e.g. burn, pulverize, shred, etc.

F. Certification and Review Provision

The PRHFA requires the owner to certify, under penalty of perjury, at least annually during the compliance period that, for the preceding 12 months, the development met the requirements of Section 42 of the IRS. This requirement is satisfied by completing an Annual Owner's Certification (see PRHFC-01). This certification must be made under oath and subject to the penalties of perjury.

The Owner certifies that:

1. The project meets the minimum requirements of the 20-50 test or the 40-60 test, as applicable:
 - at least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of area median income; or
 - at least 40% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.
2. There has been no change in the applicable fraction for any building in the project (as defined in Section 42(c)(1)(B) of the Code);
3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy;
4. Each low-income unit in the project is rent-restricted as defined in Section 42(g)(2) of the Code;
5. All units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under

Section 42(i)(3)(B)(iii) of the Code);

6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court;
7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;
8. There has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since last certification submission;
9. All tenant facilities included in the eligible basis under the Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without a charge to all tenants in the buildings;
10. If a low-income unit in the project has been vacant during the year, reasonable attempts are made to rent that unit or next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income;
11. If the income of tenants of low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income;
12. An extended low-income housing commitment as described in Section 42(h) (6) was in effect, including the requirement under Section 42(h) (6) (B) (iv) that an owner cannot refuse to lease a unit in the project to an applicant because the

applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989);

13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning to Section 469(h) of the Code (if applicable).
14. The owner has complied with Section 42(h) (6) (E) (ii) (I) and not evicted or terminated the tenancy of an existing tenant of any low-income unit other than for good cause.
15. The owner has complied with Section 42(h)(6)(E)(ii)(II) and not increased the gross rent above the maximum allowed under Section 42 with respect to any low-income unit.
16. There has been no change in the ownership or management of the project.

Filing Instructions: The Annual Owner Certification must be prepared and submitted to the PRHFA using the COL System. This document must be notarized and sent to the PRHFA by January 31 of each calendar year. Non-receipt of this notarized form by the due date will automatically trigger the submission of a notice of noncompliance to the owner.

If the project is not yet in the first year of the credit period, submit:

- Annual Owner Certification with appropriate designation of not yet placed in service, or placed in service but elect to begin credit period in the year following placed in service. Sign, date and notarize.

If the project is in the first year of the credit period and later, submit:

- A completed, signed, dated and notarized Annual Owner Certification (PRHFC-1);
- compliance monitoring fees;
- IRS forms 8609 for each building, with Part II completed, dated and signed;
- Completed Schedule A for each building; and 8586, as filed with the IRS.

The PRHFA will review the certifications submitted for compliance with the requirements of Section 42.

G. Compliance Fees

Property owners must pay to PRHFA an annual compliance monitoring fee of \$25.00 for each LIHTC unit contained in each building. The annual monitoring fees must be submitted with the Annual Owner's Certification by January 31st of each year. Owners and developers should take note that participation in PRHFA programs requires a certification of good standing with the PRHFA. Failing to pay fees will bar any further participation in the programs administered by the PRHFA.

The PRHFA reserves the right to make adjustments in the amount of the annual compliance monitoring fee as it deems necessary to defray the cost of compliance monitoring.

H. Noncompliance

If the management agent and/or the owner determines that a building or entire project is not in compliance with program requirements, PRHFA must be notified immediately. The management agent and/or the owner must formulate a plan to bring the project back into compliance, and advise PRHFA in writing of such a plan.

III. PRHFA Responsibilities

Once a final allocation is awarded to a project, the PRHFA has the responsibility of monitoring the project to guarantee compliance with Section 42 of the Internal Revenue Code and its regulations.

This Section briefly describes the PRHFA's monitoring activity. These compliance monitoring procedures may be changed as the PRHFA deems necessary or as required by the Internal Revenue Code, IRS Regulations, Revenue Rulings, and Revenue Procedures.

A. Conducting Compliance Monitoring Briefings

Owners, managers, and any other personnel who are directly involved in the management of a housing development and do not have previous experience with the LIHTC program may be required to attend a basic, educational Monitoring Seminar before the PRHFA releases Forms 8609 allocating the placed-in-service tax credits. The PRHFA also reserves the right to require management personnel to attend briefings at any time during the compliance period if the property's compliance efforts are deficient or if staff changes occur. The PRHFA will offer continuing education to the owner or developer, the Management Company and on-site personnel to guarantee compliance with federal regulations and PRHFA's rules.

The purpose of the briefing is to provide instruction on the following:

- Federal regulations for determining eligibility of low-income tenants;
- PRHFA procedures for determining eligibility of low-income tenants;
- Specific information which must be obtained from a prospective tenant through the rental application;
- Income and Rent Limits;
- Income Verifications;
- Annual Income and Asset Verification ; and
- PRHFA Required Forms and or Documentation

Such other topics which the PRHFA or the representatives of the development may deem necessary to the proper management of the development as a successful LIHTC participant.

B. Compliance Inspections

The PRHFA will conduct an on-site inspection, at least once every three (3) years, of all buildings in each low income housing project and, for each tenant in at least 20% of the project's low-income units selected, review the low-income certification, the documentation supporting such certification, and the rent record. The Tax Credit projects to be inspected or reviewed must be chosen in a manner that will not give owners of Tax Credit projects advance notice that their records for a particular year will or will not be inspected. The first inspection for new projects will occur no later than the end of the second year of the credit period. In the event that extensive noncompliance is identified, PRHFA should consider expanding the number of units inspected/files reviewed beyond the 20 percent sample required under Treas. Reg. 1.42-5(c)(2)(ii).

The PRHFA may give an owner reasonable notice that an inspection will occur so that the owner may assemble records. This notification letter is considered the agency's announcement of an upcoming compliance review. Noncompliance that is identified and corrected by the owner *prior to notification* of an upcoming compliance review or inspection need not be reported to IRS.

During the inspection, the PRHFA will inspect the units and review the current rent record and, at minimum, verify the following from the tenant's files for at least 20 percent of the project's low-income units:

- Rental application completed, including certification of assets and disposal of assets, if applicable;
- Tenant income certification completed for move-in and current year, including all required signatures and dates;
- Calculation of move-in income eligibility
- Income verification(s) completed and documented;
- Assets documented, and verified if total assets are more than \$5,000 in value;

- Student eligibility documented;
- Lease and lease addendum completed at move-in; and
- Current year utility allowance on file.

On-site building inspections involve physically checking building and dwelling units for compliance with applicable housing quality standards. The Compliance Monitoring Regulations published January 14, 2000, require housing credit agencies to conduct physical inspections consistent with standards governed by the Department of Housing and Urban Development's Uniform Physical Conditions Standards. These standards require properties to be in "decent, safe and sanitary condition and in good repair" and require agencies to inspect the following five major areas:

1. Site: The site includes components such as fencing and retaining walls, grounds, lighting, mailboxes, signs (such as those identifying the development or areas of the development), parking lots/driveways, play areas and equipment, refuse disposal, roads, storm drainage and walkways. The site must be free of health and safety hazards and be in good repair.
2. Building exterior: Each building on the site must be structurally sound, secure, habitable, and in good repair. The building's exterior components such as doors, fire escapes, foundations, lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.
3. Building systems: The building's systems include components such as domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system. Each building's systems must be free of health and safety hazards, functionally adequate, operable, and in good repair.
4. Dwelling units :
 - (i) Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example the unit's bathroom, call-for-aid, ceiling, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen,

lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair.

(ii) Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water.

(iii) If the dwelling unit includes its own sanitary facility, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste.

(iv) The dwelling unit must include at least one battery operated or hard wired smoke detector in proper working condition on each level of the unit.

5. Common areas – The common areas must be structurally sound, secure and functionally adequate for the purposes intended. The common areas include components such as basement/garage/carport, restrooms, and closets, utility, mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable. The common areas must be free of health and safety hazards, operable, and in good repair. All common area ceilings, doors, floors, HVAC, lighting, outlets/switches, smoke detectors, stairs, walls, and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair.

All areas and components of the housing must be free of health and safety hazards. These areas include, but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies. The housing must comply with all

regulations and requirements related to the ownership of pets, and the evaluation and reduction of lead-based paint hazards and have available proper certifications of such.

Notwithstanding the above inspection requirements, a low-income housing project under Section 42 must continue to satisfy local health, safety, and building codes.

The PRHFA will report on its findings and the owner and/or the management company must respond in writing within thirty (30) days to the PRHFA. The response must indicate the manner in which corrective actions have been taken.

For new buildings, the final regulations, published on January 14, 2000, extended the time limit for inspection to the end of the second calendar year of the credit period.

The PRHFA reserves the right, under the provisions of Section 42 of the Internal Revenue Code and Regulation 1.42-5, to perform on-site inspections and/or unit inspections of LIHTC developments at any time during the compliance period as it may deem necessary. The owner refusal to allow a site visitation or access to tenants' records constitutes a noncompliance reportable to the IRS.

C. Notification to the Owner

The PRHFA will provide prompt written notice to the owner of a Tax Credit project if the PRHFA does not receive the required certification, semi-annual reports and other forms, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records, or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42 or its Declaration of Land Use Restrictive Covenants.

The owner will have ninety (90) days from the date of notice to supply the missing certification, or to correct the noncompliance. However, if the PRHFA determines that there is good cause to extend the correction period, it may extend the initial ninety (90) days period up to one hundred twenty (120) days.

The PRHFA will review the owner's response and supporting documentation, if any, to determine whether the noncompliance

has been corrected.

D. Notification to IRS of Noncompliance

The PRHFA will file Form 8823, "Low Income Housing Credit Agencies Report of Non-Compliance or Building Disposition," with the IRS no later than 45 days after the end of the correction period (as described below, including extensions permitted under that paragraph) and no earlier than the end of the correction period. The PRHFA will check the appropriate box on Form 8823 indicating the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify. If the non-compliance or failure to certify is corrected, the PRHFA will provide a date on which the noncompliance was corrected. If the PRHFA cannot determine that an owner's actions have corrected the noncompliance, no correction date will be provided. The final regulations adopt a limit to a 3 year period after the end of the correction period the requirement that the PRHFA files form 8823 "Low Income Housing Credit Agencies Report of Noncompliance" with the IRS reporting the correction of the noncompliance or failure to certify.

Any change in either the applicable fraction or eligible basis under paragraph (c) (1) (ii) and (vii) of Reg. 1.42-5, respectively, that results in a decrease in the qualified basis of the project under Section 42 (c) (1) (A) is non-compliance that must be reported to the IRS. Changes in ownership must be reported by the PRHFA to the IRS on Form 8823. The correction period described below will not apply to notification of changes in ownership.

If the PRHFA reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the PRHFA need not file Form 8823 in subsequent years to report that building's non-compliance. The PRHFA will send the owner a copy of the form 8823 after it has been filed with the IRS.

PRHFA will no longer report issues of noncompliance that have been identified and corrected prior to notification of an upcoming compliance review or inspection by PRHFA. IRS considers the date of the notification letter a "bright line" date.

E. PRHFA Records Retention

PRHFA will retain records of non-compliance or failure to certify for six years beyond the filing date of the respective Form 8823. In all other cases, PRHFA will retain the certifications and records described in Reg. 1.42-5(c) for three years from the end of the calendar year (the) that PRHFA receives the certifications and records.

F. PRHFA Circular Letters

The PRHFA will establish, from time to time, through circular letters changes or clarification concerning IRS section 42 requirements and guidelines. The objective is to maintain the Compliance Monitoring Plan current to solve any conflict with the standards required.

G. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. PRHFA's obligation to monitor for compliance with the requirements of Section 42 does not make the PRHFA liable for an owner's non-compliance.

IV. *Project Rental Requirements*

A. Initial Interview

On-site managers of a LIHTC development should tell applicants early in their initial visit that there are maximum income limits which determine who may live in these dwelling units. Managers should explain to prospective tenants that the total anticipated income of everyone who will occupy the unit must be disclosed on a Tenant Income Certification form (PRHFC-02) and will be verified before they can move in. Applicants should be told that this income-disclosing and verifying process will be repeated at least annually for as long as they live in the development. It may be useful to explain to applicants that all information they provide is considered confidential and will be handled accordingly.

B. Residency Application

Before allowing anyone to move into low-income units, the management must obtain from prospective tenants an application

for residency that discloses enough information to determine whether or not the applicant household qualifies under the program rules. The application for residency should include, at minimum:

- The name and age of each person who will occupy the unit (legal name should be given just as it will appear on the lease and Tenant Income Certifications); and
- All sources and amounts of current and anticipated annual income expected to be derived during the twelve (12) month certification period (including total assets and asset income); and
- The head of household's signature and that of all occupants over age 18 and the date the application was completed.
- The student status of each applicant.

C. Minimum Lease Requirement

All tenants occupying set-aside units are required to be certified and to execute at least an initial six-month lease. (Exceptions for housing for the homeless and single room occupancy are listed below). Succeeding leases are not subject to a minimum lease period.

The lease must reflect the correct date of move-in, or the date the tenant takes possession of the unit. At a minimum, the lease should include:

1. the legal name of parties to the agreement and all other occupants,
2. a description of the unit to be rented,
3. the date the lease becomes effective,
4. the term of the lease,
5. the amount of rent
6. the use of the premises,
7. the rights and obligations of the parties, including the obligation of the household to annually recertify its income,
8. the signatures of all household members 18 years of age or older,
9. a statement explaining that the development is participating in the Tax Credit Program, and that tax credit units are under certain program regulations including income eligibility of the household.

10. a statement requiring that each tenant immediately notifies management of any change in student status.

