

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

LOW INCOME HOUSING TAX CREDIT PROGRAM

DEPARTAMENTO DE ESTADO

Núm. Reglamento **7138**

Fecha Rad: 26 de abril de 2006

Aprobado: Fernando J. Bonilla

Secretario de Estado

Por: María D. Raygoza
Secretaría Auxiliar de Servicios

QUALIFIED ALLOCATION PLAN

2006

P.O. Box 71361
San Juan, Puerto Rico 00936-8461
(787) 765-7577

Rev. January 2006

2006 LOW INCOME HOUSING TAX CREDIT ALLOCATION PLAN

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FOREWORD

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

On December 15, 2000 Congress passed a tax bill that increased the annual per capita credit to \$1.50 in calendar year 2001 and to \$1.75 per capita in calendar year 2002. Beginning in calendar year 2003, the per capita portion of the credit cap will be adjusted annually for inflation in accordance with the consumer price index. The annual volume cap of 2006, \$1.90 per capita, multiplied by the population of Puerto Rico, currently represents a minimum of approximately \$7,432,902 in tax credits based on the most recent update of the US census (December 22, 2005).

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

2006 Low Income Housing Tax Credit Allocation Plan
for the Commonwealth of Puerto Rico

I. Legislative Requirements for the State Allocation Plan

The Omnibus Budget Reconciliation Act of 1989 mandated that state housing credit agencies adopt plans for the allocation of the credits among qualified low-income housing projects. The Governor must approve the Allocation Plan after the public has had the opportunity to comment through a public hearing. The guidelines and requirements set forth in this Plan will be utilized in the processing of new applications for the program.

II. Internal Revenue Code (IRC) Requirements

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

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

- B. Give preference in allocating housing credit dollar amounts among the selected projects to:
1. Projects serving the lowest income tenants, and
 2. Projects obligated to serve qualified tenants for the longest periods;
 3. Projects that are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan.
- C. Provide a procedure that the Authority will follow in monitoring noncompliance and in notifying the Internal Revenue Service of such noncompliance, and in monitoring for noncompliance with the provisions of the tax credit program, if any.

Also, the Code requires in Section 42 (m)(1)(C) that certain selection criteria be included in the plan, such as:

1. Project location;
2. Housing needs characteristics;
3. Project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan;
4. Sponsor characteristics;
5. Tenant populations with special housing needs;
6. Public housing waiting lists;

7. Tenant populations of individuals with children; and
8. Projects intended for eventual tenant ownership.

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

III. Housing Needs Assessment

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

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

The State Consolidated Plan prepared by the Government of Puerto Rico for the years 2000 through 2005 analyzed the Island's housing needs. The needs identified by the Government of Puerto Rico are as follows¹:

1. There is a need to increase and preserve the availability of safe, decent and affordable housing for very low, low and moderate-income persons and families throughout the entire Island.

2. The need for housing has increased since 1995 due to population growth, deterioration of existing housing units and the passage of two hurricanes. The Puerto Rico Housing Department has estimated that a total of 150,571 housing units were needed as of 2000.
3. Low-income renters form 26% of the entire renters' population. Extremely low-income renters constitute 74% of the entire renters' population.
4. The 1990 census population for Puerto Rico was 3,522,037. Of this total, 62.3% is economically disadvantaged, while 84.3% of all families are below the poverty level. It is estimated that 20% of the economically disadvantaged population is under age 21.
5. The municipalities with the highest percentage of rental units were either densely urbanized or metropolitan. Those with the lowest proportions were located in coastal sectors.
6. Nearly 19% of all rental housing units were one-bedroom or efficiencies.

The goals of the Puerto Rico Housing Department are to:

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

¹ Consolidated Plan 2000-2005

2. Strengthen partnerships among all levels of government, municipalities, private sector and nonprofit entities in the design and development of affordable housing;
3. Promote and encourage the participation of community based nonprofit organizations in addressing affordability needs and set-aside funds to assure their involvement in the housing strategies; and
4. Provide financial and technical assistance to participating jurisdictions, including the development of model programs for low and very low-income families.

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

1. Supplying subsidy for the rehabilitation of existing units for rental;
2. Supplying funds to Community Housing Development Organizations (CHDOs);
3. Assistance to municipalities (Island-wide) in the development and implementation of plans and strategies to address their communities and urban centers housing needs, focusing on the following initiatives:

- a) Special Communities: This innovative program will be funded with State funds managed by the Perpetual Trust Fund for Special Communities. The program will be matched by State, private and federal funds to develop or rehabilitate housing for low and very low-income families.
- b) Revitalization of Urban Centers: This is another initiative of the Government of the Commonwealth of Puerto Rico that has become a priority.

IV. Establishment of Housing Priorities

In recognition of the housing needs and priorities established by the government on the Commonwealth of Puerto Rico as identified above, the Authority has established the following priorities:

- A. The development of new projects for families with income at or below 50% of median income for the area that will positively impact a designated Special Community.
- B. The rehabilitation of existing structures with or without deteriorated housing units within an urban center revitalization program.
- C. The development of special needs projects which add new units to the affordable rental housing stock for low income households while providing supportive living services as part of the projects' management and operation. The special needs projects are:

1. Elderly
 2. Persons with disabilities
 3. Homeless
 4. Victims of Domestic Violence
- D. The development of projects with a large proportion of units with three bedrooms (75% or more of the total units of the project);
- E. The development of projects in areas with the greatest need and projected demand, as defined in Annex A, *Housing Needs in Puerto Rico*; and Annex B, *Estimated Total Housing Deficit 2002-2006*;
- F. The involvement of tax exempt organizations under Section 501(a) and (c) of the Internal Revenue Code in the development of low income housing projects;
- G. The development of projects in which the percentage of the housing credit dollar amount for intermediaries is below 10%;
- H. The rehabilitation of properties previously owned, sponsored or financed by the government;
- I. Project developments that demonstrate readiness to proceed through and have completion of the approval process of the regulatory agencies;
- J. Project developments that are placed in service during the same calendar year in which the application for credits is submitted; and,
- K. The preservation of Section 8 - Project Based Projects.

The purpose of this Allocation Plan is to use the low income housing tax credits to the fullest extent possible as a tool for the creation and preservation of housing for low and very low-income households through the achievement of the above stated priorities.

V. Project Selection Criteria

A. Initial Submission - Basic Threshold Qualifications

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

1. The project is or will be a qualified residential rental project which meets the basic income and rent restrictions of Section 42 of the Code, as amended (Section 42) (See Annex C, Low Income Housing Tax Credits Program Maximum Rents), evidenced through the Owners' Certification, the Accountant's Opinion, the Attorney's Opinion, and the Designer's Preliminary Certification (see proposed models on Annexes G, H, I, and J, respectively).
2. The owner, developer or applicant and their shareholders, directors, officers and partners, as applicable, must demonstrate that they have not been involved in any way (either personally or as shareholders, directors, officers or partners of a corporation,

partnership or other form of business organization or joint venture) in any other project for which the Authority has provided any financing and in which a default under the terms and conditions of the applicable financing documents occurred that resulted in the foreclosure of the project or in the substitution of the Owner or any shareholder, director, officer or partner thereof, as applicable. The developer shall identify the existence of an identity of interest with any other party of the project.

3. The owner, developer or applicant and their shareholders, directors, officers and partners, as applicable, with previous participation in the program, must demonstrate that they are in compliance with Section 42 requirements and that, as of the Application filing date, there is no outstanding finding of noncompliance at the date of filing the Application in any other project that received tax credit and in which they have an interest.
4. The readiness to proceed as demonstrated through the following information and documents:
 - a) Evidence of site control;
 - b) Land Use Consultation (*Consulta de Ubicación*) approved by the Puerto Rico Planning Board (*Junta de Planificación*), and/or Preliminary Development (*Desarrollo Preliminar*) approved by the Regulations & Permits Administration

(ARPE by its Spanish acronym) or an Autonomous Municipality, as the case may be.

- c) Availability of financing evidenced through a letter of intent from financing institution specifying possible terms;
- d) Development team in place: selection of the architect/designer, general contractor, management agent, and their respective copies of resumes and, if available, their contracts with the owner;
- e) Schematic drawings and outline specifications;
- f) Cost breakdown certified by the proposed general contractor or architect/designer;
- g) The availability of private equity evidenced through a letter of intent from a syndication firm;
- h) Pro-forma financial statements certified by the proposed management agent;
- i) Original of Accountant's Opinion (Annex H);
- j) Original of Attorney's opinion (Annex I);
- k) Original of Designer's Preliminary Certification (Annex J);
- l) Applying entities governing documents, such as:
 - Certificate of Special Partnership;
 - Certificate of Limited Partnership; and

- Certificate of Limited Liability Corporation, among others
- m) Referral Agreement with Public Housing Authority (PHA), if applicable;
- n) IRS assignment form of Tax Payer identification number;
- o) The Owner must demonstrate its commitment to extend the initial 15-year period of compliance with the tax credit program's income and rent restriction requirements for a minimum of 15 additional years. (See Annex K)
- p) Phase I environmental assessment report;
- q) A comprehensive market study report, prepared by a party unaffiliated with the developer, of the low-income housing needs in the area to be served by the development;
- r) REHABILITATION PROJECTS, ONLY: Comprehensive capital needs assessment report performed by a competent third party professional. The assessment should examine and analyze the site, structural systems, interiors (including units and common areas), and mechanical systems, among other things. Finally, the report should include an opinion as to the proposed budget for recommended improvements.

s) ACQUISITION/REHABILITATION PROJECTS, ONLY:
Appraisal report of the site and the property.

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

- a) The entity must be a qualified organization as defined in Section 42(h)(5)(C) of the Code; and
- b) Domiciled in Puerto Rico for at least twelve months prior to submitting an Application.
- c) Have local community representatives on its board of directors.
- d) The organization must materially participate in the acquisition, development and ongoing operation of the project throughout the entire compliance period. This includes, but is not limited to, having an ownership interest in the project and being at least co-general partner.
- e) Must have, as one of its exempt purposes, the fostering of low-income housing.

Material Participation is defined in Section 469(h) of the Code and Treasury Regulation as being involved on a regular continuous and substantial basis in the

development and operation of the project throughout the full tax credit compliance period. The non-profit entity must submit a narrative statement, certified by a resolution of its boards of directors describing the non-profit plan for material participation during the Compliance Period.

6. For projects financed or sponsored by the Rural Housing Service of the U.S. Department of Agriculture (RHS), the RHS commitment letter, identifying the funding amount for the project.
7. Compliance with the Fair Housing Act accessibility requirements must be certified through the Designer's opinion letters and completion of the Fair Housing Act Accessibility Requirements Checklist. (See Annex F for the requirements checklist and Annexes J and N for models of the certification letters).
8. Certification from the applicant as to any Federal, State, or Local subsidies received, or expected to be received, for the development and operation of the project.

B. Evaluation Criteria

Only those Applications meeting all of the above stated initial qualifications applicable to them would be further considered for the Point Ranking System. Project owners whose Applications do not meet

the initial basic qualifications will be so informed in writing. A period of thirty days will be given to the applicant to correct the deficiencies noted by the Authority. After that period the Application will be eliminated from the competition, if the applicant has failed to either provide the information requested or correct the deficiencies noted.

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

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

Following its determination that a project satisfies all the basic qualification factors, the Authority will consider the qualified Applications for a housing credit allocation using the evaluation and point systems established hereinafter. The project can accumulate a total of 445 points on the Point Ranking System hereinafter described. The project must accumulate a minimum of 100 points to be entitled to receive a reservation or an allocation of credits. The Authority anticipates reserving credits for those projects scoring highest under the Project Selection Criteria up to the amount permitted by law and this Allocation Plan. However, the ranking under the Project Selection Criteria does not vest an applicant or project any right to a reservation or allocation of credits in any amount. Applications for new construction projects that will be placed in service within the calendar year in which

the Application is submitted will receive the highest priority. Likewise, projects returning tax credits from a previous year allocation and not placed in service within the established two-year period will receive the lowest priority. The Authority is also encouraging to apply for the credits when the process to obtain the necessary approvals and permits for the development and construction of the project has finalized or is at the final stage.

C. Evaluation System

1. Evaluation Factors

Federal legislation precludes the state allocating agencies from allocating credits to a project in any amount beyond that required for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the compliance period. To determine the level of allocable credits, the Authority will perform a financial analysis on each Application, using the following factors:

- a) Development costs, including developer fees;
- b) Sources and uses of funds;
- c) Projected operating income and expenses;
- d) Projected syndication proceeds; and
- e) Capital assessment review, if applicable, performed by the Authority.

2. Intermediary Costs

In reviewing Applications for financial feasibility, the Authority does not anticipate allowing intermediary costs to exceed 25% of total development costs and will give priority to those projects with the lowest intermediary costs. The intermediary costs will include, but are not limited to:

- Organizational Costs
- Developer's Fees (payments of fees to the developer, overhead, profit and consultants)
- Syndication Fees, and
- Professional Fees (such as architect/designer's, attorney's, and accountant's fees).

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

3. Maximum Developer Fee

The maximum fee allowed to the developer is 15% of the total development costs. The developer fee includes the developer's overhead, profit and consultants' fees. To compute the maximum developer fee, total development costs include the cost to purchase the building, site work, construction costs, architectural and engineering fees, interim costs, financing fees and expenses, soft costs, syndication costs, reserves and working capital. It does

not include the cost of purchasing land. See page 38 for additional comments on developer fees.

