PUERTO RICO HOUSING FINANCE CORPORATION

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

GDB

DEPARTMENT OF STATE

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Approved: Ferdinand Mercado
Secretary of State

By: _____
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LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN 2002

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LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

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FOREWORD

Created in the Tax Reform Act of 1986, the low income 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 eligible households must occupy them for at least 15 years, plus a minimum of 15 additional years required by the Puerto Rico Housing Finance Corporation (the Agency).

On December 15, 2000 Congress passed a tax bill that increased the annual per capita credit to $1.50 in calendar year 2001 and to $1.75 per capita in calendar year 2002. Beginning in calendar year 2003, the per capita portion of the credit cap will be adjusted annually for inflation in accordance with the consumer price index. The annual volume cap of 2002, $1.75 per capita, multiplied by the population of Puerto Rico, currently represents a minimum of approximately $6,665,067 in tax credits based on the most recent census (2000).

PUERTO RICO HOUSING FINANCE CORPORATION

A SUBSIDIARY OF THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
STATE CREDIT AGENCY

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 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 Agency), 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 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;

C. 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.

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. Tenant populations of individuals with children;

6. Tenant populations with special housing needs;

7. Public housing waiting lists; and

8. Projects intended for eventual tenant ownership.

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 2000 US Census of Housing and the most recent Consolidated Plan submitted by the

Government of Puerto Rico to the U.S. Department of Housing and Urban Development, dated May, 2000. The Consolidated Plan pursues three main goals for the benefit of low and very low income persons:

- to provide decent housing
- to provide a suitable living environment
- to expand economic opportunities

The Consolidated Plan prepared by the Government of Puerto Rico for the years 2000 through 2005 analyzes the Island's housing needs. The needs identified by the Government of Puerto Rico are as follows:[1]

1. There is a need to increase and preserve the availability of safe, decent and affordable housing for very low, low and moderate-income persons and families throughout the entire Island.
2. The need for housing has increased since 1995 due to population growth, deterioration of existing housing units and the passage of two hurricanes. The Department of Housing estimates that a total of 150,571 housing units are needed for 2000.
3. Low-income renters form 26% (55,857) of the entire renters' population. Extremely low-income renters constitute 74% of the entire renters' population of 219,043.
4. The 1990 census population for Puerto Rico is 3,522,037. Of this total, 62.3% is economically disadvantaged, while 84.3% of all

families are below the poverty level. It is estimated that 20% of the economically disadvantaged population is under age 21.

5. The municipalities with the highest percentage of rental units were either densely urbanized or metropolitan. Those with the lowest proportions were located in coastal sectors.

6. Nearly 19% of all rental housing units were one-bedroom or studios.

IV. Establishment of Housing Priorities

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

A. The development of new projects for families with income at or below 50% of median income for the area.

B. The rehabilitation of existing structures with deteriorated housing units.

C. The development of special needs projects which add new units to the affordable rental housing stock for low income households while providing supportive living services as part of the projects' management and operation. The special needs projects are:

1. Elderly

2. Persons with disabilities

3. Homeless

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[1] Consolidated State Allocation Plan, 2000-2005

4. Victims of Domestic Violence

D. The development of projects with a large proportion of units with three bedrooms;

E. The development of projects in areas with the greatest need and projected deficit, as defined in Annex A, *Housing Needs in Puerto Rico*; and Annex B, Projected Housing Deficit, Year 2000;

F. 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;

G. The development of projects in which the highest percentage of the housing credit dollar amount is used for hard construction costs, not for intermediaries;

H. The rehabilitation of properties owned or financed by the government;

I. Project developments that are placed in service during the same calendar year in which the application for credits is submitted; and,

J. The preservation of existing Section 8- Project Based Projects.

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 preservation 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 Threshold Qualifications

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

1. The project is or will be a qualified residential rental project which meets the basic income 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. See Annex C, Low Income Housing Tax Credits Program Maximum Rents.

2. The owner, developer or applicant and their shareholders, directors, officers and partners, as applicable, must demonstrate that they have not been involved in any way (either personally or as shareholders, directors, officers or partners of a corporation, partnership or other form of business organization or joint venture) in any other project for which the Agency has provided any financing and in which a default under the terms and conditions of the applicable financing documents occurred that resulted in the foreclosure of the project or in the substitution of the Owner or any shareholder, director, officer or partner thereof, as applicable.

3. The owner, developer or applicant and their shareholders, directors, officers and partners, as applicable, with previous participation in the program, must demonstrate that they are in compliance with Section 42 requirements and that there is no outstanding finding of non-compliance at the date of filing the application in any other project that received tax credit and in which they have an interest.

4. The readiness to proceed as demonstrated through the following information and/or documents:

   a) Evidence of site control

   b) Evidence of filing Preliminary Development Approval (ARPE: Solicitud Aprobación de Desarrollo Preliminar, Consulta de Ubicación)

   c) The availability of financing evidenced through a letter of intent from financing institution specifying possible terms

   d) Development team in place: Identify the architect, general contractor, management agent, and provide copy of their contracts, if available

   e) Schematic drawings and outline specifications

   f) Cost breakdown signed by contractor

   g) The availability of private equity evidenced through a letter of intent from a syndication firm

h) Original of Accountant's Opinion

i) Original of Attorney's opinion

j) Certificate of Special Partnership

k) Referral Agreement with PHA, if applicable

l) Tax Payer identification number and IRS evidence

5. The Owners must also demonstrate through an intent letter their desire 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.

6. For projects to be sponsored or developed by non-profit organizations and receiving a tax credit reservation and allocation from the non-profit set-aside, a non-profit principal must meet the following requirements:

a) The entity must be a qualified organization as defined in Section 42(h)(5)(C) of the Code; and

b) Domiciled in Puerto Rico for at least twelve months prior to submitting an application.

c) Have local community involvement on its board of directors.

d) The organization must materially participate in the acquisition, development and ongoing operation of the project throughout the entire compliance period. This

includes, but is not limited to, having an ownership interest in the project and being at least co-general partner.

e) Must have, as one of its exempt purposes, the fostering of low-income housing.

Material Participation is defined in Section 469(h) of the Code and Treasury Regulation as being involved on a regular continuous and substantial basis in the development and operation of the project throughout the full tax credit compliance period. The non-profit entity must submit a narrative statement, certified by a resolution of its Boards of Directors describing the non-profit plan for material participation during the Compliance Period.

7. For projects financed or sponsored by the Rural Housing Service (RHS), the RHS 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 non-profit projects as required by the IRS Code. A qualified non-profit is a 501(c)(3) or 501(c)(4) entity in existence in Puerto Rico for at least twelve

months prior to applying for credits and that has, as one of its exempt purposes, the fostering of low-income housing. The non-profit entity must have material participation in the development ownership and management of the proposed project throughout the tax credit compliance period. The non-profit cannot be controlled by or affiliated with or have an identity of interests with the for-profit organization. The non-profit entity must be able to demonstrate that it meets the material participation clause of Section 469(n) by being involved on a regular, continuous and substantial basis in the development and operation of the project throughout the full tax credit compliance period.

The Agency reserves the rights to adopt and implement such other set-asides as it may deem appropriate, in the future.

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 project can accumulate a total of 475 points on the Point Ranking System hereinafter described. The project must accumulate a minimum of 175 points to be entitled to receive a reservation or an allocation of credits. The Agency anticipates reserving credits for those projects scoring highest under the Selection Criteria up to the amount permitted by law and this Allocation Plan. However, the ranking under the Selection Criteria does not vest an applicant or project any right

to a reservation or allocation of credits in any amount. Applications for new construction projects that will be placed in service within the calendar year in which the application is submitted will receive the highest priority. Likewise, projects returning tax credits from a previous year allocation and not placed in service within the established two-year period will receive the lowest priority. The Agency also encourages the development of rental projects through the combination of 4% credits and tax exempt financing.

C. Evaluation System

1. Evaluation Factors

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, using the following factors:

a) Development costs, including developer fees;

b) Sources and uses of funds;

c) Projected operating income and expenses;

d) Projected syndication proceeds; and

e) Capital Assessment Review (to be performed by the Agency's Consultants).

2. Intermediary Costs

In reviewing applications for financial feasibility, the Agency does not anticipate allowing intermediary costs to exceed 25% of total development costs and will 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, profit and consultant fees)
- Syndication Fees, and
- Professional Fees (such as architect's, attorney's, and auditor's fees).

A maximum of 25 points will be given to a project with intermediary costs below 10% of total development costs.

3. Maximum Developer Fee

The maximum fee allowed to the developer is 15% of the total development costs. The developer fee includes the developer's overhead, profit and consultants' fees. To compute the maximum developer fee, total development costs include the cost to purchase the building, site work, construction costs, architectural and

engineering fees, interim costs, financing fees and expenses and soft costs. It does not include the cost of purchasing land, syndication costs, project's reserves, working capital and developer fees. See page 32 for additional comments on developer fees.

4. Per Unit Standards

The Corporation hereby adopts the following per unit standards as maximums of the Tax Credit Program:

a) Maximum cost per unit: The cost of a unit will not exceed the following standards:

(1) New Construction: $90,000

(2) Rehabilitation: $65,000

b) Maximum Tax Credit per unit: $9,500 per year

The Agency reserves the right, at its sole discretion, to exceed these standards, if deemed necessary.

5. General Contractor Maximum Charges

The Corporation hereby adopts the following as maximum builder or general contractor charges:

a) Builders Profit - 6% of hard Construction Costs

b) Builder's overhead - 2% of hard Construction Costs

c) General Requirements - 2% of hard Construction Costs

The developer shall identify the existence of an identity of interest with any other party of the project.

D. Financial Analysis:

The Agency is required to consider the reasonableness of the development and operational costs of the project as an additional factor in making its determination as to the proper amount of tax credit to allocate to a project. The Agency will use the costs, incomes and expenses submitted in the Application, as determined by the Agency to be reasonable. In order to achieve this requirement, the Agency will conduct three financial analyses:

1. Reservation of credits: The Agency will notify, in writing, each successful applicant of an initial reservation of Tax Credits. The Reservation letter will specify what additional information and documentation is required and will specify a date by which such information and documentation must be submitted to the Agency in order to receive the final allocation.

2. Carryover Allocation: a development with a reservation but which will not be placed in service by December 31, may be eligible for a Carryover Allocation. For the signing of the Carryover Allocation the owner must provide evidence of ARPE's approval of: (1) the preliminary development and (2) the schematic drawings of the project.

3. Placed-in-Service: after the placed in service the Agency will issue IRS form 8609 only after receipt of the following:

a) Final Cost Certification of development from an independent CPA (see model of this certification in Annex G).

b) Certificate of Occupancy (Permiso de Uso).

c) Owner's Certification as to any federal subsidy received or projected to be received for the development and operation of the project

d) Physical Inspection and Cost Certification Review Report, to be prepared by an independent consultant appointed by the Agency.

The amount of Tax Credits allocated to each project in the IRS form 8609 may be different from the amount requested in the Application, the amount specified in the Reservation letter or the amount reflected in a Carryover Allocation.

Some of the many factors that might impact the financial analysis of an application are:

(1) Capital Needs Assessment Review / Feasibility Study: In order to validate construction or rehabilitation costs, all the projects that passed the Point Ranking Review will be subject to an assessment review to be performed by an independent consultant appointed by the Agency. The construction or rehabilitation budgets will be adjusted according to the consultant's

recommendations, therefore affecting the tax credit calculations. After the consultant submits its report, the budget can not be changed without the consent of the Agency. Only changes due to unforeseen or exceptional circumstances will be taken under consideration.

The following components will be examined and analyzed for the capital needs assessment:

- Site, including topography, drainage, pavement, curving, sidewalks, parking, landscaping, water sewer, storm drainage, gas and electric utilities and lines.
- Structural systems
- Interiors, including units, common area finishes, and handicapped access.
- Mechanical systems
- Elevators

(2) Tax Credit Percentage: In reserving a housing credit dollar amount to any building, the Agency will use the percentage published by the IRS for the month when the reservation is made. The Agency, at its own discretion, could lower this percentage. At the time of

the Tax Credit allocation the applicant must choose the Tax Credit Percentage for either (1) the Carryover Allocation month or (2) the month the project is placed in service.

(3) Decrease of actual development costs

The Agency reserves the right, in its sole discretion, to reserve or allocate an amount of tax credits less than the amount requested in the application based on the information submitted by the applicant or any independent consultant and Section 42 requirements.

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 Term

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 application review in accordance with these statutory requirements.

G. Project 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 judgment, 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:

Preference will be given to projects with the lowest intermediary costs. Please refer to page 12 for the definition of intermediary costs.

b) Project Location:

Preference will be given to:

(1) Projects located in difficult to develop areas designated by the U.S. Department of Housing as an area with high construction costs, land costs, and

utility costs relative to the area gross median income projects;

(2) Projects that the owner can demonstrate are located in qualified Census track as designated by the Secretary of HUD, the development of which contributes to a concerted community revitalization plan;

(3) Projects located in municipalities with the greatest low income housing needs as identified by the third update of the study on the Demand for Housing in Puerto Rico performed by Estudios Técnicos, Inc. See Annex A;

(4) Projects located in municipalities with the greatest housing deficits as identified by the third update of the Study of Demand for Housing in Puerto Rico. See Annex B.

c) Project Characteristics:

Preference will be given to those projects in which at least 50% of the units in the project will be rent restricted and affordable to households with incomes less than 50% of the median income adjusted for family size; projects awarded with project-based rental subsidies; projects in which no relocation is needed; projects with the longest period of time

committed to low income housing; projects to be placed in service within the calendar year in which the application for credits is submitted for the first time; project is to acquire and rehabilitate a structure owned or financed by a government agency and to add units to the affordable rental inventory; projects in which the owner and a public housing authority (PHA) have agreed to include the development in any listing of housing opportunities where households with tenant-based subsidies are welcome; project is to preserve existing low-income housing; project is endorsed by the Local Chief Executive.

d) Housing Needs Characteristics

(1) Preference will be given to those projects, which consist of the larger amounts of three bedroom units.

(2) Preference will be given to projects that will rehabilitate inadequate housing or to relocate families living in flash flood areas.

e) Sponsor/Owner Characteristics:

Preference will be given to projects that involve the use of existing housing as part of a community revitalization plan. Previous successful participation by sponsor(s) or owner developing and operating tax credit projects located in

Puerto Rico will be taken into consideration, as well as previous successful participation by proposed management agents in managing low income housing in Puerto Rico. Sponsors or developer owners of other projects for which the Agency has provided financing or awarded tax credits and in which a default has occurred that resulted in the foreclosure of the mortgaged property or in the assignment of the mortgage to the Agency or the substitution of the owner has occurred or the project found to be with uncorrected significant non-compliance over six months old will be penalized.

The Agency will evaluate and approve the qualifications of every appointed Management Agents without previous experience in the administration of Tax Credit Project.

f) Financing Characteristic:

Preference will be given to projects in rural areas; new construction projects with a firm commitment for financing and that meet certain minimum underwriting requirements described below.

g) Tenant Population with Special Housing Needs:

Preference will be given to projects which provides supportive services to families with HIV-Patients, elderly, homeless, handicapped or disabled members.

h) Returned Credits:

Projects returning or that had returned tax credits from a previous year will be penalized. This penalization will only be applied once.