Single Room Occupancy (SRO) housing must have a minimum lease term of one month. SRO housing is allowed to have tenants share bathrooms, cooking facilities, and dining areas. Federal rules allow for month-by-month leases for the following types of SRO housing for homeless individuals:

1. SRO units in projects receiving McKinney Act and Section 8 Moderate Rehabilitation assistance;
2. SRO units intended as permanent housing and not receiving McKinney Act assistance;
3. SRO units intended as transitional housing operated by a governmental or nonprofit entity and providing certain supportive services.

D. Household Size

The number of household members is needed in order to determine the maximum allowable income. It is also necessary to calculate the rent for units in pre-1990 developments, which must determine rent based on household size and not on the number of bedrooms in the unit.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- Children temporarily absent due to placement in a foster home;
- Children in joint custody arrangements who are present in the household 50% or more of the time;
- Children who are away at school but who live with the family during school recesses;
- An unborn child of pregnant women; when a pregnant woman is an applicant, the unborn child is included in the size of the household, and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in household composition within the next 12 month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that in

order to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.

- Children who are in the process of being adopted;
- Temporarily absent family members who are still considered family members. For example, the owner may consider a family member who is working in another State on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full;
- Family members in the hospital or a rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above; and
- Persons permanently confined to a hospital or nursing home. The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the Tenant Income Certification as "other adult family member". This is true even when the confined person is the spouse of the person who is or will become the head. If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

1. A live-in aide/attendant is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:
 - a) Is determined to be essential to the care and well-being of the person(s);
 - b) Is not obligated to support the person(s); and
 - c) Would not be living in the unit except to provide the necessary supportive services.

While a relative may be considered to be a live-in aide/attendant, they must meet the above requirements, especially the last. The live-in aide qualifies for occupancy only as long as the individual needing supportive services requires the aide's services and remains a tenant, and may not qualify for continued occupancy as a remaining family member. Managers must obtain verification of the need for a live-in care attendant and should not add the attendant to the lease.

Foster adults or children should be included in the size of the household, but are not included for the purpose of determining the maximum allowable income.

E. Utility Allowance

The Internal Revenue Service requires that utility allowances be set according to 26 C.F.R. 1.42-10 (April 24, 1994), effective May 2, 1994, and amended 7/29/2008. Please read these regulations carefully.

A utility allowance is an estimate of the monthly cost of a tenant's utilities, other than telephone and cable, which are not included in the rent and are paid directly to the service provider by the tenant. To calculate the maximum amount of rent an LIHTC property may charge tenants, the utility allowance is subtracted from the maximum rent limit applicable to the particular household.

1. Where to Obtain Utility Allowances

- a. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
- b. HUD regulated buildings must use the HUD utility allowance (project based HUD financing).
- c. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance. As of May 2, 1994, the PHA utility allowance would only need to be used for the specific apartment the PHA resident occupied. Check to find out who administers the local Section 8 Existing Housing

Program; it may be the city or county HRA/PHA.

- d. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
 - i. A PHA utility allowance from the local housing authority administering section 8 vouchers.
 - ii. A utility company estimate. Any interested party (including a low-income tenant, a building owner, or an agency) may request the utility company estimation of utility consumption in the building's geographic area. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for that geographic area. Costs incurred in obtaining the estimate are borne by the initiating party. The party that obtains the local utility company estimate must retain the original of the utility company estimate and must furnish a copy to the owner and the monitoring agency. The owner of the building must make copies available to all tenants in the building. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that company's rates to be used. The estimate should include all component deregulated charges for providing the utility service.
 - iii. An "Agency Estimate" based on actual utility usage data and rates for the building. See Sec. F, Owner's Average of Actual Consumption, Utility Allowance Procedures for instructions.
 - iv. A HUD Utility Schedule Model. This model can be found on HUD's website at www.huduser.org/datasets/lihtc.html, or successor URL. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the effective date of the utility allowance.

- v. An Energy Consumption Model using an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The utility consumption estimates must be calculated by a mechanical engineer properly licensed. The engineer and building owner must not be related within the meaning of IRC section 267(b) or 707(b), to which the engineer and building owner must certify. The owner and engineer must also certify that the model complies with the minimum requirements described above. Use of the energy consumption model is limited to a building's consumption data and local rates for the 12 month period ending no earlier than 60 days prior to the effective date of the utility allowance. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.

With the exception of HUD and RD-regulated properties, owners may combine any methodology for each utility service type (electric, water gas etc.) For example, if residents are responsible for electricity and water, an owner may use the appropriate PHA allowance to determine the water portion of the allowance and use the Owner's Average of Actual Consumption to determine the electric portion of the allowance. Be advised, however, that the effective date of the PHA allowance will likely be different than the Owner's Average of Actual Consumption resulting in adjustments to utility allowances and, potentially, rents multiple times during the year.

Failure to maintain or provide the Utility Allowance and supporting documentation annually is considered noncompliance; without proof of the amount of the allowance, there is no way to correctly compute the rent. In addition, an incorrect utility allowance calculation may result in noncompliance for rents that exceed the tax credit rent limits.

It is the owner's responsibility to contact the appropriate organization to request current utility allowance information. PRHFA does not collect or maintain the various utility allowances. Unless otherwise provided for above, any costs incurred in obtaining a utility allowance are the responsibility of the owner.

Utility allowances and supporting documentation for options d and e must be submitted to PRHFA at the beginning of the 90-day period before utility allowances can be used in determining the gross rent.

The owner must maintain and make the data upon which the utility allowance schedule is calculated available for inspection by the tenants. Records shall be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant at the convenience of both the apartment owner and tenant. The HUD Utility Schedule Model and energy consumption model must be made available to tenants no later than 90 days after the effective date.

Rents may need to be adjusted twice in a year because the release of median income figures and utility estimates may occur at different times. Any increase in the utility allowance may cause gross rent to exceed the limit. For example, assume the rent charged on an apartment is at the maximum allowable rent; if the \$50 utility allowance is increased to \$60, the rent paid by the tenant must be lowered by \$10 in order to remain below the rent limit. The new utility allowance must be implemented within 90 days of the effective date and is valid for one year. Any change to resident paid rent must be in conformance with respective resident leases.

2. Owner's Average of Actual Consumption Utility Allowance Procedures

- Allowances must be based on the most recent 12-month period available (most recent month must be no older than 60 days from the effective date).
- Sampling must include a twelve month history of occupied low-income units. Units that were vacant for 2 weeks or more in any given month may not be included in the calculation.
- Sampling must be representative of all buildings of similar type (i.e., separate allowances are required for apartments vs. townhouses and/or single family dwellings) and of each bedroom size. Sampling must not contain a disproportionate number of small households vs. larger and to the extent possible must represent a variety of household sizes.
- Properties with less than 50 low-income units must use sampling by respective bedroom size as follows:
 - If 16 units or more, include 50% of the units. Sampling does not need to include more than 16 total units;
 - If less than 16 units but more than 6, include 75% of the units. Sampling does not need to include more than 8 total units;
 - If 6 or less units, include all of the units.

Example –less than 50 low-income units (always round up to a whole unit):

Bedroom Size	1BR	Sample	2BR	Sample	3 BR	Sample
# of units	20	10	15	8	6	6

- Properties with 50 or more low-income units must use sampling by respective bedroom size as follows:
 - If 30 units or more, include 50% of the units. Sampling does not need to include more than 30 total units;
 - If less than 30 units but more than 10, include 75% of the units. Sampling does not need to include more than 15 total units;
 - If 10 units or less, include all of the units.

Example – more than 50 low-income units (always round up to a whole unit):

Bedroom Size	1BR	Sample	2BR	Sample	3 BR	Sample
# of units	90	30	29	15	10	10

- The local utility provider may provide actual consumption records; however the print out must include the name of the provider. It may be necessary to obtain the resident’s permission when requesting consumption records from local utility providers. A form of release can be found in the UA Sample Average of Actual Consumption excel file.
- Monthly utility billings received by tenants are acceptable. When copies of actual utility bills are used, the provider’s name, unit number and resident’s name must be visible on the billing.
- Monthly actual usage must be categorized by utility type (gas, oil, LP, electric, water, etc.), by unit size (1BR, 2BR, etc., regardless of differences in amenities such as additional bath or den, or square footage) and itemized by unit number in a spreadsheet which calculates an average utility allowance per unit size and includes all taxes and fees for which residents are responsible. This

calculation must be consistent with the PRHFA UA Sample Average of Actual Consumption excel file.

- Averages ending in cents must be rounded up to the next whole dollar.
- The completed documentation must be submitted to PRHFA for review and approval prior to implementation. PRHFA will base its review and decision for approval or non-approval on a random sampling of information provided. Approval of the utility allowance does not constitute a guarantee that the utility allowance is absolutely correct. If at any time it is determined that a utility allowance has been understated and, therefore, some or all of the units are not rent restricted under section 42(g)(2), then PRHFA must report the noncompliance to the IRS on form 8823.

Owners must collect actual consumption records and conduct the analysis using the methodology above and determine a new utility allowance annually. Changes must be implemented no later than 90 days after the effective date. Any adjustment to rent must be in accordance with the respective lease agreement.

Owners utilizing this methodology to calculate the utility allowance should be aware of the risk with any variation from section 1.42-10. This methodology to calculate allowances has not been approved by the IRS.

Note: Pursuant to Treas. Reg. 1.42-10, units occupied by households with a Section 8 Housing Choice Voucher or PRHFA rental assistance must use the utility allowance required by the applicable rental assistance program.

3. Updating Utility Allowances

Utility allowances *must* be updated *at least annually* to ensure that the tenant's gross monthly rent does not exceed the LIHTC gross rent limits. The ability allowance regulations require that new utility allowances be used to compute rents that are due 90 days after the effective dates of the new allowance. The property owner or manager may choose to verify utility allowances with each initial move-in or re-certification.

F. **Income Certification**

Tenant eligibility is determined at the time of move-in certification. Before a household takes occupancy, the owner shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance with the LIHTC requirements. The detailed procedures are included in Appendix A "Verification Requirement and Procedures".

G. **Tenant Income Certification**

After all the income and asset information has been obtained and computed, the management personnel must prepare a Tenant Income Certification (PRHFC-02). The form is a legal document which, when fully executed, satisfies the income certification requirement of the Code. The completed form and lease agreement must be executed by all adult household members before they move in. A unit may not be counted as a set-aside unit unless the household has been properly certified. The following guidelines for certifying household income apply:

- Management should instruct all adult household members to sign the TIC exactly as the name appears on the form.
- The Tenant Income Certification should be executed on or before the date of move-in.
- **No one** may live in a designated unit in the development unless he/she is income certified and under lease. **THERE ARE NO PERMISSIBLE EXCEPTIONS TO THIS RULE.**
- Tenant Income Certification forms must also be executed (signed and dated) by the Owner or Owner's representative.

When properly executed, the RHS 1944-8 form (Tenant Certification) may also be used to document projected income for tax credit certifications; an executed Tenant Income Certification is not required. Management must be aware that various low-income housing programs define income differently so, if the RHS 1944-8 certification form is used, it should contain all information necessary to calculate household income as defined under the LIHTC rules.

H. Income Certifications Where Owner Acquires or Rehabilitates Existing Building

For households occupying a unit at the time of acquisition by the owner, the initial tenant income certification is completed within 120 days after the date of acquisition using the income limits in effect on the day of acquisition. The effective date of the tenant income certification is the date of acquisition since there is no move-in date.

In the event that the household occupies a unit at the time of acquisition, but the tenant income certification is completed more than 120 after the date of acquisition, the household is treated as a new move-in. Owners use the income limits in effect at the time of the tenant income certification and the effective date is the date the last adult member of the household signed the certification (this is an exception to the general rule for effective dates because there is no move-in date).

When the household moves into a unit after the building is acquired but before the beginning of the first year of the compliance period, the tenant income certification is completed using the income limits in effect at the time of the certification and the effective date is the date the household moves into the unit.

I. Available Unit Rule

Following initial certification, an eligible household's income can increase to 140% of the maximum income level. A household whose income exceeds the maximum income level by more than 140% (an "over-income" household) will remain in compliance as long as the unit continues to be rent restricted and the next available unit or any available unit of comparable or smaller size in the same building is rented to an eligible household at the qualifying rent. The owner must continue to rent any available

comparable unit to a qualified household until the percentage of low-income units in a building (excluding the over-income units) is equal to the percentage of low-income units on which the credit is based. At that point, failure to maintain the over-income units as low-income units has no immediate significance.

If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified household, all over-income units for which the available unit was a comparable unit within the same building lose their status as LIHTC units; thus, comparably sized or larger over-income units would lose their status as LIHTC units.

A comparable unit must be measured by the same method the taxpayer used to determine qualified basis for the credit year in which the comparable unit became available (i.e., floor space fraction or unit fraction). A unit that is no longer available for rent due to a reservation that is binding under local law is not an "available unit" for purposes of this rule.

J. Vacant Unit Rule

As part of the requirements for the annual certification, Treas. Reg. §1.42-5(c)(1)(ix) states, "If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income."

As long as reasonable attempts are being made to rent to qualified low income households, vacant LIHC units will continue to be included as qualified low-income units for purposes of determining the minimum set-aside (IRC §42(g)(1)) and calculating the applicable fraction (IRC §42(c)(1)(B)).

If the vacant unit rule is violated, all vacant units previously occupied by qualified households lose their low-income status and are not considered qualified units.

K. Physical Requirements of Qualified Units, Suitable for Occupancy

Qualified Units rented to, or reserved for, eligible tenants:

- Must have substantially the same equipment and amenities

- (excluding luxury amenities) as other units in the Project;
- Must be substantially the same size as other units in the Project; and
- Cannot be geographically segregated from other units in the Project.