4. Per Unit Standards

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

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

(1) New Construction: \$120,000

(2) Acquisition/Rehabilitation: \$75,000; with a minimum rehabilitation threshold of \$3,000 per unit or 10% of the project's adjusted basis.

b) Maximum Tax Credit per unit: \$10,000 per year

The Authority reserves the right, at its sole discretion, to exceed these standards, if deemed necessary. Nevertheless, in order to receive a waiver to the above mentioned requirements every exception must be justified and documented. Therefore, the application package must include a formal request with evidence to document and validate proposed project costs higher than the per unit standards.

5. General Contractor Maximum Charges

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

- a) Builders Profit - 6% of hard Construction Costs
- b) Builder's Overhead - 2% of hard Construction Costs
- c) General Requirements - 2% of hard Construction Costs

D. Financial Analysis:

The Authority is required to consider the reasonableness of the development and operational costs of the project as an additional factor in making its determination as to the proper amount of tax credit to allocate to a project. The Authority will use the costs, incomes and expenses submitted in the Application, as determined by the Authority to be reasonable.

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

1. Application/Reservation of credits: The Authority will notify, in writing, to each successful applicant of an initial reservation of Tax Credits. The Reservation letter will specify what additional information and documentation is required and will specify a date by which such information and documentation must be submitted to the Authority in order to receive the final allocation.
2. Carryover Allocation: a development with a reservation, but which will not be placed in service by December 31, may be eligible for a Carryover Allocation. For the signing of the Carryover Allocation the owner must provide evidence of

ARPE's approval of: (1) the preliminary development and (2) the schematic drawings of the project. Also the Owner's Certification as to any Federal, State, or Local subsidies received, or expects to receive, for the development and operation of the project must be submitted.

3. Placed-in-Service: after the placed-in-service the Authority will issue IRS form 8609 only after receipt and review of the following:
 - a) Certificate of Occupancy (*Permiso de Uso*).
 - b) Final Cost Certification of project development prepared by an independent CPA (see model of this certification in Annex M).
 - c) Designer's Certification of Completion of the Construction (see model of this certification in Annex N)
 - d) Owner's Certification as to any Federal, State, or Local subsidies received, or expects to receive, for the development and operation of the project
 - e) A physical inspection and cost certification review, to be prepared by an independent consultant appointed by the Authority (randomly, at the sole discretion of the Authority).

The amount of Tax Credits allocated to each project in the IRS form 8609 may be different from the amount requested in the

Application, the amount specified in the Reservation letter or the amount reflected in a Carryover Allocation.

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

(1) **Capital Needs Assessment Review / Feasibility**

Study: In order to validate construction or rehabilitation costs, projects that passed the Point Ranking Review may be subject to an assessment review that can be performed by an independent consultant to be appointed by the Authority. The construction or rehabilitation budgets will be adjusted according to the results of the review, therefore affecting the tax credit calculations. After any adjustments to the budget recommended by the Authority are made, the budget cannot be changed without the consent of the Authority. Only changes due to unforeseen or exceptional circumstances will be taken under consideration.

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

- Site, including topography, drainage, pavement, curving, sidewalks, parking, landscaping, water

sewer, storm drainage, gas and electric utilities and lines.

- Structural systems
- Interiors, including units, common area finishes, and handicapped access.
- Mechanical systems
- Elevators

(2) Tax Credit Percentage: In reserving a housing credit dollar amount to any project, the Authority will use the percentage published by the IRS for the month when the reservation is made. The Authority, at its own discretion, could lower this percentage or use the 9% or 4% rate, as applicable to the project. At the time of the tax credit allocation the applicant must choose the tax credit percentage for either (1) the Carryover Allocation month or (2) the month the project is or will be placed in service.

(3) Decrease of actual development costs: The Authority reserves the right, in its sole discretion, to reserve or allocate an amount of tax credits less than the amount requested in the Application based on (i) the information submitted by the applicant or any

independent consultant, and (ii) Section 42 requirements.

E. Notification to Local Chief Executive

The Mayor of the Municipality in which the project is to be located will be notified by the Authority of the proposal at the time of the tax credits' reservation and will have a reasonable opportunity to comment on the project.

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

The federal legislation requires allocating agencies to give preference in allocating the amount of tax credits among eligible projects to those projects serving the lowest income tenants and to those projects committed to serve qualified tenants for the longest period. The Authority will conduct its Application review in accordance with these statutory requirements.

G. Project Selection Criteria

The Authority will use the selection criteria stated below for the purpose of ranking projects eligible for allocation. The results of the evaluation and ranking will be determined at the sole discretion of the Authority and will not be subject to challenge or appeal by the applicant. The numerical ranking does not operate to vest in an applicant or project any right to reservation or allocation of tax credits in any amount. The

Authority will, in all instances, reserve and allocate tax credits consistent with its sound and reasonable judgment, prudent business practices, and the exercise of its inherent discretion.

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

1. Description of Items

a) Intermediary Costs:

Preference will be given to projects with the lowest intermediary costs. Please refer to page 16 for the definition of intermediary costs.

b) Project Location:

Preference will be given to:

- (1) Projects located in Difficult Development Areas (DDA) designated by the Secretary of HUD. A DDA is an area with high construction costs, land costs, and utility costs relative to the area gross median income projects (See Annex D);
- (2) Projects that the owner can demonstrate are located in Qualified Census Tract (QCT) as designated by the Secretary of HUD (See Annex D);
- (3) Projects located in municipalities with the greatest low income housing needs as identified by the

update of the study on the Demand for Housing in Puerto Rico. (See Annex A);

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

c) Project Characteristics:

Preference will be given to: (1) those projects that can demonstrate their readiness to begin construction immediately; (2) projects in which at least 50% of the units in the project will be rent restricted and affordable to households with incomes less than 50% of the median income adjusted for family size; (3) projects awarded with project-based rental subsidies; (4) projects in which no relocation is needed; (5) projects with the longest period of time committed to low income housing; (6) projects to be placed in service within the calendar year in which the Application for credits is submitted for the first time; (7) project is to acquire and rehabilitate a structure owned or financed by a government Authority and to add units to the affordable rental inventory; (8) projects in which the owner and a PHA have agreed to include the development in any listing of housing opportunities where households

with tenant-based subsidies are welcome; (9) project is to preserve existing low-income housing; and (10) project is endorsed by the Local Chief Executive.

d) Housing Needs Characteristics

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

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

e) Sponsor/Owner Characteristics:

Preference will be given to projects that involve the use of existing housing as part of a community revitalization plan.

Previous successful participation by sponsor(s) or owner developing and operating tax credit projects located in Puerto Rico will be taken into consideration, as well as previous successful participation by proposed management agents in managing low income housing in Puerto Rico. Sponsors or developer owners of other projects for which the Authority has provided financing or awarded tax credits and in which a default has occurred

that resulted in the foreclosure of the mortgaged property or in the assignment of the mortgage to the Authority or the substitution of the owner has occurred or the project found to be with uncorrected significant noncompliance over six months old will be penalized.

The Authority will evaluate and approve the qualifications of every appointed management agents without previous experience in the administration of Tax Credit Project.

f) Financing Characteristic:

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

g) Tenant Population with Special Housing Needs:

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

h) Returned Credits:

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

2. Point Ranking System

a) Intermediary Costs (Maximum: 25 points)

- (1) 25 points - Up to 10% of total development cost
- (2) 10 points - More than 10%, up to 15% of total development cost
- (3) 5 points - More than 15%, up to 25% of total development cost.

b) Project Location (Maximum: 50 points)

- (1) 10 points - Project located in a DDA, as designated by the Secretary of HUD. (See Annex D). Evidence of location of development must be included.
- (2) 20 Points- Projects located in a QCT. (See Annex D). Evidence of location of the development within the QCT must be included.
- (3) 20 Points - Project located in a municipality that reflects the greatest housing deficit as identified by the Study of Demand for Housing in Puerto Rico prepared by *Estudios Técnicos, Inc.* (See Annex B).

The points will be awarded as follows:

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

- (b) Project located in one of the municipalities with the amount of units needed over a 1,000 (10 points).
- (c) Project located in one of the municipalities with the amount of units needed over 500 (5 points).
- (d) Project located in one of the municipalities with the amount of units needed less than 500 (1 point).

c) Project Characteristics (Maximum 200 points)

- (1) (50 points) - Applicant can demonstrate that construction of the project has started or will commence construction as soon as an allocation of credits is made. The readiness to begin construction will be evidenced with one of the following:
 - (a) Construction Permit or Notification of Approval of the Construction Permit, issued and approved by ARPE or an Autonomous Municipality, as the case may be (50 points)
 - (b) Urbanization Permit, issued and approved by ARPE or an Autonomous Municipality, as the case may be (30 points)

- (c) Preliminary Development, issued and approved by ARPE or an Autonomous Municipality, as the case may be (20 points)
 - (d) Land Use Consultation, issued and approved by the Puerto Rico Planning Board (10 points)
- (2) (10 points) - At least 50% of the units in the project are targeted for households with incomes at 50% or less of the median income adjusted for family size.
- (3) (10 points) - A written agreement with a PHA was submitted with the Application. In such agreement the PHA agrees to include the project in any listing of housing opportunities where households with tenant-based subsidies are welcomed and where the project's owner or management agent agrees to actively seek referrals from the PHA to apply for units at the project.
- (4) (10 points) - Longest term of affordability. Projects providing guarantees for longer terms of affordability beyond the extended compliance period will be scored as follows:
- (a) At least 10 more years beyond the required 30-year period - 10 points.

- (b) At least 5 more years beyond the required 30 year period - 5 points
- (5) (25 points) - Project will be placed in service within the calendar year in which an Application for low-income housing tax credits is submitted for the first time.
- (6) (20 points) - Project is to acquire and rehabilitate an existing vacant structure owned or financed by a government Authority to add units to the affordable rental housing inventory.
- (7) (10 points) - Project is to substantially rehabilitate an occupied low-income rental housing project in which hard construction costs exceed \$10,000 per unit.
- (8) (10 points) - Project is to acquire, rehabilitate and preserve low-income rental housing which might otherwise be converted from low-income tenancy, including Section 8 projects with expiring contracts.
- (9) (5 points) - Application includes a letter of endorsement from the mayor of the municipality where the project is located.

(10) (50 points) - The development of the project contributes to a concerted community revitalization plan in a QCT (proper documentation must be provided with the Application)

d) Housing Needs Characteristics

(Maximum: 10 points)

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

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

e) Sponsor/Project Owner Characteristics

(Maximum: 60 points)

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

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

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

(c) Materially participates in the acquisition, development, ownership and on-going

operation of the property for the entire compliance period.

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

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

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

(4) (Less 20 points) - Sponsor, owner, developer, management agent, or consultant to the applicant has defaulted a financing provided by the Authority in other project and such default resulted in foreclosure, assignment of mortgage or substitution of mortgagor.

- f) Financing Characteristics (Maximum: 75 points)
- (1) (15 points) - New construction projects in rural areas that have an obligation of funds from the RHS.
 - (2) (15 points) - New construction projects with a financing firm commitment from the Authority.
 - (15 points) - Interim and Permanent
 - (7 points) - Interim or Permanent
 - (3) (45 points) - The project meets the following underwriting requirements:
 - (a) (30 points) - Assuming a constant 7% vacancy rate (5% for projects with less than 50 units or 3% for projects with project based rental assistance) with rents and replacement reserve increasing at 3% and operating expenses increasing at 4% annually, project pro-forma financial statements reflect at least 1.15 debt coverage ratio (DCR) for the term of the debt financing.
 - (i) (15 points) - Operating Expenses:
 - Projects over 50 units:
 - New Construction: The per unit per annum (PUPA) operating expenses,

as certified by the management agent, do not exceed \$2,100 on the first year of operations.

- **Substantial Rehabilitation Projects:**
The PUPA operating expenses, as certified by the management agent, do not exceed \$2,300 on the first year of operations.

Projects with less than 50 units:

- The PUPA operating expenses, as certified by the management agent, do not exceed \$2,500 on the first year of operations.

g) Special Housing Needs Projects (Maximum: 25 points)

Tenant Population with Special Housing Needs Projects developed to give priority and to assist special needs families through a written Plan included in the Application to provide supportive services: to heads of family victims of domestic violence, elderly, disabled persons, handicapped persons or HIV patients.

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

h) Returned Credits (Less 25 points)

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

H. Underwriting Standards

1. Owner projected operating expenses will be used in the underwriting by the Authority if they are higher than the Authority's minimums. The owner must have the proposed management agent sign a statement in the Application stating costs were reviewed and agreeing they are reasonable projections.
2. All projects will be underwritten assuming:
 - Vacancy rate of 7% (or 5% for projects with less than 50 units; or 3% for projects with project based rental assistance);
 - Rents and reserve replacement increasing at 3%
 - Operating expenses increasing at 4% annually.

- Project pro-forma financial statements must reflect a debt service coverage ratio of at least 1.15 through the term of the debt financing.

3. Equity Pricing

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

4. Reserves

a) Rent-up Reserve:

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

b) Operating Reserve:

The operating reserve will be based on a six-month's debt service and operating expenses and must be maintained throughout the term of the tax credit compliance period. Deferring the developer's fees of the project can fund the operating reserve as a loan of the developer to the project owner. In that case, the developer's loan can only be repaid from cash flow; after all required replacement

reserve deposits are made. Such loan will be projected to be repaid within ten years and must meet the standards required by IRS. A statement describing the terms of the loan must be included.

c) Replacement Reserve:

All new construction projects and rehabilitation projects with less than 50 units must budget replacement reserve of \$250 per unit per year. Rehabilitation Projects with more than 50 units must budget a replacement reserve of \$300 per unit per year. The replacement reserve must be capitalized from the project's operations, increasing by 3% annually.

