

GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

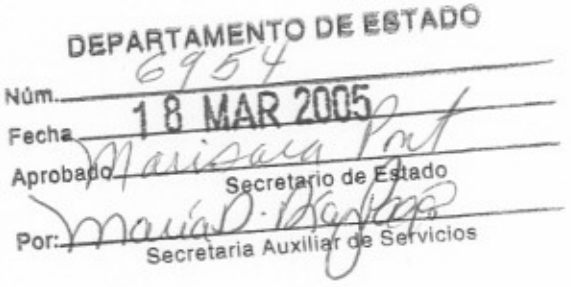
Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

LOW INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

2005



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LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

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FOREWORD

Created by the Tax Reform Act of 1986, the low income housing tax credit provides an incentive for investors to develop and own low-income housing, targeted to increase the number of available rental units for very low-income families. A 10-year tax credit is available for each unit set-aside for low-income use as long as eligible households occupy a specific proportion of units in a building or project. 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 Puerto Rico Housing Finance Authority.

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 2005, $1.85 per capita, multiplied by the population of Puerto Rico, currently represents a minimum of approximately $7,205,481 in tax credits based on the most recent update of the US census (July 1, 2004).

PUERTO RICO HOUSING FINANCE AUTHORITY
A SUBSIDIARY OF THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
STATE CREDIT AUTHORITY

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 state housing credit agencies adopt plans for the allocation of the credits among qualified low-income housing projects. The Governor must approve the Allocation Plan 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 housing credit Authority for the Commonwealth of Puerto Rico is Puerto Rico Housing Finance Authority (the Authority). The Internal Revenue Code (the Code), in its Section 42(m)(1)(B), requires that in its Allocation Plan the Authority, shall:

A. Set forth the selection criteria to be used to determine housing priorities of the housing credit Authority 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;

3. Projects that are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan.

C. Provide a procedure that the Authority will follow in monitoring noncompliance and in notifying the Internal Revenue Service of such noncompliance, and in monitoring for noncompliance with the provisions of the tax credit program, if any.

Also, the 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, including whether the project includes the use of existing housing as part of a community revitalization plan;

4. Sponsor characteristics;

5. Tenant populations with special housing needs;

6. Public housing waiting lists;

7. Tenant populations of individuals with children; 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 Authority's Allocation Plan.

III. Housing Needs Assessment

In reviewing the Allocation Plan, the Authority utilized the tables from the 2000 US Census and the most recent State Action Plan submitted by the Government of Puerto Rico to the U.S. Department of Housing and Urban Development (HUD), dated May 2003. The State Action Plan pursues three main goals for the benefit of low and very low income persons:

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

The State Consolidated Plan prepared by the Government of Puerto Rico for the years 2000 through 2005 analyzed 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 Puerto Rico Housing Department has estimated that a total of 150,571 housing units were needed as of 2000.

[1] Consolidated Plan 2000-2005

3. Low-income renters form 26% of the entire renters' population. Extremely low-income renters constitute 74% of the entire renters' population.

4. The 1990 census population for Puerto Rico was 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 efficiencies.

The goals of the Puerto Rico Housing Department are to:

1. Expand supply of affordable housing for low and very low-income families;

2. Strengthen partnerships among all levels of government, municipalities, private sector and nonprofit entities in the design and development of affordable housing;

3. Promote and encourage the participation of community based nonprofit organizations in addressing affordability needs and set-aside funds to assure their involvement in the housing strategies; and

4. Provide financial and technical assistance to participating jurisdictions, including the development of model programs for low and very low-income families.

The Puerto Rico Housing Department is also the participating jurisdiction for the HOME program in Puerto Rico. Among the State HOME program objectives and priorities we found:

1. Supplying subsidy for the rehabilitation of existing units for rental;
2. Supplying funds to Community Housing Development Organizations (CHDOs);
3. Assistance to municipalities (Island-wide) in the development and implementation of plans and strategies to address their communities and urban centers housing needs, focusing on the following initiatives:
    a) Special Communities: This innovative program will be funded with State funds managed by the Perpetual Trust Fund for Special Communities. The program will be matched by State, private and federal funds to develop or rehabilitate housing for low and very low-income families.
    b) Revitalization of Urban Centers: This is another initiative of the Government of the Commonwealth of Puerto Rico that has become a priority.

IV. Establishment of Housing Priorities

In recognition of the housing needs and priorities established by the government on the Commonwealth of Puerto Rico as identified above, the Authority 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 that will positively impact a designated Special Community.

B. The rehabilitation of existing structures with or without deteriorated housing units within an urban center revitalization program.

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
4. Victims of Domestic Violence

D. The development of projects with a large proportion of units with three bedrooms (75% or more of the total units of the project);

E. The development of projects in areas with the greatest need and projected demand, as defined in Annex A, Housing *Needs in Puerto Rico*; and Annex B, Estimated Total Housing Deficit 2002-2006;

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 percentage of the housing credit dollar amount for intermediaries is below 10%;

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

I. Project developments that demonstrate readiness to proceed through and have completion of the approval process of the regulatory agencies;

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

K. The preservation of 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 (the 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 Code, as amended (Section 42) (See Annex C, Low Income Housing Tax Credits Program Maximum Rents), evidenced through the Owners' Certification, the Accountant's Opinion, the Attorney's Opinion, and the Designer's Preliminary Certification (see proposed models on Annexes G, H, I, and J, respectively).

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

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, as of the Application filing date, there is no outstanding finding of noncompliance 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 documents:

   a) Evidence of site control;

   b) Land Use Consultation (*Consulta de Ubicación*) approved by the Puerto Rico Planning Board (*Junta de Planificación*), and/or Preliminary Development (*Desarrollo Preliminar*) approved by the Regulations & Permits Administration (ARPE by its Spanish acronym) or an Autonomous Municipality, as the case may be.

   c) Availability of financing evidenced through a letter of intent from financing institution specifying possible terms;

   d) Development team in place: selection of the architect/designer, general contractor, management agent, and their respective copies of resumes and, if available, their contracts with the owner;

   e) Schematic drawings and outline specifications;

   f) Cost breakdown certified by the proposed general contractor or architect/designer;

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

h) Pro-forma financial statements certified by the proposed management agent;

i) Original of Accountant's Opinion (Annex H);

j) Original of Attorney's opinion (Annex I);

k) Original of Designer's Preliminary Certification (Annex J);

l) Applying entities governing documents, such as:

- Certificate of Special Partnership;
- Certificate of Limited Partnership; and
- Certificate of Limited Liability Corporation, among others

m) Referral Agreement with Public Housing Authority (PHA), if applicable;

n) IRS assignment form of Tax Payer identification number

5. The Owner must demonstrate its commitment to extend the initial 15-year period of compliance with the tax credit program's income and rent restriction requirements for a minimum of 15 additional years. (See Annex K)

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 representatives 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 of the U.S. Department of Agriculture (RHS), the RHS commitment letter, identifying the funding amount for the project.

8. Compliance with the Fair Housing Act accessibility requirements must be certified through the Designer's opinion letters. (See Annex F for a list of the requirements and Annexes J and N for models of the certification letters).

9. Certification from the applicant as to any Federal, State, or Local subsidies received, or expected to be received, for the development and operation of the project.

B. Evaluation Criteria

Only those Applications meeting all of the above stated initial qualifications applicable to them would be further considered for the Point Ranking System. Project owners whose Applications do not meet the initial basic qualifications will be so informed in writing. A period of thirty days will be given to the applicant to correct the deficiencies noted by the Authority. After that period the Application will be eliminated from the competition, if the applicant has failed to either provide the information requested or correct the deficiencies noted.

The Authority will set-aside 10% of its annual tax credit ceiling for qualified non-profit projects as required by the Code.

The Authority 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 Authority 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 525 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 Authority anticipates reserving credits for those projects scoring highest under the Project Selection Criteria up to the amount permitted by law and this Allocation Plan. However, the ranking under the Project 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 Authority is also encouraging to apply for the credits when the process to obtain the necessary approvals and permits for the development and construction of the project has finalized or is at the final stage.

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 Authority 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, if applicable, performed by the Authority.

2. Intermediary Costs

In reviewing Applications for financial feasibility, the Authority 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 consultants)
- Syndication Fees, and
- Professional Fees (such as architect/designer's, attorney's, and accountant'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, soft costs, syndication costs, reserves and working capital. It does not include the cost of purchasing land. See page 36 for additional comments on developer fees.

4. Per Unit Standards

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

5. General Contractor Maximum Charges

The Authority 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

D. Financial Analysis:

The Authority 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 Authority will use the costs, incomes and expenses submitted in the Application, as determined by the Authority to be reasonable.

The determination of the tax credit dollar amount with respect to any building will be determined at each of the following times:

1. Application/Reservation of credits: The Authority will notify, in writing, to 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 Authority 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. Also the Owner's Certification as to any Federal, State, or Local subsidies received, or expects to receive, for the development and operation of the project must be submitted.

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

   a) Certificate of Occupancy (*Permiso de Uso*).

   b) Final Cost Certification of project development prepared by an independent CPA (see model of this certification in Annex M).

   c) Designer's Certification of Completion of the Construction (see model of this certification in Annex N)

d) Owner's Certification as to any Federal, State, or Local subsidies received, or expects to receive, for the development and operation of the project

e) A physical inspection and cost certification review, to be prepared by an independent consultant appointed by the Authority (randomly, at the sole discretion of the Authority).

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, projects that passed the Point Ranking Review may be subject to an assessment review that can be performed by an independent consultant to be appointed by the Authority. The construction or rehabilitation budgets will be adjusted according to the results of the review, therefore affecting the tax credit calculations. After any adjustments to the budget recommended by the Authority are made, the budget cannot be changed without the consent of the

Authority. 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 project, the Authority will use the percentage published by the IRS for the month when the reservation is made. The Authority, at its own discretion, could lower this percentage or use the 9% or 4% rate, as applicable to the project. 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 or will be placed in service.

(3) Decrease of actual development costs: The Authority 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 (i) the information submitted by the applicant or any independent consultant, and (ii) 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 Authority of the proposal at the time of the tax credits' reservation and will have a reasonable opportunity to comment on the project.

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 Authority will conduct its Application review in accordance with these statutory requirements.

G. Project Selection Criteria

The Authority 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 Authority 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 Authority 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 14 for the definition of intermediary costs.

b) Project Location:

Preference will be given to:

(1) Projects located in Difficult Development Areas (DDA) designated by the Secretary of HUD. A DDA is an area with high construction costs, land costs, and

utility costs relative to the area gross median income projects (See Annex D);

(2) Projects that the owner can demonstrate are located in Qualified Census Track (QCT) as designated by the Secretary of HUD (See Annex D);

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

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

c) Project Characteristics:

Preference will be given to: (1) those projects that can demonstrate their readiness to begin construction immediately; (2) 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; (3) projects awarded with project-based rental subsidies; (4) projects in which no relocation is needed; (5) projects with the longest period of time committed to low income housing; (6) projects to be

placed in service within the calendar year in which the Application for credits is submitted for the first time; (7) project is to acquire and rehabilitate a structure owned or financed by a government Authority and to add units to the affordable rental inventory; (8) projects in which the owner and a PHA have agreed to include the development in any listing of housing opportunities where households with tenant-based subsidies are welcome; (9) project is to preserve existing low-income housing; and (10) 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 Authority 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 Authority or the substitution of the owner has occurred or the project found to be with uncorrected significant noncompliance over six months old will be penalized.

The Authority 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 (i) new developments in rural areas sponsored by RHS; (ii) new construction projects with a firm commitment for financing from the Authority; and (iii) developments meeting certain minimum underwriting requirements described below.

g) Tenant Population with Special Housing Needs:

Preference will be given to projects that provide 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 would 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 DDA, as designated by the Secretary of HUD. (See Annex D). Evidence of location of development must be included.

(2) 20 Points- Projects located in a QCT. (See Annex D). Evidence of location of the development within the QCT must be included.

(3) 20 Points - Project located in a municipality that reflects the greatest housing deficit as identified by the Study of Demand for Housing in Puerto Rico prepared by *Estudios Técnicos, Inc.* (See Annex B). 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 280 points)

(1) (50 points) - Applicant can demonstrate that construction of the project has started or will commence construction as soon as an allocation of credits is made. The readiness to begin construction will be evidenced with one of the following:

(a) Construction Permit or Notification of Approval of the Construction Permit, issued and approved by ARPE or an Autonomous Municipality, as the case may be (50 points)

(b) Urbanization Permit, issued and approved by ARPE or an Autonomous Municipality, as the case may be (30 points)

(c) Preliminary Development, issued and approved by ARPE or an Autonomous Municipality, as the case may be (20 points)

(d) Land Use Consultation, issued and approved by the Puerto Rico Planning Board (10 points)

(2) (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.

(3) (10 points) - A written agreement with a PHA was submitted with the Application. 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.

(4) (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

(5) (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.

(6) (20 points) – Project is to acquire and rehabilitate an existing vacant structure owned or financed by a government Authority to add units to the affordable rental housing inventory.

(7) (10 points) – Project is to substantially rehabilitate an occupied low-income rental housing project in which hard construction costs exceed $10,000 per unit.

(8) (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.

(9) (5 points) - Application includes a letter of endorsement from the mayor of the municipality where the project is located.

(10) (40 points) - FOR REHABILITATION PROJECTS ONLY: Owner includes with the Application a proposed scope of rehabilitation based on a capital needs assessment performed by an independent third party professional.

(11) (40 points) - Owner demonstrates a strong market for the units through a third party independent market analysis.

(12) (50 points) - The development of the project contributes to a concerted community revitalization plan in a QCT (proper documentation must be provided with the Application)

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 that rehabilitate inadequate housing or that 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 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 representation 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 Authority 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 RHS.

(2) (15 points) - New construction projects with a financing firm commitment from the Authority.

- (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 (5% for projects with less than 50 units) with rents and replacement reserve increasing at 3% and operating expenses increasing at 4% annually, project pro-forma financial statements 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 annum (PUPA) operating expenses, as certified by the management agent, do not exceed $2,100 on the first year of operations.
- Substantial Rehabilitation Projects: The PUPA operating expenses, as certified by the management agent, do not exceed $2,300 on the first year of operations.