The low-income units must be suitable for occupancy under Uniform Physical Conditions Standards and local health, safety and building codes. In units that are not suitable for occupancy, including previously qualified low-income units being rehabilitated in the first year of the credit period, are considered "out of compliance". The noncompliance is corrected when the unit is again suitable for occupancy, and the unit's character will be determined based on the household that occupied the unit immediately preceding the rehabilitation. This reduction in eligible basis need not occur if an election is made to exclude such excess costs pursuant to Section 42(d)(3) of the Code.

L. Discrimination Prohibited in Project

The Tax Credit developments are subject to Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act. The Fair Housing Act (42 U.S.C. sections 3601 through 3619) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability.

It also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities. The failure of Tax Credit properties to comply with the requirements of the Fair Housing Act will result in the denial of the Tax Credit on a per unit basis.

M. General Public Use

The tax credit properties are otherwise available to the general public. Under Treas. Reg. 1.42-9(b) If a residential unit is provided only for a member of a social organization or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for credit under Section 42. Residential rental units either designated for a single occupational group, or through a preference for an occupational group, also violate the general public use requirements.

Note that the General Public Use Rule was clarified on July 30, 2008, to allow occupancy restrictions or preferences that favor tenants 1) with special needs, 2) who are members of a specified group under a federal or state program or policy that supports housing for such specified group, or 3) who are involved in artistic or literary activities.

N. Students

A household comprised entirely of students, whether full or part-time, must complete the Student Certification Form (PRHFC-04), upon application/certification or re-certification. The PRHFA will no longer require Student Certifications for households where not all occupants are full time students.

Full-time student is defined as: "an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins

- a. is a full-time student at an educational organization described in section 170(b)(1)(A)(ii) of the IRS Code; or
- b. is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of the educational organization described in section 170(b)(1)(A)(ii) of the IRS Code or of a State or political subdivision of a State." (Reg. 1.151-3(b)).

Part-time students are not "students" for this section and their eligibility is not subject to special restrictions. Under Section 42 Regulations, most households where all of the members are full-time students are not eligible tenants and units occupied by these households may not be counted as LIHTC units. (See IRS Code Section 151(c)(4) for student definition).

There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions can be considered to be eligible. Third party verifications must be obtained to support the student status and the applicable exception (s).

1. Students are married and entitled to file a joint tax

- return;
2. The household consists of a single-parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;
 3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children (AFDC), now known as Temporary Assistance for Needy Families (TANF),
 4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws**.; or
 5. At least one member of the household was previously in foster care***.

**The JTPA program was repealed in 1998, and replaced with the Workforce Investment Act (WIA). WIA, and JTPA when it existed, funds programs such as adult literacy, English as a second language, General Education Diploma (GED) courses, vocational services for the blind, employment and training programs for Native Americans and migrant and seasonal farmworkers, job corps, veterans employment programs, summer youth employment and training, employment and training for dislocated workers and displaced homemakers, etc. Students in those programs are eligible for the JTPA exemption provided the school or community education dept., verifies that the applicant/resident is a participant in a program similar to those funded under JTPA or WIA.

An applicant claiming any of the exceptions must be able to provide documentation to prove that status. If any applicant (in a household consisting entirely of full-time students) cannot claim one of the exceptions, housing in a Section 42 apartment must be denied.

O. Loss of Eligibility Upon Becoming a Full-Time Student

If a previously qualified Tax Credit resident becomes a full-time student and intends to continue living in a Section 42 apartment, he/she **must** meet at least one of the above criteria and be able to prove such status. Under current legal interpretations of federal LIHTC regulations and requirements, the "next available unit" rule that applies to LIHTC units with tenants that are no longer income

eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, it appears that a unit occupied by a student household that no longer meets one of the above exceptions ceases to count as a LIHTC unit immediately.

If a building owner or rental agent has questions as to the occupancy of students, they should seek legal assistance since the IRS has not published guidance on the interpretation of this part of the LIHTC rules.

P. Section 8 and Rural Development Rents

Section 8 - Subsidy payments to an owner under various HUD Section 8 programs or any other comparable program are excluded and not considered in determining gross rent. Only the tenant's portion of the rent payment is considered in determining if the rent exceeds the gross rent maximum for the county. Sec. 42(0)(2)(B)(i).

Example 1: Household Portion of Rent is Below Limit

A Section 8 household moved into a unit on February 1, 2005; the maximum LIHC gross rent is \$450 and market rate is \$650. Household pays \$200 and the assistance pays \$450; the total rent is \$650. There is no noncompliance since the household portion of rent is below the maximum LIHC rent allowed.

The portion of the rent paid by Section 8 tenants can exceed the LIHC rent ceiling as long as the owner receives a Section 8 assistance payment on behalf of the resident. If no subsidy is provided, the tenant may not pay more than the LIHC rent ceiling.

Example 2: Tenant's Portion of Rent Exceeds Rent Limit

A Section 8 household with an annual income of \$12,000 applies for an LIHC unit for which the rent is restricted to \$500 and for which the market rate rent is \$750. Assistance will pay a maximum of \$500, and the applicant's portion is \$600 (40 percent of income). Since the applicant is required to pay \$600, Section 8 will pay \$150. There is no noncompliance.

This example reflects HUD's requirement under the Section

8 housing choice program. The family share may not exceed 40 percent of the family's share monthly adjusted income when the family initially moves into the unit or signs the first assisted lease for a unit.

Rural Development - Originally, the rent restrictions for projects with Rural Development assistance were computed using the general rules for LIHC housing. Beginning in 1991, however, gross rent does not include any rental payment to the owner of the unit to the extent such owner pays an equivalent amount to the USDA Rural Housing Service⁸ under section 515 of the Housing Act of 1949. See IRC §42 (g)(2)(B)(iv).

In other words, as long as the owner pays Rural Development the rent amount over the limit (all of the overage) that unit is in compliance.

Example 1: Rent Above Limit (Owner Pays Rural Development, formerly known as FmHA)

Assume a 1991 credit allocation to a property with Rural Development assistance. The maximum gross LIHC rent is \$500 and the household's calculated rent under Rural Development regulations is \$650, which the owner charges. The owner provides documentation that the \$150 above the tax credit maximum has been remitted directly to Rural Development. There is no noncompliance.

With the passage of the Omnibus Budget Reconciliation Act of 1993, owners are prohibited from refusing to lease to a prospective tenant based solely on the fact that the applicant holds a Section 8 rental voucher or certificate.

Q. Annual Recertification

The annual re-certification shall be complied with a procedure detailed in Appendix B. The PRHFA requires an annual re-certification of tenant income in 100 percent Tax Credit projects. An Annual Re-certification Waiver is not an option at this time.

R. Tenant Transfers

Same Building - When a current HTC household moves to a different unit within the same building, the newly occupied unit

adopts the status of the vacated unit. Thus, if a current household, whose income exceeds the applicable income limitation moves from an over-income unit to a vacant unit in the same building, the newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

Different Building - When a household whose income is no greater than 140% of the income limit moves to a low income unit in a different building within the project during any year of the 15-year credit period, the vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident. If a household whose income exceeds 140% of the applicable income limit wishes to move to a different building, the newly occupied unit will be treated as a non-qualifying unit. Mixed income properties can rely on the most recent income certification. Properties that are exempt from income recertification requirements must perform an income recertification prior to the unit transfer to assess whether household income exceeds 140% of the income limit.

Note that IRS considers buildings that are not part of a multiple building project as separate projects. Therefore, transfers between buildings that are not part of a multiple building project will be considered a move-out and in order to treat the newly occupied unit as a qualified tax credit unit the household must meet initial eligibility requirements. Owners make the election for multiple building projects on Part II, line 8b of IRS form 8609. Until PRHFA becomes aware of an owner's election, for purposes of unit transfers, PRHFA will treat the property as if all buildings are part of a multiple building project.

PRHFA will provide a form entitled "Documentation of Unit Transfer" to assist in documenting when a unit transfer occurs and the status of the units involved.

S. Multifamily Tax-Exempt Bonds Projects

PRHFA will monitor developments that received an allocation through the issuance of tax-exempt bonds. Tax-exempt bond developments must comply with the same IRS requirements and LIHTC compliance monitoring procedures as non-tax exempt bond developments.

The property must then maintain compliance with both the tax-

exempt bond rules and the tax credit program. While certain rules overlap, such as the property meeting either the 40/60 or 20/50 test, the rules do not exactly match, and the Owner is responsible for being aware of and complying with both sets of requirements. Usually, there will be two separate Regulatory Agreements filed against the property, one for the bond requirements and one for the tax credit requirements. The tax-exempt bond rules and the tax credit program. While certain rules overlap, such as the property meeting either the 40/60 or 20/50 test, the rules do not exactly match, and the Owner is responsible for being aware of and complying with both sets of requirements.

Tax-exempt bond financed residential properties must meet the same 40/60 or 20/50 income requirement as is required for tax credit properties. However, the bond financing does not require rent restrictions — it only requires that the affordable Households be income-certified. However, rents must be restricted for all units on which tax credits are claimed. The rules for determining income are the same for both programs. The primary difference is that compliance with tax-exempt bond requirements is determined property-wide, while federal tax credit requirements are determined building by-building. Owners must comply with both sets of requirements, which may result in maintaining more affordable units than originally planned in order to maintain compliance with both programs. In addition, the Available Unit Rule is applied property-wide for bond compliance whereas it is applied on a building-by-building basis for tax credit compliance. Bond-financed properties with tax credits must maintain compliance with both Available Unit Rules.

V. Compliance and Monitoring During the Extended Use Period

After the 15-year Compliance Period has expired, there may be no tax impact in the event of noncompliance. IRC Section 1.42-5 contains the regulations for agencies' compliance monitoring during the Compliance Period; however, the regulations do not require agencies to monitor according to these regulations in the Extended Use Period. IRS officials and other experts have indicated verbally that agencies may not report noncompliance to IRS after the Compliance Period is over. The tax benefit to the owner is exhausted and IRS can no longer recapture or disallow credits. Therefore, PRHFA must establish policy regarding how properties are to be monitored and consequences for noncompliance during the Extended Use Period.

In addition, based on the requirements of the Extended Use Period specified in IRC Section 42 regulations and in Declaration of Land Use Restrictive Covenants referenced below, the agency has the authority to establish different criteria for eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications during the Extended Use Period, as long as income and rent restrictions, general use requirements (fair housing), Section 8 acceptance, minimum set-aside, applicable fraction, and initial and annual recertifications are required.

A. Extended Use Period

IRC Section 42(h)(6) establishes that buildings are eligible for the credit only if there is a minimum long-term commitment to low-income housing. Specifically, in order to receive a credit allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Housing Tax Credits (Declaration). The Declaration is recorded with the respective County Recorder and/or Registrar of Titles and "runs with the land", regardless of subsequent changes in ownership.

1. For purposes of this section, the term "Extended Use Period" means the period:
 - a. beginning on the last day in the Compliance Period on which such building is part of a qualified low-income housing project, and
 - b. ending on the later of—
 - i. the date specified by the agency in the Declaration, or
 - ii. the date which is 15 years after the close of the Compliance Period.

IRC Section 42(h)(6)(E) provides exceptions to the Extended Use Period in the case of a legitimate foreclosure or deed in lieu or, for projects that have not waived this right, if the agency is unable to present a qualified contract pursuant to IRC Section 42(h)(6)(F). This Compliance Plan does not contain guidance for the provisions of IRC 42(h)(6)(F) regarding the qualified contract referenced in IRC Section 42(h)(6)(E)(i)(II).

2. Under IRC Section 42(h)(6)(E)(ii) the termination of an Extended Use Period due to foreclosure or deed in lieu, or for failure to present a qualified contract shall not be construed to permit

before the close of the 3-year period following such termination:

- a. the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or
 - b. any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits.
3. Under the PRHFA Declaration of Land Use Restrictive Covenants for Housing Tax Credits the owner agrees to comply with the following for the term of the agreement:
- a. it will maintain the applicable fraction by leasing units to individuals or families whose income is 50% or 60%, as irrevocably elected by the owner at the time of allocation, or less of the area median gross income (including adjustments for family size) as determined in accordance with IRC Section 42;
 - b. it will maintain the Section 42 rent and income restrictions;
 - c. all units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in IRC Section 42(g) (Section 42(g) pertains to the minimum set-aside election);
 - d. the owner agrees to comply fully with the requirements of the Fair Housing Act as it may from time to time be amended;
 - e. the owner will not refuse to lease a unit to the holder of a Section 8 voucher because of the status of the prospective tenant as such a holder;
 - f. each low income unit will remain suitable for occupancy;
 - g. the determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant ; and
 - h. other restrictions as required under the specific year's Qualified Allocation Plan (QAP) and related points the owner received in order to obtain a credit allocation.

These restrictions are property-specific within the respective Declarations and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the Extended Use

Period.

Note that the Declarations have changed from year-to-year according to the respective Qualified Allocation Plans. However, the basic language pertaining to the Extended Use Period required by IRC has not materially changed.

B. Tenant Eligibility Criteria During the Extended Use Period

During the Extended Use Period, PRHFA requires tenant eligibility and certification of income, as follows:

1. Tenant Income Certification

The initial income certification is required (calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 ("Section 8"). However, owners are no longer required to verify income and income from assets at annual recertification. Any household that experiences a change in composition within the first six (6) months of occupancy (not including birth or death) must meet the initial eligibility requirements and a new initial tenant income certification must be performed.

