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PUERTO RICO HOUSING FINANCE CORPORATION
A Subsidiary of the Government Development Bank
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Núm. 4955
Fecha August 20, 1993 10:52 A.M.
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Secretario de Estado
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Secretaria Auxiliar de Estado

LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN FOR THE COMMONWEALTH OF PUERTO RICO

REV.
JUNE 1993

LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

TABLE OF CONTENTS

4955

Contents			Page
FOREWORD			iv
I.	LEGISLATIVE REQUIREMENTS FOR THE STATE ALLOCATION PLAN AND PROGRAM STATUS		1
II.	INTERNAL REVENUE CODE (IRC) REQUIREMENTS		1
III.	HOUSING NEEDS ASSESSMENT		3
IV.	ESTABLISHMENT OF HOUSING PRIORITIES		5
V.	PROJECT SELECTION CRITERIA		6
	A.	Initial Submission - Basic Qualification	6
	B.	Evaluation Criteria	8
	C.	Evaluation System	10
		1. Evaluation Factors	10
		2. Intermediary Costs	10
	D.	Financial Analysis	11
	E.	Notification to Local Chief	12
	F.	Lowest Income Tenants and Serving the Tenants During the Longest Terms	12
	G.	Selection Criteria	13
		1. Description of Items	13
		a. Intermediary Costs	13
		b. Project Location	14
		c. Project Characteristics	15
		d. Housing Needs Characteristics	15
		e. Sponsor/Owner Characteristics	15
		f. Financing Characteristics	16
		g. Tenant Population with Special Housing Needs	16
		h. Public Housing Waiting Lists	16

LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

TABLE OF CONTENTS
(Cont'd)

Contents		Page
	2. Point Ranking System	16
	a. Intermediary Costs	16
	b. Project Location	17
	c. Project Characteristics	18
	d. Housing Needs Characteristics	19
	e. Sponsor/Owner Characteristics	19
	f. Financing Characteristics	20
	g. Use of Syndication Proceeds	20
H.	Returned Credits	20
VI.	APPLICATION CYCLES	21
VII.	TAX EXEMPT FINANCED PROJECTS NOT SUBJECT TO STATE VOLUME CAP	22
VIII.	PROCEDURE FOR NOTIFICATION TO IRS OF NONCOMPLIANCE	22
IX.	FEES	23
X.	LIMITATIONS	24
ANNEX:		
A	Tables - Housing Needs in Puerto Rico	26
B	Compliance Monitoring Plan	27

FOREWORD

Created in the Tax Reform Act of 1986, the low income housing tax credit provides an incentive for investors to develop and own low-income housing, targeted to increase the number of available rental units for very low income families. A 10-year tax credit is available for each unit set-aside for low income use as long as a specific proportion of units in a building or project are occupied by eligible households. The rents charged on the set-aside units are restricted and the units must be occupied by eligible households for 15 years.

The Program is administered by the Puerto Rico Housing Finance Corporation, as the State Credit Agency (the Agency).

The Allocation Plan is hereby reviewed, taking into consideration the Agency's experience from 1990 through 1992 in the allocation process. The proposed changes are summarized as follows:

1. Section II - Housing Needs Assessment:

   The data used to review the housing needs is based on the US Census of Housing 1990 and tables on the "Housing Needs by Municipality 1995" prepared by the Commonwealth Department of Housing and utilized in the PR Comprehensive Housing Affordability Strategy (CHAS) Annual Plan 1992 - 1993.

   The updated tables, entitled "Housing Needs in Puerto Rico", are included hereto as Annex A.

2. Section V - Application Cycles:

The application cycles were changed from six to four, ending as of March 15, June 15 and September 15, with an additional cycle ending on November 15, if tax credits funding is available. The time frame for submission of applications will be through the end of each cycle. Applications returned for completion will be considered during the cycle when they are actually completed. These cycles may be changed with prior notification in one (1) newspaper of general circulation.

3. Section VII - Fees:

The application fee will remain at 1% of the yearly requested amount and will be non-refundable.

The allocation fee will be 1% of the total amount allocated for the ten years.

The monitoring fee will be one half of 1% of each year's allocated amount. This amount will be due and payable as of January 31 of each year during the compliance period.

4. Set-aside Provisions for FmHA 515 Projects:

The set-aside provisions for FmHA 515 Projects are being deleted.

5. Compliance with Section 42 of Internal Revenue Code (IRC):

The 1992 Compliance Monitoring Plan was reviewed following final regulations published by the Internal Revenue Service on September 2, 1992 (26 CFR Parts 1 and 602) concerning Section 42 of the IRC. The Compliance Monitoring Plan is included and made a part of the Allocation Plan as Annex B.

The Tax Credit Program was curtailed as of June 30, 1992, pending the approval of new legislation; however, the Agency received authorization to use the 1991 remaining tax credit balance through December 31, 1992. We are expecting the approval of the new legislation extending the Program, at which time the Allocation Plan, as approved, will be implemented. As of to date we can only allocate the remaining balance for 1992 of approximately $1,546,624.00 (IRS Advance Revenue Ruling 93-18, February 18, 1993).

PUERTO RICO HOUSING FINANCE CORPORATION
A Subsidiary of the Government Development Bank
for Puerto Rico
State Credit Agency

4955

LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN FOR THE COMMONWEALTH OF PUERTO RICO

I. Legislative Requirements for the State Allocation Plan

The Omnibus Budget Reconciliation Act of 1989, which extended the Low Income Housing Tax Credit through December 31, 1990, mandated that the housing credit agencies adopt plans for the allocation of the credits among the projects. The Allocation Plan must be approved by the Governor after the public has had the opportunity to comment through a public hearing.

The guidelines and requirements set forth in this Plan will be utilized in the processing of new applications for the program.

II. Internal Revenue Code (IRC) Requirements

The Internal Revenue Code, in its Section 42 (m)(1)(B), requires that in the Allocation Plan the housing credit agency, which in the Commonwealth of Puerto Rico is the Puerto Rico Housing Finance Corporation (the Corporation), shall:

A. Set forth the selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions;

B. Give the highest priority to those projects where the highest percentage of the housing credit dollar amount is to be used for project costs other than the cost of intermediaries, unless granting such priority would impede the development of projects in hard to develop areas;

C. Give preference in allocating housing credit dollar amounts among the selected projects to:

   1. Projects serving the lowest income tenants, and
   2. Projects obligated to serve qualified tenants for the longest periods;

D. Provide a procedure that the Agency will follow in notifying the Internal Revenue Service of non compliance with the provisions of the tax credit program, if any.

E. Also, the Internal Revenue Code requires in Section 42 (m)(1)(c) that certain selection criteria be included in the plan, such as:

   1. Project location,
   2. Housing needs characteristics,
   3. Project characteristics,
   4. Sponsor characteristics,
   5. Participation of local tax exempt organizations,

6. Tenant populations with special housing needs, and

7. Public housing waiting lists.

Every project, including those financed with tax exempt bonds issued after December 31, 1989, shall satisfy the requirements for allocation of a housing credit dollar amount under the Agency's Allocation Plan.

III. Housing Needs Assessment

In reviewing the Allocation Plan, the Agency utilized the tables from the 1990 US Census of Housing, as well as the assessment of the housing needs around the Island performed by the Department of Housing of the Commonwealth of Puerto Rico, and their publication "Vivienda: Metas, Objetivos y Programas", of August 1990. The Department of Housing used these sources to prepare the Comprehensive Housing Affordability Strategy (the CHAS) for 1992-1996 and the PR CHAS Annual Plan for 1992-1993. The CHAS is a requirement of the U. S. Department of Housing and Urban Development, established in the National Housing Act of 1990.

The CHAS prepared by the Department of Housing analyzes the Island's housing needs based on three main factors: population characteristics, nonrehabilitable housing and housing to replace units dropped from the inventory. Based on these three major components, the Department of Housing of Puerto Rico assessed the Island's housing needs. We summarize those needs as follows:

A. The population of Puerto Rico is aging. It has been estimated that the population under 34 years of age has decreased and the population over 64 years of age or older has maintained a stable growth pattern.

B. The Puerto Rican family unit has changed its composition; the number of members per family unit has diminished. Projections by the Department of Housing show that the trend will continue.

C. During the past five decades, urban housing grew in 49% and rural housing only had 36% growth during the same period.

D. There is an inadequate supply of affordable rental housing across the island with this problem being relatively more severe in some areas identified in Annex A, "Housing Needs in Puerto Rico".