2. Point Ranking System

a) Intermediary Costs (Maximum: 25 points)

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

(2) 10 points - More than 10%, up to 15% of total development cost

(3) 5 points - More than 15%, up to 25% of total development cost.

b) Project Location (Maximum: 30 points)

(1) 10 points – Project located in a difficult to develop 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. (See Annex D for areas designated by HUD as Difficult to Develop

Areas). Evidence of location of development must be included.

(2) 20 Points- Projects located in a qualified census track. (See Annex D for areas designated by HUD as Qualified Census Tracks). Evidence of location of the development within the qualified census track must be included.

(3) 20 Points - Project located in a municipality that reflects the greatest housing needs as identified by the Study of Demand for Housing in Puerto Rico prepared by Estudios Técnicos, Inc. (See Annex A). The points will be awarded as follows:

(a) Project located in one of the municipalities with the amount of units needed over 2,000 (20 points).

(b) Project located in one of the municipalities with the amount of units needed over a 1,000 (10 points).

(c) Project located in one of the municipalities with the amount of units needed over 500 (5 points).

(d) Project located in one of the municipalities with the amount of units needed less than 500 (1 point).

c) Project Characteristics (Maximum 230 points)

(1) (10 points) - At least 50% of the units in the project are targeted for households with incomes at 50% or less of the median income adjusted for family size.

(2) (10 points) - A written Agreement with a PHA was submitted. In such agreement the PHA agrees to include the project in any listing of housing opportunities where households with tenant-based subsidies are welcomed and where the project's owner or management agent agrees to actively seek referrals from the PHA to apply for units at the project.

(3) (10 points) - Longest term of affordability. Projects providing guarantees for longer terms of affordability beyond the extended compliance period will be scored as follows:

(a) At least 10 more years beyond the required 30 year period - 10 points.

(b) At least 5 more years beyond the required 30 year period - 5 points

(4) (25 points) - Project will be placed in service within the calendar year in which an application for low-income housing tax credits is submitted for the first time.

(5) (20 points) - Project is to acquire and rehabilitate an existing vacant structure owned or financed by a government agency to add units to the affordable rental housing inventory.

(6) (10 points) - Project is to substantially rehabilitate an occupied low-income rental housing project in which hard construction costs exceed $10,000 per unit.

(7) (10 points) - Project is to acquire, rehabilitate and preserve low-income rental housing which might otherwise be converted from low-income tenancy, including Section 8 projects with expiring contracts.

(8) (5 points) - Application includes a letter of endorsement from the mayor of the municipality where the project is located.

(9) (40 points) - Owner includes with the application a proposed scope of rehabilitation based on a capital needs assessment performed by an independent third party professional.

(10) (40 points) - Owner demonstrates a strong market for the units through a third party independent market analysis.

(11) (50 points) - The development of the project contributes to a concerted community revitalization plan in a qualified census tract.

d) Housing Needs Characteristics

(Maximum: 10 points)

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

(2) (5 points) - Projects to rehabilitate inadequate housing or to relocate housing in flash flood areas.

e) Sponsor/Project Owner Characteristics

(Maximum: 60 points)

(1) (20 points) - Owner, federal partner or sponsor, is a federal non-profit entity tax exempt under either Section 501(c) 3 or Section 501(c) 4 of the IRS Code.

(a) Qualified non-profit under Section 501(c)(3) or (4) of the Code.

(b) Domiciled in Puerto Rico for at least twelve months prior to submitting the application.

(c) Have local community involvement on its board of directors.

(d) Materially participates in the acquisition, development, ownership and on going operation of the property for the entire compliance period.

(e) Has as one of its exempt purposes the fostering of low-income housing.

(2) (20 points) - Applicant can demonstrate successful past experience in the development of low income housing tax credit projects in Puerto Rico.

(3) (20 points) - Contracted Management agent can demonstrate successful past experience in the management of low income housing tax credit projects in Puerto Rico. Points will be awarded for projects based on the experience of the management agent to maintain compliance of low-income housing tax credits units in Puerto Rico during the past ten years.

(4) (Less 20 points) - Sponsor, owner, developer, management agent, or consultant to the applicant has defaulted a financing provided by the Agency in other

project and such default resulted in foreclosure, assignment of mortgage or substitution of mortgagor.

f) Financing Characteristics (Maximum: 75 points)

(1) (15 points) - New construction projects in rural areas that have an obligation of funds from the US Department of Agriculture, Housing Rural Development.

(2) (15 points) - New constructions projects with a financing firm commitment with the Puerto Rico Housing Finance Corporation.

- (15 points) - Interim and Permanent
- (7 points) - Interim or Permanent

(3) (45 points) - The project meets the following underwriting requirements:

(a) (30 points) - Assuming a constant 7% vacancy rate with rents (5% for projects with less than 50 units) and replacement reserve increasing at 3% and operating expenses increasing at 4% annually, project pro-formas reflect at least 1.15 debt coverage ratio (DCR) for the term of the debt financing.

(i) (15 points) - Operating Expenses:

Projects over 50 units:

- New Construction: The per unit per year operating expenses do not exceed $2,100.
- Substantially Rehabilitation Projects: The per unit per year operating expenses do not exceed $2,300.

Projects with less than 50 units:

- The per unit per year operating expenses do not exceed $2,500 (25 points)

g) (25 points) - Tenant Population with Special Housing Needs

Projects developed to give priority and to assist special needs families through a written Plan included in the application to provide supportive services: to head of family victim of domestic violence, elderly, disabled, handicapped or HIV patients.

An endorsement letter from the governmental agency that provides supportive services to the targeted special population must be included with the application.

h) (Less 25 points) - Projects returning or that have returned tax credits from previous years which were not placed in service within the established two-year period will be penalized by losing 25 points. (This penalization will only be applied once.).

H. Underwriting Standards

1. Owner projected operating expenses will be used in the underwriting by the agency if higher than Agency minimums. The owner must have the proposed management agent sign a statement in the application stating costs were reviewed and agreeing they are reasonable projections.

2. All projects will be underwritten assuming:

- Vacancy rate of 7% (or 5% for projects with less than 50 units);
- Rents and reserve replacement increasing at 3%
- Operating expenses increasing at 4% annually.
- Project pro-forma must reflect at least 1.15 debt service coverage ratio for the term of the debt financing.

3. Equity Pricing

The Agency will use the average market price for tax credit syndication, as published in the Tax Credit Advisor. Owners are required to submit a letter of intent from the investor confirming the financial assumptions of the purchase.

4. Reserves

a) Rent-up Reserve:

A reasonable amount shall be established based on the projected rent-up time considering the market and target population, but in no event shall be less than $200 per unit.

b) Operating Reserve:

The operating reserve will be based on a six-month's debt service and operating expenses and must be maintained throughout the term of the tax credit compliance period. The operating reserve can be funded by deferring the developer's fees of the project. In that case, the developer's loan can only be repaid from cash flow, after all required replacement reserve deposits are made. Such loans will be projected to be repaid within ten years and must meet the standards required by IRS. A statement describing the terms of the loan must be included.

c) Replacement Reserve:

All new construction projects and rehabilitation projects with less than 50 units must budget replacement reserve of $250 per unit per year. Rehabilitation Projects must budget replacement reserve of $300 per unit per year. The

replacement reserve must be capitalized from the project's operations, increasing by 4% annually.

5. Financing Commitment

For all projects proposing private permanent financing, a letter of intent from the bank is required. The letter should state the amount and term of the loan (20 years or more), how the interest rate will be indexed and the current rate at the time of the letter, the amortization period and any prepayment penalties. Applicant must submit a letter of firm commitment for financing within 60 days of receiving a reservation of credits. All projects applying for tax credits and financing from Puerto Rico Housing Finance Corporation must submit the loan application to the Agency at the same time as the tax credit application.

6. Developer Fees

Developer's fees shall be a maximum of 15%. In addition, a maximum developer's fee of 4% is allowed on the acquisition cost of buildings (excluding land value or cost, whichever is greater) purchased for substantial rehabilitation. Consulting fees for a project must be paid out of developer fees, so that the aggregate of any consulting fees and developer fees is no more than the maximum developer fee allowed.

7. Investor Services Fees

Investor Services Fees must be paid from net cash flow and not be calculated into the minimum debt coverage ratio.

8. Section 8 Project-Based Rental Assistance

For all projects that propose to utilize Section 8 project-based rental assistance, the Agency will underwrite the rents according to the tax credit limits. These limits are based on data published annually by HUD. If the Section 8 HAP contract allows rents above those limits, the project may receive the additional revenue in practice.

I. Carryover Allocation Requirements

The Code requires more than 10% of the project's reasonably anticipated basis be incurred by:

- the end of the carryover allocation year, if the Carryover Allocation is made before June 30, or
- within six months of the date of the Carryover Allocation Agreement, if made after July 1.

After the reservation process is final, the owner and the Agency must sign a Carryover Agreement allowing the carryover of tax credits. Owners must have title to the property and approval for the development by the corresponding governmental agencies by the execution of the Carryover Agreement. The Agency requires expenditure of and cost certification of

the 10% costs to be submitted to the Agency within the six months of the date of the Carryover Allocation.

J. Place in Service Date

1. Carryover Allocations

The building must be placed in service within 24 months after the end of the carryover allocation calendar year.

- For new construction and existing buildings, placed in service usually means the date the building receives a Certificate of Occupancy (Permiso de Uso).
- For substantial rehabilitation, placed in service means the last day of the 24-month period (or shorter period, if elected by the owner) for aggregating rehabilitation costs.

K. Returned Credits (less 25 points)

Projects returning or that have returned tax credits from previous years which were not placed in service within the established two-year period will be penalized by losing 25 points. This penalization will be applied only once.

VI. Application Procedures

A. Credit Allocation Charged to State Volume Cap for a Current Taxable Year

Applicants may apply to receive a credit allocation for a certain project by applying through the following time frame:

	First Cycle	Last Cycle
Applications Opening Date	February 1	July 1
Applications Closing Date	March 1	August 1
Ranking & Reservations	May 31	October 30
Closing of Allocations or Commitments	June 28	November 29
10% or Cost Certification	December 28	Jun-29-03

Cost Certifications are due for projects receiving allocations to be placed in service during the same calendar year of the application and 10% certification for projects receiving a carryover allocation. (Models of Letters are enclosed as Annexes to the Procedural Steps Guide).

If any of the due dates for application or reservation falls on a non-working day or on an official holiday, it will be moved to the previous working day. The Agency will notify its preliminary determination on its review for compliance with the Basic Threshold Qualifications, within the succeeding three (3) months from the applications closing date.

B. Credit Allocation Charged to State Volume Cap for Subsequent Taxable Year

Applicants may apply to reserve credits, and enter into a binding commitment with the Agency to allocate credits at a future date, for a

certain project after the agency ceiling for the current year has been reached. To such end, the Agency may reserve credits or bind itself to allocate credits to a project during the taxable year immediately following the year in which the application is made. As mandated in Section 42(h)(1)(C) of the Code, a reservation or binding commitment to allocate credits in a future year has no effect on the state housing credit ceiling until the year in which the Agency actually makes the allocation.

(See Annex E for an example of the Binding Commitment).

To be considered for a reservation of credits from future year cap or for a binding commitment to allocate credits at a future date, the applicant must demonstrate that the project falls within one of the following categories:

1. Credit is deemed necessary to facilitate the restructuring of financing provided to a project confronting economic difficulties.
2. Credit is deemed necessary to preserve the low-income housing status of the project or to maintain the total number of available low-income housing units within Puerto Rico.
3. Credit is requested in connection with the acquisition of a project from the federal, state or local governments, or any department, agency, entity or political subdivision thereof.
4. Unforeseen circumstances that the Agency, at its sole discretion, might believe are valid.

Projects with Binding Commitments must file an application and go through the Basic Threshold Qualification Process, nevertheless the owner will not have to pay the Application Fee, but a processing fee of .25% of the annual tax credit requested must be included with the application.

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 Basic Threshold Qualification Requirements and other requirements for allocation under this Plan.

These projects will be subject to the evaluation of housing priorities, and minimum thresholds discussed above and the fees determined in Section VIII. **They will not be subject to the credit allocation process, but a minimum of 150 points must be met.** Applicant must include with the application a letter from the lender stating the tax-exempt status of the obligations issued to finance the project and a certification for its tax attorney or CPA certifying that this requirement is met.

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 income 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 F.

In making the application for tax credits, the owner agrees that the Agency and the designees will have access to any information pertaining to the project. This includes having physical access to the project, to financial records and tenant information for any monitoring that may be deemed necessary to determine compliance with the Code.

Owners are advised that the Agency is required to do compliance monitoring and to notify the IRS and the owner of any discovered non-compliance with tax credit law and regulations, whether corrected or uncorrected.

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.

The Agency will charge the following fees:

A. Application Fee: One percent (1%) of the annual requested amount. **This is a non-refundable deposit**, which shall be submitted along with the application. Projects with Binding Commitments will be charged a processing fee of .25% of the annual tax credit requested.

B. Allocating Fee: One percent (1%) of the total ten years allocated amount. The allocating fee will be paid at the time the allocation is made through certified or manager's check. In case of carryover allocations under Section 42, the fee will be paid at the time of signing the agreement through certified or manager's check. **Allocation fees are not refundable.**

C. Monitoring Fee: If a housing credit allocation is made, the Agency will charge one half of 1% of each year's allocated amount or $18.00 for each LIHTC unit, whichever amount is greater, as monitoring fee. This amount will be due and payable by January 31 of each year during the compliance period.

D. 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.

E. If a sponsor, owner, developer or consultant has a past due allocation fee in a previous project, the Agency will not sign an allocation for the new project until the account is paid in full.

X. Limitations

The federal legislation charges the Agency with allocating to a project only that amount of tax credits 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 that 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 allocation in all situations and circumstances, both foreseen and 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.

S:/ _____
JUAN AGOSTO ALICEA
PRESIDENT
PUERTO RICO HOUSING FINANCE
CORPORATION

I, Sila María Calderón, 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.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Commonwealth of Puerto Rico, in San Juan, Puerto Rico, this 21 day of March 2002.