2. Rent Restriction

Rent limits as elected by the owner at the time of allocation continue to be in force during the Extended Use Period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective Qualified Allocation Plan or Declaration to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the Extended Use Period.

3. Student Status

Since student status is not one of the defined requirements of the Declaration, the student rules under IRC Section 42 are no longer applicable.

4. Unit Transfers

Unit transfers from building to building are allowed without triggering noncompliance regardless of whether a household's

income is over the applicable limit at the time of transfer.

5. Available Unit Rule

The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the "comparable or smaller" requirement no longer applies). This is essentially a one-for-one unit replacement.

6. Applicable Fraction

Only the unit fraction will be examined to determine a building's applicable fraction.

7. Utility Allowances

Utility Allowances must continue to be updated annually. Revised utility allowances must be implemented within 90 days of their published effective date.

The Housing Tax Credit Program income and rent limits based on the Section 8 income limits published by HUD annually will continue to update by the PRHFA.

C. Monitoring Compliance During the Extended Use Period

PRHFA will perform the following monitoring procedure during the Extended Use Period:

1. Annual Certification

PRHFA will require all owners to submit an annual certification of compliance by January 31. The PRHFA will provide the Owner's Certification of Compliance During the Extended Use Period Form, which will contain agency-defined certification language pursuant to the terms of the Declaration.

2. Annual Reporting

LIHTC project must submit to the PRHFA, via electronically, the Tenant Income information of each new Moving and Annual Recertifications of income for each existing tenant.

This information must be submitted to the PRHFA by January 15th of each year during the extended use period. The PRHFA will provide the Tax Credit Certifications Online Reporting Software for the electronic submission of this information.

3. Inspections

Every five years, PRHFA will perform a physical inspection of the property and review of tenant files and other pertinent documentation. The first review in the Extended Use Period will be five years from the last inspection conducted during the Compliance Period.

A minimum of 3 low-income units chosen at random or maximum of 10% of the low-income units in any development will be inspected. Different units may be chosen for the file review as those receiving a physical inspection.

PRHFA compliance staff will continue to work with other inspection entities such as local inspection officials, other government agencies, PRHFA staff etc., to share inspection information. Also, we will accept Age HQS Staff inspections done in the same year as our review. If inspected by PRHFA Tax Credit Compliance staff, inspection will be pursuant to Uniform Physical Conditions Standards.

PRHFA reserves the right to conduct a review of any building after serving appropriate notice and to examine all records pertaining to rental of tax credit units. PRHFA may perform a review at least through the end of the Extended Use Period of the buildings in the project.

4. Annual Monitoring Fees

The amount of annual compliance monitoring fees will be \$20 per unit since inspections are less frequent and are done on a smaller number of units. The agency reserves the right to adjust the fee due to changing circumstances. Fees are due at the same time as the Annual Certification.

5. Transfer of Ownership or Ownership Interest

A transfer agreement is required in the event of a transfer of

ownership or ownership interest. Such transfer agreement will put the new owner or partner on notice that it is subject to the terms of the Declaration including all compliance restrictions and annual compliance monitoring. Documentation of signatory authorization for the new owner or partner may be requested. Owners contemplating transfers of ownership or ownership interest should notify PRHFA and request a copy of the appropriate transfer agreement.

6. Expiration or Termination of Extended Use Period

During the 3-year period after the Declaration has expired or terminated pursuant to IRC Section 42(h)(6)(E)(ii), owners are required to annually submit a list of all low-income households that occupied a unit at the end of the term of the Declaration, the respective tenant-paid rent, utility allowance, and move-out date, if applicable, along with a certification that no low-income residents have been evicted or displaced for other than goodth cause. This report and certification will be due on January 31th. No monitoring fees will be due during this 3-year period and PRHFA is not required to perform inspections.

The Declaration of Land Use Restrictive Covenants allows for an amendment by written agreement between PRHFA and the owner. An amendment to the Declaration may be negotiated in the event a property suffers from a decline in market conditions that is not expected to improve and subsequent vacancies compromise the economic viability of the property. Owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. A change in applicable fraction, rent limits or other terms may be negotiated with PRHFA in order to preserve as many low-income units as possible, but still protect the economic viability of a property.

D. Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

1. All properties whose Compliance Period has expired and are subject to the requirements of the Extended Use Period will be listed on categorized in either "Good Standing" or "Not in Good Standing".

2. If an owner fails to comply with the monitoring requirements and/or terms of the Declaration, PRHFA will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the Compliance Period. All owners will be given a period of time not to exceed 90 days with which to clarify or correct noncompliance and report to PRHFA that all corrections have been made. An extension of an additional 90 days may be granted, with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct within a reasonable time then the property can be considered in Good Standing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) PRHFA may request that the owner and/or management agent formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise PRHFA in writing of such a plan.

Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in Good Standing.

3. If an owner repeatedly delays requests for monitoring reviews, fails to submit annual certifications, reports and compliance monitoring fees, does not correct violations timely or according to the agreed-upon plan, where applicable, or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:
 - a. The owner & management company are considered to be Not in Good Standing;
 - b. A Report of Development Not in Good Standing will be issued for such serious and/or flagrant noncompliance. This report will be sent to the owner and filed with the PRHFA Development team. No further PRHFA funds or tax credits will be awarded to the owner, its partners and/or proposed developments to be managed by the management company until the property is back in Good Standing. Once good faith efforts are demonstrated to the agency's satisfaction, the agency will reinstate the property, owner and management company in Good Standing.

- c. The agency and any interested party have the right to enforce specific performance of the Declaration through the court system.

Important: Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transition from the Compliance Period into the Extended Use Period. Premature implementation of the Extended Use Period compliance and monitoring guidelines may result in noncompliance with IRC Section 42 for which PRHFA would be required to file IRS form 8823.

PRHFA reserves the right to modify this Compliance Manual Plan including but not limited to the foregoing policy and procedure for compliance and monitoring during the Extended Use Period, as needed.

APPENDIXES

Appendix A

INCOME VERIFICATION REQUIREMENTS AND PROCEDURES

A. General Requirements

1. Owners shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance under the LIHTC guidelines.
2. When determining annual income, owners must include all anticipated known sources of income. If a household is accepted as low-income and subsequently becomes over income, the owner should be prepared to prove due diligence.
3. Whenever possible, written verification of income is required from the income sources.
4. Owners are advised to maintain documentation of all verification efforts for at least three years after the effective date of the tenant's certification or recertification.
5. For units receiving Section 8 rental assistance, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form may be used to satisfy this requirement. Owners may have the PHA contact the Compliance staff of the Agency if more information is needed. Income of Section 8 assistance recipients can also be verified in the usual way (by contacting employers, etc.) and requesting that they complete Income Verification forms. When the tenant household has no income, Certification of Zero Income (PRHFA-05) will be the only verification document.

B. Acceptable Methods for Verifying Information

1. Written verification by a third party is preferred, as follows:

- a. the owner's request for verification should state why the information is being requested and include a statement signed by the applicant/tenant authorizing the release of the information;
- b. owners must send the verification forms directly to the source, not through the applicant.
- c. when written verification is not possible, as a last resort, the Agency accepts a direct contact with the source and must be confirmed by written verification within 10 days. The owner must document the conversation for the applicant's file and include all information that would have been provided in a written verification plus the date, time and the person's name providing the information and his qualification to provide it.

2. Review of Applicant Supplied Documents

Owners may use documents submitted by the applicant when information does not require third party verification (i.e. birth certificate) or third party verification is impossible or delayed beyond four weeks of initial date of request.

3. Applicant's Affidavit

Owners may accept an applicant's notarized statement or signed affidavit only if other preferred forms of verification cannot be obtained.

4. Faxed Verification

Recipients may reply to a request for income or asset verification by fax. The Agency accepts faxes as written

verification if they are completely legible, date-stamped, and include the signature, name, job title, and phone number of the person making the verification and the date the form was signed.

C. Effective Term of Verification

Third-party Verifications of income are valid for 90 days prior to move-in. If after 90 days, if the Tenant has not yet moved in, the information may be verbally updated from the source. This verbal Verification is valid for an additional 30 days, but only if documented. After this time, a new written third party Verification must be obtained.

D. Expediting the Verification Procedure

1. In order to expedite the verification process, owners should maintain a checklist for each tenant to document the verification process.
2. Develop standard forms for all information that must be verified (see forms included in this plan).
3. Ask applicants/tenants to sign the copies of each verification form retaining one original in the applicant's file.
4. Make personal contacts with large employers and public assistance agencies from which a large number of tenants receive income or benefits.
5. Give the applicant an opportunity to explain any significant differences between the amounts reported by the applicant and the amounts reported on third party verifications in order to extract the correct information. Re-examine if necessary.

E. Acceptable Forms of Verification

Sources of Verification given under each type of income are listed in order of preference.

1. Employment Income

- a. Employment Verification Form (PRHFA-03) completed by the employer or a statement from the employer on company letterhead; or
- b. check stubs or earning statements showing employee's gross pay per pay period and frequency of pay;
- c. W-2 forms if applicant has had the same job for at least two years and pay increases can be accurately projected;
- d. a copy of the most recent income tax returns signed by the applicant providing the amount of income, including income from tips and other gratuities. This form of verification alone may not be acceptable as income certification.

2. Self-Employment Income

The tenant must provide a projection or estimate of income and expenses to be realized by the business during the next 12 months. The owner may use the previous years' financial information to substantiate the reasonableness of the tenant's projection. The following documentation should be used in the verification process.

- a. Accountant's or bookkeeper's statement of net income; or
- b. Financial statement(s) of the business along with an affidavit or notarized statement from the applicant forecasting the anticipated income for the twelve (12) months following certification; or
- c. The applicant's most recent income tax return along with a notarized statement. This form of income verification alone may not be acceptable as income certification. Year-to-date income verification can be used to supplement other methods of certification.
- d. Applicant's notarized statement or affidavit as to net income realized from the business during previous year.

3. Social Security, Pensions, Disability Income

- a. Benefit print-out completed by the agency providing the benefits; or
- b. An award or benefit notification letter prepared and signed by the authorizing agency, dated within 90 days of the certification date. Since checks or bank deposit slips show only net amount remaining after deducting SSI, Medicare or state health insurance, they may be used only when award letters cannot be obtained. Any withholdings must be verified and included in annual income.
- c. If a local Social Security Administration (SSA) office refuses to provide written verification, the owner may accept a photocopy of a check or automatic deposit slips as interim verification. Otherwise, State Health Insurance withholdings will be included in annual income.

4. Unemployment Compensation

- a. A verification form completed by the unemployment compensation agency; or
- b. Records from unemployment office stating payment dates and amount.

5. Alimony or Child Support Payments

- a. A copy of a separation or settlement agreement, divorce decree, or support order stating the amount and type of support payment schedule. If the document is not dated within the 90-day time frame, obtain a notarized statement from the applicant stating that the amount of child support currently received is the same as stated in the agreement, decree, or order; or
- b. a letter from the person paying support; or
- c. a copy of the latest check and documentation of how often the check is received; or
- d. as a last alternative, the applicant's notarized statement of the amount of child support being received, including a written explanation detailing why *a* and *b* above cannot be provided.

6. Recurring Contributions and Gifts

- a. Notarized statement or affidavit signed by the person providing the assistance. The statement should define the purpose, dates, and value of gifts. Copies of canceled checks or receipts can be used to verify tuition, fees, books, and equipment, and other such net income and expenses not expected to change during the next 12 months.
- b. A letter from a bank, attorney or a trustee providing required verification; or
- c. As a last alternative, the applicant's notarized affidavit giving the same information, including a written explanation detailing why (1) or (2) above cannot be provided.

7. Unemployed Applicants

- a. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as

described previously; or

- b. If the applicant is unemployed with no regular verifiable income from any source and intends to live from assets only, an Asset Addendum to the Tenant Income Certification must be submitted along with the application. The applicant may not be certified as qualified by use of this form alone. An asset analysis must be included with the application to determine the applicant's actual income.

F. Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income in determining the eligibility of a household. The Agency does not require third party verification of assets having a value of less than \$5,000 but, assets valued at \$5,000 or more, must be verified by third parties (for example, the amount of money held in a savings account may be verified by the bank). The asset information (total value and income to be derived) must be obtained at the time of application. **Asset Information must be collected on ALL family members.**

If a household claims to have zero (0) assets, and have sold no assets for less than fair market value during the two year period preceding the execution of the Tenant Income Certification, they must certify this information by inserting (0) in the "Income derived from assets" blanks for ALL family members on the Tenant Income Certification and signing and dating the form in the spaces provided.

For units receiving **Section 8 rental assistance**, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form (PRHFA-07) may be used to satisfy this requirement. Owners may have the PHA contact the Compliance staff of the Agency if more information is needed. Income of Section 8 assistance recipients can also be verified in the usual way (by contacting employers, etc.) and requesting that they complete Income Verification forms. When the tenant household has no income, the Certification of Zero Income form (PRHFA-05) will be the only verification document.

Appendix B

ANNUAL RECERTIFICATION

Effective July 30, 2008, 100 percent (100%) tax credit property owners no longer need to annually recertify resident household incomes. That is, residents must continue to be income qualified upon initial residency, but need not be recertified thereafter. Property files will still need to contain thorough third-party verifications of income upon initial occupancy.

