

**KANSAS HOUSING RESOURCES CORPORATION
QUALIFIED ALLOCATION PLAN
For
2018 HOUSING TAX CREDIT PROGRAM**

INTRODUCTION

The Tax Reform Act of 1986 established a tax credit to replace previous federal tax incentives for investment in low-income rental housing. The credit offers a reduction in tax liability to investors in eligible low-income residential housing developments. The Omnibus Budget Reconciliation Act of 1993 indefinitely extended the program.

The Kansas Housing Resources Corporation (KHRC) is responsible for administration and allocation of the tax credit program for the State of Kansas. Kansas has an allotment of approximately \$6,382,129 of annual tax credit authority. Ten percent of the State's annual tax credit allotment; approximately \$638,212 is reserved for developments submitted by nonprofit applicants. In 2018 reservations will be made from the 2019 authority. All provisions shown in this Plan also apply, generally, to applications for Private Activity Bonds with annual 4% tax credits.

According to Section 42(m)(1)(B) of the Internal Revenue Code (the Code), allocation agencies shall adopt a "qualified allocation plan" which:

- (a) contains selection criteria "which are appropriate to local conditions";
- (b) assigns the highest priority to developments with the lowest cost of "intermediaries" unless granting such priority would impede the development of developments in hard-to-develop areas;
- (c) gives preference to developments, which serve the lowest income tenants;
- (d) gives preference to those developments, which serve qualified tenants for the longest period of time;
- (e) provides procedures for monitoring developments and notifying the Internal Revenue Service of any noncompliance that is found by the agency;
- (f) allows preference for developments located in qualified census tracts, the development of which contributes to a concerted community revitalization plan;
- (g) promotes energy efficiency in a development;
- (h) recognizes the historic nature of a building in a development.

PRIORITY HOUSING NEEDS

KHRC has identified the following housing needs as priorities for the tax credit program:

- (a) any development in a community with less than 10,000 population;
- (b) preservation of housing with a HUD Section 8 or USDA Housing Assistance Payment contract, or any application from or for a Public Housing Authority;
- (c) any development for special need populations including, but not limited to veterans, homeless families and individuals or persons with disabilities;
- (d) any development that offers gross rent for all units at a rate that is below the fair market rent for the area in which the property is located. (See Exhibit N for Fair Market Rents.)
- (e) a second or later phase of a property where there is a current and updated waiting list equal to or greater than the number of units being proposed in the application, or there is other strong market data that will support the number of proposed units.

PRELIMINARY REQUIREMENTS

In order for an application to be considered for funding, the proposed development shall first demonstrate that it meets the requirements shown below. Applicants submitting incomplete applications will be given 15 days to provide missing requirements. A waiver of specific requirements may be granted prior to the application submission date upon sufficient evidence provided by the applicant:

- (a) The application must be for a qualified residential rental development that meets the requirements of Section 42 of the Internal Revenue Code of 1986, as amended;
- (b) The development must meet the low-income housing priorities as identified in the applicable state or local Consolidated Plan. (See pages 76-84 in the 2014-2018 Kansas Consolidated Plan.)
- (c) The development is ready to proceed as documented by:
 - 1. Evidence of site control with an option for at least six months beyond the application deadline; or a recorded deed;
 - 2. Zoning approval or application for zoning approval with a letter from the zoning administrator citing that the zoning request is consistent with the local plan or that the local plan could be changed to be consistent with the zoning request;
 - 3. Evidence of availability of adequate utilities at the site;
 - 4. Commitment letters for all sources of financing;
 - 5. Affidavit of compliance with accessibility design requirements of the Americans with Disabilities Act relating to the public and common areas; the American National Standards Institute 117.1 (1986) and the Fair Housing Act for all first level living units and all units in buildings with an elevator.

6. Inclusion with the application of all other documentation listed as **(MANDATORY)** in the "Submission Requirements Checklist" at the end of the application;
 7. Submission of a market study, prepared by an independent, third party analyst, unaffiliated with the developer that meets the requirements shown on pages 14-15 herein.
- (d) A commitment with KHRC to extend the low-income housing use of the development beyond the initial compliance period of 15 years for an additional period of at least 15 years;
 - (e) The Development must provide an appropriate menu of amenities and supportive services. (See Exhibit P for the list of amenities and supportive services)
 - (f) Rural Development (RD) Form AD 622 commitment, if applicable;
 - (g) For nonprofit applicants:
 1. The nonprofit must be a qualified nonprofit organization as defined in Section 42h(5)(C) of the Internal Revenue Code;
 2. The nonprofit applicant must have an ownership interest (either directly or through a partnership) in the development, must be at least a co-general partner or co-managing member, and must materially participate, on a regular, continuous, and substantial basis, in the development, operation and the management of the development throughout the entire compliance period, pursuant to 469(h) of the Code;
 3. A nonprofit shall submit a list of its Board of Directors, officers, directors and a list of previous housing participation;
 - (h) A complete application - any application that is not complete may be automatically rejected.
 - (i) Applicants must submit a completed Internal Revenue Service (IRS) Form 8821 (Rev. 9-98) as a condition of the application for housing tax credits. (See Exhibit K)

APPLICATION PROCESS

Tax credits in Kansas are made available through a two-stage process of 1) reservation; and 2) allocation. Applicants may apply during one application period to receive a credit reservation during the 2018 calendar year. The application cutoff date is as follows:

<u>Application Period</u>	<u>Application Cut Off Date</u>
1	February 2, 2018 at 5:00 p.m.

Completed applications must be received by KHRC no later than the above cut off dates to be considered for the applicable application period. Target dates for reservation action are:

Application Period

Reservation Action

1

May 15, 2018

Applicants whose applications are not selected for credit reservation in any cycle, may choose to compete in the next cycle. A new application fee, as outlined under FEE SCHEDULES shown below, is required when applications are resubmitted. The fees apply to all private activity bond allocations with 4% annual tax credits.

FEE SCHEDULES

Application Fee: An application fee of \$10 per unit shall accompany each proposal. Nonprofit applicants are exempt.

Reservation Fee: A credit reservation fee of 7% of the annual tax credit reserved must be paid upon closing of the development's construction financing. Nonprofit applicants shall pay a reservation fee of 2.5% of the annual tax credit. Private Activity Bond credit reservation fees are due within 5 business days of bond issuance.

Allocation Fee: An allocation fee of 3% of the annual tax credit allocation amount must be paid at the time the allocation request and documentation are submitted to KHRC. Nonprofit applicants shall pay an allocation fee of 1% of the annual credit. Private Activity Bond credit allocation fees are due when the 8609 forms are issued.

Monitoring Fee: An annual monitoring fee of \$8.00 per \$1,000 (.008) of the annual tax credit amount allocated is due for all placed-in-service properties no later than March 15th following the first year of the credit. An annual monitoring fee of \$4.00 per \$1,000 (.004) of the annual tax credit amount allocated is due for all properties in the 16th year and thereafter no later than March 15.

Asset

Management Fee: An annual Asset Management fee of \$100 per unit is assessed for all properties that have entered into an Asset Management Agreement with KHRC unless otherwise agreed to. The fee is due no later than March 15th following the placed-in-service year of the first building.

Qualified

Contract Fee: A non-refundable fee of \$1,000 is due KHRC at the time the contract price based on the IRC formula is approved.

Reinvestment Fee: \$2,500/unit up to \$50,000 due at closing on the construction financing. This fee applies to any property that has previously received an allocation of tax credits.

All fees are non-refundable and must be timely paid.

Note: Nonprofit applicants must be the sole general partner and developer to obtain the reduced fees.

FEE GUIDELINES

Developer fees including overhead are capped at \$18,000 per unit.

General contractor fees are capped at 5% for general requirements, 2% for overhead and 5% for profit based on hard construction costs including site work.

Architect fees are limited to 3% for design and 1% for supervision based on the hard construction costs including site work.

Consultant fees are limited to 2% of eligible basis.

All fee limitations are without regard to the number of units.

ENERGY EFFICIENCY

New construction developments must meet or exceed the Overall U-Value standards with an Energy Rating Index (ERI) of 75 or less as established by the 2012 International Energy Conservation Code (IECC). Rehabilitation of existing structures must meet or exceed the Overall U-Value standards with an ERI index of 100 or less as established by the 2012 International Energy Conservation Code. Developers of historic building rehabilitation and conversions are required to make a best effort to achieve an ERI index of at least 100 which includes involving an energy rater at the earliest stages of planning.

Prior to the start of construction, the plans of each new development, rehabilitation or conversion must be reviewed and approved by a home energy rater to verify that the planned construction as per design and specifications will meet or exceed the above stated standards.

Up to five units with different floor plans and orientations for complexes of less than 50 units and up to 5% or a maximum of ten units in complexes of 50 or more units must be rated. The review must be documented with a letter from the rater to KHRC indicating whether the proposed construction, rehabilitation or conversion meets the appropriate standards. In the event that the proposed development does not meet the specified standards, the rater will provide suggestions for adjustments to the plans and specifications to ensure that the standards will be met. An energy audit performed by a home energy rater is required on each building after it is completed to verify that actual construction or rehabilitation (including conversions) meets the above listed requirements. (Recommended practices and specifications are shown at Exhibit G).

ACQUISITION AND REHABILITATION FACTORS

The selection of properties for acquisition and rehabilitation credits will be determined by the following list of criteria:

1. The ratio of acquisition and hard cost to total costs will be reviewed. A high acquisition percentage is primarily refinancing with minimal rehabilitation. Developments with a lower acquisition and a higher rehabilitation percentage will be favored for credits.

2. The increase in rents should be minimal, if any, as a result of the acquisition and rehabilitation. Developments that anticipate a significant rent increase after receiving financial assistance are not encouraged to apply for credits.
3. A large majority of the existing tenants should be income eligible under the tax credit program. Tenant displacement is strongly discouraged.
4. Existing low income properties under a threat of foreclosure and removal of existing tenants will be given a priority for financing.
5. Other factors that will be reviewed include the remaining length of time on any Housing Assistance Payments contracts, the availability of replacement reserves, and the current vacancy rate.
6. A minimum rehabilitation cost of \$10,000 per unit averaged over a building is required and must be documented with a third party capital needs assessment to be considered for a credit reservation. However, a waiver may be requested if the rehabilitation is a total replacement of all essential systems in the unit and building.

LEAD BASED PAINT ABATEMENT

For property acquisition and rehabilitation, any work on structures constructed prior to 1978 must comply with the Kansas Residential Childhood Lead Poisoning Prevention Act (K.S.A. 65-1, 201–213) and Kansas Department of Health and Environment regulations concerning the evaluation and control of Lead-based Paint Hazards and the Pre-Renovation Rule (K.A.R. 28-72-01 through 28-72-54) as applicable. All Department of Housing and Urban Development (HUD) Guidelines for the Evaluation and Control of Lead-based Paint Hazards, Environmental Protection Administration (EPA) Requirements for Lead-based Paint Activities; 40 CFR Part 745, and Occupational Safety and Health Act (OSHA) regulations on lead 29 CFR 1910.1025 shall apply when applicable.

SINGLE FAMILY HOUSING DEVELOPMENT

Single-family housing development is permitted by the Code so long as it remains rental housing for the 15-year compliance period. KHRC requires that any single-family housing development be converted to homeownership at the end of the 15-year compliance period if it is feasible at that time. Owners are required to execute an agreement with KHRC to this effect no later than the allocation date. In such instances the extended use period will be waived. KHRC requires that tenants be given the first right of refusal or be offered an option to purchase the homes at their fair market value at the time of the tenant's initial occupancy of the homes. Total cost per unit is subject to the limits of Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)(ii)). (See Exhibit J)

EVALUATION PROCESS

The housing credit agency (KHRC) is required to evaluate each application (including tax exempt bond financed proposals) to ensure that it receives only the amount of credit necessary to assure feasibility and viability throughout the credit period. The agency must consider the sources and uses of funds. The evaluation is performed three times: when an application is received, at the time of credit allocation, and at the time a development is placed-in-service.

During each evaluation KHRC considers the sources and uses of funds, the total financing for the development, all proceeds or receipts expected to be generated by reason of the tax credit, the percentage of housing credit dollar amount used for development costs other than the cost of intermediaries, industry cost standards, average costs of competing developments, property amenities, the number and kind of units, property quality and other information which may be necessary for development evaluation. This includes comparing total cost per unit and total cost per square foot with data taken from similar applications in terms of type, size and targeting in the current round and for the last three years. Applications that exceed these averages will be given less consideration regardless of their overall ranking under the Development Selection Criteria. Developers are not penalized for providing extra amenities or quality construction. Generally, Section 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 1715 (d)(3)(ii)) will also be considered when determining the reasonableness of development costs. KHRC may request substantiation of development costs.

In the event KHRC makes adjustments to the tax credit requested, property owners have five working days to provide evidence acceptable to KHRC that justifies the credit requested. Otherwise, the applicant or owner may accept the recommended credit or withdraw the application. KHRC does not wish to jeopardize developments for which syndication arrangements have been made, and therefore, negotiates with the Owner any adjustments to the committed credit at the time the final evaluation is made for properties that have been placed-in-service. Determination of the annual credit is not to be construed as a representation or warranty as to the feasibility or viability of the development or its ongoing capacity for success.

PRIVATE ACTIVITY BOND FINANCING

KHRC has authority to allocate tax-exempt bonds with 4% annual tax credits for affordable housing developments. Applicants must provide KHRC with a bond inducement resolution, a request for the bond allocation and an application for the tax credits with accompanying documentation. The bond allocation request and the tax credit application are reviewed simultaneously with the preliminary requirements and selection criteria outlined herein. Applications may be submitted at any time. Decisions regarding bond allocations with tax credits will be made within 60 days of the allocation request.

Bond Allocation: A non-refundable fee in the amount of \$750 payable to the Kansas Department of Commerce Bond Fee Fund must accompany the application before the request can be processed.