E. It is estimated that currently there is a need in Puerto Rico for additional housing for:

1. Female victims of domestic violence in urban and rural areas;
2. Abused children, children abandoned by their parents, children with AIDS;
3. Homeless;
4. Elderly persons;
5. AIDS patients.

F. According to the U. S. Census, about 176,503 units or 17% were estimated to be inadequate in 1990, of which 114,091 are rehabilitable and 62,412 are not rehabilitable. 1/

G. There is a large inventory of housing units that have been repossessed by the government and in need of rehabilitation.

IV. Establishment of Housing Priorities

In recognition of the housing needs identified above, the Agency has established the following priorities:

A. The development of projects which add new units to the rental housing stock affordable for low income households, especially those with special needs, like:

1. Elderly
2. Handicapped
3. Homeless
4. Female head of family;

B. The development of projects which add a larger proportion of units with two and three bedrooms;

C. The development of projects in areas with the greatest need, as defined in Annex A, "Housing Needs in Puerto Rico";

1/ Source: Commonwealth Department of Housing, "Vivienda: Metas, Objetivos y Programas", August 1990, Table 2, "Total de vivienda y vivienda no adecuada por años censales", p. 25.

D. The involvement of tax exempt organizations under Section 501(a) and (c) of the Internal Revenue Code in the development of low income housing projects;

E. Innovative approaches to provide low income housing, including planning, building, financing, and the most efficient use of other public funding provided or to be provided to develop low income housing;

F. The development of projects in which the highest percentage of the housing credit dollar amount is used for costs other than the cost of intermediaries;

G. The rehabilitation of properties owned by the government as a result of foreclosure procedures which are actually abandoned and vandalized; and

H. Project developments which are placed in service during the same calendar year in which the application for credits is submitted.

The purpose of this Allocation Plan is to use the Low Income Housing Tax Credits to the fullest extent possible as a tool for the creation and maintenance of housing for low and very low income households through the achievement of the above stated priorities.

V. Project Selection Criteria

A. Initial Submission - Basic Qualifications

To be considered for a reservation of tax credit an applicant must first submit a complete application, including full payment of fees and demonstrate that the project meets the following initial qualifications:

1. The project is or will be a qualified residential rental project which meets the basic occupancy and rent restrictions of Section 42 of the Internal Revenue Code of 1986, as amended, evidenced through the Owners' Certification, the Accountant's Opinion and the Attorney's Opinion.
2. The readiness to proceed as demonstrated through the following information and/or documents:
   a. Evidence of site control
   b. Evidence of zoning approval
   c. Evidence of utilities at the site
   d. Conditional or firm financing commitment
   e. Development team in place: architect, general contractor, management agent, and copy of the contracts and management agreement
   f. Schematic drawings and outline specifications
   g. Cost breakdown signed by contractor
   h. The availability of private equity evidenced through a commitment letter from a syndication firm.
   i. Original of Accountant's Opinion and Attorney's Opinion.
   j. Land Use Restrictive Covenant Agreement.
   k. Certificate of Special Partnership (In USA and PR Dept. of State).
   l. Referral Agreement with PHA, if applicable.

3. The Owners must also demonstrate their intent to enter into an extended low income housing commitment with the Agency for a minimum of 15 years beyond the initial 15-year compliance period as provided in section 42 of the Internal Revenue Code.

4. For projects to be developed by nonprofit organizations:

   a. The nonprofit entity must be a qualified nonprofit organization as defined in section 42(h)(5)(C) of the code; and

   b. The nonprofit organization must materially participate in the development and operation of the project throughout the compliance period. This includes, but is not limited to, having an ownership interest in the project and being at least co-general partner.

5. For FmHA projects, the FmHA commitment letter, identifying the funding amount for the project.

B. Evaluation Criteria

Only those applications meeting all of the above stated initial qualifications applicable to them will be further considered. Project owners whose applications do not meet the initial basic qualifications will be so informed in writing.

The Agency will set-aside 10% of its annual tax credit ceiling for qualified nonprofit projects as required by the IRS Code. The Agency reserves the right to adopt and implement such other set-asides as it may deem appropriate.

Following its determination that a project satisfies all the basic qualification factors, the Agency will consider the qualified applications for a housing credit allocation using the evaluation and point systems established hereinafter. The Agency anticipates reserving credits for those projects scoring highest under the Selection Criteria up to the amount permitted by law. However, the ranking under the Selection Criteria does not operate to vest in an applicant or project any right to a reservation or allocation of credits in any amount. Applications from projects which will be placed in service within the calendar year in which the application is submitted will receive a high priority. Likewise, projects returning tax credits from a previous year allocation which were not placed in service within the established two-year period will receive the lowest priority. A maximum possible of 185 points will be allowed to the highest ranked project.

C. Evaluation System

1. Evaluation Factors

In the past a project may have been automatically eligible, under different circumstances, for either a seventy percent (70%) or a thirty percent (30%) present value credit amount. **The new federal legislation precludes the state allocating agencies from allocating credits to a project in any amount beyond that required for the financial feasibility of the project and its viability as a qualified low income housing project throughout the compliance period.**

To determine the level of allocable credits, the Agency will perform a financial analysis on each application, utilizing the following factors:

a. Development costs, including developer fees;

b. Sources and uses of funds;

c. Projected income and expenses; and

d. Projected syndication proceeds.

2. Intermediary Costs

The Agency is required by law to give the highest priority to those projects in which the highest percentage of the housing credit dollar

amount will be used for project costs other than the costs of intermediaries. This statutory requirement will be met by ranking each application in numerical order by the percentage of housing credit dollars being used for project costs other than the costs of intermediaries, as are defined below.

In reviewing applications for financial feasibility, the Agency does not anticipate allowing intermediary costs to exceed 25% of total development costs and will, in any event, give priority to those projects with the lowest intermediary costs. The intermediary costs will include, but are not limited to: Organizational Costs, Developer's Fees (payments of fees to the developer, overhead and profit), Syndication Fees, and Professional Fees (architect's design fees, attorney's fees, and consultant fees). A maximum of 25 points will be given to a project with the lowest intermediary costs.

D. Financial Analysis

The Agency is required to conduct three financial analyses: One for the reservation of credits, another at the time it actually allocates credits to each project and the third financial analysis at the time the project is placed in service. Audited development

cost certification and audited financial statements will be required by the Agency when the project is placed in service.

In allocating a housing credit dollar amount to any building, the Agency will specify the applicable percentage (which at the discretion of the Agency could be lower than the one published by the IRS for the month in which the building was placed in service) and the maximum qualified basis which may be taken into account with respect to such building.

Based on its first financial analysis, the Agency will estimate the amount of tax credits it will reserve for each application. Should the project be approved for a reservation, the Agency will advise the applicant in writing of the reservation and identify whatever additional criteria the project must satisfy in order to receive an allocation of tax credits.

E. Notification to Local Chief Executive

The Mayor of the Municipality in which the project is to be located will be notified by the Agency of the proposal at the time of the tax credits' reservation.

F. Lowest Income Tenants and Serving the Tenants During the Longest Terms

The federal legislation requires allocating agencies, to give preference in allocating the amount of tax

credits among eligible projects to those projects serving the lowest income tenants and to those projects committed to serve qualified tenants for the longest period. The Agency will conduct its financial analysis in accordance with these statutory requirements.

G. Selection Criteria

The Agency will use the selection criteria stated below for the purpose of ranking projects eligible for allocation. The results of the evaluation and ranking will be determined at the sole discretion of the Agency and will not be subject to challenge or appeal by the applicant. The numerical ranking does not operate to vest in an applicant or project any right to reservation or allocation of tax credits in any amount. The Agency will, in all instances, reserve and allocate tax credits consistent with its sound and reasonable judgement, prudent business practices, and the exercise of its inherent discretion.

The applications will be ranked according to the following selection criteria:

1. Description of Items

a. Intermediary Costs:

The ranking of the applications for this item will be as follows:

If intermediary costs represent

1. Up to 10% of total development cost - 25 points
2. More than 10%, up to 20% of total development cost - 10 points
3. More than 20% of total development cost - 0 points

b. Project Location:

The Agency will give preference to those projects located in a region identified by the Commonwealth Department of Housing as a region with the greatest need; projects located in a difficult development area designated by the Secretary of HUD as an area with high construction costs, land costs, and utility costs relative to the area median gross income; projects located in municipalities with the greatest low income housing needs as identified by the Commonwealth Department of Housing, and to projects located in municipalities where no other projects have been awarded tax credits during previous years.

c. Project Characteristics:

Preference will be given to those projects in which 100% of the units in the project will be dedicated to low income housing; projects in which preference is given to families on public housing waiting lists; projects in which no relocation is needed; projects with the longest period of time committed to low income housing; and projects developed from government owned structures to be rehabilitated.

d. Housing Needs Characteristics:

Preference will be given to those projects which consist of the larger amounts of two (2) or three (3) bedroom units.

e. Sponsor/Owner Characteristics:

Preference will be given to projects developed by, or with, federal tax exempt entities.