Projects with less than 50 units:

- The PUPA operating expenses, as certified by the management agent,

do not exceed $2,500 on the first year of operations.

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 heads of family victims of domestic violence, elderly, disabled persons, handicapped persons or HIV patients.

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

h) (Less 25 points) - Applications of projects returning tax credits, or that returned its tax credits on a previous year, because such project was not placed-in-service within the required two-year period, will be penalized with 25 points from its Point Ranking Review. This penalization will be applied to the applicant and/or project only once.

H. Underwriting Standards

1. Owner projected operating expenses will be used in the underwriting by the Authority if they are higher than the Authority's 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 financial statements must reflect a debt service coverage ratio of at least 1.15 through the term of the debt financing.

3. Equity Pricing

   The Authority will use the average market price for tax credit syndication, as published in the Tax Credit Advisor by the National Housing and Rehabilitation Association. 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. Deferring the developer's fees of the project can fund the operating reserve as a loan of the developer to the project owner. In that case, the developer's loan can only be repaid from cash flow; after all required replacement reserve deposits are made. Such loan 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 with more than 50 units must budget a replacement reserve of $300 per unit per year. The replacement reserve must be capitalized from the project's operations, increasing by 3% annually.

5. Financing Commitment

For all projects proposing private permanent financing, a letter of intent from the bank is required. The letter should state: (i) the

amount and term of the loan (20 years or more); (ii) whether interest rate will be fixed or variable; (iii) if variable interest rate, how will it be indexed and the current rate at the time of the letter; (iv) the amortization period; and (v) 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 the Authority must submit the loan Application to the Authority 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, such as Real Estate Attorney and Consultant Agents, 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 Authority 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.

9. These underwriting standards are simple guidelines that the Authority might reevaluate and modify consistently with its sound and reasonable judgment, prudent business practices, and the exercise of its inherent discretion when deemed necessary.

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 Authority must sign a Carryover Agreement allowing the carryover of tax credits. At the time of the execution of the Carryover Agreement, Owners must have title of the property, or acquire such title within the next six months, and approval from all the corresponding governmental agencies for the

development of the project. The Authority requires expenditure of and cost certification of the 10% costs to be submitted to the Authority within six months of the date of the Carryover Allocation (see Annex L).

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 tax credits, or that had 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:

	1st Cycle	2nd Cycle
Applications Opening Date	April 1	July 15
Applications Closing Date	May 16	Aug 15
Ranking & Reservations	June 1	Sept. 15
Closing of Allocations	June 30	Nov. 15
10% Cost Certification	Dec. 29, 2005	May 12, 2006

Any changes to this time frame will be notified to the public through an advertisement in a newspaper of general circulation. 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.

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. (Model of Report is enclosed on Annex L).

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

Applicants may apply to reserve credits, and enter into a binding agreement with the Authority to allocate credits at a future date, for a certain project after the Authority ceiling for the current year has been reached. To such end, the Authority 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 agreement to allocate credits in a future year has no effect on the state housing credit ceiling until the year in which the Authority actually makes the allocation. (See Annex E for an example of the Binding Agreement).

To be considered for a reservation of credits from future year cap or for a binding agreement 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, Authority, entity or political subdivision thereof.
4. Credit is requested in connection with a project utilizing the Tax Credit Program as their only subsidy.
5. Unforeseen circumstances that the Authority, at its sole discretion, might consider are valid.

The Authority might also consider enter into a binding agreement with an owner of a project, even if the credit ceiling for the year has not be reached, if the circumstances of the project, at the Authority's sole discretion deems so necessary.

Projects with Binding Agreements must file an Application next year and go through the Basic Threshold Qualification Process and comply with at least, the Minimum Requirement of the Point Ranking System. 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 pursuant to Section 42(h)(4).

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 must fulfill the Point Ranking System minimum requirement of 175 points**. Applicants 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

Federal legislation requires that each Allocation Plan include a procedure that the housing credit agency will follow in notifying the IRS of noncompliance with the program. To satisfy that mandate, the Authority will require owners 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 Authority to implement this mandate are covered in the Compliance Monitoring Plan, which is hereby incorporated and made a part of this Plan as Annex O.

In making the Application for tax credits, the owner agrees that the Authority and its 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 Authority is required to do compliance monitoring and to notify the IRS and the owner of any discovered noncompliance 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 Authority. 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 Authority will also charge the following fees:

A. Application Fee: One percent (1%) of the annual requested amount. **This is a non-refundable and non-transferable deposit**, which shall be submitted along with the Application. Projects with Binding Agreements 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 neither refundable nor transferable.**

C. Monitoring Fee: If a housing credit allocation is made, the Authority 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 Authority from time to time as necessary to insure that such fees cover the Authority's

administrative expenses for processing Applications and monitoring compliance.

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

X. Limitations

Federal legislation directs the Authority with allocating to a project only that amount of tax credits required to make the project economically feasible. The Authority'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 Authority 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 Authority will encounter situations that have not been foreseen or provided for in the Plan. The Authority reserves the power and authority to amend the Plan after the public has had the opportunity to comment.

The Authority 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 Authority shall be personally liable respecting any matter or matters arising out of, or in relation to, the Tax Credit Program.

S:/ _____

William Lockwood Benet
PRESIDENT
PUERTO RICO HOUSING FINANCE AUTHORITY

I, Aníbal Acevedo Vilá, 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 Puerto Rico Housing Finance Authority, a subsidiary of the Government Development Bank for Puerto Rico, as the State Housing Credit Authority 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 9th day of March, 2005.

S:/ _____

Aníbal Acevedo Vilá
GOVERNOR

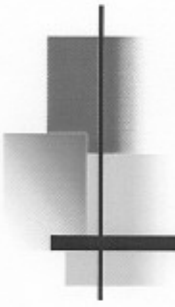


GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX A

Qualified Allocation Plan 2005

ANNEX A: HOUSING NEEDS IN PUERTO RICO

HOUSING NEEDS IN PUERTO RICO BY REGION

REGION	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING (2)	UNSATISFIED DEMAND 2001 (2)
Bayamón	715,281	249,576	11,983	11,452
Ponce	478,705	167,343	9,307	7,660
San Juan	534,427	218,927	8,085	7,349
Arecibo	369,410	135,810	7,805	6,395
Mayagüez	311,885	128,179	7,242	6,498
Caguas	363,890	129,640	5,212	4,967
Aguadilla	235,072	88,573	4,860	4,655
Carolina	337,676	123,586	4,703	3,825
Humacao	192,971	70,607	3,200	1,321
Fajardo	141,869	58,545	2,938	2,772
Guayama	127,424	47,690	2,843	1,662
TOTAL	3,808,610	1,418,476	68,178	58,556

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2

HOUSING NEEDS WITHIN BAYAMON REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Bayamón	224,044	79,476	2,395	2,396
Vega Baja	61,929	21,990	1,519	1,519
Toa Baja	94,085	33,473	1,294	1,294
Toa Alta	63,929	21,075	961	961
Vega Alta	37,910	13,526	913	913
Cataño	30,071	10,366	813	812
Corozal	36,867	12,386	788	629
Orocovis	23,844	7,946	723	722
Naranjito	29,709	9,758	590	590
Barranquitas	28,909	9,740	562	517
Morovis	29,965	9,462	501	364
Dorado	34,017	13,067	473	380
Comerío	20,002	7,311	451	355
TOTAL	**715,281**	**249,576**	**11,983**	**11,452**

HOUSING NEEDS WITHIN PONCE REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Ponce	186,475	66,471	3,537	3,277
Yauco	46,384	17,062	961	960
Juana Díaz	50,531	16,490	878	641
Peñuelas	26,719	8,735	741	741
Villalba	27,913	8,465	696	483
Guayanilla	23,072	8,147	601	601
Coamo	37,597	13,249	555	152
Adjuntas	19,143	6,715	493	493
Santa Isabel	21,665	7,569	341	23
Guánica	21,888	8,849	328	113
Jayuya	17,318	5,591	176	176
TOTAL	**478,705**	**167,343**	**9,307**	**7,660**

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2

HOUSING NEEDS WITHIN SAN JUAN REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
San Juan	434,374	182,101	6,970	6,234
Guaynabo	100,053	36,826	1,115	1,115
TOTAL	**534,427**	**218,927**	**8,085**	**7,349**

HOUSING NEEDS WITHIN ARECIBO REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Arecibo	100,131	38,974	2,278	1,421
Utuado	35,336	12,471	1,216	1,217
Hatillo	38,925	13,929	920	921
Lares	34,415	12,060	768	768
Manatí	45,409	17,113	735	735
Camuy	35,244	12,520	632	469
Barceloneta	22,322	8,375	456	164
Ciales	19,811	6,886	328	227
Florida	12,367	4,387	239	240
Quebradillas	25,450	9,095	233	233
TOTAL	**369,410**	**135,810**	**7,805**	**6,395**

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2

HOUSING NEEDS WITHIN MAYAGÜEZ REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Mayagüez	98,434	39,364	2,245	2,114
Cabo Rojo	46,911	23,182	1,397	1,300
San Germán	37,105	14,335	1,138	1,137
Lajas	26,261	10,947	625	624
Añasco	28,348	10,723	532	532
Hormigueros	16,614	6,423	356	-
Sabana Grande	25,935	9,982	319	188
Las Marías	11,061	4,124	288	288
Rincón	14,767	6,827	254	255
Maricao	6,449	2,272	88	60
TOTAL	311,885	128,179	7,242	6,498

HOUSING NEEDS WITHIN CAGUAS REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Caguas	140,502	50,568	2,089	1,933
Cayey	47,370	17,782	672	671
Gurabo	36,743	12,854	631	631
Cidra	42,753	14,267	625	375
San Lorenzo	40,997	14,594	467	466
Aguas Buenas	29,032	10,412	462	625
Aibonito	26,493	9,163	266	266
TOTAL	363,890	129,640	5,212	4,967

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2

HOUSING NEEDS WITHIN AGUADILLA REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
San Sebastián	44,204	16,682	1,313	1,313
Aguadilla	64,685	24,882	1,211	1,211
Isabela	44,444	17,166	808	654
Aguada	42,042	15,590	792	792
Moca	39,697	14,253	736	685
TOTAL	**235,072**	**88,573**	**4,860**	**4,655**

HOUSING NEEDS WITHIN CAROLINA REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Carolina	186,076	71,347	1,875	1,329
Canóvanas	43,335	15,071	1,027	1,027
Trujillo Alto	75,728	26,241	949	763
Loíza	32,537	10,927	852	706
TOTAL	**337,676**	**123,586**	**4,703**	**3,825**

HOUSING NEEDS WITHIN HUMACAO REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Yabucoa	39,246	13,688	908	456
Humacao	59,035	22,559	797	620
Juncos	36,452	13,064	619	87
Naguabo	23,753	8,875	558	115
Las Piedras	34,485	12,421	318	43
TOTAL	**192,971**	**70,607**	**3,200**	**1,321**

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2

HOUSING NEEDS WITHIN FAJARDO REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Río Grande	52,362	19,928	1,132	1,132
Fajardo	40,712	17,136	803	668
Luquillo	19,817	9,327	377	377
Ceiba	18,004	6,742	262	230
Vieques	9,106	4,388	243	243
Culebra	1,868	1,024	121	122
TOTAL	**141,869**	**58,545**	**2,938**	**2,772**

HOUSING NEEDS WITHIN GUAYAMA REGION

MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Salinas	31,113	11,876	913	834
Arroyo	19,117	7,287	746	540
Guayama	44,301	16,368	643	-
Patillas	20,152	7,677	279	80
Maunabo	12,741	4,482	262	208
TOTAL	**127,424**	**47,690**	**2,843**	**1,662**

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

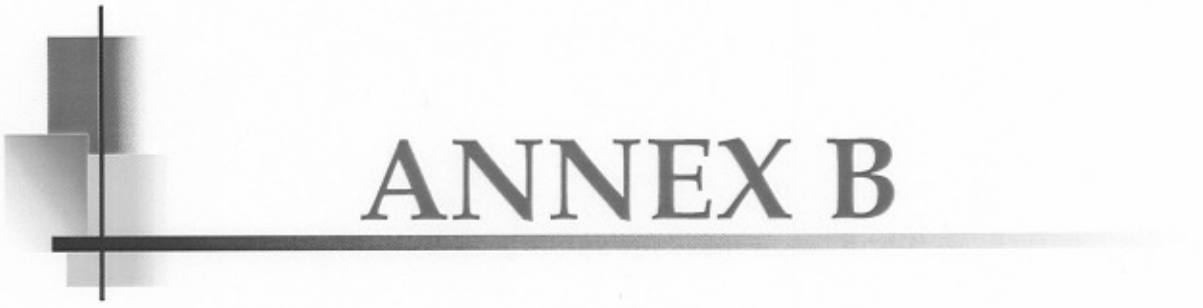
(2) Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.; Table VII.1 and (3) Table VII.2



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX B

Qualified Allocation Plan 2005

ANNEX B: ESTIMATED TOTAL HOUSING DEFICIT 2002-2006

Municipality	Housing Deficit
Adjuntas	387
Aguada	504
Aguadilla	863
Aguas Buenas	316
Aibonito	100
Añasco	404
Arecibo	1,738
Arroyo	606
Barceloneta	324
Barranquitas	370
Bayamón	1,357
Cabo Rojo	1,103
Caguas	1,361
Camuy	412
Canóvanas	801
Carolina	1,285
Cataño	463
Cayey	356
Ceiba	194
Ciales	216
Cidra	349
Coamo	361
Comerío	309
Corozal	564
Culebra	113
Dorado	277
Fajardo	605
Florida	171
Guánica	222
Guayama	449
Guayanilla	533
Guaynabo	665
Gurabo	415
Hatillo	688
Hormigueros	280
Humacao	423
Isabela	606
Jayuya	92
Juana Díaz	678

Municipality	Housing Deficit
Juncos	377
Lajas	497
Lares	544
Las Marías	240
Las Piedras	112
Loíza	572
Luquillo	247
Manatí	525
Maricao	80
Maunabo	192
Mayagüez	1,803
Moca	532
Morovis	301
Naguabo	448
Naranjito	400
Orocovis	585
Patillas	119
Peñuelas	587
Ponce	3,055
Quebradillas	89
Rincón	190
Río Grande	770
Sabana Grande	161
Salinas	733
San Germán	960
San Juan	5,746
San Lorenzo	237
San Sebastián	1,045
Santa Isabel	291
Toa Alta	589
Toa Baja	842
Trujillo Alto	685
Utuado	1,064
Vega Alta	659
Vega Baja	1,133
Vieques	209
Villalba	536
Yabucoa	652
Yauco	665
Total Housing Deficit	**49,432**

Source: Demand for Housing in Puerto Rico 2002-2006, by Estudios Técnicos, Inc.

