STATE OF RHODE ISLAND

2016 QUALIFIED ALLOCATION PLAN

Rhode Island Housing

working together to bring you home

State of Rhode Island
2016 Qualified Allocation Plan
For the Low-Income Housing Tax Credit Program

INTRODUCTION

Rhode Island Housing has been designated the responsibility for administering the federal Housing Tax Credit Program for the State of Rhode Island. The Housing Tax Credit Program was created pursuant to the Tax Reform Act of 1986 to encourage private sector participation in the construction and rehabilitation of housing for low-income individuals and families (the "Tax Credit Program"). The Omnibus Budget Reconciliation Act of 1989 required states to adopt consistent and objective procedures for allocating housing tax credits to qualified developments. Specifically, federal law requires that a Qualified Allocation Plan (the "Allocation Plan") outlining the process for the allocation of tax credits be presented to the public through a hearing for review and comment. Input from the public hearing and comment period as well as all available housing needs data must be considered in the establishment of a final Allocation Plan to be approved and executed by the Governor.

Rhode Island Housing has developed this Allocation Plan to comply with the requirements of Section 42 of the Internal Revenue Code (the "Code") and to ensure that those developments receiving tax credits produce or preserve housing which helps to reduce the most pressing housing needs of the State. This Allocation Plan establishes the priorities that the Tax Credit Program will address from among those needs and incorporates those priorities into the criteria used to evaluate all proposals.

All provisions of this Allocation Plan apply to the total amount of tax credits that the State of Rhode Island is authorized to allocate at any time, including projects applying for the four percent tax credit in conjunction with tax-exempt financing that is subject to the private activity bond cap.

For 2016, the Housing Tax Credit is expected to be the primary funding source for the development of affordable rental homes in Rhode Island. As other resources become scarcer, the value and importance of the Housing Credit increases. Developers must identify and obtain additional resources from federal, state, local and private partners to maximize the value of the Housing Credit. Rhode Island Housing will award credits to developments that best meet the priorities of the QAP and best use the Housing Tax Credit to achieve those goals.

I. TAX CREDIT PROGRAM SUMMARY AND REQUIREMENTS

A. Overview

The Tax Credit Program was established as part of the Tax Reform Act of 1986 to provide an incentive to developers to produce and maintain rental housing units for low-income individuals and families. The Tax Credit Program was originally authorized for calendar years 1987-1989 and has been extended or modified by Congress periodically since then. As part of the Omnibus Reconciliation Act of 1993, the Tax Credit Program was permanently extended effective July 1, 1992. The Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009 provided for the most significant changes to the Tax Credit Program since 1986 and those changes are incorporated into this revised Qualified Allocation Plan where applicable.

There are three types of credits available to Developers of affordable rental housing. The first type of credit is a 9% (approximate) annual credit for the costs of new construction or substantial rehabilitation of an existing building. The second type of credit is a 4% (approximate) annual credit for the costs of new construction or substantial rehabilitation of an existing building. The third type of credit is a 4% (approximate) annual credit for the cost of acquiring an existing building that involves substantial rehabilitation. A specific project may qualify for one type of credit or for a combination of the 4% and 9% credits.

Four percent and 9% represent the upper limits of available credit percentages, which fluctuate based upon market conditions. The actual tax credit rates ("Applicable Credit Percentages") applicable in any month are based on monthly prevailing interest rates that are calculated and published by the United States Treasury Department. The amount of the annual credit is calculated to yield a present value of either 30% for the 4% credit or 70% for the 9% credit for certain eligible costs.

For further information and detailed requirements relating to the different credit types and methods of calculating the credit, refer to Section 42 of the Code.

B. Rhode Island Annual Tax Credit Allocation Pool

Each state is awarded a limited amount of tax credits annually. Rhode Island receives the small state minimum ($2,680,000 for 2015) indexed for inflation. The pool of tax credits may be greater in any year if unused credits are carried forward or if previously allocated credits are returned or rescinded.

If Rhode Island allocates all of its annual per capita credits as well as its tax credits from prior years by the end of any calendar year, the State will qualify for credits from the National Pool. The National Pool is composed of all states' unallocated annual tax credit ceiling, returned or carried forward credits.

C. Tax Credit Requirements

The Code requires that Rhode Island Housing establish a plan which sets forth the selection criteria which will be considered in allocating tax credits in Rhode Island. The Allocation Plan must include certain statutorily mandated selection criteria outlined below. The Plan must also outline criteria that are used to meet State and local housing needs in Rhode Island. That criterion is included within the Threshold and Scoring Criteria of the Allocation Plan.

RHODE ISLAND FUNDING CRITERIA

Rhode Island is experiencing a housing and economic crisis. Although great strides have been made to address vacant and blighted buildings, there continues to be large numbers of foreclosed properties in Rhode Island. Inner city neighborhoods have been particularly hard hit by the foreclosure of multi-family properties. For every owner of a foreclosed multi-family property, one-to-five families tend to be displaced. In addition, many households continue to struggle to meet monthly mortgage payments. These factors combined with an average unemployment rate in 2014 of 7.7% have resulted in the deterioration of communities throughout Rhode Island, but particularly in urban communities. To counter the disinvestment in neighborhoods, Rhode Island Housing's development goals and resources will prioritize strategies to redevelop neighborhoods most heavily affected by the foreclosure crisis. Simultaneously we will endeavor to continue to provide affordable housing opportunities in communities where few opportunities currently exist. The uncertainty surrounding the nation's financial markets will continue to be closely monitored. The criteria and priorities contained in this Allocation Plan may be amended by Program Bulletin in response to future changes resulting from current uncertainty.

1. Federal Criteria

The Code requires that preference for an allocation of credits must be given to developments serving the lowest income residents, developments which commit to the longest period of affordability, and developments located in a qualified census tract ("QCT") which will contribute to a concerted community revitalization plan in QCTs.

2. State Criteria

The State of Rhode Island Consolidated Plan was developed jointly by Rhode Island Housing and the state's Office of Housing and Community Development. Throughout the Consolidated Plan development process, Rhode Island Housing and its partners consulted and met with many other public and private agencies to gather data and discuss the state's

housing and community development needs and priorities to be included in the plan. Please refer to the Rhode Island Consolidated Plan available at www.rhodeislandhousing.org under the link Newsroom/Data, Research and Reports for a full copy including all exhibits. The Consolidated Plan includes an analysis of housing needs in Rhode Island, projected affordable housing production and preservation goals through 2015, as well as state priorities and strategies for addressing the identified housing needs. The state is currently in the process of developing a new Consolidated Plan for 2015 through 2019, which will update the needs and goals of the state's housing programs.

Statewide Planning has developed the Rhode Island Land Use 2025 Plan which encourages the development of designated growth centers Located at http://www.planning.ri.gov/documents/121/lu_exec.pdf. These growth centers and development areas envision a mix of commercial and residential uses with access to services, transportation and adequate water and wastewater infrastructure. In addition, all municipalities in Rhode Island have developed affordable housing plans which identify development opportunities within these communities.

3. Housing Needs

The State faces an overall shortage of quality, affordable, safe and healthy rental homes. More than fifty percent (50%) of the State's renter population is housing cost burdened. Twenty-five percent (25%) of renters are severely cost burdened and pay more than 50% of their income towards rent. In 2012, Rhode Island was ranked 7th nationally for homeowners that were housing cost burdened at 38% (Corporation for Enterprise Development). According to the National Low Income Housing Coalition's annual Out of Reach Report, Rhode Island has the 8th highest gap between what renters earn and what it costs to rent a two-bedroom apartment (2014 Report).

There are currently 36,107 Rhode Island homeowners and 38,500 renters who are severely housing cost burdened in the state. This total need (74,607) dwarfs the 13, 107 of affordable homes that are needed today for every community in the state to meet its 10% affordable housing goal.

Much of the state suffers from a continually aging housing stock, a significant portion of which is characterized by severe or moderate physical problems such as lead-based paint hazards.

The redevelopment of properties that are in foreclosure and those that are abandoned and vacant are a priority for Rhode Island Housing financing. Vacant and abandoned property erodes overall property values and causes deterioration in entire communities where prior investment has occurred.

Rhode Island Housing is committed to using resources where they will most efficiently be used to stabilize neighborhoods.

To meet the state's goal of at least 10 percent (10%) affordable housing in each community, the state must substantially increase its production. By concentrating state, federal and private resources to combine affordable housing with broader community development investments, neighborhoods can be revitalized. This approach encourages investment in Rhode Island's urban areas and in new or existing growth or town centers and surrounding neighborhoods. This comprehensive approach to development results in well planned developments that are sustainable and efficient.

The above criteria and housing needs provides the basis for the Threshold and Scoring Criteria set forth within the State's Allocation Plan.

D. Lock-In of Applicable Credit Percentages

1) For developments subject to the state's per capita credit allocation the Applicable Credit Percentage will be established based on published rates in effect in one of the following: (i) the month the project is placed-in-service; (ii) the month in which a binding and irrevocable election to lock-in the Applicable Credit Percentage is made between the Owner and Rhode Island Housing or; (iii) at the time of issuance by Rhode Island Housing of a Carryover Allocation Agreement.

This binding and irrevocable election will be made subsequent to a reservation of tax credits and generally before the Carryover Allocation Agreement is signed. The Applicable Credit Percentage election will be made as part of a written binding agreement such as the tax credit reservation letter or the carryover allocation agreement. A selection of a monthly credit percentage will only be valid if the binding agreement is executed by the end of that specific month.

2) For developments utilizing tax exempt bond financing with 4% credit:

Borrowers can only lock-in the Applicable Credit Percentage on two occasions—in the month in which the tax-exempt bonds were issued or the month in which the units are placed-in-service. Developers should seek professional advice to mitigate some of the financial and market risk associated with this election.

3) Under Section 42(h)(7)(D) in allocating a housing credit dollar amount, Rhode Island Housing must specify the applicable percentage and the maximum qualified basis of the building. The applicable percentage may be less, but not greater than, the appropriate percentage for the month the building is placed in service, or the month elected by the taxpayer under Section 42(b)(2)(A)(ii)(I). Whether the appropriate percentage is the percentage for the 70-percent present value credit or the 30-percent present value credit is determined under Section 42(b)(1) when the building is placed in service.

For further information and detailed requirements relating to binding credit percentages, refer to Section 42 of the Code.