For Semi Annual reporting purposes through COL system the PRHFA will not require anymore the submission of the tenant annual recertification information. However PRHFA will still require the following information:

- Information of all project Move-Ins
- Move-out transactions
- Transfers, and
- Changes in tenant rents

PRHFA will still require the preparation of the first annual recertification of all the units in the project. This certification process is identical to the initial certification. Owners must re-verify income of those tenants in set aside units who plan to remain in that unit for another lease term, or any portion thereof, and have a new Tenant Income Certification executed together with updated supporting documentation. The use of the Alternate Certification is required for all the subsequent anniversary dates.

1. For Recertification purposes Management must:

- a. approximately 120 days before the lease expiration, notify the tenants in writing that re-certification is due and schedule an appointment for an interview;
- b. interview tenants to obtain current information on anticipated income, assets, and family composition for the ensuing certification year, and have tenants sign the necessary verification form(s) giving permission for release of the information requested;
- c. obtain third-party verification of the tenant's income;
- d. complete the Tenant Income Certification, have adult household members sign and date where indicated; and
- e. sign and date the Tenant Income Certification where indicated.

2. Adding a New Tenant to a Resident Household

The addition of new member(s) to an existing low-income household requires the income certification for the new member of the household, including third party verification. The new tenant's income is added to the income disclosed on the existing household's tenant income certification. If the total income combined exceeds 140% of the income limit, the Available Rule is applied.

A household may continue to add members as long as at least one member of the original low-income household continues to live in the unit. Once all the original tenants have moved out of the unit, the remaining tenants must be certified as a new income-qualified household unless the remaining tenants were income qualified at the time they moved into the unit.

3. Interim Re-Certifications

Except when adding a new tenant to an existing household, the Authority does not require management to recertify a household due to a change in household composition or income before the annual recertification date in order to comply with LIHTC program rules. However, some LIHTC developments that also participate in other low income housing programs will have to recertify a household in order to comply with the other program's requirements.

4. Tax Credit Units Which Receive Federal Rental Assistance

In the case of a unit which receives rental assistance payments from a Federal agency, a change in household composition or income may require an interim recertification by the agency that is providing the assistance. Owners of these units should recertify tenants simultaneously with the annual recertification completed by the provider of the rental assistance payments.

FORMS & INSTRUCTIONS

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: Puerto Rico Housing Finance Authority P.O. Box 71361, San Juan, PR 00936-8461

Certification Dates:	From: <u>January 1, 20</u>	To: <u>December 31, 20</u>			
Project Name:			Project No.:		
Project Address:			City:		Zip code:
Tax ID # of Ownership					

<input type="checkbox"/>	No buildings have been Placed in Service
<input type="checkbox"/>	At least one building has been placed in service but owner elects to begin credit period in the following year. If either of the above applies, please check the appropriate box, and proceed to page to sign and date this form.

The undersigned _____ on behalf of _____ (the "owner"), hereby certifies that:

- 1- The project meets the minimum requirements of: (check one)
 - 20 - 50 test under Section 42(g)(1)(A) of the Code
 - 40 - 60 test under Section 42(g)(1)(B) of the Code
 - 15 - 50 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code

- 2- There has been no change in the applicable fraction (as defined in Section 42©(1)(B) of the Code) for any building in the project:
 - NO CHANGE CHANGE

If "Change", the applicable fraction to be reported to the IRS for each building in the project for the certification year on page 3:

- 3- The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.
 - YES NO

- 4- Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:
 - YES NO

- 5- All low-income units in the project has been for use by the general public and used on non-transient basis (except for transitional housing for the homeless provided under Section 42(l)(3)(B)(iii) of the Code):
 - YES NO HOMELESS

- 6- No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgement from a federal court:
 - NO FINDING FINDING

- 7- Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habilitiy standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
 - YES NO

If "No", status nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction.

- 8- There has been no change in the eligible basis (as defined in section 42(d) of the Code) of any building in the project since last certification submission:
 - NO CHANGE CHANGE

If " change", state nature of change (e.g. a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the project owner has received federal subsidies with respect to the project which had not been disclosed to the allocation authority in writing) on page 3:

- 9- All tenant facilities, included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:
 YES NO
- 10- If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented not having a qualifying income:
 YES NO
- 11- If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:
 YES NO
- 12- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United State Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to building with tax credits from years 1987-1989):
 YES NO N/A
- 13- The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organization" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.
 YES NO N/A
- 14- The owner has complied with Section 42(h)(6)(E)(ii)(I) and not evicted or terminated the tenancy of an existing tenant of any low-income unit other than for good cause:
 YES NO N/A
- 15- The owner has complied with Section 42(h)(6)(E)(ii)(II) and not increased the gross rent above the maximum allowed under Section 42 with respect to any low-income unit:
 YES NO N/A
- 16- There has been no change in the ownership or management of the project:
 NO CHANGE CHANGE
 If "change", complete page 3 detailing the changes in ownership or management of the project.

Note: Failure to complete this form in its entirety will result in noncompliance with program requirements. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.

The project is otherwise in compliance with the Code, including any Treasury Regulation, the applicable State Allocation Plan, and all other laws, rules and regulations. This certification and any attachments are made UNDER PENALTY OF PERJURY.

 (Ownership Entity)

By: _____

Title: _____

Date: _____

TENANT INCOME CERTIFICATION

Initial Certification
 Recertification
 Other

Effective Date _____
 Move-in Date _____
 MM/DD/YYYY

PART I: DEVELOPMENT NEEDS

Property Name: _____ County: _____ BIN#: _____
 Address: _____ Unit Number: _____ # Bedrooms _____

PART II: HOUSEHOLD COMPOSITION

HH-Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth MM/DD/YY	F/T Student (Y or N)	Social Security or Alien Reg. No
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III: GROSS ANNUAL INCOME (US ANNUAL (A) ONLY)

HH-Mbr #	(A) Employment or Wages	(B) Social Security/Pensions	(C) Public Assistance	(D) Other Income
Total	\$ -	\$ -	\$ -	\$ -

Add totals from (A) through (D), above **TOTAL INCOME (E)** \$ -

PART IV: INCOME FROM ASSETS

HH-Mbr #	(E) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
Total			\$ -	\$ -

Column (H) if over \$ 5,000 X 2.00% = **(J) Imputed Income** \$ -
 Enter the greater of the total of column I, or J; Imputed income **TOTAL INCOME FROM ASSETS (K)** \$ -
(L) Total Annual Household Income from all Sources [add (E) + (K)] \$ -

HOUSEHOLD CERTIFICATION - SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/ we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature	(Date)	Signature	(Date)
Signature	(Date)	Signature	(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 \$ <u> - </u>	Household meets Income Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> _____	RECERTIFICATION ONLY: Current Income Limits X 140% : \$ _____ Household Income exceeds X 140 % Recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Income Limit per Family Size: \$ _____	Household Size at Move-in: _____	
Household Income at move-in: \$ _____		

PART VI. RENT

Tenant Paid Rent : \$ _____ Utility Allowance: \$ _____	Rent Assistance: \$ _____ Other non-optional charges: \$ _____
GROSS RENT PER UNIT: (Tenant paid rent plus utility Allowance & other non-optional charges) \$ <u> </u>	Unit Meets Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> _____
Maximum Rent Limit for this unit: \$ _____	

PART VII. STUDENT STATUS

ARE ALL OCCUPANT FULL TIME STUDENT? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, Enter student explanation * (Also attach document) Enter 1-4 <u> </u>	* Student Explanation: 1. TANF assistance 2. Job Training Program 3. Single parent/ dependant child 4. Married/joint return
--	---	---

PART VIII. PROGRAMS

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit <input type="checkbox"/> See part V above.	b. HOME Income Status <input type="checkbox"/> <input type="checkbox"/> <= 50 % AMGI <input type="checkbox"/> <= 60 % AMGI <input type="checkbox"/> <= 80 % AMGI <input checked="" type="checkbox"/> OI **	c. Tax Exempt Income Status <input type="checkbox"/> <input type="checkbox"/> 50 % AMGI <input type="checkbox"/> 60 % AMGI <input type="checkbox"/> 80 % AMGI <input type="checkbox"/> OI **	d. AHDP Income Status <input type="checkbox"/> <input type="checkbox"/> 50 % AMGI <input type="checkbox"/> 80 % AMGI <input type="checkbox"/> OI **	e. Income Status <input type="checkbox"/> <input type="checkbox"/> _____ <input type="checkbox"/> OI **
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**Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual (s) named in part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land use restriction. Agreement (if applicable), to live a unit in this project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTION FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If other designate the purpose of the recertification (i.e. a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date Enter the date the tenant has or will take occupancy of the unit.

Effective Date Enter the effective date of the certification. For Move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re) certification.

Property Name Enter the name of the development.

County Enter the county (or equivalent) in which the building is located.

BIN # Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).

Address Enter the address of the building.

Unit Number Enter the unit number.

Bedrooms Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definition:

H-	Head of Household	S-	Spouse
A-	Adult co-tenant	O-	Other family member
C-	Child	F-	Foster child(ren)/ adult(s)
L-	Live-in- caretaker	N-	None of the above

Enter the date of birth, student status and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification

Part III - Annual Income

See Handbook 4350.3 for complete instruction of verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income sources, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/ or net income from a business.

Column (B) Enter the annual amount of social security, Supplemental Security Income, pensions, military retirement, etc.

Column (C) Enter the annual amount of income received from public assistance (i.e. TANF, general assistance, disability, etc.)

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Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.

Row (E) Add the totals from column (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List respective household member number from Part II and complete a separate line for each member.

Column (F) List the type of asset (i.e. checking account, saving account, etc.)

Column (G) Enter C (for current, if the family currently owns or holds the assets), or I (for imputed family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).

Column (H) Enter the cash value of the respective asset.

Column (I) Enter the anticipated annual income from the asset (i.e., saving account balance multiplied by the annual interest rate).

TOTALS Add the total of column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$ 5,000 you must do an imputed calculation of asset income. Enter the total cash value, multiply by 2% and enter the amount in (J), imputed Income.

Row (K) Enter the greater of the total in column (I) or (J)

Row (L) Total Annual Household Income from all sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verification of income and/ or assets have been received and calculated, each household member age 18 and older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed earlier than 5 days prior to the effective date of the certification.

Part V - Determination of Income Eligibility

Total Annual Household Income Enter the number from item (L) from all sources

Current Income Limit per Family Enter the current Move-in Income Limit for the household size.
Size

Household income at move-in For recertification, only. Enter the household income from the move-in
Household size at move-in certification. On the adjacent line, enter the number of the household members from the move-in certification.

Household meets Income Check the appropriate box for the income restriction that the household meets
Restriction according to what is required by the set-aside(s) for the project.

Current Income Limit X 140 % For recertification only. Multiply the Current Maximum Move-in Income Limit by 140 % and enter the total. Below, indicate whether the household income exceeds that total. If the gross Annual Income at recertification is greater than 140 % of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays, all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent Plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemption apply, the household is ineligible to rent the unit.

* Full time is determined by the school the student attends.

Part VIII - Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
Home	If the property participates in the Home program and the unit this household will count toward the HOME program set-asides, mark the appropriate box indicating the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
ADHP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count toward the set-aside requirements, mark the appropriate box indicating the household's designation.
Other	If the property participates in any other affordable program, complete the information as appropriate.

SIGNATURE OF THE OWNER/ REPRESENTATIVE

It is the responsibility of the owner or owner's representative to sign and date document immediately following executing by the residents.

The responsibility of the documentation and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered as a complete guide on tax credit compliance. The responsibility for compliance with federal regulations lies with the owner of the building(s) for which the credit is allowable.

EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY EMPLOYER AND RETURNED BY MAIL

To: (Name & address of employer)

Date:

RE: Applicant/Tenant name

Social Security Number

Unit # (if assigned)

I hereby authorize release of my employment information.

Signature applicant/Tenant

Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

Project Owner/ Management

Return Form To:



THIS SECTION TO BE COMPLETED BY EMPLOYER

Employer Name:

Job Title:

Presently Employed: Yes [] No [] Date First Employed Last Day of Employment:

Current Wage/Salary: \$ (Mark one) [] hourly [] weekly [] bi-weekly [] semi-monthly [] monthly [] yearly [] Other

Average # of regular hours per week: Year-to-date earnings: \$ through

Overtime Rate: \$ per hour Average # of overtime hours per week:

Shift Differential Rate: \$ per hour Average # of shift differential hour per week:

Commissions, bonuses, tips, other: \$ (Mark one) [] hourly [] weekly [] bi-weekly [] semi-monthly [] monthly [] yearly [] Other

List any anticipated change in the employee's rate of pay within the next 12 month: Effective Date:

If the employee's work is seasonal or sporadic, please indicate the layoff period(s):

Additional remarks:

Employer's Signature

Employer's Printed Name

Date

Employer [Company] Name and Address

Phone #

Fax #

e-mail

NOTE: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United State as any matter within its jurisdiction.

STUDENT VERIFICATION

THIS SECTION COMPLETED BY MANAGEMENT AND EXECUTED BY STUDENT

This student verification is being delivered in connection with the undersigned's eligibility for residency in the following apartment:

Project Name: _____

Building Address: _____

Unit Number if assigned: _____

I hereby grant disclosure of the information requested below from _____
Name of Educational Institution

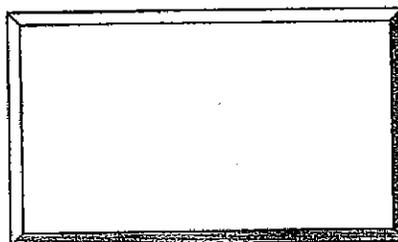
Signature

Date

Printed Name

Student ID #

Return Form to:



THIS SECTION TO BE COMPLETED BY EDUCATIONAL INSTITUTION

This above-named individual has applied for residency or is currently residing in housing that requires verification of student status. Please provide the information requested below:

Is the above-named individual a student at this educational institution? YES NO

If so, part-time or full time? PART-TIME FULL -TIME

If full-time, the date the student enrolled as such: _____

Expected date of graduation: _____

I hereby certify that the information supplied in this section is true and complete to the best of my knowledge.

