

# **2017 HOUSING CREDIT QUALIFIED ALLOCATION PLAN**



**Administered by the Alabama Housing Finance Authority**

**2017 Housing Credit  
Qualified Allocation Plan**

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## **I. HOUSING CREDITS**

The Housing Credit program encourages and promotes investment in affordable rental housing for low-income households. Through these investments, the number of housing units is increased and the quality of existing housing units is significantly upgraded. The primary benefit to investors is a dollar-for-dollar reduction in federal tax liability.

To receive Housing Credits, a project must qualify under federal rules contained in Section 42 of the Internal Revenue Code of 1986 (Section 42).

The Alabama Housing Finance Authority (AHFA), as the designated administrator of the Housing Credit Program since 1987, has developed and implemented this Housing Credit Qualified Allocation Plan (QAP) for the State of Alabama in compliance with the rules set forth in Section 42. AHFA is required by Section 42 to:

- Develop selection criteria to be used in determining housing priorities for the State. The selection criteria includes ranking each project in accordance with its location, fulfillment of housing needs, project and applicant characteristics, tenant populations with special needs and with families, public housing waiting lists, projects intended for eventual tenant ownership, energy efficient projects, and the historic nature of the project;
- Develop an evaluation process whereby preference is given to projects which serve: (1) the lowest income tenants, and (2) qualified tenants for the longest period(s) (3) projects which are located in qualified census tracts and the project contributes to a concerted community revitalization plan; and
- Develop compliance monitoring procedures to test for compliance with the provisions of Section 42 and for notifying the Internal Revenue Service (IRS) of noncompliance.

### **A. Development of Selection Criteria**

AHFA has been responsible for preparing a housing needs assessment and strategy for the State of Alabama since the HOME Investment Partnerships Program was created. In 1992, AHFA prepared the first Comprehensive Housing Affordability Strategy (CHAS) as a prerequisite for Alabama to receive federal dollars for housing. Prior to submitting the CHAS to The Department of Housing and Urban Development (HUD), AHFA prepared an extensive list of interested relevant parties from which to gather information and mailed letters of inquiry, questionnaires and surveys to various state agencies, service providers, housing directors and individuals. Based on the information gathered, along with data from the relatively new 1990 U.S. Census, AHFA then compiled a blueprint document for creating affordable housing across the State.

Beginning in 1995, HUD abandoned the CHAS and created the Consolidated Plan in an effort to blend the four Community Planning and Development (CPD) programs - Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) - into a single submission process for the purposes of the Consolidated Plan. AHFA, as administrator of the HOME program, was deemed responsible for writing the housing portion of the new document. The Consolidated Plan provided a detailed overview of how the State planned to utilize its annual Community Planning and Development funding to meet economic development objectives, provide affordable housing, and address other special needs. As a

contributor, AHFA offered a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

The early State Consolidated Plan submissions relied on figures from the 2000 U.S. Census. Once the 2010 U.S. Census became available, the State relied upon the newer figures. While Alabama, like all states, has experienced fluctuations in population, income, and other critical census-tracked data between 1990 and 2000 and between 2000 and 2010, one realization has not been altered – our State is still poor and thousands of Alabama families and households need a decent, safe and affordable place to live. A great many unmet needs still exist and AHFA will use the limited resources available to address as many unmet needs as feasible across the State.

The Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies the housing needs associated with special needs groups (minorities, single-parent families, the elderly, people with disabilities, mental illness, or AIDS/HIV and homeless persons).

A demographic analysis performed for the first Consolidated Plan (and still true today) concluded “that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the state’s most populous urban and metropolitan counties, but the greatest concentration of need is observed in the rural counties located in the southern portion of the state, the Black Belt in particular.”

A component of the Consolidated Plan, the Analysis of Impediments to Fair Housing (AI), was updated in 2014 and submitted for HUD’s review and approval with the Consolidated Plan in 2015. The purpose of developing the AI is to identify impediments to fair housing choice existing within Alabama’s non-entitlement communities so as to determine courses of action designed to address those impediments. The AI identified ten (10) primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for eight (8) of the identified impediments. To that end, AHFA will encourage and offer Fair Housing training in efforts to measurably overcome the identified impediments. Alabama’s Consolidated Plan and the Analysis of Impediments to Fair Housing are available at [www.adeca.alabama.gov](http://www.adeca.alabama.gov).

Additionally, the Consolidated Plan continues to be updated with historical AHFA data, including a list of HOME and Housing Credit projects placed in service and/or committed by AHFA since those programs began. The new Census data did not dramatically alter the state’s affordable housing priorities. While state HOME funds provide hundreds of traditional affordable housing units across Alabama each year, the majority of beneficiaries have been families and, in some cases, the elderly. Meeting those needs is consistent with the Consolidated Plan findings and the need for additional family units and elderly units remains strong.

## **B. Establishment of Housing Priorities**

This QAP seeks to ensure that, where economically feasible, every county in Alabama regardless of population size and other factors, will have an opportunity to compete for funding to address their unmet housing needs, with the understanding that respective county stakeholders be proactive toward a) providing additional funding sources and incentives as available, b) helping to remove regulatory and discriminatory barriers, and c) seeking

experienced Housing Credit and HOME development partners to assist in creating housing solutions for their respective communities. AHFA has established certain housing priorities to be used in the distribution of Housing Credits. AHFA seeks to promote the following housing priorities (not in order of preference) in the current allocation cycle:

- Projects that add to or significantly upgrade the existing affordable housing stock;
- Projects which, without Housing Credits, would not likely set aside units for lower income tenants, inclusive of tenants with disabilities and/or those who are homeless;
- Projects which use additional assistance through federal, state, or local subsidies; and
- A balanced distribution of the Housing Credits throughout the state in terms of geographical regions, counties, urban, and rural areas.

### **C. Application Criteria**

In accordance with Section 42(m)(1)(a)(ii) of the Internal Revenue Code, AHFA is required to notify the chief executive officer (or equivalent) of the local jurisdiction within which an applicant has submitted an application for funding using the Housing Credit program. AHFA is required to provide such individual a reasonable opportunity to comment on the project. Comments made by the executive officer will be considered by AHFA, along with other market information, to determine the feasibility or viability of the project.

While a lack of expressed support does not mean that the project is necessarily opposed by the community AHFA recognizes that having community support can also reduce any negative connotation which may accompany an affordable housing project. Accordingly applicants should make reasonable efforts to assess and solicit the support from all applicable parties in advance of their application submission to AHFA.

AHFA is required to evaluate each application to determine which projects should receive Housing Credits. To facilitate the evaluation process, all applicants must complete the following basic steps:

- 1.) Submit a complete (initial and final) application to AHFA. All or portions of the application may be required to be submitted online. After each portion is submitted, AHFA will conduct a completeness review. The application may be deemed complete if the application package contains, at a minimum, the following:
  - All required AHFA-provided forms for current year application. The application forms will be posted at [www.AHFA.com](http://www.AHFA.com) prior to the beginning of the application cycle. AHFA will post these forms as they become available, and applicants should check [www.AHFA.com](http://www.AHFA.com) regularly in order to begin work on the required forms as soon as possible. All AHFA-provided forms should be submitted with original signatures, legible, and all applicable spaces fully completed.
  - All required third-party documents in form and content acceptable to AHFA. Refer to the application checklist and the current Multifamily Funding Application Instructions for the complete list of required documents as provided at [www.AHFA.com](http://www.AHFA.com).
  - All required AHFA-provided and third party forms and documentation must be in numerical order behind blue index pages. The application should not be in a binder or spiral binding.

After the completeness review, each applicant with missing and/or incomplete application items will be contacted via e-mail regarding any missing and/or incomplete items or documents described in this Section I(C)(1). Upon notice, competitive cycle applicants must submit all missing and/or incomplete items or documents (along with the required fee for each missing/incomplete item or document as specified in Section I(D)(2)) within five (5) business days of notification by AHFA or the application will be terminated, and no further consideration will be given. The completeness check by AHFA will not extend to point scoring items (as referenced in Addendum A).

- 2.) Provide evidence that the project is a qualified affordable housing project for multifamily rental housing that meets the basic occupancy and rent restrictions required by Section 42.

When Housing Credits are combined with HOME funds, the project must meet the occupancy and rent restrictions required in Section 42 and the HOME regulations and adhere to the regulations that are more restrictive.

Multifamily rental housing projects must be on a single site or contiguous sites. Sites may be considered contiguous if separated only by a neighborhood street.