E. Eligibility Requirements

To receive an allocation of tax credits, whether from the State's allocated pool (9% credits) or through the use of tax-exempt bond financing (4% credits), a project must meet eligibility requirements under both the Allocation Plan and the Code. While many of these requirements are briefly summarized below, applicants should note that the federal rules governing low-income housing tax credits are complex. All Developers are advised to consult a qualified tax attorney and/or accountant to determine eligibility for the credit. In making this determination, qualified professionals are expected to be current and knowledgeable with all private letter rulings (PLRs) and technical assistance memoranda (TAMs) issued by the Internal Revenue Service ("IRS") which may provide insight to the IRS view regarding eligible basis determinations.

In allocating tax credits, Rhode Island Housing makes no representations to Owners or other parties regarding compliance with the Code, Treasury Regulations or other laws or regulations governing low-income housing tax credits. Neither Rhode Island Housing nor its employees, agents, representatives, Board Members, or employees shall be liable for any matters arising out of, or in relation to, the allocation of low-income housing tax credits.

1) Residential Rental Property

In order for a project to qualify as a low-income housing project, it must be residential property. In general, the project must be: used other than on a transient basis; rented or available for rent on a continuous basis; available to members of the general public; and suitable for occupancy. Facilities providing continuous nursing, medical, or psychiatric care are not considered residential rental units for tax credit purposes. Continual care, however, should not be confused with certain supportive services which can be provided, such as assuring that tenants obtain incidental care, as needed, by facilitating the making

of medical appointments and by providing transportation to medical facilities, and by the provision of basic first-aid skills in case of emergencies.

2) Extended Use Period

The Code requires that the low-income occupancy and rent restrictions be maintained during the initial compliance period of 15 years (Section 42(I)(1). In addition, the occupancy restrictions must be maintained for an extended use period of an additional 15 years (Section 42(h)(6)(D). Rhode Island Housing requires the following:

a. A Declaration of Land Use Restrictive Covenants ("Declaration") committing to an extended use period of affordability for the qualifying units of at least thirty years and a prohibition during the entire extended use period – not just the three year vacancy decontrol period – against evicting or terminating of tenancy of existing tenants in low-income units other than for good cause, must be executed by the project owner.

b. If a development is allocated Credit under the nonprofit set-aside, the current owner (and any new owner) during the compliance period must continue to qualify under that set-aside. The Owner will indicate in the Declaration that they are electing to qualify under the nonprofit set-aside.

c. For projects financed with tax-exempt bond proceeds, the required extended use period of affordability will be the greater of (i) the period that the tax-exempt bonds remain outstanding or (ii) forty years.

d. The owner must waive the right to seek termination of the Declaration by petitioning Rhode Island Housing to find a buyer of the development as provided in Section 42(h)(6)(E)(i)(I)(II) of the Code.

e. In addition to the Declaration, Rhode Island Housing requires that a Regulatory Agreement be recorded prior to any lien documents and not subject to termination in the event of foreclosure. The development owner may be required to have all lien holders of a Development complete and sign a subordination to the Regulatory Agreement that will subordinate their liens to the provisions of the Regulatory Agreement.

3) Rent and Tenant Income Restriction

The project must meet certain tenant income and rent restrictions:

a. Income Restrictions:

The Project must elect one of the following Minimum Set-Asides:

at least 20 percent of the rental units in the project must be rent restricted for and occupied by households with incomes no higher than 50 percent of the Area Median Gross Income ("AMGI"), adjusted for family size;

OR

at least 40 percent of the rental units must be rent restricted and occupied by households with incomes no higher than 60 percent of the AMGI, adjusted for family size.

Beginning with the release of AMGI tables for 2009, HUD is providing a separate table for IRC §§ 42 and 142(d) housing projects, which HUD now collectively refers to as "Multifamily Tax Subsidy Projects" (MTSP). The tables identify the income limits at the 50% and 60% AMGI levels needed to satisfy the minimum set-aside requirement. As a result, the instructions in Rev. Rul. 89-24 to compute 60% AMGI are no longer needed.

b. Rent Restrictions:

The gross rent charged to a tenant (including utilities) cannot exceed 30% of the income limit for a qualified low-income household at 50% or 60% of AMGI adjusted for family size, assuming 1.5 persons per bedroom. A table of qualified rents is located in the Developers Handbook and from HUD at http://www.huduser.org/portal/datasets/mtsp.html and from Novogradac at http://www.novoco.com/products/rentincome.php.

For more information on tenant income and rent restrictions, including rules for calculating rents, see Section 42 of the Code.

4) Least Amount of Tax Credit Necessary for Project Feasibility

The Code requires that Rhode Island Housing allocate credits in the minimum amount necessary for the financial feasibility of the project and its continued viability as a qualified low-income housing project throughout the credit period.

Rhode Island Housing must evaluate the amount of the credit at three specific times: (1) at the time of application, (2) at the time of reservation, and (3) at the time the building is placed-in-service and an IRS Form 8609 is issued. Rhode Island Housing will consider the proposal's distribution of the tax benefits between direct development costs, soft costs, fees, operating reserves and other costs and evaluate the need for tax credits to fill the gap after other financing sources and subsidies have been taken into account. Developers will be required to certify the source and value of other subsidies and funding for the proposal.

5) Minimum Property Standards

Projects must meet state or local health or building codes or regulations. Corrections necessary to repair code violations must be specified in a rehabilitation work plan. The Developer will be required to provide certification or to demonstrate to Rhode Island Housing that all code violations have been corrected upon construction completion. Compliance with health, safety and building codes is an ongoing obligation; non-compliance may result in penalties and/or recapture of credit.

6) Placed-In-Service Requirements

Rhode Island Housing will allocate credits only to projects which can be reasonably expected to become eligible for the credits in the year in which the Developer is to be awarded tax credits. This means that projects must either be able to be placed-in-service in that year or have incurred more than ten percent (10%) of their reasonably anticipated project basis within twelve months of the reservation of tax credits. Placed-in-service generally refers to the issuance of the first Certificate of Occupancy for each building in the project.

7) Minimum Rehabilitation Requirements

The Code requires that tax credit projects involve minimum rehabilitation expenditures. For a building to be substantially rehabilitated, the expenditures during any 24-month period must be at least the greater of: (a) twenty percent (20%) of the depreciable basis of the building determined as of the first day of the 24-month period; or, (b) an average of $6,000 per low income unit. This provision is effective (i) for projects which receive a credit allocation after July 30, 2008 and (ii) in the case of bond financed projects for projects which receive a bond allocation

after July 30, 2008. Exceptions may apply for properties acquired from government entities and "expiring use" properties. For buildings placed in service after 2010 the minimum rehabilitation dollar amount will be adjusted annually for inflation.

8) **Ten Year Placed In Service Restriction**

To be eligible for the acquisition credit, buildings may not have been placed in service within the last ten years. Generally, a transfer of the building results in a new placed-in-service date if, on the date of the transfer, the building is occupied or ready for occupancy. Exceptions may apply to certain property transfers and expiring use properties. In cases involving the purchase of a development that previously utilized low-income housing tax credits for acquisition, the property may not be eligible for acquisition credit from the second purchase until the completion of the initial 15-year compliance period. According to a recent private letter ruling released by the Internal Revenue Service (Private Letter Ruling 200502019), transfers of 99 percent partnership interest do not result in a new "placed in service" date. However, always consult with a tax specialist for questions of specific project eligibility.

Pursuant to the Housing and Economic Recovery Act of 2008, federally-assisted buildings as well as buildings assisted under similar State programs are eligible for acquisition credits. In addition properties acquired from defaulted banks (as defined under the Federal Deposit Insurance Act) may also be eligible to qualify for acquisition credits within the 10-year period effective for buildings placed in service after July 30, 2008.

9) **Community Service Facilities**

The portion of a residential building used as a community service facility may be eligible for the Tax Credit Program. A community service facility is a facility designed to primarily serve individuals whose income is 60% or less of area median income. No more than 25% of the total basis of the building may come from the community service facility portion of the building.

10) **Market Study**

Prior to closing, Rhode Island Housing requires that a comprehensive market study conforming to the National Council of Housing Market Analysts (NCHMA) standards be conducted as

a condition of credit allocation analyzing the market area, including the depth and breadth of demand, comparable properties and rates, comparable operating expenses, market absorption rates as well as a study of the needs of the prospective population. For projects involving rehabilitation of existing and occupied properties with project-based rental assistance contracts, Rhode Island Housing, in its sole discretion, may modify the NCHMA market study standards to reflect actual data available to Rhode Island Housing about the operation of the project and its market area. The market study will be completed by a disinterested party commissioned by Rhode Island Housing and at the Developer's expense. The market study may also be commissioned by the development investor or lender and accepted by Rhode Island Housing in its sole discretion.

11) Native American Housing Assistance

Assistance provided under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) will not be taken into account in determining whether a building is federally subsidized for purposes of the Tax Credit Program. Therefore, such buildings will qualify for 9% credit as deeper targeting consistent with the rules for HOME-financed projects (i.e. 40 percent of the units at 50 percent of area median income).

12) Homeownership Option

Developers electing to convert to homeownership at the end of the 15-year compliance period may do so under the Code. Rhode Island Housing will approve no more than one (1) conversion application per calendar year. As these developments will be rental housing for a minimum of fifteen years, they will be underwritten as a rental development and are subject to the same underwriting criteria set forth in the Developers' Handbook.

F. HUD Qualified Census Tracts/Difficult-To-Develop Areas

Projects located in the United States Department of Housing and Urban Development's ("HUD") designated qualified census tracts ("QCTs") or difficult-to-develop areas ("DDAs") may be eligible for additional tax credits. DDAs are designated annually by HUD as updated income and Fair Market Rent ("FMR") data become available.

QCTs are defined as any census tract (or equivalent geographic area) in which at least 50% of the households have incomes of less than 60% of the AMGI **or**

census tracts which have a poverty rate at or above 25 percent. HUD periodically publishes the list of new QCTs in Rhode Island.

A DDA is defined as any area that has high construction, land, and utility costs relative to the Area Median Gross Income ("AMGI"). For further information on limitations on these designations, refer to Federal Register Volume 69, No. 229/ Tuesday, November 30, 2004. HUD has published the 2015 designation of QCTs under section 42 of the Code effective for all allocations of credits after December 31, 2014. Prior to that date, the QCT list published December 12, 2002, as supplemented on December 19, 2003, remains in effect.