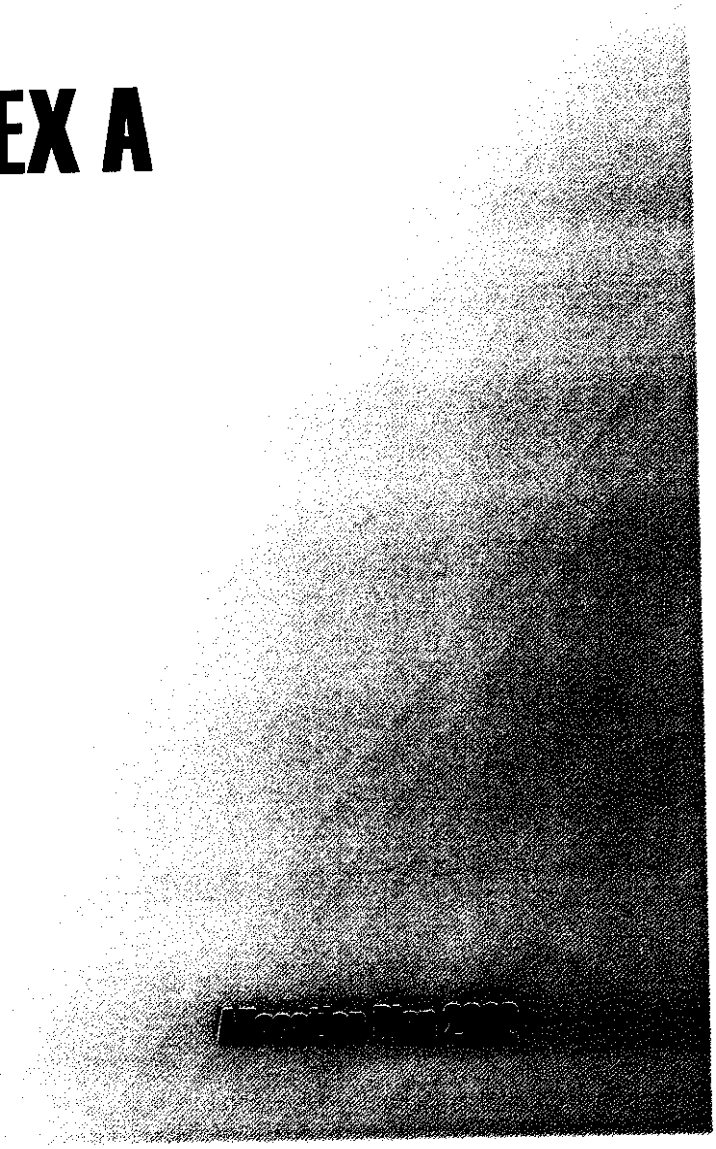
S:/ _____
GOVERNOR

GDB

PUERTO RICO HOUSING FINANCE CORPORATION

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

ANNEX A



PUERTO RICO HOUSING FINANCE CORPORATION
STATE CREDIT AGENCY

LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

ANNEX A

HOUSING NEEDS IN PUERTO RICO
BY MUNICIPALITY

HOUSING NEEDS IN PUERTO RICO
BY REGION

REGION	POPULATION	HOUSING INVENTORY	UNITS NEEDED FOR POP. GROWTH	UNITS UNFIT FOR REHAB. 1995	HOUSING NEED 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
Bayamón	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"

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
Manatí	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 Díaz	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	**388,735**	**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
Loíza	29,307	8,310	2,286	499	2,785
Fajardo	36,882	13,864	2,162	555	2,717
Río Grande	45,648	15,078	1,549	1,055	2,604
Canóvanas	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
Bayamón	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
Comerío	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	**521,595**	**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 Sebastián	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
Rincón	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
Guánica	19,984	7,563	102	681	783
Lajas	23,271	8,865	237	532	769
Las Marías	9,306	3,204	74	545	619
San Germán	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**

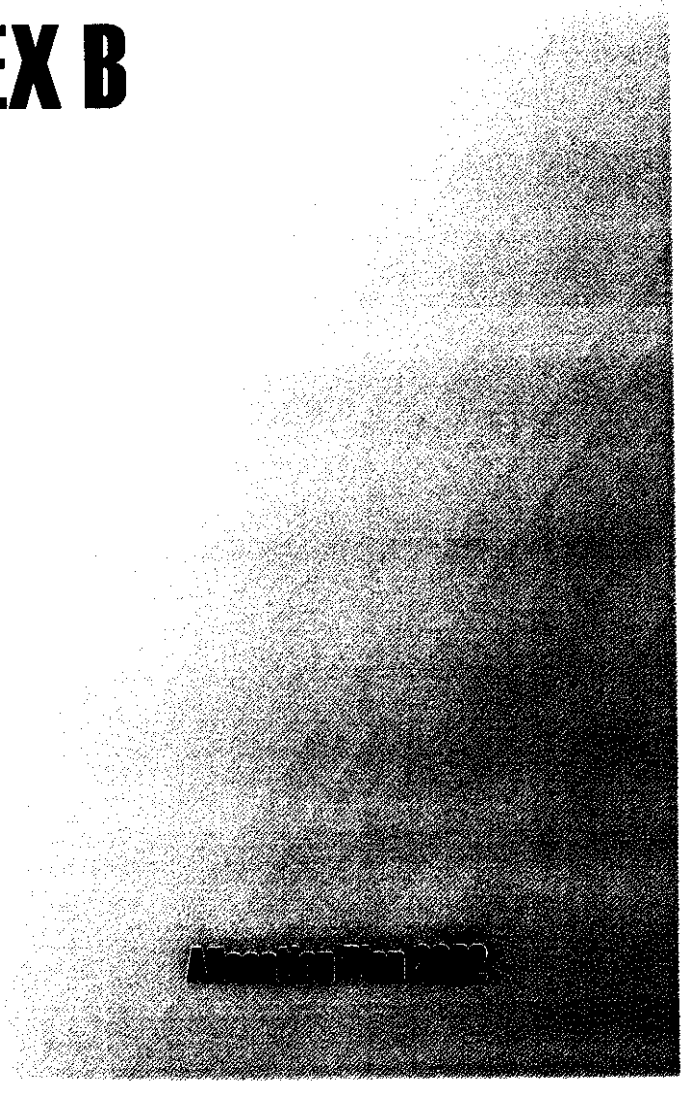
Source: Columns 1 and 2 - US Census of Housing 1990
Columns 3, 4 and 5 - Commonwealth Department of Housing
CHAS Annual Plan 1992 - 1993,
Table VII, "Housing Needs by Municipality 1995,
All Municipalities Arranged by Housing Needs"

PUERTO RICO HOUSING FINANCE CORPORATION

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(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

ANNEX B



ANNEX B

PROJECTED HOUSING DEFICIT, YEAR 2000

Municipality	Units	Municipality	Units
Maricao	80	Lajas	497
Quebradillas	89	Aguada	504
Jayuya	92	Manatí	525
Aibonito	100	Moca	532
Las Piedras	112	Guayanilla	533
Culebra	113	Villalba	536
Patillas	119	Lares	544
Sabana Grande	161	Corozal	564
Florida	171	Loíza	572
Rincón	190	Orocovis	585
Maunabo	192	Peñuelas	587
Ceiba	194	Toa Alta	589
Vieques	209	Fajardo	605
Ciales	216	Arroyo	606
Guánica	222	Isabela	606
San Lorenzo	237	Yabucoa	652
Las Marías	240	Vega Alta	659
Luquillo	247	Guaynabo	665
Dorado	277	Yauco	665
Hormigueros	280	Juana Díaz	678
Santa Isabel	291	Trujillo Alto	685
Morovis	301	Hatillo	688
Comerío	309	Salinas	733
Aguas Buenas	316	Río Grande	770
Barceloneta	324	Canóvanas	801
Cidra	349	Toa Baja	842
Cayey	356	Aguadilla	863
Coamo	361	San Germán	960
Barranquitas	370	San Sebastián	1,045
Juncos	377	Utuado	1,064
Adjuntas	387	Cabo Rojo	1,103
Naranjito	400	Vega Baja	1,113
Añasco	404	Carolina	1,285
Camuy	412	Bayamón	1,357
Gurabo	415	Caguas	1,361
Humacao	423	Arecibo	1,738
Naguabo	448	Mayaguez	1,803
Guayama	449	Ponce	3,055
Cataño	463	San Juan	5,746

Estudios Técnicos, Inc.

PUERTO RICO HOUSING FINANCE CORPORATION

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

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ANNEX C

PUERTO RICO HOUSING FINANCE CORPORATION — Effective Date: April 6, 2001
LOW INCOME HOUSING TAX CREDIT PROGRAM
Rent Restrictions

Region *		Studios	I Br	2 Brs	3 Brs	4 Brs
Aguadilla						
50% of Median Income	Income	$ 6,600	$ 7,550	$ 8,500	$ 9,450	$ 10,200
	Rent	165	176	212	245	273
60% of Median Income	Income	$ 7,900	$ 9,050	$ 10,200	$ 11,350	$ 12,250
	Rent	197	211	255	295	328
Arecibo						
50% of Median Income	Income	$ 9,600	$ 10,950	$ 12,350	$ 13,700	$ 14,800
	Rent	240	256	308	356	397
60% of Median Income	Income	$ 11,520	$ 13,140	$ 14,820	$ 16,440	$ 17,760
	Rent	288	308	370	427	477
Caguas						
50% of Median Income	Income	$ 7,950	$ 9,100	$ 10,250	$ 11,350	$ 12,300
	Rent	198	213	256	295	330
60% of Median Income	Income	$ 9,540	$ 10,920	$ 12,300	$ 13,620	$ 14,760
	Rent	238	255	307	354	396
Mayaguez						
50% of Median Income	Income	$ 7,550	$ 8,600	$ 9,700	$ 10,750	$ 11,600
	Rent	188	201	242	279	311
60% of Median Income	Income	$ 9,060	$ 10,320	$ 11,640	$ 12,900	$ 13,920
	Rent	226	242	291	335	373
Ponce						
50% of Median Income	Income	$ 9,400	$ 10,750	$ 12,100	$ 13,400	$ 14,550
	Rent	235	251	302	349	390
60% of Median Income	Income	$ 11,280	$ 12,900	$ 14,520	$ 16,080	$ 17,460
	Rent	282	302	363	419	468
San Juan						
50% of Median Income	Income	$ 10,000	$ 11,450	$ 12,850	$ 14,300	$ 15,450
	Rent	250	268	321	371	415
60% of Median Income	Income	$ 12,000	$ 13,740	$ 15,420	$ 17,160	$ 18,540
	Rent	300	321	385	446	498
All Other						
50% of Median Income	Income	$ 6,300	$ 7,200	$ 8,150	$ 9,050	$ 9,750
	Rent	157	168	203	235	261
60% of Median Income	Income	$ 7,560	$ 8,640	$ 9,780	$ 10,860	$ 11,700
	Rent	189	202	244	282	313

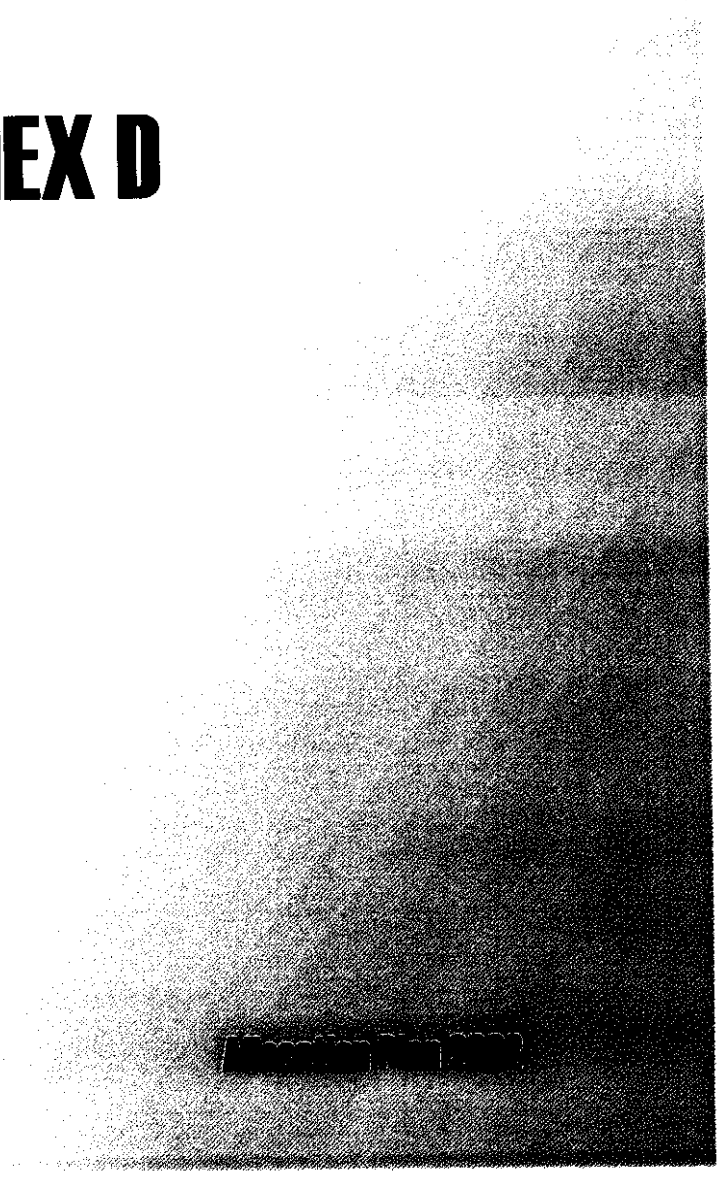
*** See page 2 for the list of Municipalities within each region.**

PUERTO RICO HOUSING FINANCE CORPORATION

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ANNEX D



Federal Register

Tuesday,
September 11, 2001

Part II

Department of Housing and Urban Development

Statutorily Mandated Designation of Difficult Development Areas and Qualified Census Tracts for Section 42 of the Internal Revenue Code of 1986; Notice

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4401–N–05]

Statutorily Mandated Designation of Difficult Development Areas and Qualified Census Tracts for Section 42 of the Internal Revenue Code of 1986

AGENCY: Office of the Secretary, HUD.

ACTION: Notice.

SUMMARY: This document designates "Difficult Development Areas" and "Qualified Census Tracts" for purposes of the Low-Income Housing Tax Credit ("LIHTC") under section 42 of the Internal Revenue Code of 1986 ("the Code"). The United States Department of Housing and Urban Development ("HUD") makes new Difficult Development Area designations annually and makes Qualified Census Tract Designations at this time due to changes in section 42 of the Code enacted in the Community Renewal Tax Relief Act of 2000 ("CRTRA").

FOR FURTHER INFORMATION CONTACT: For questions on how areas are designated and on geographic definitions: Steven Ehrlich, Economist, Division of Economic Development and Public Finance, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410, telephone (202) 708-0426, e-mail Steven_R._Ehrlich@hud.gov. For specific legal questions pertaining to section 42 and this notice: Harold J. Gross, Senior Tax Attorney, Office of the General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410, telephone (202) 708-3260, e-mail JERRY_GROSS@hud.gov. For questions about the "HUBZones" program: Michael P. McHale, Assistant Administrator for Procurement Policy, Office of Government Contracting, Suite 8800, Small Business Administration, 409 Third Street, SW., Washington, DC 20416, telephone (202) 205-6731, fax (202) 205-7324, e-mail michael.mchale@sba.gov. A text telephone is available for persons with hearing or speech impairments at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUD User at (800) 245-2691 for a small fee to cover duplication and mailing costs.

Copies Available Electronically: This notice and additional information about Difficult Development Areas and Qualified Census Tracts are available electronically on the Internet (World Wide Web) at http://www.huduser.org/datasets/qct.html.

SUPPLEMENTARY INFORMATION:

This Document

The designations of Difficult Development Areas in this Notice are based on FY 2001 Fair Market Rents ("FMRs"), FY 2001 income limits and 2000 Census population counts as explained below. The designations of Qualified Census Tracts in this notice are based on 1990 Census data.

2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan counties are used in the designation of Difficult Development Areas. Data from the 2000 Census necessary to make Qualified Census Tract designations have not been released in their entirety by the Census Bureau. It is anticipated that all of the 2000 Census data necessary to make Qualified Census Tract designations will be released in time to publish new designations in September 2002 for effect in 2003.

Background

The U.S. Treasury Department and the Internal Revenue Service thereof are authorized to interpret and enforce the provisions of the Internal Revenue Code of 1986 (the "Code"), including the Low-Income Housing Tax Credit ("LIHTC") found at section 42 of the Code (26 U.S.C. 42) as amended. The Secretary of HUD is required to designate Difficult Development Areas and Qualified Census Tracts by section 42(d)(5)(C) of the Code.

In order to assist in understanding HUD's mandated designation of Difficult Development Areas and Qualified Census Tracts for use in administering section 42 of the Code, a summary of section 42 is provided. The following summary does not purport to bind the Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has no authority to interpret or administer the Code, except in those instances where it has a specific delegation.