Under this QAP, the following projects do not qualify for Housing Credits:

- Mobile Home developments
- Intermediate Care facilities
- Group Homes
- Congregate Care facilities

In addition, any multifamily rental housing unit that is part of a hospital, nursing home, sanitarium, life care facility, or intermediate care facility for the mentally and/or physically handicapped that is not for use by the general public and is not eligible for Housing Credits under Section 42.

Applications for proposed projects applying for Housing Credits must contain not fewer than 12 units. Applications for proposed projects applying for Housing Credit combined HOME funds must contain no fewer than 12 units and no more than 56 units. Applications for proposed projects applying for Housing Credit, Multifamily Revenue Bonds and HOME must contain not fewer than 12 units.

All residential rental units must be under common ownership, deed, long-term lease, financing and property management.

Applicants cannot submit more than one phase of the same proposed project in the same application cycle.

- 3.) Provide evidence acceptable to AHFA that the proposed project meets the current AHFA Market Study Certification. The proposed rental project must meet AHFA market feasibility and analysis requirements. The market study must be conducted by an independent third party market analyst that has conducted a market study for a prior application submitted to AHFA for Housing Credits, HOME funds or Multifamily Bonds or has received prior written approval from AHFA to submit a

market study for the current application cycle. The list of market analysts that have conducted studies for prior applications, Market Study Certification and other instructions are available at [www.AHFA.com](http://www.AHFA.com). The market study must, at a minimum, document the following criteria:

- (i.) The project's market area must be clearly defined and supported;
- (ii.) The supply analysis of comparable subsidized or non-subsidized developments must include, but not be limited to, vacancies, amenities and rental rates;
- (iii.) The demand analysis must convincingly demonstrate a need for the proposed type of housing;
- (iv.) The market feasibility of the proposed rent structure must demonstrate that there is a rent advantage over non-subsidized housing in the defined market area;
- (v.) The analysis of the relationship between supply and demand must demonstrate an acceptable absorption rate; and
- (vi.) The summary of important facts and conclusions as provided in the market study must include a statement from the market analyst clearly stating, in the analyst's professional opinion, whether the project as proposed will be successful.

The market study must demonstrate an adequate market for the proposed units and that the proposed project would not adversely impact any existing AHFA projects or create excessive concentration of multifamily units.

AHFA will review the market study submitted, in-house documentation collected from onsite compliance audits, market information submitted by the United States Department of Agriculture (RD), audited financial statements, and owner submitted project budgets in order to determine if there is an adequate need for the proposed project. AHFA will terminate an application based on any one of the following market criteria:

- (i) The proposed project capture rate is above thirty-five percent (35%).
  - (ii) Active AHFA projects in the defined market area must have an overall average stabilized vacancy rate of fifteen percent (15%) or above. Active is defined as any AHFA project that is still in its applicable compliance period and extended-use period.
  - (iii) If determined that the proposed project's market will not support the proposed project and/or the proposed project will have a clear long-term negative impact on an existing AHFA-funded development(s) in the same market.
  - (iv) If any information submitted in the market study is determined to be incorrect or misleading.
- 4.) Demonstrate that the project is financially feasible. The project must meet certain financial feasibility requirements as defined in Section II(E)(1)(iii) of this QAP.
  - 5.) Demonstrate adequate infrastructure capacity evidenced by the proposed project's utility documentation provided in the complete application.



- 6.) Demonstrate the likelihood of sustained 30-year compliance with Section 42 based on the following criteria: a) The market study demonstrates a need for the project as proposed, b) The application demonstrates that the project is financially feasible as defined in Section II(E)(1)(iii) at the time of application and c) the owner and management company demonstrate their respective financial capacity and experience consistent with Section 42 requirements related to development and compliance guidelines.

#### D. Fees

The following fees, as applicable, must be paid with a business check or certified funds and made payable to Alabama Housing Finance Authority. Cash or personal checks will not be accepted:

- 1.) Application Fees:

- (i.) At the Initial Application a non-refundable fee must accompany the required application forms and third party reports required at the time of the initial application submission.
  - a) \$6,000 for an application with one or more owners applying on a single application that has **less than** three (3) placed-in-service projects funded with Housing Credits and/or HOME funds awarded by AHFA.
  - b) \$3,500 for applicants with one or more owners applying on a single application has three (3) **or more** placed-in-service projects funded with Housing Credits and/or HOME funds awarded by AHFA.
  - c) \$1,000 for all proposed Community Housing Development Organization (CHDO) applicants applying for HOME funds regardless of the number of placed-in-service projects awarded by AHFA.
- (ii.) At the Final Application a non-refundable fee must accompany the required application forms and documents required for a final application submission.
  - a) \$4,000 for applications for Housing Credits and HOME combined with Housing Credits.
  - b) \$1,000 for AHFA-approved CHDO applicants applying for HOME combined with Housing Credits.
- (iii.) Multifamily Housing Revenue Bond Application a \$7,500 **non-refundable fee** must accompany the complete application submitted for consideration for a Declaration of Official Intent.

An additional application fee will be due at the time of the initial application submission for application(s) that have ownership structures exceeding eight (8) individuals and /or entities. The amount of the fee will be \$1,000 to be charged for each owner (individual/entity) exceeding eight (8). This fee does not apply to the investor limited partner.

**All application fees are non-refundable and if any of the application fees are returned due to insufficient funds, the application will terminate.**

In addition to the non-refundable application fee(s), AHFA may in its sole discretion require the applicant to provide additional funds in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates to pay or reimburse AHFA for any third-party costs incurred during the application review and analysis process. Third-Party fees include without limitation, legal fees, architect and engineers' fees, consultant (construction, environmental or otherwise) fees, and any other third-party report (construction, environmental or otherwise) fees related to the review of any third-party report(s) submitted by the applicant. These amounts must be paid by applicant within five (5) business days of the invoice date.

Any unused portion of the additional funds collected will be returned to applicant without interest once all of the third-party invoices have been submitted and refund amount is determined.

- 2.) Missing and/or Incomplete Application Document(s): A fee will be charged for each missing and/or incomplete application document(s). The applicant will be contacted with a list of missing and/or incomplete item(s) or document(s) by e-mail. The applicant will have five (5) business days for competitive applicants and thirty (30) business days for Multifamily Housing Revenue Bond applicants from notification by AHFA to provide the required item(s) or document(s) and applicable fee(s). The fee(s) will be calculated based on the following:

Number of Missing and/or Incomplete Application Documents	Required Fee
5 or less	\$1,500 per Item
6-9	\$3,000 per Item
10 or more	Application Terminated

Any application with ten (10) or more missing and/or incomplete application documents will result in the automatic termination of the application by AHFA and the applicant will be notified by AHFA via email.

**A complete list of AHFA's fees (from notification of approval of awards through the extended use period) is located at [www.AHFA.com](http://www.AHFA.com).**

**E. Amendments**

AHFA is entitled to amend this QAP as required by the promulgation or amendment of Section 42, HOME Rules and Regulations, or both, from time to time or to implement new features or provisions of Section 42, the HOME Rules or their applicable regulations. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

## II. ALLOCATION PROCESS

### A. Application Cycle

The dates of the application cycle (or cycles, if more than one) will be determined by AHFA on an annual basis. All individuals who have requested to be on the e-mail distribution list as described in Section II (B)) will receive notification of the cycle via Constant Contacts. Notice of the cycle will also appear at [www.AHFA.com](http://www.AHFA.com) and in no less than four (4) newspapers throughout Alabama.

To apply for Housing Credits, an applicant must complete the applicable AHFA Multifamily Funding application which is available online at [www.AHFA.com](http://www.AHFA.com).

All correspondence and inquiries regarding the application are to be directed to the following:

Alabama Housing Finance Authority	
Attn: Multifamily Division	Phone Number: (334) 244-9200
P. O. Box 242967	Fax Number: (334) 279-6957
Montgomery, Alabama 36124-2967	
<a href="http://www.AHFA.com">www.AHFA.com</a>	
<a href="mailto:ahfa.mf.application@ahfa.com">ahfa.mf.application@ahfa.com</a>	

Applications received during the application cycle will be evaluated on a competitive basis.

AHFA may, in its sole discretion, allocate Housing Credits without the use of a competitive application cycle or the point scoring system to:

- Any project(s) financed using Multifamily Housing Revenue Bonds as a single or pooled transaction.
- Any project placed in service that has already received a Housing Credit allocation, has an Actual Cost Certification as described herein that indicates the need for an additional allocation, and has been approved for additional credits by AHFA.
- Any project eligible for Housing Credits pursuant to any waiver, exception, program or other special action by the Internal Revenue Service.
- Any project that must be funded to meet the nonprofit set aside requirement as specified in Section 42(h)(5) of Internal Revenue Code or the CHDO set aside as specified in the Final HOME Rule.