HUD Notice of September 18, 2007 set forth in the Federal Register / Vol. 72, No. 180. revises the definition of the Effective Date for DDAs and the application of DDAs to tax credit developments in a notice published in the Federal Register on September 28, 2006 (71 FR 57234). The 2008 lists of Qualified Census Tracts and the 2008 lists of DDAs that are not part of the GO Zone Designation are effective: (1) for allocations of credit after December 31, 2007; or (2) for purposes of Section 42(h)(4) of the Code, if the bonds are issued and the building is placed in service after December 31, 2007. If an area is not on a subsequent list of DDAs, the 2008 lists are effective for the area if (1) the allocation of credit to an applicant is made no later than the end of the 365-day period after the submission to the credit-allocating agency of a complete application by the applicant, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of Section 42(h)(4) of the Code, the bonds are issued or the building is placed in service no later than the end of the 365-day period after the applicant submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted.

The additional credits available to projects falling within the definitions of either or both of these categories are derived by increasing the project's eligible basis for the new construction or substantial rehabilitation portion of the project by up to 30%. The actual increase in basis is determined at the discretion of the allocating agency pursuant to its analysis of the maximum amount of subsidy necessary to complete the project. The 30% increase is not available for the costs associated with the acquisition portion of any project.

Pursuant to H.R. 3221 Title I – Housing Tax Incentives, Rhode Island will prioritize projects that propose housing (i) for special needs populations, (ii) for very low income persons and families, (iii) for general occupancy units in "areas of opportunity" as defined by HUD or are otherwise proposed to be sited in areas of the state that will promote efforts to affirmatively further fair housing, and (iv) that is consistent with the Rhode Island Housing's Comprehensive Community Development ("CCD") principles including the ability to collaborate,

secure and leverage non-traditional resources to maximize financial feasibility for eligibility under the basis boost which is applicable to DDAs.

G. HUD Subsidy Layering Guidelines

All projects submitted to Rhode Island Housing that may receive housing tax credits in combination with any form of HUD housing assistance will be subject to the subsidy layering review guidelines of Section 911 of the Housing and Community Development Act of 1992. These requirements are designed to ensure that participants in affordable multi-family housing developments do not receive excessive compensation by combining various HUD housing assistance with assistance from other federal, state, or local agencies. The guideline standards are divided into three categories: Builder's Profit, Developer's Fee, and Syndication Expenses. HUD has established safe harbor and ceiling standards for each of these categories. Housing credit agencies may perform the subsidy layering review function provided the agency certifies to HUD that it will properly apply the guidelines. Rhode Island Housing has assumed these responsibilities.

In accordance with Section 911 of the Housing and Community Development Act of 1992 and the Published Guidelines for Subsidy Layering, the following standards will be applied to all developments subject to subsidy layering:

1) Builder's Profit - for developments subject to subsidy layering, up to 6 percent of construction costs will be allowed for builder's profit, 2 percent of construction costs for builder's overhead, and 6 percent of construction costs for general requirements. For those developers where there is an identity of interest between the owner and the general contractor, the maximum amount of builder's profit allowed is 50% of the amounts referenced in the current Program Bulletin. Note also that for projects subject to section 911 Subsidy Layering reviews, alternative general contractor fee limits may apply. Any changes specific to Rhode Island Housing's fee limits will be outlined in the current Program Bulletin.

2) Developer Fees – Developer Fee guidelines are located in Section 9 of the Developer's Handbook and may be modified by Program Bulletin. The safe harbor for Developer's fees is 10 percent, including developer overhead, of the total development cost of the project not including developer fee and operating reserve. Rhode Island Housing may approve exceptions to the safe harbor standard and allow developer's fees of up to 15 percent of the total development cost of a project.

3) Syndication Expenses - The safe harbor limits for syndication expenses, excluding bridge loan costs, are (a) 10 percent of gross syndication proceeds for private offerings and (b) 15 percent of gross syndication proceeds for public offerings. Rhode Island Housing may approve exceptions to these percentages allowing up to 15 percent of gross syndication proceeds for private offerings and up to 24 percent of gross syndication proceeds for public offerings.

In addition, for each development, Rhode Island Housing will establish an applicable market rate for equity. This market rate will be used to determine the net syndication proceeds at the project's placed-in-service date. The rate will be based upon the development's market value, comparable syndications, and/or Rhode Island Housing's estimation of market trends.

H. Single Room Occupancy Units

Federal law requires that a low-income unit may not be used on a transient basis. In general, tax regulations require a minimum of a six month lease. However, an exception may apply for single room occupancy units that are rented on a month-to-month basis or for longer periods.

I. Housing for the Homeless

The tax credit has become a substantial resource for permanent supportive housing for the homeless. The portion of a building used to provide supportive services may be included in the qualified basis. Permanent supportive housing for the homeless must contain sleeping accommodations and kitchen and bathroom facilities and be located in a building providing services to the homeless.

J. Handicapped Accessibility

Tax credit projects must comply with all applicable federal and state statutes and regulations regarding the operation of adaptable and accessible housing for the handicapped.

K. Affirmative Action/Equal Employment Opportunity ("EEO")

Rhode Island Housing is committed to affirmative action and EEO. We have established minimum workforce utilization goals for Minority Business Enterprises and/or Women Business Enterprises ("MBE/WBE"), and monitor construction projects for compliance with these goals. All developments receiving funding under the Rental Production Program must use best efforts to (a) award at least 10% of the total construction contract dollar amount to

minority and female owned businesses, and (b) ensure that at least 10% of labor hours for all trades are performed by minorities and/or women. Developers are encouraged to exceed the minimum goals set by Rhode Island Housing. Note that only those businesses included in the Rhode Island Department of Administration's Directory of Certified Minority and Women Business Enterprises will be recognized in measuring the minority and women business and workforce utilization goals. Further note that for purposes of measuring these goals, Rhode Island Housing does not include persons of Portuguese descent as a recognized minority.

All developers receiving an allocation of credits from Rhode Island Housing must enter into an Affirmative Action Agreement detailing specific affirmative action goals and definitive, aggressive strategies and action steps to ensure that such goals are achieved.

L. Fair Housing Considerations

1. Siting and Marketing Consideration

Under federal law, individuals seeking housing may not be discriminated against based on their race, color, religion, sex, ancestral origin, familial status or disability. State fair housing laws further extend protections against housing discrimination on the basis of marital status, sexual orientation, age, gender identity or expression, veteran status, and status as a victim of domestic abuse, or by reason of association with members of any of these protected classes.

In addition to prohibiting discrimination in housing due to membership in a protected class, the federal fair housing act also imposes an obligation on recipients of federal housing assistance to administer programs in a way that affirmatively furthers fair housing. In its administration of the Tax Credit Program, Rhode Island Housing is committed to encouraging the location of affordable homes throughout the state, particularly in geographic areas that have not reached the state affordable housing goal. Rhode Island Housing's scoring system provides incentives to achieve that result.

In addition, in order to ensure that all potentially eligible residents of Rhode Island Housing-financed developments have a fair opportunity to gain admission to those developments, Rhode Island Housing requires that sponsors employ an open and fair process that affirmatively furthers affirmative fair housing opportunities. To that end, all homes financed by Rhode Island Housing must be available to the general public, must be marketed pursuant to an approved affirmative fair marketing plan and must be advertised on http://homelocatorri.net.

At a minimum, the affirmative fair housing marketing plan must include an analysis of those populations least likely to apply for housing in the area in which

the development is located and a targeted marketing program to reach those populations. Such a program could include marketing in print or broadcast media targeted to such populations, outreach to organizations that serve those populations, and the like. In addition to the affirmative fair housing marketing plan, the housing must be distributed in accordance with an approved resident selection plan that is fair, open and transparent. The resident selection plan must specify the process and timetable under which applications will be accepted, local preferences for admission, if any, the policy for initial selection of residents if the number of qualified applicants exceeds the housing available, and the waiting list policy.

2. LEP Limited English Proficiency

Title VI of the Civil Rights Act of 1964 is the federal law that protects individuals from discrimination on the basis of their race, color, or national origin in programs that receive federal financial assistance. In certain situations, failure to ensure that persons who are LEP can effectively participate in, or benefit from, federally assisted programs may violate Title VI's prohibition against national origin discrimination. Executive Order 13166, signed on August 11, 2000, directs all federal agencies, including the Department of Housing and Urban Development (HUD), to work to ensure that programs receiving federal financial assistance provide meaningful access to LEP persons. All programs and operations of entities that receive financial assistance from the federal government, including but not limited to state agencies, local agencies and for-profit and non-profit entities, must comply with the Title VI requirements.

A LEP person is one who, as a result of national origin, does not speak English as their primary language and who has limited ability to speak, read, write, or understand English.

Federally assisted recipients are required to make reasonable efforts to provide language assistance to ensure meaningful access for LEP persons to the recipient's programs and activities. To do this, the recipient should:

(1) Conduct the four-factor analysis, (2) Develop a Language Access Plan (LAP) and (3) Provide appropriate language assistance.

The actions that the recipient may be expected to take to meet its LEP obligations depend upon the results of the four-factor analysis including the services the recipient offers, the community the recipient serves, the resources the recipient possesses, and the costs of various language service options. All organizations would ensure nondiscrimination by taking reasonable steps to ensure meaningful access for persons who are LEP. HUD recognizes that some projects' budgets and resources are constrained by contracts and agreements with HUD. These constraints may impose a material burden upon the projects. Where a HUD recipient can demonstrate such a material burden, HUD views this as a

critical item in the consideration of costs in the four-factor analysis. However, refusing to serve LEP persons or not adequately serving or delaying services to LEP persons would violate Title VI. The agency may, for example, have a contract with another organization to supply an interpreter when needed; use a telephone service line interpreter; or, if it would not impose an undue burden, or delay or deny meaningful access to the client, the agency may seek the assistance of another agency in the same community with bilingual staff to help provide oral interpretation service.

Plans for assisting LEP persons should be included in the Tenant Selection Plan. For more information on LEP visit: http://www.lep.gov.
All developments receiving Housing Credits will have to complete HUD form 935.2A to detail its affirmative fair housing marketing plan.

M. One for One Replacement

Any proposal that contemplates the loss of existing deed restricted affordable homes must be accompanied with a plan outlining one-for-one replacement of the lost affordable rental homes. Proposed replacement units must be of comparable type and affordability.

N. Industry Recommended Standards

In evaluating and underwriting housing development proposals, Rhode Island Housing is guided by or generally follows industry recommended standards developed by the National Council of State Housing Agencies (NCSHA). These NCSHA recommended standards are set forth in the Rhode Island Housing Developers Handbook.