Bond Issuance Fee: An issuance fee is assessed on the amount of allocation actually issued and shall be due and payable to KHRC at closing and determined as follows:

\$0 - \$5,000,000	-	10 basis points (.001)
\$5,000,001 and above	-	20 basis points (.002)

All tax credit fees shown at page 4 apply to credits issued with tax-exempt bond allocations and are separate from bond allocation fees. Tax-exempt bond developments do not require carryover allocations but are required to pay the allocation fee when the 8609 forms are issued. Bond allocation fees and tax credit fees may be paid together.

RURAL HOUSING INCENTIVE DISTRICTS

If a proposed housing development will rely on city or county creation of a Rural Housing Incentive District for tax increment financing, please review K.S.A. 12-5241 – 12-5301 and utilize the KHRC Guide for the Certification of Findings and Determinations. The city or county housing needs analysis and resolution establishing the incentive district must be certified by the Kansas Department of Commerce, before tax credits will be reserved for the proposed development. (See Exhibit H).

SELECTION CRITERIA

The KHRC evaluates applications for tax credit allocations using the following selection criteria and point system. The point system and ranking of applications are key indicators of proposed developments but not a sole determinant for approving applications.

- Property Location
- Housing Needs Characteristics
- Development Characteristics
- Applicant/Sponsor Characteristics
- Tenant Population Characteristics
- Public Housing, Government Assisted and Conventionally Financed Waiting Lists
- Bonus Points

The selection criteria and point system that are used in ranking applications are outlined below. In the event of a tie in overall total points earned by two or more applications, the determining factors are, in order:

- the development that is designed to serve the lowest income tenants as determined for item E2, Page 11;
- the development that has the lowest intermediary costs as determined for item C.1, page 10;

2018 DEVELOPMENT SELECTION CRITERIA

Maximum – 310 points

A. <u>Property Location (not to exceed 50 points)</u>	<u>Maximum Points</u>	<u>Score</u>
1. A property is located in a HUD defined Qualified Census Tract or Difficult Development Area where a concerted community revitalization plan has been established (See Exhibit Q)	10 points	
2. A property is located in a county of the State with a median income greater than the statewide non-metro average.	10 points	
3. A property is located in a county with a population of 60,000 or less.	10 points	
4. Site locations will be further evaluated for community support, neighborhood consistency, and site usability, accessibility and marketability. (See Exhibit A for specific criteria).	20 points	
B. <u>Housing Needs Characteristics (not to exceed 45 points)</u>		
1. Development will receive 1 point for each 2% of three bedroom units as a percentage of the total units.	Up to 10 points	
2. Development has at least 1 unit reserved to provide temporary housing (maximum of 2 years) for homeless families or individuals.	5 points	
3. Development preserves existing affordable housing that would be subject to foreclosure or default if tax credits were not available as indicated by deteriorating physical condition, high vacancy rate or poor financial performance.	10 points	
4. Development provides rehabilitation of existing, structurally sound, energy efficient, affordable housing. Points will be awarded on hard costs for rehabilitation per unit on a sliding scale as follows: \$10,000 - \$20,000 per unit; \$20,001 - \$30,000 per unit; \$30,001 - \$40,000 per unit; Over \$40,001 per unit.	5 points 10 points 15 points 20 points	

	<u>Maximum Points</u>	<u>Score</u>
C. <u>Development Characteristics (not to exceed 80 points)</u>		
1. Highest priority will be given to applications with the lowest percentage of intermediary costs. (These costs may include, but are not limited to, attorney fees, engineering fees, and architect fees). Points awarded on a sliding scale up to 5% of total costs. Points deducted on a sliding scale beginning with 6% of total costs.	25 points	
2. Lowest equity gap with points awarded on a sliding scale and separated into new construction and rehab/conversions.	20 points	
3. Development creates single-family housing that is intended for eventual tenant ownership.	10 points	
4. Development involves the use of housing as part of a community revitalization plan, including the adaptive reuse of a building that is eligible for the historical register or is sited in an officially declared historic district or developments that are eligible for a real estate tax exemption based on state statute or local ordinance, or similar equivalent local contributions.	20 points	
D. <u>Applicant/Sponsor Characteristics (not to exceed 10 Points)</u>		
1. Applicant is a KHRC certified CHDO who conforms with the provisions of 501(c) (3) or 501 (c) (4) of the I.R.C. and who serves as the sole general partner or managing member in the ownership structure.	10 points	
E. <u>Tenant Population Characteristics (not to exceed 75 points)</u>		
1. Development provides 100% of units targeted to tenants 55 years and older and/or to tenants with special needs.	20 points	

**Maximum
Points**

Score

2. Development is designed to serve the lowest income tenants by providing:

Up to 35 points

% of Units	Median Income			P O I N T S
	50%	40%	30%	
10-12	2	5	7	
13-14	4	10	14	
15-16	6	15	21	
17-18	8	20	28	
19-20	10	25	35	
40	20	---	---	
50	25			
60	35			

To achieve points in this category the market study must verify the need for the rents that are targeted and there must be at least a 5% spread between the maximum allowable gross rent at any level and the actual rent. For instance, if the gross rent at the 40% rent limit is \$470 the actual gross rent can be no more than \$410 to achieve the 5% spread needed to achieve the points using the formula: gross rent x 12 divided by .3 divided by the bedroom factor. The bedroom factor is the gross median income of the county or MSA where the site is located x .75 for one bedroom; .90 for two bedrooms; 1.04 for three bedrooms and 1.16 for four bedrooms.

3. Development provides market rate units. Two points will be awarded for each 5% of market rate units.
4. Development serves individuals with children.

Up to 10 points

10 points

F. Public Housing Waiting Lists (5 points maximum)

1. Applicant has entered into an agreement with the P.H.A. or the local governing unit to accept the referral of tenants on the P.H.A. waiting list. (See Exhibit B).

5 points

G. Bonus Points (45 points maximum)

1. Developments that address the priority housing needs shown on page 2 herein. (15 points for each priority need).

Up to 45 points

NON POINT CRITERIA

Applications meeting the preliminary requirements will be further reviewed for non-point criteria. Applications may be accepted or rejected based solely on the non-point criteria, which include, but are not limited to, the following:

- (a) Sufficient development team experience relative to the proposed development;
- (b) The substantial involvement of women or minorities in the development team;
- (c) Other developer considerations that could adversely affect development viability, such as credits reserved/allocated for other developments where construction has not yet been substantially completed, to be determined at the sole discretion of KHRC.
- (d) The reasonableness of total development cost as based on final cost data accumulated by KHRC and compared with other similar applications in any given round.
- (e) Jurisdictional comments of city, county, state or federal representatives;
- (f) Comments of neighborhood groups and organizations who are knowledgeable about the area.
- (g) Substantial change of market or application conditions between the application and reservation dates.
- (h) Appraisal of the land, and in a rehabilitation development, appraisal of land and buildings, at its fully improved market value.
- (i) Site considerations based on the suitability of its intended use and occupancy, including but not limited to uncorrectable environmental conditions, neighborhood economics, and excessive site development requirements.
- (j) Size of the development relating to overall competitive demand and equitable distribution of tax credits across the state.
- (k) Pricing of the credit as shown in a firm commitment from the investor.
- (l) Any development in a market area that is experiencing job growth and economic development where tax credit housing can have an impact and documented with letters from employers/city officials/economic development representatives/government officials, newspaper articles or studies.

MARKET STUDIES

Market studies on all developments are required. A market analyst, unaffiliated with the developer, the development or the city where the development is located, who has experience with multifamily rental

housing, must prepare the study. All income levels targeted in the application must be addressed in the study. The market study must include information in the following format:

- (a) An Executive Summary of no more than one page that highlights the significant findings of the study, including the calculated capture rate and estimated absorption period. A table of contents must be provided with page references to the key topics outlined below.
- (b) A description of the proposed development that identifies the targeted population, the number and size of both tax credit and market rate units, the proposed rents and utility allowances, the amenities and other relevant information.
- (c) A description of the proposed site, the surrounding land, and the neighborhood. Photographs of the site and neighborhood, and a map clearly identifying the location of the development and its distance to jobs, shopping centers, medical services, places of worship, schools, day care, libraries, senior centers, recreation and transportation linkages must be provided.
- (d) Definition and location of the primary and secondary market areas must be reasonably drawn, delineated on a map, and justified by an adequate explanation that is supported by the demographics and economics of the area.
- (e) Economic analysis of the market area. Emphasis should be placed on recent and projected job growth and development, level of wages and salaries being paid, the historical and current unemployment rate, and the commuting patterns of workers.
- (f) Analysis of household numbers, sizes and types in the market area, including a breakout of family, elderly, and persons with disabilities households, along with owner occupied and renter occupied households.
- (g) Specification of the number of income eligible households who can afford to pay the rent proposed by the development in question. Eligible households should be identified according to the income stratifications shown on the most recent KHRC income and rent qualification chart. An affordability factor of 30% should be used in all analysis.
- (h) A description of rent levels, operating expenses, turnover rates and vacancy rates of comparable properties in the market area.
- (i) Expected market absorption of the proposed development, including capture rate, lease up period, and the effect on other comparable properties in the market area.
- (j) Communication with the KHRC to discuss appropriate market areas, comparable properties, and competing properties in the development and construction stage is required. Inquiries should be directed to the Director of Rental Housing.
- (k) A certification from the market analyst indicating the methodology, objectives and data sources for the study as well as the qualifications, assignments and accomplishments of the analyst.

PRE-DEVELOPMENT CONFERENCES

A pre-development conference with KHRC is required prior to the start of construction. **The developer, architect and general contractor are required to attend this meeting.** At that time, the expectations of KHRC, including a review of minimum development standards, will be discussed.

CARRYOVER ALLOCATIONS

Developments with credits reserved from the 2018 authority not completed or placed-in-service by December 31, 2018 are eligible for a Carryover Allocation by satisfying the following requirements:

- A. More than 10% of the total reasonably expected basis in the development must be expended or incurred within the period of time allowed by the law.
- B. Land ownership for the development, in the form of a recorded deed or a long-term lease, must be shown in the name of the entity claiming the tax credits at the time when the carryover is perfected.
- C. An opinion from a certified public accountant stating that the development is eligible for tax credits and has expended or incurred more than 10% of the total reasonably expected basis in the development. (See Exhibit D)
- D. A development with credits reserved from the 2018 authority will have up to twelve months from the date of the allocation to meet the carryover requirements.
- E. Payment of the allocation fee.

KHRC reserves the right to make additional requirements prior to granting a carryover allocation. These requirements may include but are not limited to the following:

- F. Evidence of construction loan closing.
- G. Owner certification that construction or rehabilitation has started.
- H. Owner certification of all sources of financing.

Applicants are advised if they cannot meet the Carryover Allocation requirements by December 31, 2019, the tax credit reserved for the development will be rescinded by KHRC.

Developments receiving a Carryover Allocation in 2018 have until December 31, 2020 to place the property in service and apply to KHRC for the IRS Form 8609 for each completed, qualified building. KHRC will recapture the allocation amount if the owner does not return to KHRC to receive the IRS Form 8609 prior to December 31, 2020.

KHRC may, at its discretion, change allocation years for any development before or after an allocation is made in order to facilitate the orderly completion of developments or to efficiently use all of its credit authority.

FINAL ALLOCATION

IRS Form 8609 is used by KHRC to allocate tax credits to properties with some or all of the buildings completed and ready for occupancy. To obtain the final allocation Owners must provide the following information:

- A. A copy of the recorded title to the real estate of the property in the name of the entity that will appear as the owner on the IRS Form 8609.
- B. Recorded mortgage for permanent financing.
- C. Complete copies of Limited Partnership or Limited Liability Company documents showing ownership entity and terms of investment.
- D. Owner certification of all sources of financing. (KHRC Form)
- E. Owner certification of total development cost, qualified basis for tax credits and placed-in-service date. (KHRC Form). Contractor general requirements must be itemized and certified by the owner.
- F. At the discretion of KHRC, a legal opinion certifying that each building has been placed-in-service and that the development is in compliance with the applicable provisions of the Internal Revenue Code may be required. If an acquisition credit is requested, this opinion must state that the property ownership over the ten-year period before the purchase by the taxpayer has been reviewed and reasons given why the property qualifies for acquisition tax credits. The opinion should also certify any identity of interest as outlined on page 6.
- G. A Certificate of Occupancy issued by the local governing body for each building being placed-in-service.
- H. An opinion by a Certified Public Accountant regarding the development's eligibility for tax credits. (See Exhibit E)
- I. A Land Use Restriction Covenant must be executed by the owner and KHRC, and recorded at the Register of Deeds in the county where the property is located as a first lien on the property and returned to KHRC before the IRS Form 8609 will be given to the owner. (KHRC Form) A subordination agreement will be required from any lien holders with a higher priority.
- J. An energy audit conducted by a KHRC certified home energy rater.
- K. Certification of Rents and Basis (KHRC form).
- L. Currently dated Certificates of Good Standing issued by the Kansas Secretary of State for the ownership entity and the general partner or managing member entity.

REQUESTS FOR ADDITIONAL CREDITS

Requests for additional credits after a reservation or an allocation has been made will be considered only if one or more of the following criteria are met:

1. Higher costs have been incurred because the city or other governmental entity has required additional amenities or architectural improvements.
2. Additional costs have been incurred in a rehabilitation development because of unexpected items that were not discovered until the work began.
3. Safety issues affecting the tenants have been identified that were not anticipated at the time of the original application.
4. A significant change in the planned development has become necessary, as determined by KHRC, such as additional units, greater square footage or other changes or additions that create enhanced living conditions for the tenants.

Requests for additional credits will not be allowed simply because the construction costs were higher than anticipated unless one of the above criteria exists. Requests for additional credits after the issuance of the 8609 forms will not be considered under any circumstances. If a reservation of credits has been executed but the allocation has not been issued, the request for additional credits should be made at the time of allocation or during the next cycle of applications. If a carryover allocation has been executed the request for additional credits should be made during the next cycle of applications or at the time of the final cost review.