Previous successful participation by sponsor(s) in low income housing developments will be taken into consideration, as well as previous successful participation by proposed management agents in managing low income housing.

f. Financing Characteristics:

Preference will be given to tax exempt financed projects under the IRS Code and/or under the Commonwealth of Puerto Rico Income Tax Law, and to projects with innovative financing approaches.

g. Tenant Populations with Special Housing Needs:

Preference will be given to projects with 100% units for elderly, handicapped or disabled families.

h. Public Housing Waiting Lists:

Preference will be given to projects which commit in writing to give priority to tenants in Public Housing Authorities' waiting lists.

2. Point Ranking System

a. Intermediary Costs (Maximum: 25 points)

If intermediary costs represent

(25 points) -- 1) Up to 10% of total development cost
25 points

(10 points) -- 2) More than 10%, up to 20% of total development cost - 10 points

(0 points) -- 3) More than 20% of total development cost
0 points

b. Project Location (Maximum: 15 points)

(5 points) -- 1) Project located in a region which reflects the greatest low income housing needs according to the Commonwealth Department of Housing (See the tables included as Annex A). The points will be awarded as follows:

a) Project located in a region which reflects the greatest needs for low income housing. (5 points)

b) Project located in a region which reflects the second greatest demand for low income housing. (3 points)

c) Project located in a region which reflects the third greatest demand for low income housing. (1 point)

(5 points) -- 2) Project located in a difficult development area designated by the Secretary of HUD as an area with high construction costs, land costs, and utility costs relative to area median gross income.

(5 points) -- 3) Project located in a municipality which reflects the greatest low income housing needs in each of the regions identified by the Commonwealth Department of Housing (see Annex A). The points will be awarded as follows:

a) Project located in a municipality with the greatest demand in the region. (5 points)

b) Project located in a municipality with the second greatest demand in the region. (3 points)

c) Project located in a municipality with the third greatest demand in the region. (1 point)

c. Project Characteristics (Maximum: 65 points)

(10 points) -- 1) All units in the project are targeted for low income families.

(10 points) -- 2) Preference will be given to low income families in a waiting list of a Public Housing Agency (PHA). Priority will be evidenced by a referral agreement with the PHA.

(5 points) -- 3) No relocation will be necessary.

(5 points) -- 4) Longest term of affordability: Projects providing guarantees for longest term of affordability beyond the extended compliance period, will be scored as follows:

a) More than 31 years - 5 points.

b) Up to 30 years - 3 points

c) Up to 20 years - 1 point

(25 points) --5) Project will be placed in service within the calendar year in which the application is submitted.

(10 points) --6) Project will rehabilitate an existing structure owned by the Government of the Commonwealth of Puerto Rico through repossession or foreclosure procedures.

d. Housing Needs Characteristics

(Maximum: 10 points)

(5 points) -- 1) Project bedroom's distribution is 50% or more 3-bedroom units.

(5 points) -- 2) Project will be dedicated 100% to elderly, handicapped or disabled families.

e. Sponsor/Project Owner Characteristics

(Maximum: 20 points)

(10 points) -- 1) Sponsor is a federal non-profit entity tax exempt under either Section 501(c) 3 or Section 501(c) 4 of the IRS Code.

(5 points) -- 2) Applicant can demonstrate successful past experience in the development of similar low income projects.

(5 points) -- 3) Proposed management agent can demonstrate successful past experience in the management of similar low income projects.

f. Financing Characteristics (Maximum: 30 points)

(15 points) -- 1) Tax exempt financing provided under Section 103 of the IRS Code and/or tax exempt financing under the Commonwealth of Puerto Rico Income Tax Law.

(10 points) -- 2) Innovative financing proposals to provide or develop low income housing through the most efficient use of funds.

(5 points) -- 3) Projects financed under FmHA 515 program.

g. Use of Syndication Proceeds

(Maximum: 20 points)

(15 points) -- 1) Sponsor or owner which commits a 100% of net syndication proceeds (which shall consist of total syndication proceeds less placement(s) fee(s)) to generate additional low income units.

(5 points) -- 2) Sponsor or owner which commits at least 50% of net syndication proceeds to generate additional low income units.

H. Returned Credits

Projects returning tax credits from previous years which were not placed in service within the established two-year period will receive the lowest priority.

VI. Application Cycles

Applicants may apply to receive a credit allocation for a certain project in one of the cycles to be opened by the Agency, as shown below. The time frame for submission of applications and the maximum portion of credits to be allocated during the year will be as follows:

Application Cycle	Percentage of Cap Available
Through March 15	50%
Through June 15	90%
Through Sept. 15	100%
Through November 15 1/	

If any of the due dates for application or reservation falls on a nonworking day or on an official holiday, it will be moved to the next working day. The Agency will notify its preliminary determination within the succeeding fifteen (15) days.

Starting with the March cycle, the Agency will add the remaining balance of the prior cycle to the credits available for the next cycle. In each cycle the same set-aside percentages will be established for the set-aside amounts. The Agency reserves the right to allocate more than the set-aside in each cycle if credits are available.

The Agency also reserves the right to change the date for any of the herein established cycles with prior notice to the public in a newspaper of general circulation.

1/ If credits funds are available.

VII. Tax-Exempt Financed Projects Not Subject To State Volume Cap

Projects financed with tax exempt obligations issued after December 31, 1989 (Section 42(h) (4)), must satisfy the requirements for allocation under this Plan. These projects will be subject to the evaluation of housing priorities discussed above and the fees determined in Section VIII. They will not be subject to the credit allocation cycles. Applicant must include with the application a letter from the lender stating the tax exempt status of the obligations issued to finance the project.

VIII. Procedure for Notification to IRS of Noncompliance

The federal legislation requires that each Allocation Plan include a procedure which the credit agency will follow in notifying the Internal Revenue Service of noncompliance with the program. To satisfy that mandate, the Agency will require developers to furnish annual certifications of qualified low income tenants, including tenant incomes and rents charged, and the number of qualifying low income units, as well as any other information pertinent to determine compliance with the program.

The specific requirements of the Agency to fulfill this mandate are covered in the Compliance Monitoring Plan, which is hereby incorporated and made a part of this Plan as Annex B.

The Agency reserves the right to conduct on-site compliance monitoring as deemed necessary at any time during the compliance period and as specified in the Compliance Monitoring Plan. The owner must allow the Agency to have access to the project's premises and the books, documents, papers, and records of the project.

IX. Fees

Any person interested in obtaining an application for Low Income Housing Tax Credits will request so in writing to the Agency. An application package containing the Allocation Plan, the Compliance Monitoring Plan and the Procedural Steps and Application Instructions will be delivered after payment of $50.00.

The Agency will charge the following fees:

A. Application Fee: One percent (1%) of the yearly requested amount. This is a non refundable deposit, which shall be submitted along with the application.

B. Allocating Fee: One percent (1%) of the total ten years requested amount. The allocating fee will be paid at the time the allocation is made.

C. Monitoring Fee: If a housing credit allocation is made, the Agency will charge one half of 1% of each year's allocated amount as monitoring fee. This amount will be due and payable by January 31 of each year during the compliance period.

The amounts hereby established may be revised by the Agency from time to time as necessary to insure that such fees cover the agency's administrative expenses for processing applications and monitoring projects for compliance.

X. Limitations

The federal legislation charges the Agency with allocating to a project only that amount of tax credit required to make the project economically feasible. The Agency's determination is made solely at its discretion and in no way constitutes a representation or warranty, express or implied, to any sponsor, lender, investor, or third party as to the feasibility of a given project. By allocating tax credits to a project the Agency makes no representation or warranty, express or implied, to the project owner, investors, lender, or third party that its allocation constitutes a determination that the project adheres to the requirements of the Internal Revenue Code, relevant Treasury regulations, or any other laws or requirements governing the tax credit program.