O. Uniform Relocation Act

Developments financed under the Rental Production Program are required to provide for uniform and equitable treatment of persons displaced from their homes and businesses and to establish and provide for uniform and equitable relocation of any residents or businesses.

II. APPLICATION PROCESS AND RANKING METHOD FOR 9% CREDITS

A. Funding Rounds

Rhode Island Housing may hold up to three competitive funding rounds each year for the 9% allocated credits. Funding rounds will be announced by Rhode Island Housing via Program Bulletin and/or issuance of a Request for Proposals

("RFPs"), and by advertisement in local print media. Rhode Island Housing may adjust the number or timing of funding rounds if required by the passage of federal legislation or adoption of IRS rules and regulations, to accommodate variations in demand for the supply of the credit, or for other compelling circumstances. Rhode Island Housing reserves the right to create an official waiting list for the Tax Credit Program for proposals which demonstrate considerable merit but for which allocable credit is not available.

During the review period, staff will determine the need for the credit and the financial feasibility of the proposals; however, this determination is not a warranty by Rhode Island Housing of the feasibility or viability of any proposal. Rhode Island Housing reserves the right to rescind reservations of tax credits for projects in the event that Rhode Island Housing determines that the project is not feasible as proposed or that a change in circumstances has materially altered the proposal as submitted and approved. Any such rescissions shall be in writing and provided to the applicant.

The anticipated schedule for LIHTC reservations is as follows:

First Funding Round

RFP issuance	On or about November 15
Proposals submission deadline	On or about the third Friday in January.
Reservation decisions rendered by Rhode Island Housing's Board of Commissioners	At the May Board Meeting

Additional funding rounds will be conducted if necessary to allocate remaining credits or returned credits. Rhode Island Housing reserves the right to limit competition in subsequent competitive funding rounds to proposals that were submitted in the first and/or second competitive funding rounds.

Rhode Island Housing retains the right to set aside available credits to award outside of competitive funding rounds to projects which were previously awarded credits and which either have (a) returned their previously awarded credits to Rhode Island Housing for use by other developments pursuant to an agreement with Rhode Island Housing or (b) qualify for and can demonstrate a need for additional credits to meet project feasibility requirements. Rhode Island Housing reserves the right to award any additional credits received during any year to qualified projects that were previously placed on a waiting list in prior rounds. Rhode Island Housing may consider making a reservation of tax credits for qualified application(s) received outside the context of the first or subsequent funding rounds if tax credits are available from the previous year. In such event, a general priority will be given to projects which best demonstrate readiness to proceed, and/or projects which have previously received credit awards from Rhode Island Housing.

B. Project Selection Process

Rhode Island Housing's selection process for allocating tax credits is designed to select proposals which address the priorities identified in the Rhode Island Consolidated Plan: 2010-2015, the federal criteria included in the Tax Code and the housing needs of the State. A Funding Committee including but not limited to: senior staff; and one or more representatives of the Board of Commissioners will evaluate and score applications based on the review criteria stated below.

Upon review of the application, Rhode Island Housing staff may advise the applicant of discrepancies or incomplete items and will allow the applicant to clarify or supplement the original application. Such requests will be made in writing to the applicant who will have 10 business days to respond in writing. No substantive changes may be made by the applicant after the application is submitted. Applicants will have the opportunity to make a formal presentation of their proposals to Rhode Island Housing staff.

Rhode Island Housing staff will conduct an initial review to determine whether a proposal meets the Threshold Criteria. If staff determines that a proposal does not meet the Threshold Criteria, notice will be provided to the applicant 14 days prior to the Funding Committee meeting at which staff present their recommendations.

Only those projects that meet the Threshold Criteria will be officially scored. Applications passing Threshold will be reviewed against the Housing Tax Credit Priorities set forth in the QAP. After applications have been scored by Rhode Island Housing staff, but prior to presentation to the Funding Committee, applicants shall be notified of their overall score. Applicants shall have the opportunity to meet with staff to discuss their project scoring and may also appeal the score prior to selection of the proposals by the Funding Committee.

Aggregate assessment and score in no way guarantees an award of tax credits to a particular development. During proposal review and throughout the tax credit allocation process, Rhode Island Housing will utilize its sound and reasonable judgment and will exercise its discretion consistent with sensible and fair business practices. Rhode Island Housing reserves the right not to reserve tax credits to any applicant or project, regardless of the proposal's aggregate assessment and score, if it determines, in its sole and absolute discretion, that 1) a reservation for any applicant or project does not further the purposes and goals set forth in this plan; 2) available resources are not sufficient to fulfill a tax credit request; 3) there exists an over-concentration of projects in a specific geographic location; or 4) there exists an over-concentration of specific production types (e.g. new production, assisted living, preservation or rehabilitation). In addition, Rhode Island Housing reserves the right to adjust aggregate assessments and scores or to rescind a reservation of tax credits if there is a material change in the project including, but not limited to, the construction start date which adversely affects the achievement of stated goals and/or diminishes

the proposal's ability to address documented housing needs or significant changes to the budget

Rhode Island Housing may not allocate all available credits. Credits not allocated under the first round may be allocated at a future date within the credit year to projects submitted under the initial RFP. Rhode Island Housing will review and re-score all proposals submitted, even those proposals that did not originally meet the Threshold Criteria set forth herein.

Rhode Island Housing may elect to award a forward allocation of credits to a project provided it is determined that the project meets the objectives of the State's QAP and that such forward allocation is in the best interests of the project and Rhode Island Housing's mission and affordable housing objectives.

If Rhode Island Housing allocates tax credits from the Tax Credit Program outside of the priorities and selection criteria set forth in this Allocation Plan, we will document and provide a written explanation of our decision to the general public.

III. TAX CREDIT REVIEW CRITERIA

In its mission to meet the statewide need for affordable homes, Rhode Island Housing believes it to be in the public's interest to avoid concentration of affordable housing in any one neighborhood, community or corner of the state. As a small state, Rhode Island receives a relatively small statewide allocation of Housing Credits. Therefore within the goals of achieving financially feasible developments, Rhode Island Housing will generally seek to fund a greater number of mid-sized developments in urban, suburban and rural communities (i.e. less than 50 subsidized apartments) rather than fewer larger scale developments.

The Housing Tax Credit is the primary funding source for the development of new affordable rental homes in Rhode Island. Therefore, developers applying under the Rental Production Program must create at least 20 new affordable homes even in transactions that contemplate preservation of existing affordable homes. As the Housing Tax Credit is a highly competitive and scarce resource no single development may be awarded more than 40% of Rhode Island's annual small-state minimum allocation.

In awarding development resources, including housing credits, Rhode Island Housing has identified the following priorities:

1. Increase the supply of affordable housing. While the existing stock of affordable housing faces threats from expiring subsidies and use restrictions, deferred maintenance and obsolescence, the extreme need for additional affordable housing makes new production Rhode Island Housing's primary housing priority.

2. Dual and equal goals of a) increasing the supply of affordable housing in communities that have traditionally had a lack of such housing; and b) reinvesting in urban neighborhoods where housing may be substandard and blight is common and the housing is part of an overall neighborhood revitalization strategy.
3. Recognizing that good homes are essential for healthy families and vibrant communities, the affordable homes must be well designed and attractive. Rhode Island Housing identifies these goals with its Comprehensive Community Development initiative and prioritizes developments that most effectively achieve these.
4. Because of the limited amount of available subsidies, including the capital subsidy from the housing credit, priority will be given to developments which can viably and effectively serve:
    a. Very low income households
    b. Individuals and families who have experienced chronic homelessness
    c. Individuals with special needs.
5. Developments that best serve the needs of Rhode Island workers and businesses.
6. Developments that achieve these goals at the lowest cost.

In order to best achieve these goals, Rhode Island Housing has established four threshold criteria that must be met before a development can be considered for a reservation of housing credit:

1. The development team must have experience in the successful development and operation of affordable housing of similar scope and complexity;
2. The development must demonstrate financially feasibility for at least 15 years and have a reasonable likelihood of feasibility for the entire term of financing;
3. The development must have a reasonable likelihood of achieving sustainable occupancy of 95% within 6 months of construction completion; and
4. Construction must be reasonably likely to commence within 12 months of preliminary commitment and be complete within 30 months of firm commitment.

Generally, only proposals that satisfy the Threshold Criteria review will be further considered under the Scoring Criteria.

A. Threshold Criteria

1) Development Team Capacity: The development team must have experience in the successful development and operation of affordable housing of similar scope and complexity. The development team will be evaluated on its professional capacity to plan, build, market, and operate the proposed development. The performance record of the developer, consultant, architect, management agent and contractor will be measured by the quality and quantity of previous development, design, construction and property management efforts, as well as affirmative

action records. Each team member is expected to demonstrate satisfactory prior experience on projects of similar scale and complexity; to have satisfactory professional references; and to devote sufficient staffing and resources to complete the proposed development. If a development team member does not have satisfactory prior experience, a written plan must be submitted to outline how this technical capacity will be achieved. The mortgagor and contractor will also be evaluated for creditworthiness and financial capacity.

Rhode Island Housing reserves the right to deny tax credits to any proposal where (i) any materially participating entity (owner or management agent) is not in good standing regarding compliance monitoring of other tax credit projects; (ii) any partner, developer or other key development team member has been determined by Rhode Island Housing to be not creditworthy; or (iii) any partner, developer or other key development team member is on the HUD or Rhode Island Housing debarment list. Creditworthiness takes into consideration the financial condition of an organization, management capabilities, character and capacity.

Rhode Island Housing will review each developer's most recent audit to ensure financial capacity to develop the project and manage the development for the long term. In addition, developers will be evaluated based upon the prior performance of existing developments both in Rhode Island Housing's portfolio and those financed by others. This review will include: 1) condition and security of existing developments; 2) maintenance and operating of existing developments; 3) leasing and occupancy history; 4) general management practices; and 5) financial management. A credit report will be required for all principals of for-profit developers participating in the tax credit program.

For service-enriched housing proposals, development team members will also be evaluated on the basis of demonstrated success in (i) the development, design and construction of housing with supportive services; and (ii) the planning and delivery of services including adequacy of staffing and/or oversight of third party contracts for services.

2) Financial Feasibility: The development must demonstrate financial feasibility for at least 15 years and have a reasonable likelihood of feasibility for the entire term of financing. Rhode Island Housing reserves the right to deny tax credits to proposal for which adequate funding sources have not been identified for all development costs. This includes a commitment of syndication. While commitments from these sources do not have to be secured before applying for tax credits, the applicant must be able to demonstrate to Rhode Island Housing's satisfaction that the

sources identified will be available to the Developer within 6 months of the reservation of credit.