GROSS RENT FLOOR ELECTION

Revenue procedure 94-57 requires owners to make an election on the effective date of a building's gross rent floor. The Internal Revenue Service will treat the gross rent floor as taking effect on the allocation date for buildings not using bond financing or on the date a determination letter is issued by KHRC for buildings using bond financing, unless the owner designates the placed-in-service date as the effective date. Owners must inform KHRC of this designation no later than the placed-in-service date for each building.

BINDING ALLOCATION AGREEMENT

Binding Allocation Agreements are available for developments that receive a four percent level tax credit reservation. The owner has the option to elect the maximum credit percentage for the development in either the month each building is placed-in-service or the month in which a Binding Allocation Agreement is executed. A month may be elected under the latter option only if the election is made no later than the 5th day after the close of such month. The election is irrevocable.

QUALIFIED CONTRACT PROCEDURE

Owners with eligible properties who want to opt out of the program have an opportunity to exercise the qualified contract provision outlined in the IRC at Section 42(h)(6)(F). This option may be

invoked after the 14th year of the compliance period by writing a letter to KHRC requesting that the corporation locate a purchaser for the property in question. To process the request the following steps are required:

- (a) A non-refundable fee of \$1,000 is due KHRC at the time the contract price based on the IRC formula is approved.
- (b) The owner must provide a waiver of all purchase options including any right of first refusal contained in the partnership agreement.
- (c) The property must meet or exceed HUD's Uniform Physical Condition Standards.
- (d) The contract price based on the IRC formula must be provided with sufficient documentation to allow KHRC staff to verify the price.
- (e) An appraisal of the property must be provided if there are market rate units at the property.

Upon receiving the written request from the owner, KHRC will list the property on its web site and will have one year to locate a purchaser. If a purchaser is not determined the owner will be released from the covenant that binds the property, provided that the low income tenants currently residing at the property will be protected for another three years from any eviction other than for good cause and from any increase in the gross rent not otherwise permitted under the Section 42 regulations. If a purchaser is located and the owner decides not to sell the property the restricted use provisions will continue for another fifteen years. Owners entering the three year decontrol period shall have 90 days from the beginning of the period to provide the final annual report and compliance fee.

DETERMINATION OF TAX CREDIT AMOUNT

Section 423(m) of the Internal Revenue Code describes the "Responsibilities of Housing Credit Agencies." Within this section, housing credit agencies are mandated to financially review applications by considering the financing sources, development costs, and the expected present value of the tax credit benefits to be generated to ensure that no more than the amount of tax credit necessary for development feasibility and viability is allocated.

The financial review and evaluation by KHRC will be for its own purpose in implementing the above-mentioned provision of Section 42 of the Internal Revenue Code and shall not be construed as a warranty or guarantee to any person that the development will be feasible and viable over the credit period. The amount of tax credit allocated by KHRC will be at its sole discretion, with the primary considerations being development affordability and feasibility.

In its review, KHRC will assess the comparability and reasonableness of the development cost budget and the proposed property operating pro forma. Proposed debt service will be reviewed to determine if it can be supported by the proposed income. The tax credit amount reserved or allocated to developments will be determined by subtracting the loans and/or grants from the proposal's total development cost. The equity gap will be divided by a percentage called the equity factor. The equity factor is considered to be the percentage of the ten-year cash flow of the tax credit that will be available to the development in the form of equity initially or at any time during the ten-year period. The equity factor used for development evaluation will be based on perceived market trends and the averages of projected pricing

in each round of applications and will be targeted by considering the risk and return expectations for the perceived investor market.

Applicants should be advised that any financial changes in the application during the processing could change the amount of tax credit assigned to the development. Upward adjustments generally will be made only if there is a clear benefit to the tenant(s.) Please be aware that KHRC reserves the right to change materials or processing requirements in order to comply with tax credit guidelines or for its own purposes.

COMPLIANCE MONITORING

The Act requires that Qualified Allocation Plans include a procedure for the allocating agency to monitor each low-income housing tax credit property. IRS regulations require record keeping and record retention, certification and review, auditing and a method for notifying owners and IRS of noncompliance or lack of certification for each property.

A. Record Keeping and Record Retention

Owners of low-income housing tax credit properties are required to keep records for each building. Owners must retain the records for the first year of the credit period for a minimum of six years beyond the end of the 15-year compliance period. The records for subsequent years need only be retained for six years after the date when the federal tax returns for that year are due. Record keeping requirements are as follows:

1. Total number of residential rental units, including the number of bedrooms and the size in square feet of each unit;
2. Percentage of low-income units;
3. Rent charged on each residential unit and the utility allowance for that unit;
4. Number and ages of occupants in each low income unit and other tenant demographic information required by new legislation to be reported to HUD.
5. Low income unit vacancies, market rate unit vacancies and rentals of the next available units;
6. Annual income certification for each low-income tenant, including information on household income and the number of occupants;
7. Documentation by third party employer, public agency verification, or applicant, to support each income certification. All HUD and RD certifications must be accompanied by third party income verification.
8. The eligible basis and the qualified basis of the building at the end of the first year of the credit period;
9. The character and use of the nonresidential portion of the building included in the eligible basis;
10. Date of occupancy for each tenant and a continuous rent roll for all low-income units.

B. Certification

Owners of low-income housing tax credit properties shall certify the following information to KHRC on an annual or more frequent basis, if required, under penalty of perjury:

1. The property meets the minimum set-aside test elected by the owner in the tax credit application.
2. The owner has received an annual income certification from each low-income tenant, and documentation to support that certification, unless exempt as delineated within the text of the Housing and Recovery Act of 2008.
3. Each low-income unit in the development is rent restricted and do not exceed the maximum rent levels under section 42(g)(2).
4. All units in the development are for use by the general public and, except for transitional housing for the homeless, are used on a non-transient basis.
5. Each building in the development is 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 development.
6. There has been no change in the eligible basis of any building in the development, as defined in section 42(d) of the Code since the last certification submission.
7. All tenant facilities included in the eligible basis of any development building are provided on a comparable basis without charge to all tenants in the building.
8. If a low-income unit in the development becomes vacant during the year, reasonable attempts are made to rent that unit to qualified tenants, and while the unit is vacant, no units of comparable or smaller size are rented to nonqualified tenants.
9. If the income of a tenant of a low-income unit in the development increases above the limit allowed in section 42 (g)(2)(D)(ii), the next available unit of comparable or smaller size in the development will be rented to a qualified tenant.
10. There has been no change in the applicable fraction, as defined in Section 42(c)(1)(B) of the Code for any building in the development.
11. An extended low-income use agreement 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 development 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. 1437f. Owner has not refused to lease a unit to an applicant based solely on the applicant's status as a holder of a section 8 voucher and the development otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing agreement (not applicable to buildings with tax credits from years 1987 – 1989).

12. If applicable, the owner received its credit allocation from the portion of the state ceiling set-aside for a property involving “qualified nonprofit organizations” under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.
13. There has been no change in the ownership or management of the property.
14. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this development. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 361a(a)(1), or an adverse judgment from a federal court.
15. Owner acknowledgement that the Extended Use Agreement binds the property for 30 years and prohibits the eviction of any income qualified tenant, other than for good cause, and prohibits any increase in the gross rent with respect to the low income unit not otherwise permitted under Section 42 during the 30 year term.

C. Review

Owners of low-income housing tax credit property shall submit the following information to KHRC on a frequent or annual basis, if required:

1. Low-income unit vacancies, market rate unit vacancies and rentals of the next available units, (KHRC will provide the form);
2. The monthly rent and utility allowance for each unit (KHRC will provide the form); The utility allowance must be for the year being monitored. The utility allowance provided and used at the time of allocation must be used, with annual updates, for the life of the property, unless KHRC has approved a change.
3. Property replacement reserve, occupancy and management information (KHRC will provide the form). A written authorization from the owner must be provided with the annual report to allow KHRC to review the replacement reserve balance.
4. Rent roll on all low-income units.
5. A copy of the owner's annual report to, or certificate of good standing from, the Secretary of State.
6. Documentation of annual utility allowance calculations.
7. A Fair Housing Action Plan to affirmatively further fair housing as intended under the general use clause of the Code. (See Exhibit I)
8. A management plan for the property including a maintenance plan, resident selection criteria, the application for residency, and grievance procedures.
9. The annual compliance fee.

KHRC will annually inspect the buildings of low-income housing properties, as required, and review the onsite record keeping system employed by the development.

D. Auditing

KHRC and/or its designee reserve the right to audit any low-income housing property during the 30-year compliance period. An audit includes an inspection of the building and a review of the records described in the record-keeping portion herein. Owners shall be required to enter tenant data in the Procorem software system and process that data monthly.

E. Notification

KHRC notifies the owner of a low-income housing property if the required certification is not received or if an audit, inspection or review determines that the property is not in compliance with the provisions of Section 42. The owner is given 60 days to supply the missing certification or to correct noncompliance. KHRC notifies the Internal Revenue Service of an owner's noncompliance or failure to certify no later than 45 days after the end of the time allowed for correction, whether or not the noncompliance or failure to certify is corrected. Repeated acts of noncompliance may result in the suspension of the owner from participation in the Housing Tax Credit Program.

F. Owner/Manager Training

Owners and managers of properties receiving allocations beginning in 2001 and thereafter must attend a KHRC compliance seminar prior to receiving the 8609 forms. Owners and managers of properties cited for compliance violations are required to attend compliance seminars. A meeting with the compliance staff is required prior the placed-in-service date for all owners and management agents who have not previously done business in Kansas under the tax credit program.

G. Violation Fees

A penalty will be imposed when noncompliance occurs and an owner cannot otherwise be persuaded to comply with specific compliance requirements of the tax credit program or state laws. Noncompliance corrected within a 60-day notice period will not constitute a finable situation. The violations and fee amounts are outlined below:

1. Owner fails to pay annual monitoring fee by the required date: \$50 per qualifying unit.
2. Owner fails to submit the annual compliance report by the required date: \$50 per qualifying unit (unless KHRC allows an extension).
3. Owner fails to maintain targeting of units as represented in the application and agreed to in the Reservation Agreement and/or Restricted and Extended Use Agreement: \$50 per qualifying unit.
4. Owner fails to maintain replacement reserves as committed in the pro forma and agreed to in the Reservation Agreement and/or Restricted and Extended Use Agreement: \$500 per year.
5. Owner fails to maintain other promises and covenants made in the application and enumerated in the Reservation Agreement and/or Restricted and Extended Use Agreement: \$2,500 per violation.

6. Owner fails to maintain properties in accordance with Kansas rental housing laws and/or KHRC compliance regulations: \$50 per qualifying unit or episode. (Examples: Kansas Residential Landlord and Tenant Act, Party Shack Law, Nuisance Law)

CLARIFICATIONS

KHRC is charged with allocating only enough tax credits to make a development economically feasible. This decision shall be made solely at the discretion of KHRC, but in no way represents or warrants to any applicant, investor, lender or others that the development is, in fact, feasible or viable. KHRC's review of documents submitted in connection with this allocation is for its own purposes. KHRC makes no representations to the owner or anyone else regarding adherence to the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing Housing Tax Credits.

KHRC reserves the right to waive application deadlines, and state imposed program rules and requirements, including the ranking of applications under the selection criteria, for the purpose of responding to the housing needs created by natural disasters and to facilitate innovative developments and properties in rural areas, inner cities, underserved markets, difficult development areas or qualified census tracts.

KHRC reserves the right to suspend any developer or development team member from participation in the tax credit program when they have demonstrated behavior or practice in the development or management of a tax credit property determined by KHRC to be detrimental in the administration of the program.

No agent or employee of KHRC shall be held personally liable concerning matters arising out of, or in relation to, the allocation of the Housing Tax Credits. The rules and regulations are in a continuing state of development by the U.S. Treasury Department. Accordingly, KHRC reserves the right to amend the program at any time without notice.

EXHIBIT A

SITE INSPECTION RATING CHECKLIST

City: _____ **County:** _____ **Date:** _____

Site Location: _____

Development Name: _____

Program: _____ **Reviewer:** _____

INSTRUCTIONS:

Rate each category with 1 - 5 points, with 1 being the least desirable and 5 being the most desirable. The maximum potential points are 40. To determine the points for the inclusion in the HTC selection criteria, the total points at the bottom of the page will be divided by two.

		Points
1.	Site Usability, Accessibility and Marketability	
	A. Land cost: Sq. Ft. _____ Unit _____	_____
	B. Layout/Topography (irregular, awkward sites score low)	_____
	C. Utility Location: Gas Water/Sewer Electricity	_____
	D. Visual (marketing, street appeal)	_____
	E. Transportation/Pedestrian (access)	_____
2.	Neighborhood Quality	
	A. Growth Patterns (consistency with master plan, surrounding density)	_____
	B. Adjacent uses (proximity to retail, schools, medical, recreation, etc.)	_____
	North _____ South _____	
	East _____ West _____	
3.	Community Acceptance	
	A. Community Acceptance: Resolution Zoning	_____
	TOTAL SCORE	_____
	HTC SELECTION CRITERIA SCORE	_____

CRITERIA FOR SITE INSPECTION RATING

1. SITE USABILITY, ACCESSIBILITY AND MARKETABILITY

- A. **Land cost per square foot and per unit** will be determined by the program administrator and assigned points on a sliding scale beginning at five points for the lowest costs in each category.
- B. **Layout/Topography.** Irregular, awkward sites, sites in the flood plain, sites with poor drainage, slopes, or rocky areas will score low. Square, rectangular sites with no drainage problems will score high. If the site appears to be a fill site then this should be noted and further investigation made on the nature of the fill. A remote site will score low. Sites located in wetlands or sensitive habitat areas are prohibited.
- C. **Utility location.** Proximity to utilities should be noted. If utilities are not close and the cost of extensions will be borne by the development or if the capacity cannot handle additional load without incurring improvements paid by the development then the score will be low. The program administrator will determine this. Adverse utility location, such as a high line going through the site or if the site is close to a substation or sewer treatment plant, then this category will score low. If these factors are absent the score will be high.
- D. **Marketing.** The visual appeal is important and will score high if there is a pleasant street appearance. Surrounding uses are important. Is this a neighborhood in which you would like to live or in which you would feel comfortable? The tingle factor is an element in this criteria.
- E. **Transportation/Pedestrian.** Easy access to the site by car, foot or public transit will score high. This is particularly important in an elderly development. Confusing ingress and egress, a lack of stoplights or pedestrian signal/crosswalks, no sidewalks or walking area, long distance to public transportation, lack of green area will score low.