5. Financing Commitment

For all projects proposing private permanent financing, a letter of intent from the bank is required. The letter should state: (i) the amount and term of the loan (20 years or more); (ii) whether interest rate will be fixed or variable; (iii) if variable interest rate, how will it be indexed and the current rate at the time of the letter; (iv) the amortization period; and (v) any prepayment penalties. Applicant must submit a letter of firm commitment for financing within 60 days of receiving a reservation of credits. All projects applying for tax credits and financing from the Authority

must submit the loan Application to the Authority at the same time as the tax credit Application.

6. Developer Fees

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

7. Investor Services Fees

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

8. Section 8 Project-Based Rental Assistance

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

9. Acquisition Costs:

The acquisition price will be limited to the lesser of the sale price or the appraised value of the site and the property.

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

I. Carryover Allocation Requirements

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

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

After the reservation process is final, the owner and the Authority must sign a Carryover Agreement allowing the carryover of tax credits. At the time of the execution of the Carryover Agreement, Owners must have title of the property, or acquire such title within the next six months, and approval from all the corresponding governmental agencies for the development of the project. The Authority requires expenditure of and cost certification of the 10% costs to be submitted to

the Authority within six months of the date of the Carryover Allocation (see Annex L).

J. Place in Service Date

1. Carryover Allocations

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

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

K. Returned Credits (less 25 points)

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

VI. Application Procedures

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

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

	<u>1st Cycle</u>	<u>2nd Cycle</u>
Applications Opening Date	March 27	July 5
Applications Closing Date	May 12	Aug 11
Ranking & Reservations	June 12	Sept. 15
Closing of Allocations	June 30	Nov. 17
10% Cost Certification	Dec. 29, 2006	May 16, 2007

Any changes to this time frame will be notified to the public through an advertisement in a newspaper of general circulation. If any of the due dates for Application or reservation falls on a non-working day or on an official holiday, it will be moved to the previous working day.

Cost Certifications are due for projects receiving allocations to be placed in service during the same calendar year of the Application and 10% certification for projects receiving a carryover allocation. (Model of Report is enclosed on Annex L).

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

Applicants may apply to reserve credits, and enter into a binding agreement with the Authority to allocate credits at a future date, for a certain project after the Authority ceiling for the current year has been reached. To such end, the Authority may reserve credits or bind itself to allocate credits to a project during the taxable year immediately following the year in which the Application is made. As mandated in

Section 42(h)(1)(C) of the Code, a reservation or binding agreement to allocate credits in a future year has no effect on the state housing credit ceiling until the year in which the Authority actually makes the allocation. (See Annex E for an example of the Binding Agreement).

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

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

The Authority might also consider enter into a binding agreement with an owner of a project, even if the credit ceiling for the year has not be

reached, if the circumstances of the project, at the Authority's sole discretion deems so necessary.

Projects with Binding Agreements must file an Application next year and go through the Basic Threshold Qualification Process and comply with at least, the Minimum Requirement of the Point Ranking System. Nevertheless, the owner will not have to pay the Application Fee, but a Processing Fee of .25% of the annual tax credit requested must be included with the Application.

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

Projects financed with tax-exempt obligations issued after December 31, 1989 (Section 42(h) (4)) must satisfy the Basic Threshold Qualification Requirements and other requirements for allocation under this Plan pursuant to Section 42(h)(4).

These projects will be subject to the evaluation of housing priorities, and minimum thresholds discussed above and the fees determined in Section VIII. **They will not be subject to the credit allocation process, but must fulfill the Point Ranking System minimum requirement of 100 points.** Applicants must include with the Application a letter from the lender stating the tax-exempt status of the obligations issued to finance the project and a certification for its tax attorney or CPA certifying that this requirement is met.

VIII. Procedure for Notification to IRS of Noncompliance

Federal legislation requires that each Allocation Plan include a procedure that the housing credit agency will follow in notifying the IRS of noncompliance with the program. To satisfy that mandate, the Authority will require owners to furnish annual certifications of qualified low income tenants, including tenant income and rents charged, and the number of qualifying low income units, as well as any other information pertinent to determine compliance with the program.

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

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

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

IX. Fees

Any person interested in obtaining an Application for Low Income Housing Tax Credits will request so in writing to the Authority. An Application package containing the Allocation Plan, the Compliance Monitoring Plan and the Procedural Steps and Application Instructions will be delivered after payment of \$50.

The Authority will also charge the following fees:

- A. Application Fee: One percent (1%) of the annual requested amount. **This is a non-refundable and non-transferable deposit**, which shall be submitted along with the Application. Projects with Binding Agreements will be charged a processing fee of .25% of the annual tax credit requested.
- B. Allocating Fee: One percent (1%) of the total ten years allocated amount. The allocating fee will be paid at the time the allocation is made through certified or manager's check. In case of carryover allocations under Section 42, the fee will be paid at the time of signing the agreement through certified or manager's check. **Allocation fees are neither refundable nor transferable.**
- C. Monitoring Fee: If a housing credit allocation is made, the Authority will charge one half of 1% of each year's allocated amount or \$18.00 for

each LIHTC unit, whichever amount is greater, as monitoring fee. This amount will be due and payable by January 31 of each year during the compliance period.

- D. The amounts hereby established may be revised by the Authority from time to time as necessary to insure that such fees cover the Authority's administrative expenses for processing Applications and monitoring compliance.
- E. If a sponsor, owner, developer or consultant has a past due allocation fee in a previous project, the Authority will not sign an allocation for the new project until the account is paid in full.

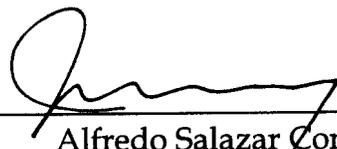
X. Limitations

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

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

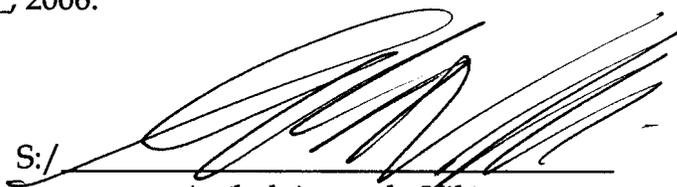
The Authority also reserves the power and authority to administer, operate and manage tax credits allocation in all situations and circumstances, both foreseen and unforeseen in the Plan.

No member, employee, or agent of the Authority shall be personally liable respecting any matter or matters arising out of, or in relation to, the Tax Credit Program.

S: / 
Alfredo Salazar Conde
ACTING PRESIDENT
PUERTO RICO HOUSING FINANCE
AUTHORITY

I, Aníbal Acevedo Vilá, Governor of the Commonwealth of Puerto Rico, hereby approve the Low Income Housing Tax Credit Allocation Plan for the Commonwealth of Puerto Rico adopted by Puerto Rico Housing Finance Authority, a subsidiary of the Government Development Bank for Puerto Rico, as the State Housing Credit Authority under the provisions of Section 42 of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, I have hereunto set my
hand and the seal of the Commonwealth of Puerto
Rico, in San Juan, Puerto Rico, this 15th day of
March, 2006.

S:/ 
Aníbal Acevedo Vilá
GOVERNOR



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

C O M M O N W E A L T H O F P U E R T O R I C O

ANNEX A

Qualified Allocation Plan 2006

ANNEX A: HOUSING NEEDS IN PUERTO RICO

HOUSING NEEDS IN PUERTO RICO BY REGION

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

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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

**HOUSING NEEDS WITHIN
BAYAMON REGION**

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

**HOUSING NEEDS WITHIN
PONCE REGION**

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

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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

**HOUSING NEEDS WITHIN
SAN JUAN REGION**

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

**HOUSING NEEDS WITHIN
ARECIBO REGION**

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

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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

**HOUSING NEEDS WITHIN
MAYAGÜEZ REGION**

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

**HOUSING NEEDS WITHIN
CAGUAS REGION**

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

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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

**HOUSING NEEDS WITHIN
AGUADILLA REGION**

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

**HOUSING NEEDS WITHIN
CAROLINA REGION**

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

**HOUSING NEEDS WITHIN
HUMACAO REGION**

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

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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

**HOUSING NEEDS WITHIN
FAJARDO REGION**

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

**HOUSING NEEDS WITHIN
GUAYAMA REGION**

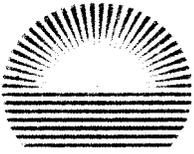
MUNICIPALITY	POPULATION (1)	HOUSING INVENTORY (1)	DEMAND FOR LOW INCOME HOUSING	UNSATISFIED DEMAND 2001 (3)
Salinas	31,113	11,876	913	834
Arroyo	19,117	7,287	746	540
Guayama	44,301	16,368	643	-
Patillas	20,152	7,677	279	80
Maunabo	12,741	4,482	262	208
TOTAL	127,424	47,690	2,843	1,662

All Regions and Municipalities arranged in order of Housing Demand

Sources:

(1) US Census of Housing 2000

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

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COMMONWEALTH OF PUERTO RICO

ANNEX B

Qualified Allocation Plan 2006

ANNEX B: ESTIMATED TOTAL HOUSING DEFICIT 2002-2006

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

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

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

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX C

Qualified Allocation Plan 2006

ANNEX C: INCOME AND RENT LIMITS 2006

PUERTO RICO HOUSING FINANCE AUTHORITY		Effective Date: 02/11/05				
LOW INCOME HOUSING TAX CREDIT PROGRAM						
Rent Restrictions						
Region *		Studios	1 Br	2 Brs	3 Brs	4 Brs
Aguadilla						
50% of Median Income	Rent	\$ 167	\$ 180	\$ 216	\$ 249	\$ 268
60% of Median Income	Rent	\$ 201	\$ 216	\$ 259	\$ 299	\$ 322
Arecibo						
50% of Median Income	Rent	\$ 240	\$ 256	\$ 308	\$ 356	\$ 397
60% of Median Income	Rent	\$ 288	\$ 308	\$ 370	\$ 427	\$ 477
Caguas						
50% of Median Income	Rent	\$ 207	\$ 237	\$ 266	\$ 308	\$ 343
60% of Median Income	Rent	\$ 249	\$ 267	\$ 319	\$ 369	\$ 412
Mayaguez						
50% of Median Income	Rent	\$ 198	\$ 213	\$ 255	\$ 295	\$ 328
60% of Median Income	Rent	\$ 238	\$ 255	\$ 306	\$ 354	\$ 394
Ponce						
50% of Median Income	Rent	\$ 235	\$ 251	\$ 302	\$ 349	\$ 390
60% of Median Income	Rent	\$ 282	\$ 302	\$ 363	\$ 419	\$ 468
San Juan						
50% of Median Income	Rent	\$ 265	\$ 283	\$ 341	\$ 393	\$ 438
60% of Median Income	Rent	\$ 318	\$ 340	\$ 409	\$ 472	\$ 526
All Other						
50% of Median Income	Rent	\$ 157	\$ 168	\$ 203	\$ 235	\$ 261
60% of Median Income	Rent	\$ 189	\$ 202	\$ 244	\$ 282	\$ 292

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

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
Income Limits

Effective Date: 02/11/05

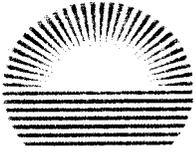
Persons per Family Region *	1	2	3	4	5
Aguadilla					
50% of Median Income Income	\$ 6,700	\$ 7,700	\$ 8,650	\$ 9,600	\$ 10,350
60% of Median Income Income	\$ 8,040	\$ 9,240	\$ 10,380	\$ 11,520	\$ 12,420
Arecibo					
50% of Median Income Income	\$ 9,600	\$ 10,950	\$ 12,350	\$ 13,700	\$ 14,800
60% of Median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

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

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

Municipalities within Regions
 (as defined by HUD)

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

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C O M M O N W E A L T H O F P U E R T O R I C O

ANNEX D

Qualified Allocation Plan 2006



Federal Register

**Monday,
August 22, 2005**

Part V

Department of Housing and Urban Development

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4889-N-05]

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

AGENCY: Office of the Secretary, HUD.

ACTION: Notice.

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

FOR FURTHER INFORMATION CONTACT: For questions on how areas are designated and on geographic definitions, contact Kurt G. Usowski, Associate Deputy Assistant Secretary for Economic Affairs, Office of Policy Development and Research, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410-6000, telephone (202) 708-2770, or send e-mail to Alastair_McFarlane@hud.gov. For specific legal questions pertaining to Section 42, contact Branch 5, Office of the Associate Chief Counsel, Passthroughs & Special Industries, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC 20224, telephone (202) 622-3040, fax (202) 622-4524. For questions about the "HUB Zones" program, contact Michael P. McHale, Assistant Administrator for Procurement Policy, Office of Government Contracting, Small Business Administration, 409 Third Street, SW., Suite 8800, Washington, DC 20416, telephone (202) 205-8885, fax (202) 205-7167, or send e-mail to hubzone@sba.gov. A text telephone is available for persons with hearing or speech impairments at (202) 708-9300. (These are not toll-free telephone numbers.) Additional copies of this notice are available through HUD User at (800) 245-2691 for a small fee to cover duplication and mailing costs.