However, owners for the projects listed above may be required at AHFA's discretion to submit a complete (initial and final) application and be subject to AHFA's threshold items, underwriting and cost requirements in order to be considered for a Housing Credit allocation or additional allocation.

### B. E-mail Distribution List

AHFA maintains an e-mail distribution list for those interested in receiving notifications of application cycles and other AHFA Multifamily program activities. Visit [www.AHFA.com](http://www.AHFA.com) to be added to the e-mail list or you may submit a written request to the address specified in Section II (A). Changes or updates to contact information are the responsibility of each applicant or interested party who wishes to remain (or be placed) on AHFA's email distribution list.

### C. Application Threshold Requirements

Although it is recognized that each application submitted is different, certain standard requirements must be met by all applicants before the application can be considered for full evaluation. Upon initial or final application submittal, if AHFA determines, in its sole discretion, that any threshold requirement is missing or fails to materially adhere to AHFA defined standards during the completeness review, the application will be terminated. If during the completeness review AHFA determines, in its sole discretion, that additional information or clarification is required for any threshold item, AHFA will contact the applicant via email. When contacted, the applicant must respond within five (5) business days or the application will be terminated. Any additional information provided by the applicant must be satisfactory to AHFA as to form and content and may be subject to the fees as outlined in Section I (D). A list of all threshold requirements and explanations are provided below:

- 1.) Fee(s). If any fee(s) described in Section I(D) is not paid in full when due or is returned due to insufficient funds, the application will terminate.
- 2.) Complete Application. The applicant must submit to AHFA a complete application as defined in Section I (C)(1) of this QAP. An application with ten (10) or more missing and/or incomplete documents will be terminated.
- 3.) Existing Project Inspection. Applications with one or more owners applying on a single application that has **less than** three (3) placed-in-service projects funded with Housing Credits and/or HOME funds awarded by AHFA, AHFA will perform an on-site inspection. The applicant must provide, at the time of the initial application submission, a complete AHFA Schedule of Real Estate Owned for each owner.

Each such applicant owner(s) must consent to an on-site inspection by AHFA (or by AHFA's designated consultant) of any of such owner's existing projects, including physical inspections of building and units as deemed necessary by AHFA (or the AHFA designated agent). AHFA will select one (1) property for inspection for applicant(s) non-AHFA projects based on the AHFA Schedule of Real Estate Owned submitted by the applicant. For applicants with non-AHFA projects in the state and/or out-of-state, the project selected for inspection may be in Alabama or in another state. All applicant owner(s) will be subject to the same AHFA requirements defined in attached Addendum D during the current application cycle.

For applicants with one or more owners applying on a single application that has three (3) **or more** placed-in-service projects funded with Housing Credits and/or HOME fund awarded by AHFA, AHFA may, in its sole discretion, schedule an on-site inspection if AHFA has not performed an on-site inspection in the current year. However, if AHFA determines, in its sole discretion, there are sufficient and satisfactory on-site inspections for such owner's current projects that were performed within three (3) years prior to the date of owner's application in the current application cycle and show that such projects were in compliance with AHFA requirements defined in attached Addendum D, AHFA reserves the right to waive the on-site inspection for any owner listed in an application.

- 4.) Site Control. If the applicant does not already own the property for which funds are requested at the time of application, the applicant must have site control as evidenced by a sales contract, purchase option or long-term leasehold. Because of regulations that impact the varying lengths of the approval process for each property and the significant risks to the applicant for failing to do so, AHFA requires that the applicant: (i.) secure, at a minimum, a six-month purchase option with an option to renew for an additional six months (ii.) if applicable, if the proposed site contains restrictions and/or any form of approval rights or review requirements from another entity, such as a homeowners association (but not including construction-related thresholds arising only after AHFA project approval, e.g. building permit, traffic engineering approval, storm water drainage permit, architectural endorsement), evidence of all approval(s) must be submitted with the applicable form of site control in the application and (iii.) after the initial or final application submittal and as applicable, obtain seller's written agreement that the seller shall not under any circumstances commence (or allow any other party to commence) any choice-limiting activity or other mitigation work at the project without the written permission of AHFA. Choice-limiting activities include, but are not limited to, acquiring, rehabilitating, converting, ground disturbance, or construction.
- 5.) Evidence of Zoning based on Intended Use (Proper Zoning). The applicant must provide evidence that the property owned (or to be owned) is properly zoned and consistent with the proposed project's use. AHFA does not consider the property zoned if final zoning (but not including plans and specifications for issuance of building permits) is contingent upon further city meetings, approvals and/or advertisement. Evidence must be in the form of a signed statement from the local jurisdiction where the property is located.
- 6.) Market Study. The applicant must provide a market study at the time of the initial application submission (except for Multifamily Housing Revenue Bonds, which will require a market study prior to execution of the commitment). All market studies must be less than six (6) months old. If the market study does not meet AHFA requirements, the application will terminate as further described in Section I(C)(3).
- 7.) Environmental Site Assessment. The applicant must provide an Environmental Site Assessment at the time of the initial application submission (except for Multifamily Housing Revenue Bonds, which will require an Environmental Site Assessment prior to execution of the commitment). The Environmental Site Assessment must meet at a minimum AHFA's Environmental Policy Requirements (Addendum B) for the Housing Credit and HOME Program requirements. If the Environmental Site Assessment does not meet AHFA's requirements, the application will terminate.
- 8.) The Certification of Consistency with Consolidated Plan (Certification). The Certification should be submitted for Housing Credit applications that have a commitment for local HOME funds from a Participating Jurisdiction. The Certification should not be submitted for applicants applying for AHFA HOME funds (except for an AHFA-approved CHDO applying in a Participating Jurisdiction) or Housing Credits only. If the proposed project is in an area that is covered by a local Consolidated Plan, the applicant must have the Certification completed by an authorized official of the participating jurisdiction. If the area is not covered by a local Consolidated Plan, the project will be governed by the State of Alabama's Consolidated Plan and this Certification is not required. In the event

that the Certification of Consistency with Consolidated Plan is signed by someone other than the designated person(s) listed on the 2017 Consolidated Plan Coordinators-PJ's found at [www.AHFA.com](http://www.AHFA.com), it is the responsibility of the Applicant to provide AHFA with evidence that the signer is authorized to execute this certification.

- 9.) Design Quality Standards and Construction Manual. All projects are required to meet AHFA's Design Quality Standards and Construction Manual for construction and rehabilitation of rental units (Addendum C). These are minimum standards and AHFA permits applicants to exceed these project standards.
- 10.) Architect's Certification of Project Progress. The project's architect must certify that all building foundation slabs or crawl spaces are in place on projects that received a reservation letter/Binding Commitment for Housing Credits and/or HOME Written Agreement in 2015 and prior. Issuance of a Future-Year Binding Commitment does not change this requirement.
- 11.) Minimum Rehabilitation Cost per Unit. The minimum rehabilitation threshold is a) \$20,000 per qualified housing credit unit of hard construction cost for projects not previously funded by AHFA or b) \$12,500 per qualified housing credit unit of hard construction cost for projects awarded previously by AHFA. The hard construction cost must be certified by a Capital Needs Assessment. A Capital Needs Assessment (available at [www.AHFA.com](http://www.AHFA.com)) must be provided at the time of the initial application submission for all applications for rehabilitation of an existing building(s). AHFA reserves the right to engage a third-party construction consultant at the applicant's expense to verify the proposed scope of work and related cost(s) as outlined by the proposed project's Capital Needs Assessment.
- 12.) Flood Certification. The applicant must provide a certified boundary Survey including the Certification indicating the map and panel number of the Flood Insurance Rate Map and the Flood Zone designation in form and in content as specified by AHFA.

Applicants applying for Housing Credits Only. The Survey and Certification must indicate that no buildings (residential or any other use) on the site are located within the 100-year flood plain. Other portions of the site may be located in a flood plain but not in an area designated as a wetland, including any portions not considered part of the site but necessary for ingress and egress to the site. AHFA will allow the acquisition/rehabilitation of an existing building to be located in a flood plain as long as acceptable evidence of flood insurance is provided at the time of application.

Applicants applying for Housing Credits combined with AHFA HOME funds. The Survey and Certification must indicate that no portion of the site is located within the 100-year flood plain.