(Table VII.2, Projected Housing Deficit Year 2000)



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX C

Qualified Allocation Plan 2005

ANNEX C: INCOME AND RENT LIMITS 2005

PUERTO RICO HOUSING FINANCE AUTHORITY LOW INCOME HOUSING TAX CREDIT PROGRAM Rent Restrictions		Effective Date: 01/28/04				
Region *		**Studios**	**I Br**	**2 Brs**	**3 Brs**	**4 Brs**
Aguadilla						
50% of Median Income	Rent	$ 167	$ 180	$ 216	$ 249	$ 268
60% of Median Income	Rent	$ 201	$ 216	$ 259	$ 299	$ 322
Arecibo						
50% of Median Income	Rent	$ 240	$ 256	$ 308	$ 356	$ 397
60% of Median Income	Rent	$ 288	$ 308	$ 370	$ 427	$ 477
Caguas						
50% of Median Income	Rent	$ 207	$ 237	$ 266	$ 308	$ 343
60% of Median Income	Rent	$ 249	$ 267	$ 319	$ 369	$ 412
Mayaguez						
50% of Median Income	Rent	$ 198	$ 213	$ 255	$ 295	$ 328
60% of Median Income	Rent	$ 238	$ 255	$ 306	$ 354	$ 394
Ponce						
50% of Median Income	Rent	$ 235	$ 251	$ 302	$ 349	$ 390
60% of Median Income	Rent	$ 282	$ 302	$ 363	$ 419	$ 468
San Juan						
50% of Median Income	Rent	$ 265	$ 283	$ 341	$ 393	$ 438
60% of Median Income	Rent	$ 318	$ 340	$ 409	$ 472	$ 526
All Other						
50% of Median Income	Rent	$ 157	$ 168	$ 203	$ 235	$ 261
60% of Median Income	Rent	$ 189	$ 202	$ 244	$ 282	$ 292

*** See page 3 for the list of Municipalities within each region.**

PUERTO RICO HOUSING FINANCE AUTHORITY LOW INCOME HOUSING TAX CREDIT PROGRAM Income Limits					Effective Date:	01/28/04
Persons per Family Region *		1	2	3	4	5
Aguadilla						
50% of Median Income	Income	$ 6,700	$ 7,700	$ 8,650	$ 9,600	$ 10,350
60% of Median Income	Income	$ 8,040	$ 9,240	$ 10,380	$ 11,520	$ 12,420
Arecibo						
50% of Median Income	Income	$ 9,600	$ 10,950	$ 12,350	$ 13,700	$ 14,800
60% of Median Income	Income	$ 11,520	$ 13,140	$ 14,820	$ 16,440	$ 17,760
Caguas						
50% of Median Income	Income	$ 8,300	$ 9,500	$ 10,650	$ 11,850	$ 12,800
60% of Median Income	Income	$ 9,960	$ 11,400	$ 12,780	$ 14,220	$ 15,360
Mayaguez						
50% of Median Income	Income	$ 7,950	$ 9,100	$ 10,200	$ 11,350	$ 12,250
60% of Median Income	Income	$ 9,540	$ 10,920	$ 12,240	$ 13,620	$ 14,700
Ponce						
50% of Median Income	Income	$ 9,400	$ 10,750	$ 12,100	$ 13,400	$ 14,550
60% of Median Income	Income	$ 11,280	$ 12,900	$ 14,520	$ 16,080	$ 17,460
San Juan						
50% of Median Income	Income	$ 10,600	$ 12,100	$ 13,650	$ 15,150	$ 16,350
60% of Median Income	Income	$ 12,720	$ 14,520	$ 16,380	$ 18,180	$ 19,620
All Other						
50% of Median Income	Income	$ 6,300	$ 7,200	$ 8,150	$ 9,050	$ 9,750
60% of Median Income	Income	$ 7,560	$ 8,640	$ 9,780	$ 10,860	$ 11,700

*** See page 3 for the list of Municipalities within each region.**

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
Income and Rent Restrictions

Municipalities within Regions

(as defined by HUD)

REGION	MUNICIPALITIES
Aguadilla	Aguada, Aguadilla, Moca
Arecibo	Arecibo, Camuy, Hatillo
Caguas	Caguas, Cayey, Cidra, Gurabo, San Lorenzo
Mayagüez	Añasco, Cabo Rojo, Hormigueros, Mayagüez, Sabana Grande, San Germán
Ponce	Guayanilla, Juana Díaz, Peñuelas, Ponce, Villalba, Yauco
San Juan-Bayamón	Aguas Buenas, Barceloneta, Bayamón, Canóvanas, Carolina, Cataño, Ceiba, Comerio, Corozal, Dorado, Fajardo, Florida, Guaynabo, Humacao, Juncos, Las Piedras, Loiza, Luquillo, Manatí, Morovis, Naguabo, Naranjito, Río Grande, San Juan, Toa Alta, Toa Baja, Trujillo Alto, Vega Alta, Vega Baja, Yabucoa
All Other (Nonmetropolitan Area)	Adjuntas, Aibonito, Arroyo, Barranquitas, Ciales, Coamo, Culebra, Guanica, Guayama, Isabela, Jayuya, Lajas, Lares, Las Marías, Maricao, Maunabo, Orocovis, Patillas, Quebradillas, Rincón, Salinas, San Sebastían, Santa Isabel, Utuado, Vieques

Los limites de ingresos informados por HUD son a base de personas y no habitaciones (br). Ademas, HUD solo informa los limites de ingreso para las medianas de ingreso del 30%, very low-income (50%) y low-income (80%). Sin embargo, para el programa de Tax Credit es necesario determinar el 60% de las medianas de ingreso.
60% median income = 50% income limits * 1.20

Las rentas maximas se calculan a base del 30% del ingreso mensual de cada persona. Por lo tanto, para calcular la renta por br es necesario convertir los ingresos a base de br ya que los provistos por HUD son a base de personas.

HUD a estimado esta conversion como sigue:
1 br = income limit of 1.5 person * 30% / 12 months

La unica excepcion son los studios
studio=income limit of 1 person * 30% /12 months

ejemplos:
60% de la mediana de ingresos en Ponce

3 br * 1.5 persons= 4.50
= Average Income limits of 4 & 5 persons * 30% / 12 months
= (16,080+17,460/2) * 30% / 12 months
= 419

1 br * 1.5 persons= 1.50
= Average Income limits of 1 & 2 persons * 30% / 12 months
= (11,280 + 12,900/2) * 30% / 12 months
= 302

si el calculo de las personas por br da a un numero entero, se utilizara ese income limit

2 br* 1.5 persons= 3.00
= Income limit of 3 persons * 30% / 12 months
= $14,520 * 30% / 12 months
= 363

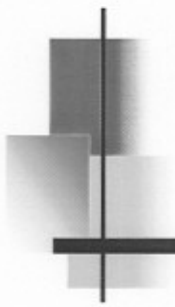
4 br* 1.5 persons= 6.00
= Income limit of 6 persons * 30% / 12 months
= $18,720 * 30% / 12 months
= 468



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX D

Qualified Allocation Plan 2005

Federal Register

Tuesday,
November 30, 2004

Part III

Department of Housing and Urban Development

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–4889–N–03]

Statutorily Mandated Designation of Difficult Development Areas 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" for purposes of the Low-Income Housing Tax Credit (LIHTC) under section 42 of the Internal Revenue Code of 1986 (the Code) (26 U.S.C. 42). The United States Department of Housing and Urban Development (HUD) makes new Difficult Development Area designations annually. The designations of "Qualified Census Tracts" under section 42 of the Internal Revenue Code published December 12, 2002, as supplemented on December 19, 2003, remain in effect.

FOR FURTHER INFORMATION CONTACT: For questions on how areas are designated and on geographic definitions: Alastair McFarlane, Senior Economist, Economic Development and Public Finance Division, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410–6000, telephone (202) 708–2770, e-mail *Alastair_McFarlane@hud.gov*. For specific legal questions pertaining to Section 42: Branch 5, Office of the Associate Chief Counsel, Passthroughs & Special Industries, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, telephone (202) 622–3040, fax (202) 622–4524. For questions about the "HUB Zones" 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) 205–8885, fax (202) 205–7167, e-mail *hubzone@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

This notice designates Difficult Development Areas for each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. The designations of Difficult Development Areas in this notice are based on final fiscal year 2004 Fair Market Rents (FMRs), 2004 income limits, and 2000 Census population counts as explained below. The designations of Qualified Census Tracts under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect.

2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan areas are used in the designation of Difficult Development Areas. The Office of Management and Budget (OMB) published new metropolitan area definitions incorporating 2000 Census data in OMB Bulletin No. 03–04 on June 6, 2003, as updated in OMB Bulletin No. 04–03 on February 18, 2004. The FY2004 FMRs and 2004 income limits used to designate Difficult Development Areas are based on the Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions established by OMB in OMB Bulletin No. 99–04 on June 30, 1999. Therefore, for the purposes of designating Difficult Development Areas, "metropolitan areas" will continue to be defined according to the MSA/PMSA definitions established in OMB Bulletin No. 99–04 on June 30, 1999, until further notice.

Background

The U.S. Department of the Treasury (Treasury) and its Internal Revenue Service (IRS) are authorized to interpret and enforce the provisions of the Code, including the LIHTC found at Section 42 of the Code. 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, a summary of the section is provided. The following summary does not purport to bind Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has authority to interpret or administer the Code only in instances where it receives explicit 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 (credit ceiling) is limited by population. Each state is allowed a credit ceiling based on a statutory formula indicated at Section 42(h)(3). States may carry forward unallocated credits derived from the credit ceiling for one year; however, to the extent these unallocated credits are not used by then, the credits go into a national pool to be redistributed 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 credits available from the credit ceiling.

The credits allocated to a building are 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 the 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 the 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 buildings 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 credits up to a deduction equivalent of $25,000 (the actual maximum amount of credit that an individual can claim depends upon the individual's marginal tax rate). Individuals cannot use the credits against the alternative minimum tax. Corporations, other than S or personal service corporations, can use the credits against ordinary income tax. They cannot use the credits against the alternative minimum tax. These corporations can also deduct losses from the project.

The qualified basis represents the product of the building "applicable fraction" and its "eligible basis." 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 a capital account that are 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 Difficult Development Areas or designated Qualified Census Tracts, eligible basis can be increased up to 130 percent of what it would otherwise be. This means that the available credits also can be increased by up to 30 percent. For example, if a 70 percent credit is available, it effectively could be increased to as much as 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 metropolitan areas (taken together) may not contain more than 20 percent of the aggregate population of all metropolitan areas, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all nonmetropolitan areas.

Explanation of HUD Designation Methodology

A. Difficult Development Areas

In developing the list of Difficult Development Areas, HUD compared housing costs with incomes. HUD used 2000 Census population data and the metropolitan area (MSA/PMSA) definitions as published in OMB Bulletin No. 99–04 on June 30, 1999. In keeping with past practice of basing the coming year's Difficult Development Area designations on data from the preceding year, the basis for these comparisons was the 2004 HUD income limits for Very Low-Income households (Very Low Income Limits, or VLILs) and final FY2004 FMRs used for the Section 8 Housing Choice Voucher program. The procedure used in making the Difficult Development Area calculations follows:

1. For each MSA/PMSA and each nonmetropolitan area, a ratio was calculated. This calculation used the final FY2004 two-bedroom FMR and the 2004 four-person VLIL.

a. The numerator of the ratio was the area's final FY2004 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 nonmetropolitan areas.

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 nonmetropolitan areas, respectively.

B. Application of Population Caps to Difficult Development Area Determinations

In identifying Difficult Development Areas, HUD applied 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 areas.

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 minimal overruns of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. As long as the apparent excess is small due to measurement errors, some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded. Despite the care and effort involved in a decennial census, the Census Bureau and all users of the data recognize 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.

C. 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, Illinois: DeKalb, Grundy, and Kendall Counties.

Cincinnati-Hamilton, Ohio-Kentucky-Indiana: Brown County, Ohio; Gallatin, Grant, and Pendleton Counties, Kentucky; and Ohio County, Indiana.

Dallas, Texas: Henderson County.

Flagstaff, Arizona-Utah: Kane County, Utah.

New Orleans, Louisiana: St. James Parish.

Washington, DC-Maryland-Virginia-West Virginia: 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 defined 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.

For the convenience of readers of this notice, the geographical 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 determinations are no longer recognized as geographic entities by the Bureau of the Census. Therefore, no 2000 Census population counts are produced for these areas. HUD estimated 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, and maps of, 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° west longitude were allocated to the Skagway-Yakutat-Angoon Census Area. The populations of Yakutat City and Borough Census Blocks located west of 141° west 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.

Effective Date

The 2005 lists of Difficult Development Areas are effective (1) for allocations of credit after December 31, 2004; or (2) for purposes of Section 42(h)(4)(B) of the Code, if the bonds are issued and the building is placed in service after December 31, 2004. If an area is not on a subsequent list of Difficult Development Areas, the 2005 lists are effective for the area if (1) the allocation of credit to an applicant is made no later than the end of the 365-day period after the submission to the credit-allocating agency of a complete application by the applicant, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of Section 42(h)(4)(B) of the Code, the bonds are issued or the building is placed in service no later than the end of the 365-day period after the applicant submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted.