Copies Available Electronically: This notice and additional information about DDAs and QCTs are available electronically on the Internet at <http://www.huduser.org/datasets/qct.html>.

SUPPLEMENTARY INFORMATION:

This Document

This notice designates DDAs for each of the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. The designations of DDAs in this notice are based on final Fiscal Year (FY) 2005 Fair Market Rents (FMRs), 2005 income limits, and 2000 Census population counts as explained below. The designations of QCTs under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect.

2000 Census

Data from the 2000 Census on total population of metropolitan areas and nonmetropolitan areas are used in the designation of DDAs. The Office of Management and Budget (OMB) published new metropolitan area definitions incorporating 2000 Census data in OMB Bulletin No. 03-04 on June 6, 2003, as updated in OMB Bulletin No. 04-03 on February 18, 2004, and OMB Bulletin No. 05-02 on February 22, 2005. The FY2005 FMRs and 2005 income limits used to designate Difficult Development Areas are based on the Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions established by OMB in OMB Bulletin No. 99-04 on June 30, 1999. Therefore, for the purposes of designating DDAs, "metropolitan areas" will continue to be defined according to the MSA/PMSA definitions established in OMB Bulletin No. 99-04 on June 30, 1999, until further notice.

Background

The U.S. Department of the Treasury (Treasury) and its Internal Revenue Service (IRS) are authorized to interpret and enforce the provisions of the Code, including the LIHTC found at Section 42 of the Code. The Secretary of HUD is required to designate DDAs and QCTs by Section 42(d)(5)(C) of the Code. In order to assist in understanding HUD's mandated designation of DDAs and QCTs for use in administering Section 42, a summary of the section is provided. The following summary does not purport to bind Treasury or the IRS in any way, nor does it purport to bind HUD, as HUD has authority to interpret or administer the Code only in instances where it receives explicit delegation.

Summary of Low-Income Housing Tax Credit

The LIHTC is a tax incentive intended to increase the availability of low-income housing. Section 42 provides an income tax credit to owners of newly constructed or substantially

rehabilitated low-income rental housing projects. The dollar amount of the LIHTC available for allocation by each state (credit ceiling) is limited by population. Each state is allowed a credit ceiling based on a statutory formula indicated at Section 42(h)(3). States may carry forward unallocated credits derived from the credit ceiling for one year; however, to the extent these unallocated credits are not used by then, the credits go into a national pool to be redistributed to states as additional credit. State and local housing agencies allocate the state's credit ceiling among low-income housing buildings whose owners have applied for the credit. Besides Section 42 credits derived from the credit ceiling, states may also provide Section 42 credits to owners of buildings based on the percentage of certain building costs financed by tax-exempt bond proceeds. Credits provided under the tax-exempt bond "volume cap" do not reduce the credits available from the credit ceiling.

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

The LIHTC reduces income tax liability dollar for dollar. It is taken annually for a term of ten years and is intended to yield a present value of either: (1) 70 percent of the "qualified basis" for new construction or substantial rehabilitation expenditures that are not federally subsidized (*i.e.*, financed with tax-exempt bonds or below-market federal loans), or (2) 30 percent of the qualified basis for the cost of acquiring certain existing buildings or projects that are federally subsidized. The actual credit rates are adjusted monthly for projects placed in service after 1987 under procedures specified in Section 42. Individuals can use the

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

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

Section 42 of the Code defines a DDA as any area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. All designated DDAs in metropolitan areas (taken together) may not contain more than 20 percent of the aggregate population of all metropolitan areas, and all designated areas not in metropolitan areas may not contain more than 20 percent of the aggregate population of all nonmetropolitan areas.

Explanation of HUD Designation Methodology

A. Difficult Development Areas

In developing the list of DDAs, HUD compared housing costs with incomes. HUD used 2000 Census population data and the metropolitan area (MSA/PMSA) definitions as published in OMB Bulletin No. 99-04 on June 30, 1999. In keeping with past practice of basing the coming year's DDA designations on data

from the preceding year, the basis for these comparisons was the 2005 HUD income limits for Very Low-Income households (Very Low Income Limits, or VLILs) and final FY2005 FMRs used for the Section 8 Housing Choice Voucher program. The procedure used in making the DDA calculations follows:

1. For each MSA/PMSA and each nonmetropolitan area, a ratio was calculated. This calculation used the final FY2005 two-bedroom FMR and the 2005 four-person VLIL.

a. The numerator of the ratio was the area's final FY2005 FMR. In general, the FMR is based on the 40th percentile rent paid by recent movers for a two-bedroom apartment. In metropolitan areas granted a FMR based on the 50th percentile rent for purposes of improving the administration of HUD's Housing Choice Voucher program (see 66 FR 162), the 40th percentile rent was used for nationwide consistency of comparisons.

b. The denominator of the ratio was the monthly LIHTC income-based rent limit calculated as $\frac{1}{2}$ of 30 percent of 120 percent of the area's VLIL (where the VLIL was rounded to the nearest \$50 and not allowed to exceed 80 percent of the AMGI in areas where the VLIL is adjusted upward from its 50 percent of AMGI base).

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

3. The DDAs are those with the highest ratios cumulative to 20 percent of the 2000 population of all metropolitan areas and of all nonmetropolitan areas, respectively.

B. Application of Population Caps to Difficult Development Area Determinations

In identifying DDAs, HUD applied caps, or limitations, as noted above. The cumulative population of metropolitan DDAs cannot exceed 20 percent of the cumulative population of all metropolitan areas and the cumulative population of nonmetropolitan DDAs cannot exceed 20 percent of the cumulative population of all nonmetropolitan areas.

In applying these caps, HUD established procedures to deal with how to treat small overruns of the caps. The remainder of this section explains the procedure. In general, HUD stops selecting areas when it is impossible to choose another area without exceeding the applicable cap. The only exceptions to this policy are when the next eligible excluded area contains either a large absolute population or a large percentage of the total population, or

the next excluded area's ranking ratio as described above was identical (to four decimal places) to the last area selected, and its inclusion resulted in only a minor overrun of the cap. Thus, for both the designated metropolitan and nonmetropolitan DDAs, there may be minimal overruns of the cap. HUD believes the designation of these additional areas is consistent with the intent of the legislation. As long as the apparent excess is small due to measurement errors, some latitude is justifiable because it is impossible to determine whether the 20 percent cap has been exceeded. Despite the care and effort involved in a decennial census, the Census Bureau and all users of the data recognize that the population counts for a given area and for the entire country are not precise. The extent of the measurement error is unknown. Thus, there can be errors in both the numerator and denominator of the ratio of populations used in applying a 20 percent cap. In circumstances where a strict application of a 20 percent cap results in an anomalous situation, recognition of the unavoidable imprecision in the census data justifies accepting small variances above the 20 percent limit.

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

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

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

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

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

Metropolitan Area and Counties Deleted

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

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

Dallas, Texas: Henderson County.

Flagstaff, Arizona-Utah: Kane County, Utah.

New Orleans, Louisiana: St. James Parish.

Washington, DC-Maryland-Virginia-West Virginia: Clarke, Culpeper, King George, and Warren Counties, Virginia; and Berkely and Jefferson Counties, West Virginia.

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

In the New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), OMB defined MSAs/PMSAs according to county subdivisions or minor civil divisions (MCDs), rather than county boundaries. Thus, when a New England county is designated as a Nonmetropolitan DDA, only that part of the county (the group of MCDs) not included in any MSA/PMSA is the Nonmetropolitan DDA. Affected counties are assigned the indicator "(part)" in the list of Nonmetropolitan DDAs.

For the convenience of readers of this notice, the geographical definitions of designated Metropolitan DDAs and the MCDs included in partial-county Nonmetropolitan DDAs in the New England states are included in the list of DDAs.

Future Designations

DDAs are designated annually as updated income and FMR data become available.

Effective Date

The 2006 lists of DDAs are effective: (1) For allocations of credit after December 31, 2005; or (2) for purposes of Section 42(h)(4)(B) of the Code, if the bonds are issued and the building is placed in service after December 31, 2005. If an area is not on a subsequent list of DDAs, the 2006 lists are effective for the area if (1) the allocation of credit to an applicant is made no later than the end of the 365-day period after the submission to the credit-allocating agency of a complete application by the applicant, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of Section 42(h)(4)(B) of the Code, the bonds are issued or the building is placed in service no later than the end of the 365-day period after the applicant submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and

the placement in service of the building occur after the application is submitted.

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

The designations of QCTs under Section 42 of the Internal Revenue Code published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), remain in effect. The above language regarding calendar year 2006 and subsequent designations of DDAs also applies to the designations of QCTs published December 12, 2002 (67 FR 76451), as supplemented on December 19, 2003 (68 FR 70982), and subsequent designations of QCTs.

Interpretive Examples of Effective Date

For the convenience of readers of this notice, interpretive examples are provided below to illustrate the consequences of the effective date in areas that gain or lose DDA status. The examples are equally applicable to future QCT designations.

(Case A) Project "A" is located in a 2006 DDA that is NOT a designated DDA in 2007. An application for tax credits for Project "A" is filed with the allocating agency November 15, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "A" on October 30, 2007. Project "A" IS eligible for the increase in basis accorded a project in a 2006 DDA because the application was filed BEFORE January 1, 2007 (the assumed effective date for the 2007 DDA lists), and tax credits were allocated no later than the end of the 365-day period after the filing of the complete application for an allocation of tax credits.

(Case B) Project "B" is located in a 2006 DDA that is NOT a designated DDA in 2007. An application for tax credits for Project "B" is filed with the allocating agency December 1, 2006, which the credit-allocating agency certifies in writing as complete. Credits are allocated to Project "B" on March 30, 2008. Project "B" IS NOT eligible for the increase in basis accorded a project in a 2006 DDA because, although the application for an allocation of tax credits was filed BEFORE January 1, 2007 (the assumed effective date of the 2007 DDA lists), the tax credits were allocated later than the end of the 365-

day period after the filing of the complete application.

(Case C) Project "C" is located in a 2006 DDA that was not a DDA in 2005. Project "C" was placed in service November 15, 2005. An application for tax-exempt bond financing for Project "C" is filed with the bond-issuing agency on January 15, 2006, which the bond-issuing agency certifies in writing as complete. The bonds that will support the permanent financing of Project "C" are issued September 30, 2006. Project "C" IS NOT eligible for the increase in basis otherwise accorded a project in a 2006 DDA because the project was placed in service BEFORE January 1, 2006.

(Case D) Project "D" is located in an area that is a DDA in 2006, but IS NOT a DDA in 2007. An application for tax-exempt bond financing for Project "D" is filed with the bond-issuing agency on October 30, 2006, which the bond-issuing agency certifies in writing as complete. Bonds are issued for Project "D" on April 30, 2007, but Project "D" is not placed in service until January 30, 2008. Project "D" is eligible for the increase in basis available to projects located in 2006 DDAs because the first of the two events necessary for triggering the effective date for buildings described in Section 42(h)(4)(B) of the Code (the two events being bonds issued and buildings placed in service) took place on April 30, 2007, within the 365-day period after a complete application for tax-exempt bond financing was filed, and the application was filed during a time when the location of Project "D" was in a DDA.

Findings and Certifications

Environmental Impact

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

Federalism Impact

Executive Order 13132 (entitled "Federalism") prohibits an agency from publishing any policy document that has federalism implications if the

document either imposes substantial direct compliance costs on state and local governments and is not required by statute, or the document preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the executive order. This notice merely designates "Difficult

Development Areas" and "Qualified Census Tracts" as required under Section 42 of the Internal Revenue Code, as amended, for the use by political subdivisions of the states in allocating the Low-Income Housing Tax Credit. This notice also details the technical methodology used in making

such designations. As a result, this notice is not subject to review under the order.

Dated: August 12, 2005.

Roy A. Bernardi,
Deputy Secretary.