2. NEIGHBORHOOD QUALITY

- A. **Growth Patterns.** Applications will score high if they are located in areas with high growth, in the direction of growth or in neighborhoods undergoing demonstrated revitalization; when they are consistent with local planning, density, and surrounding structures and properly zoned. They will score low when the factors are the opposite. Remote sites will score low.
- B. **Adjacent Uses.** Close proximity to retail, schools, medical services, hospitals, day care/support services, recreation/cultural, churches are important. The more of these that are close at hand (within a few blocks) the higher the score. A family oriented development will need schools and day care as a high priority. Job locations would also be high on the list. If schools, day care and jobs are close this category will score high. For elderly targeted developments, medical services, hospitals and other

services are a high priority and if they are close this category will score high. A development located close to another similarly targeted tax credit property will score low.

3. COMMUNITY ACCEPTANCE

- A. Acceptance.** There should be a demonstration that the city and community will accept the development in which case the points will be high. Absent a showing that the housing is greatly needed and there are no other realistic sites, community and city non-acceptance will result in low points. The program administrator will determine this factor. However, if the site reviewer is accompanied by local official inquiries should be made with regard to community acceptance.

EXHIBIT B

HOUSING AUTHORITY REFERRAL AGREEMENT

This Referral Agreement is made between the undersigned Apartment Development (hereinafter referred to as OWNER) and the Public Housing Authority (hereinafter referred to as AUTHORITY):

Whereas, AUTHORITY serves public housing clients, conducts tenant income and qualification screening, and provides housing referral functions; and

Whereas, OWNER is applying to the Kansas Housing Resources Corporation for federal Low Income Housing Tax Credits for its development and this Referral Agreement benefits OWNER in the application process.

Therefore, upon the condition that OWNER receives an allocation of Low Income Housing Tax Credits from the Kansas Housing Resources Corporation and constructs the development, and for the mutual promises herein made, the parties agree as follows:

OWNER shall notify AUTHORITY when units of the development become available for rent.

AUTHORITY shall thereafter refer clients on its waiting list to OWNER. It is understood by both parties that clients referred to OWNER must be qualified and determined eligible for occupancy by OWNER according to minimum set-aside terms defined in Section 42 of the Internal Revenue Code.

OWNER shall give priority consideration to clients from the waiting list of AUTHORITY when leasing available apartment units.

It is expressly understood that: (1) OWNER shall have final authority to determine tenants of the development; (2) OWNER need not lease to any applicant who does not qualify as an eligible tenant according to terms defined in Section 42 of the Internal Revenue Code; and (3) AUTHORITY shall have no liability for the actions of clients referred from its waiting list or responsibility for the payment of rent, except as provided by the terms of any supplemental assistance agreement between AUTHORITY and a specific client.

This Referral Agreement shall terminate by the mutual agreement of OWNER and AUTHORITY or upon the conclusion of the Compliance Period applicable to the development.

OWNER:

Date: _____ **Organizer/Manager**

Public Housing Authority: _____

Date: _____ **Signature and Title**

EXHIBIT C

(Intentionally Left Blank)

EXHIBIT D

INDEPENDENT ACCOUNTANTS' REPORT

The Members

_____, L.C.

We have audited the **Costs Incurred contained in Column C** of the accompanying Schedule of Reasonably Expected Basis and Costs Incurred - statutory basis of _____, L.C. as of _____, 20__. These Costs are the responsibility of the Company's management. Our responsibility is to express an opinion on **these Costs** 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 **Costs Incurred contained in Column C** in the schedule referred to above are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures relating to **these Costs**. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of **these Costs**. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A2, the **Costs Incurred contained in Column C** was prepared on the basis of management's interpretation of Section 42 of the Internal Revenue Code and informal guidelines provided by the Kansas Housing Resources Corporation as they relate to costs that are eligible for the purpose of obtaining tax credits, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the **Costs Incurred contained in Column C** of the Schedule of Reasonably Expected Basis and Costs Incurred-statutory basis present fairly, in all material respects, the costs incurred of _____, L.C. as of _____, 20__ on the basis of accounting as described in Note A2.

We also have compiled the **Forecasted Reasonably Expected Basis upon Completion contained in Column B** of the accompanying Schedule of Reasonably Expected Basis and Costs Incurred-statutory basis as of _____, 20__ in accordance with guidelines established by the American Institute of Certified Public Accountants.

The accompanying **Forecasted Schedule of Reasonably Expected Basis** presents, to the best of management's knowledge and belief, the costs expected to be incurred and included in the development's basis for the determination of tax credits under Section 42 of the Internal Revenue Code.

A compilation is limited to presenting forecasted information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the **Forecasted Reasonably Expected Basis upon Completion contained in Column B** of the accompanying Schedule of Reasonably Expected Basis and Costs Incurred-statutory basis and, accordingly, do not express an opinion or any other form of assurance on this information or its related assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as

expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying schedule and this report were prepared for _____, L.C. for the determination of whether 10% of the forecasted developments reasonably expected basis has been incurred as of _____, 20__ as required by the Kansas Housing Resources Corporation. Accordingly, this report is intended solely for the information and use of management for _____, L.C. and the Kansas Housing Resources Corporation and should not be used for any other purposes.

_____, 20__

Schedule of Reasonably Expected Basis and Costs Incurred - Statutory Basis

_____, 20__

Itemized cost (A)	Forecasted Reasonably Expected Basis Upon Completion (Compiled) (B)	Costs Incurred (Audited) (C)
To Purchase Land and Buildings		
Land		
Existing Structure		
Demolition		
Other		
For Rehabilitation and New Construction		
New Building		
Rehabilitation		
Building Permit Fee		
Contingency		
Other		
For Architectural and Engineering Fees		
Architect Fee – Design		
Architect Fee – Supervision		
Real Estate Attorney		
Consultant or Processing Agent		
Property/Survey Fee		
Engineering Fees		
Other fees Energy Testing		
For Interim Costs		
Construction Insurance		
Construction Interest		
Construction Loan Origination Fee		
Construction Loan attorney fees		
Credit Enhancement		
Taxes		
For Financing Fees and Expenses		
Title and recording		
Counsel’s Fee		
Cost Certification Fee		
Other Lenders’ inspection		
Subtotals		

Itemized cost (A)	Forecasted Reasonably Expected Basis Upon Completion (Compiled) (B)	Costs Incurred (Audited) (C)
For Soft Costs		
Property Appraisal (feasibility)	_____	_____
Market Study	_____	_____
Environmental Report	_____	_____
Tax Credit Fees	_____	_____
Rent-up	_____	_____
Consultants	_____	_____
Other Cost certification	_____	_____
For Syndication Costs		
Organizational (Partnership)	_____	_____
Bridge Loan Fees and Expenses	_____	_____
Tax Opinion	_____	_____
Other	_____	_____
For Developer's Fees		
Developer's Overhead	_____	_____
Developer's Fees	_____	_____
Other	_____	_____
SUBTOTAL	_____	_____
Subtotal from page 4	_____	_____
TOTAL	_____	_____

The accompanying notes are an integral part of this schedule. Also see summary of significant forecast assumptions and accountant's report.

NOTES TO SCHEDULE OF REASONABLY EXPECTED BASIS
AND COSTS INCURRED - STATUTORY BASIS

_____, 20__

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the costs incurred contained in Column C (Costs) of the accompanying Schedule of Reasonably Expected Basis and Costs Incurred (“Schedule”) follows.

1. History and business activity

The Company was formed as a Kansas Limited Liability Company in _____ 20__ to construct and operate _____, a Section 42 housing development of ___ apartment units (“The Development) in _____, Kansas. The development is currently in construction.

2. Reservation of tax credits

The Company received a 20__ allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The Kansas Housing Resources Corporation administers the allocation and program compliance of this housing program, which is requiring the accompanying schedule. Under this program, the Company must rent to individuals whose family income is 60% or less of the area median income, as adjusted for family size. The Company has entered into a reservation agreement for annual tax credits not to exceed \$_____.

3. Need for carryover allocation and the 10 Percent Test

At _____, 20__, The Development has not been completed. According to Internal Revenue Code (“IRC”) Section 42(h)(1)(E), if a development is not placed-in-service in the year it receives its reservation of tax credits, it must apply for a carryover allocation. To be eligible for a carryover allocation, the Company must incur more than 10% of a development’s reasonably expected cost (basis) in the development by the end of the year of allocation (“the 10 Percent Test”). Once the Development receives a carryover allocation, a development must be placed-in-service within the next two years.

4. Basis of presentation

The Schedule has been prepared in conformity with the accounting and reporting guidance provided by the Kansas Housing Resources Corporation for determining development costs. This Schedule is presented on the income tax method of accounting, which includes rules to be used when determining if a liability has been incurred for income tax purposes. The Company will elect the accrual basis of accounting, which is consistent with the method used by the Company in determining costs incurred.

_____, L.C.

NOTES TO SCHEDULE OF REASONABLY EXPECTED BASIS
AND COSTS INCURRED - STATUTORY BASIS - CONTINUED

_____, 20__

NOTE B - REASONABLY EXPECTED BASIS

The IRS issued final regulation Section 1.42-6 that provides many definitions and guidance in complying with the 10% Test. For carryover allocation purposes, reasonably expected basis includes:

- Land
- Costs to construct depreciable property
- Off-site improvements
- Expenditures attributable to commercial space (if any)

Reasonably expected basis excludes:

- Permanent loan fees and interest
- Marketing and lease-up costs
- Organization, syndication, and start-up costs
- Cash reserves

NOTE C - RELATED PARTY TRANSACTIONS

Included in Costs Incurred is a development fee of \$_____. The developer is related to the managing members of the Company through common ownership.

_____, L.C.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

SCHEDULE OF REASONABLY EXPECTED BASIS
AND COSTS INCURRED - STATUTORY BASIS

_____, 20__

1. *Nature of presentation*

The forecast presents, to the best of management's knowledge and belief, the expected costs (reasonably expected basis, see *Note B* to the Schedule) to build the development and make it ready for occupancy. Accordingly, the forecast reflects its judgment as of _____, 20__, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

2. *Reasonably expected basis upon completion*

The forecasted reasonably expected basis is based upon management's development budget. The development budget is based upon contracts and price quotes from various suppliers.

Forecasted construction interest is based upon management's planned construction draw schedule and interest at _____% as required by the construction financing. Management expects construction to be completed in _____ 20____.

EXHIBIT E

INDEPENDENT AUDITORS' REPORT

The Partners

_____, L.P.

We have audited the accompanying schedule of development costs - statutory basis of _____, L.P. as of _____, 20____. This schedule is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this schedule based on our audit.

Except as discussed in the following paragraph, 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 schedule of development costs referred to above is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the schedule of development costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in Note A (2)(c), this schedule includes management's plan to fund various reserves. Because this funding is contingent upon the achievement of certain benchmarks in the future, we were unable to satisfy ourselves as to the reasonableness of the planned reserves or the ability of the Partnership to fund these reserves in accordance with management's plan.

As described in Note A (2), this schedule was prepared on the basis of management's interpretation of Section 42 of the Internal Revenue Code and informal guidelines provided by the Kansas Housing Resources Corporation as they relate to costs that are eligible for the purpose of obtaining tax credits, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to obtain evidence supporting management's plan and ability to fund future reserves, the schedule of development costs referred to above presents fairly, in all material respects, the development costs of _____, L.P. as of _____, 20____, on the basis of accounting as described in Note A (2).

This report is intended solely for the information and use of management of _____, L.P. and The Kansas Housing Resources Corporation and should not be used for any other purpose.

_____, L.P.

NOTES TO SCHEDULE OF DEVELOPMENT COSTS

_____, 20__

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying schedule follows.

1. *History and business activity*

The Partnership, which owns this development, was formed as a Kansas Limited Partnership in _____ to construct and operate this _____ housing development in _____, Kansas (___ units). The development was completed and occupancy began _____, _____. The Partnership received a 20__ allocation of low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The allocation and program compliance of this housing program is administered by the Kansas Housing Resources Corporation, which is requiring the accompanying schedule. Under this program, the Partnership must rent to individuals whose family income is 60% or less of the area median income, as adjusted for family size. The Partnership has entered into a reservation and carryover agreement for annual tax credits not to exceed \$_____.

2. *Basis of presentation*

The schedule of development costs has been prepared on the basis of management's interpretation of Section 42 of the Internal Revenue Code and informal guidelines provided by the Kansas Housing Resources Corporation as they relate to costs that are eligible for the purpose of obtaining tax credits. This guidance differs in some respects from generally accepted accounting principles, and the accompanying schedule reflects the following additional accounting and reporting principles:

- a. Costs are exclusive of kickbacks, rebates or trade discounts.
- b. Development costs include certain anticipated build out costs that are incurred after a building is placed-in-service, such as landscaping and parking lot improvements.
- c. Costs include funded and anticipated working capital reserve requirements.
- d. Eligible basis includes the adjusted basis of depreciable property (without regard to depreciation).

NOTE B - RELATED PARTY TRANSACTIONS

Included in development cost is a development fee of \$_____ to the general partner of the Partnership.