The Plan acknowledges that the Agency will encounter situations which have not been foreseen or provided for in the Plan. The Agency reserves the power and authority to amend the Plan after the public has had the opportunity to comment. The Agency also reserves

the power and authority to administer, operate and manage tax credits' allocations in all situations and circumstances, both foreseen or unforeseen in the Plan. No member, employee, or agent of the Agency shall be personally liable respecting any matter or matters arising out of, or in relation to, the Tax Credit Program.

PRESIDENT
PUERTO RICO HOUSING FINANCE
CORPORATION

I, Pedro Rosselló González, Governor of the Commonwealth of Puerto Rico, hereby approve the Low Income Housing Tax Credit Allocation Plan for the Commonwealth of Puerto Rico adopted by the Puerto Rico Housing Finance Corporation, a subsidiary of the Government Development Bank for Puerto Rico, as the State Housing Credit Agency under the provisions of Section 42 of the Internal Revenue Code of 1986, as amended by the Omnibus Budget Reconciliation Act of 1989.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Commonwealth of Puerto Rico, in San Juan, Puerto Rico, this 27th day of July, 1993.

PEDRO ROSSELLO GONZALEZ
GOVERNOR

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PUERTO RICO HOUSING FINANCE CORPORATION
State Credit Agency

HOUSING NEEDS IN PUERTO RICO

ANNEX A TO THE
LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

REV.
MARCH 1993

HOUSING NEEDS IN PUERTO RICO
BY REGION

REGION	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
ARECIBO	392,241	130,788	8,724	10,911	19,639
PONCE	348,673	122,205	7,551	11,588	19,139
CAROLINA	415,823	141,601	12,880	5,322	18,202
HUMACAO	317,600	103,752	8,709	8,132	16,841
BAYAMON	521,597	164,519	6,614	8,074	14,688
CAGUAS	348,673	112,241	4,099	7,300	11,399
SAN JUAN	530,631	119,431	4,146	6,297	10,443
AGUADILLA	294,005	99,039	2,466	7,592	10,058
MAYAGUEZ	312,734	114,409	1,044	8,053	9,097
TOTAL	3,481,977	1,107,985	56,233	73,269	129,506

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

February 19, 1993

HOUSING NEEDS WITHIN ARECIBO REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
ARECIBO	93,385	32,458	890	2,921	3,811
UTUADO	34,980	11,812	1,962	1,299	3,261
VEGA ALTA	34,559	11,161	2,437	670	3,107
VEGA BAJA	55,997	18,318	1,121	1,099	2,220
MANATI	38,692	13,337	475	933	1,408
HATILLO	32,703	10,815	412	865	1,277
CIALES	18,084	5,727	228	1,031	1,259
MOROVIS	25,288	7,371	476	737	1,213
CAMUY	28,917	9,665	285	677	962
BARCELONETA	20,947	7,221	247	505	752
FLORIDA	8,689	2,903	191	174	369
TOTAL	392,241	130,788	8,724	10,911	19,639

HOUSING NEEDS WITHIN PONCE REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
PONCE	187,749	60,212	2,544	4,817	7,361
PEÑUELAS	22,515	6,821	2,039	682	2,721
JUANA DIAZ	45,198	13,496	747	1,485	2,232
GUAYANILLA	21,581	6,922	561	900	1,461
VILLALBA	23,559	6,666	580	800	1,380
ADJUNTAS	19,451	6,283	302	1,005	1,307
SANTA ISABEL	19,318	6,315	271	695	966
COAMO	33,837	10,917	266	655	921
JAYUYA	15,527	4,573	241	549	790
TOTAL	348,673	122,205	7,551	11,588	19,139

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

HOUSING NEEDS WITHIN CAROLINA REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
LOIZA	29,307	8,310	2,286	499	2,785
FAJARDO	36,882	13,864	2,162	555	2,717
RIO GRANDE	45,648	15,078	1,549	1,055	2,604
CANOVANAS	36,816	11,614	1,656	581	2,237
CAROLINA	177,806	61,903	849	1,238	2,087
TRUJILLO ALTO	61,120	19,315	1,473	579	2,052
VIEQUES	8,602	3,329	1,709	200	1,909
LUQUILLO	18,100	7,530	914	602	1,516
CULEBRA	1,542	658	282	13	295
TOTAL	415,823	141,601	12,880	5,322	18,202

HOUSING NEEDS WITHIN HUMACAO REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
HUMACAO	55,203	18,342	1,778	917	2,695
SAN LORENZO	35,163	11,391	1,256	797	2,053
NAGUABO	22,620	7,691	1,556	385	1,941
GUAYAMA	41,588	13,595	421	1,495	1,916
JUNCOS	30,612	10,235	875	921	1,796
LAS PIEDRAS	27,896	8,802	916	528	1,444
YABUCOA	36,483	11,262	395	1,014	1,409
CEIBA	17,145	5,525	1,148	221	1,369
PATILLAS	19,633	6,601	15	990	1,005
MAUNABO	12,347	3,881	167	543	710
ARROYO	18,910	6,427	182	321	503
TOTAL	317,600	103,752	8,709	8,132	16,841

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

HOUSING NEEDS WITHIN BAYAMON REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
TOA BAJA	89,454	28,008	1,302	1,680	2,982
BAYAMON	220,262	70,689	751	1,414	2,165
TOA ALTA	44,101	13,376	1,034	936	1,970
COROZAL	33,095	9,941	798	696	1,494
DORADO	30,759	10,499	462	945	1,407
NARANJITO	27,914	8,576	649	686	1,335
COMERIO	20,265	6,338	496	824	1,320
CATAÑO	34,587	10,744	762	322	1,084
OROCOVIS	21,158	6,348	360	571	931
TOTAL	521,597	164,519	6,614	8,074	14,688

HOUSING NEEDS WITHIN CAGUAS REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
CAGUAS	133,447	43,293	1,254	1,299	2,553
AGUAS BUENAS	25,424	8,038	748	884	1,632
CIDRA	35,601	10,693	537	962	1,499
CAYEY	46,553	15,385	202	1,231	1,433
GURABO	28,737	9,366	693	656	1,349
AIBONITO	24,971	7,847	532	706	1,238
BARRANQUITAS	25,605	7,622	231	762	993
SALINAS	28,335	9,997	(98)	800	702
TOTAL	348,673	112,241	4,099	7,300	11,399

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

HOUSING NEEDS WITHIN SAN JUAN REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
SAN JUAN	437,745	167,979	4,151	5,039	9,190
GUAYNABO	92,886	31,452	(5)	1,258	1,253
TOTAL	530,631	199,431	4,146	6,297	10,443

HOUSING NEEDS WITHIN AGUADILLA REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
AGUADILLA	59,335	20,761	763	1,246	2,009
AÑASCO	25,234	7,523	1,312	602	1,914
MOCA	32,926	10,454	261	941	1,202
ISABELA	39,147	13,497	212	945	1,157
SAN SEBASTIAN	38,799	13,536	152	947	1,099
AGUADA	35,911	11,853	(266)	1,304	1,038
LARES	29,015	9,324	104	932	1,036
QUEBRADILLAS	21,425	7,105	30	426	456
RINCON	12,213	4,986	(102)	249	147
TOTAL	294,005	99,039	2,466	7,592	10,058

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

HOUSING NEEDS WITHIN MAYAGUEZ REGION

MUNICIPALITY	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEEDS 1995
MAYAGUEZ	100,371	35,948	1,153	1,797	2,950
YAUCO	42,058	14,082	(3)	1,267	1,264
CABO ROJO	38,521	16,645	(486)	1,332	846
SABANA GRANDE	22,843	8,133	52	732	784
GUANICA	19,984	7,563	102	681	783
LAJAS	23,271	8,865	237	532	769
LAS MARIAS	9,306	3,204	74	545	619
SAN GERMAN	34,962	12,409	(157)	620	463
MARICAO	6,206	2,289	(20)	389	369
HORMIGUEROS	15,212	5,271	92	158	250
TOTAL	312,734	114,409	1,044	8,053	9,097

Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

PUERTO RICO HOUSING FINANCE CORPORATION
State Credit Agency

4955

COMPLIANCE MONITORING PLAN

ANNEX B TO THE
LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

REV.
JUNE 1993

COMPLIANCE MONITORING PLAN

TABLE OF CONTENTS

Contents		Page
I.	INTRODUCTION	1
II.	FEDERAL LAWS AND REGULATIONS GOVERNING LIHTC PROGRAM	2
III.	STEPS IN THE COMPLIANCE PROCESS	3
	A. Low Income Housing Program Reports	3
	B. Annual Certifications	3
	C. Annual Review	3
	D. Follow-up Reviews	4
	E. Notification to IRS of Non Compliance	4
IV.	RESPONSIBILITIES OF THE PARTIES INVOLVED	4
	A. Puerto Rico Housing Finance Corporation	4
	B. Owner or Developer	5
	1. Compliance with Section 42 of the IRS Code	5
	2. Proper Administration	6
	3. Record Keeping	6
	4. Certification and Review	7
	5. Record Retention	10
	C. Management Company and on Site Personnel	10
V.	OCCUPANCY REQUIREMENTS	11
	A. Who May Rent a LIHTC Unit	11
	B. Establishing LIHTC Rents	12
	C. Annual Income Definition and Determination	13
	D. Verification Requirements and Procedures	13
	E. Establishing LIHTC Rents in Subsequent Years	13
	F. Annual Recertification	14
VI.	AUDITING	14
VII.	NOTIFICATION TO OWNER	14

COMPLIANCE MONITORING PLAN

TABLE OF CONTENTS
(Cont'd)

Contents		Page
VIII.	NOTIFICATION TO IRS OF NON-COMPLIANCE	14
IX.	FEES	15
APPENDIXES	. . . . .	16
A.	Quarterly Status Report - Per Building (Forms CFV-TC92-CM1, CM2, CM3 and CM4)	
A-1	Annual Certification of Owner and Management Agent	
B.	Verification Requirements and Procedures	
C.	Annual Recertification	
GLOSSARY	. . . . .	17

I. INTRODUCTION

The Puerto Rico Housing Finance Corporation, as State Credit Agency, has administered the Low Income Rental Housing Tax Credit Program ("LIHTC") for the Commonwealth of Puerto Rico since December 30, 1987. As of December 31, 1992 the Agency had allocated $13,413,150 in credits to over 64 projects producing approximately 3,500 units to house low income families throughout the island. Theoretically, the credit is designed to provide the additional return that is necessary to compensate low income building owners for the reduced rental income.

The Internal Revenue Code in its Section 42 of the Internal Revenue Code, as amended, and the applicable Treasury Department regulations govern the administration of the program. The federal law requires that the state allocating agencies monitor the Tax Credit projects for noncompliance with the provisions of Section 42 of the Internal Revenue Code. Furthermore, the state credit agency is required to notify the IRS of any noncompliance with the Program.

Puerto Rico Housing Finance Corporation will be monitoring the projects starting in January, 1992. This guide is intended to describe the rules and responsibilities of each one of the parties in the compliance process to provide a practical reference for managers of projects participating of the LIHTC program.

This Plan has been reviewed in compliance with the final regulations published on September 2, 1992 by the Internal Revenue Service in 26 CFR Parts 1 and 602, "Procedure for Monitoring Compliance with Low Income Housing Credit Requirements".

II. FEDERAL LAWS AND REGULATIONS

The low income housing tax credit was introduced with the Tax Reform Act of 1986. Congress intended to create a low income subsidy that would provide incentives to increase the low income housing occupancy level but would impose limitations on the amount of rent owners could charge to the tenants.

During 1988 Congress passed the Technical and Miscellaneous Revenue Act of 1988 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 the new law, a building could be placed in service for up to 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 Onmibus Budget Reconcilitation Act of 1990, each of them extending the credit through December 31, 1990 and December 31, 1991, respectively.

The Program was curtailed as of June 30, 1992, pending the approval of new legislation; however, the Corporation

received authorization to use the 1991 remaining tax credit balance through December 31, 1992. The approval of new legislation is expected at present, authorizing the Tax Credit Program extension.

III. STEPS IN THE COMPLIANCE PROCESS

A. Low Income Housing Program Reports

Beginning with the first calendar quarter of year 1992, the person or company in charge of the management of a low income housing tax credit project must prepare and submit to the Agency a Quarterly Status Report (Forms CFV-TC92-CM1, CM2, CM3 and CM4, included as Appendix A). The Quarterly Status Report must be accompanied by Income Certifications for each new move-in and recertifications of income for each existing tenant. These reports must be submitted to the Agency not later than April 10, July 10, October 10, January 10 of each year during the compliance period.

B. Annual Certifications

During the compliance period the owner must certify by January 31st of each year that the project meets the requirements of Section 42. The Management Agent must also issue a certification. (See Appendix A-1, "Annual Certification of Owner and Management Agent").

C. Annual Review

The Agency will schedule on site project inspections throughout the compliance period. During the review

the tenant files, as well as the records described in the recordkeeping portion of this Plan, will be examined for project compliance. The Agency will report on its findings and the owner and/or the management company must respond in writing within thirty (30) days to the Agency. The response must indicate the manner in which corrective actions have been taken.

D. Follow Up Reviews

The Agency will perform as many follow up reviews as it may deem necessary after its review of the project.

E. Notification to IRS of Noncompliance

The Agency will notify the Internal Revenue Service within thirty (30) days of any knowledge of noncompliance with Program requirements, as detailed in Section VIII, below.

IV. RESPONSIBILITIES OF THE PARTIES INVOLVED

A. Puerto Rico Housing Finance Corporation

Once a final allocation is awarded to a project, the Agency has the responsibility of monitoring the project to guarantee compliance with Section 42 of the Internal Revenue Code and its regulations. The Agency will comply with this responsibility through:

1. The review of Quarterly and Annual Low Income Housing Tax Credit Compliance Reports.

2. The examination of Income Certifications and Quarterly Status Reports.
3. The performance of periodical reviews of tenant files and on-site inspection of the projects.
4. Offering continuing education to the owner or developer, the management company and on-site personnel to guarantee compliance with federal regulations and Agency's rules.
5. Conducting any necessary follow up reviews.

B. Owner or Developer

It is very important that the owner provide the Agency with all required information, reports and documentation in a timely manner. If the owner determines that the project is not in compliance with the Low Income Housing Tax Credit Program requirements, he must notify the Agency immediately.

In exchange for the benefits of a tax credit allocation, the owner or developer must comply with certain requirements. Among those responsibilities are:

1. Compliance with Section 42 of the IRS Code

Owners and developers shall provide information documenting the project's overall economic feasibility. Prior to the issuance of a final tax credit allocation, the developer and its accountant must certify the total project costs.

The developer must also certify that all requirements of the Program have been met. Any violation of the requirements of the Program could result in the loss of the tax credits issued to the developer.

2. Proper Administration

The owner or developer is responsible to the Agency to insure that the project is properly administered. The owner must comply with all rules, regulations and policies that govern the project.

It is the owner's responsibility to keep the Agency informed throughout all phases of development, rent-up and operation. This includes the initial phases of construction, the scheduled placed-in-service date, the completion of the project, and any major changes that are made at any time.

3. Record Keeping

The owner of a low income housing project must keep records for each qualified building in the project showing the following information:

a. the total number of units;

b. the percentage of low income units in the building;

c. the rent charged on each unit in the building;

d. the low income unit vacancies in the building and the rentals for the next available unit;

e. the low income certification of each low income tenant and documentation to support that certification; and

f. the character and use of the nonresidential portion of the building included in the building's eligible basis under Section 24(d).

4. Certification and Review

During the compliance period, the Agency requires the owner to certify by December 31st of each year, under penalty of perjury, that the project meets the requirements of:

a. the 20/50 test under Section 42(g)(1)(A);

b. the 40/60 test under Section 42(g)(1)(B); or

c. the 15/40 test under Sections 42(g)(4) and 42(d)(4)(B) for deep rent skewed projects.

The owner also has to certify under penalty of perjury:

a. that the owner has received an annual low income certification from each low income tenant and documentation to support that certification;

b. that each low income unit is rent-restricted under Section 42(g)(2);

c. that all units in the project are for use by the general public and are used on a nontransient basis;

d. that each building in the project is suitable for occupancy, taking into account local health, safety, and building codes;

e. that there has been no change in any building's eligible basis under Section 42(d) (or if there has been a change, explain the nature of it);

f. that the tenant facilities included in the eligible basis of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis, without additional charge to the tenants in the building;

g. that if a low income unit in the project becomes vacant during the year, reasonable attempts are made to rent that unit to tenants having a qualifying income;

h. that while the unit is vacant no units of comparable or smaller size are rented to tenants not having a qualifying income; and

i. that if the income of tenants of low income units increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size will be rented to tenants having a qualifying income.