BILLING CODE 4210-62-P

2006 IRS SECTION 42(d)(5)(C) METROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

State	Metropolitan Area	Metropolitan Area Components
Massachusetts (continued)	Brockton, MA PMSA	Abington town
		East Bridgewater town
		Lakeville town
		West Bridgewater town
Nevada	Las Vegas, NV-AZ MSA	Clark County
		Seabrook town
New Hampshire	Boston, MA-NH PMSA	Hudson County
		South Hampton town
New Jersey	Jersey City, NJ PMSA	Cumberland County
		Hudson County
New York	New York, NY PMSA	Bronx County
		Queens County
Puerto Rico	Aguadilla, PR MSA	Aguada Municipio
		Caguas Municipio
Puerto Rico	Caguas, PR PMSA	San Lorenzo Municipio
		Anasco Municipio
Puerto Rico	Maysaguez, PR MSA	Sabana Grande Municipio
		San German Municipio
New York	New York, NY PMSA	Kings County
		Richmond County
New York	New York, NY PMSA	New York County
		Rockland County
Puerto Rico	Aguadilla, PR MSA	Aguadilla Municipio
		Cayey Municipio
Puerto Rico	Caguas, PR PMSA	San Lorenzo Municipio
		Anasco Municipio
Puerto Rico	Maysaguez, PR MSA	Sabana Grande Municipio
		San German Municipio
New York	New York, NY PMSA	New York County
		Rockland County
New York	New York, NY PMSA	Moca Municipio
		Cidra Municipio
Puerto Rico	Gurabo, PR MSA	Gurabo Municipio
		Mayaguez Municipio
Puerto Rico	Mayaguez, PR MSA	Hormigueros Municipio
		Mayaguez Municipio



2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN DIFFICULT DEVELOPMENT AREAS (MSA/PMSA DEFINITIONS June 30, 1999)

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



2006 IRS SECTION 42(d)(5)(C) METROPOLITAN QUALIFIED CENSUS TRACTS
 (2000 DATA, MSA/PMSA DEFINITIONS JUNE 30, 1999)

METROPOLITAN AREA: Abilene, TX MSA

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT								
Taylor County	101.00	102.00	103.00	104.00	108.00	110.00	117.00	119.00	121.00								

METROPOLITAN AREA: Aguadilla, PR MSA

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Aguada Municipio	4304.02	4305.02															
Aguadilla Municipio	4006.00	4008.00	4009.00	4010.00	4011.00												
Moca Municipio	4203.01																

METROPOLITAN AREA: Akron, OH PMSA

COUNTY OR COUNTY EQUIVALENT	TRACT																
Portage County	6015.01	6015.02	6015.03														
Summit County	5011.00	5012.00	5013.01	5013.02	5017.00	5018.00	5019.00	5021.01	5024.00	5025.00	5032.00	5034.00	5038.00	5041.00	5042.00	5044.00	5046.00
	5068.00	5069.00	5074.00	5075.00	5101.00	5103.01											

METROPOLITAN AREA: Albany, GA MSA

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT							
Dougherty County	2.00	8.00	12.00	13.00	14.01	14.02	15.00	103.02	106.01								

METROPOLITAN AREA: Albany-Schenectady-Troy, NY MSA

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT										
Albany County	1.00	2.00	4.04	5.01	6.00	7.00	8.00	11.00	15.00	21.00	23.00	25.00					
Montgomery County	26.00	129.00	132.00														
Rensselaer County	702.00	703.00	706.00	708.00	709.00												
Schenectady County	404.00	405.00	406.00	407.00	408.00												
	201.02	202.00	203.00	208.00	209.00	210.01	210.02	211.02	214.00	215.00	217.00						

**2006 IRS SECTION 42(d)(5)(C) METROPOLITAN QUALIFIED CENSUS TRACTS
(2000 DATA, MSA/PMSA DEFINITIONS JUNE 30, 1999)**

METROPOLITAN AREA: Burlington, VT MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Chittenden County	3.00	4.00	5.00	6.00	10.00							
METROPOLITAN AREA: Caguas, PR PMSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Caguas Municipio	2009.00	2010.00	2012.00	2014.00	2016.00	2017.00	2019.00	2027.01				
Cayey Municipio	2602.02	2606.00	2607.00									
Cidra Municipio	2402.01	2402.02										
Gurabo Municipio	2103.00											
San Lorenzo Municipio	2202.00	2203.00	2206.00	2207.00								
METROPOLITAN AREA: Canton-Massillon, OH MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Stark County	7001.00	7015.00	7017.00	7018.00	7021.00	7023.00	7102.00	7104.00	7105.00	7138.00	7142.00	
METROPOLITAN AREA: Casper, WY MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Natrona County	2.00											
METROPOLITAN AREA: Cedar Rapids, IA MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Linn County	19.00	27.00										
METROPOLITAN AREA: Champaign-Urbana, IL MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Champaign County	1.00	2.00	3.00	4.00	51.00	52.00	53.00	58.00	59.00	60.00		
METROPOLITAN AREA: Charleston-North Charleston, SC MSA												
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT										
Berkeley County	201.00	202.00										
Charleston County	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	23.00
	27.01	31.04	31.13	33.00	34.00	37.00	38.00	40.00	41.00	42.00	43.00	44.00
	45.00											



**2006 IRS SECTION 42(d)(5)(C) METROPOLITAN QUALIFIED CENSUS TRACTS
(2000 DATA, MSA/PMSA DEFINITIONS JUNE 30, 1999)**

METROPOLITAN AREA: Pittsfield, MA MSA

COUNTY OR COUNTY EQUIVALENT TRACT
Berkshire County 9001.00

METROPOLITAN AREA: Pocatello, ID MSA

COUNTY OR COUNTY EQUIVALENT TRACT
Bannock County 8.00 9.00 16.01 16.03

METROPOLITAN AREA: Ponce, PR MSA

COUNTY OR COUNTY EQUIVALENT TRACT
Guayanilla Municipio 7404.00
Juana Diaz Municipio 7102.00 7107.00
Ponce Municipio 702.02 703.00 704.00 708.00 709.00 710.00 713.00 716.02 718.00 719.00 721.01 727.04
Yauco Municipio 7501.01 7502.01 7504.00

METROPOLITAN AREA: Portland, ME MSA

COUNTY OR COUNTY EQUIVALENT TRACT
Cumberland County 3.00 5.00 6.00 10.00 12.00

METROPOLITAN AREA: Portland-Vancouver, OR-WA PMSA

COUNTY OR COUNTY EQUIVALENT TRACT
Multnomah County, OR 11.01 21.00 22.01 22.02 23.01 33.01 34.01 34.02 40.01 42.00 49.00 51.00
Washington County, OR 52.00 53.00 54.00 55.00 56.00 76.00 83.01 96.06
Clark County, WA 332.00 410.05 416.00 424.00 427.00

METROPOLITAN AREA: Portsmouth-Rochester, NH-ME PMSA

COUNTY OR COUNTY EQUIVALENT TRACT
Strafford County, NH 802.01 802.02



**2006 IRS SECTION 42(d)(5)(C) NONMETROPOLITAN QUALIFIED CENSUS TRACTS
(2000 DATA, MSA/PMSA DEFINITIONS JUNE 30, 1999)**

NONMETROPOLITAN PART OF: Guam		TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT												
COUNTY OR COUNTY EQUIVALENT																				
Guam		9508.00	9513.00	9515.00	9518.00	9522.00	9524.00	9526.00	9528.00	9530.00	9533.00	9534.00	9544.00							
		9548.00	9554.00																	
NONMETROPOLITAN PART OF: Northern Mariana Islands		TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT											
COUNTY OR COUNTY EQUIVALENT																				
Northern Islands Municipality		9501.00																		
Saipan Municipality		9507.00	9509.00	9510.00	9511.00	9512.00	9513.02													
NONMETROPOLITAN PART OF: Puerto Rico		TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT											
COUNTY OR COUNTY EQUIVALENT																				
Adjuntas Municipio		9563.00	9564.00	9565.00	9566.00															
Barranquitas Municipio		9524.00																		
Ciales Municipio		9559.00																		
Coamo Municipio		9543.00																		
Guanica Municipio		9609.00	9610.00	9612.00	9613.00	9615.00														
Jayuya Municipio		9561.00																		
Lares Municipio		9578.00	9579.00	9581.00	9583.00	9584.00														
Las Marias Municipio		9597.00	9599.00																	
Las Maricao Municipio		9601.00																		
Orocovis Municipio		9548.02	9549.01	9549.02																
Patillas Municipio		2901.00																		
Salinas Municipio		9527.00																		
San Sebastian Municipio		9892.00																		
Santa Isabel Municipio		9535.00																		
Utua Municipio		9569.00	9574.00	9575.00																
Vieques Municipio		9501.00	9502.00	9503.00																
NONMETROPOLITAN PART OF: Virgin Islands		TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT											
COUNTY OR COUNTY EQUIVALENT																				
St. Croix		9702.00	9703.00	9708.00	9709.00	9711.00	9713.00													





PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

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COMMONWEALTH OF PUERTO RICO

ANNEX E

ANNEX E: BINDING COMMITMENT AGREEMENT

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

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

1. Allocation Year: 200__
2. Amount of Tax Credits to Be Reserved to the Project: \$_____
3. Name and Address of the Project:

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

5. Taxpayer I.D. No.: _____
6. Name and Address of Allocating Agency:

Puerto Rico Housing Finance Authority
P O Box 71361
San Juan, PR 00936-8461
7. Date of this Binding Commitment: _____
8. Building Identification Numbers: To Be Assigned

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

- _____ a. Credit is deemed necessary to facilitate the restructuring of financing provided to a project confronting economic difficulties.
- _____ b. Credit is deemed necessary to preserve the low-income housing status of the project or to maintain the total number of available low-income housing units within Puerto Rico.
- _____ c. Credit is requested in connection with the acquisition of a project from the government of Puerto Rico, or any department, agency, entity or political subdivision thereof.
- _____ d. Due to unforeseen circumstances that the PRHFA, at its sole discretion, might believe are valid.

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

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

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

Signature: _____

Typed or printed: _____

Title: _____

Agency Taxpayer ID Number: _____

Commitment Date: _____

Acknowledged, Agreed and Accepted:

Owner: _____

By: _____

Title: _____

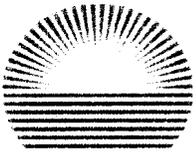
COMMONWEALTH OF PUERTO RICO

Affidavit _____:

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

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

NOTARY PUBLIC



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

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COMMONWEALTH OF PUERTO RICO

ANNEX F

Qualified Allocation Plan 2006

ANNEX F: FAIR HOUSING ACT ACCESSIBILITY CHECKLIST

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

GENERAL REQUIREMENTS

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

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

1. ACCESSIBLE BUILDING ENTRANCE ON AN ACCESSIBLE ROUTE

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

2. COMMON AND PUBLIC USE AREAS

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

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

3. **USABLE DOORS**

- ❑ All doors into and through covered units and common use facilities provide a clear opening of at least 32" nominal width.
- ❑ All doors leading into common use facilities have lever door handles that do not require grasping and twisting.
- ❑ Thresholds at doors to common use facilities are no greater than 1/2".
- ❑ All primary entrance doors to covered units have lever door handles that not require grasping and twisting.
- ❑ Thresholds at primary entrance doors to covered units are no greater than 3/4" and beveled.

4. **ACCESSIBLE ROUTE INTO AND THROUGH THE COVERED UNIT**

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

5. **ACCESSIBLE ENVIRONMENTAL CONTROLS**

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

6. **REINFORCED BATHROOM WALLS FOR GRAB BARS**

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

7. **USABLE KITCHEN AND BATHROOMS**

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

FAIR HOUSING ACT ACCESSIBILITY CHECKLIST

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

1. HUD's March 6, 1991 Fair Housing Accessibility Guidelines (the Guidelines), and the June 28, 1994 Supplemental Notice to Fair Housing Accessibility Guidelines, Questions and Answers about the Guidelines;
2. HUD's Fair Housing Act Accessibility Design Manual;
3. ANSI A117.1-1986, used in conjunction with the Act and HUD's regulations, and the Guidelines;
4. CABO/ANSI A117.1-1992, used in conjunction with the Act, HUD's regulations, and the Guidelines;
5. ICC/ANSI A117.1-1998, used in conjunction with the Act, HUD's regulations, and the Guidelines;
6. *Code Requirements for Housing Accessibility 2000 (CRHA)*, approved and published by the International Code Council (ICC), October 2000;
7. *International Building Code 2000 (IBC)* as amended by the *IBC 2001 Supplement to the International Codes*.

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

COVERED BUILDINGS

IS THE DEVELOPMENT SUBJECT TO THE ACT?

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

FAIR HOUSING ACT CONTACT INFORMATION

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

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

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

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

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

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COMMONWEALTH OF PUERTO RICO

ANNEX G

Qualified Allocation Plan 2006

ANNEX G: OWNER'S CERTIFICACION

[THIS FORM MUST BE INCLUDED WITH APPLICATION]

CERTIFICATION

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

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

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

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

I (We) hereby represent and certify to the Puerto Rico Housing Finance Authority that the owner, developer or applicant and their shareholders, directors, officers, and partners, as applicable, are in compliance with Section 42 requirements and that there are no outstanding findings of noncompliance with the Agency's Office of Audit and Compliance as of the date of this application in any other project that received tax credit and in which they have an interest.

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

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

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

Date: _____

Name of Applicant

Name of Development Project

By: _____

Title

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

Given under my hand and official seal this _____ day of _____, 200__.

Notary Public

(SIGNED AND SEALED)



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX H

Qualified Allocation Plan 2006

ANNEX H: ACCOUNTANT'S OPINION LETTER

[THIS FORM MUST BE INCLUDED WITH APPLICATION]

[ACCOUNTANT'S LETTERHEAD]

(Insert Date)

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

Re: Low Income Housing Tax Credit Program

Name of Development: _____

Gentlemen:

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

1. Review of the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated pursuant thereto (the "Regulations") applicable to low income housing credits.
2. Review of each computation of credits submitted to you by the owner with respect to each applicable type of credit for each building of the development.
3. Review, made with the Owner, of the projections, facts and circumstances with respect to the computations of the amount of each applicable type of credit for each building in accordance with the applicable provisions of the Code and the Regulations

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

Sincerely,



GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

ANNEX I

Qualified Allocation Plan 2006

ANNEX I: Attorney's Opinion Letter

[This Form Must Be Included With Application]

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

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Name of Development: _____
Name of Owner: _____

Gentlemen:

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

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

1. It is more likely than not that the inclusion in eligible basis of the Development of such cost items or portions thereof, as set forth in Parts 22 and 23 of the Application form, complies with all applicable requirements of the Code and Regulations.
2. The calculations (a) of the Maximum Allowable Credit available under the Code with respect to the Development in Part 22 of the Application form and (b) of the Estimated Qualified Basis of each building in the Development in Pages 21 and 22 of the Application form comply with all applicable requirements of the Code and regulations, including the selection of credit type implicit in such calculations.