Summary of Low Income Housing Tax Credit

The LIHTC is a tax incentive intended to increase the availability of low-income housing. Section 42 provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects. The dollar amount of the LIHTC available for allocation by each state (the "credit ceiling") is limited by population. Each state is allocated credit based on a statutory formula indicated at section 42(h)(3). States may carry forward unused or returned credit derived from the credit ceiling for one year; if not used by then, credit goes into a national pool to be allocated to states as additional credit. State and local housing agencies allocate the state's credit ceiling among low-income housing buildings whose owners have applied for the credit. Besides section 42 credits derived from the credit ceiling, States may also provide section 42 credits to owners of buildings based upon the percentage of certain building costs financed by tax-exempt bond proceeds. Credits provided under the tax-exempt bond "volume cap" do not reduce the credit available from the credit ceiling.

The credit allocated to a building is based on the cost of units placed in service as low-income units under certain minimum occupancy and maximum rent criteria. In general, a building must meet one of two thresholds to be eligible for the LIHTC: either 20 percent of units must be rent-restricted and occupied by tenants with incomes no higher than 50 percent of the Area Median Gross Income ("AMGI"), or 40 percent of units must be rent restricted and occupied by tenants with incomes no higher than 60 percent of AMGI. The term "rent-restricted" means that gross rent, including an allowance for utilities, cannot exceed 30 percent of the tenant's imputed income limitation (i.e., 50 percent or 60 percent of AMGI). The rent and occupancy thresholds remain in effect for at least 15 years, and building owners are required to enter into agreements to maintain the low income character of the building for at least an additional 15 years.

The LIHTC reduces income tax liability dollar for dollar. It is taken annually for a term of ten years and is intended to yield a present value of either (1) 70 percent of the "qualified basis" for new construction or substantial rehabilitation expenditures that are not federally subsidized (i.e., financed with tax-exempt bonds or below-market federal loans), or (2) 30 percent of the qualified basis for the cost of acquiring certain existing projects or projects that are federally subsidized. The actual credit rates are adjusted monthly for projects placed in service after 1987 under procedures specified in section 42. Individuals can use the credit up to a deduction equivalent of $25,000. This equals $9,900 at the 39.6 percent maximum marginal tax rate. Individuals cannot use the credit against the alternative minimum tax. Corporations, other than S or personal service corporations, can use the credit against ordinary income tax. They

cannot use the credit against the alternative minimum tax. These corporations can also deduct the losses from the project.

The qualified basis represents the product of the "applicable fraction" of the building and the "eligible basis" of the building. The applicable fraction is based on the number of low income units in the building as a percentage of the total number of units, or based on the floor space of low income units as a percentage of the total floor space of residential units in the building. The eligible basis is the adjusted basis attributable to acquisition, rehabilitation, or new construction costs (depending on the type of LIHTC involved). These costs include amounts chargeable to capital account incurred prior to the end of the first taxable year in which the qualified low income building is placed in service or, at the election of the taxpayer, the end of the succeeding taxable year. In the case of buildings located in designated Qualified Census Tracts or designated Difficult Development Areas, eligible basis can be increased up to 130 percent of what it would otherwise be. This means that the available credit also can be increased by up to 30 percent. For example, if the 70 percent credit is available, it effectively could be increased up to 91 percent.

Section 42 of the Code defines a Difficult Development Area as any area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. All designated Difficult Development Areas in MSAs/PMSAs may not contain more than 20 percent of the aggregate population of all MSAs/PMSAs, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all non-metropolitan counties.

Under section 42(d)(5)(C) of the Code, a Qualified Census Tract is any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50 percent of households have an income less than 60 percent of the AMGI or, as amended by the Community Renewal Tax Relief Act of 2000, where the poverty rate is at least 25 percent. There is a limit on the number of Qualified Census Tracts in any Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA") that may be designated to receive an increase in eligible basis: all of the designated census tracts within a given MSA/PMSA may not together contain more than 20 percent of the total population of the MSA/PMSA. For purposes of HUD designations of Qualified Census Tracts, all non-metropolitan areas in a state are treated as if they constituted a single metropolitan area.

Explanation of HUD Designation Methodology

A. Qualified Census Tracts

In developing this list of LIHTC Qualified Census Tracts, HUD used 1990 Census data and the MSA/PMSA definitions established by the Office of Management and Budget ("OMB") in OMB Bulletin No. 99–04 on June 30, 1999. Beginning with the 1990 census, tract-level data are available for the entire country. Generally, in metropolitan areas these geographic divisions are called census tracts while in most non-metropolitan areas the equivalent nomenclature is Block Numbering Area ("BNA"). BNAs are treated as census tracts for the purposes of this Notice.

The LIHTC Qualified Census Tracts were determined as follows:

1. A census tract must have 50 percent of its households with incomes below 60 percent of the AMGI or have a poverty rate of 25 percent or more to be "eligible." HUD has defined 60 percent of AMGI as 120 percent of HUD's Very Low Income Limits (VLILs) 1990 Census benchmarks, which are based on 50 percent of area median family income. The 1990 income benchmarks are used because they match the 1990 Census tract-level income data.

2. For each census tract, the percentage of households below the 60 percent income standard (the "income criterion") was determined by (a) calculating the average household size of the census tract, (b) applying the income standard after adjusting it to match the average household size, and (c) calculating the number of households with incomes below the income standard.

3. For each census tract, the poverty rate was determined by dividing the population with incomes below poverty by the population for whom poverty status has been determined.

4. Qualified Census Tracts are those in which 50 percent or more of the households meet the income criterion or 25 percent or more of the population is in poverty such that the population of all census tracts that satisfy either one or both of these criteria does not exceed 20 percent of the total population of the respective area.

5. In areas where more than 20 percent of the population resides in eligible census tracts, one of two procedures is followed.

a. If more than 20 percent of the population resides in census tracts eligible by the income criterion, eligible census tracts are ordered from the highest percentage of eligible households to the lowest. Starting with the highest percentage, census tracts are included until the 20 percent limit is exceeded. If a census tract is excluded because it raises the percentage above 20 percent, then subsequent census tracts are considered to determine if one or more census tract(s) with smaller population(s) could be included without exceeding the 20 percent limit. No census tracts eligible solely by their poverty rates are designated in these areas.

b. If less than 20 percent of the population resides in census tracts eligible by the income criterion, census tracts eligible solely by their poverty rates are ordered from the highest poverty rate to the lowest. Starting with the highest poverty rate, census tracts are included until the 20 percent limit is exceeded. If a census tract is excluded because it raises the percentage above 20 percent, then subsequent census tracts are considered to determine if one or more census tract(s) with smaller population(s) could be included without exceeding the 20 percent limit.

B. Difficult Development Areas

In developing the list of Difficult Development Areas, HUD compared incomes with housing costs. HUD used 2000 Census population data and the MSA/PMSA definitions as published by the Office of Management and Budget in OMB Bulletin No. 99–04 on June 30, 1999, with the exceptions described in section D., below. The basis for these comparisons was the fiscal year ("FY") 2001 HUD income limits for Very Low Income households and Fair Market Rents ("FMRs") used for the section 8 Housing Assistance Payments program. The procedure used in making the Difficult Development Area calculations follows:

1. For each MSA/PMSA and each non-metropolitan county, a ratio was calculated. This calculation used the FY 2001 two-bedroom FMR and the FY 2001 four-person VLIL.

a. The numerator of the ratio was the area's FY 2001 FMR. In general the FMR is based on the 40th percentile rent paid by recent movers for a two-bedroom apartment. In metropolitan areas granted a FMR based on the 50th percentile rent for purposes of improving the administration of HUD's Housing Choice Voucher program (see 66 FR 162) the 40th percentile rent is used for nationwide consistency of comparisons.

b. The denominator of the ratio was the monthly LIHTC income-based rent

limit calculated as 1/12 of 30 percent of 120 percent of the area's VLIL (where 120 percent of the VLIL was rounded to the nearest $50 and not allowed to exceed 80 percent of the AMGI in areas where the VLIL is adjusted upward from its 50 percent of AMGI base).

2. The ratios of the FMR to the LIHTC income-based rent limit were arrayed in descending order, separately, for MSAs/PMSAs and for non-metropolitan counties.

3. The Difficult Development Areas are those with the highest ratios cumulative to 20 percent of the 2000 population of all metropolitan areas and of all non-metropolitan counties.

C. Application of Population Caps to Difficult Development Area Determinations

In identifying Difficult Development Areas and Qualified Census Tracts, HUD applied various caps, or limitations, as noted above. The cumulative population of metropolitan Difficult Development Areas cannot exceed 20 percent of the cumulative population of all metropolitan areas and the cumulative population of nonmetropolitan Difficult Development Areas cannot exceed 20 percent of the cumulative population of all nonmetropolitan counties.

In applying these caps, HUD established procedures to deal with how to treat small overruns of the caps. The remainder of this section explains the procedure. In general, HUD stops selecting areas when it is impossible to choose another area without exceeding the applicable cap. The only exceptions to this policy are when the next eligible excluded area contains either a large absolute population or a large percentage of the total population, or the next excluded area's ranking ratio as described above was identical (to four decimal places) to the last area selected, and its inclusion resulted in only a minor overrun of the cap. Thus for both the designated metropolitan and nonmetropolitan Difficult Development Areas there may be a minimal overrun of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. Some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded, as long as the apparent excess is small, due to measurement error. Despite the care and effort involved in a decennial census, it is recognized by the Census Bureau, and all users of the data, that the population counts for a given area and for the entire country are not precise. The extent of the measurement error is unknown. Thus, there can be errors in both the numerator and denominator of the ratio of populations used in applying a 20 percent cap. In circumstances where a strict application of a 20 percent cap results in an anomalous situation, recognition of the unavoidable imprecision in the census data justifies accepting small variances above the 20 percent limit.

D. Exceptions to OMB Definitions of MSAs/PMSAs and Other Geographic Matters

As stated in OMB Bulletin 99–04 defining metropolitan areas:

> OMB establishes and maintains the definitions of the [Metropolitan Areas] solely for statistical purposes * * * OMB does not take into account or attempt to anticipate any nonstatistical uses that may be made of the definitions * * * We recognize that some legislation specifies the use of metropolitan areas for programmatic purposes, including allocating Federal funds.

HUD makes exceptions to OMB definitions in calculating FMRs by deleting counties from metropolitan areas whose OMB definitions are determined by HUD to be larger than their housing market areas.

The following counties are assigned their own FMRs and VLILs and evaluated as if they were separate metropolitan areas for purposes of designating Difficult Development Areas.

Metropolitan Area and Counties Deleted

Chicago, IL: DeKalb, Grundy, and Kendall Counties.
Cincinnati-Hamilton, OH-KY-IN: Brown County, Ohio; Gallatin, Grant, and Pendleton Counties, Kentucky; and Ohio County, Indiana.
Dallas, TX: Henderson County.
Flagstaff, AZ-UT: Kane County, Utah.
New Orleans, LA: St. James Parish.
Washington, DC-MD-VA-WV: Clarke, Culpeper, King George, and Warren Counties, Virginia; and Berkely and Jefferson Counties, West Virginia.

Affected MSAs/PMSAs are assigned the indicator "(part)" in the list of Metropolitan Difficult Development Areas. Any of the excluded counties designated as difficult development areas separately from their metropolitan areas are designated by the county name.

In the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) OMB defines MSAs/PMSAs according to county subdivisions or Minor Civil Divisions ("MCDs") rather than county boundaries. Thus, when a New England county is designated as a Nonmetropolitan Difficult Development Area, only that part of the county (the group of MCDs) not included in any MSA/PMSA is the Nonmetropolitan Difficult Development Area. Affected counties are assigned the indicator "(part)" in the list of Nonmetropolitan Difficult Development Areas. Also in the New England States, census tracts may be cut by MSA/PMSA boundaries. Only those LIHTC projects located in the part of the tract in the listed MSA/PMSA or nonmetropolitan area may be allowed the increase in basis. Affected tracts are marked with an asterisk (*) in the list of Qualified Census Tracts

For the convenience of readers of this notice, the geographic definitions of designated Metropolitan Difficult Development Areas and the MCDs included in Nonmetropolitan Difficult Development Areas in the New England states are included in the list of Difficult Development Areas.

Certain nonmetropolitan county equivalent areas in Alaska for which FMRs and VLILs are calculated and thus form the basis of Difficult Development Area designations are no longer recognized as geographic entities by the Census Bureau. Therefore, no 2000 Census population counts are produced for these areas. HUD estimates the 2000 population of these areas as follows:

1. The 2000 Population of Denali Borough (1,893) was allocated entirely to the Yukon-Koyukuk Census Area. The part of Denali Borough created from the Southeast Fairbanks Census Area was deemed uninhabited after examination of Census Block data for the area of Denali Borough formerly in the Southeast Fairbanks Census Area.

2. The population of Yakutat City and Borough (808) was allocated to the former Skagway-Yakutat-Angoon Census Area (680) and the Valdez-Cordova Census Area (128). The populations of Yakutat City and Borough Census Blocks located east of 141° longitude were allocated to the Skagway-Yakutat-Angoon Census Area. The populations of Yakutat City and Borough Census Blocks located west of 141° longitude were allocated to the Valdez-Cordova Census Area.

Future Designations

Difficult Development Areas are designated annually as updated income and FMR data become available. Qualified Census Tracts will be redesignated next year when data from the 2000 Census become available.

Effective Date

The list of Difficult Development Areas and the list of Qualified Census Tracts is effective for allocations of credit made after December 31, 2001. In the case of a building described in

section 42(h)(4)(B) of the Code, the list is effective if the bonds are issued and the building is placed in service after December 31, 2001.

Interpretive Examples for Effective Date

For the convenience of readers of this Notice, interpretive examples are provided below to illustrate the consequences of the effective date in areas that gain or lose Difficult Development Area status with respect to projects described in section 42(h)(4)(B) of the Code. The examples are equally applicable to Qualified Census Tract designations.

Case A

Project "A" is located in a newly-designated 2002 Difficult Development Area. Bonds are issued for Project "A" on November 1, 2001, and Project "A" is placed in service March 1, 2002. Project "A" IS NOT eligible for the increase in basis otherwise accorded a project in this location because the bonds were issued BEFORE January 1, 2002.

Case B

Project "B" is located in a newly-designated 2002 Difficult Development Area. Project "B" is placed in service November 15, 2001. The bonds which will support the permanent financing of Project "B" are issued January 15, 2002. Project "B" IS NOT eligible for the increase in basis otherwise accorded a project in this location because the project was placed in service BEFORE January 1, 2002.

Case C

Project "C" is located in an area which is a Difficult Development Area in 2001, but IS NOT a Difficult Development Area in 2002. Bonds are issued for Project "C" on October 30, 2001, but Project "C" is not placed in service until March 30, 2002. Project "C" is eligible for the increase in basis available to projects located in 2001 Difficult Development Areas because the first of the two events necessary for triggering the effective date for buildings described in section 42(h)(4)(B) of the Code (the two events being bonds issued and buildings placed in service) took place on October 30, 2001, a time when project "C" was located in a Difficult Development Area.

Other Matters

Environmental Impact

In accordance with 40 CFR 1508.4 of the CEQ regulations and 24 CFR 50.19(c)(6) of the HUD regulations, the policies and procedures contained in this notice provide for the establishment of fiscal requirements or procedures which do not constitute a development decision that affects the physical condition of specific project areas or building sites and therefore, are categorically excluded from the requirements of the National Environmental Policy Act, except for extraordinary circumstances, and no FONSI is required.