The Agency will conduct a yearly review of the copies of the annual low income certification from

each low income tenant and the copies of the documentation that the owner has received to support that certification.

The Agency will also inspect, at its discretion, a reasonable number of low income projects each year. The inspection will include at a minimum, an on-site review of the tenant low income certifications for that year, and any other previous year at the discretion of the Agency and the documentation the owner has received to support those certifications. The Agency will notify the owner ten days in advance that an inspection will occur so that the owner may assemble the records.

The Agency will exempt the following projects from submission of the Quarterly Status Report (Forms CFV-TC92-CM1, CM2, CM3 and CM4):

a. FmHA 515 program projects

b. Buildings whose aggregate basis is 50% or more financed with the proceeds from tax exempt bonds.

The owners of these projects are required, however, to certify to the Agency, at least on a yearly basis, under penalty of perjury, that the building complies with the requirements for FmHA assistance or tax exempt bond financing, as applicable, and that the minimum set-aside, income, rent, and suitability for occupancy requirements of Section 42 are met.

An owner of an exempt building must also inform the Agency if he is unable to issue one or more of the certifications mentioned in the preceding paragraph. These records should be kept by the owner, since they are necessary to calculate how much credit, if any, can be claimed.

5. Record Retention

The records for a building should be kept by the owner for a minimum of **6 years beyond** the end of the compliance period of the building.

C. Management Company and On-Site Personnel

The Management Company and all on-site personnel are responsible to the owner or developer for implementing the Program requirements correctly.

It is their responsiblity to be thoroughly familiar with all federal and state laws, rules and regulations governing certification and rental procedures.

They are also responsible for providing all information needed by the Agency and submitting all required reports and documentation in a timely manner. If the Management Company becomes aware of noncompliance with the Program requirements, the owner and the Agency must be notified immediately. All correspondence on the matter should be sent to each of the foregoing parties.

V. OCCUPANCY REQUIREMENTS

A. Who May Rent a Low Income Housing Tax Credit Unit

Low Income Houisng Tax Credit units must be made available to the general public on a nondiscriminatory basis with respect to race, creed, age or sex. The primary consideration for eligibility is the gross annual income of all household members.

The actual limitation of gross maximum family income is determined by the owner's selection of a 50/20, 60/40 or 40/15 set-aside.

This selection is part of the Program's application for an allocation of tax credits. This election is irrevocable. The 50/20, 60/40 or 40/15 set-aside refers to the maximum household income and the minimum number of units that must be set-aside or occupied by qualified tenants. An owner who elected the 50/20 set-aside must rent a minimum of 20% of the units contained in the project to households whose maximum income does not exceed 50% of the area median income, as defined by HUD. Only the HUD published data can be used to determine median income. An owner who elected the 60/40 set-aside must rent a minimum of 40% of the units in the project to households whose maximum income does not exceed 60% of the area median income.

B. Establishing LIHTC Rents

The LIHTC Program allows the developer to charge rents based on the median income of the metropolitan area in which the project resides, adjusted to family size. HUD reexamines its statistical data base and publishes new statistics generally in the early part of each year. Rents, including utilities, may not exceed 30% of qualifying income.

To calculate the maximum allowable rents we must know:

1. The area median income
2. The qualifying test selected by the developer
3. The size of the family occupying the unit
4. The adjustments to area median income for household size

The law sets the household size based on 1.5 persons per bedroom. The following steps must be followed to calculate the maximum allowable rents:

1. Find the HUD data for the year and area applicable to the project.
2. For each unit, determine the appropriate household size (1.5 persons per bedroom).
3. Determine which qualifying test was selected by the developer.
4. Calculate the qualifying income.
5. Calculate the maximum monthly rent.
6. Calculate the net rent, substracting the appropriate utility allowance.

C. Annual Income Definition and Determination

It is the owner's responsibility to determine the income that the tenant will receive in the immediate twelve (12) month period following occupancy and for each twelve (12) month period following certification. The owner should convert all verified income to Annual Income amounts.

Annual Income is the anticipated total income from all sources received by all family members, including all net income derived from assets for the twelve (12) month period following the effective date of certification. Annual Income does not include income from employment of children under the age of 18 years.

D. Verification Requirements and Procedures

The owner shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance with the LIHTC requirement. The detailed procedures are included in Appendix B.

E. Establishing LIHTC Rents in Subsequent Years

Each year, the owner must recompute 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.

F. Annual Recertification

The annual recertification shall be complied with as detailed in Appendix C.

VI. AUDITING

The Agency reserves the right to perform an audit on any building that has been allocated tax credits at any time during the compliance period of the building. An audit and a review of the records are described in the recordkeeping provisions of this Plan.

VII. NOTIFICATION TO OWNER

If the Agency does not receive in writing the required certification, or if the Agency discovers on audit, inspection or review, or in some other manner, that the project is not in compliance with the provisions of Section 42, the Agency will notify the owner of the low income project in writing as soon as possible.

The owner will have sixty (60) days from the date of the notice to supply the missing certification, or to correct the noncompliance. However, if the Agency determines that there is good cause to extend the correction period, it may extend the initial sixty (60) day period to one hundred twenty (120) days.

VIII. NOTIFICATION TO IRS OF NONCOMPLIANCE

At the expiration of the term for correction, the Agency will have thirty (30) days to notify the IRS whether the noncompliance or failure to certify has been corrected.

The Agency should notify the IRS by filing Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Agency will explain on Form 8823 the nature of the noncompliance or failure to certify and will indicate whether the owner has corrected the findings or not.

If a building falls entirely out of compliance with Section 42, so that no credit is allowable for the current taxable year or any future taxable year during the compliance period, the Agency will file a single Form 8823 when it becomes aware of such event. The Agency will report on the Form 8823 that the building is entirely out of compliance and will not be in compliance in the future.

IX. FEES

During the compliance period, the owner of a Low Income Housing Tax Credit project will deposit with the Agency by January 31st of each year the monitoring fee as defined in Section VIII of the Allocation Plan.

A P P E N D I X

ANNEX A

CERTIFICATION

Individually, or as the general partner(s) or officers of the applicant entity, I (we) am (are) familiar with the provisions of the Tax Reform Act of 1986 and subsequent revisions, with respect to the Low Income Housing Tax Credit Program and to the best of my (our) knowledge and belief, the applicant entity has complied, or will comply with all of the requirements which are prerequisite to issuance of tax credits by the Puerto Rico Housing Finance Corporation. I (We) understand that the Low Income Housing Tax Credit program is governed and controlled by rules and regulations issued and to be issued by the United States Department of the Treasury.

To the best of my (our) knowledge and belief, no information contained in this application or in the listed attachments is any way false or incorrect; that it is truly descriptive of the project or property for which Low Income Housing Tax Credits are being applied, and the proposed construction/rehabilitation will not violate zoning ordinances or deed restrictions.

I (We) hereby make application to the Puerto Rico Housing Finance Corporation for an allocation of housing tax credits. I (We) agree that the Puerto Rico Housing Finance Corporation or any of its directors, officers, employees, and agents will not be held responsible or liable for any representations made to the undersigned or its investors relating to the Low Income Housing Tax Credit Program: therefore, I (We) assume the risk of all damages, losses, costs, and expenses related thereto and agree to indemnify and save harmless the Puerto Rico Housing Finance Corporation or any of its directors, officers, employees, and agents against any and all claims, suits, losses, damages, costs, and expenses of any kind and of any nature that the Puerto Rico Housing Finance Corporation may hereinafter suffer, incur, or pay arising out of its decision concerning the application for Low Income Housing Tax Credits or the use of the information concerning the application for Low Income Housing Tax Credits or the use of the information concerning the Low Income Housing Tax Credit Program. I (We) also agree that the Puerto Rico Housing Finance Corporation has made no representations about the effect of the tax credit upon my (our) taxes or that of any other person connected with this project.

I (We) understand and agree that my (our) application for a low income housing credit, all attachments thereto, and all correspondence relating to my (our) application in particular or the credit in general are subject to a request for disclosure under the Constitution and Laws of the Commonwealth of Puerto Rico and I (We) expressly consent to such disclosure.