ANNEX I: ATTORNEY'S OPINION LETTER, continued

3. The appropriate type(s) of allocation(s) have been requested in Part 1 of the Application form.
4. The information set forth in Part 21 of the Application form as to proposed rents satisfies all applicable requirements of the Code and Regulations.
5. The site of the captioned Development is controlled by the Owner, as identified in Part 14 of the Application, for a period of not less than four (4) months beyond the application deadline.
6. [Delete if inapplicable] The type of the nonprofit organization involved in the Development is an organization described in Code Section 501(c)(3) or 501(c)(4) and exempt from taxation under Code Section 501(a), whose purposes include the fostering of low-income housing.
7. [Delete if inapplicable] The nonprofit organizations' ownership interest in the development is all the general partnership interests of the ownership entity of the development.
8. [Delete if inapplicable] It is more likely than not that the representations made under Part 14 of the Application form as to the Developer's compliance with Section 42 of the Code.

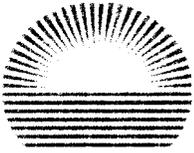
Finally, the undersigned is of the opinion that, if all information and representations contained in the Application and all current law were to remain unchanged, upon the placement in service of each building of the Development during this calendar year 200__ and/or, if the Owner intends to request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

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

Firm Name

By: _____

Its: _____
(Title)



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX J

Qualified Allocation Plan 2006

ANNEX J: Designer's Preliminary Certification

[This Form Must Be Included With Application]

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

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Project: _____
Owner: _____

Gentlemen:

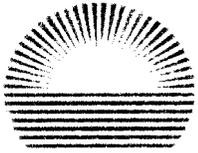
The undersigned, an architect/engineer duly licensed and registered in Puerto Rico, will provide full design services, including without limitation, preparing for [project's owner], plans and specifications, in connection with the proposed construction/rehabilitation of a ____ units project on certain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

The undersigned hereby certifies that:

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

Respectfully,

Signed & Seal



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX K

Qualified Allocation Plan 2006

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

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

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

WITNESSETH

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

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

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

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

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

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

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

SECTION 1 - DEFINITIONS

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

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

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

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

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

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

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

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE OWNER

The Owner hereby represents, covenants and warrants as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 4 - INCOME RESTRICTION; RENTAL RESTRICTIONS

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

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

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

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

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

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

SECTION 5 - TERM OF THE AGREEMENT

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

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

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

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

SECTION 6 - ENFORCEMENT OF THE OCCUPANCY RESTRICTIONS

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

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

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

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

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

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

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

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

SECTION 8 - MISCELLANEOUS

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

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

To the Authority

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

ATTENTION: Low-income Housing
Tax Credit Program

To the Owner:

[]

ATTENTION: []

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

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

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

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

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

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

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

BY: _____
[_____]
[Title]

PUERTO RICO HOUSING FINANCE AUTHORITY

BY: _____
[_____]
Executive Director



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX L

Qualified Allocation Plan 2006

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

(To be submitted on Auditor Firm's letterhead)

Date: _____, 200__

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

and

Owner _____
Street _____
City, State, Zip Code _____

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

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

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

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

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

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

We performed the following procedures:

1. We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$_____ as of _____, 200__.
2. We calculated the reasonably expected basis incurred by the Owner as of _____, 200__ to be \$_____.
3. We calculated the percentage of the development fee incurred by the Owner as of _____, 200__ to be _____ % of the total development fee.
4. We compared the reasonably expected basis incurred as of _____, 200__ to the total reasonably expected basis of the Project and calculated that _____ % had been incurred as of _____, 200__.
5. We determined that Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.
6. Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Project needed to incur at least \$_____ of costs prior to June 30, 200__. As of _____, 200__, costs of at least \$_____ had been incurred, which is approximately _____ % of the total reasonably expected basis of the Project.

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

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

_____ Name of Professional's Firm	_____ Date
_____ Signature of Professional	_____ Title of Signatory
_____ Printed Name of Signatory	

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

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

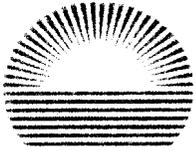
	PROJECT'S EXPECTED BASIS	ELIGIBLE 10% TEST EXPENDITURES	EXPENDITURES AS % OF EXPECTED BASIS
SOFT COSTS			
Market Study	\$ _____	\$ _____	_____ %
Environmental Study	\$ _____	\$ _____	_____ %
Appraisal	\$ _____	\$ _____	_____ %
Tax Credit Fees	\$ _____	\$ _____	_____ %
Cost Certification	\$ _____	\$ _____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

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

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

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

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

C O M M O N W E A L T H O F P U E R T O R I C O

ANNEX M

Qualified Allocation Plan 2006

ANNEX M: FINAL COST CERTIFICATION

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

Date: _____

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

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

We have audited the costs included in the accompanying Puerto Rico Housing Finance Authority (PRHFA) Final Cost Certification (the "Final Cost Certification") of (the "Owner") for (the "Project") as of _____, 200_. The Final Cost Certification is responsibility of the Project Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

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

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

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

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

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

/s/Independent Auditors

PERMANENT FINANCING

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

SOFT COSTS

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

SYNDICATION COSTS**

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

DEVELOPER FEES

54 Developer Fees	\$ _____
55 Consultant	\$ _____
56 Other	\$ _____
57 TOTAL	\$ _____

PROJECT RESERVES

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

OTHERS:

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

66 TOTAL DEVELOPMENT COSTS	\$ _____
-----------------------------------	-----------------

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

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

SCHEDULE B: QUALIFIED BASIS TEST

1. Total Development Costs (Line 66 from Schedule A):		\$ _____
Less Costs Ineligible for Tax Credit Basis (from Schedule A):		
Land (Line 5)	_____	
Market Study (Line 42)	_____	
Permanent Financing Fees (Line 41)	_____	
Syndication Costs (Line 53)	_____	
Project Reserves (Line 61)	_____	
Other: _____	_____	
Other: _____	_____	
2. Eligible Basis		\$ _____
Total Number of Units	_____	
Total Number of Low Income Units	_____	
3. Applicable Fraction ***		_____ %
4. Qualified Basis (Applicable Fraction x Eligible Basis)		\$ _____
Difficult to Develop Area Adjustment, if applicable		130 %
5. Total Eligible Basis (Qualified Basis x 130%)		\$ _____
Tax Credit Rate (as stated in Carryover Allocation Agreement)		_____ %
6. Annual Tax Credit - Qualified Basis Test (Total Eligible Basis x Tax Credit Rate)		\$ _____

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

SCHEDULE C: EQUITY GAP TEST

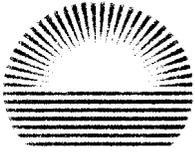
- | | | |
|--|----------|----------|
| 1. Total Development Costs (Line 66 from Schedule A) | | \$ _____ |
| 2. Permanent Financing Sources* | | |
| First Mortgage: | \$ _____ | |
| Second Mortgage | _____ | |
| Grants | _____ | |
| Owner Equity | _____ | |
| Other: _____ | _____ | |
| TOTAL | | \$ _____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

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

Schedule D: ANNUAL TAX CREDIT DETERMINATION

- A. **Tax Credit Allocation** \$ _____
(From Carryover Allocation Agreement)
- B. **Annual Tax Credit - Qualified Basis Test** \$ _____
(Schedule B - Line 6)
- C. **Annual Tax Credit - Equity Gap Test** \$ _____
(Schedule C - Line 7)
- D. **Final Tax Credit Determination **** \$ _____
(the lowest amount between lines A, B or C)
- E. **Returned Credits (Line A less Line D)** \$ _____
(If zero or less, enter 0)

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



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX N

Qualified Allocation Plan 2006

ANNEX N: Designer's Certification of Completion of Construction

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

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

Date

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

RE: 200__ Low Income Housing Tax Credit Program

Project: _____
Owner: _____

Gentlemen:

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

The undersigned hereby certifies that:

1. The plans and specifications comply with and conform in all respects to the requirements of law, have been duly filed with and have been approved by Regulations & Permits Administration (ARPE by its Spanish acronym); or the Autonomous Municipality of _____ (as the case may be).
2. Upon examination of the Premises, the Project, the plans and specifications after completion of the construction/rehabilitation we have concluded that the construction is in compliance with:
 - a. all government and municipal authorities having jurisdiction thereover;
 - b. all applicable zoning, building, fire and other federal, state, local laws, ordinances, rules, regulations, restrictions;
 - c. other requirements, including without limitations:
 - i. the Fair Housing Act,
 - ii. the American with Disabilities Act;
 - iii. other local and/or state access codes; and
 - iv. standards of professional practice

Respectfully,

Signed & Seal



PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

GDB

COMMONWEALTH OF PUERTO RICO

ANNEX O

Qualified Allocation Plan 2006



COMPLIANCE MONITORING PLAN

LOW INCOME HOUSING TAX CREDIT PROGRAM

February 2006

**Compliance Monitoring Plan
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- A - Income Verification Requirements and Procedures
- B - Annual Recertification

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PRHFA-01	Owner's Certificate of Continuing Program Compliance Form
PRHFA-02	Tenant Income Certification and Instructions Form
PRHFA-03	Employment Verification Form
PRHFA-04	Student Verification Form
PRHFA-05	Certification of Zero Income Form
PRHFA-06	Under \$5,000 Asset Certification Form
PRHFA-07	Section 8 Tenants Income Verification Form

INTRODUCTION

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

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

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

FEDERAL LAWS AND REGULATIONS GOVERNING THE LIHTC PROGRAM

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

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

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

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

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

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

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

I. PROGRAM SUMMARY

A. Minimum Set-Aside Requirements

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

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

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

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

1. Deep Rent Skewed Election

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

2. Deadline for Meeting Set-Asides

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

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

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

B. Income Limits & Calculations

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

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

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

C. Maximum Rent Requirements

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

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

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

D. Establishing Maximum Rent

1. Family Size Rent Calculations (1987-1989)

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

2. Bedroom Size Rent Calculations (1990 - Forward)

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

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

Example:

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

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

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

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

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

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

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

3. Establishing LIHTC Rents in Subsequent Years

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

E. Applicable Fraction

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

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

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

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

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

F. Calculating the First Year Applicable Fraction

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

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

Example:

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

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

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

G. Qualified Basis

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

H. Claiming Credits

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

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

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

I. Compliance Period

1. All LIHTC Developments

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

period for a building begins in either the year it is placed in service or the first year after, as declared in Part II of the IRS for 8609. This 15 year period is referred to in the Code as the "Compliance Period" [Section 42(i)(1)].

2. Developments that received allocations from 1987 through 1989

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

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

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

II. OWNER'S RESPONSIBILITIES

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

A. Source of Program Requirements

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

B. Proper Administration

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

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

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

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

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

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

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

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

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

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

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

- The eligible basis and qualified basis of the building at the end of the first year of the credit period.
- Records demonstrating that any state established set-aside elected by the owner has been complied with for each year of the compliance period.

E. Record Retention

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

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

F. Certification and Review Provision

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

The Owner certifies that:

1. The project meets the minimum requirements of the 20-50 test or the 40-60 test, as applicable:
 - at least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of area median income; or
 - at least 40% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.

2. There was no change in the applicable fraction for any building in the project (as defined in Section 42(c)(1)(B) of the Code);
3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy;
4. Each low-income unit in the project is rent-restricted as defined in Section 42(g)(2) of the Code;
5. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants has an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
6. All units in the Project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code);
7. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court;
8. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;
9. There has been no change (as defined in Section 42(d) of the Code) of any building in the project since last certification submission;
10. All tenant facilities included in the eligible basis under the Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, and parking areas, washer/dryer hookups, and

appliances were provided on a comparable basis without a charge to all tenants in the buildings;

11. If a low-income unit in the project becomes vacant during the year, reasonable attempts are made to rent that unit or next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income;
12. If the income of tenants of low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income;
13. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989);
14. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning to Section 469(h) of the Code (if applicable).
15. There has been no change in the ownership or management of the project.

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

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

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

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

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

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

G. Compliance Fees

Property owners must pay to PRHFA an annual compliance monitoring fee of \$20.00 for each LIHTC unit contained in each building. Initial compliance monitoring fees must be paid to PRHFA within 30 days of the date on which the building is placed in service. In each of the following years throughout the remainder of the 15 year compliance period and the extended use period, the annual fee(s) must be submitted with the Annual Owner's Certification by January 31st of each year. Owners and developers should take note that participation in PRHFA programs requires a certification of good standing with the PRHFA. Failing to pay fees will bar any further participation in the programs administered by the PRHFA.

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

H. Noncompliance

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

III. PRHFA RESPONSIBILITIES

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

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

A. Conducting Compliance Monitoring Briefings

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

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

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

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

B. Compliance Inspections

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

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

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

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

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

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

- (2) Building exterior - Each building on the site must be structurally sound, secure, habitable, and in good repair. The building's exterior components such as doors, fire escapes, foundations, lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.
- (3) Building systems - The building's systems include components such as domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system. Each building's systems must be free of health and safety hazards, functionally adequate, operable, and in good repair.
- (4) Dwelling units - (i) Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example the unit's bathroom, call-for-aid, ceiling, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair. (ii) Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water. (iii) If the dwelling unit includes its own sanitary facility, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste. (iv) The dwelling unit must include at least one battery operated or hard wired smoke detector in proper working condition on each level of the unit.
- (5) Common areas - The common areas must be structurally sound, secure and functionally adequate for the purposes intended. The common areas include components such as basement/garage/carport, restrooms, and closets, utility, mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable. The common areas must be free of health and safety hazards, operable, and in good repair. All common area ceilings, doors, floors, HVAC, lighting, outlets/switches, smoke detectors, stairs, walls, and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair.