- 13.) Site Location. AHFA will not consider any application (for a new construction project or rehabilitation project that is less than 50% occupied) if the proposed project is located within a two (2) mile radius, as hereinafter defined, of an AHFA project approved in a prior year's cycle that has not placed in service and is 90% or more occupied at the time of application.

Active projects funded with Housing Credits only, Housing Credits combined with HOME funds, and Multifamily Housing Revenue Bonds combined with Housing Credits will be included within the 2 mile radius requirement.

*The radius must be determined by using a starting point at the centroid (geometric center) of the proposed project's site and measured using Geographic Information System (GIS) maps. The 2 mile radius for each project must be clearly defined in the market study.*

The following are exceptions to the 2 mile radius requirement:

- (i.) Applications for the rehabilitation of existing multifamily residential rental housing which is at least 50% or more occupied at the time of application submittal.
- (ii.) Applications that contain financing through HUD's Choice Neighborhoods, Replacement Housing Factor funds, Capital Fund Program funds and Promise Neighborhood.
- (iii.) Applications for the rehabilitation of an existing building(s) listed on the National Register of Historical Places.
- (iv.) Applications that receive financing using Multifamily Housing Revenue Bonds as a single or pooled transaction for the replacement of existing multifamily housing.

AHFA will provide reasonable assistance in determining occupancy of applicable projects, upon request. All information provided to applicants by AHFA may be based upon third-party reports.

AHFA determination of occupancy is final and binding on all applicants. AHFA is not responsible for errors or omissions in occupancy reported.

*Note: If a project has been awarded AHFA funds but returns the Housing Credits before the current application deadline, that project will not be considered in determining the 2 mile radius requirement.*

- 14.) Extended Low-Income Use. All projects must commit in writing to extend the Housing Credits low-income set-aside an additional five (5) years beyond the fifteen (15) year compliance period to twenty (20) years. Therefore, projects will not be allowed to enter into a Qualified Contract until after the 19th year of the extended low-income use is complete, unless approved in writing by AHFA as part of the Qualified Contract process.
- 15.) Multifamily Housing Revenue Bonds. Any applicant applying for Housing Credits for a project financed through the AHFA Multifamily Housing Revenue Bond program will be exempt from the extended low-income use requirement and the competitive point scoring process. However, the application must meet all of the QAP threshold requirements, with the exception of the early submission of the third-party reports (Market Study and Environmental Assessment) and the minimum rehabilitation requirements.

The Market Study and Environmental Assessment reports must be submitted within the time required by the AHFA Multifamily Housing Revenue Bond Policy requirements for application submission.

For rehabilitation of projects not previously funded by AHFA, the minimum rehabilitation expenditure of \$20,000 of hard construction costs per qualified housing credit unit may be allowed, but only if supported by a Capital Needs Assessment satisfactory to AHFA. AHFA requirements for Capital Needs Assessment are located at [www.AHFA.com](http://www.AHFA.com). For rehabilitation of projects previously funded by AHFA, the application must meet all threshold requirements set forth in this QAP, except that AHFA will require a minimum rehabilitation expenditure of \$12,500 of hard construction costs per qualified housing credit unit. In no event may the minimum rehabilitation expenditure be less than the greater of (a) the amount required by Section 42 of the Internal Revenue Code or other applicable law, and (b) \$12,500 per qualified low-income unit. AHFA underwriting and cost requirements outlined in Section II (E)(1.) of the QAP will also apply.

Once AHFA has executed and delivered a written declaration of official intent as specified in the AHFA Bond policy, AHFA will engage a third-party construction consultant to review and assess all rehabilitation applications. Applicants for Multifamily Housing Revenue Bond must pay the third-party fee required by Section I (D).(iii.) at the time of the application. The third-party construction consultant will perform an on-site inspection of the proposed project to determine the accuracy of the scope of work and related costs detailed in the Capital Needs Assessment submitted with the application. If any material findings and/or discrepancies documented by AHFA's consultant are not resolved to AHFA's sole satisfaction the application will be terminated.

#### **D. Negative Actions**

Should any of the following actions occur after the initial or final application has been submitted and prior to approval by AHFA, the application will terminate unless otherwise provided below:

- 1.) Site change or alteration of any kind;
- 2.) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner/member or removal of an existing general partner/member);
- 3.) Change in syndication structure--a change in the role of the syndicator or in the distribution of allocated funds to others through syndication as stated in the application without prior written consent of AHFA;
- 4.) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or codes);
- 5.) Change in the general contractor;
- 6.) Change in the management company;
- 7.) Change in the architect;
- 8.) If AHFA receives a determination from a Federal, State or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's non-AHFA existing projects, AHFA may terminate the application;



- 9.) Any development team member (listed in the application) who has instances of excessive, flagrant or uncorrected non-compliance within the timeframe provided by AHFA, Housing Credit, HOME, Exchange, TCAP or Multifamily Housing Revenue Bond regulations on existing projects;
- 10.) Any development team member listed in the application who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;
- 11.) Applicant has a project that goes into foreclosure or has been foreclosed within the last ten (10) years;
- 12.) Any material adverse change relating to the project or owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate an application;
- 13.) An applicant having a single (first time AHFA funded) project which received a reservation letter for Housing Credits and/or HOME Commitment/Written Agreement in a current or prior year which is neither complete (construction/rehabilitation is 100% complete per AHFA Quarterly Status Report effective as of the date of application) nor has reached 90% occupancy at the time of application. Projects funded with HUD Replacement Housing Factor funds and Capital Fund Program funds are exempt from this requirement;
- 14.) Applicant (including all development team members listed in the application) has any outstanding fee(s) due to AHFA on other projects; and/or
- 15.) If AHFA determines, in its sole discretion, that the applicant failed to materially adhere to AHFA's defined environmental standards as set forth in Addendum B, including without limitation, the failure by the applicant to identify any unsatisfactory environmental condition that the applicant (or any owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions is not all-inclusive. The application package itself will list other necessary requirements. AHFA will terminate consideration of an application if any information supplied in connection with the application is fraudulent, misleading, or materially incorrect. Determination of whether information is fraudulent, misleading, or materially incorrect will be determined by AHFA in its sole discretion.

## **E. Application Evaluation**

Section 42 requires AHFA determine that the housing credit dollar amount allocated to a project shall not exceed the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period. AHFA will make this determination at the application, Carryover Allocation (10% Test) and Actual Cost Certification.

AHFA follows a competitive process by which all applicants are objectively scored according to criteria specified in the QAP. AHFA strictly adheres to the policy and procedures of the QAP. Efforts to influence the outcome of the application process through lobbying efforts either directly (by the applicant) or indirectly (via the efforts of third parties on the applicant's behalf), will be futile, considered as a violation of the QAP and may result in the termination of the application. In addition, the applicant could be subject to civil or criminal liability. Each application must stand on its own merits.

1.) Process of Evaluation. Provided each applicant has met the threshold requirements in Section II(C), each application will be subject to the following evaluation process:

- (i.) Completeness. The applicant must submit a complete application (see Section I(C)(1)) to AHFA.
- (ii.) Point Scoring. The application will be evaluated using the Point Scoring System included in Addendum A. The applicant will not receive points if the item(s) or document(s) required to qualify for points are missing and/or incomplete or fail to be submitted in the format as required per AHFA instructions.
- (iii.) Determination of Financial Feasibility. Once the application is point-scored, the project will be evaluated to determine its financial feasibility as hereinafter defined, including its financial viability as a qualified housing credit project throughout the credit period.

At minimum, AHFA will determine a proposed project to be financially feasible based on the following criteria:

- a) the extent to which the project's sources of funds equals the project uses of funds;
- b) the extent to which the proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service;
- c) the reasonableness of total project costs, taking into account AHFA's hard and soft cost standards and AHFA's minimum design quality standards; and
- d) the proposed repayment terms (including interest rate, total debt and loan term) for all proposed debt (hard and soft) in connection with the proposed project.

After this determination is made, AHFA will determine the financial feasibility of the project based on the lesser Housing Credit amount determined by AHFA or the amount requested by the applicant. Because AHFA is permitted to allocate only the resources necessary to make a project financially feasible, AHFA cannot and should not be expected to fund the full amount requested by an applicant, especially in those cases where an applicant proposes to complete a higher than normal cost development which far exceeds AHFA minimum design quality standards. Therefore, AHFA will award Housing Credits based on the lesser of the amount requested by applicant or the Housing Credit amount that is determined by AHFA to be necessary to make a project financially feasible.