Regulatory Flexibility Act

In accordance with 5 U.S.C. section 605(b) (the Regulatory Flexibility Act), the undersigned hereby certifies that this notice does not have a significant economic impact on a substantial number of small entities. The notice involves the designation of "Difficult Development Areas" and "Qualified Census Tracts" as required by section 42 of the Code, as amended, for use by political subdivisions of the States in allocating the Low-Income Housing Tax Credit. This notice places no new requirements on the States, their political subdivisions, or the applicants for the credit. This notice also details the technical methodology used in making such designations.

Executive Order 13132, Federalism

Executive Order 13132 (entitled "Federalism") prohibits, to the extent practicable and permitted by law, an agency from promulgating policies that have federalism implications and either impose substantial direct compliance costs on State and local governments and are not required by statute, or preempt State law, unless the relevant requirements of section 6 of the Executive Order are met. As a result, the notice is not subject to review under the order. The notice merely designates "DifficultDevelopment Areas" and "Qualified Census Tracts" as required under section 42 of the Internal Revenue Code, as amended, for the use by political subdivisions of the States in allocating the Low-Income Housing Tax Credit. The notice also details the technical methodology used in making such designations.

Dated: August 30, 2001.

Mel Martinez,

Secretary.

BILLING CODE 4210-62-P

2002 IRS SECTION 42(d)(5)(C) QUALIFIED CENSUS TRACTS (1990 DATA, MSA/PMSA DEFINITIONS JUNE 30, 1999)

STATE: Puerto Rico

COUNTY OR COUNTY EQUIVALENT	TRACT
Adjuntas Municipio	9563.00 9564.00 9565.00 9566.00 9568.00
Aguadilla Municipio	4001.00 4008.00 4009.00 4010.00 4011.00 4013.00 4206.98
Aguas Buenas Municipio	2303.00 2304.98
Anasco Municipio	8101.00
Arecibo Municipio	3001.00 3004.00 3005.00 3013.00 3018.00 3019.00 3021.00 3023.00
Barceloneta Municipio	5902.00 5903.00
Barranquitas Municipio	9523.00
Bayamon Municipio	307.00 321.00
Cabo Rojo Municipio	8305.00
Caguas Municipio	2009.00 2012.00 2017.00 2019.00 2029.00
Camuy Municipio	3205.00
Canovanas Municipio	1001.98 1004.00
Catano Municipio	201.00 202.00 203.00 204.04
Cayey Municipio	2606.00 2607.00 2609.00
Cidra Municipio	2402.00
Comerio Municipio	9517.00 9518.00 9519.00 9521.00
Corozal Municipio	5301.00 5303.00 5305.00 5306.00
Dorado Municipio	5407.00
Florida Municipio	5802.00
Guanica Municipio	9610.00 9611.00 9612.00
Guayama Municipio	2707.00
Guayanilla Municipio	7404.99
Guaynabo Municipio	401.01 401.02 401.03
Gurabo Municipio	2103.00
Juana Diaz Municipio	719.02 7102.00 7109.01
Juncos Municipio	5004.00
Lares Municipio	9578.00 9579.00 9583.00 9584.00
Las Marias Municipio	9597.98
Loiza Municipio	1101.00 1102.00 1104.00 1106.00
Manati Municipio	5701.00 5703.00 5707.00
Maricao Municipio	9601.98
Mayaguez Municipio	801.00 803.00 804.00 804.99 805.00 806.00 807.00 809.00 810.00 811.00 812.01 812.02 812.03
Morovis Municipio	9553.00 9554.00 9555.00
Naguabo Municipio	1703.00
Naranjito Municipio	5201.00 5202.00 5203.00
Orocovis Municipio	9551.00
Patillas Municipio	2901.00 2904.00
Penuelas Municipio	7302.00
Ponce Municipio	702.02 703.00 704.00 706.01 707.00 708.00 709.00 710.00 713.00 716.02 721.01 721.99 723.00 726.00 728.00
Sabana Grande Municipio	9605.00 9608.00
Salinas Municipio	9526.98 9527.00
San German Municipio	8406.98
San Juan Municipio	2.00 6.00 13.00 14.00 27.00 28.00 29.00 31.00 33.00 34.00 35.01 35.02 36.00 37.00 38.00 40.00 41.00 42.01 42.02 43.00 44.00 45.00 46.00 47.00 48.00 49.00 50.00 51.03 52.23 54.02 60.00 82.01 90.00 93.00 95.00 103.00
San Lorenzo Municipio	2202.00 2205.00 2206.00 2207.00
San Sebastian Municipio	9585.00 9591.00 9598.00 9686.00
Santa Isabel Municipio	9533.00 9534.00 9535.00
Toa Alta Municipio	5107.98
Toa Baja Municipio	1217.00 1218.01 1221.00 1222.00 1224.00
Utuado Municipio	9569.00 9571.00 9574.00
Vega Alta Municipio	5501.00 5503.00

Vega Baja Municipio	5606.00 5609.00
Vieques Municipio	9501.00 9502.00
Villalba Municipio	7201.00 7203.00
Yabucoa Municipio	9507.00 9508.00 9513.00

The following are 2002 Metropolitan Difficult Development Areas in **Puerto Rico**. Any LIHTC project located in these areas is eligible for addtional tax credits.

Metropolitan Area	Components			
Aguadilla, PR MSA	Aguada Municipio	Aguadilla Municipio	Moca Municipio	
Caguas, PR PMSA	Caguas Municipio	Cayey Municipio	Cidra Municipio	Gurabo Municipio
	San Lorenzo Municipio			
Mayaguez, PR MSA	Anasco Municipio	Cabo Rojo Municipio	Hormigueros Municipio	Mayaguez Municipio
	Sabana Grande Municipio	San German Municipio		
San Juan-Bayamon, PR PMSA	Aguas Buenas Municipio	Barceloneta Municipio	Bayamon Municipio	Canovanas Municipio
	Carolina Municipio	Catano Municipio	Ceiba Municipio	Comerio Municipio
	Corozal Municipio	Dorado Municipio	Fajardo Municipio	Florida Municipio
	Guaynabo Municipio	Humacao Municipio	Juncos Municipio	Las Piedras Municipio
	Loiza Municipio	Luquillo Municipio	Manati Municipio	Morovis Municipio
	Naguabo Municipio	Naranjito Municipio	Rio Grande Municipio	San Juan Municipio
	Toa Alta Municipio	Toa Baja Municipio	Trujillo Alto Municipio	Vega Alta Municipio
	Vega Baja Municipio	Yabucoa Municipio		

The following are 2002 Nonmetropolitan Difficult Development Areas in **Puerto Rico**. Any LIHTC project located in these areas is eligible for addtional tax credits.

Loiza Municipio
Penuelas Municipio
Naranjito Municipio
Naguabo Municipio
Morovis Municipio
Moca Municipio
Mayaguez Municipio
Ponce Municipio
Luquillo Municipio
San Lorenzo Municipio
Las Piedras Municipio
Juncos Municipio
Manati Municipio
Rio Grande Municipio
Sabana Grande Municipio
San Juan Municipio
Juana Diaz Municipio
Toa Alta Municipio
Yauco Municipio
Toa Baja Municipio
Barceloneta Municipio
Trujillo Alto Municipio
Vega Alta Municipio
Vega Baja Municipio
Villalba Municipio
Yabucoa Municipio
San German Municipio
Cayey Municipio
Aguada Municipio
Aguadilla Municipio
Aguas Buenas Municipio
Anasco Municipio

Arecibo Municipio
Bayamon Municipio
Caguas Municipio
Camuy Municipio
Canovanas Municipio
Cabo Rojo Municipio
Catano Municipio
Humacao Municipio
Guayanilla Municipio
Hormigueros Municipio
Hatillo Municipio
Carolina Municipio
Guaynabo Municipio
Ceiba Municipio
Florida Municipio
Fajardo Municipio
Dorado Municipio
Corozal Municipio
Comerio Municipio
Cidra Municipio
Gurabo Municipio

See the latest Designation Notice for information on effective date and when changes to designations may be made.

Set printer to landscape mode to ensure that you print the entire table.

Use your browser's "Back" button to select another table.

To determine the census tract number for a particular address, visit any of the following sites: the Federal Financial Institutions Examination Council (FFIEC), the Census Bureau, or the Small Business Administration (SBA).

| HUD User Home | Data Sets | Qualified Census Tracts and Difficult Development Areas |

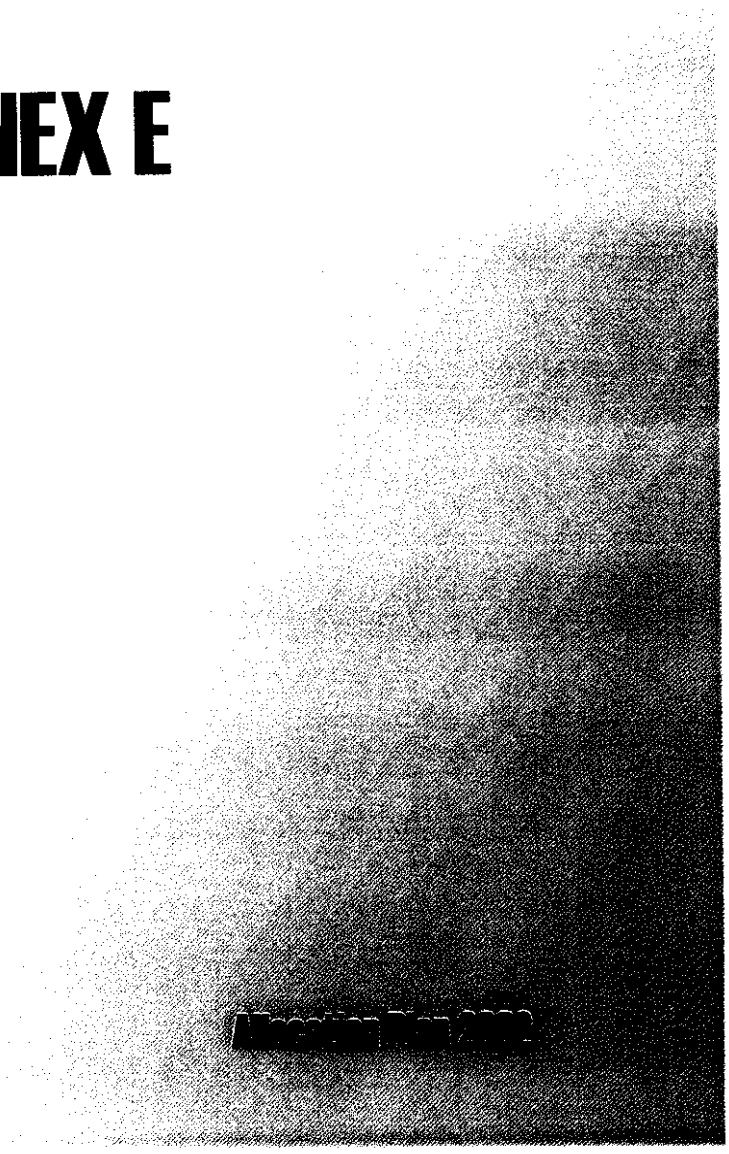
Problems or questions? Contact Steven_R._Ehrlich@hud.gov.

PUERTO RICO HOUSING FINANCE CORPORATION

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

GDB

ANNEX E



ANNEX E: BINDING COMMITMENT AGREEMENT

HOUSING COMMITMENT FOR A CERTIFICATE OF RESERVATION FOR A LOW INCOME HOUSING TAX CREDIT ALLOCATION

The Puerto Rico Housing Finance Corporation ("PRHFC" or "Allocating Agency") hereby commits to reserving Low-Income Housing Tax Credits pursuant to Section 42 (h)(1)(C) of the Internal Revenue Code of 1986, as amended ("Code"), by the issuance of this Binding Commitment as follows:

1. **Allocation Year:** 200__

2. **Amount of Tax Credits to Be Reserved to the Project:** $_____

3. **Name and Address of the Project:**

_____

_____

_____

4. **Name, Address and Taxpayer Identification Number of Project Owner:**

_____

_____

_____

5. **Taxpayer I.D. No.:** _____

6. **Name and Address of Allocating Agency:**

Puerto Rico Housing Finance Corporation
P O Box 71361
San Juan, PR 00936-8461

7. **Date of this Binding Commitment:** _____

8. **Building Identification Numbers:** To Be Assigned

9. **Project falls within one of the following categories (mark one):**

_____a. Credit is deemed necessary to facilitate the restructuring of financing provided to a project confronting economic difficulties.

_____b. Credit is deemed necessary to preserve the low-income housing status of the project or to maintain the total number of available low-income housing units within Puerto Rico.

_____c. Credit is requested in connection with the acquisition of a project from the government of Puerto Rico, or any department, agency, entity or political subdivision thereof.

_____d. Due to unforeseen circumstances that the PRHFC, at its sole discretion, might believe are valid.

PRHFC represents and warrants that this Binding Commitment is binding on PRHFC and its successors and assigns and that PRHFC is the housing credit agency for the Commonwealth of Puerto Rico. It is intended that this Binding Commitment shall serve as a commitment to reserve Tax Credits to the Project Owner under Section 42(h)(1)(C) of the Code with respect to the Project and that the State Housing Credit Ceiling (as defined in Section 42 (h)(1)(F) of the Code) shall be reduced in 200__to reflect this commitment. Pursuant to Section 42(h)(1)(F) of the Code, the portion of the allocation which is to be allocated to each of the buildings in the Project shall be specified no later than the close of the calendar year in which each such building is placed in service and shall be reflected in IRS Forms 8609 for each such building. The Project Owner represents and warrants that no portion of the Project has been placed in service by the Project Owner in a calendar year in which this Binding Commitment is made.

By: **Puerto Rico Housing Finance Corporation**
P O Box 71361
San Juan, PR 00936-8461

Signature: _____

Typed or printed: _____

Title: _____

Agency Taxpayer ID Number: _____

Commitment Date: _____

Acknowledged, Agreed and Accepted:

Owner: _____

By: _____

Title: _____

COMMONWEALTH OF PUERTO RICO

Affidavit _____:

Sworn to and subscribed before me by _____, of _____, General Partner of _____, of legal age, married/single, and resident of _____, and _____, Executive Director of Puerto Rico Housing Finance Corporation, of legal age, married/single, and resident of _____, both personally known to me.

In San Juan, Puerto Rico, on this _____, 200___.