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

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

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

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

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

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

C. Notification to the Owner

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

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

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

D. Notification to IRS of Noncompliance

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

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

E. PRHFA Records Retention

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

F. PRHFA Circular Letters

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

G. Liability

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

IV. PROJECT RENTAL REQUIREMENTS

A. Initial Interview

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

B. Residency Application

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

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

C. Minimum Lease Requirement

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

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

1. the legal name of parties to the agreement and all other occupants,
2. a description of the unit to be rented,
3. the date the lease becomes effective,
4. the term of the lease,
5. the amount of rent
6. the use of the premises,
7. the rights and obligations of the parties, including the obligation of the household to annually recertify its income,
8. the signatures of all household members 18 years of age or older, and
9. a statement explaining that the development is participating in the Tax Credit
10. a statement requiring that each tenant immediately notifies management of any change in student status.

Program, and that tax credit units are under certain program regulations including income eligibility of the household.

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

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

D. Household Size

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

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

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

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

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

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

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

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

E. Utility Allowance

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

1. Where to Obtain Utility Allowances

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

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

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

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

b. Non-assisted Properties

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

2. Updating Utility Allowances

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

F. Income Certification

Tenant eligibility is determined at the time of move-in certification. Before a household takes occupancy, the owner shall verify all income, household

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

G. Tenant Income Certification

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

- Management should instruct all adult household members to sign the TIC exactly as the name appears on the form.
- The Tenant Income Certification should be executed on or before the date of move-in.
- **No one** may live in a designated unit in the development unless he/she is income certified and under lease. **THERE ARE NO PERMISSIBLE EXCEPTIONS TO THIS RULE.**
- Tenant Income Certification forms must also be executed (signed and dated) by the Owner or Owner's representative.

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

H. Physical Requirements of Qualified Units, Suitable for Occupancy

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

- Must have substantially the same equipment and amenities (excluding luxury amenities) as other units in the Project;
- Must be substantially the same size as other units in the Project; and

- Cannot be geographically segregated from other units in the Project.

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

I. Discrimination Prohibited in Project

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

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

J. Students

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

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

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

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

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

1. All members of the household are full-time students, and such students are married and file a joint tax return. A copy of a joint federal income tax return and a copy of a marriage license should be required for verification.
2. The household consists of single parents and their minor children, and both the parents and children are not dependents of a third party. *
3. At least one member of the household receives assistance under Title IV of the Social Security Act (Aid to Families with Dependent Children - AFDC) or Temporary Aide to Needy Families (TANF); or
4. At least one member of the household is enrolled in a job training program receiving assistance under Job Training Partnership Act (Replaced by the Workforce Investment Act of 1998) or similar federal, state, or local laws.

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

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

If a previously qualified Tax Credit resident becomes a full-time student and intends to continue living in a Section 42 apartment, he/she **must** meet at least one of the above criteria and be able to prove such status. Under current legal interpretations of federal LIHTC regulations and requirements, the "next available unit" rule that applies to LIHTC units with tenants that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, it appears that a unit occupied by a student household that no longer meets one of the above exceptions ceases to count as a LIHTC unit immediately.

If a building owner or rental agent has questions as to the occupancy of students, they should seek legal assistance since the IRS has not published guidance on the interpretation of this part of the LIHTC rules.

L. Section 8 Rents

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

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

M. Annual Recertification

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

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

N. Tenant Transfers

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

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

V. COMPLIANCE AND MONITORING DURING THE EXTENDED USE PERIOD

After the 15-year Compliance Period has expired, there may be no tax impact in the event of noncompliance. IRC Section 1.42-5 contains the regulations for agencies' compliance monitoring during the Compliance Period; however, the regulations do not require agencies to monitor according to these regulations in the Extended Use Period. IRS officials and other experts have indicated verbally that agencies may not report noncompliance to IRS after the Compliance Period is over. The tax benefit to the owner is exhausted and IRS can no longer recapture or disallow credits. Therefore, PRHFA must establish policy regarding how properties are to be monitored and consequences for noncompliance during the Extended Use Period.

In addition, based on the requirements of the Extended Use Period specified in IRC Section 42 regulations and in Declaration of Land Use Restrictive Covenants referenced below, the agency has the authority to establish different criteria for eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications during the Extended Use Period, as long as income and rent restrictions, general use requirements (fair housing), Section 8 acceptance, minimum set-aside, applicable fraction, and initial and annual recertifications are required.

A. Extended Use Period

IRC Section 42(h)(6) establishes that buildings are eligible for the credit only if there is a minimum long-term commitment to low-income housing. Specifically, in order to receive a credit allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Housing Tax Credits (Declaration). The Declaration is recorded with the respective County Recorder and/or Registrar of Titles and "runs with the land", regardless of subsequent changes in ownership.

1. For purposes of this section, the term "Extended Use Period" means the period:
 - a. beginning on the last day in the Compliance Period on which such building is part of a qualified low-income housing project, and
 - b. ending on the later of –
 - i. the date specified by the agency in the Declaration, or
 - ii. the date which is 15 years after the close of the Compliance Period.

IRC Section 42(h)(6)(E) provides exceptions to the Extended Use Period in the case of a legitimate foreclosure or deed in lieu or, for projects that have not waived this right, if the agency is unable to present a qualified contract pursuant to IRC Section 42(h)(6)(F). This Compliance Plan does not contain guidance for the provisions of IRC 42(h)(6)(F) regarding the qualified contract referenced in IRC Section 42(h)(6)(E)(i)(II).

2. Under IRC Section 42(h)(6)(E)(ii) the termination of an Extended Use Period due to foreclosure or deed in lieu, or for failure to present a qualified contract shall not be construed to permit before the close of the 3-year period following such termination:
 - a. the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or
 - b. any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits.

3. Under the PRHFA Declaration of Land Use Restrictive Covenants for Housing Tax Credits the owner agrees to comply with the following for the term of the agreement:
 - a. it will maintain the applicable fraction by leasing units to individuals or families whose income is 50% or 60%, as irrevocably elected by the owner at the time of allocation, or less of the area median gross income (including adjustments for family size) as determined in accordance with IRC Section 42;
 - b. it will maintain the Section 42 rent and income restrictions;
 - c. all units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in IRC Section 42(g) (Section 42(g) pertains to the minimum set-aside election);
 - d. the owner agrees to comply fully with the requirements of the Fair Housing Act as it may from time to time be amended;
 - e. the owner will not refuse to lease a unit to the holder of a Section 8 voucher because of the status of the prospective tenant as such a holder;
 - f. each low income unit will remain suitable for occupancy;
 - g. the determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant ; and
 - h. other restrictions as required under the specific year's Qualified Allocation Plan (QAP) and related points the owner received in order to obtain a credit allocation.

These restrictions are property-specific within the respective Declarations and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the Extended Use Period.

Note that the Declarations have changed from year-to-year according to the respective Qualified Allocation Plans. However, the basic language pertaining to the Extended Use Period required by IRC has not materially changed.

B. Tenant Eligibility Criteria During the Extended Use Period

During the Extended Use Period, PRHFA requires tenant eligibility and certification of income, as follows:

1. Tenant Income Certification

The initial income certification is required (calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 ("Section 8"). However, owners are no longer required to verify income and income from assets at annual recertification. Any household that experiences a change in composition within the first six (6) months of occupancy (not including birth or death) must meet the initial eligibility requirements and a new initial tenant income certification must be performed.

2. Rent Restriction

Rent limits as elected by the owner at the time of allocation continue to be in force during the Extended Use Period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective Qualified Allocation Plan or Declaration to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the Extended Use Period.

3. Student Status

Since student status is not one of the defined requirements of the Declaration, the student rules under IRC Section 42 are no longer applicable.

4. Unit Transfers

Unit transfers from building to building are allowed without triggering noncompliance regardless of whether a household's income is over the applicable limit at the time of transfer.

5. Available Unit Rule

The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the "comparable or smaller" requirement no longer applies). This is essentially a one-for-one unit replacement.

6. Applicable Fraction

Only the unit fraction will be examined to determine a building's applicable fraction.

7. Utility Allowances Utility Allowances must continue to be updated annually. Revised utility allowances must be implemented within 90 days of their published effective date.

The Housing Tax Credit Program income and rent limits based on the Section 8 income limits published by HUD annually will continue to update by the PRHFA.

C. Monitoring Compliance During the Extended Use Period

PRHFA will perform the following monitoring procedure during the Extended Use Period:

1. Annual Certification

PRHFA will require all owners to submit an annual certification of compliance by January 31. The PRHFA will provide the Owner's Certification of Compliance During the Extended Use Period Form, which will contains agency-defined certification language pursuant to the terms of the Declaration.

2. Annual Reporting

LIHTC project must submit to the PRHFA, via electronically, the Tenant Income information of each new Moving and Annual Re-certifications of income for each existing tenant.

This information must be submitted to the PRHFA by January 15th of each year during the extended use period. The PRHFA will provide the Tax Credit

Certifications Online Reporting Software for the electronic submission of this information.

3. Inspections

Every five years, PRHFA will perform a physical inspection of the property and review of tenant files and other pertinent documentation. The first review in the Extended Use Period will be five years from the last inspection conducted during the Compliance Period.

A minimum of 3 low-income units chosen at random or maximum of 10% of the low-income units in any development will be inspected. Different units may be chosen for the file review as those receiving a physical inspection.

PRHFA compliance staff will continue to work with other inspection entities such as local inspection officials, other government agencies, PRHFA staff etc., to share inspection information. Also, we will accept Age HQS Staff inspections done in the same year as our review. If inspected by PRHFA Tax Credit Compliance staff, inspection will be pursuant to Uniform Physical Conditions Standards.

PRHFA reserves the right to conduct a review of any building after serving appropriate notice and to examine all records pertaining to rental of tax credit units. PRHFA may perform a review at least through the end of the Extended Use Period of the buildings in the project.

4. Annual Monitoring Fees

The amount of annual compliance monitoring fees are \$15 per unit since inspections are less frequent and are done on a smaller number of units. The agency reserves the right to adjust the fee due to changing circumstances. Fees are due at the same time as the Annual Certification.

5. Transfer of Ownership or Ownership Interest

A transfer agreement is required in the event of a transfer of ownership or ownership interest. Such transfer agreement will put the new owner or partner on notice that it is subject to the terms of the Declaration including all compliance restrictions and annual compliance monitoring. Documentation of signatory authorization for the new owner or partner may be requested. Owners contemplating transfers of ownership or ownership interest should notify PRHFA and request a copy of the appropriate transfer agreement.

6. Expiration or Termination of Extended Use Period

During the 3-year period after the Declaration has expired or terminated pursuant to IRC Section 42(h)(6)(E)(ii), owners are required to annually submit a list of all low-income households that occupied a unit at the end of the term of the Declaration, the respective tenant-paid rent, utility allowance, and move-out date, if applicable, along with a certification that no low-income residents have been evicted or displaced for other than good cause. This report and certification will be due on January 31th. No monitoring fees will be due during this 3-year period and PRHFA is not required to perform inspections.

The Declaration of Land Use Restrictive Covenants allows for an amendment by written agreement between PRHFA and the owner. An amendment to the Declaration may be negotiated in the event a property suffers from a decline in market conditions that is not expected to improve and subsequent vacancies compromise the economic viability of the property. Owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. A change in applicable fraction, rent limits or other terms may be negotiated with PRHFA in order to preserve as many low-income units as possible, but still protect the economic viability of a property.

D. Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

1. All properties whose Compliance Period has expired and are subject to the requirements of the Extended Use Period will be listed on categorized in either "Good Standing" or "Not in Good Standing".
2. If an owner fails to comply with the monitoring requirements and/or terms of the Declaration, PRHFA will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the Compliance Period. All owners will be given a period of time not to exceed 90 days with which to clarify or correct noncompliance and report to PRHFA that all corrections have been made. An extension of an additional 90 days may be granted, with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct within a reasonable time then the property can be considered in Good Standing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) PRHFA may request that the owner and/or management agent

formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise PRHFA in writing of such a plan.

Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in Good Standing.

3. If an owner repeatedly delays requests for monitoring reviews, fails to submit annual certifications, reports and compliance monitoring fees, does not correct violations timely or according to the agreed-upon plan, where applicable, or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:
 - a. The owner & management company are considered to be Not in Good Standing;
 - b. A Report of Development Not in Good Standing, will be issued for such serious and/or flagrant noncompliance. This report will be sent to the owner and filed with the PRHFA Development team. No further PRHFA funds or tax credits will be awarded to the owner, its partners and/or proposed developments to be managed by the management company until the property is back in Good Standing. Once good faith efforts are demonstrated to the agency's satisfaction, the agency will reinstate the property, owner and management company in Good Standing.
 - c. The agency and any interested party have the right to enforce specific performance of the Declaration through the court system.

Important: Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transition from the Compliance Period into the Extended Use Period. Premature implementation of the Extended Use Period compliance and monitoring guidelines may result in noncompliance with IRC Section 42 for which PRHFA would be required to file IRS form 8823.