AHFA's determination of the appropriate amount of Housing Credits is not a representation or warranty as to the financial feasibility of such project, and may not be relied upon as such by the applicant, owner, developer, investor, lender or any other person. The amount of equity capital (net syndication proceeds) contributed by investors to a project partnership shall not be less than the amount generally contributed by

investors to similar projects based on current market conditions. In the event that the project owner receives less equity proceeds than the amount which should be reasonably obtained based on prevailing market rates, AHFA will underwrite each project's projected equity proceeds based on the prevailing market rate. Any equity deficits will become the responsibility of the owner to contribute. In the event of a surplus in equity, AHFA may reduce allocated amounts at the time of Actual Cost Certification as described herein to avoid over subsidizing the project.

Special purpose or high cost housing applications that exceed construction and soft costs of other applications received must be supported with other subsidy sources, especially in those cases where proposed cost significantly exceed projects which meet AHFA's minimum design quality standards. AHFA fully expects that any proposed application submitted will include sufficient other subsidy sources needed to leverage AHFA's limited Housing Credit and HOME resources.

AHFA will require a minimum debt service coverage ratio of 1.20:1 (1.05:1 on RD and HUD) for Housing Credit development debt financing that would foreseeably result in foreclosure if not repaid. Debt service coverage is defined as the ratio of a property's net operating income (rental income less operating expenses and reserve payments) to foreclosable, currently amortizing debt service obligations. AHFA will determine the allowable operating expense based on historic and current Housing Credit properties' financial statements.

AHFA will require the project to establish and maintain throughout the extended use period a minimum operating reserve. The operating reserve will be an amount equal to six months of the projected first year operating expenses plus three months of debt service. AHFA will require the project to establish and maintain throughout the extended use period a minimum replacement reserve account of a) \$250 per unit annually for new construction projects for the elderly, b) \$300 per unit annually for all other projects. AHFA will consider the existing reserve balances for RD projects that will remain in the project and controlled by RD. AHFA will make the final determination of the amount of reserves accepted when the project submits an Actual Cost Certification package.

Additional underwriting criteria and assumptions that are market driven such as interest rates, housing credit pricing, and project operating expenses will be available at [www.AHFA.com](http://www.AHFA.com) prior to the application cycle.

Applicants seeking Housing Credits through the competitive allocation cycle will be underwritten using the same criteria regardless of project type or location unless project is located in a QCT or DDA.

Projects being financed through AHFA's Multifamily Housing Revenue Bond program combined with RD 515 funds will be underwritten on a project-by-project basis. Projects previously funded with AHFA HOME

funds and RD 515 loans with Housing Credits will be taken into consideration when determining financial feasibility.

- (iv.) Credit Worthiness. AHFA will perform credit examinations of the individual(s) and review trade reports for all businesses comprising the proposed development team involved in the development and operation of the project. The application must contain sufficient documentation to obtain all applicable required credit and trade reports. If these reports prove to be less than satisfactory including but not limited to the finding of federal tax liens, bankruptcies, judgements, etc., the application will be terminated.
  - (v.) Reasonableness of Project Costs. Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed solely at the discretion of AHFA. Additional information and documentation (verified by AHFA and/or an AHFA designee) may be required to substantiate the reasonableness of the cost inclusive of information regarding proposed costs which significantly exceed AHFA minimum design quality standards. Any allocation of Housing Credits, regardless of funding type or project type, will be determined using AHFA's assessment of cost and overall application feasibility.
- 2.) Carryover Allocation Agreement – Ten Percent Test. For purpose of the ten percent (10%) test, AHFA requires that a cost certification be prepared by an independent Certified Public Accountant (CPA) to verify that each project has met the requirement that ten percent (10%) of the reasonably expected basis has been achieved (the 10% test) as required by the Carryover Allocation Agreement for Housing Credits. AHFA reserves the right to request certification or verification in form and content satisfactory to AHFA of any line item cost at any time between the application cycle and final allocation of the Housing Credit.
- 3.) Actual Cost Certification. When the project is placed in service, AHFA requires that the Actual Cost Certification be prepared by an independent CPA. AHFA will evaluate the financial feasibility and confirm the completion of construction or rehabilitation of the project when the owner submits the project's Actual Cost Certification package for issuance of the IRS Form 8609 (available at [www.AHFA.com](http://www.AHFA.com)). AHFA will review the Actual Cost Certification package and perform an on-site inspection prior to issuing the IRS Form 8609. AHFA reserves the right to engage a third-party professional for services (accounting, legal, environmental, architectural, construction and/or any other professional deemed necessary) to review the Actual Cost Certification package and/or perform an on-site property inspection prior to issuing the IRS Form 8609. AHFA will not issue the IRS Form 8609 until all issues regarding the Actual Cost Certification package are resolved to AHFA's sole satisfaction. The project owner will pay or reimburse AHFA for any third-party costs incurred during the Actual Cost Certification review and analysis process.

In addition, AHFA may in its sole discretion require the applicant to provide advance or additional deposits, and to increase or replenish such deposits, in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates incurring

under this paragraph. These amounts must be paid by applicant within ten (10) business days of the invoice date.

#### **F. Developer and Builder Fees**

- 1.) Developer Fee (New Construction and Rehabilitation). The developer fee, which includes the developer's overhead and profit plus consultant fees and the owner's profit, cannot exceed 15% of the total project costs (excluding the developer fee).
- 2.) Developer Fee (Acquisition). The developer fee cannot exceed 15% of the total amount of the acquisition of property. The developer fee on RD projects will be capped at 8% of the total amount of the acquisition of the property.
- 3.) Builder Fee. The builder fee, which includes builder profit and overhead, should not exceed 8% of the construction costs, excluding the fee. General requirements must be cost-certified and, as a general rule, should not exceed 6% of the total construction costs. Items included in general requirements will be consistent with HUD and USDA Rural Development regulations.

#### **G. Housing Credit Allocations**

All AHFA commitment(s) of Housing Credits to approved projects is contingent upon AHFA's receipt of a Housing Credit allocation from the U.S. Department of the Treasury, Internal Revenue Service, and is subject to any change in applicable laws or regulations. Each approved commitment may be reduced or terminated if AHFA does not have available the expected amount of Housing Credits or if there is a change in applicable laws or regulations. AHFA shall have no liability whatsoever to any project owner if AHFA's commitment of Housing Credits to such project owner is impacted by a change in AHFA's Housing Credit Qualified Allocation Plan(s) or in applicable laws or regulations.

AHFA reserves the right to issue reservations for future-year Housing Credit allocations on current year projects only. Any election by AHFA to future advance Housing Credits in any given year does not imply or guarantee that AHFA will future allocate Housing Credit in any subsequent year(s).

Any Housing Credit allocation awarded will be calculated first by using AHFA's determined eligible basis as defined in Section 42 of the Internal Revenue Code.

- 1.) Four-Percent Credit. AHFA will calculate the Housing Credit allocation at a maximum of 4% of AHFA's determined eligible basis if the project is financed with Multifamily Housing Revenue Bonds or constitutes a qualifying acquisition.

For projects not located in a Qualified Census Tract (QCT) and/or Difficult to Develop Area (DDA), AHFA will underwrite all applications using a 4% Housing Credit rate. For projects located in a QCT and/or DDA, AHFA will underwrite the applications using a 3-month average of the applicable credit percentage. If legislation is enacted that allows the Housing Credit rate(s) to be fixed rate(s); the applicable fixed rate(s) will be used.

- 2.) Nine-Percent Credit. AHFA will calculate the Housing Credit allocation at a maximum of 9% of AHFA's determined eligible basis for any new building or substantial rehabilitation of an existing building.

Under Section 42(d)(5)(B)(v), AHFA may designate a building(s) that shall receive an increase in eligible basis in order for the building(s) to be financially feasible as part of a qualified low-income project and shall be treated as located in a difficult development area. AHFA will consider designating a building(s) in an application as being located in a difficult development area and the designated buildings(s) may receive an increase in eligible basis if it meets all of the following criteria:

- (i.) The applicant is applying for building(s) financed with AHFA HOME funds;
- (ii.) AHFA is providing the first and second mortgages; and
- (iii.) AHFA determines that the project requires an additional increase in eligible basis to be financially feasible.

- 3.) Owner & Project Cap. AHFA will establish a maximum amount of Housing Credits (Cap) an applicant and a project will be allocated. The intent of the Cap is to promote fair and objective administration of the Housing Credit program by ensuring that no owner(s), related entity, or project can receive an excessive share of the available Housing Credits in any application cycle.