3) Marketability: The development must have a reasonable likelihood that it will achieve sustainable occupancy of 95% within 6 months of construction completion. Marketability of the project will be evaluated relative to the proposed locality of the development, target market population, rent levels and affordability, project design and amenities. Developers will be required to demonstrate marketability through such documentation as: information on market comparables; information on the supply and quality of the existing housing stock and rent burdens; information on other planned development/revitalization activity in the area; assessment of potential impact on the financial and operating viability of existing subsidized housing developments; local demographics (including income, age and any special needs characteristics); marketing and outreach strategies; and information demonstrating that the proposed location is appropriate for the target population in terms of environment, quality, proximity to services, and attractiveness of the site and its surroundings. Mixed use developments must provide the marketability information for each use.

   Developers are encouraged to set rents so that the proposed rents are affordable to residents in a given location and not simply set at the program's maximum rents. One aspect of a development's marketability is to have rents that are affordable and attractive to prospective tenants. Therefore, additional consideration will be given to projects that demonstrate that the proposed tax credit rents are below those of comparable, unassisted units in the market.

4) Readiness to Proceed: Applicant must demonstrate that construction is reasonably likely to commence within 12 months of reservation of credits and be complete within 30 months of reservation. To receive and maintain a reservation of housing tax credits, all developers must demonstrate readiness to proceed throughout the pre-development process. An assessment of a proposal's initial readiness to proceed will be made based on the developer's ability to achieve the following within nine months of an executed Reservation Letter for housing tax credits: receive all written land use and zoning approvals, and building permits; complete all regulatory, environmental, and historical reviews; maintenance of site control; secure all funding commitments; and demonstrated financial feasibility.

   Continued readiness to proceed will be determined based on factors such as a developer's ability to: meet the requirements to receive a Carryover Allocation Agreement; finalize and complete design development and

contract drawings; secure an executed commitment letter with a tax credit investor; demonstrate continued financial feasibility; and close on all financing and commence construction within 12 months of Preliminary Commitment for housing tax credits.

Rhode Island Housing will use its best professional judgment in evaluating an application for readiness to proceed. Staff will consider the developer's past performance in meeting permitting, funding and closing deadlines in projects of similar scope and size, and present their recommendations to the Funding Committee for a final award decision.

B. Scoring Criteria

Point Allocation Summary

10 points	Total Development Cost
10 points	Housing Credit Efficiency
10 points	State Housing Grant Funds
5 points	Leverages rental and operating subsidy such as: HUD's Rental Assistance Demonstration program, Section 811 program, Federal or State Rental Assistance program.
10 Points	Leverages Competitive Housing Resources such as Choice Neighborhoods Initiative, USDA or Federal and State Historic credits
5 points	Serves very low income, homeless and/or special needs persons
5 points	Rhode Island Construction Firms
8 points	Fully permitted development
21 points	Alignment with Comprehensive Community Development goals
10 points	Located in a community with less than 10% affordable homes
5 points	Addresses vacant, foreclosed and blighted properties
3points	Energy Star
3 points	Utility Benchmarking
5 points	Preservation of Greenfields
5 points	Provides family apartments
115 Total	

(20) Negative points if applicable

FINANCING POINTS

Up to 10 points - Total Development Cost per new affordable home

- <$250,000 — 10 points
- $251,000 – $275,000 — 8 points
- $276,000 – $300,000 — 5 points
- >$300,000 — 0 points

Up to 10 points - Housing Credits per new affordable home

- <15,000 — 10 points
- 15, 001 – 20,000 — 8 points
- 20,001 – 25,000 — 5 points
- >25,000 — 0 points

Up to 10 points – RIH or State Housing Grant Funds (RIH Deferred debt, CDBG funds, State HOME) per affordable unit

- <$25,000 — 10 points
- $25,001 – $30,000 — 5 points
- >$30,001 — 0 points

Up to 5 points for leveraging committed state and federal funds from rental and operating subsidy programs such as HUD's Rental Assistance Demonstration Program, HUD Section 811 Program or Project Based Section 8 rental or other similar federal and state program.

- 5 points – 20% or more units in the development
- 3 points – 10-19% of units in the development
- 1 point – up to 9% of units in the development

Up to 10 points – Leveraging of non RIH or State competitive housing resources (e.g. Choice Neighborhood Implementation funding, USDA funding, Federal and/or State Historic Credits, FHLB, municipality, private grants, etc.) per affordable unit.

- >25,000 - 10 points
- 20,001-25,000 - 8 points
- 15,001-20,000 - 5 points
- <15,000 - 0 points

GENERAL POINTS

Up to 5 points for effectively serving people (i) who have income at or below 30% of median income, (ii) are homeless or (iii) have special needs.

- 5 points – 21% or greater of the total number of units in the development
- 3 points – 11- 20% of the total number of units in the development
- 1 point – up to 10% of the total number of units in the development

A service plan and memorandum of understanding with a service provider is required for homes that are intended for persons with special needs.

Up to 5 points for utilizing Rhode Island based firms.

- 5 points for owner/applicant that certifies in the application to require that up to 75% of the sub-contractor contracts be awarded to Rhode Island based construction firms.
- 3 points for owner/applicant that certifies in the application to require that up to 50% of the sub-contractor contracts be awarded to Rhode Island based construction firms.

Up to 8 points for a development that at the time of application is permitted by all applicable regulatory agencies including: municipal permitting bodies (local planning, zoning and building permit approvals) and state regulatory agencies (Department of Environmental Management and Coastal Resources Management Council).

- 8 points for a fully permitted development that has building permits secured and specifications are at least 75% complete and architect confirms in writing that the plans and specifications can be 100% complete within 30 days
- 6 points for master, preliminary and final plan approval for development. Points will be prorated based on approvals in place at time of application.
- 1 point for CRMC and/or DEM approval for development in place at time of application or if CRMC and/or DEM approval is not required.

COMPREHENSIVE COMMUNITY DEVELOPMENT (Up to 21 points)

A community is more than homes; it includes different elements critical for high quality of life. Many elements are integral to creating vibrant communities, including:

Larger Community Context and Engagement: **6 points**

- Development is in either 1) an area targeted for investment or reinvestment by local, state or federal agencies as identified within a government approved

comprehensive and/or revitalization plan and/or 2) Integrated into an overall revitalization strategy as identified by a local CDC or nonprofit.

- Development that has a commitment of resources from the city/town.
- Development includes preservation of structures with historic designation or structures located within a federal or state historic district,
- Developer has participated in a meaningful public engagement process that includes community meetings and community input beyond those held for the locally mandated approval process.
- Development is within ½ mile of recreation, culture and/or entertainment opportunities.
- Developer is a community based nonprofit that has a demonstrable track record of community engagement and has operated housing in the neighborhood

Good Homes, Public Infrastructure, and Transportation: **8 points**

Good Homes:

- Development will have a range of income levels, including units above 60% AMI.
- Development is designed using Crime Prevention Through Environmental Design (CPTED). Please see www.planning.org/pas/quicknotes/open/pdf/Qn42.pdf for the key principles of CPTED. Please note which principles have been incorporated.
- Design conforms to Rhode Island Housing's Design and Construction Guidelines.

Transportation:

- Development is within ½ mile of RIPTA or MBTA public transit service. Alternatively, development has access to no or low cost transportation services available to all residents which can be documented with a letter or agreement with the provider.
- Integration of pedestrian and bike infrastructure, including walkable streets and safe and secure bike storage.

Public Infrastructure

- Development is or will be served by public water and utilities. OSWT is acceptable.
- Development is situated in an existing or proposed Growth Center, or, Development is within 1 mile of existing public infrastructure such as hospitals, schools, libraries, community centers, etc. within the **Urban Services Boundary** (USB) as defined by GrowSmartRI and 2.5 miles for **non-USB** areas. For the definition of USB please see http://www.growsmartri.org/wp-content/uploads/2012/01/smart-growth-terms-and-concepts.pdf

- Development has documented programs and/or partnerships with entities such as the YMCA, Boys and Girls Club or After School Programs.

Health: **3 points**

- Development incorporates outdoor green space and community space.
- Development incorporates at least two types of green infrastructure such as storm water runoff management, rain gardens, bioswales, green roofs or green streets.
- Development will have a written smoke free policy.

Strong Economy and Workforce Development: **4 points**

- Development has a mixed use component that includes rental space for a commercial business(s).
- Development will result in the creation of at least 3 new permanent jobs that are at least 30 hours per week (Applicant must be able to provide detail as to jobs and employers)
- Development is within 1 mile to employment opportunities.
- Development is within 1/2 mile of a business that sells fresh produce and food items year round within the **Urban Core and Urban Ring** as defined by GrowSmartRI and 2.5 miles for **non-Urban Ring** areas. For the definitions please see http://www.growsmartri.org/wp-content/uploads/2012/01/smart-growth-terms-and-concepts.pdf

COMMUNITY

10 points – A development which is located within a community with less than 10% affordable housing as defined by state law; **OR**

5 points - A development in an exempt community with less than 10% affordable housing as defined by state law.

Up to 5 points – A development that includes rehabilitation of vacant, foreclosed and/or blighted properties or infill development on vacant neighborhood lots. An infill lot is defined as a lot in an established and developed neighborhood that previously had a structure, and replacement of that structure serves to integrate the streetscape and fabric of the neighborhood.

- 5 points: 100% of the total number of units in the development
- 4 points: 80-99% of the total number of units in the development
- 3 points: 60-79% of the total number of units in the development

- 2 points: 40-59% of the total number of units in the development
- 1 point: 25 -39% of the total number of units in the development

EFFICIENCY

Up to 3 points may be awarded to those developments that exceed Energy Star Version 3.1 Version 8 Program Standards. See Design and Construction Guidelines for additional guidance.

Projects undertaking substantial rehabilitation rather than new construction will be awarded up to 3 points if they demonstrate an ability to surpass Tier II standards under National Grid's program guidelines.

3 points for certifying that upon completion the Development will sign up with a Utility Benchmarking Service (UBS) for all utilities including tenant paid utilities. The cost for the UBS should be reflected in the applicant's operating expenses.

5 points for development that does not involve destruction of fields, forests, agricultural lands or environmentally sensitive land, and/or includes a cluster development in which more than 50% of the land is conserved.

Up to 5 points for serving families:

- 5 points for a development that provides an average of 2.5 bedrooms overall in a development.
- 3 points for a development that provides an average of 2 – 2.49 bedrooms overall in a development.