An application is deemed to be submitted on the date it is filed if the application is determined to be complete as certified in writing by the credit-allocating agency or bond-issuing agency. A "complete application" means that no more than *de minimis* clarification of the application is required for the agency to make a decision about the allocation of tax credits or issuance of bonds requested in the application.

The designations of "Qualified Census Tracts" under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451) as supplemented on December 19, 2003 (68 FR 70982), remain in effect. The above language regarding calendar year 2005 and subsequent designations of Difficult Development Areas also applies to the designations of Qualified Census Tracts published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), and subsequent designations of Qualified Census Tracts.

Interpretive Examples of 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. The examples are equally applicable to future Qualified Census Tract designations.

(Case A): Project "A" is located in a 2005 Difficult Development Area that is not a designated Difficult Development Area in 2006. A complete application for tax credits for Project "A" is filed with the allocating agency November 15, 2005, which the credit-allocating agency certified in writing as complete. Credits are allocated to project "A" on October 30, 2006. Project "A" is eligible for the increase in basis accorded a project in a 2005 Difficult Development area because the application was filed *before* January 1, 2006 (the assumed effective date for the 2006 Difficult Development Area lists), and tax credits were allocated no later than the end of the 365-day period after the filing of the complete application for an allocation of tax credits.

(Case B): Project "B" is located in a 2005 Difficult Development Area that is not a designated Difficult Development Area in 2006. A complete application for tax credits for Project "B" is filed with the allocating agency December 1, 2005, which the credit-allocating agency certified in writing as complete. Credits are allocated to project "B" on March 30, 2007. Project "B" is not eligible for the increase in basis accorded a project in a 2005 Difficult Development area because, although the application for an allocation of tax credits was filed *before* January 1, 2006 (the assumed effective date of the 2006 Difficult Development Area lists), the tax credits were allocated later than the end of the 365-day period after the filing of the complete application.

(Case C): Project "C" is located in a 2005 Difficult Development Area that was not a Difficult Development Area in 2004. Project "C" was placed in service November 15, 2004. A complete application for tax-exempt bond financing for Project "C" is filed with the bond-issuing agency on January 15, 2005, which the bond-issuing agency certified in writing as complete. The bonds that will support the permanent financing of Project "C" are issued September 30, 2005. Project "C" *is not* eligible for the increase in basis otherwise accorded a project in a 2005 Difficult Development Area because the project was placed in service *before* January 1, 2005.

(Case D): Project "D" is located in an area that is a Difficult Development Area in 2005, but *is not* a Difficult Development Area in 2006. A complete application for tax-exempt bond financing for Project "D" is filed with the bond-issuing agency on October 30, 2005, which the bond-issuing agency certified in writing as complete. Bonds are issued for Project "D" on April 30, 2006, but Project "D" is not placed in service until January 30, 2007. Project "D" is eligible for the increase in basis available to projects located in 2005 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 April 30, 2006, within the 365-day period after a complete application for tax-exempt bond financing was filed, and the application was filed during a time when the location of Project "D" was in a Difficult Development Area.

Findings and Certifications

Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.19(c)(6) of HUD's regulations, the policies and procedures contained in this notice provide for the establishment of fiscal requirements or procedures that do not constitute a development decision affecting 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 Finding of No Significant Impact is required.

Federalism Impact

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any policy document that has federalism implications if the document either imposes substantial direct compliance costs on state and local governments and is not required by statute, or the document preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the executive order. This notice merely designates "Difficult Development 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. This notice also details the technical methodology used in making such designations. As a result, this notice is not subject to review under the order.

Dated: November 23, 2004.

Alphonso Jackson,

Secretary.

BILLING CODE 4210-62-P

2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components			
Arizona	Flagstaff, AZ-UT MSA (part)	Coconino County, AZ			
	Yuma, AZ MSA	Yuma County			
California	Los Angeles-Long Beach, CA PMSA	Los Angeles County			
	Oakland, CA PMSA	Alameda County	Contra Costa County		
	Orange County, CA PMSA	Orange County			
	Salinas, CA MSA	Monterey County			
	San Diego, CA MSA	San Diego County			
	San Francisco, CA PMSA	Marin County	San Francisco County	San Mateo County	
	San Jose, CA PMSA	Santa Clara County			
	Santa Barbara-Santa Maria-Lompoc, CA MSA	Santa Barbara County			
	Santa Cruz-Watsonville, CA PMSA	Santa Cruz County			
	Santa Rosa, CA PMSA	Sonoma County			
Florida	Miami, FL PMSA	Miami-Dade County			
	Tampa-St. Petersburg-Clearwater, FL MSA	Hernando County	Hillsborough County	Pasco County	Pinellas County

2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS
(MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components			
Massachusetts	**Barnstable-Yarmouth, MA MSA**	Barnstable city	Brewster town	Chatham town	Dennis town
		Eastham town	Harwich town	Mashpee town	Orleans town
		Sandwich town	Yarmouth town		
	Boston, MA-NH PMSA	Acton town	Amesbury town	Arlington town	Ashland town
		Ayer town	Bedford town	Bellingham town	Belmont town
		Berkley town	Berlin town	Beverly city	Blackstone town
		Bolton town	Boston city	Boxborough town	Braintree town
		Brookline town	Burlington town	Cambridge city	Canton town
		Carlisle town	Carver town	Chelsea city	Cohasset town
		Concord town	Danvers town	Dedham town	Dighton town
		Dover town	Duxbury town	Essex town	Everett city
		Foxborough town	Framingham town	Franklin city	Gloucester city
		Hamilton town	Hanover town	Harvard town	Hingham town
		Holbrook town	Holliston town	Hopedale town	Hopkinton town
		Hudson town	Hull town	Ipswich town	Kingston town
		Lancaster town	Lexington town	Lincoln town	Littleton town
		Lynn city	Lynnfield town	Malden city	town
		Mansfield town	Marblehead town	Marlborough city	Marshfield town
		Maynard town	Medfield town	Medford city	Medway town
		Melrose city	Mendon town	Middleton town	Milford town
		Millis town	Millville town	Milton town	Nahant town
		Natick town	Needham town	Newbury town	Newburyport city
		Newton city	Norfolk town	North Reading town	Norton town
		Norwell town	Norwood town	Peabody city	Pembroke town
		Plainville town	Plymouth town	Quincy city	Randolph town
		Reading town	Revere city	Rockland town	Rockport town
		Rowley town	Salem city	Salisbury town	Saugus town
		Scituate town	Sharon town	Sherborn town	Shirley town
		Somerville city	Southborough town	Stoneham town	Stoughton town
		Stow town	Sudbury town	Swampscott town	Taunton city
		Topsfield town	Townsend town	Upton town	Wakefield town
		Walpole town	Waltham city	Wareham town	Watertown city

2005 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components			
Massachusetts (continued)	Boston, MA-NH PMSA (continued)	Wayland town	Wellesley town	Wenham town	Weston town
		Westwood town	Weymouth town	Wilmington town	Winchester town
		Winthrop town	Woburn city	Wrentham town	
New Hampshire	Boston, MA-NH PMSA	Seabrook town	South Hampton town		
New Jersey	Jersey City, NJ PMSA	Hudson County			
New York	Nassau-Suffolk, NY PMSA	Nassau County	Suffolk County		
	New York, NY PMSA	Bronx County	Kings County	New York County	Putnam County
		Queens County	Richmond County	Rockland County	Westchester County
Puerto Rico	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		

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Alabama	Pike County			
Alaska	Bethel Census Area	Denali Borough	Dillingham Census Area	Fairbanks North Star Borough
	Haines Borough	Juneau City and Borough	Kenai Peninsula Borough	Ketchikan Gateway Borough
	Kodiak Island Borough	Lake and Peninsula Borough	Matanuska-Susitna Borough	Nome Census Area
	North Slope Borough	Northwest Arctic Borough	Sitka City and Borough	Valdez-Cordova Census Area
	Wrangell-Petersburg Census Area			
Arizona	Apache County	Cochise County	Gila County	Graham County
	Greenlee County	La Paz County	Navajo County	Santa Cruz County
	Yavapai County			
California	Amador County	Calaveras County	Colusa County	Del Norte County
	Glenn County	Humboldt County	Imperial County	Inyo County
	Kings County	Lake County	Lassen County	Mariposa County
	Mendocino County	Modoc County	Mono County	Nevada County
	San Benito County	Sierra County	Siskiyou County	Tehama County
	Trinity County	Tuolumne County		
Colorado	Archuleta County	Garfield County	La Plata County	Pitkin County
	San Miguel County	Summit County		

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Connecticut	LITCHFIELD COUNTY (part) towns of	Canaan town	Colebrook town	Cornwall town
	Goshen town	Kent town	Litchfield town	Morris town
	Norfolk town	North Canaan town	Salisbury town	Sharon town
	Torrington town	Warren town		
	MIDDLESEX COUNTY (part) towns of	Chester town	Deep River town	Essex town
	Westbrook town			
Delaware	Sussex County			
Florida	Calhoun County	Citrus County	Columbia County	DeSoto County
	Dixie County	Franklin County	Gilchrist County	Glades County
	Gulf County	Hamilton County	Hardee County	Hendry County
	Highlands County	Holmes County	Indian River County	Jackson County
	Jefferson County	Lafayette County	Levy County	Liberty County
	Madison County	Monroe County	Okeechobee County	Putnam County
	Sumter County	Suwannee County	Taylor County	Union County
	Walton County	Washington County		
Hawaii	Hawaii County	Kalawao County	Kauai County	Maui County
Idaho	Bonner County	Kootenai County		
Kentucky	Harlan County	Knox County	Laurel County	

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Maine	ANDROSCOGGIN COUNTY (part) towns of	Durham town	Leeds town	Livermore town
	Livermore Falls town	Minot town		
	Aroostook County			
	CUMBERLAND COUNTY (part) towns of	Baldwin town	Bridgton town	Brunswick town
	Harpswell town	Harrison town	Naples town	New Gloucester town
	Pownal town	Sebago town		
	Franklin County	Hancock County	Kennebec County	Knox County
	Lincoln County	Oxford County		
	PENOBSCOT COUNTY (part) towns of	Alton town	Argyle unorg.	Bradford town
	Bradley town	Burlington town	Carmel town	Carroll plantation
	Charleston town	Chester town	Clifton town	Corinna town
	Corinth town	Dexter town	Dixmont town	Drew plantation
	East Central Penobscot unorg.	East Millinocket town	Edinburg town	Enfield town
	Etna town	Exeter town	Garland town	Greenbush town
	Greenfield town	Howland town	Hudson town	Kingman unorg.
	Lagrange town	Lakeville town	Lee town	Levant town
	Lincoln town	Lowell town	Mattawamkeag town	Maxfield town
	Medway town	Millinocket town	Mount Chase town	Newburgh town
	North Penobscot unorg.	Newport town	Passadumkeag town	Patten town
	Plymouth town	Prentiss plantation	Seboeis plantation	Springfield town
	Stacyville town	Stetson town	Twombly unorg.	Webster plantation
	Whitney unorg.	Winn town	Woodville town	
	Piscataquis County	Sagadahoc County	Somerset County	
	WALDO COUNTY (part) towns of	Belfast city	Belmont town	Brooks town
	Burnham town	Frankfort town	Freedom town	Islesboro town
	Jackson town	Knox town	Liberty town	Lincolnville town
	Monroe town	Montville town	Morrill town	Northport town
	Palermo town	Prospect town	Searsmont town	Searsport town
	Stockton Springs town	Swanville town	Thorndike town	Troy town
	Unity town	Waldo town		
	Washington County			

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Maine (continued)	YORK COUNTY (part) towns of	Acton town	Alfred town	Arundel town
	Biddeford city	Cornish town	Dayton town	Kennebunk town
	Kennebunkport town	Lebanon town	Limerick town	Lyman town
	Newfield town	North Berwick town	Ogunquit town	Parsonsfield town
	Saco city	Sanford town	Shapleigh town	Waterboro town
	Wells town			
Maryland	St. Mary's County	Wicomico County		
Massachusetts	BARNSTABLE COUNTY (part) towns of	Bourne town	Falmouth town	Provincetown town
	Truro town	Wellfleet town		
	Dukes County			
	FRANKLIN COUNTY (part) towns of	Ashfield town	Bernardston town	Buckland town
	Charlemont town	Colrain town	Conway town	Deerfield town
	Erving town	Gill town	Greenfield town	Hawley town
	Heath town	Leverett town	Leyden town	Monroe town
	Montague town	New Salem town	Northfield town	Orange town
	Rowe town	Shelburne town	Shutesbury town	Warwick town
	Wendell town	Whately town		
	HAMPDEN COUNTY (part) towns of	Blandford town	Brimfield town	Chester town
	Granville town	Tolland town	Wales town	
	HAMPSHIRE COUNTY (part) towns of	Chesterfield town	Cummington town	Goshen town
	Middlefield town	Pelham town	Plainfield town	Westhampton town
	Worthington town			
	Nantucket County			
	WORCESTER COUNTY (part) towns of	Athol town	Hardwick town	Hubbardston town
	Petersham town	New Braintree town	Phillipston town	Royalston town
	Warren town			

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Michigan	Montcalm County			
Minnesota	Kanabec County			
Mississippi	Bolivar County	Coahoma County	Issaquena County	Washington County
Montana	Beaverhead County	Big Horn County	Blaine County	Broadwater County
	Carbon County	Carter County	Chouteau County	Custer County
	Daniels County	Dawson County	Deer Lodge County	Fallon County
	Fergus County	Gallatin County	Garfield County	Glacier County
	Golden Valley County	Granite County	Hill County	Judith Basin County
	Lake County	Liberty County	Lincoln County	Madison County
	McCone County	Meagher County	Mineral County	Musselshell County
	Petroleum County	Phillips County	Pondera County	Powder River County
	Powell County	Prairie County	Ravalli County	Richland County
	Roosevelt County	Sanders County	Sheridan County	Silver Bow County
	Sweet Grass County	Teton County	Treasure County	Wheatland County
	Wibaux County			
Nevada	Carson City	Churchill County	Douglas County	Esmeralda County
	Humboldt County	Lander County	Lincoln County	Lyon County
	Mineral County	Pershing County	White Pine County	