No single project will be allocated Housing Credits in excess of 12% of the state's current Housing Credit ceiling, as defined in Section 42(h)(3)(c) of the IRC (Ceiling) and no owner(s), related entities, principals or individuals as defined below shall be allocated Housing Credits in excess of 12% of the Ceiling. Regardless of each individual owner's percentage of ownership in a project, 100% of the project's Housing Credit allocation will count towards the Cap for all owners.

The Housing Credit Cap will be determined by the amount of Housing Credits the project is eligible to receive using AHFA's determined eligible basis. The amount of Housing Credits received by any increase in eligible basis will be considered in determining the project Cap. In all circumstances, all Housing Credits received in the current competitive cycle will count toward the individual owner's Cap.

When Housing Credits are combined with HOME funds, no related entities, principals or individuals as defined by AHFA's identity of interest shall be allocated HOME funds in excess of 20% of the state's current HOME fund allocation. Regardless of the percentage of ownership in a project, 100% of the project's HOME fund allocation will count towards the Cap.

- 4.) Identity of Interest. AHFA requires that the applicant identify the existence of an identity of interest with any other party to the project including the sale of real estate. "Identity of Interest" is defined as follows:

Parties that have an identity of interest are presumed to be sufficiently related for them to be treated as a single applicant for purposes of the Cap. As described below, AHFA may in its discretion, identify other parties whose relationship is sufficiently

close to cause them to be treated as a single applicant for purposes of the Cap. A significant factor in the evaluation will be whether, based on the facts and circumstances, a primary purpose of a party's involvement in a project appears to be avoidance of the Cap.

The following relationships constitute an identity of interest for purposes of identifying related parties in order to apply the Cap:

- (i.) Individual persons are considered related to each other (a.) if they have any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, and mother-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or (b.) if one individual is an employer, by common law or otherwise, of the other.
- (ii.) Entities are considered related to each other (a.) if any director, shareholder, partner, member or any other type of owner of any entity would be considered a related individual (under item a. above) to any director, shareholder, partner, member or any other type of owner of another entity, (b.) if the entity has the ability to control another entity, or (c.) if the entity owns a material interest in another entity. An entity will be presumed to control another entity if it has a percentage of ownership in the other entity or the ability to appoint a percentage of the members of the other entity's governing body (i.e., board of directors, board of trustees, partners, managers, etc.) that would permit it to control the other entity either by operation of law or by agreement. A material interest means any ownership interest in excess of 20% of the stock, partnership interests, membership interests or other forms of ownership of any entity; provided, however, that ownership interests held by Housing Credit investors, Housing Credit syndicators or special administrative partners or members shall be disregarded for purposes of 20% test.
- (iii.) Without limiting the above, a trust will be considered related to any individual or entity if any trustee, trustor, grantor, settlor, beneficiary, permissible distributee, any person or entity serving a role similar to the foregoing, or any person holding power of appointment (general or limited) over trust property would be considered related to the individual or entity under items a. or b. above.
- (iv.) Any other relationship which, while not specifically listed above, is determined to constitute an identity of interest because it is a relationship at least as close as an identity of interest described above or because it would permit an allocation that violates the intent of the Cap.

## **H. Notification of Approval**

Applicants may be notified of the award decisions via e-mail notification, by a letter of non-selection, or an approval letter. In addition, award recipients will be listed at [www.AHFA.com](http://www.AHFA.com). Applicants approved for awards will be issued a reservation letter. After notification and prior to the issuance of the reservation package, applicants selected for awards will have fifteen (15) days to submit a Certificate of Existence from the

Secretary of State and IRS Form #SS-4 Assignment of Employer Identification Number. The reservation letter will outline actions by which owners, if they accept the terms, must abide. Failure to abide by the terms of the reservation letter will automatically terminate such reservation.

Any applicants that are not selected for funding may schedule a conference call or meeting with AHFA staff to discuss the reasons their application was not selected for funding. The call or meeting must be scheduled and held within four (4) weeks of the date of the notification letter from AHFA. Once the call or meeting has concluded, AHFA will not have any further discussion regarding the application.

## **I. Progress Requirements After Reservation**

From the date of the reservation letter, the applicant has the outlined time constraints set forth below in which to obtain the following items. All deadlines outlined in the reservation package will be enforced. Requests for extensions must be submitted on the AHFA-provided forms with the required fee assessments which are both found at [www.AHFA.com](http://www.AHFA.com). Failure to comply with any one of the deadlines (in whole or in part) and/or providing incomplete or unacceptable content of the required document(s) will cause the reservation package to be automatically terminated. The progress requirements after reservation are as follows:

- 1.) Within 15 days of the date of the reservation letter, the applicant must provide:
  - (i) The original executed Reservation Letter acknowledging acceptance of the terms and conditions.
  - (ii.) The Reservation Fee (15% of the Housing Credit Allocation).
  - (iii.) AHFA's Carryover Allocation Agreement.
  - (iv.) Management Plan (available at [www.AHFA.com](http://www.AHFA.com))
  - (v.) The Affirmative Fair Housing Marketing Plan (available at [www.AHFA.com](http://www.AHFA.com)).
  - (vi.) The Tenant Lease Agreement.
  
- 2.) Within 30 days of the date of the reservation letter, the applicant must provide as applicable:
  - (i.) An asbestos abatement plan by a licensed asbestos contractor for all friable and non-friable Asbestos Containing Materials (ACMs) in deteriorated condition.
  - (ii.) A site-specific Operations & Maintenance Plan for all intact non-friable ACMs that are to be left in place.
  - (iii.) A lead-based paint abatement plan by a certified lead inspector/risk assessor.
  - (iv.) Police/Sheriff Department Letter
  - (v.) Fire Department Letter
  
- 3.) Within 105 days of the date of the reservation letter, the applicant must provide:
  - (i.) An executed binding commitment for syndication, in form and content acceptable to AHFA.
  - (ii.) Evidence that an application for a Site Appraisal and Market Analysis



(SAMA) or Multifamily Accelerated Process (MAP) has been made if the project is to be financed by HUD.

- (iii.) The Syndicator Relevant Experience Form (available at [www.AHFA.com](http://www.AHFA.com)) on the AHFA-provided form.

4.) Within 135 days of the date of the reservation letter, the applicant must provide:

- (i.) Plan and specification review fee. (refer to the Multifamily Fees available at [www.AHFA.com](http://www.AHFA.com))
- (ii.) Sealed plans and specifications with an electronic copy on a compact disc, USB flash drive or as otherwise instructed by AHFA.
- (iii.) A site-specific soils report bound within the specifications.
- (iv.) An ALTA/ACSM Certified Survey bound within the plans and specifications.
- (v.) Standard AIA form of agreement between owner and architect.
- (vi.) Paving recommendation letter from geotechnical engineer (available at [www.AHFA.com](http://www.AHFA.com)).

**Construction/Rehabilitation on the project cannot begin until AHFA gives written notice from the plans and specifications review.**

5.) Within 165 days of the date of the reservation letter, the applicant must provide:

- (i.) Certified organizational documents.
- (ii.) The complete to-be-built appraisal in a hard copy format with an electronic copy on a compact disc format, USB flash drive or as otherwise instructed by AHFA.
- (iii.) Construction cost estimate summary.
- (iv.) Detailed construction schedule.
- (v.) Standard AIA form of agreement between owner and contractor.
- (vi.) Contractor's State License

6.) Within 195 days of the date of the reservation letter, the applicant must provide:

- (i.) A copy of executed construction note or agreement.
- (ii.) Recorded warranty deed or executed lease-hold agreement.
- (iii.) The original recorded Declaration of Land Use Restrictive Covenants.
- (iv.) A copy of the building permit.
- (v.) Proof of construction commencement evidenced by copy of Owner's Notice to Proceed to project's General Contractor.
- (vi.) Owner's Title Insurance Policy.
- (vii.) A written Capital Maintenance Plan (CMP) for the project (available at [www.AHFA.com](http://www.AHFA.com)).

7.) The applicant must incur more than ten percent (10%) of the reasonably expected basis in the project by the deadline outlined in the Carryover Allocation Agreement.

8.) The owner must submit AHFA's HOME/Housing Credit Status Report, which is due quarterly until the project is complete.