NEGATIVE POINTS (assessed by Rhode Island Housing)

- Negative 5 points for having a higher total development cost per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored.
- Negative 5 points for higher LIHTCs per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored.
- Negative 5 points for higher State Housing Grant Resources per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored
- Negative 5 points for Developer not closing their previous LIHTC transaction within 12 months of preliminary approval. Exceptions may be made for circumstances that, in Rhode Island Housing's sole determination, were outside the developer's control.

C) Scoring Assessment Criteria

Applicants should note the assessment scoring criteria, requirements and guidance that are applicable to the selection of proposals.

1. Financial Analysis (up to 45 points):

a) Development and Construction Costs: Development and construction costs will be reviewed for adequacy and reasonableness in accordance with the guidelines established in the underwriting guidelines of the Rhode Island Housing Developers Handbook. Rhode Island Housing will review and score the development cost per new affordable home produced and the competitive resources necessary to construct or rehabilitate the homes. Rhode Island Housing will determine reasonableness of cost estimates based upon similarly constructed developments and past practice of the development team in delivering projects within budget. A new affordable home means a home that increases the number of Rhode Island homes in which a household that earns 60% of the statewide median income would pay no more than 30% of that income for rent.

   Rhode Island Housing will use its best professional judgment in evaluating the costs and proposed sources and uses of funds set forth in the application. Staff will consider the amount of documentation submitted in support of the proposed costs, sources and uses; the development team's past performance in achieving the costs set forth in prior applications for funding and prior projects and Rhode Island Housing's own expertise and experience with housing developments, and present their recommendations to the Funding Committee for a final award decision

b) Management Plan/Operating Budget: Operating budgets will be reviewed to determine adequacy and reasonableness of each expense line item, including but not limited to management fees, maintenance and administrative costs, replacement reserves, taxes, insurance, and costs of any planned tenant services. Proposed management agents and management plans will be reviewed to determine the acceptability of planned procedures for managing the development's operations. For service-enriched housing proposals, management plans will also be reviewed for demonstrated appropriateness and sufficiency of planned services for the target population, the inclusion of a cohesive, well-conceived and financially feasible service program, and the organizational capacity of the service provider(s) to deliver the proposed services.

c) Leveraging: Projects will be scored based upon cost effectiveness and ability to leverage other uniquely or broadly available funding sources and thereby reduce the need for Housing Tax Credits and or other limited public resources.

2. Serving the Needs of Very Low Income Individuals and Families:

Rhode Island has adopted Open Doors Rhode Island which is a strategic plan to prevent and end homelessness. The plan can be accessed at: http://www.hrc.ri.gov/documents/Homeless/Opening%20Doors%20Rhode%20Island%20FINAL.pdf. The goals of the plan are to end chronic homelessness in 5 years, end veteran's homelessness in 5 years and to end homelessness for families and youth in 10 years.

Up to 5 points will be given to proposals that effectively serve people with income at or below 30% of area median income, are homeless or have special needs.

In accordance with proposed changes to the Department of Housing and Urban Development Section 811 Program under the Frank Melville Supportive Housing Investment Act of 2010, Rhode Island Housing was approved to participate in the Section 811 Project Rental Assistance (PRA) program. This program encourages the integration of Section 811 units into larger developments. Rhode Island Housing encourages proposals which include integration of Section 811 service enriched apartments. A maximum of 25% of units in a development will be eligible for Project Rental Assistance through the program.

3. Rhode Island Based Firms:

Rhode Island continues to experience unemployment rates that exceed the national average. The state's average unemployment rate in 2014 was 7.7%. To provide the greatest employment opportunities for the Rhode Island workforce, points will be given to applicants that certify their general contractors will utilize Rhode Island based subcontractors.

4. Permitting:

There are substantial costs associated with permitting a development. However, significant delays in proceeding to construction can result from various local and state permitting processes. Recognizing the cost/benefit of fully permitting a development prior to the award of financing, Rhode Island Housing will provide a range of points for those developments that have received various permitting approvals.

Recognizing the benefit of having (nearly) completed plans and building permits in regards to readiness to proceed, Rhode Island Housing will provide 8 points for those developments that have been issued building permits and have plans that are at least 75% complete.

5. Comprehensive Community Development:

Each application will be evaluated and scored on the extent to which it supports the principles of Comprehensive Community Development. Rhode Island Housing has brought together advocates for jobs, the environment, safe homes and the many components that are essential to a good, safe, healthy community where neighbors meet, people work, children play. Instead of working independently of each other to create small pockets of success in each area, partners are encouraged to work TOGETHER to create neighborhoods where a healthy environment is as valued as safe homes and good jobs. By attempting to reuse existing developed land that has been underutilized or abandoned, Comprehensive Community Development will help preserve a precious Rhode Island commodity: open space. Recognizing that in the case of emerging growth centers, housing development may precede infrastructure improvement and the development of amenities and workplaces, creative partnerships will result in thriving neighborhoods with good-paying jobs, and homes that are attractive, convenient and affordable. Schools, services, and cultural centers would all be close-by. Close proximity, coupled with conveniences like bike paths and public transit will help minimize traffic and air pollution. And green building practices will protect and reuse natural resources.

Up to 21 points will be given to developments that effectively address the following elements.

Larger Community Context and Engagement:

The larger context of the community in terms of revitalization efforts, community and economic development, planning, and municipal and state investments should be taken into consideration. It is important to understand what larger effort this investment may be contributing to, as well as how it may be strengthening partnerships within the community and state.

Additionally, for a community to function at its best, residents should have the opportunity to engage with one another through participation in civic, cultural and religious organizations and events. Community engagement provides a sense of safety, belonging, and neighborhood pride.

Good Homes, Public Infrastructure, and Transportation:

A good home is safe, accessible, healthy, and affordable to rent or own; public infrastructure includes sidewalks, streets, hospitals, community centers, libraries, police and fire stations, parks, playgrounds, and schools; transportation is access to buses and trains, safe spaces for bicycling, sidewalks for walking, and automobiles.

Health:

Healthy neighborhoods have clean air, open space, health services, and access to fresh food and needed services.

Strong Economy and Workforce Development:

A strong economy includes good jobs for community residents that are nearby and pay a living wage, easy access to a variety of goods and services, and public and private investment in the community.

Comprehensive Community Development is a holistic strategy for efficient use of land and other resources that maximizes open space and discourages sprawl. This strategy includes directing development and reinvestment to existing communities as well as redevelopment and growth in and around planned or existing growth or town centers where higher densities can be supported by public and alternative-technology infrastructure. It is development at higher densities and includes compact building designs, infill development, redevelopment and the adaptive re-use of existing buildings. It also includes conservation-minded development in rural communities that result in a more efficient use of land and other resources through the creation of more traditional, compact neighborhoods. By making more efficient use of land and other resources in these areas, sustainable development preserves open space and creates homes affordable to more Rhode Islanders.

These communities have many of the following "Smart Growth" features: mixed land use; part of an overall municipal plan with community stakeholder collaboration; compact design; economically sustainable; aesthetically pleasing; includes a diversity of people, incomes and housing types; is distinctive in character; and is healthy and energy efficient.

Comprehensive Community Development encourages collaboration to ensure more effective outcomes. As public and private resources become scarcer, collaboration among all federal, state and local agencies is a key component for successful development in Rhode Island. Collaborations with HUD's Sustainable Communities Initiative, HUD's Choice Neighborhoods Program and other state and federal initiatives will be encouraged. Priority will be given to developments which can best demonstrate the ability to collaborate and secure resources through a number of federal, state, local and private partners in order to meet their development outcomes.

The proposed scope of work and building design features will be evaluated to ensure that it is comprehensive and will provide for the long-term viability of the housing development, its utility, and the systems of the structure(s). The proposal will also be evaluated based on its potential to meet Rhode Island Housing Design Standards including: conformance with applicable laws, regulations, and code requirements; satisfactory architectural treatment and sensitivity in scale and character with surrounding buildings; appropriateness of the building and unit

plans (e.g. preferring family units in less dense buildings rather than in large buildings with long, uncontrolled corridors), site design, and amenities to the target population; use of materials and energy conservation measures to enhance durability and operating cost efficiency; and adequacy of estimated construction costs to complete the proposed scope of work.

One of the objectives in making tax credits available to a Developer is to produce developments of quality construction and livable design that will enhance the communities in which they are built. All developments to be financed through Rhode Island Housing must meet the requirements set forth in Rhode Island Housing's Design and Construction Guidelines, and shall be consistent with the design elements and philosophy of Rhode Island Housing's Comprehensive Community Design Initiative.

Site Design:

The proposed site, including any existing improvements, must support the intended population in terms of desirability of location; environmental quality; adequacy of utilities and transportation; proximity and connections to jobs, civic, social, commercial, recreational, religious and cultural services and facilities; and appropriateness of the proposed development to the specific site (e.g., conformance with neighborhood character and land use patterns; impact on surrounding area; extent to which the proposal furthers local revitalization efforts or stimulates investment in new or existing town or growth centers and surrounding neighborhoods; and visual impact).

In addition, site conditions will be evaluated in terms of suitability for construction or rehabilitation. For new construction, ledge, wetlands, existence of subsurface contamination, grade, and soil suitability, and base flood elevation are typical considerations. For rehabilitation, existing structural conditions, ease or difficulty of adaptations, abatement of hazardous materials, appropriateness of existing buildings, layout and site plan for the proposed resident population will be considered.

As a general rule, developments will only be eligible for financing if the residential buildings are not constructed on land which is in a base flood elevation (100 year flood) ("Base Flood Elevation") as determined by Rhode Island Housing in accordance with the most current Flood Insurance Rate Maps issued by the Federal Emergency Management Agency ("FEMA"); and comply with other applicable requirements of law, as they may be amended from time to time, including, but not limited to, an Assisted Living Facility, obtaining a license from the Rhode Island Department of Health, if required. Rhode Island Housing may consider granting a waiver to the Base Flood Elevation Requirement, if the Developer seeking to construct or rehabilitate a building in a Base Flood Elevation, can demonstrate to Rhode Island Housing's satisfaction that upon the occurrence of an event of the magnitude of the 100 year flood (i) there will not

be an unreasonable risk of bodily injury or harm to the residents; (ii) the ground floor units, building egress, site egress and parking areas are constructed above 100 year flood elevation; (iii) the structural integrity, systems and interior finishes of the building will not be materially and adversely affected; (iv) the building will remain functional; (v) the construction or renovation of the buildings will not result in increased flooding elsewhere and (vi) the property is covered by flood insurance in strict conformance with Rhode Island Housing's insurance requirements. In addition, all developments located in a 100 year flood plain will be required to provide a flood plain engineering report and evacuation plan (if necessary) prepared by a qualified civil engineer or land surveyor. Developments which receive Federal funding will also be required to meet HUD's 8-Step floodplain standards. The decision of Rhode Island Housing shall be binding and conclusive.