Signature: _____

Date: _____

Print your name: _____

Phone: _____

Title: _____

Educational Institution: _____

NOTE: Section 1001 of Title 18 of the U.S. Code makes it criminal offense to make willful false statements or misrepresentation to any Department or Agency of the United States as to any matter within its jurisdiction.

CERTIFICATION OF ZERO INCOME

(To be completed by adult household members only, if appropriate.)

Household Name: _____ Unit No. _____

Development Name: _____ City: _____

1. I hereby certify that I do not individually receive income from any of the following sources:

- a. Wages from employment (including commissions, tips, bonuses, fees, etc.);
- b. Income from operation of a business;
- c. Rental income from real or personal property;
- d. Interest or dividends from assets;
- e. Social Security payments, annuities, insurance policies, retirement funds, pensions, or death benefits;
- f. Unemployment or disability payments;
- g. Public assistance payment;
- h. Periodic allowances such as alimony, child support, or gifts received from persons not living in my household;
- i. Sales from self-employed resources (Avon, Mary Kay, Shaklee, etc.)
- j. Any other source not named above.

2. I currently have no income of any kind and there is no imminent change expected in my financial status or employment status during the next 12 months.

3. I will be using the following sources of funds to pay for rent and other necessities:

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False misleading or incomplete information may result in the termination of a lease agreement.

Signature of Applicant/Tenant

Printed Name of Applicant/Tenant

Date

PRHFA-05 (Rev 2-07)

UNDER \$ 5,000 ASSET CERTIFICATION

For households whose combined net assets do not exceed \$ 5,000.
Complete only one form per household; include assets of children.

Household Name: _____ Unit No. _____
Development: _____ City: _____

Complete all that apply from 1 through 4:

1. My/our assets include:

(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source	(A) Cash Value	(B) Int. Rate	(A*B) Annual Income	Source
\$ _____	_____	\$ _____	Saving Account	\$ _____	_____	\$ _____	Checking account
\$ _____	_____	\$ _____	Cash on hand	\$ _____	_____	\$ _____	Safety Deposit Box
\$ _____	_____	\$ _____	Certificates of deposit	\$ _____	_____	\$ _____	Money Market funds
\$ _____	_____	\$ _____	Stocks	\$ _____	_____	\$ _____	Bonds
\$ _____	_____	\$ _____	IRA Accounts	\$ _____	_____	\$ _____	401K Accounts
\$ _____	_____	\$ _____	Keogh Accounts	\$ _____	_____	\$ _____	Trust Funds
\$ _____	_____	\$ _____	Equity in Real Estate	\$ _____	_____	\$ _____	Land Contract
\$ _____	_____	\$ _____	Lump Sum Receipts	\$ _____	_____	\$ _____	Capital Investment
\$ _____	_____	\$ _____	Life Insurance Policies (excluding Term)	_____	_____	_____	_____
\$ _____	_____	\$ _____	Other Retirement/Pension Funds not named above:	_____	_____	_____	_____
\$ _____	_____	\$ _____	Personal property held as an investment**:	_____	_____	_____	_____
\$ _____	_____	\$ _____	Other (list):	_____	_____	_____	_____

PLEASE NOTE: Certain funds (e.g. Retirement, Pension, Trust) may or may not be (fully) accessible to you. Include only amounts which are.

* Cash value is defined as market value minus the cost of converting the asset to cash, such as broker's fees, settlement cost, outstanding loans, early withdrawal penalties, etc.

** Personal Property held as an investment may include, but is not limited to , gem or coin collections, arts, antique cars, etc. Do not include necessary personal property such as, but not necessarily limited to, household furniture, daily-use autos, clothing, assets of an active business, or special equipment for use by the disabled.

- 2 Within the past two years, I/ we have sol given away assets(including cash, real estate, etc.) for more than \$1,000 below the their fair market value (FMV). Those amounts* are included above and equal to a total of: \$ _____ (*the difference FMV and the amount received, for each asset on which this occurred).
- 3 I/ we have not sold or given away asset (including cash, real estate, etc.) for less than fair market value during the past two (2) years.
- 4 I/ we do not have any assets at the time.

The net family assets(as defined in 24 CFR 813.1020 above do not exceed \$ 5,000 and the annual income from the net family assets is \$. _____ This amount is included in total gross annual income.

Under penalty of perjury, I/ we certify that the information presented in this certification is true and accurate to the best of my/our knowledge the undersigned further understand(s) that providing false representaion herein constitus an act of fraud. False misleading or incomplete information may result in the termination of a lease agreement.

Applicant/Tenant

Date

Applicant/Tenant

Date

PRHFA-06 (Rev 2-07)

**INCOME VERIFICATION
FOR TENANTS WITH SECTION 8 CERTIFICATES OF VOUCHERS**

TO:

FROM:

_____ has applied for residency in/is a resident of unit _____ of _____, a low income housing tax credit development. As part of our processing, we must obtain verification of households anticipated gross annual income.

Number occupants: _____

Number bedrooms: _____

Move-in

Re-certification

Permission by: _____

(Applicant Signature)

(Date)

Under Section 42(g) of the Internal Revenue Code (as amended) and the Low Income Housing Tax Credit Program, the anticipated gross annual household income for the above referenced household cannot exceed \$ _____, the applicable income limit for this unit. The applicant has reported an anticipated annual household income \$ _____.

Please complete the section below and return this from in the enclosed self-addressed, stamped envelope or fax it back to my office at _____. Thank you in advance for your prompt attention.

Sincerely, _____

Apartment Manager

The following is to be completed by the public housing authority:

The combined anticipated gross annual household income of the tenants in the above referenced unit does not exceed the applicable income limit under section 42(g) of the Internal Revenue Code, as amended.

Anticipated Gross Annual Income stated above _____ agree/ _____ Does not agree with our record.

(Signature)

(Date)

(Phone #)

(Printed Name)

(Title)

The Low Income Housing Tax Credit Program is a Federal low-income rental housing program governed by the Internal Revenue Service. Section 42 of the Internal Revenue Code requires owners to determine annually the income eligibility of all tenants occupying tax credit units.

PRHFA-07 (Rev 2-07)

**PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
ALTERNATE CERTIFICATION**

**** To be used only by 100% Tax Credit and Bond Projects ****

Property: _____ Unit Number: _____
Move-in Date: _____ Effective Date: _____

I. HOUSEHOLD COMPOSITION

List all occupants of the unit and indicate if full-time student:

Occupant (s)	Birth date	Full Time Student (Y/N)
		-
		-
		-
		-
		-
		-

Are any of the above Adult occupants original members of the household? Yes No

Date additional member was added to the household composition: _____

Total household income combined exceeds 140% Yes No

% Set Aside: _____ Gross Household Income: _____ Current Income Limits: _____

II. RENT

Tenant Paid Rent: _____ Utility Allowance: _____ Gross Rent: _____
Rent Assistance: _____ Gross Rent Limit for this unit: _____ Last Rent Change Date: _____

III. FULL TIME STUDENTS EXCEPTIONS

Answer only if all members are full-time students: (Definition of student: Anyone who has been or will be a full-time student at an educational institution with regular facilities and students during 5 months of the year this Certification is completed.)

If yes, are the students married and filing a joint tax return?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, does the household receive Temporary Assistance to Needy Families (TANF)?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, is the household comprised of a single parent & child(ren) none of whom are dependents of a third party?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, are the students enrolled in a job training program under the Job Training Partnership Act?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Full-time student formerly in foster care.	Yes <input type="checkbox"/> No <input type="checkbox"/>

Resident's Statement: The information on this form will be used to determine my eligibility for residence. I/we agree to notify the landlord immediately upon any of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

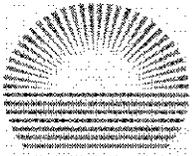
Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature of all adult household members:

_____ Date: _____
_____ Date: _____
_____ Date: _____
_____ Date: _____

Project Sponsor's Statement: Based on the representations herein and upon the proofs and documentation required to be submitted, the individual (s) named in part I of this Alternate Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land use restriction Agreement (if applicable), to live a unit in this project.

Management Representative: _____



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

P.O. Box 71361 San Juan, Puerto Rico 00936-8461



ANNEX P

**QUALIFIED ALLOCATION
PLAN 2012**

REV.
DEC 2011

PUERTO RICO HOUSING FINANCE AUTHORITY

**QUALIFIED CONTRACT PROCESS
2012**

Qualified Contract

The qualified contract (QC) is an offer to acquire the tax credit property for a defined price to assure continued affordability restrictions. IRS regulations determine that if the Authority is unable to present an agreement for a QC price, the extended use period can be terminated. A QC may be requested at any point after the fourteenth (14th) year of the compliance period.

The terms, conditions, and procedures contained in this Process (**Process**) will allow the Authority to administer QC requests from property owners (**Owner**) who intend to make a request under IRS Code Section 42(h)(6)(E)(i)(II) (**QC Request**) to produce a QC.

Initial Eligibility

The Authority will require an initial application (**Initial Application**) to determine eligibility, before an Owner may submit a QC Request. The IP will not bind Owners to submit a QC Request and does not start the one year threshold (**OYT**). The Authority will accept IPs at any time during the year. Upon receipt of the IP, the Authority will determine if the property is eligible for consideration.

Information submitted in the IP shall include at a minimum:

1. Documented ownership of all properties, including address and other pertinent property information (**Attachment 1**).
2. copy of Tax Credit (**Tax Credits or LIHTC**) documents, including:
 - a. first year 8609s for all buildings in the Project;
 - b. all loan and regulatory agreements, including LURA (documents submitted should include original, current, and any amendments);
3. Owner certification that all necessary documentation, defined in the list below, is available and that all other purchase options will be waived;
4. non-refundable preliminary application fee; and
5. Owner certification and documentation of release of existing purchase options.

Evaluation

Eligibility to request a QC will be based on previous commitments and actions of the Owner, and compliance with regulatory requirements on the property. Properties will be eligible to submit a QC Request if:

1. The property has completed the initial 15-year compliance. Dates for determining compliance with the initial 15 years are:
 - a. the last day of the 14th year of the compliance period of the last building placed in service, or
 - b. the last day of the 14th year of the last allocation of a multiple year allocation to the same property.

2. There exists no waiver of rights to a QC in the LURA.
3. The property is not subject to affordability and regulatory restrictions based on financing and rental subsidies received on the property other than the Section 42 LIHTC financing (*i.e.*, HOME, Sec. 8, etc).
4. The property complies with financial, audit, and compliance requirements under LIHTC and other financing resources.
5. The property is not subject to existing purchase options, including a non-profit general partner's right of first refusal. Owners must obtain a full waiver of existing purchase options and rights of first refusal in order to make an eligible QC Request.

Eligibility Determination

The Authority will notify the Owner upon completion of the pre-application eligibility review, indicating whether the property is eligible or not to make a QC Request.

If a project is deemed eligible for a QC, the Owner will receive a notification letter and application packet. The Authority must receive a non-refundable review and processing fee to begin the QC Request review. The QC Request from an Owner will be accepted at any time during the calendar year.

The QC Request must include:

1. QC Request letter (**Attachment 2**) where the Owner certifies that:
 - a. has reviewed all due diligence materials used in the calculation of the QC worksheets and that they are **solely responsible** for documents and information used in the calculation of the QC Price (QCP) (worksheets A-E in Appendix), using the procedures set forth in Section 42(h)(6)(F) of the Internal Revenue Code. The Owner will sign a statement verifying the accuracy of the assumptions used in the computation of the QCP and will hold the Authority harmless in the use of the development information;
 - b. will reasonably cooperate with the Authority in all aspects related to the sale of the property.
2. **The Application Packet**, containing:
 - a. First year 8609s for all buildings in the Project.
 - b. Completed worksheets A through E. An independent certified public accountant must certify all computations.

- c. Annual partnership tax returns for all years of operation since the start of the compliance period.
- d. Annual property audited financial statements for all years.
- e. Loan documents for all secured debt during the compliance period (original, current, and any interim amendments).
- f. Partnership agreement (original, current and all interim amendments).
- g. Current and complete rent-roll.
- h. A narrative description of the project, including amenities.
- i. Sales prospectus (applicable if property is currently being offered for sale.)
- j. Physical needs assessment for the entire property.
- k. Phase I environmental (Phase II analysis, if conditions from the Phase I analysis determine a Phase II is necessary).
- l. Appraisal for the property.
- m. Market study for the property.
- n. Current title report.

Owners will incur all costs associated with necessary third party reports. Should third party costs exceed the Owner's initial deposit, the Authority will request additional funds. If the Owner is unable to contribute necessary funds, the OYT will be suspended, and the Authority may halt processing or terminate a QC Request.

The non-refundable QC fees are:

1. Preliminary application: \$1,000.
2. QC Request: \$4,000. It must be submitted when the QC Request Letter is presented to the Authority.

The Authority may revise fees as necessary to insure the cover the Authority's corresponding expenses.

The OYT shall begin when the Authority receives a complete QC Request package including all of the above items. The OYT will be delayed or suspended pending receipt of all applicable items.