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
New Hampshire	Belknap County	Carroll County	Cheshire County	Grafton County
	HILLSBOROUGH COUNTY (part) towns of	Antrim town	Bennington town	Deering town
	Francestown town	Greenfield town	Hancock town	Hillsborough town
	Lyndeborough town	New Boston town	Peterborough town	Sharon town
	Temple town	Windsor town		
	MERRIMACK COUNTY (part) towns of	Andover town	Boscawen town	Bow town
	Bradford town	Canterbury town	Chichester town	Concord city
	Danbury town	Dunbarton town	Epsom town	Franklin city
	Henniker town	Hill town	Hopkinton town	Loudon town
	Newbury town	New London town	Northfield town	Pembroke town
	Pittsfield town	Salisbury town	Sutton town	Warner town
	Webster town	Wilmot town		
	ROCKINGHAM COUNTY (part) towns of	Deerfield town	Northwood town	Nottingham town
	STRAFFORD COUNTY (part) towns of	Middleton town	New Durham town	Strafford town
New Mexico	Catron County	Chaves County	Cibola County	Curry County
	DeBaca County	Grant County	Guadalupe County	Luna County
	McKinley County	Mora County	Otero County	Quay County
	Rio Arriba County	Roosevelt County	San Miguel County	Sierra County
	Socorro County	Taos County		
New York	Columbia County	Cortland County	Essex County	Greene County
	Hamilton County	Jefferson County	Otsego County	Schuyler County
	Sullivan County	Tompkins County	Ulster County	
North Carolina	Cleveland County	Jackson County	Pender County	Rutherford County
	Watauga County			

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Ohio	Athens County			
Oklahoma	Payne County			
Oregon	Baker County	Clatsop County	Coos County	Crook County
	Curry County	Deschutes County	Douglas County	Grant County
	Harney County	Hood River County	Jefferson County	Josephine County
	Klamath County	Lake County	Lincoln County	Linn County
	Malheur County	Union County	Wallowa County	Wasco County
	Wheeler County			
Pennsylvania	Monroe County	Union County	Wayne County	
Rhode Island	NEWPORT COUNTY (part) towns of	Middleton town	Newport city	Portsmouth town
	WASHINGTON COUNTY (part) towns of	New Shoreham town		
South Dakota	Butte County	Lawrence County	Meade County	
Texas	Aransas County	Camp County	Nacogdoches County	Navarro County
	Reagan County	Val Verde County	Yoakum County	
Utah	Cache County	Daggett County	Iron County	Tooele County
	Washington County			

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
Vermont	Addison County	Bennington County		
	FRANKLIN COUNTY (part) towns of	Bakersfield town	Berkshire town	Enosburg town
	Fairfield town	Fletcher town	Franklin town	Highgate town
	Montgomery town	Richford town	Sheldon town	
	Lamoille County	Orange County	Rutland County	Windham County
	Windsor County			
Virginia	Caroline County	Cumberland County	Orange County	Westmoreland County
Washington	Clallam County	Grays Harbor County	Mason County	San Juan County
	Skagit County			

2005 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Nonmetropolitan Counties or County Equivalents			
American Samoa	Eastern District	Manu'a District	Swains Island	Western District
Guam	Guam			
Northern Mariana Islands	Northern Islands Municipality	Rota Municipality	Saipan Municipality	Tinian Municipality
Puerto Rico	Adjuntas Municipio Ciales Municipio Guayama Municipio Lares Municipio Orocovis Municipio Salinas Municipio Vieques Municipio	Aibonito Municipio Coamo Municipio Isabela Municipio Las Marias Municipio Patillas Municipio San Sebastian Municipio	Arroyo Municipio Culebra Municipio Jayuya Municipio Maricao Municipio Quebradillas Municipio Santa Isabel Municipio	Barranquitas Municipio Guanica Municipio Lajas Municipio Maunabo Municipio Rincon Municipio Utuado Municipio
Virgin Islands	St. Croix	St. John	St. Thomas	

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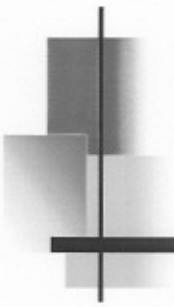
BILLING CODE 4210-62-C



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX E

Qualified Allocation Plan 2005

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 Authority ("PRHFA" 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 Authority
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 PRHFA, at its sole discretion, might believe are valid.

10. PRHFA commits itself to enter into a Carryover Allocation Agreement with the Project Owner by the end of _____.

PRHFA represents and warrants that this Binding Commitment is binding on PRHFA and its successors and assigns and that PRHFA 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 Authority**
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 Authority, 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 AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX F

Qualified Allocation Plan 2005

ANNEX F: FAIR HOUSING ACT ACCESSIBILITY CHECKLIST

The following is a checklist of design and construction requirements of the Fair Housing Act. This checklist represents many, but not all, of the requirements to the Act. This checklist is not intended to be exhaustive; rather, it is a helpful guide in determining if the major requirements of the Act have been met in designing and constructing a particular multifamily development.

GENERAL REQUIREMENTS

- ❑ Development has buildings containing 4 or more units and was designed and constructed for first occupancy on or after March 13, 1991.
- ❑ If it is an elevator building, all units are "covered units".
- ❑ All units in buildings with elevators have features required by the Act.
- ❑ If it is an non-elevator building, all ground-floor units "covered units"
- ❑ All ground floor units in buildings without elevators have features required by the Act.

NOTE: There is a narrow exception, which provides that a non-elevator building in a development need not meet all of the Act's requirements if it is impractical to have an accessible entrance to the non-elevator building because of hilly terrain or other unusual characteristics of the site.

1. ACCESSIBLE BUILDING ENTRANCE ON AN ACCESSIBLE ROUTE

- ❑ The accessible route is a continuous, unobstructed path (no stairs) through the development that connects all buildings containing covered units and all other amenities.
- ❑ The accessible route also connects to parking lots, public streets, public sidewalks, and to public transportation stops.
- ❑ All slopes are no steeper than 8.33%.
- ❑ All slopes between 5% and 8.33% have handrails.
- ❑ Covered units have at least one entrance on an accessible route.
- ❑ There are sufficient curb cuts for a person using a wheelchair to reach every building in the development.

2. COMMON AND PUBLIC USE AREAS

- ❑ At least two percent of all parking spaces are designated as handicapped parking.
- ❑ At least, one parking space at each common and public use amenity is designated as handicapped parking.
- ❑ All handicapped parking spaces are properly marked.
- ❑ All handicapped parking spaces are at least 96" wide with a 60" wide access aisle, which can be shared between two spaces.

- ☐ The accessible aisle connects to a curb ramp and the accessible route.
- ☐ The rental or sales office is readily accessible and usable by persons with disabilities.
- ☐ All mailboxes, swimming pools, tennis courts, clubhouses, rest rooms, showers, laundry facilities, trash facilities, drinking fountains, public telephones, and other common and public use amenities offered by the development are readily accessible and usable by persons with disabilities.

3. USABLE DOORS

- ☐ All doors into and through covered units and common use facilities provide a clear opening of at least 32" nominal width.
- ☐ All doors leading into common use facilities have lever door handles that do not require grasping and twisting.
- ☐ Thresholds at doors to common use facilities are no greater than ½".
- ☐ All primary entrance doors to covered units have lever door handles that not require grasping and twisting.
- ☐ Thresholds at primary entrance doors to covered units are no greater than ¾" and beveled.

4. ACCESSIBLE ROUTE INTO AND THROUGH THE COVERED UNIT

- ☐ All routes through the covered units are no less than 36" wide.

5. ACCESSIBLE ENVIRONMENTAL CONTROLS

- ☐ All light switches, electrical outlets, thermostats, and other environmental controls must be no less than 15" and no greater than 48" from the floor.

6. REINFORCED BATHROOM WALLS FOR GRAB BARS

- ☐ Reinforcements are built into the bathroom walls surrounding toilets, showers, and bathtubs for the future installation of grab bars.

7. USABLE KITCHEN AND BATHROOMS

- ☐ At least 30" x 48" of clear floor space at each kitchen fixture and appliance.
- ☐ At least 40" between opposing cabinets and appliances.
- ☐ At least a 60" diameter turning circle in U-shaped kitchens unless the cook top or sink at the end of the U-shaped kitchen has removable cabinets beneath for knee space.
- ☐ In bathroom, at least 30" x 48" of clear floor space outside the swing of the bathroom door.
- ☐ Sufficient clear floor space in front of and around sink, toilet, and bathtub for use by persons using wheelchairs.

****

FAIR HOUSING ACT ACCESSIBILITY CHECKLIST

This checklist represents many, but not all, of the accessible and adaptive design and construction requirements of the Fair Housing Act. This checklist is not a safe harbor for compliance with the Fair Housing Act. HUD and the Department of Justice recognize the following standards as safe harbors when used in conjunction with the Fair Housing Act, regulations, and Fair Housing Act Accessibility Guidelines (i.e. scoping requirements)

1. HUD's March 6, 1991 Fair Housing Accessibility Guidelines (the Guidelines), and the June 28, 1994 Supplemental Notice to Fair Housing Accessibility Guidelines, Questions and Answers about the Guidelines;

2. HUD's Fair Housing Act Accessibility Design Manual;

3. ANSI A117.1-1986, used in conjunction with the Act and HUD's regulations, and the Guidelines;

4. CABO/ANSI Al 17.1-1992, used in conjunction with the Act, HUD's regulations, and the Guidelines;

5. ICC/ANSI Al 17.1-1998, used in conjunction with the Act, HUD's regulations, and the Guidelines;

6. *Code Requirements for Housing Accessibility* 2000 (CRHA), approved and published by the International Code Council (ICC), October 2000;

7. *International Building Code* 2000 (IBC) as amended by the IBC 2001 *Supplement to the International Codes.*

Failure to comply with all of the accessible and adaptive design and construction requirements of the Fair Housing Act may result in loss of tax credits pursuant to 26 C.F.R. § 1.42-9. Therefore, you should consult an attorney and/or design professional to ensure that the construction of the multi-family development complies with the accessible and adaptive design and construction requirements of the Fair Housing Act.

COVERED BUILDINGS

IS THE DEVELOPMENT SUBJECT TO THE ACT?

- ✓ Development has buildings containing 4 or more units and was designed and constructed for first occupancy on or after March 13, 1991
- ✓ Building contains elevator so all units in building are "covered units"
- ✓ All units in buildings with elevators are designed and constructed with features required by the Act
- ✓ Building does not contain elevator so only ground-floor units in building are "covered units"
- ✓ All ground-floor units in buildings without elevators are designed and constructed with features required by the Act Development contains "covered units," so the public and common use facilities must be designed and constructed with features required by the Act NOTE: Fair Housing Act Accessibility Guidelines contains a narrow "Site Impracticality Exception" which provides that a non-elevator building does not have to meet all of the Act's requirements if it is impractical to have an accessible entrance to the building because of the natural hilly terrain or other unusual characteristics of the site.

FAIR HOUSING ACT CONTACT INFORMATION

Fair Housing Act - General Information U.S. Department of Housing and Urban Development Bryan Greene Office of Fair Housing & Equal Opportunity Tel: (202) 708-1145 Fax: (202) 708/3527 www.hud.gov

Fair Housing Act - Accessibility Issues
U.S. Department of Housing and Urban Development
Cheryl Kent
Office of Fair Housing and Equal Opportunity
Tel: (202) 708-2333
Fax: (202) 708-1251

Section 202 and Section 811 Program Information
U.S. Department of Housing and Urban Development
Aretha Williams
Grant Policy and Management Division
Tel: (202) 708-2866

U.S. Justice Department - Point of Contact
Diane Houk, Esq.
Civil Rights Division
Housing Section
Tel: (202) 514-4713
Fax: (202) 514-1116
www.usdoj.gov/crt/housing

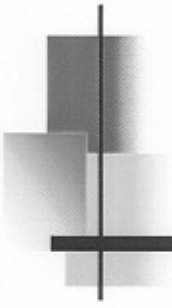
U.S. Treasury Department - Point of Contact
Jack Malgeri, Esq.
Internal Revenue Service
Office of Chief Counsel
Tel: (202) 622-3040
Fax: (202) 622-4753



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX G

Qualified Allocation Plan 2005

ANNEX G: OWNER'S CERTIFICACION

[THIS FORM MUST BE INCLUDED WITH APPLICATION]

CERTIFICATION

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

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

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

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX H

Qualified Allocation Plan 2005

ANNEX H: ACCOUNTANT'S OPINION LETTER

[THIS FORM MUST BE INCLUDED WITH APPLICATION]

[ACCOUNTANT'S LETTERHEAD]

(Insert Date)

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

Re: Low Income Housing Tax Credit Program
Name of Development:_____

_____

Gentlemen:

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

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

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

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

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

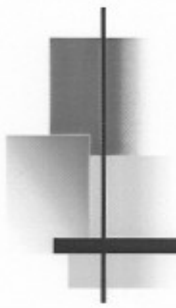
Sincerely,



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX I

Qualified Allocation Plan 2005

ANNEX I: Attorney's Opinion Letter

[This Form Must Be Included With Application]

[This Opinion Must Be Submitted Under Law Firm's Letterhead]

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Name of Development: _____
Name of Owner: _____

Gentlemen:

This undersigned firm represents the above-referenced Owner as its counsel. It has received a copy of and has reviewed the completed application package (the "Application") dated _____ (of which this opinion is a part) submitted to you for the purpose of requesting, in connection with the captioned Development, a reservation of low income housing tax credits ("Credits") available under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). It has also reviewed Section 42 of the Code, the regulations issued pursuant thereto and such other binding authority as it believes to be applicable to the issuance hereof (the regulations and binding authority hereinafter collectively referred to as the "Regulations").

Based upon the foregoing reviews and upon due investigation of such matters as it deems necessary in order to render this opinion, but without expressing any opinion as to either the reasonableness of the estimated or projected figures or the veracity or accuracy of the factual representations set forth in the Application, the undersigned is of the opinion that:

1. It is more likely than not that the inclusion in eligible basis of the Development of such cost items or portions thereof, as set forth in Parts 22 and 23 of the Application form, complies with all applicable requirements of the Code and Regulations.