_____

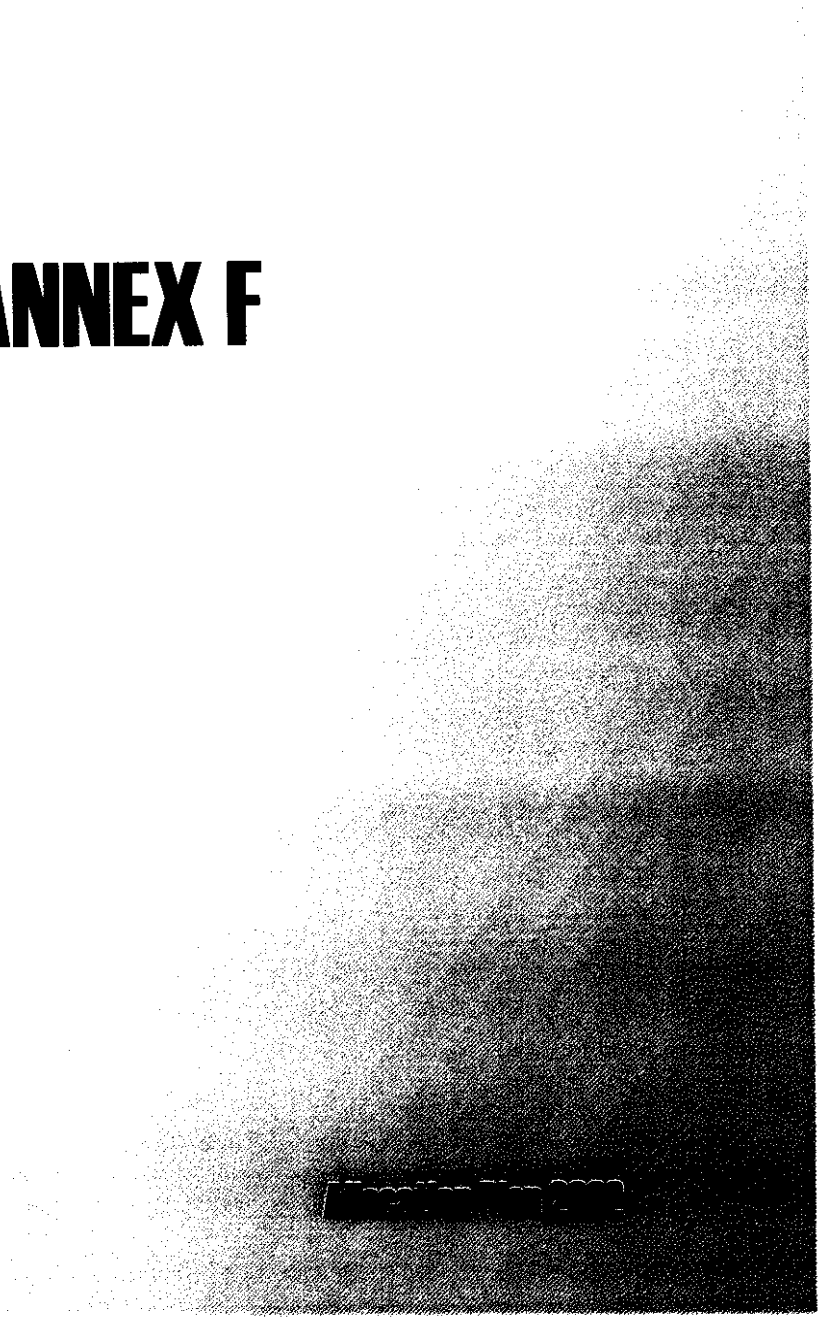
NOTARY PUBLIC

PUERTO RICO HOUSING FINANCE CORPORATION

GDB

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

ANNEX F





PUERTO RICO HOUSING FINANCE CORPORATION

(A Component Unit of the Government Development Bank for Puerto Rico which is a Component Unit of the Commonwealth of Puerto Rico)

COMPLIANCE MONITORING PLAN

Annex F to the Low-Income Housing Tax Credit Allocation Plan

REV February 1999

INTRODUCTION

The Internal Revenue Code (IRC) in its Section 42, 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 compliance with the provisions of Section 42 of the IRC. Furthermore, the state credit agency will notify the Internal Revenue Service (IRS) of any noncompliance with the program.

As the State Credit Agency (The Agency), Puerto Rico Housing Finance Corporation, is responsible for monitoring the Low Income Housing Tax Credit projects. The Agency has administered the Low Income Housing Tax Credit Program (LIHTC) for the Commonwealth of Puerto Rico since December 30, 1987. As of December 31, 2000 the Agency monitors the compliance of Section 42 requirements for 89 projects with 5,741 tax credit units occupied by low-income families throughout the island.

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

FEDERAL LAWS AND REGULATIONS GOVERNING THE LIHTC PROGRAM

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

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

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

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

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

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

Puerto Rico Housing Finance Corporation incorporates those changes into its Compliance Monitoring Plan.

I. OWNER'S RESPONSIBILITIES

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

A. Source of Program Requirements

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

B. Compliance Period

Developments which received LIHTC allocations after January 1, 1990 must comply with eligibility requirements for a minimum compliance period of fifteen (15) years and an extended use period of an additional fifteen (15) year period stipulated by a recorded agreement as to restrictive covenants. Developments that received allocations from 1987 through 1989 are only subject to a fifteen- (15) year compliance period.

C. Proper Administration

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

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

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

D. Progress Report, Notice of Project Changes and Quarterly Reports

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

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

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

This information must be submitted to the Agency by the 15th day after the end of each quarter during the compliance period. The Agency will provide the Tax Credit Quarterly Report Software for the electronic submission of this information. Only the copies of the Tenant Income Certifications must be submitted to the Agency on a quarterly basis for their revision.

E. Recordkeeping Provisions

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

- The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

- The number of occupants in each Tax Credit unit and the student resident status.

- The number and percentage of residential rental units in the building that are Tax Credit units, models, offices, and management units;

- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants. Documentation must include rent rolls, leases, and utility allowances as required by Internal Revenue Service;

- The Tax Credit unit vacancies in the building, marketing information, and information which shows when and to whom each of the next available units were rented;

- The annual income certification of each Tax Credit tenant;

- Documentation to support each Tax Credit tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and **annually** re-certified for continued eligibility (i.e. Written third party verification is always preferred. Income verifications are sent directly to and returned by the source to management, not through the applicant).

- The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g. tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project); and

- The eligible basis and qualified basis of the building at the end of the first year of the credit period.

- Records demonstrating that any state established set-aside elected by the owner has been complied with for each year of the compliance period.

F. Record Retention

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

G. Certification and Review Provision

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

The Owner certifies that :

1. the project meets the minimum requirements of the 20-50 test or the 40-60 test, as applicable:

   ③ at least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of area median income; or

③ at least 40% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.

2. there was no change in the applicable fraction for any building in the project (as defined in Section 42(c)(1)(B) of the Code);

3. the owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy;

4. that each Tax Credit unit is rent-restricted as defined in Section 42(g)(2) of the Code;

5. that all units in the Project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code);

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

7. that each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;

8. that there has been no change (as defined in Section 42(d) of the Code) of any building in the project since last certification submission;

9. All tenant facilities included in the eligible basis under the Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without a charge to all tenants in the buildings;

10. that if a low-income unit in the project becomes vacant during the year, reasonable attempts are made to rent that unit or next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income;

11. that if the income of tenants of low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be re rented to residents having a qualifying income;

12. that an extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989);

13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning to Section 469(h) of the Code (if applicable).

14. there has been no change in the ownership or management of the project.

Filing Instructions: The Annual Owner Certification is submitted to the Agency by January 31 of each calendar year. Non-receipt of this form by the due date will automatically trigger the submission of a notice of noncompliance to the owner.

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

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

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

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

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

H. Compliance Monitoring Fees

Property owners must pay the Agency an annual compliance monitoring fee of $18.00 for each LIHTC unit contained in each building or one half of 1% of each year's allocated amount, whichever amount is greater. Initial compliance monitoring fees must be paid to the Agency within 30 days of the date on which the building is placed in service. In each of the following years throughout the remainder of the 15 year compliance period and the extended use period, the annual fee(s) must be submitted with the Annual Owner's Certification by January 31st of each year. A late fee of 10% of the balance due or $50.00 (whichever amount is greater) might be assessed, at the option of the Agency, for any fees not received within thirty (30) days of the due. **Owners and developers should take note that participation in Agency programs requires a certification of good standing with the Agency. Failing to pay fees will bar any further participation in the programs administered by the Agency.**

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

II. AGENCY RESPONSIBILITIES

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.

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

A. Conducting Compliance Monitoring Briefings

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

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

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

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

B. On-site Inspections

The Agency will conduct an on-site inspection, at least once every three (3) years, of all buildings in each low income housing project and, for each tenant in at least 20% of the project's low-income units selected, review the low-income certification, the documentation supporting such certification, and the rent record. The Tax Credit projects to be inspected or reviewed must be chosen in a manner that will not give owners of Tax Credit projects advance notice that their records for a particular year will

or will not be inspected. The Agency may give an owner reasonable notice that an inspection will occur so that the owner may assemble records. All files must be available during the review.

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

- ξ Rental application completed, including certification of assets and disposal of assets, if applicable;
- ξ Tenant income certification completed for move-in and current year, including all required signatures and dates;
- ξ Income verification(s) completed and documented;
- ξ Assets documented, and verified if total assets are more than $5,000 in value;
- ξ Student eligibility documented;
- ξ Lease and lease addendum completed at move-in; and
- ξ Current year utility allowance on file.

On-site building inspections involve physically checking building and dwelling units for compliance with applicable housing quality standards. The condition and general appearance of the development will also be taken into consideration by the Agency.

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.

For new buildings, the final regulations, published on January 14, 2000, extended the time limit for inspection to the end of the second calendar year following the year the last building in the project was placed in service.

The Agency reserves the right, under the provisions of Section 42 of the Internal Revenue Code and Regulation 1.42-5, to perform on-site inspections and/or unit inspections of LIHTC developments at any time during the compliance period as it may deem necessary.

C. Notification to the Owner

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

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

The Agency will review the owner's response and supporting documentation, if any, to determine whether the noncompliance has been corrected.

D. Notification to IRS of Noncompliance

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

Any change in either the applicable fraction or eligible basis under paragraph (c) (1) (ii) and (vii) of Reg. 1.42-5, respectively, that results in a decrease in the qualified basis of the project under Section 42 (c)(1)(A) is non-compliance that must be reported to the IRS. Changes in ownership must be reported by the Agency to the IRS on Form 8823. The correction period described below will not apply to notification of changes in ownership. If the Agency reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Agency need not file Form 8823 in subsequent years to report that building's non-compliance. The Agency will send the owner a copy of the form 8823 after it has been filed with the IRS.

III. RENTAL REQUIREMENTS

A. Initial Interview

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

B. Residency Application

Before allowing anyone to move into low-income units, the management must obtain from prospective tenants an application for residency that discloses enough information to determine whether or not the applicant household qualifies under the program rules. The application for residency should include, at minimum:

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

C. Minimum Lease Requirement

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

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

1. the legal name of parties to the agreement and all other occupants,
2. a description of the unit to be rented,
3. the date the lease becomes effective,
4. the term of the lease,
5. the amount of rent

6. the use of the premises,
7. the rights and obligations of the parties, including the obligation of the household to annually recertify its income,
8. the signatures of all household members 18 years of age or older, and
9. a statement explaining that the development is participating in the Tax Credit Program, and that tax credit units are under certain program regulations including income eligibility of the household.

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

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

D. Income Verification

The owner shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance with the LIHTC requirements. The detailed procedures are included in Appendix A "Verification Requirement and Procedures".

E. Tenant Income Certification Guidelines

After all the income and asset information has been obtained and computed, the management personnel must prepare a Tenant Income Certification . The form is a legal document which, when fully executed, satisfies the income certification requirement of the Code. The completed form and lease agreement must be executed by all adult household members before they move in. The detailed procedures are included in Appendix B "Tenant Income Certification Guidelines".

F. Discrimination Prohibited in Project

The Owner or his agents shall comply with federal law which prohibits discrimination based on race, color, religion, sex, national origin, handicap and familial status and any law which might prohibit discrimination based on marital status, disability, public assistance status, family status, creed and sexual orientation.

In addition, Tax Credit developments are subject to Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act. The Fair Housing Act (42 U.S.C. sections 3601 through 3619) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. It also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities. The failure of Tax Credit properties to comply with the requirements of the Fair Housing Act will result in the denial of the Tax Credit on a per unit basis.

G. Students

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

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

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

(Reg. 1.151-3(b)).

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

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

1. All members of the household are married and file a joint tax return. (Household members do not need to be married to each other). A copy of a joint federal income tax return and a copy of a marriage license should be required for verification.

2. The household consists of single parents and their minor children, and both the parents and children are not dependents of a third party. *
3. At least one member of the household receives assistance under Title IV of the Social Security Act. (Aid to Families with Dependent Children - AFDC.)
4. At least one member of the household participates in the Workforce Investment Act (WIA) or other similar federal, state, or local programs.

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

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

If a previously qualified Tax Credit resident becomes a full-time student and intends to continue living in a Section 42 apartment, he/she **must** meet at least one of the above criteria and be able to prove such status. Under current legal interpretations of federal LIHTC regulations and requirements, the "next available unit" rule that applies to LIHTC units with tenants that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, it appears that a unit occupied by a student household that no longer meets one of the above exceptions ceases to count as a LIHTC unit immediately.
If a building owner or rental agent has questions as to the occupancy of students, they should seek legal assistance since the IRS has not published guidance on the interpretation of this part of the LIHTC rules.

I. Section 8 Rents

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

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

*** The Agency will not report as a violation of the full time student rule a household that is occupied entirely by full time students which includes children enrolled in kinder garden through 12th grade and where the children are claimed as dependents in alternating years and/or where there is at least one child that is claimed as a dependent by someone living in the household. As verification, the household must produce a recent tax return (no older than 2 years) on which the child(ren) have been claimed as dependent(s) and/or a copy of the custody agreement or divorce decree showing that the child(ren) may be claimed as dependent(s) in alternating years.**

J. Annual Recertification

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

K. Tenant Transfers

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

A Tax Credit resident who wishes to move to a unit within a different building must qualify at the applicable move-in income limit.

IV. MINIMUM SET-ASIDES, DETERMINING INCOME & RENT LIMITS

A. LIHTC Minimum Set-Aside Requirements

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

20/50 -- 20 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income, or;

40/60 -- 40 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income.

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

1. Deep Rent Skewed Election

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

2. Deadline for Meeting Set-Asides

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

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

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

B. LIHTC Income Limits & Calculations

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

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

The agency will provide annually an update Tax Credit Income and Rent limits to development sponsors and managers.

C. LIHTC Rent Requirements

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

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

D. Establishing LIHTC Rents Maximum Rent Calculation

1. Family Size Rent Calculations (1987-1989)

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

2. Bedroom Size Rent Calculations (1990 - Forward)

For developments receiving an allocation of Low Income Tax Credits from January 1, 1990 forward, the maximum gross rents are computed based on the number of bedrooms in the unit. Units with no separate bedroom are treated as being occupied by one (1) person; larger units are treated as being occupied by 1.5 persons per each separate bedroom (see chart below). 1987 through 1989 LIHTC owners who **DID ELECT** to use the "number of bedrooms formula and filed a Notice Of Election form (NOE-1) with the IRS and the Agency by February 7, 1994 calculate their maximum rent this way also.

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

3. Establishing LIHTC Rents in Subsequent Years

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

E. Utility Allowance

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

a. Where to Obtain Utility Allowances

i. Rural Development, HUD, and Section 8 Assisted Properties

Rural Development ("RD") approved utility allowances must be to calculated maximum net rent for any building which is RD assisted or occupied by any tenant receiving RD Assistance (even if the building is occupied by one or more tenants who receive HUD assistance).

HUD approved utility allowances must be used for any buildings whose rents and utility allowances are reviewed annually by HUD.