Review Process

1. After *all* documents are received the Authority will notify the Owner and start the OYT.
2. The Authority will verify the QC calculations and supporting documentation to determine the viability of extending a QC offer.
3. The Authority will conduct the following notice of LIHTC properties seeking QCP:
 - a. The Authority will post on its website a listing of properties, with property information, determined eligible to submit a QC.
 - b. The Authority will provide information on properties, with property information, for which a completed QC Request has been received. Information may be forwarded to:
 - i. Posted on the Authority website.
 - ii. Current owners of Authority portfolio and LIHTC properties.
 - iii. Interested affordable housing preservation organizations and stakeholders.

Presenting a QC

Under IRS (42(h)(6)(E)(i)(II), the Authority's obligation is to present to the Owner a bona fide contract to acquire the property for the QCP (**Contract**). Once the QCP is affirmed, and a prospective buyer is identified, and the Authority has determined to pursue this course of action, the Authority will present a Contract to the Owner. If the Authority presents a Contract (regardless if the Owner accepts it or not), the possibility of terminating the extended use period is removed, and the property remains bound to the provisions in the LURA. Should the Owner choose to accept the Contract, the buyer will be responsible for adhering to the provisions in the LURA.

If the Owner does not accept the Contract, the property will remain under the existing affordability restrictions. There is no requirement in the IRS Code that the prospective buyer purchase the property. Whether or not the seller executes a contract and closes the transaction is a separate, legally unrelated matter.

Three-Year Eligibility for Existing Tenants

If the Authority does not present a Contract prior to the expiration of the OYT (or a longer period as the Owner may agree to in writing) the Project may be released from the LURA's requirements.

However, the Project will be subject to the requirements of Section 42(h)(6)(E)(ii) for a three-year period beginning at the end of the compliance period where the Owner may not:

1. evict or terminate a tenancy (other than for good cause) of an existing tenant of any low income unit; or

2. increase the gross rent with respect to any low-income unit except as permitted under Section 42 of the Code, as well as the requirements of the regulatory agreement.

Requirements

Qualified Contract Price: The Authority will resolve every case of doubt or interpretation in determining the QCP, both with regard to the overall process and for particular properties, in favor of a lower value.

QC Process Amendments: The Authority may add to or amend the Process with at least 30 days notice on the website and to Owners engaged in the QC Process.

Disqualification of QC Request:

1. Owners may cancel the QC Request at anytime during the Process. However the Authority may determine that an Owner cannot submit another request.
2. The Authority must have continuous cooperation from the Owner respecting all aspects of property information, financial statements, and tax returns. Lack of cooperation will cause the Process to terminate.
3. Should the Authority receive notification of IRS's investigation or audit regarding the tax credit property at any time during the QC Request, the OYT will be suspended and the Process will stop until the audit or investigation is complete.
4. Default or material noncompliance with Section 42 will result in suspension of the review until the Authority can respond.

In the event of a suspension due to noncompliance or audit, the property must operate under the LURA.

ATTACHMENT 1: Initial Application

Please complete the preliminary application forms and return forms and documentation, a multifamily fee payment form (available for download at www.bgfpr.com/principalsubsidiaries/housing-finance-authority) and a check for the application fee to:

**Puerto Rico Housing Finance Authority
Attn: Multifamily Housing Finance and Development Dept.
P.O. Box 71361
San Juan, Puerto Rico 00936-8461**

Owner:

Taxpayer Identification #

Project Name:

PRHFA Project ID #:

Property Address:

Date of Allocation:

1. Owner/ General Partner(s) Contact Information:

Entity Name

Address

Principal

Fax

Email

Entity Name

Address

Principal

Fax

Email

ATTACHMENT 2: Qualified Contract Request letter

Puerto Rico Housing Finance Authority
Attn: Multifamily Housing Finance and Development Dept.
P.O. Box 71361
San Juan, Puerto Rico 00936-8461

Re: **Qualified Contract Request Letter**
Property Name:
Tax Credit Number:
Address:

Dear :

I hereby request that the Puerto Rico Housing Finance Authority (PRHFA) present a Qualified Contract (QC) for the purchase of [Property Name]. This request is made pursuant to Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code (Code). We understand that PRHFA will have one year from its receipt of this letter and all of the accompanying information described below, to present a QC to purchase the Project.

We have enclosed:

1. First year 8609s for all buildings in the Project.
2. Worksheets A -E. Completed, or reviewed and approved, by the accountant for the Project, [Accountant's Name].
3. Annual tax returns for all years of operation since the start of the compliance period.
4. Annual property financial statements for all years.
5. Loan documents for all secured debt during the compliance period (original, current, and any interim amendments).
6. Partnership agreement (original, current and all interim amendments).
7. Current and complete rent-roll.
8. A narrative description of the Project, including amenities.
9. Sales prospectus (applicable if property is currently being offered for sale).

We understand that the one-year period allowed for offering a QC will not begin until all information is received and PRHFA deems it satisfactory.

We also understand that the above information may be shared with prospective purchasers, real estate brokers and agents of PRHFA and summary data may be posted on PRHFA's website.

We will reasonably cooperate with PRHFA and its agents with respect to PRHFA's efforts to present a QC for the purchase of the Project. In this regard, we understand that prior to the presentation of a QC, we may need to share Project due diligence with PRHFA and with prospective purchasers, including but not limited to, additional rent rolls, Project tax returns, income certifications and other Section 42 compliance records, records with respect to repair and maintenance of the Project, operating expenses and debt service. Provided, before information is shared with a prospective purchaser, we may require that it enter into a commercially reasonable form of nondisclosure agreement.

We will also share with PRHFA, at its request, the documents and other information that were used to prepare the enclosed calculation of QCP, including Worksheets A – E. We also agree to allow PRHFA, its agents, and prospective purchasers, upon reasonable prior written notice, to visit and inspect the Project, including representative units.

We also understand that if PRHFA finds a prospective purchaser willing to present an offer to purchase the Project for an amount equal to or greater than the QCP, we agree to enter into a commercially reasonable form of earnest money agreement or other contract of sale for the Project which will allow the prospective purchaser a reasonable period of time to undertake additional, customary due diligence prior to closing the purchase.

Sincerely,

Owner

Attachment

ATTACHMENT 3: Qualified Contract Price

Before the Authority can begin review of a QCP and begin marketing the project you must complete the QCP Form attached to these instructions (QCP Form). This calculation shall establish the minimum price at which the Authority can market the Project and present an offer for its purchase.

To fill out the QCP Form, you must complete Worksheets A through E, where applicable. The results of Worksheets A through E are transferred to the QCP Form to determine the QCP.

The QCP Form is derived from Section 42(h)(6)(F) of the Code. The statutory formula divides the purchase price between the low and non low-income portion of the Project, if any. The QCP for the low-income portion of the Project equals the applicable fraction of the Project indebtedness (Worksheet A), adjusted investor equity (Worksheet B), and other capital contribution (Worksheet C), reduced by the total cash distributions from, or available for distribution, from the Project (Worksheet D). If the Project has any market rate units or commercial space the QCP is increased by the fair market value of those units (Worksheet E).

The OYT for finding a buyer shall NOT commence until the QCP Form, and Exhibits A through E, are complete and delivered to the Authority with the pre-application, QC Request, all support documents requested, all charges paid to the Authority and third party contractors and a QC Request letter. An independent certified public accountant from an accredited accounting firm must prepare and certify the QCP Form.

QUALIFIED CONTRACT PRICE

A. Low-Income Portion of Payment

- i. Outstanding Indebtedness secured by, or with Respect to the Building (Worksheet A) \$ _____
- ii. Adjusted Investor Equity (Worksheet B) \$ _____
- iii. Other Capital Contributions not reflected in i or ii (Worksheet C) \$ _____
- iv. **TOTAL of i, ii, iii** \$ _____
- v. Cash Distributions from or available from, the Project (Worksheet D) \$ _____
- vi. **LINE iv LESS LINE v** \$ _____
- vii. Applicable fraction (LURA) _____ %
- viii. Low-Income Portion of QC Price [Line (vi) multiplied by Line (vii)] \$ _____

B. Fair Market Value of Non Low-Income Portion Of Building(s) (Worksheet E) \$ _____

C. Qualified Contract Price [Line A (viii) PLUS Line B] \$ _____

WORKSHEET A

Outstanding Indebtedness

1. Mortgage Loans:

- i. Lender
- ii. Principal Balance \$ _____
- iii. Accrued Interest \$ _____
- iv. Maturity Date:
- v. Other Information:

SUBTOTAL \$ _____

2. Other Loans/Indebtedness:

- i. Lender
- ii. Principal Balance \$ _____
- iii. Accrued Interest \$ _____
- iv. Maturity Date:
- v. Other Information:

SUBTOTAL \$ _____

TOTAL \$ _____

WORKSHEET B

Adjusted Investor Equity

Adjusted Investor Equity (AIE) is the aggregate amount of cash that taxpayers invested with respect to the low-income buildings, increased by the applicable cost-of-living adjustment.

Not all capital contributions with respect to the Project qualify as AIE. Cash invested in the Project should be included in Worksheet B only if:

1. cash is contributed as a capital contribution and not as a loan or advance; and
2. the amount
3. amount is reflected in the adjusted basis of the Project (cash contributions used to directly fund adjusted basis and cash contributions used to pay off a construction or bridge loan, the proceeds of which directly funded adjusted basis); and
4. there was an obligation to invest the amount as of the beginning of the credit period (cash invested before the beginning of the credit period and cash invested after the beginning of the credit period for which there was an obligation to invest at the beginning of the credit period).

BCY: calendar year with or within which the first taxable year of the credit period ends.

Subsections (ii) and (iii): lower of the Consumer Price Index (CPI) figures or 5% for applicable years.

Adjusted Investor Equity

- i. BCY: _____
- ii. Average CPI figure for the most recent 12-month period ending in ____: _____
- iii. Average CPI figure for 12-month period ending in ____ of the BCY: _____
- iv. Cost-of-living adjustment [Divide ii by iii] _____
- v. Investment Amount \$ _____

Total Adjusted Investor Equity [Multiply v by iv]: \$ _____

If the AIE differs from the equity amount used in the Project's Final Cost Certification, explain the difference.

WORKSHEET C

Other Capital Contributions

Not limited to cash and, therefore, include "in-kind" contributions such as land. However, if you include any non-cash contributions in this worksheet, please describe in detail the type of contribution, the value you have assigned to the contribution, and your justification for assigning that value.

Do not include in this Worksheet C any amounts included in Worksheets A or B. Further, all amounts included in this worksheet must constitute contributed capital and not be debt or advance.

1. Investment Amount \$ _____

- i. Name of Investor: _____
- ii. Date of Investment: _____
- iii. Use of Contributions/ Proceeds: _____

- iv. Other Information: _____

2. Investment Amount \$ _____

- i. Name of Investor: _____
- ii. Date of Investment: _____
- iii. Use of Contributions/ Proceeds: _____

- iv. Other Information: _____

3. [Add as needed.]

TOTAL (1 - _____) \$ _____

WORKSHEET D

Cash Distributions from or available from the Project

The QCP is reduced by the total of all cash distributions from, or available from, the Project.

In Section A, set forth all cash distributions with respect to the Project beginning with the BCY through the date of the completion of Worksheet D. This shall include all cash payments and distributions from net operating income. Distributions set forth in Section A shall include, but not be limited to amounts paid to partners or affiliates as fees and those distributed to partners as a return of capital or otherwise.

A. Cash Distributed

- 1. BCY Distributions
 - i. Total Distributions \$ _____
 - ii. Recipient _____
 - iii. Type (e.g., return of capital, fee, etc.) _____

- 2. BCY+1 Distributions
 - i. Total Distributions \$ _____
 - ii. Recipient _____
 - iii. Type (e.g., return of capital, fee, etc.) _____

- 3. BCY+ through 13 Distributions
 - i. Total Distributions \$ _____
 - ii. Recipient _____
 - iii. Type (e.g., return of capital, fee, etc.) _____

Total BCY through BCY+13 Distributions (Sum of Lines 1(i) - 14(i)) \$ _____

B. Cash Available for Distribution:

- 1. Replacement Reserve Account(s) \$ _____
 - a. Available for Distribution \$ _____

- 2. Operating Reserve Account(s) \$ _____
 - a. Available for Distribution \$ _____

- 3. Other Reserve Accounts (identify account, terms) \$ _____
 - a. Available for Distribution \$ _____

- 4. Partnership Accounts Other than Reserves \$ _____
 - a. Available for Distribution \$ _____

Total Available for Distribution
(Sum of Lines 1a- 4a) \$ _____

Total Cash Distributed and Available for Distribution
(Sum of Sections A and B) \$ _____

C. All Non-Cash Distributions:

1. Asset Distributed
Recipient
Date of Distribution
Estimated Value of Asset at time of Distribution \$ _____
Valuation Method
Reason for/ or Characterization of Distribution

2. Asset Distributed
Recipient
Date of Distribution
Estimated Value of Asset at time of Distribution \$ _____
Valuation Method
Reason for/ or Characterization of Distribution

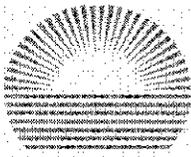
TOTAL VALUE OF ASSETS AVAILABLE FOR DISTRIBUTION \$ _____

TOTAL AVAILABLE FOR DISTRIBUTION (CASH + ASSETS) \$ _____

WORKSHEET E

Fair Market Value on Non-Low-Income Portion of Building(s)

Fair market value of the non-low income portion of the Project is \$_____.



GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

P.O. Box 71361 San Juan, Puerto Rico 00936-8461



ANNEX Q

**QUALIFIED ALLOCATION
PLAN 2012**

REV
DEC 2011

ANNEX Q: GLOSSARY

ACCEPTED UNITS: (AS. NOTED ON THE LIHTC QUARTERLY STATUS REPORT) (FORM TC-92 CM1). UNITS FOR WHICH CERTIFICATES OF OCCUPANCY HAVE BEEN ISSUED.