2. The calculations (a) of the Maximum Allowable Credit available under the Code with respect to the Development in Part 22 of the Application form and (b) of the Estimated Qualified Basis of each building in the Development in Pages 21 and 22 of the Application form comply with all applicable requirements of the Code and regulations, including the selection of credit type implicit in such calculations.

3. The appropriate type(s) of allocation(s) have been requested in Part 1 of the Application form.

4. The information set forth in Part 21 of the Application form as to proposed rents satisfies all applicable requirements of the Code and Regulations.

5. The site of the captioned Development is controlled by the Owner, as identified in Part 14 of the Application, for a period of not less than four (4) months beyond the application deadline.

6. [Delete if inapplicable] The type of the nonprofit organization involved in the Development is an organization described in Code Section 501(c)(3) or 501(c)(4) and exempt from taxation under Code Section 501(a), whose purposes include the fostering of low-income housing.

7. [Delete if inapplicable] The nonprofit organizations' ownership interest in the development is all the general partnership interests of the ownership entity of the development.

8. [Delete if inapplicable] It is more likely than not that the representations made under Part 6 of the Application form as to the Developer's compliance with Section 42 of the Code.

Finally, the undersigned is of the opinion that, if all information and representations contained in the Application and all current law were to remain unchanged, upon the placement in service of each building of the Development during this calendar year 200__ and/or, if the Owner intends to request all or any portion of its final allocation pursuant to Section 42(h)(1)(E) of the Code, upon compliance by the Owner with the requirements of such section, the Owner would be eligible under the applicable provisions of the Code and the Regulations to an allocation of Credits in the amount(s) requested in the Application.

This opinion is rendered solely for the purpose of inducing the Puerto Rico Housing Finance Authority (PRHFA) to issue a reservation of Credits to the Owner. Accordingly, it may be relied upon only by PRHFA and may not be relied upon by any other party for any other purpose.

_____
Firm Name

By: _____

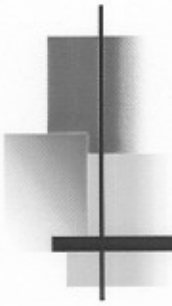
Its: _____
(Title)



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX J

Qualified Allocation Plan 2005

ANNEX J: Designer's Preliminary Certification

[This Form Must Be Included With Application]

[This Opinion Must Be Submitted Under Designer Firm's Letterhead]

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Project: _____
Owner: _____

Gentlemen:

The undersigned, an architect/engineer duly licensed and registered in Puerto Rico, will provide full design services, including without limitation, preparing for [project's owner], plans and specifications, in connection with the proposed construction/rehabilitation of a ____ units project on certain real property known as [project's name] (the Premises).

The undersigned hereby certifies that:

1. The plans and specifications will be in compliance with the requirements of all municipal, local, state, and federal government authorities having jurisdiction thereover.

2. The condition of the Premises and the Project, after completion of the construction/rehabilitation in accordance with Plans and Specifications, will be in compliance with:
   a. all government and municipal authorities having jurisdiction thereover;
   b. all applicable zoning, building, fire and other federal, state, local laws, ordinances, rules, regulations, restrictions;
   c. other requirements, including without limitations:
      i. the Fair Housing Act,
      ii. the American with Disabilities Act;
      iii. other local and/or state access codes; and
      iv. standards of professional practice.

Respectfully,

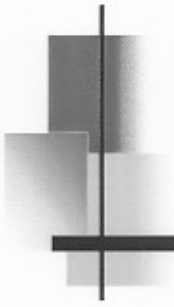
_____
Signed & Seal



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX K

Qualified Allocation Plan 2005

ANNEX K: DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW INCOME HOUSING CREDITS

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

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING TAX CREDITS (this "Agreement"), dated as of [_____], by [_____], a [*limited partnership or limited liability company]* organized and existing under the laws of the State of [_____], and its successors and assigns (the "Owner") is given as conditions precedent to the allocation of low-income housing tax credits by Puerto Rico Housing Finance Authority, a public corporation subsidiary of the Government Development Bank, and an instrumentality of the Commonwealth of Puerto Rico (together with any successor its rights, duties and obligations, the "Authority").

WITNESSETH

WHEREAS, the Authority has been designated by the Governor of the Commonwealth of Puerto Rico as the housing tax credit agency for the Commonwealth of Puerto Rico for the allocation of low-income housing tax credit dollars pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the Owner holds or will hold [*fee simple title or leasehold title*] to the real property located in the Municipality of [_____], of the Commonwealth of Puerto Rico, as more fully described in Exhibit A attached hereto and made a part hereto (the "Land"), known as or to be know as [*name of the project*] (the "Project");

WHEREAS, Owner has applied to the Authority for an allocation of low-income housing tax credit dollars (the "Tax Credits");

WHEREAS, the Owner has represented to the Authority in Owner's application that it will impose additional rent restrictions or will covenant to maintain the rent and income restrictions under Section 42 of the Code for a period of time of [*15 years plus the number of additional years beyond the original compliance period*] years;

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

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

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

SECTION 1 - DEFINITIONS

All words and phrases defined in Section 42 of the Code and all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, or the Internal Revenue Service, or the Department of Housing and Urban Development from time to time pertaining to Owner's obligations under Section 42 of the Code and affecting the Project (the "Regulations") will have the same meanings in this Agreement.

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

a) Upon execution and delivery by the Owner, the Owner will cause this Agreement and all amendments hereto to be filed and recorded in the appropriate Registry of Property, and will pay all fees and charges incurred in connection therewith. Upon filing, the Owner will immediately transmit to the Authority a certified copy of the filed deed showing the date, volume and page numbers of record. The owner agrees that the Authority will not issue the Internal Revenue Service Form 8609 constituting final allocation of the Tax Credit unless and until the Authority has received the filed certified copy of the deed containing the land use in this Agreement.

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

The Owner hereby agrees that any and all requirements of the laws of the Commonwealth of Puerto Rico to be satisfied in order for the provisions of this Agreement to constitute deed restrictions and covenants running with the land will be

deemed to be satisfied in full, and that any requirements of privileges of estate are intended to be satisfied. For the longer of the period this Tax Credit is claimed or the term of this Agreement, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof will expressly provide that such conveyance is subject to this Agreement, provided, however, the covenants contained herein will survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Agreement.

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

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE OWNER

The Owner hereby represents, covenants and warrants as follows:

(a) The Owner (i) is a [limited partnership or limited liability company] duly organized and existing under the laws of the State of [_____], and is qualified to transact business under the laws of the Commonwealth of Puerto Rico, (ii) has the power and authority to own its properties and assets and to carry on its business as now being conducted, and (iii) has the full legal right, power and authority to execute and deliver this Agreement.

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

(c) The Owner will, at the time of execution and delivery of this Agreement, have good and marketable title to the Land constituting the Project free and clear on any lien or encumbrance (subject of encumbrances created pursuant to this Agreement, any Loan Documents relating to the Project or other permitted encumbrances).

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

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

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

(g) During the term of this Agreement, all units subject to the Tax Credit will be leased and rented, or made available to members of the general public who qualify as Low-Income Tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in Section 42(g) of the Code.

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

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

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

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

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

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

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

(o) The Owner agrees that it will not refuse to lease any low-income unit in the Project to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, as amended, because of the status of the prospective tenant as such a holder.

SECTION 4 - INCOME RESTRICTION; RENTAL RESTRICTIONS

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

(a) 1 [___] At least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of area median income; or

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

(b) The determination of whether a tenant meets the low-income requirement will be made by the Owner at least annually on the basis of the current income of such Low-Income Tenant.

(c) The applicable fraction (as defined in Section 42(c)(1)(B) of the Code for each taxable year during the term of this Agreement will be not less than [___]%.

(d) Throughout the term of this Agreement the low-income units will rent for at least [___]% lower than the maximum gross rent allowed under Section 42 of the Code.

SECTION 5 - TERM OF THE AGREEMENT

(a) Except as hereinafter provided, this Agreement herein will commence with on first day in the Project period on which any building which is part of the Project is placed in service and will end on the date which is [___] years after the close of the compliance period (the "Extended Use Period").

(b) Notwithstanding subsection (a) above, the Owner will comply with the requirements of Section 42 of the Code relating to the Extended Use Period; provided, however, the Extended Use Period for any building which is part of this Project will terminate on the date the building is acquired by foreclosure or instrument in lieu of

foreclosure unless the Secretary of the United States Treasury Department determines that such acquisition is part of an arrangement with Owner a purpose of which is to terminate such period.

(c) Notwithstanding subsection (b) above, the Owner will not evict or terminate the tenancy (other than for good cause) of an existing tenant of any low-income unit and will not increase the gross rent above the maximum allowed under the Code with respect to such low-income unit for the entire term of the Extended Use Period, regardless of whether such Extended Use Period is terminated by foreclosure or instrument in lieu of foreclosure relating to such building (such restrictions collectively referred to as the "Vacancy Controls").

SECTION 6 - ENFORCEMENT OF THE OCCUPANCY RESTRICTIONS

(a) The Owner will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the Authority, to inspect any books and records of the Owner regarding the Project with respect to the incomes of Low-Income Tenants which pertain to compliance with the Section 42 Occupancy Restrictions and the Vacancy Controls specified in this Agreement.

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

SECTION 7 - ENFORCEMENT OF SECTION 42 OF THE CODE OCCUPANCY RESTRICTIONS

(a) The Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and the Regulations. Moreover, Owner covenants to take any lawful action (including amendment of this Agreement as may be necessary, in the opinion of the Authority) to comply fully with the Code and with the Regulations.

(b) The Owner acknowledges that the primary purpose for requiring compliance by the Owner with the restrictions provided in this Agreement is to assure compliance of the Project and the Owner with Section 42 of the Code and Regulations, AND BY REASON THEREOF, THE OWNER IN CONSIDERATION FOR RECEIVING LOW-INCOME HOUSING TAX CREDITS FOR THIS PROJECT HEREBY AGREES AND CONSENTS THAT THE AUTHORITY AND ANY INDIVIDUAL WHO MEETS THE INCOME LIMITATION APPLICABLE UNDER SECTION 42 OF THE CODE (WHETHER PROSPECTIVE, PRESENT OR FORMER OCCUPANT) WILL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE OWNER OF ITS OBLIGATIONS UNDER THIS AGREEMENT IN A COURT OF COMPETENT JURISDICTION. The

Owner hereby further specifically acknowledges that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder.

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

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

SECTION 9 - MISCELLANEOUS

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

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

To the Authority

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

ATTENTION: Low-income Housing
Tax Credit Program

To the Owner:

[ ]

ATTENTION: [ ]

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

(c) Amendment. The Owner agrees that it will take all actions necessary to effect amendment of this Agreement as may be necessary to comply with the Code and the Regulations.

(d) Subordination of Agreement. This Agreement and the restrictions hereunder are subordinate to the loan and loan documents, if any, on the Project except for the Vacancy Controls specified herein and insofar Section 42 of the Code and the Regulations require otherwise.

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

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

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

[ ]
BY: [ ], [General Partner or Managing Member]

BY: _____
[ ]
[Title]

PUERTO RICO HOUSING FINANCE AUTHORITY

BY: _____
[ ]
Executive Director



GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX L

Qualified Allocation Plan 2005

ANNEX L: INDEPENDENT AUDITOR'S REPORT 10% COST CERTIFICATION

(To be submitted on Auditor Firm's letterhead)

Date: _____, 200___

To: PUERTO RICO HOUSING FINANCE AUTHORITY
P.O. Box 71361
San Juan, PR 00936-8461

and

Owner _____
Street _____
City, State, Zip Code _____

Re: Project Name: _____
Application Number: _____
Owner Tax ID: _____

We have audited the accompanying Certification of Costs Incurred ("Exhibit A") of the Owner for _____ (the "Project") as of _____, 200__. Exhibit A is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

We have 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 Exhibit A is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in Exhibit A. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Exhibit A. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Exhibit A was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Puerto Rico Housing Finance Authority ("PRHFA"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, Exhibit A referred to above presents fairly, in all material respects, costs incurred for the Project as of _____, 200__, on the basis of accounting described above.

In addition to auditing Exhibit A, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the Owner and PRHFA, were performed to assist you in determining whether the Project has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures:

1. We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be $_____ as of _____, 200___.

2. We calculated the reasonably expected basis incurred by the Owner as of _____, 200__ to be $_____.

3. We calculated the percentage of the development fee incurred by the Owner as of _____, 200__ to be _____ % of the total development fee.

4. We compared the reasonably expected basis incurred as of _____, 200__ to the total reasonably expected basis of the Project and calculated that _____ % had been incurred as of _____, 200__.

5. We determined that Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.

6. Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Project needed to incur at least $_____ of costs prior to June 30, 200__. As of _____, 200__, costs of at least $_____ had been incurred, which is approximately _____ % of the total reasonably expected basis of the Project.