Schedule of Development Costs - _____, 20____		Adjusted Basis by Credit Type	
Itemized Cost	Development Cost	4% Credit Basis	9% Credit Basis
To Purchase Land and Buildings			
Land		N/A	N/A
Existing Structure			N/A
Demolition			
Other			
For Site Work			
Off-site Improvement			
Other			
For Rehabilitation and New Construction			
New Building			
Rehabilitation			
Accessory Building			
General Requirements			
Contractor Overhead			
Contractor Profit			
Building Permit Fee			
Other			
For Architectural and Engineering Fees			
Architect Fee – Design			
Architect Fee – Supervision			
Real Estate Attorney			
Consultant or Processing Agent			
Property/Survey Fee			
Engineering Fees Soil Testing			
Other fees Energy Testing			
For Interim Costs			
Construction Insurance			
Construction Interest			
Construction Loan Origination Fee			
Construction Loan			
Credit Enhancement			
Taxes			
For Financing Fees and Expenses			
Bond Premium		N/A	N/A
Credit Report		N/A	N/A
Perm. Loan Origination Fee		N/A	N/A
Perm. Loan		N/A	N/A
Credit Enhancement		N/A	N/A
Cost of Issuing Underwriter’s Discount		N/A	N/A
Title and recording		N/A	N/A
Counsel’s Fee		N/A	N/A
Cost Certification Fee		N/A	N/A
Other Lenders’ inspection		N/A	N/A

Subtotals

Itemized Cost	Development Cost		4% Credit Basis		9% Credit Basis
For Soft Costs					
Property Appraisal (feasibility)					
Market Study					
Environmental Report					
Tax Credit Fees			N/A		N/A
Rent-up			N/A		N/A
Consultants					
Other KHRC COST CERTIFICATION					
For Syndication Costs					
Organizational (Partnership)			N/A		N/A
Bridge Loan Fees and Expenses			N/A		N/A
Tax Opinion			N/A		N/A
Other			N/A		N/A
For Developer's Fees					
Developer's Overhead					
Developer's Fees					
Other					
For Development Reserves					
Rent-up Reserve			N/A		N/A
Operating Reserve			N/A		N/A
Other			N/A		N/A
Other			N/A		N/A
SUBTOTAL					
Subtotal from page 3					
TOTAL					
Less portion of federal grant used to finance qualifying development costs.					
List Grants					
Less amount of nonqualified nonrecourse Financing					
Less non-qualifying units of higher quality					
Less Historic Tax Credit (Residential Portion Only)					
TOTAL Eligible Basis					
Multiplied by the Applicable Fraction			%		%
TOTAL Qualified Basis					
Multiplied by the Applicable Percentage					

TOTAL AMOUNT OF TAX CREDIT REQUESTED: _____

Placed-in-service Date (If development contains only one building) _____

The accompanying notes are an integral part of this schedule.

EXHIBIT F
UNDERWRITING CRITERIA

Operating Reserves

Minimum operating reserves should equal four to six months of projected operating expenses plus debt service payments and replacement reserve payments. In lieu of operating reserves, developer guarantees will be acceptable when adequate financial capacity and liquidity, track record and outstanding other guarantees are demonstrated.

Replacement Reserves

Minimum replacement reserves should equal at least \$250 per unit annually for new construction and \$300 per unit annually for rehabilitation developments. Exceptions may be made for certain special needs developments such as senior development, which may suffer less wear and tear than other properties. Replacement reserves should be increased annually by the same inflation factor that is used for increasing operating expenses.

Debt Coverage Ratio

A minimum debt service coverage ratio of 1.15 is required in conventionally financed development. For Rural Development financed properties a minimum debt service coverage ratio of 1.05 is required. The debt service coverage ratio should not exceed 1.25 under most circumstances, but is allowed in very small developments. However, foreclosable debt is not required at any property.

Operating Expenses

Operating expenses, exclusive of replacement reserves, should range between \$3,000 and \$4,000 per unit annually. In new construction developments, the operating costs of comparable properties will be taken into consideration. In rehabilitation developments, historic property experience will be reviewed.

Intermediary Costs

Intermediary costs, such as architect fees, attorney fees, recording costs, market studies, environmental reports, energy efficiency testing, engineering, consultants, appraisals, etc. should not exceed 5% of the total development costs. Developments involving nonprofit sponsors will likely have higher intermediary costs.

EXHIBIT G
ENERGY EFFICIENCY RECOMMENDED PRACTICES
AND SPECIFICATIONS

Introduction

A cost-effective and good overall package of performance measures should produce a minimum score of no more than 100 points using the Kansas Energy StarSM Energy Rating Index (ERI). Because the ERI evaluates the overall package of energy efficiency measures, trade-offs may allow an installation that provides less than the minimum standards of the material listed below; however, 100 points will remain the minimum threshold measurement for completed developments. Trade-offs may allow, for instance, an installation of an above grade wall insulation system with an R-value of 11, provided there is an installation of a forced air natural gas space heating system with an AFUE of 96% and an air-conditioning system with a 14 SEER rating. Given dramatic differences in local material and labor costs, developers should work closely with certified Kansas Energy StarSM raters, during the design and planning stage of the development. Working with a rater can help determine the most cost-effective means of achieving a rating of 100 points or less.

Space heating and cooling typically represent the most substantial portion of residential energy use (approximately 44%). The thermal properties of the building envelope and the efficiency of the space heating and cooling, as well as water heating equipment have a significant impact on the comfort, air-quality, and energy use of a home. Below are comparative tables, which describe minimum energy efficiency properties and improved (or better) performance energy efficiency options for the main construction components that contribute to heating and cooling energy use and costs. Cost-effectiveness is affected by fuel prices and installed material and equipment costs. Where natural gas exceeds \$6.50 per MCF, propane exceeds \$0.60 per gallon, or average electric prices exceed \$0.055 per kW, the “Better” levels shown on the tables may be the most “cost-effective.”

Based on the 2012 IECC, there are two Climate Zones (CZ) in Kansas, CZ 4 and CZ 5. The building envelope requirements differ based on climate zone and minimum insulation levels are defined below. (See Exhibit O for Climate Zones).

R-value:

R-value is a measure of resistance to heat transfer through particular materials and insulation products.

Floors Over Unheated Spaces R-value	
Minimum (CZ 4/ CZ 5)	Better (CZ 4/CZ 5)
30	30 / 30

Attic Insulation R-value	
Minimum (CZ 4/ CZ 5)	Better (CZ 4/ CZ 5)
38 / 38	49 / 49

Wall Insulation R-value	
Minimum (CZ 4/ CZ 5)	Better (CZ 4/ CZ 5)
13 / 19 continuous	15 / 21

R-values are determined by controlled

Foundation Insulation R-value	
Basement Walls (CZ 4 and 5)	
Minimum	Better
13	13/19
Crawl Space Walls (CZ 4 and 5)	
Minimum	Better
13	13/19
Slab on Grade (CZ 4 and 5)	
Minimum	Better
10, 2 ft.	10, 4 ft.

laboratory tests. It is important to understand that in order for any insulation product to perform up to its rated R-value, near laboratory conditions must also exist in the field application of these

materials. This generally is not the case in real-world conditions. In order to make field applications more closely resemble laboratory conditions, a comprehensive air-sealing package should accompany the insulation job. The thickness and density of insulation products significantly influences a product's rated R-value. To ensure insulation will perform at its rated R-value, it is necessary to verify the quality of the installation job and the product's installed thickness and density through standardized testing procedures. Generally, this is done by weighing a sample of the material. Insulation manufacturers should have installed density and R-value reference material for their product. Batten insulation products are typically rated as "R-value per inch." This is different than blown-in products because the product's density is predetermined in the manufacture of the product. However, compressing the material or leaving edge-gaps in batten products can significantly influence the product's performance.

U-value:

U-value is a measure of heat conductance and is generally used as the energy efficiency measurement given for windows and doors. It can also be described as $1 \div (\text{R-value}) = \text{U-value}$. If the glazing area exceeds 12% of the total wall area, choose the "Better" option. Typical double pane windows with a 1/2 inch air gap have a U-value of approximately 0.49. Zone 5 requires a U-Factor of at least .27 and any solar heat gain. Zone 4 requires a minimum U-Factor of .30 and solar heat gain of at least .40

Unlike R-value, lower U-value rating numbers indicate higher levels of efficiency.

Equipment:

Space heating and cooling equipment, as well as water heater equipment have a wider variety of energy efficiency measurements applied to them.

Performance ratings may be given in any of the following manners:

- Annual Fuel Utilization Efficiency, **AFUE** - used to rate gas or propane warm-air furnaces and small boilers.
- Seasonal Energy Efficiency Ratio, **SEER** - performance indicator for residential central air conditioners.
- Heating Season Performance Factor, **HSPF** - measures performance of air-source heat pumps.
- Energy Efficiency Ratio, **EER** - used as a rating on window air conditioners and ground-source heat pumps.

The most efficient equipment has the highest numbers based on the performance rating. These ratings are also determined in laboratory conditions. The installed quality of equipment and their respective distribution systems can have serious implications on their efficient and safe operation. Energy Star appliances are recommended.

Special attentions should be given to space heating and cooling systems' distribution systems. HVAC distribution system designs should provide a means for balancing air and water systems. Such design considerations could include, but are not limited to, dampers, temperature and pressure test connections, balancing valves and passive return-air ventilation. Typically, distribution systems consist of supply and return-air duct work, but could be systems of single or supply and return (2-pipe) plumbed piping, as with boilers. The efficiencies listed above do not account for losses through distribution systems.

Heating and Cooling Equipment	
Forced Air Heating System AFUE Rating	
Minimum	Better
95	96
Air Conditioner SEER	
Minimum	Better
13	16
Air Source Heat pump HSPF	
Zone 4	Zone 5
8.5 minimum	9.25 minimum
Ground Source Heat pump EER	
Minimum	
E Star	

Naturally aspirated space and water heating equipment should be isolated from the conditioned space of the home. In addition to affecting the performance of the heating or cooling system, distribution system losses can also influence occupant comfort, health, safety and indoor air quality. Distribution losses through ductwork, which is connected to unconditioned spaces, are generally more significant than ductwork, which is located within the conditioned space of the home. However, all attempts should be made to ensure ductwork is airtight. Even duct leaks within the conditioned area of the home can jeopardize the occupant's comfort, health, safety and indoor air quality. KHRC recommends that duct leakage not exceed 6 CFM of leakage per 100 square foot of conditioned living area @CFM 25. Meeting this requirement will also meet the ENERGY STAR certification requirement. All ductwork, which runs through unconditioned areas, should be insulated to a minimum R-value of 6 (R-8 for northern Kansas counties). If insulated flexible ductwork is installed, any run should not be longer than ten feet and must be stretched tight to achieve its rated R-value and airflow characteristics. Duct insulation should cover 100% of the exposed ductwork in unconditioned areas and be firmly secured to all sides of the ductwork. All joints in the ductwork should be sealed with mastic. This includes joints between the furnace cabinet and supply and return duct work, joints between supply and return plenums and duct take-offs, as well as between ducts and their registers and between registers and the surface they protrude through. Duct tape is not an acceptable sealant on any ducts. Exhaust fans are not exempt from the insulation requirement(s), and remain subject to the air-sealing requirements. Such ventilation should be extended through the exterior of the structure.

Water heating is the third largest energy user in most homes. Typical water heating systems have listed performance ratings similar to HVAC equipment. The performance rating given to water heaters is called their Energy Factor (EF). Energy Factor is the overall water heater efficiency including jacket and off-cycle losses. As with HVAC equipment performance ratings, the higher the number, the more energy efficient the equipment.

DWH EF	
Natural Gas or Propane	
Size	Mon EF
30 gal	0.63
40 gal	0.61
50 gal	0.59
Electric	
30 gal	0.94
40 gal	0.93
50 gal	0.92

Electric water heaters are acceptable and will meet KHRC certifications requiring compliance with the 2012 IECC. Water heater distribution systems/hot water pipes up to one inch in diameter should be insulated with 1/2 inch of insulation if they run through unconditioned areas of the home. Water conservation should also be considered, as this can reduce the amount of heated water necessary for the occupants. Energy saving showerheads should be installed and should have a maximum flow rate of 2.5 gallons per minute at 80 pounds per square inch.

Infiltration:

The infiltration rate measurement of homes is often given in “air changes per hour (ACH).” However, infiltration rates can be given in other measurement forms. A blower door reading could be expressed as cubic feet per minute (CFM) with the home depressurized to a specific pressure. Usually, a home would be depressurized to 50 pascals and the measurement provided would be at CFM₅₀.

Infiltration is the biggest contributor to heat loss in many homes. As mentioned, a comprehensive air-sealing package should accompany all insulation work. The air-tightness/infiltration rate of a home (or unit) also can affect the occupant’s comfort, health, safety, and the energy use of the home. Indoor air quality must be maintained, with a minimum level of energy loss through infiltration. Air-leakage through the building’s thermal envelope should be addressed; however, leakage that may occur between intentionally conditioned interior areas of the house does not require air sealing. Exterior doors and windows should be designed to limit air leakage into or from the building envelope. Exterior windows and doors should have infiltration rates, which do not exceed those listed on the table below:

This information is usually readily available from window and door manufacturers. Most modern manufacturers of windows and doors meet or exceed the requirements listed in the table.

Infiltration Rates for Windows and Doors	
Item	(cfm per square foot)
Windows	0.30
Sliding doors	0.30
Swinging doors	0.50

All exterior joints, seams or penetrations in the building envelope should be sealed with durable caulking materials, sealed with gasket systems, or covered with a moisture vapor permeable house-wrap. Air leakage locations to be treated should include all openings, cracks and joints between wall cavities and window or door frames; between wall assemblies and their sill-plates and foundations; between walls and roof/ceilings or attic/ceiling seals and between separate wall panels; penetration of utility services through walls, floors and roof assemblies, penetrations through the wall cavity of top and/or bottom plates; and all other such openings in the building envelope. This includes sealing around tubs and showers, at the attic and crawl space panels (or walls), at recessed light fixtures and around all plumbing and electrical penetrations.