I (We) further understand and agree that any and all correspondence to me (us) by the Puerto Rico Housing Finance Corporation or other Puerto Rico Housing Finance Corporation generated documents relating to my (our) application are subject to a request for disclosure under the Constitution and Laws of the Commonwealth of Puerto Rico. I (We) expressly consent to such disclosure. I (We) agree to hold harmless the Puerto Rico Housing Finance Corporation and the directors, officers, employees, and agents of the Puerto Rico Housing Finance Corporation against all claims, suits, losses, damages, costs, and expenses or any kind (including, but not limited to, attorney's fees, litigation and court costs) directly or indirectly resulting from or arising out of the release of all information pertaining to my (our) application pursuant to a request under such requests. I (We) further waive, with regard to such application, correspondence or other documents, any applicable rights of confidentiality that I (We) may have under Section 6103 of the U. S. Internal Revenue Code or other provisions of federal law.

I (We) also agree that Puerto Rico Housing Finance Corporation may request additional information in order to evaluate this application.

I (We) hereby certify that the above information and any attachments in support thereof is true, accurate and complete. I (We) understand that any misrepresentations in this application or supporting documentation may result in a withdrawal of tax credits by the Puerto Rico Housing Finance Corporation, my (our) (and related parties) being barred from future program participation, and notification to the Internal Revenue Service.

Date: _____ _____

Name of Applicant

_____ By: _____

Name of Development Project

_____

Title

I, the undersigned, a Notary Public in and for the Commonwealth of Puerto Rico, hereby certify that _____, whose name(s) _____ signed to the foregoing instrument, and who (is) (are) known to me, acknowledged before me on this date that, being informed of the contents of this document, (he) (she) (they) executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this _____ day of _____, 1993.

_____
Notary Public

(SIGNED AND SEALED)

ANNEX B

Proposed Form of Accountant's Opinion

_____ (Insert Date)

Puerto Rico Housing Finance Corporation
PO Box 71361
San Juan, Puerto Rico 00936-8461

RE: Low Income Housing Tax Credit Allocation Program

Name of Development: _____

_____

Gentlemen:

In connection with the application filed with the Corporation by _____ (the "Owner") for low income housing credits made available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, for low income units in (insert number of buildings in development) building(s) in the proposed reference Development, the undersigned, have made the following reviews:

i) Review of the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated pursuant thereto (the "Regulations") applicable to low income housing credits.

ii) Review of each computation of credits submitted to you by the owner with respect to each applicable type of credit for each building of the development.

iii) Review, made with the Owner, of the projections, facts and circumstances with respect to the computations of the amount of each applicable type of credit for each building in accordance with the applicable provisions of the Code and the Regulations.

Based upon the foregoing reviews, we, the undersigned, are of the opinion that the computations have been made and calculated in conformity with the applicable provisions of the Code and Regulations.

Sincerely,

ANNEX C

Proposed Form of Attorney's Opinion

_____ (Insert Date)

Puerto Rico Housing Finance Corporation
PO Box 71361
San Juan, Puerto Rico 00936-8461

RE: Tax Credit (Reservation) or (Allocation)

Name of Development: _____

Number of Buildings: _____ (total) _____ (this opinion)

Address(es) of Building(s) subject to this opinion:

_____

_____

Gentlemen:

In connection with the application filed with the Corporation by _____ (the "Owner") for low income housing credits made available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, for low income units in (insert number of bulding in Development) building(s) in its reference Development, the undersigned, as a counsel for the Owner, have made the following reviews:

i) Review of the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated pursuant thereto (the "Regulations") applicable to low income housing credits.

ii) Review, made with the Owner, of the application for the allocation of credits submitted to you by the Owner and the supporting submitted along with the application with respect to each applicable type of credit for each building of the Development and with respect to the validity of the applying entity(ies).

iii) Review, made with the Owner, of the projections, facts and circumstances with respect to the eligibility of the Development under the Code and Regulations and with respect to the eligibility of the Development under the Code and Regulations and with respect to the computations of the amount of each applicable type of credit for each building in accordance with the applicable provisions of the Code and the Regulations.

Based upon the foregoing reviews, we, the undersigned, are of the opinion that the Development is eligible under the Code, and Regulations, to receive the allocation requested by the owner.

Sincerely,

ANNEX D

DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING CREDITS

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS (this "AGREEMENT"), dated as of _____, by _____, and its successors and assigns (the "Owners") is given as conditions precedent to the allocation of low income housing credits by the Puerto Rico Housing Finance Corporation, a subsidiary of the Government Development Bank, and an instrumentality of the Commonwealth of Puerto Rico and a public corporation (together with any successor its rights, duties and obligations, the "Corporation").

WITNESSETH

WHEREAS, the Owner is or shall be the owner of a _____ rental housing development located on lands in the Municipality of _____, of the Commonwealth of Puerto Rico, more particularly described in Exhibit A hereto, known as or to be known as _____ (the "Project"); and

WHEREAS, the Corporation has been designated by the Governor of the Commonwealth of Puerto Rico as the housing credit agency for the Commonwealth of Puerto Rico for the allocation of low income housing credit dollars (the "Credit");

WHEREAS, Owner has applied to the Corporation for an allocation of Credit to the Project in an amount not to exceed _____ low income housing tax credit dollars ($); and

WHEREAS, the Owner has represented to the Corporation in Owner's application that it will impose additional rent restrictions or will covenant to maintain the Section 42 rent and income restrictions for an additional period of time of _____ years. (Optional, include only if applicable.)

WHEREAS, the Code has required as a condition precedent to the allocation of the Credit that the Owner execute, deliver and record in the appropriate Registry of the Property the deed covering this Agreement in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code and the Occupancy Restrictions found in Section 5 hereof by regulating and restricting the use and occupancy and transfer of the Project as set forth herein;

WHEREAS, the Owner, under this Agreement, intends, declares and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Project shall be and are covenants running with the Project Land for the term stated herein and binding upon all subsequent owners of the Project Land for such term, and are not merely personal covenants of the Owner.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owner agrees as follows:

SECTION 1 - DEFINITIONS

All words and phrases defined in Section 42 of the Code and by Treasury of HUD regulations pertaining thereto shall have the same meanings in this Agreement.

SECTION 2 - RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) Upon execution and delivery by the Owner, the Owner shall cause this Agreement and all amendments hereto to be recorded and filed in the appropriate Registry of the Property, and shall pay all fees and charges incurred in connection therewith. Upon recording, the Owner shall immediately transmit to the Corporation an executed original of the recorded deed showing the date, volume and page numbers of record. The Owner agrees that the Corporation will not issue the Internal Revenue Service Form 8609 constituting final allocation of the Credit unless and until the Corporation has received the recorded executed original of the Deed of Restrictive Covenants containing in this agreement.

(b) The Owner intends, declares and covenants, on behalf of itself and all future Owners and operators of the Project Land during the term of this Agreement, that this Agreement and the covenants and restrictions set forth in this Agreement regulating and restricting the use, occupancy and transfer of the Project Land and the Project (i) shall be and are covenants running with the Project Land, encumbering the Project Land for the term of this Agreement, binding upon the Owner's successors in title and all subsequent Owners and Operators of the Project Land, (ii) are not merely personal covenants of the Owner, and (iii) shall bind the Owner (and the benefits shall inure to the Corporation and any past, present or prospective tenant of the Project) and its respective successors and assigns during the term of this Agreement.

The Owner hereby agrees that any and all requirements of the laws of the Commonwealth of Puerto Rico to be satisfied in order for the provisions of this Agreement to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements of privileges of estate are intended to be satisfied. For the longer of the period this Credit is claimed or the term of this Agreement, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Agreement, provided, however, the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Agreement.

(c) The Owner covenants to obtain the consent of any prior recorded lienholder on the Project to this Agreement and such consent shall be a condition precedent to the issuance of Internal Revenue Service Form 8609 constituting final allocation of the Credit.

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE OWNER

The Owner hereby represents, covenants and warrants as follows:

(a) The Owner (i) is a _____ duly organized under the laws of _____, and is qualified to transact business under the laws of this State, (ii) has the power and authority to won its properties and assets and to carry on its business as now being conducted, and (iii) has the full legal right, power and authority to excecute and deliver this Agreement.

(b) The execution and performance of this Agreement by the Owner (i) will not violate or, as applicable, have not violated any provision of law, rule or regulation, or any order of any court or other agency or governmental body, and (ii) will not violate or, as applicable, have not violated any provision of any indenture, agreement, mortgage, mortgage note, or other instrument to which the Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Owner will, at the time of execution and delivery of this Agreement, have good and marketable title to the premises constituting the Project free and clear on any lien

or encumbrance (subject of encumbrances created pursuant to this Agreement, any Loan Documents relating to the Project or other permitted encumbrances).

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the owner, threatened against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Agreement) or would materially adversely affect its financial condition.