We were not engaged to, and did not perform an audit of the Owner's financial statements or of the Project's total reasonably expected basis. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with PRHFA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

_____ _____

Name of Professional's Firm | Date

_____ _____

Signature of Professional | Title of Signatory

_____

Printed Name of Signatory

EXHIBIT A TO INDEPENDENT AUDITOR'S REPORT FOR CARRYOVER ALLOCATION
ITEMIZED EXPENDITURES AS OF _____

	PROJECT'S EXPECTED BASIS	ELIGIBLE 10% TEST EXPENDITURES	EXPENDITURES AS % OF EXPECTED BASIS
LAND AND BUILDING*			
Land Costs	$_____	$_____	_____%
Existing Structures	$_____	$_____	_____%
On-site Work	$_____	$_____	_____%
Off-site Work	$_____	$_____	_____%
Garages	$_____	$_____	_____%
Other**	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
REHABILITATION OR CONSTRUCTION COSTS			
New Building	$_____	$_____	_____%
Rehabilitation	$_____	$_____	_____%
Accessory Buildings	$_____	$_____	_____%
Contractor Overhead	$_____	$_____	_____%
Contractor Profit	$_____	$_____	_____%
General Requirements	$_____	$_____	_____%
Construction Contingency	$_____	$_____	_____%
Fees	$_____	$_____	_____%
Other	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
PROFESSIONAL FEES			
Architect	$_____	$_____	_____%
Architect – Supervision	$_____	$_____	_____%
Engineer/Surveyor	$_____	$_____	_____%
Attorney	$_____	$_____	_____%
Accountant	$_____	$_____	_____%
Consultant Fees	$_____	$_____	_____%
Other	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
CONSTRUCTION PERIOD COSTS			
Insurance	$_____	$_____	_____%
Bond Premium	$_____	$_____	_____%
Construction Loan Interest	$_____	$_____	_____%
Loan Origination Fee	$_____	$_____	_____%
Taxes and Fees	$_____	$_____	_____%
Title and Recording	$_____	$_____	_____%
Other	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
PERMANENT FINANCING	$_____		

	PROJECT'S EXPECTED BASIS	ELIGIBLE 10% TEST EXPENDITURES	EXPENDITURES AS % OF EXPECTED BASIS
SOFT COSTS			
Market Study	$_____	$_____	_____%
Environmental Study	$_____	$_____	_____%
Appraisal	$_____	$_____	_____%
Tax Credit Fees	$_____	$_____	_____%
Cost Certification	$_____	$_____	_____%
Other	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
SYNDICATION COSTS**	$_____		
DEVELOPER FEES * **			
Developer Fees	$_____	$_____	_____%
Consultant	$_____	$_____	_____%
Other	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%
PROJECT RESERVES	$_____		
TOTAL DEVELOPMENT COSTS****	$_____	$_____	_____%
FEES PAID TO RELATED ENTITIES* **			
Related Entity	$_____	$_____	_____%
Related Entity	$_____	$_____	_____%
Related Entity	$_____	$_____	_____%
TOTAL	$_____	$_____	_____%

* Legal fees and interest expense related to the land must be broken out and entered in this category.

** All Syndication costs must be separated from other project costs and included on this line.

*** If any portion of the developer fee is deferred, supporting documentation must be submitted (e.g. promissory note).

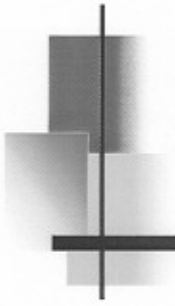
**** **All fees, including the developer fee, which are paid to the developer or to any entity with an identity of interest with the developer must be clearly identified in the section, entitled Fees Paid to Related Entities.**



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX M

Qualified Allocation Plan 2005

ANNEX M: FINAL COST CERTIFICATION

Independent Auditors' Report
(Must be submitted with Final Cost Certification)
(To be submitted under Accounting's Firm Letterhead)

Date: _____

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

Re: Name of Project
Address of Project
Project Owner
Project #

We have audited the costs included in the accompanying Puerto Rico Housing Finance Authority (PRHFA) Final Cost Certification (the "Final Cost Certification") of (the "Owner") for (the "Project") as of _____, 200_. The Final Cost Certification is responsibility of the Project Owner and 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 PRHFA, 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 of $_____ and eligible basis of $_____ for the Project as of _____, 200__, on the basis of accounting described above.

This report is intended solely for the information and use of Project Owner and Owner's management and for filing with PRHFA 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.

/s/Independent Auditors

INDEPENDENT AUDITOR'S REPORT
FINAL COST CERTIFICATION

SCHEDULE A: ITEMIZED COSTS

	Final Costs
LAND AND BUILDING*	
1 Land Costs	$
2 Existing Structures	$
3 Acquisition Fees	$
4 Other: _____	$
5 TOTAL	$
SITE WORK	
6 On-site Work	$
7 Off-site Work	$
8 Other: _____	$
9 TOTAL	$
REHABILITATION OR CONSTRUCTION COSTS	
10 New Building	$
11 Rehabilitation	$
12 Accessory Buildings	$
13 Contractor Overhead	$
14 Contractor Profit	$
15 General Requirements	$
16 Construction Contingency	$
17 Fees	$
18 Other: _____	$
19 TOTAL	$
PROFESSIONAL FEES	
20 Design	$
21 Supervision	$
22 Engineer/Surveyor	$
23 Real Estate Attorney	$
24 Consultant Fees	$
25 Other: _____	$
26 TOTAL	$
INTERIM COSTS	
27 Insurance	$
28 Bond Premium	$
29 Construction Loan Interest	$
30 Loan Origination Fee	$
31 Taxes and Fees	$
32 Title and Recording	$
33 Other: _____	$
34 TOTAL	$

PERMANENT FINANCING

35	Bond Premium	$
36	Credit Report	$
37	Loan Origination Fee	$
38	Legal Fees	$
39	Title and Recording	$
40	Other: _____	$
41	**TOTAL**	$

SOFT COSTS

42	Market Study	$
43	Environmental Study	$
44	Appraisal	$
45	Tax Credit Fees	$
46	Cost Certification	$
47	Rent Up	$
48	Other: _____	$
49	**TOTAL**	$

SYNDICATION COSTS**

50	Organizational	$
51	Tax Opinion and Title Policy	$
52	Other: _____	$
53	**TOTAL**	$

DEVELOPER FEES

54	Developer Fees	$
55	Consultant	$
56	Other	$
57	**TOTAL**	$

PROJECT RESERVES

58	Rent Up	$
59	Operating Reserve	$
60	Other: _____	$
61	**TOTAL**	$

OTHERS:

62	Working Capital	$
63	Bridge Loan	$
64	Other: _____	$
65	**TOTAL**	$

66	**TOTAL DEVELOPMENT COSTS**	$

* Legal fees and interest expense related to the land must be broken out and entered in this category.

** <u>All</u> Syndication costs must be separated from other project costs and included on this line.

SCHEDULE B: QUALIFIED BASIS TEST

1. **Total Development Costs** (Line 66 from Schedule A): $_____

Less Costs Ineligible for Tax Credit Basis (from Schedule A):

Land (Line 5)	_____
Market Study (Line 42)	_____
Permanent Financing Fees (Line 41)	_____
Syndication Costs (Line 53)	_____
Project Reserves (Line 61)	_____
Other: _____	_____
Other: _____	_____

2. **Eligible Basis** $_____

Total Number of Units _____
Total Number of Low Income Units _____

3. **Applicable Fraction** *** _____ %

4. **Qualified Basis** (Applicable Fraction x Eligible Basis) $_____

Difficult to Develop Area Adjustment, if applicable 130 %

5. **Total Eligible Basis** $_____
(Qualified Basis x 130%)

Tax Credit Rate (as stated in Carryover Allocation Agreement) _____ %

6. **Annual Tax Credit – Qualified Basis Test** $_____
(Total Eligible Basis x Tax Credit Rate)

*** Use the smaller of the unit fraction (LI units/residential units) or the floor space fraction (LI unit floor space/residential unit floor space)

SCHEDULE C: EQUITY GAP TEST

1.	Total Development Costs (Line 66 from Schedule A)		$ _____
2.	Permanent Financing Sources*		
	First Mortgage:	$ _____	
	Second Mortgage	_____	
	Grants	_____	
	Owner Equity	_____	
	Other: _____	_____	
	TOTAL		$ _____
3.	**Equity Gap** (Line 1 less Line 2 Total)		$ _____
4.	Syndication Rate (net cent per credit $)		_____
5.	Investor Ownership Percentage		_____
6.	10 year Credit Allocation (Line 3 divided by Line 4 multiplied by Line 5)		$ _____
7.	**Annual Credit - Equity Gap Test** (Line 6 divided by 10)		$ _____

* In general these funding sources should include only permanent financing sources of cash funding expected to be repaid out of project operations. Do not include deferred fees, such as deferred developer fees or imputed capital for which cash is not received.

Schedule D: ANNUAL TAX CREDIT DETERMINATION

A. **Tax Credit Allocation** $_____
(From Carryover Allocation Agreement)

B. Annual Tax Credit – **Qualified Basis Test** $_____
(Schedule B – Line 6)

C. Annual Tax Credit – **Equity Gap Test** $_____
(Schedule C - Line 7)

D. **Final Tax Credit Determination **** $_____
(the lowest amount between lines A, B or C)

E. Returned Credits (Line A less Line D) $_____
(If zero or less, enter 0)

** The actual allocation may be less than this amount.



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



ANNEX N

Qualified Allocation Plan 2005

ANNEX N: Designer's Certification of Completion of Construction

[This Form Must Be Included With the Final Cost Certification]

[This Opinion Must Be Submitted Under Designer Firm's Letterhead]

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Project: _____
Owner: _____

Gentlemen:

The undersigned, an architect/engineer duly licensed and registered in Puerto Rico, has provided full design services, including without limitation, preparing for [project's owner], final plans and specifications, pursuant to certain agreement between the undersigned and the owner dated _____, in connection with the construction/rehabilitation of a ____ units project on certain real property known as [project's name] (the Premises).

The undersigned hereby certifies that:

1. The plans and specifications comply with and conform in all respects to the requirements of law, have been duly filed with and have been approved by Regulations & Permits Administration (ARPE by its Spanish acronym); or the Autonomous Municipality of _____ (as the case may be).

2. Upon examination of the Premises, the Project, the plans and specifications after completion of the construction/rehabilitation we have concluded that the construction is in compliance with:
   a. all government and municipal authorities having jurisdiction thereover;
   b. all applicable zoning, building, fire and other federal, state, local laws, ordinances, rules, regulations, restrictions;
   c. other requirements, including without limitations:
      i. the Fair Housing Act,
      ii. the American with Disabilities Act;
      iii. other local and/or state access codes; and
      iv. standards of professional practice

Respectfully,

_____
Signed & Seal



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

ANNEX O

Qualified Allocation Plan 2005



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

GDB

COMPLIANCE MONITORING PLAN

LOW INCOME HOUSING TAX CREDIT PROGRAM

FEBRUARY 2005

Compliance Monitoring Plan
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PRHFA-02	Tenant Income Certification and Instructions Form
PRHFA-03	Employment Verification Form
PRHFA-04	Student Verification Form
PRHFA-05	Certification of Zero Income Form
PRHFA-06	Under $5,000 Asset Certification Form
PRHFA-07	Section 8 Tenants Income Verification Form

INTRODUCTION

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

As the State Credit Agency, Puerto Rico Housing Finance Authority (PRHFA), is responsible for monitoring the Low Income Housing Tax Credit projects. The PRHFA has administered the LIHTC Program for the Commonwealth of Puerto Rico since December 30, 1987. As of December 31, 2004 the PRHFA monitors the compliance of Section 42 requirements for 95 projects with 7,084 tax credit units occupied by low-income families throughout the island.

This guide describes the rules and responsibilities of each one of the parties involved in the compliance process and provide 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 statute. The major change was the liberalization of the rules regarding the project's placed-in-service date. Under TAMRA a building could be placed in service up for two years following the year during which the credit was allocated to the project, if certain tests were satisfied.

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

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

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

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

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

I. PROGRAM SUMMARY

A. Minimum Set-Aside Requirements

When applying for an allocation of tax credits, the developer must choose one of two minimum set-aside requirements that must be 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. Income Limits & Calculations

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

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

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

C. Maximun Rent Requirements

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

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

separable from the amount of assistance provided for supportive services. All other fees for supportive services must be included in the gross rent.

D. Establishing Maximum Rent

1. Family Size Rent Calculations (1987-1989)

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

2. Bedroom Size Rent Calculations (1990 - Forward)

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

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

Example:

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

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

- Select the unit factor that applied based on the bedroom size. For a 1 bedroom unit the factor is 1.5 person income.

- To obtain the 1.5 person income an average must be calculated between the Income Limit for a Household size of one person and two persons; the result must be divided by 2.

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

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

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

3. Establishing LIHTC Rents in Subsequent Years

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

E. Applicable Fraction

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

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

- Units that have never been occupied cannot be included in the numerator, but must be included in the denominator;
- Units that are vacant at the end of the initial tax year which previously were qualified as low-income units can be considered to be low-

income for determining the amount of credits claimed only if the units were occupied for a minimum of one month;

- If a qualified low-income household becomes an ineligible household prior to the end of the initial tax credit year, that unit cannot be counted in the first year toward the minimum set-aside or the determination of the qualified basis.

F. Calculating the First Year Applicable Fraction

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

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

Example:

Assume that a low-income building of 50 units was placed in service on March 1, 2004 , and has the following lease-up schedule during the first year of the credit period:

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

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

G. Qualified Basis

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

H. Claiming Credits

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

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

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

I. Compliance Period

1. All LIHTC Developments

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

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

2. Developments that received allocations from 1987 through 1989

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

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

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

II. OWNER'S RESPONSIBILITIES

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

A. Source of Program Requirements

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

B. Proper Administration

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

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

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

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

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

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

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

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

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

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

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

D. Recordkeeping Provisions

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

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

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

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

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

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

- The annual income certification of each Tax Credit tenant;

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

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

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

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

E. Record Retention

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

The Revenue Ruling 2004-82, published on August 30, 2004 clarified that owners may comply with the record retention provisions under IRC Section 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that electronic storage system satisfies the requirements of Revenue Procedure 97-22.

F. Certification and Review Provision

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

The Owner certifies that :

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

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

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

2. There 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. Each low-income unit in the project is rent-restricted as defined in Section 42(g)(2) of the Code;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

G. Compliance Fees

Property owners must pay to PRHFA an annual compliance monitoring fee of $20.00 for each LIHTC unit contained in each building. Initial compliance monitoring fees must be paid to PRHFA 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. Owners and developers should take note that participation in PRHFA programs requires a certification of good standing with the PRHFA. Failing to pay fees will bar any further participation in the programs administered by the PRHFA.

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

H. Noncompliance

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

III. PRHFA RESPONSIBILITIES

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

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

A. Conducting Compliance Monitoring Briefings

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

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

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

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

B. Compliance Inspections

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

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

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

(1) Site - The site includes components such as fencing and retaining walls, grounds, lighting, mailboxes, signs (such as those identifying the development or areas of the development), parking lots/driveways, play areas and equipment, refuse disposal, roads, storm drainage and

walkways. The site must be free of health and safety hazards and be in good repair.