The American Society of Heating, Refrigerating and Air Conditioning Engineers, Inc. (ASHRAE) recommends that homes should not have an infiltration rate less than 0.35 natural ACH. This helps to ensure that indoor air quality is not compromised through allowing the home to “breathe.” With current building practices, this level of infiltration is often achieved and in many cases homes have infiltration rates lower than 0.33 natural ACH. Following the insulation, window and door, and infiltration requirements above, an infiltration rate that approaches this standard should not be difficult to achieve. Newly constructed units and units under-going substantial rehabilitation should not have infiltration rates above 0.45 natural ACH. The infiltration rate of the home (or unit) should be verified through blower door testing.

Material installation:

Where applicable, all material listed in this document must be tested and installed in accordance with the standards identified in the 2012 International Energy Conservation Code (IECC). Such installation standards primarily relate to insulation materials and their respective applications. Check with local building officials to determine if local building codes may supersede the installation standards identified in the 2012 IECC. Notify the Kansas Housing Resources Corporation's Housing Tax Credit Program, if local code regulations prohibit or interfere with 2012 IECC material or installation standards.

CERTIFICATE OF COMPLIANCE
2012 International Energy Conservation Code

On _____, 20____, the Low Income Housing Tax Credit property situated at:

(Apt. No. or Street Address)

(City, State Zip Code)

was rated by _____ / _____.
(Rater Name) (Rater Number)

The rating conducted on _____ indicates
(Apt. No. or Street Address)

(Check the appropriate boxes)

- The home **MEETS** the requirements for 2012 International Energy Conservation Code (IECC) Overall Building **Uo Compliance**.
- The home **DOES NOT MEET** the requirements for 2012 International Energy Conservation Code (IECC) Overall Building **Uo Compliance**.
- The home **MEETS** the requirements for 2012 International Energy Conservation Code (IECC) Annual Energy **Consumption Compliance**.
- The home **DOES NOT MEET** the requirements for Performance Summary 2012 International Energy Conservation Code (IECC) Annual Energy **Consumption Compliance**.

The ERI Index for the home is _____ on the Energy Rating Index Scale **based on plans/upon completion** (Circle appropriate response).

I certify the property identified above has been rated according the standards of the Kansas Energy StarSM Program Energy Rating Index.

The following ERI Reports are attached:

- Action Report
- Energy Cost and Feature Report
- Performance Summary
- 2012 International Energy Compliance Code (IECC) Overall Building Uo Compliance
- 2012 International Energy Compliance Code (IECC) Annual Energy Consumption Compliance
- Energy Rating Index Report/Certificate

(Rater Signature)

EXHIBIT H

Establishing a Rural Housing Incentive District Based on a City or County Housing Needs Analysis

Guide for the Certification of Findings and Determinations



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Topeka, Kansas 66603-3803
Phone: (785) 217-2001
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www.kshousingcorp.org

The Legislation

In the 1998 session, the Kansas Legislature passed, and the Governor signed into law, House Bill No. 2590, the Kansas Rural Housing Incentive District Act. The act encourages housing development in rural cities and counties, where housing shortages exist, by authorizing tax increment financing for public improvements in support of housing development.

A rural city is defined as having a population of less than 60,000 in a county of less than 80,000. A rural county is defined as having a population of less than 40,000.

Before utilizing this incentive, the governing body of the city or county must conduct a housing needs analysis. The Secretary of the Department of Commerce must certify that the findings and determinations of the housing needs analysis justify the use of this incentive. (See K.S.A. 12-5241 – 12-5301. Note Chapter 12-5244.)

Kansas Housing Resources Corporation offers the following guidance regarding the findings and determinations necessary to establish a rural housing incentive district.

Shortage of Quality Housing

The governing body of the city or county must find and determine, and the Secretary of Commerce must agree, that **there is a shortage of quality housing of various price ranges in the city or county despite the best efforts of public and private housing developers.**

Quality housing may be established under either or both of the following definitions:

1. Housing units pass inspection under the Section 8 Housing Quality Standards (HQS) of the U.S. Department of Housing and Urban Development, as determined by State certified local housing inspectors.
2. Households do not have housing problems as determined by the U. S. Census Bureau. Housing problems of households include:
 - (a) Occupying units with physical defects, i.e., lacking complete kitchen or bathroom;
 - (b) Occupying overcrowded units, i.e., more than one person per room; and
 - (c) Carrying a cost burden greater than 30%, i.e., housing costs, including utilities, exceed 30% of gross income.

Housing price ranges may be those established by the U.S. Census Bureau for the categories of value of owner-occupied units and the categories of gross rent for renter-occupied units. As an alternative, housing price ranges may be locally established for the categories of current selling prices of owner-occupied units and the categories of current contract rents for rental units.

One or more of the following housing market indicators may be used by Kansas Housing Resources Corporation for the determination of housing shortages.

OWNER-OCCUPIED HOUSING

<u>Housing Supply / Demand</u>	<u>Housing Shortage Indicator</u>
Vacancy rate	Low (1% of stock or less)
Overcrowding	High (6% of stock or more)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (96% of stock or less)
New units (1 year old or less)	Low (1.5% of stock or less)
Old units (50 years old or more)	High (40% of stock or more)
Price: income match	Count of households in income category exceeds count of units in price category (units not to exceed 30% of gross income)

RENTAL HOUSING

<u>Housing Supply / Demand</u>	<u>Housing Shortage Indicator</u>
Vacancy rate	Low (under 5% of stock)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (95% of stock or less)
New units (1 year old or less)	Low (1.0% of stock or less)
Old units (50 years old or more)	High (40% of stock or more)
Rent: income match	Count of households in income category exceeds count of units in rent category (units not to exceed 30% of gross income)

U. S. Census data may be used to establish the above indicators of housing shortages. As an alternative, current housing market information may be collected and used for this purpose.

Beyond the present, five-year projections of population, housing supply, and housing demand may be used to anticipate future market conditions. Also, changing housing needs - trends toward an aging population, smaller households, etc. - may alter the housing market of the future.

In the past, the best efforts of public and private housing developers may be documented by the difficulty of the city or county in attracting new businesses and / or the difficulty of investors and lenders in financing new construction or renovation of housing.

Persistence of Housing Shortage

The governing body of the city or county must find and determine, and the Secretary of Commerce must agree, that **the shortage of quality housing can be expected to persist and that additional financial incentives are necessary in order to encourage the private sector to construct or renovate housing in such city or county.**

The persistence of a shortage in quality housing may be indicated by relatively low development activity in the housing market. One or more of the following factors may demonstrate low housing development activity:

1. The formula of new housing units constructed, minus existing housing units demolished, results in a low net gain (or loss) of residential units.
2. Existing housing units, suitable for rehabilitation, are present, but little or no rehabilitation activity is occurring.
3. Residential land is available. However, buildable lots or subdivisions have few or no new housing units in the pipeline, i.e., units planned or approved, but without building permits.

The necessity of additional financial incentives for the private sector may be documented by the current shortage of quality housing, the past (best) efforts of housing developers, and / or pro formas showing future housing developments are not financially feasible.

Deterrent to Economic Growth

The governing body of the city or county must find and determine, and the Secretary of Commerce must agree, that **the shortage of quality housing is a substantial deterrent to the future economic growth and development of such city or county.**

Economic growth is an increase in the city or county of number of jobs, per capita or median income, employment rate, sales levels, etc. Economic development is the formation of a public/private partnership between local government and community-based organizations to improve the local economy. The partners cooperate to pursue effective strategies of linking public and private investment, supporting the local economy in the regional, national, and global economies.

Economic growth and development produce employment and income gains, population and household gains. An ongoing shortage of quality housing will not accommodate the corresponding

increase in volume and / or level of housing demand. If persuasive, the preceding documentation, ipso facto, will attest that the shortage of quality housing is a substantial deterrent to future economic growth and development.

City or County Incentives

The governing body of the city or county must find and determine, and the Secretary of Commerce must agree, that **the future economic well-being of the city or county depends on the governing body providing additional incentives for the construction or renovation of quality housing in such city or county.**

Economic well-being is the ability of the city or county to achieve, and sustain, a favorable rate of economic growth. Therefore, the city or county must provide attractive business, education, recreation, and other opportunities. Economic growth brings employment growth. Quality housing attracts employees and fulfills their needs.

If persuasive, the preceding documentation, ipso facto, will attest that the future economic well-being of the city or county depends on the governing body providing additional incentives for the construction or renovation of quality housing.

As a word of caution, a rural housing incentive district, by itself, will not generate economic well-being. Community leadership and non-housing resources, also, will be needed.

EXHIBIT I

KANSAS HOUSING RESOURCES CORPORATION

Fair Housing Activities of Partners

Fair Housing is the law. See the Kansas Analysis of Impediments to Fair Housing Choice 2014 (AI) and the Kansas Fair Housing Action Plan 2014 – 2018.

The Kansas Analysis of Impediments to Fair Housing Choice (AI) identifies six impediments to fair housing, including: (1) difficulty in finding accessible housing (accommodation for disabilities) (2) lack of fair housing information (publicity: rights and complaints) (3) biased lending practices (predatory lending) (4) lack of reporting (knowledge, fear of retribution, and apathy) (5) resistance to single parent rentals (large families) (6) resistance to minority rentals (Hispanic, African American, Asian etc.). The Kansas AP identifies fair housing activities to reduce, and if possible, eliminate these impediments. Please work to affirmatively further fair housing.

Kansas Housing Resources Corporation hereby asks all of its housing partners to affirmatively further fair housing. Local governments, private developers or owners, and nonprofit organizations receiving housing funds must complete, and verify, a minimum of one fair housing activity per year per loan or grant.

As a guide for housing partners, please see the Kansas AP for a basic list of fair housing activities. Also, please review the supplemental list of fair housing activities below.

Fair Housing Activities

Planning, Research, and Development

1. Review, and revise, the local comprehensive land use plan, zoning and subdivision ordinances to promote deconcentration of assisted housing units.
2. Offer city/county owned property to developers at nominal costs for the construction of assisted housing units.
3. Adopt a city/county code enforcement ordinance requiring landlords to maintain housing properties in a decent, safe, and sanitary condition. Perform inspections. Enforce the code.
4. Conduct research to identify low- and moderate-income housing needs, including the needs of minorities, single parent families, and persons with disabilities.
5. Prepare and implement a comprehensive housing plan or housing affordability strategy.
6. Perform a local analysis of impediments to fair housing choice.
7. Reduce or eliminate an identified local impediment to fair housing.

Business and Finance

1. Increase opportunities for minority- and women-owned businesses in real estate sales, housing construction, mortgage lending, and property management.
2. Design an outreach program with housing developers to recruit minorities, women, and low-income persons for employment.
3. Establish a Community Housing Development Organization (CHDO), involving low-income persons, women, and minorities in all aspects of the business.
4. Encourage banks and other financial institutions to avoid redlining practices and function as Equal Housing Opportunity lenders.
5. Persuade real estate brokers and others to schedule classes on homeownership financing and options for low-income persons, minorities, women, and persons with disabilities.
6. Provide housing counseling to help minorities find housing outside areas of concentration.

Information and Education

1. Convince the city/county to adopt by resolution the U.S. Fair Housing Act and the Kansas Act Against Discrimination. Distribute these acts to interested citizens.
2. Issue a Fair Housing Month Proclamation by the city/county.
3. Design radio or television spots for public service announcements on fair housing.
4. Display fair housing posters and flyers in grocery stores, public libraries, and other places.
5. Publish bilingual fair housing information for non-English speaking residents in the community.
6. Organize a class project or art contest in the schools on fair housing.
7. Sponsor a fair housing seminar or campaign with churches, schools, and service agencies.
8. Contact the Kansas Fair Housing Project Team at the Kansas Housing Resources Corporation to participate in a workshop on fair housing.

Complaints and Remedies

1. Commit the city/county to assist persons experiencing discrimination in housing. When indicated, facilitate the filing of complaints with the U.S. Department of Housing and Urban Development (HUD) or the Kansas Human Rights Commission (KHRC).
2. Insert the city/county pledge of support for fair housing in local utility bills; include information on filing housing discrimination complaints.
3. Print the HUD and KHRC phone numbers for housing discrimination complaints in the advertising section of the local newspaper.

EXHIBIT J
State of Kansas
2016 HUD Maximum per Unit Subsidy Limit
HOME Investment Partnerships Program

All Buildings

Locality	0 BR	1 BR	2 BR	3 BR	4+ BR
All Kansas Cities	\$141,089	\$161,738	\$196,673	\$254,431	\$279,286

Partnership items. Sections 6221–6231 authorize a Tax Matters Partner to perform certain acts on behalf of an affected partnership. Rules governing the use of Form 8821 do not replace any provisions of these sections.

When to file. Form 8821 must be received by the IRS within 60 days of the date it was signed and dated by the taxpayer.

Where to file. Generally, mail or fax Form 8821 directly to the Centralized Authorization File (CAF) Unit at the service center where the related return was, or will be, filed. To find the service center address, see the related tax return instructions. To get the fax number, call 1-800-829-1040.

If Form 8821 is for a specific tax matter, mail or fax it to the office handling that matter. For more information, see the instructions for line 4.

Specific Instructions

Line 1—Taxpayer information

Individuals. Enter your name, TIN, and your street address in the space provided. Do not enter your appointee's address or post office box. If a joint return is used, also enter your spouse's name and TIN. Also enter your EIN if applicable.

Corporations, partnerships, or associations. Enter the name, EIN, and business address.

Employee plan. Enter the plan name, EIN of the plan sponsor, three-digit plan number, and business address of the plan sponsor.

Trust. Enter the name, title, and address of the trustee, and the name and EIN of the trust.

Estate. Enter the name, title, and address of the decedent's executor/personal representative, and the name and identification number of the estate. The identification number for an estate includes both the EIN, if the estate has one, and the decedent's TIN.

Line 2—Appointee. Enter your appointee's full name. Use the identical full name on all submissions and correspondence. If you wish to name more than one appointee, indicate so on this line and attach a list to the form.

Note: Only the first three appointees you list will be input on the CAF.

Enter the nine-digit CAF number for each appointee. If an appointee has a CAF number for any previously filed Form 8821 or power of attorney (Form 2848), use that number. If a CAF number has not been assigned, enter "NONE," and the IRS will issue one directly to your appointee.