6. Geographic Diversity:

In an effort to provide affordable homes in every community in Rhode Island and to assist communities that have been unable to reach a 10% affordable housing goal, 10 points will be given to developments located in areas with less than 10% existing affordable housing. Exempt communities with less than 10% affordable housing will be given 5 points. Applicants must demonstrate the need and demand for the housing proposed in the application.

7. Vacant, Foreclosed and Blighted Properties and Infill Lots:

Vacant, blighted and abandoned properties have a negative impact on our neighborhoods and communities. A blighted property exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety and public welfare as documented by a qualified code inspector or individual trained to conduct housing quality standards inspections. These properties diminish property values and negatively affect prior investment. Up to 5 points will be given for applications that address vacant, foreclosed and/or blighted properties or infill development on vacant or blighted neighborhood lots. Applicants must demonstrate how the proposed housing contributes to an overall plan to revitalize and/or stabilize the neighborhood or that builds upon previous investment.

8. Efficiency:

Rhode Island Housing strives to ensure that developments are as energy efficient as possible and to extent financially feasible, incorporates many of the industry's current green building practices. Up to 3 points will be awarded for developments that exceed Energy Star Version 3.1 Version 8 Program Standards.

Projects undertaking substantial rehabilitation rather than new construction will be eligible for partial points if they can meet Tier II of standards under National Grid's program guidelines.

Utility Benchmarking is becoming an industry best practice to monitor the performance of properties and build a data base of information to inform future funding decisions. Up to 3 points will be awarded for certifying that upon completion, the Development will sign up with a Utility Benchmarking Service for all utilities including tenant paid utilities.

9. Preservation of Greenfields:

In recognition of the need to preserve Rhode Island's diverse natural resources, Rhode Island Housing has placed high priority on protection of our working farmlands and forested areas. Up to 5 points will be provided for a proposal that does not involve destruction of fields, forests, agricultural and other environmentally sensitive land and/or includes a cluster development in which more than 50% of the land is conserved.

10. Providing Housing Opportunities for Families:

There is tremendous need in Rhode Island for safe and affordable homes for families. To encourage the development of affordable homes for families up to 5 points will be provided for applications that propose the development of family apartments.

NEGATIVE POINTS

Rhode Island Housing has the right to assess negative points due to an applicant's non-performance under their most recent LIHTC transaction in the following categories:

- Negative 5 points for having a higher total development cost per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored.
- Negative 5 points for higher LIHTCs per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored.
- Negative 5 points for higher State Housing Grant Resources per unit at the closing of the Developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored
- Negative 5 points for Developer not closing their previous LIHTC transaction within 12 months of preliminary approval. Exceptions may be made for circumstances that, in Rhode Island Housing's sole determination, were outside the developer's control.

D. Non-Profit Set-Aside, 9% Credits

In accordance with Section 42(h)(5)(B) of the Code, Rhode Island Housing will set-aside a minimum of ten percent (10%) of the total tax credit allocation available for qualified non-profit organizations that materially participate as determined by Rhode Island Housing in the development and management of the project throughout the compliance period under the meaning of the Code. These credits will be administered in the same manner as tax credits allocated to for-profit developers. While providing for a minimum set-aside, this provision will not impose a ceiling on the total percentage of credits which may be allocated to non-profit entities.

In order to qualify for credits from the non-profit set-aside, organizations must certify that they are a qualified non-profit organization; and any substitute owner during the compliance period must continue to qualify under that set-aside. The term "qualified non-profit organization" means any organization that is described in section 501(c)(3) or (4), is exempt from tax under section 501(a), and includes as one of its exempt purposes the fostering of low-income housing.

Rhode Island Housing recognizes the important contributions and added value that non-profit developers can bring to development activities. Non-profit developers include community development corporations and housing service providers which often have important connections to the community where the housing is located and frequently provide extensive additional services to residents within the development and to other residents of the neighborhood and larger community. Rhode Island Housing has a strong and successful history of working with non-profits groups to build healthy and vibrant communities in Rhode Island and will continue to recognize that success in its allocation process.

E. Assisted Living Program

Housing tax credits from the state per capita allocation and those provided through tax-exempt bond financing are available to applicants proposing assisted living developments, provided that the proposal identifies long term funding for essential services.

F. Supportive Housing

Housing tax credits from the state per capita allocation and those provided through tax-exempt bond financing are also available to applicants proposing permanent housing developments with supportive service options for residents. Critical to the evaluation of these proposals will be the availability and commitment of sustainable funding for the proposed services and operating or rental assistance to assure long-term feasibility.

Housing tax credit regulations prohibit sub-leasing of units to agencies. Owners should not enter into a master lease agreement with service providers. Tenants must execute a lease for a unit. A contract between the Owner and service provider should be executed to ensure the provision of services for a tenant.

IV. TAX EXEMPT FINANCING WITH 4% CREDIT

Applications for Tax Exempt financing are currently received on a rolling basis. While proposals utilizing tax-exempt bond financing with 4% credits may not be required to participate in a competitive funding process, all development proposals must meet the requirements of the Qualified Allocation Plan and Developers Handbook. These requirements include, but are not limited to, satisfactory underwriting review by Rhode Island Housing; restrictions on general requirements, builder's overhead and profit, legal fees, and management fees; basic design and construction standards; and the payment of underwriting, compliance monitoring, and tax credit allocation fees.

Priority for tax exempt financing and 4% credits will be given to projects that preserve existing affordable housing developments and that use Rhode Island Housing as the permanent lender.

V. UNDERWRITING GUIDELINES

Rhode Island Housing has developed standards for construction costs per square foot and general contractor fees in addition to guidelines for development costs, reserve requirements, developer's fees, consulting and legal fees. These guidelines must be incorporated into all proposals requesting tax credits from the Tax Credit Program and can be found in the Rhode Island Housing Developers Handbook or at www.rhodeislandhousing.org. The guidelines may be amended from time to time through Program Bulletin.

VI. FEE STRUCTURE FOR TAX CREDIT PROPOSALS

All tax credit proposals, including those seeking credits from the State's allocated pool or in conjunction with tax-exempt bond financing, shall be assessed the following fees:

A. Application Fees:

Tax credit proposals will be assessed a $1,000 non-refundable application fee, payable upon application submission.

B. Underwriting Fee:

Rhode Island Housing will charge an underwriting fee for the review of all 4% and 9% credit proposals

Combined Loan Amount	Fee
Up To $1,000,000	$20,000
Up To $3,000,000	$25,000
Greater than $3,000,000	$35,000

If Rhode Island Housing provides the first mortgage financing, these underwriting fees will be applied toward Rhode Island Housing's origination fees. However, the underwriting fee will be charged if Rhode Island Housing is not the permanent senior lender. A **minimum** combined origination/underwriting fee of $20,000 will be paid if the loan amount is less than $1,000,000

C. Allocation Fees:

Approved tax credit proposals will be assessed the following tax credit allocation fee, payable at closing:

For 9% Tax Credit Developments: 0.5 % of the ten year allocation amount
For 4% Tax Credit Developments: 1.0 % of the ten-year allocation amount

VII. COMPLIANCE MONITORING

The IRS requires that the allocating agency monitor compliance with Section 42 of the Code and all applicable regulations on a project-by-project basis. This requirement became effective January 1, 1992 and applies to all buildings for which the low-income housing tax credit is, or has been, allowable at any time. Rhode Island Housing may perform compliance monitoring or may contract with an agent to perform this function. The monitoring procedure includes provisions for record keeping and record retention, annual certification and review, on-site records review, building inspection and notification to Owners and the IRS of non-compliance. Please refer to Rhode Island Housing's Compliance Monitoring Manual (the "Compliance Manual") for detailed monitoring requirements.

The compliance monitoring procedure is adopted pursuant to the Code. Rhode Island Housing or its agent reserves the right to amend this procedure as may be necessary or appropriate to conform to applicable changes in the Code or regulations. In addition, Rhode Island Housing or its agent may adopt further monitoring forms and procedures as part of its Compliance Manual or as otherwise deemed appropriate.

Whether a new construction project or an acquisition and rehabilitation project, the Owner/agent must initially certify all households to ensure eligibility. A full LIHTC certification is required.

Upon project completion owners are required to obtain an independent third party audit of 100% of the initial qualifying tenant files. This audit cannot be performed by the investor. Documentation of such audit must be submitted to Rhode Island Housing along with the Qualified Basis Tracking Report (QBT), the 8609(s) and the Cost Certification. Owners and agents are also required to attend a Welcome Meeting with Rhode Island Housing Loan Servicing Multifamily Compliance and Financial staff.

APPLICANTS AND OWNERS ARE ADVISED THAT COMPLIANCE WITH THE REQUIREMENTS OF SECTION 42 OF THE CODE IS THE RESPONSIBILITY OF THE OWNER OF THE DEVELOPMENT. MONITORING OF THE DEVELOPMENT BY RHODE ISLAND HOUSING OR ITS AGENT DOES NOT IN ANY MANNER AFFECT, MODIFY, OR SUBSTITUTE FOR THIS RESPONSIBILITY. MONITORING BY RHODE ISLAND HOUSING OR ITS AGENT DOES NOT CONSTITUTE A DETERMINATION OF ANY KIND REGARDING THE DEVELOPMENT'S ELIGIBILITY FOR THE TAX CREDIT UNDER SECTION 42 OF THE CODE.

A. Recordkeeping and Record Retention

Recordkeeping: For each year in the compliance period, which is equal to fifteen taxable years beginning in the first year the tax credit is taken, the Owner shall maintain records for each building in the project showing the:

1) Total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit).
2) Percentage of residential rental units in the building that are low-income units as defined by Section 42(g), and the size in square feet of each low-income unit.
3) Rent charged on each residential rental unit in the building including the utility allowance chart if applicable.
4) Number of occupants in each low-income unit if the rent is determined by the number of occupants per unit under Section 42(g)(2) (as in effect prior to 1989 amendments).
5) Annual income certification for each low-income tenant per unit.
6) Third party verification of income, assets and income from assets to support each low-income tenant's income certification (for example: a copy of a 3rd party employment verification, a 3rd party asset verification

from the financial institution, 3rd party documentation from unemployment, pensions, veterans benefits, social security, public assistance, child support, alimony, documentation of self-employment, or federal income tax returns, or W-2 Form).