(2) Building exterior - Each building on the site must be structurally sound, secure, habitable, and in good repair. The building's exterior components such as doors, fire escapes, foundations, lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.

(3) Building systems - The building's systems include components such as domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system. Each building's systems must be free of health and safety hazards, functionally adequate, operable, and in good repair.

(4) Dwelling units - (i) Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example the unit's bathroom, call-for-aid, ceiling, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair. (ii) Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water. (iii) If the dwelling unit includes its own sanitary facility, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste. (iv) The dwelling unit must include at least one battery operated or hard wired smoke detector in proper working condition on each level of the unit.

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

All areas and components of the housing must be free of health and safety hazards. These areas include, but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are

undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies.

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

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

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

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

C. Notification to the Owner

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

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

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

D. Notification to IRS of Noncompliance

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

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

E. PRHFA Records Retention

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

F. PRHFA Circular Letters

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

G. Liability

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

IV. PROJECT RENTAL REQUIREMENTS

A. Initial Interview

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

B. Residency Application

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

- The name and age of each person who will occupy the unit (legal name should be given just as it will appear on the lease and Tenant Income Certifications); and

- All sources and amounts of current and anticipated annual income expected to be derived during the twelve (12) month certification period (including total assets and asset income); and

- The head of household's signature and that of all occupants over age 18 and the date the application was completed.

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

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. Household Size

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

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

- Children temporarily absent due to placement in a foster home;
- Children in joint custody arrangements who are present in the household 50% or more of the time;
- Children who are away at school but who live with the family during school recesses;
- Unborn children of pregnant women; when a pregnant woman is an applicant, the unborn child is included in the size of the household, and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in household composition within the next 12 month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that in order to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.
- Children who are in the process of being adopted;
- Temporarily absent family members who are still considered family members. For example, the owner may consider a family member who is working in another State on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full;
- Family members in the hospital or rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above; and
- Persons permanently confined to a hospital or nursing home. The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the Tenant Income Certification as "other adult family member". This is true even when the confined person is the spouse of the person who is or will become the head. If the family chooses to include the permanently

confined person as a member of the household, the owner must include income received by these persons in calculating family income.

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

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

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

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

E. Utility Allowance

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

1. Where to Obtain Utility Allowances

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

Rural Development ("RD") approved utility allowances must be used 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.

b. 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.

2. 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.

F. Income Certification

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

G. Tenant Income Certification

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

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

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

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

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

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

H. Physical Requirements of Qualified Units, Suitable for Occupancy

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

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

The low-income units must be suitable for occupancy under Uniform Physical Conditions Standards and local health, safety and building codes. In summary, units intended for eligible tenants must be comparable in size, location, and quality to those rented to other tenants. In the event that units rented to a non-qualifying households are above the average quality standards of the units rented to qualifying households, then the basis in the project which is used to determine the amount of tax credits must be reduced by the portion which is attributable to the excess costs of the above-standard units. This reduction in eligible basis need not occur if an election is made to exclude such excess costs pursuant to Section 42(d)(3) of the Code.

I. 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.

J. Students

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

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

a. is a full-time student at an educational organization described in section **170(b)(1)(A)(ii) of the IRS Code**; or

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

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

There are 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 full-time students, and such students are married and file a joint tax return. 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) or Temporary Aide to Needy Families (TANF); or

4. At least one member of the household is enrolled in a job training program receiving assistance under Job Training Partnership Act (Replaced by the Workforce Investment Act of 1998) or similar federal, state, or local laws.

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.

K. 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.

L. 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.

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* **The PRHFA 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 children 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.**

M. Annual Recertification

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

N. 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.



PUERTO RICO HOUSING FINANCE AUTHORITY
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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

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

D. Expediting the Verification Procedure

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

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

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

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

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

E. Acceptable Forms of Verification

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

1. Employment Income

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

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

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

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

2. Self-Employment Income

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

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

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

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

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

3. Social Security, Pensions, Disability Income

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

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

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

4. **Unemployment Compensation**

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

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

5. **Alimony or Child Support Payments**

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

   b. a letter from the person paying support; or

   c. a copy of the latest check and documentation of how often the check is received; or

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

6. **Recurring Contributions and Gifts**

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

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

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

7. Unemployed Applicants

a. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as described previously; or
b. **If the applicant is unemployed with no regular verifiable income from any s**ource and intends to live from assets only, an Asset Addendum to the Tenant Income Certification must be submitted along with the application. The applicant may not be certified as qualified by use of this form alone. An asset analysis must be included with the application to determine the applicant's actual income.

F. Assets

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

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

For units receiving **Section 8 rental assistance**, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form (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.

APPENDIX B

ANNUAL RECERTIFICATION

Owners must verify the income of tenants occupying set-aside units at least annually. If re-certifications are not completed within 12 months of the last certification date, the Authority may report this to the IRS as noncompliance. The annual re-certification process is identical to initial certification. Owners must re-verify income of those tenants in set-aside units who plan to remain in that unit for another lease term, or any portion thereof, and have a new Tenant Income Certification executed together with updated supporting documentation.

Management should:

a) approximately ninety (90) days before the lease expiration, notify the tenants in writing that re-certification is due and schedule an appointment for an interview;

b) interview tenants to obtain current information on anticipated income, assets, and family composition for the ensuing certification year, and have tenants sign the necessary verification form(s) giving permission for release of the information requested;

c) obtain third-party verification of the tenant's income;

d) complete the Tenant Income Certification, have adult household members sign and date where indicated; and

e) sign and date the Tenant Income Certification where indicated.

Adding a New Tenant to a Resident Household

If an additional tenant is planning to move into an existing household, the new tenant, not the whole household, must apply for residency. The on-site manager must certify and verify his income, add it to the existing certified, verified income of the household, and make sure the new household still meets the LIHTC income requirements. If it does, the new tenant may move in.

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 AUTHORITY
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FORMS & INSTRUCTIONS

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: PUERTO RICO HOUSING OF FINANCE AUTHORITY

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 <u>each building</u> 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 C TIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

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

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	$ -	$ -	$ -	$ -

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

PART IV-INCOME FROM ASSETS

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

Column (H) if over $ - (i.e. $ 5,000) X 2.00 % = (J) Imputed Income $ -

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

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

HOUSEHOLD CERTIFICATION SIGNATURES

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

Under penalties of 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 undersined further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

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

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

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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

INS UCTION 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 du 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 Fami 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.

PRHFA-03 (Rev 12-00)

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):				

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

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

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

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

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

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

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

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

_____ _____ _____ _____

Applicant/Tenant Date Applicant/Tenant Date

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.



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

ANNEX P

Qualified Allocation Plan 2005

ANNEX P: GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GROSS INCOME - SEE ANNUAL HOUSEHOLD INCOME

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

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

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

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

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

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

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

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

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

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

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

OWNER/DEVELOPER - SEE DEVELOPER

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

PROJECT: RENTAL HOUSING DEVELOPMENT RECEIVING A LIHTC ALLOCATION.

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

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

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

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

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

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

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

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

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

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* 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.



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO



FORMS & INSTRUCTIONS

Qualified Allocation Plan 2005



PUERTO RICO HOUSING FINANCE AUTHORITY

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

PROCEDURAL STEPS, APPLICATION INSTRUCTIONS AND SUPPORTING DOCUMENTS

TAX CREDIT ALLOCATION PACKAGE

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM

PROCEDURAL STEPS, APPLICATION INSTRUCTIONS AND SUPPORTING DOCUMENTS

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PROCEDURAL STEPS, APPLICATION INSTRUCTIONS AND SUPPORTING DOCUMENTS

A. Procedural Steps

1. Please note that each Low-Income Tax Credit Application, to be filed before the Puerto Rico Housing Finance Authority (PRHFA), has been assigned an identification number, which you will find in the right hand upper corner of the application form. **Every document in the Application Package and any correspondence should make reference to that number.**

2. At the time that the application is filed you must submit an application fee, equivalent to one percent (1%) of the annual tax credit requested amount. Applicants with Binding Commitment Agreement from the previous year will pay an application fee of .25% of the annual tax credit requested amount.

3. The allocation fee, which is one percent (1%) of the total ten years allocated amount, will be paid at the time the allocation is made.

4. The application cycles for 2005 are:

	1st Cycle	2nd Cycle	
Applications Opening Date	April 1	July 15	
Applications Closing Date	May 16	Aug 15	
Ranking & Reservations		June 1	Sept. 15
Closing of Allocations		June 30	Nov. 15
10% Cost Certification		Dec-29-05	May-12-06

The application cycles may be changed with prior notice to the public in a newspaper of general circulation.

B. Application Instructions

1. The Application Package must be fully completed and submitted in original. The Application Package will consist of:
   - Application Form
   - Basic Threshold Checklist
   - Self-Point-Ranking Evaluation
   - Supporting documentation

2. Do not leave any unfilled items. Those items that are not applicable in a particular case should be identified as N/A.

3. The Application Package may be filed in only one of the two application cycles. Only one application package per project will be accepted. Applications returned for completion will be considered during the cycle when they are actually completed.

4. The application package contains a sample of the Declaration of Land Use Restrictive Covenants Agreement, which needs to be executed by and between the Owner and the Puerto Rico Housing Finance Authority before the allocation is made. Evidence of presentation to the Registry of the Property must be submitted to the PRHFA before issuance of form 8609.

5. If the developer is applying for an allocation under Section 42 (h)(1)(E) (carryover allocation), it may apply and incur all expenses in its own name. In the event that the tax credit allocation is received, the developer must transfer the ownership of the project and the allocation to the partnership that will serve as the vehicle for the syndication.

6. In the event that the developer chooses to obtain a carryover allocation of credit in the name of a syndication partnership, the developer will make sure that the partnership will incur sufficient costs to meet the 10% test. If the partnership does not have funds of its own to meet the expenditure test and wishes to rely upon expenditures incurred by the general partners, the partnership and the general partners shall enter into a written contract under which the developer agrees to incur the costs on behalf of the partnership and as an agent of the partnership and that the partnership agrees to reimburse the general partner for all such expenses. Such agreements shall be carefully documented and approved by the appropriate board of directors and reflected in the minutes of such board meetings.

7. The affidavit in the last page of the application form must be duly executed.

8. If you need any assistance or have any questions during the completion of the application, please feel free to contact this office at (787) 765-7577, extension 2259.

C. Supporting Documents

The following documents should accompany the application requesting an allocation of tax credits:

1. Application form

2. Application fee, made payable to PRHFA in the form of money order or check. **These fees are nonrefundable**.

3. Applying entities (owner, general partner, limited partner, sponsor, and developer) governing documents, such as:
   - Certificate of Special Partnership;
   - Certificate of Limited Partnership;
   - Certificate of Limited Liability Corporation; and
   - Certificate of Incorporation, among others

4. Applying entities (owner, general partner, limited partner, sponsor, and developer) Articles of Incorporation and employer or tax identification number.

5. Application's Agreement and Certification (page 23) signed and sealed by the appropriate officer of the entities involved, as to the names, addresses and telephone numbers of the owner/sponsor, officers, directors, principal stockholders, and managing general partner.

6. Documentation evidencing that the applicant has the ability to proceed with the project. For more details of this requirement see Initial Submission-Basic Threshold Qualifications, Section V-A of the Qualified Allocation Plan (QAP) and the Basic Threshold Review Checklist included with the Application Form.
   a) Evidence of site control;
   b) Land Use Consultation (*Consulta de Ubicación*) approved by the Puerto Rico Planning Board (*Junta de Planificación*), and/or Preliminary Development (*Desarrollo Preliminar*) approved by the Regulations & Permits Administration (ARPE by its Spanish acronym) or an Autonomous Municipality, as the case may be.
   c) Availability of financing evidenced through a letter of intent from financing institution specifying possible terms;
   d) Development team in place: architect/designer, general contractor, management agent, and their respective copies of resumes and, if available, their contracts with the owner;
   e) Schematic drawings and outline specifications;
   f) Cost breakdown certified by the proposed general contractor or architect/designer;

g) The availability of private equity evidenced through a letter of intent from a syndication firm;
h) Pro-forma financial statements certified by the proposed management agent.

7. Written evidence of the intention to sign the Land Use Restrictive Covenants Agreement, where owner accepts to extend the low income housing commitment with PRHFA beyond the 30-year compliance period, if applicable. (Sample Annex K of the QAP).

8. For nonprofit applicants, copies of the IRS document designating the nonprofit as a 501(a), 501(c)(3), or 501(c)(4) entity.

9. Application for acquisition/rehabilitation projects, proof of ownership for the last ten years.

10. For existing projects, appraisal report to verify land value.

11. Referral agreement with Public Housing Authority, if applicable.

12. For Rural Housing projects, RHS commitment letter identifying the funding amount for the project.

13. Certification letter (See Annex G of the QAP).

14. Accountant's opinion letter (See Annex H of the QAP).

15. Attorney's opinion letter (See Annex I of the QAP).

16. Designer's opinion letter stating, among other things, compliance with the Fair Housing Act accessibility requirements (See Annex J of the QAP).

17. For Carryover Allocations pursuant to Section 42 (h)(1)(E)_evidence of ARPE's approval of: (1) the preliminary development, and (2) the schematic drawings of the project.

18. Certification from the applicant as to any Federal, State, or Local subsidies received, or expected to be received, for the development and operation of the project.

19. If tax exempt financing is used, evidence from lender.

D. Basic Threshold Review

1. The applicants have to determine their own preliminary basic qualification with the law and the QAP requirements. To that effect, they must file, as part of the Application Package, the Basic Threshold Review Checklist and include the appropriate documentation to support every requirement that applies to their project.

2. The PRHFA will verify and validate the checklist against the supporting documents in order to determine the compliance with the basic threshold requirements.

E. Point Ranking Review

1. The applicants will perform a self-ranking-review in the provided form. The minimum requirement for the point ranking review is **175 points**.

2. The minimum requirement should be accomplished and supported within the application package in order to be considered for a tax credit reservation.