The CAF number is a number that the IRS assigns to appointees. The appointee's CAF number must be used on all future Forms 8821 or 2848. The IRS does not assign CAF numbers to requests for employee plans and exempt organizations.

Line 3—Tax matters. Enter the type of tax, the tax form number, the years or periods, and the specific tax matter. Enter "Not applicable," in any of the columns that do not apply.

In **column (c)**, write the years using the YYYY format, for example, "2000." Do not use general references such as "all years," or "all periods." If you do, your application will be returned.

You may list any prior years or periods, but for future periods, you are limited to the 3 future periods that end no later than 3 years after the date Form 8821 is received by the IRS. For **employment tax** or **excise tax** returns, enter the applicable quarters of the tax year. For **estate tax** returns, enter the date of the decedent's death instead of the year or period.

In **column (d)**, enter any specific information you want the IRS to provide. Examples of column (d) information are: transcript of an account, a balance due amount, a specific tax schedule, or a tax liability.

For requests regarding a **foreign certification** shown on Form 6166, Certification of Filing A Tax Return, enter "Form 6166" in column (d) and check the box on line 4.

Line 4—Specific use not recorded on CAF. Generally, the IRS records all tax information authorizations on the CAF system. However, authorizations relating to a specific issue are not recorded.

Check the box on line 4 if Form 8821 is filed for any of the following reasons: (1) requests to disclose information to loan companies or educational institutions, (2) requests to disclose information to Federal or state agency investigators for background checks, (3) civil penalty issues, (4) trust fund recovery penalty,

(5) application for EIN, or (6) claims filed on Form 843, Claim for Refund and Request for Abatement. If you check the box on line 4, your appointee should mail or fax Form 8821 to the IRS office handling the matter. Otherwise, your appointee should bring a copy of Form 8821 to each appointment to inspect or receive information. A specific use tax information authorization does not automatically revoke any prior tax information authorizations.

Line 6—Retention/revocation of tax information authorizations. Check the box on this line and attach a copy of the tax information authorization you do not want to revoke.

To revoke an existing authorization, send a copy of the previously executed Form 8821 to the IRS office where it was filed. Write "REVOKE" across the top of the form and sign your name again under the existing signature (line 7). If you do not have a copy of the prior Form 8821, send a letter to the IRS office where you filed it. The letter must indicate that the authority of the tax information authorization is revoked and must be signed by the taxpayer. Include the name and address of each appointee whose authority is revoked.

Note: Filing Form 8821 does not revoke any Form 2848 that is in effect.

Line 7—Signature of taxpayer(s)

Individuals. You must sign and date the authorization. Either husband or wife must sign if Form 8821 applies to a joint return.

Corporations. Generally, Form 8821 can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer, and (4) any other person authorized to access information under section 6103(e).

Partnerships. Generally, Form 8821 can be signed by any person who was a member of the partnership during any part of the tax period covered by Form 8821. See **Partnership items** above.

All others. See section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Form 8821 is provided by the IRS for your convenience and its use is voluntary. If you designate an appointee to inspect and/or receive confidential tax information, you are required by section 6103(c) to provide the information requested on the form. Under section 6109, you must disclose your social security number (SSN), employer identification number (EIN), or individual taxpayer identification number (ITIN). If you do not provide all the information requested on this form, we may not be able to honor the authorization.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also give this information to other countries pursuant to tax treaties.

You are not required to provide the information requested on a form unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Disclosure of the information on this form may be made as provided in section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping, 7 min.; **Learning about the law or the form,** 12 min.; **Preparing the form,** 24 min.; **Copying, assembling, and sending the form to the IRS,** 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send Form 8821 to this address. Instead, see **Where to file** on this page.



EXHIBIT L

**KANSAS HOUSING RESOURCES CORPORATION
HOUSING TAX CREDIT
DEVELOPMENT FINANCING CERTIFICATION**

The undersigned party hereby certifies that as the legal owner of real estate, which has been granted a 20____Housing Tax Credit Allocation, the sources of financing or anticipated sources of financing with respect to buildings in this development are as follows:

LENDER	AMOUNT	INTEREST RATE	AMORT. PERIOD	TERM OF LOAN
Tax Credit Equity				
Total Financing				

IN WITNESS WHEREOF, the owner has caused this certification to be duly executed in its name on this _____ day of _____, 20_____.

Legal Name of Owner

By: _____
Name

Title

STATE OF: _____

COUNTY OF _____, To-Wit: _____

Signed and sworn to before me, the undersigned authority, on this _____ day of _____, 20_____.

My commission expires: _____.

Notary Public

EXHIBIT M

**KANSAS HOUSING RESOURCES CORPORATION
HOUSING TAX CREDIT**

DEVELOPMENT COST CERTIFICATION

DEVELOPMENT
NAME: _____

DEVELOPMENT
LOCATION: _____

OWNER: _____

FEDERAL TAX ID NUMBER: _____

I. DEVELOPMENT UNIT AND RENTAL DESCRIPTION

For purposes of this calculation, establish the number and floor space of income units for this development by projecting the greatest number of rental residential units and greatest amount of space to be occupied by low income households at the close of any taxable year during the 15-year compliance period.

Low-Income Residential Units:

	(1) No. of Units	(2) Unit Size in Sq. Ft.	(1) x (2) Total Sq. Ft.	(3) Tenant Pd. Rent	(4) Utility Allow.	(3) + (4) Gross Ten. Rent
Efficiency						
1-Bedroom						
2 Bedroom						
3-Bedroom						
4-Bedroom						
Total Units		Total Sq. Ft.			Residential Sq. Ft.	

Market Residential Units:

	(1) No. of Units	(2) Unit Size in Sq. Ft.	(1) x (2) Total Sq. Ft.	(3) Tenant Pd. Rent	(4) Utility Allow.	(3) + (4) Gross Ten. Rent
Efficiency						
1-Bedroom						
2 Bedroom						
3-Bedroom						
4-Bedroom						
Total Units		Total Sq. Ft.				

II. CALCULATING THE APPLICABLE FRACTION

1. Total Low-Income Residential Units _____ Units
2. Total Market Residential Units _____ Units
3. Total Residential Units (Lines 1+2) _____ Units
4. Total Low-Income Residential Floor Space _____ Sq. Ft.
5. Total Market Residential Floor Space _____ Sq. Ft.
6. Total Residential Floor Space (Lines 4+5) _____ Sq. Ft.
7. Unit Fraction Equals Line 1
Line 3 _____
8. Floor Space Fraction Equals Line 4
Line 6 _____
9. Applicable Fraction Equals Lesser of Line 7 or Line 8 _____

III. CALCULATING THE TOTAL DEVELOPMENT COST AND TAX CREDIT AMOUNT

Only include actual expenditures for this development, which were incurred during the maximum 24-month period allowed in Section 42(e)(3)(A).

The owner certifies that the 24-month period mentioned above began _____, 20____, and that the expenditures included in the eligible basis were incurred within the 24-month period, which began on that date.

List Total Development Costs and Indicate Adjusted Basis Basis by Credit Type. (Residential Portion Only)

Schedule of Development Costs - _____, 20____		Adjusted Basis by Credit Type	
Itemized Cost	Development Cost	4% Credit Basis	9% Credit Basis
To Purchase Land and Buildings			
Land		N/A	N/A
Existing Structure			N/A
Demolition			
Other			
For Site Work			
Off-site Improvement			
Other			
For Rehabilitation and New Construction			
New Building			
Rehabilitation			
Accessory Building			
General Requirements			
Contractor Overhead			
Contractor Profit			
Building Permit Fee			
Other			
For Architectural and Engineering Fees			
Architect Fee – Design			
Architect Fee – Supervision			
Real Estate Attorney			
Consultant or Processing Agent			
Property/Survey Fee			
Engineering Fees Soil Testing			
Other fees Energy Testing			
For Interim Costs			
Construction Insurance			
Construction Interest			
Construction Loan Origination Fee			
Construction Loan			
Credit Enhancement			
Taxes			
For Financing Fees and Expenses			
Bond Premium		N/A	N/A
Credit Report		N/A	N/A
Perm. Loan Origination Fee		N/A	N/A
Perm. Loan		N/A	N/A
Credit Enhancement		N/A	N/A
Cost of Issuing Underwriter's Discount		N/A	N/A
Title and recording		N/A	N/A
Counsel's Fee		N/A	N/A
Cost Certification Fee		N/A	N/A
Other Lenders' inspection		N/A	N/A
Subtotals			

Itemized Cost	Development Cost	Adjusted Basis by Credit Type	
		4% Credit Basis	9% Credit Basis
For Soft Costs			
Property Appraisal (feasibility)			
Market Study			
Environmental Report			
Tax Credit Fees		N/A	N/A
Rent-up		N/A	N/A
Consultants			
Other KHRC COST CERTIFICATION			
For Syndication Costs			
Organizational (Partnership)		N/A	N/A
Bridge Loan Fees and Expenses		N/A	N/A
Tax Opinion		N/A	N/A
Other		N/A	N/A
For Developer's Fees			
Developer's Overhead			
Developer's Fees			
Other			
For Development Reserves			
Rent-up Reserve		N/A	N/A
Operating Reserve		N/A	N/A
			N/A
Other		N/A	N/A
	SUBTOTAL		
	Subtotal from page 3		
	TOTAL		
Less portion of federal grant used to finance qualifying development costs.			
List Grants		()	()
Less amount of nonqualified nonrecourse financing		()	()
Less non-qualifying units of higher quality		()	()
Less Historic Tax Credit (Residential Portion Only)		()	()
	TOTAL Eligible Basis		
	Multiplied by the Applicable Fraction	%	%
	TOTAL Qualified Basis		
	Multiplied by the Applicable Percentage	%	%

TOTAL AMOUNT OF TAX CREDIT REQUESTED: _____

Placed-in-service Date (If development contains only one building) _____

The accompanying notes are an integral part of this schedule.

If the development will contain more than one buildings, TABLE A must be completed to properly prorate the Tax Credit Amount to buildings in the development which will contain low-income units.

(PLEASE NOTE: The actual amount of credit for the development is determined by the Kansas Housing Resources Corporation.)

IV. Syndication Information Provide information below concerning syndication and estimated proceeds from sale of tax credits.

Gross Housing Tax
Credit Proceeds: _____

Gross Historic Rehabilitation
Tax Credit Proceeds: _____

Net Housing Tax
Credit Proceeds: _____

Net Historic Rehabilitation
Tax Credit Proceeds: _____

When are these net proceeds paid? _____ (date)

Type of Offering: Public Private

Type of Investors: Individuals Corporations

Name of Fund: _____

Name of Syndicator: _____

Address: _____ State: _____ Zip: _____

Telephone: _____

The undersigned is responsible for ensuring that the development consists or will consist of a qualified building or buildings as defined in the Internal Revenue Code, Section 42, and will satisfy all applicable requirements of federal tax law in the acquisition, rehabilitation, or construction and operation of the development to receive the housing credits.

The undersigned agrees that the Kansas Housing Resources Corporation will not be held responsible or liable for any representations made to the undersigned or its investors relating to the Housing Tax Credit Program; therefore, the undersigned assumes the risk of all damages, losses, costs, and expenses related thereto and agrees to indemnify and save harmless the Kansas Housing Resources Corporation against any and all claims, suits, losses, damages, costs, and expenses of any kind and of any nature that the Kansas Housing Resources Corporation may hereinafter suffer, incur, or pay arising out of the use of the information concerning the Housing Tax Credit Program on the referenced development. The undersigned hereby certifies that the information set forth in this form and in any attachments in support thereof, is true, correct, and complete to the best of his/her knowledge and belief.

IN WITNESS WHEREOF, the owner has caused this document to be duly executed in its name on this _____ day of _____, 20____.

Legal Name of Owner

By: _____
Name

Title

STATE OF KANSAS:

COUNTY OF _____, To-Wit:

Signed and sworn to before me, the undersigned authority, on this ____ day of _____, 20____.