PRHFA reserves the right to modify this Compliance Manual Plan including but not limited to the foregoing policy and procedure for compliance and monitoring during the Extended Use Period, as needed.

APPENDIXES

APPENDIX A

INCOME VERIFICATION REQUIREMENTS AND PROCEDURES

A. General Requirements

1. Owners shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance under the LIHTC guidelines.
2. Whenever possible, written verification of income is required from the income sources.
3. Owners are advised to maintain documentation of all verification efforts for at least three years after the effective date of the tenant's certification or recertification.
4. For units receiving Section 8 rental assistance, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form may be used to satisfy this requirement. Owners may have the PHA contact the Compliance staff of the Agency if more information is needed. Income of Section 8 assistance recipients can also be verified in the usual way (by contacting employers, etc.) and requesting that they complete Income Verification forms. When the tenant household has no income, Certification of Zero Income (PRHFC-05) will be the only verification document.

B. Acceptable Methods for Verifying Information

1. Written verification by a third party is preferred, as follows:
 - a. the owner's request for verification should state why the information is being requested and include a statement signed by the applicant/tenant authorizing the release of the information;

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

2. Review of Applicant Supplied Documents

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

3. Applicant's Affidavit

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

4. Faxed Verification

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

C. Effective Term of Verification

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

2. Self-Employment Income

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

- a. Accountant's or bookkeeper's statement of net income; or
- b. Financial statement(s) of the business along with an affidavit or notarized statement from the applicant forecasting the anticipated income for the twelve (12) months following certification; or
- c. The applicant's most recent income tax return along with a notarized statement. This form of income verification alone may not be acceptable as income certification. Year-to-date income verification can be used to supplement other methods of certification.
- d. Applicant's notarized statement or affidavit as to net income realized from the business during previous year.

3. Social Security, Pensions, Disability Income

- a. Benefit print-out completed by the agency providing the benefits; or
- b. An award or benefit notification letter prepared and signed by the authorizing agency, dated within 90 days of the certification date. Since checks or bank deposit slips show only net amount remaining after deducting SSI, Medicare or state health insurance, they may be used only when award letters cannot be obtained. Any withholdings must be verified and included in annual income.
- c. If a local Social Security Administration (SSA) office refuses to provide written verification, the owner may accept a photocopy of a check or automatic deposit slips as interim verification. Otherwise, State Health Insurance withholdings will be included in annual income.

4. Unemployment Compensation

- a. A verification form completed by the unemployment compensation agency; or
- b. Records from the unemployment office stating payment dates and amounts.

5. Alimony or Child Support Payments

- a. A copy of a separation or settlement agreement, divorce decree, or support order stating the amount and type of support payment schedule. If the document is not dated within the 90-day time frame, obtain a notarized statement from the applicant stating that the amount of child support currently received is the same as stated in the agreement, decree, or order; or
- b. a letter from the person paying support; or
- c. a copy of the latest check and documentation of how often the check is received; or
- d. as a last alternative, the applicant's notarized statement of the amount of child support being received, including a written explanation detailing why *a* and *b* above cannot be provided.

6. Recurring Contributions and Gifts

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

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

7. Unemployed Applicants

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

F. Assets

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

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

For units receiving **Section 8 rental assistance**, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form (PRHFC-07) may be used

to satisfy this requirement. Owners may have the PHA contact the Compliance staff of the Agency if more information is needed. Income of Section 8 assistance recipients can also be verified in the usual way (by contacting employers, etc.) and requesting that they complete Income Verification forms. When the tenant household has no income, the Certification of Zero Income form (PRHFC-05) will be the only verification document.

APPENDIX B

ANNUAL RECERTIFICATION

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

Management should:

- a) approximately ninety (90) days before the lease expiration, notify the tenants in writing that re-certification is due and schedule an appointment for an interview;
- b) interview tenants to obtain current information on anticipated income, assets, and family composition for the ensuing certification year, and have tenants sign the necessary verification form(s) giving permission for release of the information requested;
- c) obtain third-party verification of the tenant's income;
- d) complete the Tenant Income Certification, have adult household members sign and date where indicated; and
- e) sign and date the Tenant Income Certification where indicated.

Adding a New Tenant to a Resident Household

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

Interim Re-Certifications

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

Tax Credit Units Which Receive Federal Rental Assistance

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

EXAMPLE 1: Section 8 Rental Assistance

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

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

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

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

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

Rehabilitation Projects and Acquisition/Rehab Projects

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

Qualifying residents is even more complicated when a development becomes an acquisition and rehabilitation project receiving tax credits. Sometimes tax credit allocations for acquisition and allocations for rehabilitation must be treated as separate projects; if so, tenants must qualify for BOTH phases as if they were moving in. The project's management staff should explain to their residents that they will need to be re-qualified for residency.

Because the IRS has not given specific guidance on how to qualify households in developments that have received both acquisition and rehabilitation credits, it is the opinion of the Corporation to allow the owner to choose the specific PIS date (acquisition and/or rehabilitation) to begin the monitoring process. Whichever PIS date is chosen (acquisition or rehabilitation), it must be applied consistently when performing the initial eligibility test of existing residents.*

***Note:** Owners are strictly forbidden from juggling certification between PIS dates. MHC strongly encourages the use of one PIS date (acquisition or rehabilitation) to document a household's initial eligibility.

FORMS & INSTRUCTIONS

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: PUERTO RICO HOUSING OF FINANCE AUTHORITY

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

<input type="checkbox"/>	No buildings have been Placed in Service
<input type="checkbox"/>	At least one building has been placed in service but owner elects to begin credit period in the following year. If either of the above applies, please check the appropriate box, and proceed to page to sign and date this form.

The undersigned _____ on behalf of _____ (the "owner"), hereby certifies that:

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

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

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

- 3- The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.
 - YES NO

- 4- Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:
 - YES NO

- 5- All low-income units in the project has been for use by the general public and used on non-transient basis (except for transitional housing for the homeless provided under Section 42(I)(3)(B)(iii) of the Code):
 - YES NO HOMELESS

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

- 7- Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes(or other hability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
 - YES NO

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

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

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

- 9- All tenat facilities, included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:
 YES NO
- 10- If a low- income unit in the project has been vacant during the year, reasonable attempns were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented not having a qualifying income:
 YES NO
- 11- If the income of tenats of a low-income unit any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the code, the next avaible unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:
 YES NO
- 12- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a vouchers or certificate of eligibility under Section 8 of the United State Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely o their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to building with tax credits from years 1987-1989):
 YES NO N/A
- 13- The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organization" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Setcion 469(h) of the Code.
 YES NO N/A
- 14- There has been no change in the ownership or management of the project:
 NO CHANGE CHANGE
 If " change", complete page 3 detailing the changes in ownership or management of the project.

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

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

 (Ownership Entity)

By: _____

Title: _____

Date: _____

TENANT INCOME CERTIFICATION

Initial Certification
 Recertification
 Other _____

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

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

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

HH-Mbr #	(A) Employment or Wages	(B) Social Security/Pensions	(C) Public Assistance	(D) Other Income
Total	\$ -	\$ -	\$ -	\$ -
Add totals from (A) through (D), above			TOTAL INCOME (E)	\$ -

HH-Mbr #	(E) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
Total			\$ -	\$ -
Column (H) if over \$ 5,000		X 2.00 %	=	(J) Imputed Income
Enter the greater of the total of column I, or J; imputed income			TOTAL INCOME FROM ASSETS (K)	\$ -
(L) Total Annual Household Income from all Sources[add (E) +(K)]				\$ -

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

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

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

TOTAL ANNUAL HOUSEHOLD INCOME

FROM ALL SOURCES:

From item (L) on page 1

\$

Household meets
Income Restriction
at:

- 60 % 50 %
 40 % 30 %

RECERTIFICATION ONLY:

Current Income Limits X 140% :

\$

Household Income exceeds X 140 %

Recertification:

- Yes No

Current Income Limit per Family Size: \$ _____

Household Size at Move-in: _____

Household Income at move-in: \$ _____

Tenant Paid Rent : \$ _____

Rent Assistance: \$ _____

Utility Allowance: \$ _____

Other non-optional charges: \$ _____

GROSS RENT PER UNIT:

(Tenant paid rent plus utility Allowance
& other non-optional charges) \$

Unit Meets Rent Restriction at:

- 60 % 50 % 40 % 30 % _____

Maximum Rent Limit for this unit: \$ _____

ARE ALL OCCUPANT FULL TIME STUDENT ?

- Yes No

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

Enter
1- 4

*** Student Explanation:**

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

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

a. Tax Credit

b. HOME

c. Tax Exempt

d. AHDP

e.

See part V above.

Income Status

- <= 50 % AMGI
 <=60 % AMGI
 <= 80 % AMGI
 OI **

Income Status

- 50 % AMGI
 60 % AMGI
 80 % AMGI
 OI **

Income Status

- 50 % AMGI
 80 % AMGI
 OI **

Income Status

- _____

 OI **

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

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

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTION FOR COMPLETING TENANT INCOME CERTIFICATION

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

Part I - Development Data

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

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

Part II - Household Composition

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

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

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

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

Part III - Annual Income

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

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

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

Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.

Row (E) Add the totals from column (A) through (D), above. Enter this amount.

Part IV - Income from Assets

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

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

Column (F) List the type of asset (I.e. checking account, saving account, etc.)

Column (G) Enter C (for current, if the family currently owns or holds the assets), or I (for imputed family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).

Column (H) Enter the cash value of the respective asset.

Column (I) Enter the anticipated annual income from the asset (I.e., saving account balance multiplied by the annual interest rate).

TOTALS Add the total of column (H) and Column (I), respectively.

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

Row (K) Enter the greater of the total in column (I) or (J)

Row (L) Total Annual Household Income from all sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

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

Part V - Determination of Income Eligibility

Total Annual Household Income from all sources Enter the number from item (L)

Current Income Limit per Family Size Enter the current Move-in Income Limit for the household size.

Household income at move-in Household size at move-in For recertification, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of the household members from the move-in certification.

Household meets Income Restriction Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Current Income Limit X 140 % For recertification only. Multiply the Current Maximum Move-in Income Limit by 140 % and enter the total. Below, indicate whether the household income exceeds that total. If the gross Annual Income at recertification is greater than 140 % of the current income limit, then the available unit rule must be followed.

Part VI - Rent

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

Part VII - Student Status

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

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

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

Part VIII - Program Type

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

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

SIGNATURE OF THE OWNER/ REPRESENTATIVE

Is it the responsibility of the owner or owner's representative to sign and date document immediately following execution by the residents.

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

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

EMPLOYMENT VERIFICATION

To: (Name & address of employer)

Date: _____

RE: _____
Applicant/Tenant name

Social Security Number

Unit # (if assigned)

I hereby authorize release of my employment information.

Signature applicant/Tenant

Date

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

Project Owner/ Management

Return Form To:

Employer Name: _____

Job Title: _____

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

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

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

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

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

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

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

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

Additional remarks: _____

Employer's Signature

Employer's Printed Name

Date

Employer [Company] Name and Address

Phone #

Fax #

e-mail

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

CERTIFICATION OF ZERO INCOME

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

Household Name: _____ Unit No. _____

Development Name: _____ City: _____

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

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

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

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

Signature of Applicant/Tenant

Printed Name of Applicant/Tenant

Date

UNDER \$ 5,000 ASSET CERTIFICATION

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

Household Name: _____ Unit No. _____
Development: _____ City: _____

Complete all that apply from 1 through 4:

1. My/our assets include:

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

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

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

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

- 2 Within the past two years, I/we have sold given away assets(including cash, real estate, etc.) for more than \$1,000 below the their fair market value (FMV). Those amounts* are included above and equal to a total of: \$ _____ (*the difference FMV and the amount received, for each asset on which this occurred).
- 3 I/we have not sold or given away asset (including cash, real estate, etc.) for less than fair market value during the past two (2) years.
- 4 I/we do not have any assets at the time.

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

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

Applicant/Tenant

Date

Applicant/Tenant

Date

**INCOME VERIFICATION
FOR TENANTS WITH SECTION 8 CERTIFICATES OR VOUCHERS**

TO:

FROM:

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

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

Number occupants: _____

Number bedrooms: _____

Move-in

Re-certification

Permission by: _____
(Applicant Signature)

(Date)

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

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

Sincerely, _____
Apartment Manager

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

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

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

(Signature)

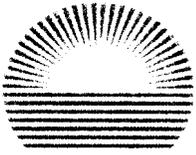
(Date)

(Phone #)

(Printed Name)

(Title)

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



GDB

PUERTO RICO HOUSING FINANCE AUTHORITY

Subsidiary of the Government Development Bank For Puerto Rico

COMMONWEALTH OF PUERTO RICO

ANNEX P

Qualified Allocation Plan 2006

ANNEX P: GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GROSS INCOME - SEE ANNUAL HOUSEHOLD INCOME

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

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

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

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

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

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

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

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

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

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

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

OWNER/DEVELOPER - SEE DEVELOPER

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

PROJECT: RENTAL HOUSING DEVELOPMENT RECEIVING A LIHTC ALLOCATION.

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

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

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

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

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

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

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

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

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

* SOURCE: HOUSING TAX CREDITS 1991: STATE AGENCY ADMINISTRATION AND THE PRIVATE AND NON-PROFIT SECTORS, PART VI, "STATE AGENCY MONITORING", PAGES VI-13, THRU VI-16, MARCH 20-21, 1991.