For units occupied by a household receiving HUD rental assistance payments (generally Section 8 Certificates or Vouchers) the owner must use the applicable Public Housing Authority's utility allowances established for the Section 8 Existing Housing Assistance Program. This Section 8 allowance DOES NOT apply to all units in the building unless all units are occupied by Section 8 assisted tenants.

ii. Non-assisted Properties

If the development is not regulated by HUD or RD, the owner must use either the applicable PHA utility allowance or estimates from the local utility provider. An interested party may obtain a utility cost estimate for similar units in the area from the local utility provider. The obtainer of such an estimate must retain the original document which has been signed and dated by the utility provider, and send copies to the building owner (where the initiating party is not the owner) and the Authority (where the initiating party is not the Authority). Copies of the utility estimate must be available for inspection on-site at the development. The owner of the building must make copies of the utility company estimate available to the tenants in the building also. New utility allowances must be used to compute rent on rent-restricted units due 90 days after the date of the estimate.

b. Updating Utility Allowances

Utility allowances must be updated at least annually to ensure that the tenant's gross monthly rent does not exceed the LIHTC gross rent limits. The property owner or manager may choose to verify utility allowances with each initial move-in or re-certification.

FORMS AND INSTRUCTIONS

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: PUERTO RICO HOUSING OF FINANCE CORPORATION

Certification Dates:	From: January 1, 20____	To: December 31, 20____				
Project Name:		Project No. :				
Project Address:		City:		Zip code:		
Tax ID # of Ownerchip						

☐ No buildings have been Placed in Service

☐ At least one building has been placed in service but owner elects to begin credit period in the following year. If either of the above applies, please check the appropriate box, and procees to page to sign and date this form.

The undersigned _____ on behalf of

_____ (the "owner"), hereby certifies that:

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

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

☐ NO CHANGE ☐ CHANGE

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

3- The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.

☐ YES ☐ NO

4- Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:

☐ YES ☐ NO

5- All low-income units in the project has been for use by the general public and used on non-transient basis (exept for transitional housing for the homless provided under Section 42(I)(3)(B)(iii) of the Code):

☐ YES ☐ NO ☐ HOMELESS

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

☐ NO FINDING ☐ FINDING

7- Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes(or other hability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.

☐ YES ☐ NO

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

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

☐ NO CHANGE ☐ CHANGE

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

9- All tenat facilities, included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:

☐ YES ☐ NO

10- If a low- income unit in the project has been vacant during the year, reasonable attemps were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented not having a qualifying income:

☐ YES ☐ NO

11- If the income of tenats of a low-income unit any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the code, the next availeble unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:

☐ YES ☐ NO

12- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a vouchers or certificate of eligibility under Section 8 of the United State Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely o their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to building with tax credits from years 1987-1989):

☐ YES ☐ NO ☐ N/A

13- The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organization" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Setcion 469(h) of the Code.

☐ YES ☐ NO ☐ N/A

14- There has been no change in the ownership or management of the project:

☐ NO CHANGE ☐ CHANGE

If " change", complete page 3 detailing the changes in ownership or management of the project.

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

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

_____

(Ownership Entity)

By: _____

Title: _____

Date: _____

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTION 1-14

QUESTIONS #	Explanation

CHANGE IN OWNERSHIP OR MANAGEMENT

(to be completed ONLY if "CHANGE" marked for question 14 above)

TRANSFER OF OWNERSHIP

Date of change:	
Taxpayer ID Number:	
Legal Owner Name:	
General Partnership:	
Status of Partnership (LLC, etc):	

CHANGE IN OWNER CONTACT

Date of change:	
Owner contact:	
Owner contact Phone:	
Owner Contact Phone Fax:	
Owner Contact email:	

CHANGE IN MANAGEMENT CONTACT

Date of change:	
Management Co. Name	
Management Co. Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact email:	

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

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

PART I- DEVELOPMENT DATA

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

PART II - HOUSEHOLD COMPOSITION

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

PART III-GROSS ANNUAL INCOME (USE ANNUAL AMOUNT)

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

dd totals from (A) through (D), above — TOTAL INCOME (E) $ -

PART IV-INCOME FROM ASSETS

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

olumn (H) if over $ 5,000 - X 2.00 % = (J) Imputed Income $ -

ter the greater of the total of column I, or J. imputed income — TOTAL INCOME FROM ASSETS (K) $ -

(L) Total Annual Household Income from all Sources[add (E) +(K)] $ -

HOUSEHOLD CERTIFICATION SIGNATURES

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

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

_____ _____ _____ _____
gnature (Date) Signature (Date)

_____ _____ _____ _____
nature (Date) Signature (Date)

PART V-DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES:
From item (L) on page 1 $ -

Household meets Income Restriction at:
☐ 60 % ☐ 50 %
☐ 40 % ☐ 30 %
☐ _____

RECERTIFICATION ONLY:
Current Income Limits X 140% : $ _____
Household Income exceeds X 140 % Recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $ _____

Household Size at Move-in: _____

Household Income at move-in: $ _____

PART VI-RENT

Tenant Paid Rent : $ _____
Utility Allowance: $ _____

Rent Assistance: $ _____
Other non-optional charges: $ _____

GROSS RENT PER UNIT:
(Tenant paid rent plus utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:
☐ 60 % ☐ 50 % ☐ 40 % ☐ 30 % ☐ _____

Maximum Rent Limit for this unit: $ _____

PART VII-STUDENT STATUS

ARE ALL OCCUPANT FULL TIME STUDENT ?
☐ Yes ☐ No

If yes, Enter student explanation * (Also attach document)
Enter 1- 4

* Student Explanation:
1. TANF assistance
2. Job Training Program
3. Single parent/dependant child
4. Married/joint return

PART VIII- PROGRAM TYPE

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

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt	d. AHDP	e.
See part V above.	Income Status	Income Status	Income Status	Income Status
	☐ <= 50 % AMGI	☐ 50 % AMGI	☐ 50 % AMGI	☐ _____
	☐ <=60 % AMGI	☐ 60 % AMGI	☐ 80 % AMGI	☐ _____
	☐ <= 80 % AMGI	☐ 80 % AMGI	☐ OI **	☐ OI **
	☐ OI **	☐ OI **		

**Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

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

SIGNATURE OF OWNER/REPRESENTATIVE _____ DATE

INSTRUCTION FOR COMPLETING TENANT INCOME CERTIFICATION

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

Part I - Development Data

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

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For Move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re) certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter de address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

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

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

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

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

Part III - Annual Income

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

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

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income form employment; distributed profits and/ or net income from a busines.
Column (B)	Enter the annual amount of social security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (I.e. TANF, general assistance, disability, etc.)

Column (D)	Enter the annual amount of alimony, child support, unemploymetn benefits, or any other income regularly received by the household.
Row (E)	Add the totals from column (A) through (D), above. Enter this amount.

Part IV - Income from Assets

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

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

Column (F)	List the type of asset (I.e. checking account, saving account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the assets), or I (for imputed family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (I.e., saving account balance multiplied by the annual interest rate).
TOTALS	Add the total of column (H) and Column (I), respectively.

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

Row (K)	Enter the greater of the total in column (I) or (J)
Row (L)	Total Annual Household Income from all sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

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

Part V - Determination of Incoem Eligibility

Total Annual Household Incom from all sources	Enter the number from item (L)
Current Income Limit per Famil Size	Enter the current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertification, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of the household members from the move-in certification.
Household meets Income Restriction	Check the appropiate box for the income restriction that the household meets according to what is required by the set-aside(s) for the proyect.
Current Income Limit X 140 %	For recertification only. Multiply the Current Maximum Move-in Income Limit by 140 % and enter the total. Below, indicate whether the household income exceeds that total. If the gross Annual Income at recertification is greater than 140 % of the current income limit, then the available unit rule must be followed.

Part VI - Rent

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

Part VII - Student Status

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

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

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

Part VIII - Program Type

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

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

SIGNATURE OF THE OWNER/ REPRESENTATIVE

Is it the repossability of the owner or owner's representaive to sign and date document immediately following executing by the residents.

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

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

EMPLOYMENT VERICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

To: (Name & address of employer) Date: _____

_____

_____

_____

RE: _____ _____ _____
Applicant/Tenant name | Social Security Number | Unit # (if assigned)

I hereby authorize release of my employment information.

_____ _____
Signature applicant/Tenant | Date

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

_____
Project Owner/ Management

Return Form To:

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employer Name: _____ Job Title: _____

Presently Employed: Yes ☐ Date First Employed _____ No ☐ Last Day of Employment: _____

Current Wage/Salary: $ _____ (Mark one) ☐ hourly ☐ weekly ☐ bi-weekly ☐ semi-monthly ☐ mothly ☐ yearly ☐ Other _____

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

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

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

Commissions, bonuses,tips, other: $ (Mark one) ☐ hourly ☐ weekly ☐ bi-weekly ☐ semi-monthly ☐ mothly ☐ yearly ☐ Other _____

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

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

Additional remarks: _____

_____ _____ _____
Employer's Signature | Employer's Printed Name | Date

_____
Employer [Company] Name and Address

_____ _____ _____
Phone # | Fax # | e-mail

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

STUDENT VERIFICATION

THIS SECTION COMPLETED BY MANAGEMENT AND EXECUTED BY STUDENT

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

Project Name: _____

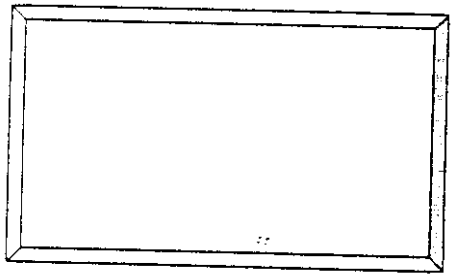
Building Address: _____

Unit Number if assigned: _____

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

_____ _____
Signature Date

_____ _____
Printed Name Student ID #

Return Form to: 

THIS SECTION TO BE COMPLETED BY EDUCATIONAL INSTITUTION

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

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

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

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

Expected date of graduation: _____

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

Signature: _____ Date: _____

Print your name: _____ Tel.#: _____

Title: _____

Educational Institution: _____

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

CERTIFICATION OF ZERO INCOME

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

Household Name:_____ Unit No. _____

Development Name:_____ City: _____

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

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

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

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

_____

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

_____ _____ _____

Signature of Applicant/Tenant | Printed Name of Applicant/Tenant | Date

UNDER $ 5,000 ASSET CERTIFICATION

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

Household Name: _____ Unit No. _____

Development: _____ City: _____

Complete all that apply from 1 through 4:

1. My/our assets include:

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

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

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

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

☐ Within the past two years, I/we have sol given away assets(including cash, real estate, etc.) for more than $1,000 below the their fair market value (FMV). Those amounts* are included above and equal to a total of: $ _____ (*the difference FMV and the amount received, for each asset on which this occurred).

☐ I/we have not sold or given away asset (including cash, real estate, etc.) for less than fair market value during the past two (2) years.

☐ I/we do not have any assets at the time.

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

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

_____ _____ _____ _____

Applicant/Tenant Date Applicant/Tenant Date

INCOME VERIFICATION
FOR TENANTS WITH SECTION 8 CERTIFICATES OR VOUCHERS

TO: FROM:

_____ _____

_____ _____

_____ _____

_____has applied for residency in / is a resident of unit _____

of _____, a low Income Housing Tax Credit development. As part of our processing, we must obtain verification of households anticipated gross annual income.

Number occupants: _____ Number bedrooms: _____

☐ Move-in ☐ Re-certification

Permission by: _____ _____
(Applicant Signature) (Date)

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

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

Sincerely, _____
Apartment Manager

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

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

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

_____ _____ _____
(Signature) (Date) (Phone #)

_____ _____
(Printed Name) (Title)

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

APPENDIXES

APPENDIX A

INCOME VERIFICATION REQUIREMENTS AND PROCEDURES

A. General Requirements

1. Owners shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance under the LIHTC guidelines.

2. Whenever possible, written verification of income is required from the income sources.

3. Owners are advised to maintain documentation of all verification efforts for at least three years after the effective date of the tenant's certification or recertification.

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

B. Acceptable Methods for Verifying Information

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

   a. the owner's request for verification should state why the information is being requested and include a statement signed by the applicant/tenant authorizing the release of the information;

b. owners must send the verification forms directly to the source, not through the applicant.

c. when written verification is not possible, as a last resort, the Agency accepts a direct contact with the source and must be confirmed by written verification within 10 days. The owner must document the conversation for the applicant's file and include all information that would have been provided in a written verification plus the date, time and the person's name providing the information and his qualification to provide it.

2. Review of Applicant Supplied Documents

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

3. Applicant's Affidavit

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

4. Faxed Verification

Recipients may reply to a request for income or asset verification by fax. The Agency accepts faxes as written verification if they are completely legible, date-stamped, and include the signature, name, job title, and phone number of the person making the verification and the date the form was signed.

C. Effective Term of Verification

Once qualified, a tenant is eligible to receive LIHTC rental benefits for one year from the date of occupancy.

D. Expediting the Verification Procedure

1. In order to expedite the verification process, owners should maintain a checklist for each tenant to document the verification process.

2. Develop standard forms for all information that must be verified (see forms included in this plan).

3. Ask applicants/tenants to sign the copies of each verification form retaining one original in the applicant's file.

4. Make personal contacts with large employers and public assistance agencies from which a large number of tenants receive income or benefits.

5. Give the applicant an opportunity to explain any significant differences between the amounts reported by the applicant and the amounts reported on third party verifications in order to extract the correct information. Re-examine if necessary.

E. Acceptable Forms of Verification

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

a. Employment Income

1. Employment Verification Form (PRHFC-04) completed by the employer or a statement from the employer on company letterhead; or

2. check stubs or earning statements showing employee's gross pay per pay period and frequency of pay;

3. W-2 forms if applicant has had the same job for at least two years and pay increases can be accurately projected;

4. a copy of the most recent income tax returns signed by the applicant providing the amount of income, including income from tips and other gratuities. This form of verification alone may not be acceptable as income certification.

b. Self-Employment Income

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

a. Accountant's or bookkeeper's statement of net income; or

b. Financial statement(s) of the business along with an affidavit or notarized statement from the applicant forecasting the anticipated income for the twelve (12) months following certification; or

c. The applicant's most recent income tax return along with a notarized statement. This form of income verification alone may not be acceptable as income certification. Year-to-date income verification can be used to supplement other methods of certification.

d. Applicant's notarized statement or affidavit as to net income realized from the business during previous year.

c. Social Security, Pensions, Disability Income

1. Benefit print-out completed by the agency providing the benefits; or

2. An award or benefit notification letter prepared and signed by the authorizing agency, dated within 90 days of the certification date. Since checks or bank deposit slips show only net amount remaining after deducting SSI, Medicare or state health insurance, they may be used only when award letters cannot be obtained. Any withholdings must be verified and included in annual income.

3. If a local Social Security Administration (SSA) office refuses to provide written verification, the owner may accept a photocopy of a check or automatic deposit slips as interim verification. Otherwise, State Health Insurance withholdings will be included in annual income.

d. Unemployment Compensation

1. A verification form completed by the unemployment compensation agency; or

2. Records from the unemployment office stating payment dates and amounts.

e. Alimony or Child Support Payments

A copy of a separation or settlement agreement, divorce decree, or support order stating the amount and type of support payment schedule. If the document is not dated within the 90-day time frame, obtain a notarized statement from the applicant stating that the amount of child support currently received is the same as stated in the agreement, decree, or order; or

a) a letter from the person paying support; or

b) a copy of the latest check and documentation of how often the check is received; or

c) as a last alternative, the applicant's notarized statement of the amount of child support being received, including a written explanation detailing why *a* and *b* above cannot be provided.

f. Recurring Contributions and Gifts

1. Notarized statement or affidavit signed by the person providing the assistance. The statement should define the purpose, dates, and value of gifts. Copies of canceled checks or receipts can be used to verify tuition, fees, books, and equipment, and other such net income and expenses not expected to change during the next 12 months.