My commission expires: _____

Notary Public

Table A

Calculation of the Housing Tax Credit on a Building by Building Basis

Development Name:

Building Number												
Number of Units												
Complete Address												
Placed -In-Service Date												
Credit Type	4%	9%	4%	9%	4%	9%	4%	9%	4%	9%	4%	9%
Total Eligible Basis												
Lesser of the Percentages of: Low income Units or Floor Space												
Total Qualified Basis												
Applicable Credit Percentage												
Estimated Annual Tax Credit Amount												

EXHIBIT N
2018 FAIR MARKET RENT

Metropolitan Area Name	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	FMR Percentile
Kansas City, MO-KS HUD Metro FMR Area (Includes: Johnson, Miami , Leavenworth, Linn & Wyandotte Counties)	\$568	\$713	\$869	\$1,181	\$1,340	40
Kingman County, KS HUD Metro FMR Area	\$445	\$524	\$697	\$935	\$1,118	40
Lawrence, KS MSA (Includes: Douglas County)	\$577	\$640	\$843	\$1,226	\$1,485	40
Manhattan, KS MSA (Includes: Geary, Pottawatomie & Riley Counties)	\$762	\$767	\$1,014	\$1,463	\$1,779	40
St. Joseph, MO-KS MSA (Includes Doniphan County)	\$519	\$576	\$739	\$953	\$1,105	40
Sumner County, KS HUD Metro FMR Area	\$454	\$544	\$712	\$893	\$1,139	40
Topeka, KS MSA (Includes: Jackson, Jefferson, Osage, Shawnee & Wabaunsee Counties)	\$507	\$594	\$786	\$1,045	\$1,257	40
Wichita, KS HUD Metro FMR Area (Includes: Butler, Harvey, & Sedgwick Counties)	\$515	\$609	\$807	\$1,103	\$1,302	40
County Name	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	FMR Percentile
Allen County	\$508	\$536	\$697	\$874	\$1,127	40
Anderson County	\$508	\$607	\$697	\$1,014	\$1,160	40
Atchison County	\$534	\$551	\$733	\$919	\$1,291	40
Barber County	\$508	\$524	\$697	\$874	\$949	40
Barton County	\$508	\$524	\$697	\$874	\$1,117	40
Bourbon County	\$445	\$524	\$697	\$882	\$949	40
Brown County	\$508	\$524	\$697	\$874	\$949	40
Butler County	\$515	\$609	\$807	\$1,103	\$1,302	40
Chase County	\$508	\$535	\$697	\$944	\$1,020	40
Chautauqua County	\$560	\$577	\$768	\$963	\$1,124	40
Cherokee County	\$508	\$524	\$697	\$942	\$1,086	40
Cheyenne County	\$508	\$607	\$697	\$1,014	\$1,048	40
Clark County	\$519	\$535	\$712	\$935	\$990	40
Clay County	\$605	\$624	\$830	\$1,203	\$1,417	40
Cloud County	\$508	\$529	\$697	\$874	\$1,036	40

County Name	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	FMR Percentile
Coffey County	\$508	\$531	\$697	\$947	\$1,089	40
Comanche County	\$508	\$524	\$697	\$874	\$1,020	40
Cowley County	\$447	\$527	\$701	\$902	\$955	40
Crawford County	\$545	\$549	\$730	\$1,025	\$1,141	40
Decatur County	\$508	\$524	\$697	\$948	\$1,020	40
Dickinson County	\$445	\$543	\$697	\$946	\$949	40
Doniphan County	\$519	\$576	\$739	\$953	\$1,105	40
Douglas County	\$577	\$640	\$843	\$1,226	\$1,485	40
Edwards County	\$508	\$532	\$697	\$892	\$1,020	40
Elk County	\$508	\$525	\$697	\$919	\$1,228	40
Ellis County	\$539	\$559	\$710	\$979	\$1,183	40
Ellsworth County	\$508	\$524	\$697	\$874	\$949	40
Finney County	\$572	\$603	\$784	\$983	\$1,207	40
Ford County	\$556	\$600	\$763	\$1,057	\$1,114	40
Franklin County	\$588	\$633	\$807	\$1,019	\$1,205	40
Geary County	\$736	\$741	\$985	\$1,433	\$1,735	40
Gove County	\$508	\$524	\$697	\$874	\$949	40
Graham County	\$508	\$607	\$697	\$884	\$1,020	40
Grant County	\$508	\$524	\$697	\$874	\$1,020	40
Gray County	\$508	\$537	\$697	\$874	\$949	40
Greeley County	\$508	\$524	\$697	\$915	\$1,020	40
Greenwood County	\$508	\$524	\$697	\$874	\$1,113	40
Hamilton County	\$543	\$560	\$745	\$934	\$1,090	40
Harper County	\$508	\$524	\$697	\$874	\$1,068	40
Harvey County	\$515	\$609	\$807	\$1,103	\$1,302	40
Haskell County	\$674	\$695	\$925	\$1,160	\$1,354	40
Hodgeman County	\$508	\$535	\$697	\$874	\$1,020	40
Jackson County	\$507	\$594	\$786	\$1,045	\$1,257	40
Jefferson County	\$507	\$594	\$786	\$1,045	\$1,257	40
Jewell County	\$508	\$557	\$697	\$874	\$949	40
Johnson County	\$568	\$713	\$869	\$1,181	\$1,340	50
Kearny County	\$508	\$524	\$697	\$879	\$1,020	40
Kingman County	\$445	\$524	\$697	\$935	\$1,118	40
Kiowa County	\$445	\$607	\$697	\$982	\$1,228	40
Labette County	\$445	\$524	\$697	\$892	\$1,145	40
Lane County	\$517	\$533	\$709	\$931	\$1,038	40
Leavenworth County	\$568	\$713	\$869	\$1,181	\$1,340	50
Lincoln County	\$508	\$607	\$697	\$915	\$1,020	40

County Name	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	FMR Percentile
Linn County	\$568	\$713	\$869	\$1,181	\$1,340	50
Logan County	\$508	\$562	\$697	\$957	\$1,077	40
Lyon County	\$446	\$524	\$697	\$946	\$949	40
Marion County	\$508	\$524	\$697	\$874	\$949	40
Marshall County	\$508	\$524	\$697	\$901	\$949	40
McPherson County	\$545	\$562	\$748	\$938	\$1,048	40
Meade County	\$508	\$524	\$697	\$920	\$949	40
Miami County	\$568	\$713	\$869	\$1,181	\$1,340	50
Mitchell County	\$508	\$524	\$697	\$946	\$949	40
Montgomery County	\$517	\$526	\$700	\$934	\$1,024	40
Morris County	\$508	\$580	\$697	\$946	\$949	40
Morton County	\$508	\$565	\$697	\$874	\$949	40
Nemaha County	\$508	\$607	\$697	\$970	\$1,228	40
Neosho County	\$508	\$599	\$697	\$931	\$949	40
Ness County	\$508	\$607	\$697	\$967	\$970	40
Norton County	\$508	\$524	\$697	\$1,013	\$1,020	40
Osage County	\$507	\$594	\$786	\$1,045	\$1,257	40
Osborne County	\$508	\$607	\$697	\$946	\$949	40
Ottawa County	\$517	\$533	\$709	\$945	\$1,042	40
Pawnee County	\$508	\$607	\$697	\$915	\$1,020	40
Phillips County	\$508	\$607	\$697	\$1,014	\$1,020	40
Pottawatomie County	\$762	\$767	\$1,014	\$1,463	\$1,779	40
Pratt County	\$537	\$580	\$736	\$923	\$1,125	40
Rawlins County	\$508	\$524	\$697	\$874	\$1,020	40
Reno County	\$494	\$583	\$775	\$975	\$1,082	40
Republic County	\$508	\$533	\$697	\$899	\$949	40
Rice County	\$508	\$524	\$697	\$974	\$1,093	40
Riley County	\$762	\$767	\$1,014	\$1,463	\$1,779	40
Rooks County	\$508	\$550	\$697	\$874	\$949	40
Rush County	\$508	\$607	\$697	\$946	\$949	40
Russell County	\$516	\$532	\$708	\$942	\$1,036	40
Saline County	\$533	\$592	\$778	\$1,010	\$1,060	40
Scott County	\$576	\$594	\$790	\$990	\$1,283	40
Sedgwick County	\$515	\$609	\$807	\$1,103	\$1,302	40
Seward County	\$485	\$655	\$760	\$1,015	\$1,094	40
Shawnee County	\$507	\$594	\$786	\$1,045	\$1,257	40
Sheridan County	\$508	\$528	\$697	\$896	\$1,020	40
Sherman County	\$542	\$559	\$744	\$933	\$1,017	40

County Name	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom	FMR Percentile
Smith County	\$508	\$583	\$697	\$923	\$1,020	40
Stafford County	\$508	\$524	\$697	\$874	\$949	40
Stanton County	\$508	\$524	\$697	\$874	\$1,020	40
Stevens County	\$550	\$567	\$754	\$945	\$1,103	40
Sumner County	\$454	\$544	\$712	\$893	\$1,139	40
Thomas County	\$508	\$580	\$697	\$1,014	\$1,062	40
Trego County	\$508	\$607	\$697	\$874	\$949	40
Wabaunsee County	\$507	\$594	\$786	\$1,045	\$1,257	40
Wallace County	\$508	\$607	\$697	\$1,014	\$1,020	40
Washington County	\$508	\$524	\$697	\$874	\$949	40
Wichita County	\$508	\$524	\$697	\$1,014	\$1,020	40
Wilson County	\$508	\$524	\$697	\$936	\$1,057	40
Woodson County	\$508	\$524	\$697	\$874	\$1,020	40
Wyandotte County	\$568	\$713	\$869	\$1,181	\$1,340	50

EXHIBIT O



Builder Option Packages for Kansas

Find Your County and Click on the Corresponding Climate Zone

County	BOPs by Climate Zone	County	BOPs by Climate Zone	County	BOPs by Climate Zone	County	BOPs by Climate Zone
Allen	4	Finney	4	Logan	5	Rooks	5
Anderson	4	Ford	4	Lyon	4	Rush	4
Atchison	4	Franklin	4	Marion	4	Russell	4
Barber	4	Geary	4	Marshall	4	Saline	4
Barton	4	Gove	5	McPherson	4	Scott	5
Bourbon	4	Graham	5	Meade	4	Sedgwick	4
Brown	4	Grant	4	Miami	4	Seward	4
Butler	4	Gray	4	Mitchell	5	Shawnee	4
Chase	4	Greeley	5	Montgomery	4	Sheridan	5
Chautauqua	4	Greenwood	4	Morris	4	Sherman	5
Cherokee	4	Hamilton	5	Morton	4	Smith	5
Cheyenne	5	Harper	4	Nemaha	4	Stafford	4
Clark	4	Harvey	4	Neosho	4	Stanton	4
Clay	4	Haskell	4	Ness	5	Stevens	4
Cloud	5	Hodgeman	4	Norton	5	Sumner	4
Coffey	4	Jackson	4	Osage	4	Thomas	5
Comanche	4	Jefferson	4	Osborne	5	Trego	5
Cowley	4	Jewell	5	Ottawa	4	Wabaunsee	4
Crawford	4	Johnson	4	Pawnee	4	Wallace	5
Decatur	5	Kearny	4	Phillips	5	Washington	4
Dickinson	4	Kingman	4	Pottawatomie	4	Wichita	5
Doniphan	4	Kiowa	4	Pratt	4	Wilson	4
Douglas	4	Labette	4	Rawlins	5	Woodson	4
Edwards	4	Lane	5	Reno	4	Wyandotte	4
Elk	4	Leavenworth	4	Republic	5		
Ellis	5	Lincoln	4	Rice	4		
Ellsworth	4	Linn	4	Riley	4		

EXHIBIT P

Development provides amenities as shown from the list below:

Organized recreational activities
Green area
Bike rack
Security landscaping
Washer/Dryer hook-ups in units
Outdoor uncovered seating/benches
Picnic tables
Garden area
Barbeque grills
Free dial up internet/computers for tenants
in office or common area

Common laundry room
Green area with paved walking paths
Outdoor covered seating/benches
Carport
Security system in unit
Security fencing
Free high speed internet/computers for tenants in
office or common area
Basketball court
Library

Playground/tot lot with equipment
Clubhouse/community room
Swimming pool

Gymnasium/exercise room
Safe room
Garages
Washer and dryer in unit
Free internet access in each unit through Ethernet
cable or wireless technology with a minimum 3mbps
per 40 units

(Note: This is not an all-inclusive list. Other amenities may be noted and shown in the application).

Development provides or has agreements in place
for services shown on the list below

Credit Counseling
Literacy/Language Training
Food/Nutrition Classes
Homebuyer Education
Medical Counseling/Consultation
Senior Citizen Center
Day Care Center
Resident Management and Initiatives
Safety and Drug Awareness
Meals on Wheels
Transportation provided by owner

(Note: This is not an all-inclusive list. Other supportive services may be noted and shown in the application.)

EXHIBIT Q

**2016 IRS SECTION 42(d)(5)(B) METROPOLITAN DIFFICULT DEVELOPMENT AREAS
AND QUALIFIED CENSUS TRACTS**

Difficult Development Areas

Kansas City, KS HMFA	66027	66085	66206	66218	66227
Manhattan, KS MSA	66442				
Wichita , KS HMFA	67215	67230	67235		

Qualified Census Tracts

	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
<u>METROPOLITAN AREA: Kansas City, KS</u>							
Johnson County, KS	535.55	535.57	524.18				
<hr/>							
Leavenworth County, KS	701.00	702.00	705.00				
<hr/>							
Wyandotte County, KS	402.00	403.00	404.00	406.00	407.00	409.00	410.00
	411.00	412.00	413.00	415.00	416.00	417.00	418.00
	419.00	420.01	420.02	421.00	422.00	423.00	424.00
	426.00	427.00	428.00	433.01	439.03	439.04	439.05
	440.04	441.01	441.04	445.00	450.00	451.00	
<hr/>							
<u>METROPOLITAN AREA: Lawrence, KS</u>							
Douglas County, KS	3.00	4.00	9.01				
<hr/>							
<u>METROPOLITAN AREA: Manhattan, KS</u>							
Riley County, KS	3.03	5.00	8.01	8.02	11.00		
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<u>METROPOLITAN AREA: Topeka, KS</u>							
Shawnee County, KS	4.00	5.00	6.00	7.00	8.00	11.00	
	12.00	13.00	16.03	28.00	29.00	31.00	40.00

METROPOLITAN AREA: Wichita, KS

Sedgwick County, KS	1.00	3.00	4.00	6.00	7.00	8.00	9.00
	11.00	15.00	18.00	24.00	26.00	27.00	28.00
	30.00	31.00	32.00	34.00	37.00	40.00	43.00
	51.00	52.00	58.00	60.00	65.00	66.00	68.00
	70.00	75.00	78.00	82.00	87.00	89.00	90.00

2016 IRS SECTION 42(d)(5)(B) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS AND QUALIFIED CENSUS TRACTS

Difficult Development Areas

Geary County, Hamilton County, Haskell County

Qualified Census Tracts

<u>NONMETROPOLITAN AREAS:</u>	<u>TRACT</u>	<u>TRACT</u>	<u>TRACT</u>	<u>TRACT</u>	<u>TRACT</u>	<u>TRACT</u>	<u>TRACT</u>
Allen County, KS	9529.00						
Atchison County, KS	819.00						
Barton County, KS	9717.00						
Bourbon County, KS	9559.00						
Cowley County, KS	4938.00	4941.00					
Crawford County, KS	9571.00	9573.00	9575.00	9576.00			
Ellis County, KS	729.00						

Lyon County, KS	1.00	3.00	4.00			
Montgomery County, KS	9504.00	9505.00	9509.00	9510.00	9512.00	9513.00
Reno County, KS	6.00	8.00				
Saline, KS	3.00	5.00				
Seward, KS	9658.00	9660.00				