(e) The Project constitutes or will constitute a qualified low income building or qualified low income project, as applicable, as defined in Section 42 of the Code and applicable regulations.

(f) Each unit in the Project contains complete facilities for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project or transitional housing for the homeless) which are to be used on other than a transient basis.

(g) During the term of this Agreement, 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 Section 42(g) of the Code.

(h) The Owner agrees to comply fully with the requirements of the Fair Housing Act as it may from time to time be amended.

(i) During the term of this Agreement, the Owner covenants, agrees and warrants that each low income unit is and will remain suitable for occupancy.

(j) Subject to the requirements of Section 42 of the Code and this Agreement, the Owner may sell, transfer or exchange the entire Project at any time, but the Owner shall notify in writing and obtain the agreement in writing of any buyer or successor or other person acquiring the Project or any interest therein that such acquisition is subject to the requirements of this Agreement and to the requirements of Section 42 of the Code and applicable regulations. This provision shall not act to waive any other restriction on sale, transfer or exchange of the project or any low income portion of the Project. The Owner agrees that the Corporation may void any sale, transfer or exchange of the Project if the buyer or successor or other person fails to assume in writing the requirements of this Agreement and the requirements of Section 42 of the Code.

(k) The Owner agrees to notify the Corporation in writing of any sale, transfer or exchange of the entire Project or any low income portion of the Project.

(l) The Owner shall not demolish any part of the Project or substantially substract from any real or personal property of the Project or permit the use of any residential rental unit for any purpose other than rental housing during the term of this Agreement unless required by law.

(m) The Owner represents, warrants and agrees that if the Project, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Owner will use its best efforts to repair and restore the Project to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of this Agreement.

(n) The Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

SECTION 4 - INCOME RESTRICTIONS; RENTAL RESTRICTIONS

The Owner represents, warrants and covenants throughout the term of this Agreement and in order to satisfy the requirements of Section 42 of the Code ("Section 42 Occupancy Restrictions") that:

(a) (1)___ 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.

(2)___ 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 icome.

(Check applicable percentage election)

(b) 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.

SECTION 5 - OCCUPANCY RESTRICTIONS (OPTIONAL)

This Section is intended to make enforceable those extended use or deeper targeting covenants which the Owner represented to the Corporation in its Application. That portion of the Application relating to such deeper targeting or extended use is attached hereto as Exhibit B and incorporated herein.

The Owner represents, warrants and covenants throughout the term of this Agreement that:

(Check if applicable)

(a)___ Throughout the term of this Agreement the low income units shall rent for at least ____% lower than the maximum gross rent allowed under Section 42 of the Code.

(b)___ The Owner will extend the Section 42 income and rental restrictions for _____ years after the close of the compliance period.

(c)___ Regardless of any provision in Section 6 of this Agreement to the contrary, the Occupancy Restrictions provided by this Section shall remain in place for a period of _____ years except in the case of foreclosure or deed in lieu of foreclosure.

(d)___ The Owner will invest ____% of the net syndication proceeds to generate more low income housing in the Commonwealth of Puerto Rico.

SECTION 6 - TERM OF AGREEMENT

(a) Except as hereinafter provided, this Agreement and the Section 42 Occupancy Restrictions specified herein shall commence with the first day in the Project period on which any building which is part of the Project is placed in service and shall end on the date which is 15 years after the close of the compliance period.

(b) Notwithstanding subsection (a) above, the Owner shall comply with the requirements of Section 42 relating to the extended use period for an additional 15 years, provided, however, the extended use period for any building which is part of this Project shall terminate. On the date the building is acquired by foreclosure or instrument in lieu of foreclosure.

(c) Notwithstanding subsection (b) above, the Section 42 rent requirements shall continue for a period of three years following the termination of the extended use requirement pursuant to the procedures specified in subsection (b) above. During such three year period, the Owner shall not evict or terminate the tenancy of an existing tenant of any low income unit other than for good cause and shall not increase the gross rent above the maximum allowed under the Code with respect to such low income unit.

(d) If the Owner has agreed to optional Occupancy Restrictions as reflected in Section 5 of this Agreement, this Agreement shall not terminate until the time period for compliance with such Occupancy Restrictions has expired.

SECTION 7 - ENFORCEMENT OF THE OCCUPANCY RESTRICTIONS

(a) The Owner shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of the Corporation, to inspect any books and records of the Owner regarding the Project with respect to the incomes of Low Income Tenants which pertain to compliance with the Occupancy Restrictions specified in this Agreement.

(b) The Owner shall submit any other information, documents or certifications requested by the Corporation which the Corporation shall deem reasonably necessary to substantiate the Owner's continuing compliance with the provisions of the Occupancy Restrictions specified in this Agreement.

SECTION 8 - ENFORCEMENT OF SECTION 42 OCCUPANCY RESTRICTIONS

(a) The Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and applicable regulations of this Agreement. Moreover, Owner covenants to take any lawful action (including amendment of this Agreement as may be necessary, in the opinion of the Corporation) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, or the Internal Revenue Service, or the Department of Housing and Urban Development from time to time pertaining to Owner's obligations under Section 42 of the Code and affecting the Project.

(b) The Owner acknowledges that the primary purpose for requiring compliance by the Owner with the restrictions provided in this Agreement is to assure compliance of the Project and the Owner with Section 42 of the Code and the applicable regulations, AND BY REASON THEREOF, THE OWNER IN CONSIDERATION FOR RECEIVING LOW INCOME HOUSING CREDITS FOR THIS PROJECT HEREBY AGREES AND CONSENTS THAT THE CORPORATION AND ANY INDIVIDUAL WHO MEETS THE INCOME LIMITATION APPLICABLE UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER OCCUPANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE OWNER OF ITS OBLIGATIONS UNDER THIS AGREEMENT IN A COURT OF COMPETENT JURISDICTION. The Owner hereby further specifically acknowledges that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder.

(c) The Owner hereby agrees that the representations and covenants set forth herein may be relied upon by the Corporation and all persons interested in Project compliance under Section 42 of the Code and the applicable regulations.

(d) The Owner agrees that if at any point following execution of this Agreement, Section 42 of the Code or regulations implementing said Section require the Corporation to monitor the Section 42 Occupancy Restrictions, or, alternatively, the Corporation chooses to monitor Section 42 Occupancy Restrictions or the Occupancy Restrictions, the Owner will take any and all actions reasonably necessary and required by the Corporation to substantiate the Owner's compliance with the Section 42 Occupancy Restrictions or Occupancy Restrictions and will pay the fee established by the Corporation in its Allocation Plan for such monitoring activities performed by the Corporation.

SECTION 9 - MISCELLANEOUS

(a) Severability. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portion thereof.

(b) Notices. All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

To the Corporation

Puerto Rico Housing Finance Corporation
PO Box 71361
San Juan PR 00936-8461

ATTENTION: Low Income Housing Tax Credit Program

To the Owner:

ATTENTION:

The Corporation, and the Owner, may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

(c) Amendment. The Owner agrees that it will take all actions necessary to effect amendment of this Agreement as may be necessary to comply with the Code any and all applicable rules, regulations, policies, rulings or other official statements pertaining to the Credit.

(d) Subordination of Agreement. This Agreement and the restrictions hereunder are subordinate to the loan and loan documents, if any, on the Project except insofar and Section 42 requires otherwise (relating to the three-year vacancy control during the extended use period).

(e) Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Puerto Rico and, where applicable, the laws of the United States of America.

(f) Survival of Obligation. The obligations of the Owner as set forth herein and in the Application shall survive the allocation of the Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

IN WITNESS WHEREOF, the Owner has caused this Agreement to be signed by its duly authorized representatives, as of the day and year first written above.

PUERTO RICO HOUSING FINANCE CORPORATION

By:_____

Name:_____

Title:_____

OWNER

By:_____

Name:_____

Title:_____

AFFIDAVIT NO.:_____

Suscribed to before me by _____, and by _____, both of legal age, married, and residents of _____, Puerto Rico, who I personally known.

In San Juan, Puerto Rico, this ___ day of _____, 1993.

_____
NOTARY PUBLIC

(SIGNED AND SEALED)

G L O S S A R Y

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 Corporation, 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
Gross income 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 and 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 (12) 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), an 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 A VERIFICATION
Not to exceed 120 days. A verification is valid for 90 days, and may be updated orally for an additional 30 days. A 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.

PRHFC
Puerto Rico Housing Finance Corporation (State Credit Agency)

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 provisisons 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 tax credit allocation.

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.