AGENCY: PUERTO RICO HOUSING FINANCE AUTHORITY, AS DESIGNATED STATE CREDIT AGENCY FOR THE COMMONWEALTH OF PUERTO RICO.

ANNUAL INCOME: TOTAL INCOME ANTICIPATED TO BE RECEIVED BY A TENANT FROM ALL SOURCES INCLUDING ASSETS FOR THE COMING YEAR.

ANNUAL HOUSEHOLD INCOME: A REVIEW OF ALL PERSONS WHO INTEND TO PERMANENTLY RESIDE IN A UNIT. THE ANNUAL INCOME IS DEFINED AS INCOME AS OF THE DATE OF OCCUPANCY FOR THE COMING YEAR.

ANNUAL MANAGEMENT REVIEW: A REVIEW OF A PROJECT MADE ANNUALLY BY THE AGENCY, WHICH INCLUDES AN EXAMINATION OF RECORDS, A REVIEW OF OPERATING PROCEDURES, AND A VISUAL INSPECTION OF THE PROJECT.

APPLICATION: FORM COMPLETED BY A PERSON OR FAMILY SEEKING RENTAL OF A UNIT IN A PROJECT. AN APPLICATION SHOULD BE IN A FORM APPROVED BY THE AGENCY AND SHOULD SOLICIT SUFFICIENT INFORMATION SO AS TO DETERMINE THE APPLICANT'S ELIGIBILITY AND COMPLIANCE WITH FEDERAL AND AGENCY GUIDELINES.

ASSETS: ITEMS OF VALUE, OTHER THAN NECESSARY PERSONAL ITEMS, WHICH ARE CONSIDERED IN DETERMINING THE ELIGIBILITY OF A HOUSEHOLD.

ASSET INCOME: THE AMOUNT OF MONEY RECEIVED BY A HOUSEHOLD FROM ITEMS OF VALUE AS DEFINED.

AWARD OR BENEFIT LETTER: NOTIFICATION OF INCOME FORM, WHICH IS COMPLETED BY THE AGENCY OR COMPANY PROVIDING BENEFITS TO TENANTS. SUCH INCOME WOULD INCLUDE SOCIAL SECURITY, PENSION, SUPPLEMENTARY SECURITY INCOME (SSI) OR DISABILITY INCOME.

CERTIFICATION YEAR: THE 12-MONTH PERIOD BEGINNING ON THE DATE THE UNIT IS FIRST OCCUPIED AND EACH 12-MONTH PERIOD COMMENCING ON THE SAME DATE THEREAFTER.

COMPLETION CERTIFICATE: THE DEVELOPER'S STATEMENT, FURNISHED TO THE AGENCY THAT THE ACQUISITION AND CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF THE PROJECT HAS BEEN SUBSTANTIALLY COMPLETED.

COMPLETION DATE: THE SPECIFIED DATE ON WHICH A PROJECT IS COMPLETED AS SET FORTH IN THE COMPLETION CERTIFICATE.

COMPLIANCE: THE ACT OF MEETING THE REQUIREMENTS AND CONDITIONS SPECIFIED UNDER THE LAW AND THE LIHTC PROGRAM REQUIREMENTS.

COMPLIANCE TRAINING CONFERENCE: A MEETING HELD BY THE AGENCY OR THE MONITORING AGENT WITH THE OWNER/DEVELOPER AND/OR REPRESENTATIVE AND MANAGEMENT STAFF, IF POSSIBLE, WITHIN 45 DAYS OF RECEIPT OF A FINAL TAX CREDIT ALLOCATION TO REVIEW FEDERAL STATE LAW AGENCY POLICIES AND REPORTING PROCEDURES FOR THE LIHTC PROGRAM.

CURE PERIOD: A REASONABLE TIME AS DETERMINED BY THE AGENCY FOR AN OWNER TO CORRECT ANY VIOLATIONS WHICH HAVE RESULTED IN DEFAULT UNDER THE LAND USE RESTRICTION AGREEMENT.

CURRENT ANTICIPATED INCOME: GROSS INCOME AS OF THE DATE OF OCCUPANCY THAT IS EXPECTED TO BE RECEIVED BY THE TENANT OR TENANTS FOR THE UPCOMING TWELVE MONTHS.

DEVELOPER: ANY INDIVIDUAL, ASSOCIATION, CORPORATION, JOINT VENTURE OR PARTNERSHIP, WHICH IS A SPONSOR OF A LIHTC PROJECT.

DISCREPANCY LETTER: LETTER SENT BY THE AGENCY OR THE COMPLIANCE MONITORING AGENT TO THE PROJECT MANAGER, MANAGEMENT COMPANY AND/OR OWNER/DEVELOPER LISTING ANY DISCREPANCIES NOTED ON A PARTICULAR QUARTERLY STATUS REPORT (FORM TC-92 MC1) AND ANNUAL REPORT, OR AN ANNUAL MANAGEMENT REVIEW.

EARNED INCOME TAX CREDIT: INCOME IN THE FORM OF A TAX CREDIT GIVEN TO FAMILIES WITH BOTH A DEPENDENT AND ANNUAL EMPLOYMENT INCOME OF LESS THAN THE AMOUNT SPECIFIED ON THE EARNED INCOME CREDIT TABLE ISSUED BY THE INTERNAL REVENUE SERVICE. IT IS COUNTED AS INCOME ONLY TO THE EXTENT THAT IT EXCEEDS TAX LIABILITY.

EFFECTIVE TERM OF VERIFICATION: NOT TO EXCEED 120 DAYS. A VERIFICATION IS VALID FOR 90 DAYS, AND MAY BE UPDATED ORALLY FOR AN ADDITIONAL 30 DAYS. VERIFICATION MUST BE WITHIN THE EFFECTIVE TERM AT TIME OF TENANT'S INCOME CERTIFICATION.

ELIGIBLE PERSON: ONE OR MORE PERSONS OR A FAMILY DETERMINED TO BE OF VERY LOW-INCOME.

EMPLOYMENT INCOME: WAGES, SALARIES, TIPS, BONUSES, OVERTIME PAY, OR OTHER COMPENSATION FOR PERSONAL SERVICES FROM A JOB.

EVENT OF NONCOMPLIANCE: OCCURS WHEN THE DEVELOPER FAILS IN THE PERFORMANCE OF COMPLIANCE OBLIGATIONS.

FAIR MARKET VALUE: AN AMOUNT, WHICH REPRESENTS THE TRUE VALUE AT WHICH PROPERTY, WOULD BE SOLD ON THE OPEN MARKET.

GROSS INCOME - SEE ANNUAL HOUSEHOLD INCOME

HOUSEHOLD: THE INDIVIDUAL, FAMILY, OR GROUP OF INDIVIDUALS LIVING TOGETHER AS A UNIT.

IMPUTED INCOME (FROM ASSETS): THE ESTIMATED EARNING POTENTIAL OF ASSETS HELD BY A TENANT USING THE POTENTIAL EARNING RATE ESTABLISHED BY HUD. THE CURRENT RATE IS PROVIDED BY THE AGENCY IN ITS INSTRUCTIONS TO THE INCOME CERTIFICATION.

INCOME CERTIFICATION: DOCUMENT BY WHICH THE TENANT CERTIFIES HIS/HER INCOME, FOR THE PURPOSE OF DETERMINING WHETHER THE TENANT WILL BE OF VERY LOW-INCOME ACCORDING TO THE PROVISIONS OF THE LIHTC PROGRAM.

INCOME LIMITS: MAXIMUM INCOMES AS DEFINED BY THE AGENCY FOR PROJECTS GIVING THE MAXIMUM INCOME LIMITS PER UNIT FOR VERY LOW-INCOME (50% OR 60% OF MEDIAN) UNITS. THESE LIMITS WILL BE ADJUSTED PERIODICALLY BY THE AGENCY BASED ON MEDIAN FIGURES PROVIDED BY HUD.

INELIGIBLE PERSON: ONE OR MORE PERSONS OR A FAMILY WHO APPLY FOR RESIDENCY IN A SET-ASIDE VERY LOW-INCOME UNIT AND WHOSE COMBINED INCOME EXCEEDS THE CHOSEN INCOME LIMITATION (I.E., 50% OR 60% OF MEDIAN) OR SOMEONE LIVING IN A SET-ASIDE UNIT WHO IS NOT CERTIFIED OR UNDER LEASE.

LAND USE RESTRICTIVE COVENANTS AGREEMENT: THE AGREEMENT BETWEEN THE AGENCY AND THE DEVELOPER RESTRICTING THE USE OF THE PROJECT DURING THE TERM OF THE LIHTC COMPLIANCE PERIOD.

LEASE: THE LEGAL AGREEMENT BETWEEN THE TENANT AND THE OWNER WHICH DELINEATES THE TERMS AND CONDITIONS OF THE RENTAL OF A UNIT.

MANAGEMENT COMPANY: A FIRM SELECTED BY THE OWNER/DEVELOPER TO OVERSEE THE OPERATION AND MANAGEMENT OF THE PROJECT AND WHO ACCEPTS COMPLIANCE RESPONSIBILITY.

MANAGEMENT PLAN: PLAN, WHICH DELINEATES POLICIES UNDER WHICH A PROJECT WILL BE MANAGED SUCH AS OCCUPANCY STANDARDS, AND MAINTENANCE PLAN.

MEDIAN INCOME: A DETERMINATION MADE THROUGH STATISTICAL METHODS ESTABLISHING A MIDDLE POINT FOR DETERMINING INCOME LIMITS. MEDIAN IS THE AMOUNT THAT DIVIDES THE DISTRIBUTION INTO TWO EQUAL GROUPS: ONE GROUP HAVING INCOME ABOVE THE MEDIAN AND ONE GROUP HAVING INCOME BELOW THE MEDIAN.

MONITORING AGENT: THE AGENCY OR ITS DESIGNATE RESPONSIBLE FOR MONITORING THE OWNER/DEVELOPER'S COMPLIANCE WITH THE TERMS AND CONDITIONS SPECIFIED UNDER THE LAW AND THE LIHTC PROGRAM.

OWNER/DEVELOPER - SEE DEVELOPER

PERSONAL PROPERTY CONSIDERED AS ASSETS: PROPERTY HELD AS AN INVESTMENT (GEMS, JEWELRY, COIN COLLECTIONS, ANTIQUE CARS). NECESSARY ITEMS (SUCH AS CLOTHING, FURNITURE, CARS, ETC.) ARE NOT CONSIDERED AS ASSETS.

PROJECT: RENTAL HOUSING DEVELOPMENT RECEIVING A LIHTC ALLOCATION.

PRHFA: PUERTO RICO HOUSING FINANCE AUTHORITY (STATE CREDIT AGENCY)

REAL PROPERTY CONSIDERED AS ASSETS: OWNERSHIP IN BUILDINGS OR LAND.

SECTION 8 OF THE U. S. HOUSING ACT OF 1937, AS AMENDED: REGULATIONS USED IN DEFINING AND DETERMINING INCOME AS REQUIRED UNDER SECTION 103(B) (4) (A) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED.

STUDENT - (FOR PURPOSES OF THE INCOME CERTIFICATION): ANY INDIVIDUAL WHO HAS BEEN, OR WILL BE, A FULL-TIME STUDENT AT AN EDUCATIONAL INSTITUTION WITH REGULAR FACILITIES AND STUDENTS, OTHER THAN CORRESPONDENCE SCHOOL, DURING FIVE MONTHS OF THE YEAR.

SUBSTANTIAL REHABILITATION PROJECTS: FOR PURPOSES OF THE LIHTC PROGRAM, PROJECTS IN WHICH THE GREATER OF 10 PERCENT OF THE ADJUSTED BASIS OF THE BUILDING OR \$3,000 PER LOW-INCOME SET-ASIDE UNITS IS EXPENDED FOR REHABILITATION PURPOSES.

TENANT: OCCUPANT OF A UNIT TO WHOM THE UNIT IS LEASED.

TENANT FILES: COMPLETE AND ACCURATE RECORDS PERTAINING TO EACH DWELLING UNIT, CONTAINING THE APPLICATION FOR EACH TENANT, VERIFICATION OF INCOME OF EACH TENANT, INFORMATION AS TO ASSETS, AN INCOME CERTIFICATION, AND LEASE. ANY AUTHORIZED REPRESENTATIVE OF THE AGENCY, THE COMPLIANCE MONITORING AGENT, THE DEPARTMENT OF TREASURY OR THE INTERNAL REVENUE SERVICE MAY BE PERMITTED ACCESS TO THESE FILES.

VERIFICATION: INFORMATION FROM A THIRD PARTY WHICH IS COLLECTED IN ORDER TO CORROBORATE THE ACCURACY OF INFORMATION CONCERNING INCOME PROVIDED BY APPLICANTS TO A PROJECT.

VERIFICATION REQUEST FORM: THE FORM USED BY MANAGEMENT TO REQUEST VERIFICATIONS OF INCOME FROM THE SOURCE OF THE INCOME. THE FORM MUST STATE THE PURPOSE OF THE REQUEST, INCLUDE A RELEASE STATEMENT BY THE APPLICANT, AND REQUEST THE FREQUENCY AND AMOUNT OF PAY.

*SOURCE: HOUSING TAX CREDITS 1991: STATE AGENCY ADMINISTRATION AND THE PRIVATE AND NON-PROFIT SECTORS, PART VI, "STATE AGENCY MONITORING", PAGES VI-13, THRU VI-16, MARCH 20-21, 1991.