7) Student status of all household members.

8) Waiting Lists and marketing/advertising information.

9) Each low-income vacancy in a building and information that shows when, and to whom, the next available units were rented.

10) Eligible basis and qualified basis of the building at the end of the first year of the credit period.

11) Character and use of the non-residential portion of the building included in the building's eligible basis under Section 42(d).

Record Retention: The Owner shall retain records relative to the first year of the credit period for at least six years beyond the due date (with extensions) for filing the tax return for the last year of the compliance period of the building. The Owner shall retain the records described above for all subsequent years in the compliance period for at least six years after the due date (with extensions) for filing the federal income tax return for that year.

Additionally, for each year that any Agreements remain in effect after the compliance period, the Owner shall retain records adequate to demonstrate compliance with the terms and conditions of the Agreement, including, but not necessarily limited to, income of tenants and rents charged at the development. The Owner shall retain the records pertaining to a particular year for at least six years following the close of that year.

B. Certifications and Reporting

Annual Certification: The Owner of every project that has received tax credits must submit to Rhode Island Housing by January 31st of each year during the compliance period and the extended use period an Owner's Annual Certification of Continuing Program Compliance and evidence of Certification of Housing Tax Credit Training. As required under U. S. Treasury Revenue Regulation 1.42-5, the Owner shall certify to Rhode Island Housing under the penalty of perjury, whether for the preceding 12-month period:

1) The project was continually in compliance with the terms and conditions of its Agreements with Rhode Island Housing.

2) The project met either the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), whichever minimum set-aside test was applicable to the project. The 20-50 Test means that a minimum of 20%

of the project's units were set-aside for tenants at 50% of the AMGI at tax credit restricted rent levels. The 40-60 test means that a minimum of 40% of the project's units were set-aside for tenants at 60% of the AMGI at tax credit restricted rent levels.

3) There was any change in the applicable fraction as defined by Section 42c(1)(B) of any building in the project, and if there was a change, a description of that change.

4) The Owner has received an annual income certification from each low-income tenant, and documentation to support that certification.

5) Each low-income unit in the project was rent-restricted under Section 42(g)(2).

6) All units in the project were for use by the general public (as defined in Treasury Regulation 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred in the project.

7) Each building in the project was suitable for occupancy, taking into account local health, safety and building codes.

8) There was any change in the eligible basis (as defined in Section 42(d)) of any building in the project, or there was a change, and information regarding the nature of that change.

9) All tenant facilities included in the eligible basis under Section 42(d) of any building in the project were provided on a comparable basis without charge to all tenants in the building.

10) If a low-income unit in a building becomes vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any unit in the building was or will be rented to tenants not having a qualifying income.

11) If the income of the tenant of a low-income unit in a building increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income.

12) An extended low-income housing commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c) of the Revenue Reconciliation Act of 1989).

13) All low-income units in the project were used on a non-transient basis except for permanent supportive housing for the homeless provided under Section 42(i)(3)(B)(iii) or single room occupancy units rented on a month-to-month basis under Section 42(i)(3)(B)(iv).

Additional Information as Required: The Owners of all low-income housing projects will also be required to submit to Rhode Island Housing information on tenant income, occupancy, and rent for each low-income unit, in the form and manner designated by Rhode Island Housing. Rhode Island Housing reserves the right to require Owners of all low-income projects to submit additional information as it deems necessary.

The 2008 Housing and Economic Recovery Act (HERA) included a provision directing state HFAs to collect and submit to HUD demographic and economic information on tenants living in LIHTC properties, including LIHTC projects in the Extended Use period. Rhode Island Housing requires Owners/Agents to upload and report tenant data monthly utilizing the Web Tenant Compliance (WTC) software which allows property managers to enter tenant information directly into a web-based compliance reporting system. The information is immediately uploaded to Rhode Island Housing's HDS (Housing and Development Software) database and is then transmitted directly to HUD.

C. Records Review

In accordance with Section 1.42-5(c)(2)(ii), all projects will be reviewed by the end of the second calendar year following the year the last building in the project is placed in service. Subsequently, Rhode Island Housing will conduct an on-site records review and Uniform Physical Conditions Standards (UPCS) inspection of all tax credit projects at least once every three years. In each of the projects, the tenant records of at least 20% of the low-income units in conjunction with a physical inspection of the same tenant's unit will be examined. Rhode Island Housing may elect to audit any higher amount if it deems appropriate.

The records inspection will include an examination of the annual tenant income certification, the documentation the Owner has received to support that certification, and the rent record for each low-income tenant in at least 20% of the low-income units for the current year and the prior year and the initial certification.

Rhode Island Housing reserves the right to perform an on-site records review of any low-income housing project at least through the end of the compliance period and for any additional term as defined in the Rhode Island Housing Extended Use Compliance Monitoring Policy.

D. Inspection

Rhode Island Housing will conduct annual physical inspections, as well as property management file audits, on all of the tax credit developments monitored by Rhode Island Housing. Rhode Island Housing will select the low-income units to be inspected in each development to correspond to the tenant file

records reviewed. The minimum number of units to be inspected will be the greater of 20% of the project's low-income units in each building or 3 low-income units.

Inspections of building and low-income units will be made in accordance with the Uniform Physical Condition Standards (UPCS) or REACH standards under the physical inspection pilot program in partnership with HUD, the IRS and Rural Development.

Rhode Island Housing retains the right to perform an on-site inspection of any low-income housing project at least through the end of the compliance period and for an additional term as defined in the Rhode Island Housing Extended Use Compliance Monitoring Policy.

E. Notification of Non-Compliance

Rhode Island Housing defers to the Guide for Completing Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (the "Guide") to evaluate non-compliance findings. The scope of the Guide is limited to guidelines for preparing Form 8823 for submission to the IRS. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC Section 42. The Guide is available on the IRS website at www.irs.gov.

Rhode Island Housing will look to the Guide in evaluating compliance with IRC Section 42 and in determining whether a notice of noncompliance should be issued. As outlined in Section 42(m)(1)(B)(iii), Rhode Island Housing or its agent has the responsibility to notify the IRS of non-compliance with the low-income housing tax credit provisions by completing Form 8823 "Low-Income Housing Credit Agency Report of Non-Compliance." In the event that Rhode Island Housing or its agent learns of an event of non-compliance, it will send a letter to the project's Owner describing the condition and, where appropriate, recommending actions to correct the problem. The agency shall retain records of non-compliance or failure to certify in accordance with Treasury Regulations.

The Owner of the low-income housing project shall have 30 days from the date of the notice to correct and supply proof that the noncompliance has been corrected (e.g. copies of income certifications/lease/rent rebate, etc.).

If Rhode Island Housing determines that the clarification from the Owner on the noncompliance issue establishes that the Owner was always in compliance, then no Form 8823 is issued and the Owner is notified within five (5) business days.

If Rhode Island Housing determines that there was noncompliance and the issue is now remedied, then Form 8823 will be filed with the IRS and the Owner will be notified no later than 45 days after the end of the time allowed to the Owner to take remedial action.

The correction period may be extended in the sole discretion of Rhode Island Housing for up to an additional 60 days upon the written appeal of the Owner (received on or before the expiration of the 30 day period) requesting such an extension, if the agency determines that the Owner is making a good faith effort to provide the missing information and/or bring the project into compliance with the provisions of Section 42 of the Code.

Rhode Island Housing may thereafter extend the correction period for up to six months, but only if Rhode Island Housing determines in its discretion that there is a good cause for granting the extension. In the event of non-compliance during the extended use period, Rhode Island Housing will provide the owner a period of sixty (60) days to correct the violation. Failure to correct non-compliance during the extended use period may result in an owner designation of "not in good standing" with Rhode Island Housing. This designation may be used as a determining factor in providing future allocations of Housing Tax Credits.

F. Liability of the Owner

Compliance with the requirements of Section 42 is the responsibility of the Owner of the building for which the credit is allowable. Rhode Island Housing's obligation to monitor for compliance with the requirements of Section 42 does not make it responsible for the Owner's noncompliance.

G. Annual Compliance Training

The Owner must certify that at least one member of the on-site management staff attends training for compliance in managing a tax credit project at least once annually. Proof of training and/or Certifications of training must be submitted to Rhode Island Housing by January 31st of each year.

VIII. EVENTS OF RECAPTURE

A full recapture of credits occurs if the building fails to meet the minimum set-aside requirement. A partial recapture of credits occurs if the building's low-income occupancy percentage decreases, but not below the minimum set-aside level, and/or if eligible basis decreases. The potential effect of non-compliance is to increase taxes in the year of non-compliance based on all previous years that the credit was earned. The excess of the credit actually earned each year over the credits that would be allowed if the credits were claimed ratably over the fifteen-year compliance period (the accelerated portion of the credit) plus interest is recaptured. In this event, IRS Form 8611

"Recapture of Low-Income Housing Credit" must be filed by the project's Owner and retained for three years following the Compliance Period.

It is important to note that there are additional items that trigger recapture. Please refer to Section 42 of the Code and the Rhode Island Housing website for important Program Bulletins and Notices regarding changes/revisions to policies.

IX. COMPLIANCE MONITORING FEES

A. Compliance Monitoring Fees:

In order to offset the cost of compliance monitoring, a low-income housing unit fee will be assessed to all tax credit developments per tax credit unit. This fee will be due and payable no later than January 31st of each year. This fee will be reviewed on an annual basis and may be increased to cover administrative costs at Rhode Island Housing's discretion. In accordance with the Rhode Island Housing Extended Use Compliance Monitoring Policy, fees will be assessed through the term of the Extended use Period.

X MISCELLANEOUS

Rhode Island Housing recommends that Owners/agents stay current with updated information by logging into our website at www.rhodeislandhousing.org and viewing and downloading important information outlined in our Program Bulletins and Notices.

XI. APPROVAL OF THE GOVERNOR

I, Gina M. Raimondo, Governor of the State of Rhode Island and Providence Plantations, do hereby signify my approval of this 2016 Tax Credit Qualified Allocation Plan for the distribution of federal housing tax credits in this State, in conformance with Section 42 of the Internal Revenue Code.

Signed: _____
Gina M. Raimondo, Governor

Date: Nov 25, 2015