- 9.) The owner must place the project in service by December 31, 2019, or request an extension of the placed in service date, if eligible, under IRS Revenue Ruling 2007-54, by December 1, 2019.
- 10.) Within 180 days after the project is placed in service, the applicant must provide:
  - (i.) The Actual Cost Certification package (Available at [www.AHFA.com](http://www.AHFA.com)).
  - (ii.) Cost Certification Fee.
  - (iii.) Compliance Fee.
- 11.) The owner must close the first mortgage and receive IRS Form 8609 from AHFA no later than the end of the first year of the credit period.
- 12.) If any unforeseen or unusual environmental condition(s) not otherwise identified after completing AHFA's environmental requirements is discovered with respect to a project that received an award of HOME funds, Housing Credits, or both under this plan or for any prior year, and such unforeseen environmental condition(s) results in the inability of the project to Place-in-Service by the deadline established under Section 42, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the applicant's payment of the environmental extension penalty specified at [www.AHFA.com](http://www.AHFA.com) and the applicant's compliance with Addendum B and with all other conditions specified by AHFA based on the specific nature of circumstances of the project.

AHFA is under no obligation to issue 8609s for any year if the Actual Cost Certification package is received after December 1st of such year.

#### **J. Negative Action After Notification of Approval**

Should any of the following actions occur after the notification of approval of Housing Credits the award will be terminated unless otherwise provided below:

- 1.) Site change--a change from the original site location will not be allowed under any circumstances. Any change in the site configuration or size from what was originally proposed in the application must have prior written consent from AHFA;
- 2.) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner/member or removal of an existing general partner/member) without prior written consent of AHFA. Examples of situations in which consideration may be given for a change in ownership include, but are not limited to: death or bankruptcy. Any person or entity, including syndicators, that attempts to circumvent this requirement, may be subject to debarment from all AHFA programs;
- 3.) Change in syndication structure--a change in the role of the syndicator or in the distribution of funds/allocation to others through syndication as stated in the application without prior written consent of AHFA;
- 4.) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or regulatory codes);
- 5.) Change in the general contractor without prior written consent of AHFA;
- 6.) Change in the management company without prior written consent of AHFA;

- 7.) Change in the architect without prior written consent of AHFA;
- 8.) If AHFA receives a determination from a Federal, State or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's non-AHFA existing projects, AHFA may terminate the application;
- 9.) Any development team member listed in the application who has instances of excessive, willful neglect or uncorrected (within the time required by AHFA) non-compliance with AHFA, Housing Credit, HOME, Exchange, TCAP or Multifamily Housing Revenue Bond regulations on existing projects;
- 10.) Any development team member listed in the application who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;
- 11.) Applicant has a project that is in foreclosure or has been foreclosed in the past 10 years;
- 12.) Any material adverse change relating to the project or owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate the award based on the effect of said change(s) in comparison to original application approved by AHFA;
- 13.) Applicant (including all development team members listed in the approved application) that have outstanding fees due to AHFA; and/or
- 14.) If Housing Credits are combined with HOME funds and the Environmental Site Assessment review by AHFA (or AHFA's consultant) identifies any unsatisfactory environmental condition that the applicant (or any owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions prior to or after reservation is not all-inclusive. The reservation letter itself will list other necessary requirements. AHFA will terminate the reservation if any information supplied in connection with the project is fraudulent, misleading, or materially incorrect. Determination of whether information is fraudulent, misleading, or materially incorrect will be determined by AHFA in its sole discretion.

If an applicant requests or receives a reservation of Housing Credits combined with a commitment of AHFA HOME funds, the more restrictive requirements (Housing Credit or HOME, as applicable) will apply to the applicant, the application and the project. For example, if a project has requested or received a reservation of Housing Credits combined with a commitment of AHFA HOME funds and the project fails to satisfy requirements for either the Housing Credits or the HOME funds, then both the reservation of Housing Credits and the commitment of HOME funds may be terminated. Under no circumstance can an application or reservation for combined Housing Credits and AHFA HOME funds be decoupled in order to circumvent the more restrictive requirement(s) determined by AHFA in its sole discretion.

#### **K. Change in or Denial of Housing Credit Allocation**

The application evaluation described in Section II (E) of the QAP may result in a possible change in the amount of Housing Credits allocated to a project or denial of the total allocation altogether due to, but not limited to, one of the following reasons:

- 1.) Information in the application submitted is determined to be incorrect or fraudulent;
- 2.) Conditions in the Reservation Letter are not met;

- 3.) Changes in the actual cost of the project;
- 4.) Applicant obtains additional subsidies or financing other than those disclosed in the application;
- 5.) Additional syndication proceeds other than those disclosed in the application;
- 6.) Subsequent regulations issued by U.S. Treasury or the IRS pertaining to Section 42; and/or
- 7.) Applicant's failure to notify AHFA promptly of any material or adverse changes in the original application. Material or adverse changes include, but are not limited to, applicant's loss of site control, rights of way, ingress and egress, environmental issues, adverse change in the financial condition of the applicant, and applicant's inability to perform tasks proposed in the application by the deadline set by the applicant and further set or agreed to by AHFA.

#### **L. Memoranda of Understanding**

The United States Department of Agriculture Memorandum of Understanding (USDA MOU), executed August 14, 1997, between AHFA and USDA Rural Development, will apply to applicants seeking both Housing Credits and RD loan assistance. USDA Rural Development will provide a copy of the USDA MOU to applicants for their guidance when combining assistance provided by both agencies.

The Department of Housing and Urban Development Memorandum of Understanding (HUD MOU), executed August 30, 2000, between AHFA and HUD, will apply to applicants seeking both Housing Credits and HUD loan assistance. The HUD MOU gives AHFA the authority to conduct the subsidy layering review to determine if excess federal funds are being used in the project.

#### **M. Disclosure**

AHFA will attempt to request all information necessary to make informed decisions regarding Housing Credit allocations. Therefore, it is in the best interest of all parties involved with the process to disclose completely and accurately all information regarding each proposed project. AHFA acknowledges that errors and misjudgment sometimes occur and simply requests that the applicant notify AHFA of any errors that may occur upon discovery.

### **III. COMPLIANCE MONITORING**

Section 11407 (b)(10) of the Omnibus Budget Reconciliation Act of 1990 provides an effective date of January 1, 1992, for qualified allocation plans to contain compliance monitoring procedures required by Section 42 (m)(1)(B)(iii). These compliance monitoring procedures apply to all buildings placed in service in Alabama that have received allocations of Housing Credits as determined by Section 42 and related Treasury Regulations. A complete outline of AHFA's compliance requirements is located in the AHFA Compliance Manual available at [www.AHFA.com](http://www.AHFA.com). A description of AHFA's basic compliance monitoring procedures and requirements are described per the attached Addendum D.

## **Addendum A**

### **Alabama Housing Finance Authority's 2017 Point Scoring System**

The point scoring system will allow AHFA to award points to projects that best meet the identified housing priorities for the State of Alabama. The point scoring system will rank each project in two sections (Points Gained and Points Lost). The ranking of the project will be determined by taking the Points Gained section and deducting the Points Lost section to get an overall project score. The point scoring system will largely determine which projects should be awarded. Applicants will be required to score their applications using the current year HOME/Housing Credit Point Scoring form provided by AHFA. This point scoring form must be submitted to AHFA as part of the application package.

Any points gained category referenced herein or in other sections of the current QAP or the current HOME Action Plan are specific to the current program year and may not be carried (or brought) forward to (or from) any future (or past) program year by any entity, individual or application.

AHFA has established a housing priority in order to achieve a balanced distribution of Housing Credits and HOME funds throughout the state in terms of geographical regions, counties, urban, and rural areas. AHFA will achieve this priority by allocating Housing Credits and HOME funds, generally to only one project per county. This allocation methodology, used over time, has helped to ensure that counties and cities across the state have received a share of AHFA allocation of funds proportionate to their respective populations. Please note that applicants applying for Housing Credits with HOME funds combined are for new construction projects only, therefore the rehabilitation points described in this Point Scoring System are not applicable.

#### **Project Selection Procedures:**

##### **Awards Selection:**

1. The highest scoring project per county with ownership by an AHFA-approved CHDO will be funded until the regulatory 15% CHDO set-aside has been met.
2. The highest scoring HOME project combined with Housing Credits and/or Housing Credit project will be awarded per county until all HOME and/or all Housing Credit funds have been allocated.

**Projects with a net score of less than 72 points (Points Gained less Points Lost) will not be considered for awards.**

In the event of a tie between two or more applications the projects will be ranked in the following order to determine which applicant will receive priority:

1. In the event there is a tie in scoring among two or more applications, then a recommendation will be made for the application that has the least amount of aggregate participation by any one owner. Aggregate participation is defined as the total of all Housing Credit and HOME/Housing Credit applications recommended for awards in the current application cycle.