2. A letter from a bank, attorney or a trustee providing required verification; or

3. As a last alternative, the applicant's notarized affidavit giving the same information, including a written explanation detailing why (1) or (2) above cannot be provided.

g. Unemployed Applicants

1. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as described previously; or

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

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

F. Assets

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

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

APPENDIX B

TENANT INCOME CERTIFICATION GUIDELINES

1. Certification Procedure

After all the income and asset information has been obtained and computed, the management personnel must prepare a Tenant Income Certification (PRHFC-02). The form is a legal document which, when fully executed, satisfies the income certification requirement of the Code. The completed Tenant Income Certification and lease agreement must be executed by all adult household members before they move in.

The following guidelines for certifying household income apply:

- Management should instruct all adult household members to sign the TIC exactly as the name appears on the form.

- The Tenant Income Certification should be executed on or before the date of move-in.

- No one may live in a designated unit in the development unless he/she is income certified and under lease. **THERE ARE NO PERMISSIBLE EXCEPTIONS TO THIS RULE.**

- Tenant Income Certification forms must also be executed (signed and dated) by the Owner or Owner's representative.

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

NOTE: A unit may not be counted as a set-aside unit unless the household has been properly certified.

2. Annual Income

As defined in 24 CFR Section 5.609, annual income is the anticipated total income from all sources received by the head of the household and spouse (even if temporarily absent) and by each additional member of the family, including all net income derived from assets, for the 12 months period following the effective date of certification of income, exclusive of certain types of income.

a. Annual Income Includes:

1. the full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services; and

2. the net income from operation of a business or profession; and

3. the interest, dividends, and other net income of any kind from real or personal property; and

4. the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; including a lump-sum payment for the delayed start of a periodic payment (excluding lump-sum payments for the delayed start of periodic payments for SSI and Social Security benefits); and

5. payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; and

6. welfare assistance; and

7. periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

8. all regular pay, special pay and allowances of a member of the Armed Forces (Do not include hazardous duty pay).

b. Annual Income Excludes:

1. earned (employment) income of members of the household including foster children under 18 years of age. Head of household and spouse may never be considered minors. (Unearned incomes such as Social Security payments received on behalf of minors **must** be included as income); and

2. income associated with persons that live in the unit but are not household members. For example:

   a. payments received for care of foster children and or foster adults (usually individuals with disabilities, unrelated to the tenant family) who are unable to live alone; and

   b. income of live-in attendants.

3. special pay to a family member in the military who is exposed to hostile fire; and

4. lump sum additions to family assets such as inheritances, insurance payment (including payment under health and accidents), insurance and workmen's compensation, capital gains and settlement for personal or property losses; and

5. temporary, nonrecurring or sporadic income (including gifts); and

6. amounts received by the family in the form of refunds or rebates, under state or local law for property taxes paid on the dwelling unit; and

7. lump-sum payments or prospective monthly amounts or the deferred start of SSI and Social Security benefits; and

8. amounts received under training programs funded by HUD:

   a. Amounts received by a person with disabilities that are disregarded for a limited time for purposes of SSI eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

b. Amount received by a participant in other publicly assisted program which are specifically for or in reimbursement of out of pocket expenses incurred (special equipment, clothing, transportation, child care, etc.);

c. Residents service stipend in an amount not to exceed $200 per month;

d. State or local employment training program and training of a family member as resident management staff;

9. amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member; and

10. any other amounts specifically excluded by any other Federal statute for consideration as income for purposes of determining income eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937; and

11. adoption assistance payments in excess of $480 a month per adopted child; and

12. earning in excess of $480 for each full time student, 18 years old or older (excluding the head of household and spouse); and

13. reparation payments paid by a foreign government pursuant to a claims filed under the laws of the government by persons who were persecuted during the Nazi era; and

14. the full amount of student financial assistance paid directly to the student or to the educational institution; and

15. home care payments paid by a state agency to families that have developmentally disabled children or adult family members living at home to offset cost of services and equipment needed for the developmentally disable family member.

3. Assets

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

If a household claims to have zero (0) assets, and have sold no assets for less than fair market value during the two year period preceding the execution of the PRHFC-05, they must certify this information by inserting (0) in the "Income derived from assets" blanks for ALL family members on the PRHFC-05 and signing and dating the form in the spaces provided.

a. **Assets Include:**

1. cash held in savings and checking accounts, safety deposit boxes, homes, etc; and

2. the principal value of any trust available to the household. (Do not include irrevocable trusts or trusts that no family member can control. An example of an irrevocable trust is a trust fund established for a son or daughter, prior to the parent's death, where the benefactor receives only the interest from the trust during his/her lifetime and cannot withdraw the principal); and

3. the current market value less any unpaid balance on any loans secured by the property and any reasonable costs that would be incurred in selling the asset such as prepayment penalties or broker fees; and

4. stocks, bonds, treasury bills, certificates of deposit, money market funds, etc; and

5. Individual Retirement (IRA) and Keogh Accounts; and

6. retirement and pension funds; and

7. while the person is employed, include only amounts the family can withdraw without retiring or terminating employment; and

8. at retirement or termination of employment, if benefits will be received in a lump sum, include the benefits in net family assets. If benefits are paid in periodic payments, include the benefits in annual income; and

9. lump sum receipts should include inheritances, capital gains, one-time lottery winnings, settlements on insurance and other claims. (DO NOT include lump sum receipts that must be counted as income); and

10. personal property held as an investment such as gems, jewelry, coin collections, antique cars, paintings, etc; and

11. assets owned by more than one person should be prorated according to the percentage of ownership; and

12. cash value of life insurance policies.

b. **Assets Do Not Include:**

1. necessary personal property (i.e., clothing, furniture, automobiles, etc.); and

2. vehicles specially equipped for the handicapped; and

3. interest in Indian Trust Land; and

4. equity in a cooperative unit in which the family lives; and

5. assets that are part of an active business. (The exception does not include rental of properties held as investments and not a main occupation.); and

6. term life insurance policies (i.e., where there is no cash value); and

7. assets held in the applicant's name, but which are actually owned by someone else, such as:

    a. assets and any earned income that is accrued or paid to the benefit of someone else; or
    b. a situation wherein another person is responsible for income taxes incurred on income generated by the assets; or
    c. if the applicant is responsible for disbursing someone else's money, such as in the case of having the Power of Attorney, but the money is not his/hers and no benefit is received; and

8. assets that are not accessible to the applicant and provide no income to the applicant.

c. Determining the Value of Assets

When computing the value of assets, owners must use the cash value of the assets, which is the amount the applicant(s) would receive if the assets were converted to cash. Expenses which may be deducted include:

- Penalties for withdrawing funds before maturity; and
- Broker/legal fees assessed to sell or convert the asset to cash; and
- Settlement costs for real estate transactions.

1. Sale or Disposition of Assets by Applicants

At the time of application, it must be determined if the applicant has disposed of any assets for less than fair market value at any time within two years prior to the effective date of the TIC.

If the fair market value of the disposed assets exceeds the gross amount that the household received by more than $1,000, then include as assets the whole difference between the cash value and the amount received. If the difference is less than $1,000, do not count it.

DO NOT consider assets disposed of for less than fair market value as a result of a foreclosure, bankruptcy, divorce, or marital property division.

Do consider assets put into trust and business assets disposed of for less than fair market value. (Business assets are excluded from net family assets only while they are part of an active business.)

2. Determining Asset Income for Applicants

If the asset value is $5,000 or less, add the amount of income to be derived to the total verified income. **When assets exceed $5,000, add the greater of 1) the actual annual income to be derived from these assets, or 2) a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD, to the total verified income.** ***The combined total income cannot exceed the applicable income limits.***

4. Factors that Affect Household Size

- When a pregnant woman is an applicant, the unborn child should be included in the size of the household, and may be included for purposes of determining the maximum allowable income. A certification must be obtained from the mother's medical professional authorized to make such a determination.

Interim Re-Certifications

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

Tax Credit Units Which Receive Federal Rental Assistance

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

EXAMPLE 1: Section 8 Rental Assistance

Unit 101 receives Section 8 rental assistance. Tenant 101 is certified and enters a lease on January 1, 2000. Tenant 101 wishes to move another person into the unit on October 1, 2000. The Public Housing Authority (PHA) which is providing the rental assistance is required to complete an Interim Recertification that reflects the new character of the unit. However, the anniversary date for the rental assistance payments contract remains January 1, and the PHA will recertify the unit as of that date regardless of the number of Interim Recertifications that take place during the contract year.

Therefore, owners of tax credit units that are receiving Section 8 rental assistance payments should document the unit file to reflect the change in household composition, but may wait until the anniversary date (January 1) to recertify the household so that any future recertifications for tax credit purposes and Section 8 are due at the same time.

EXAMPLE 2: Rural Economic & Community Development (RECD) Rental Assistance

Unit 102 receives RECD rental assistance. Tenant 102 is certified and enters a lease on January 1, 2000. Tenant 102 wishes to move another person into the unit on October 1, 2000. The RECD office which is providing the rental assistance is required to recertify the unit as of October 1, 2000 to reflect the change in household composition. For purposes of the RECD program, this date now becomes the annual re-certification date.

Therefore, the owners of tax credit units that are receiving RECD rental assistance payments should recertify the unit for tax credit program purposes at the same time as their RECD certification so that future recertifications for both programs are due at the same time.

Rehabilitation Projects and Acquisition/Rehab Projects

When a development that is currently participating in another low-income program chooses to apply for tax credits under the LIHTC program also (often this is done to help finance a rehabilitation project), all existing residents must meet tax credit program qualifications just as if they were moving in for the first time. No one "automatically" qualifies for residency in a tax credit development. The owner may place a renovated building in service once he has spent at least $3000 per unit (as required by the Agency QAP) and the units are ready for occupancy. Documentation of a tenant's eligibility under LIHTC program rules must be dated within 90 days of his unit's placed-in-service date or of his move-in date, whichever is later.

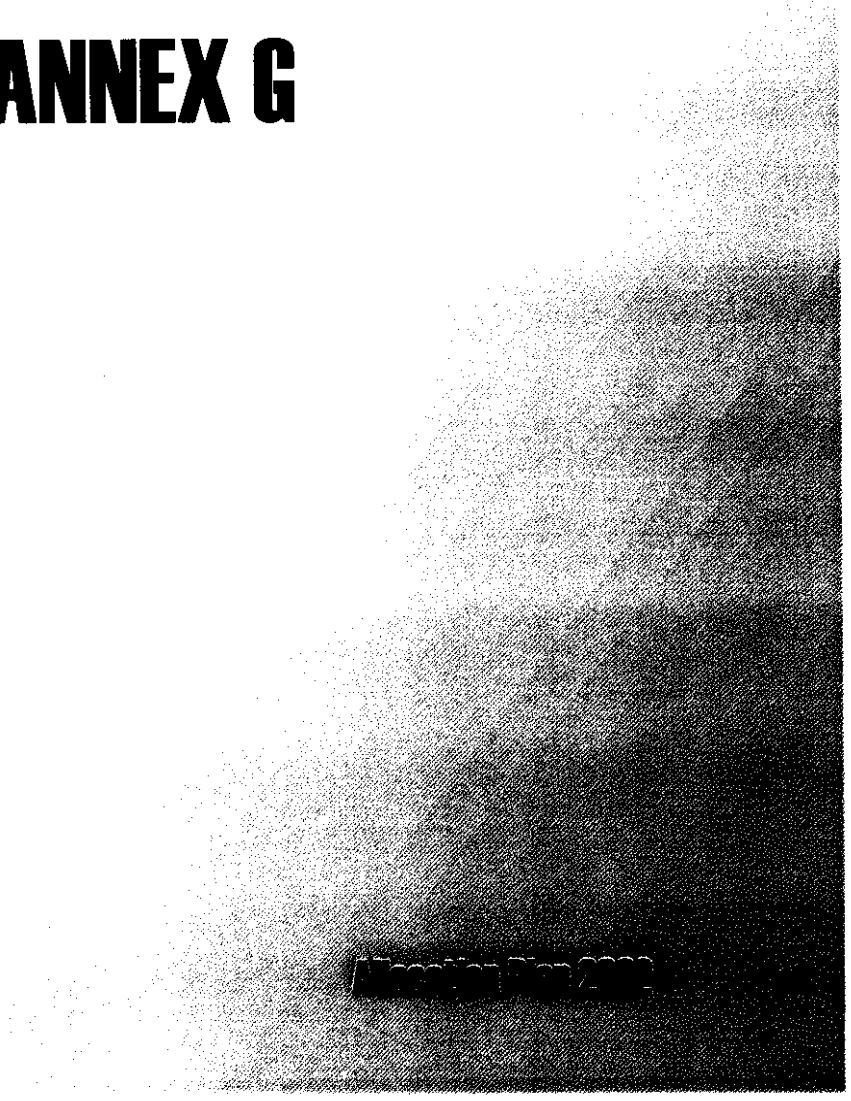
Qualifying residents is even more complicated when a development becomes an acquisition and rehabilitation project receiving tax credits. Sometimes tax credit allocations for acquisition and allocations for rehabilitation must be treated as separate projects; if so, tenants must qualify for BOTH phases as if they were moving in. The project's management staff should explain to their residents that they will need to be re-qualified for residency and that the process may need to be done more than once. If the property management staff performs income verifications and certifications within 90 days of BOTH the acquisitions placed-in-service date and the rehab placed-in-service date (or move-in date, whichever is later), this process can be done just once.

PUERTO RICO HOUSING FINANCE CORPORATION

GDB

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

ANNEX G



ANNEX G: FINAL COST CERTIFICATION

[ACCOUNTANT'S LETTERHEAD]

Independent Auditors' Report

Owner's Name:

Project Name:

Project Number: TCAAA #

We have audited the costs included in the accompanying Tax Credit Allocation Agency ('TCAA") Final Cost Certification (the "Final Cost Certification") of (the "Owner") for (the "Project") as of , 200_. The Final Cost Certification is responsibility of the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by TCAA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs and eligible basis of the Owner for the Project as of , 200_, on the basis of accounting described above.

This report is intended solely for the information and use of management of the Owner and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

City, State
, 200_

PUERTO RICO HOUSING FINANCE CORPORATION

GDB

(A Component Unit of the Government Development Bank for Puerto Rico, which is a Component Unit of the Commonwealth of Puerto Rico)

ANNEX H

ANNEX H

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

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

ANNUAL MANAGEMENT REVIEW

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

APPLICATION

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

ASSETS

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

ASSET INCOME

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

AWARD OR BENEFIT LETTER

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

CERTIFICATION YEAR

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

COMPLETION CERTIFICATE

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

COMPLETION DATE

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

COMPLIANCE

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

COMPLIANCE TRAINING CONFERENCE

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

CURE PERIOD

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

CURRENT ANTICIPATED INCOME

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

DEVELOPER

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

DISCREPANCY LETTER

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

EARNED INCOME TAX CREDIT

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

EFFECTIVE TERM OF 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 PROVISIONS OF THE LIHTC PROGRAM.

INCOME LIMITS

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

INELIGIBLE PERSON

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

LAND USE RESTRICTIVE COVENANTS AGREEMENT

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

LEASE

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

MANAGEMENT COMPANY

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

MANAGEMENT PLAN

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

MEDIAN INCOME

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

MONITORING AGENT

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

OWNER/DEVELOPER - SEE DEVELOPER

PERSONAL PROPERTY CONSIDERED AS ASSETS

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

PROJECT

RENTAL HOUSING DEVELOPMENT RECEIVING A LIHTC ALLOCATION.

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.