2. If a tie(s) still remains, priority will be given to the application that has applied for AHFA HOME funds.
3. If a tie(s) still remains, priority will be given to the application located in a county with the least amount of AHFA currently approved units in the last five (5) years.
4. If a tie(s) still remains, priority will be given to the application that had the fewest amount of missing and/or incomplete documents.
5. If a tie(s) still remains, priority will be given to the application based on the following owner performance criteria in the order as sequenced:
  - a. The owner who has not had an additional on-site inspection performed in the prior calendar year and does not have an additional on-site inspection scheduled on any existing AHFA-funded project.
  - b. The owner who has not requested a third extension (as defined in the 2016 Housing Credit QAP) on any 2016 AHFA-funded project.
6. If a tie(s) still remains, priority will be given to the project which is located in a Qualified Census Tract and is supported by its respective governmental entities approved revitalization plan. The revitalization plan must have been approved within the last five (5) years. Copies of relevant excerpted pages, with specific references highlighted (no more than 10 pages) must be submitted with the application.
7. If a tie(s) still remains, priority will be given to the owner who requested the least amount of Housing Credits per unit.
8. If a tie(s) still remains, priority will be given to the application for a project that is intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, townhomes or a combination to be eligible. The applicant must complete the AHFA-provided Homeownership Conversion Proposal and provide a plot plan and counseling agreement in form and content acceptable to AHFA.
9. If a tie(s) still remains, priority will be given to the applicant whose application received priority status in accordance with the drawing for applications that are submitted by 11:00 a.m. (Central) on the first day on which the final application may be submitted. The drawing will be held as soon as practical in AHFA's boardroom that same day to determine the order of awards in the event of a tie. An impartial person will be selected to draw. The drawing will be open to the public and the results will be posted on AHFA's website.

AHFA reserves the right to deny a Housing Credit reservation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's sole determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a Housing Credit reservation be awarded out of the ranking order established by the points earned, based on the amount of Housing Credit allocation needed relative to the amount of awards available for the project to be financially feasible.

Regardless of strict numerical ranking, the scoring does not operate to vest in an applicant or project any right to a reservation or allocation of Housing Credits in any amount. AHFA will in all instances reserve

and allocate Housing Credits consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

## A. POINTS GAINED

### 1.) Project Characteristics (Maximum 84 Points)

#### (i.) Type of Construction (Maximum 33 Points)

- (a.) A maximum of 25 points will be given to projects which provide extra unit/project amenities. Refer to the application for distinction between an *extra* amenity and a *required* amenity. Only the amenities listed below will be eligible for points.

4 Points will be given for each of the following amenities:

- Clubhouse/Community Building/Community Room (*must have at a minimum a kitchen, community meeting room, restrooms, community TV with cable, satellite or streaming services with a minimum of 42 inch screen TV, and wireless internet service. A community laundry must be included if not providing a washer/dryer in each unit and the community laundry must contain 1 washer and 1 dryer for every 25 units proposed in the project.*)
- Washer/Dryer provided in each unit (*3-7 cu. ft. capacity. Washer must be Energy Star rated.*)
- Exterior Security Package (*Must include all of the following: cameras, alarms and lighting that will provide adequate monitoring and coverage of the entire property*)
- Unit Security Package (*Each unit must have an alarm on all entry doors and windows*)
- Storm Shelter (*Must meet the International Code Council National Storm Shelter Association Standard for the Design and Construction of Storm Shelters (ICC-500 August 2008) Standards*)
- Playground (*Must provide commercial grade playground equipment with a minimum of three (3) play activities*)
- Outdoor Fitness Activity Area – (*must provide commercial grade outdoor fitness equipment as further defined in the application instructions with a minimum of three (3) exercise activities*)
- Covered Picnic Pavilion – (*with a minimum of two (2) tables with attached bench seating and two (2) grills*)

3 Points will be given for each of the following amenities:

- Computer center (*two or more computers with printer and internet access*)
- Splash Center

- Exercise/Fitness room with equipment (*Must provide a minimum of three (3) separate types of commercial grade exercise/fitness equipment with adequate floor space to qualify for points*)
- Covered bus stop shelter with fixed bench seating (*Must be separate/independent of the mail kiosk unless location allows for proper access of bus to pick-up and drop off*)
- Gazebo (*with a minimum of one (1) picnic table with attached bench seating*)
- Access Gate (*Must be on all entry points of project if more than one*)(*Must be closed during specified times at night*)
- Walking Trail with Benches (*5 feet wide concrete and minimum of ¼ of mile long*)(*must be separate of required sidewalks*)

2 Points will be given for each of the following amenities:

- Basketball court (*break-away rim and shatter-proof backboard*)
- Picnic area with grills (*one (1) grill (permanently fixed) one (1) picnic table with attached bench seating for every fourteen (14) units. proposed in the project*) or rooftop area with one (1) picnic table with attached bench seating for every fourteen (14) units. proposed in the project)
- Storm doors
- Emergency Pull Cord/Call Button
- A car wash station (*at a minimum the car wash station must include a dedicated space, wall/ceiling boom with spray wand and fixed mount vacuum*)

New Construction Projects Only (Maximum of 8 Points)

- (b.) 4 points will be given for storm windows; thermal break insulated windows or extruded vinyl windows and insulated exterior doors. Windows must be Energy Star Rated.
- (c.) 4 points for full brick/cementitious siding, stucco, cultured stone or concrete masonry unit (CMU) products (*no Exterior Insulation Finishing System is acceptable*).

**Multifamily units** (*two or more units in a building*)

A minimum of 40% of each building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. The remaining 60% can be cementitious siding, stucco, or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted. All entry areas into the apartment including covered breezeways, porches, balconies, and patios must have brick, cementitious siding, stucco, cultured stone or CMU to be considered full brick.



**Single-family units** (*single unit/detached building*)

A minimum of 50% of the building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. Each exterior wall must contain brick up to the bottom of the first floor windows on a two-story unit or the window sill of a one-story unit. The remaining 50% can be cementitious siding, stucco, cultured stone or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

Rehabilitation Projects Only (Maximum of 8 Points)

- (d.) 2 points will be given for replacing all entry doors with insulated exterior doors and replacing all windows; thermal break insulated windows or extruded vinyl windows. Windows must be Energy Star rated.
- (e.) 2 points will be given for replacing all kitchen cabinets and countertops.
- (f.) 2 points will be given for replacing all plumbing fixtures.
- (g.) 2 points will be given for replacing all HVAC equipment

All points for rehabilitation construction items will be verified by the Capital Needs Assessment and Architect's Certification submitted. Both documents must be certified by the project Architect.

(ii) Energy/Water Conservation and Healthy Living Environment  
(Maximum of 8 Points)

3 points will be given for each of the following:

- HVAC of 15 SEER (HSPF 9.0) or above.
- Energy Star rated "cool roof" shingles or metal roof with a fifty (50) year warranty.

2 points will be given for each of the following:

- Kitchen range hood ventilation to be vented to the exterior and equipped with a damper.
- EPA's Partnership Program "WaterSense" labeled water closet, faucets (bathroom and kitchen) and showerheads.

1 point will be given for each of the following:

- Low Volatile Organic Compounds (VOC) wall finishes (maximum VOC levels of 50 grams/liter).
- Low VOC flooring finishes (maximum VOC levels of 100 grams/liter).
- Energy Star rated LED lighting in the kitchen.

(iii.) Rent Affordability (Maximum 13 Points)

- (a.) **New Funds.** A maximum of 7 points will be given to projects which have a commitment for AHFA approved sources of new funds from the following list: Federal Home Loan Bank for Affordable Housing Program (AHP) funds (AHP funds must be in the form of a grant), HOME funds (AHFA's HOME funds do not qualify), USDA Rural Development 515 funds, CDBG, CDBG Disaster Funds administered from Alabama Department Economic Development, HUD CDBG Disaster Funds, Neighborhood Stabilization Program funds, Capital Fund Program Grant, Replacement Housing Factor Fund Grant, CHOICE Neighborhood funds, Promised Neighborhood funds, NeighborhoodWorks Capital Grant, Home Depot Foundation Grant and HUD's Economic Development Initiative program funds allocated through the Community Development funds. The commitment must be a fully executed firm commitment from the applicable entity that will be granting the funds to project.

To qualify for points for receiving AHFA approved sources of new funds (meeting the above criteria), if the funds are loaned (required repayment) or granted to the project, at least 50% of the total amount of funds committed for points must remain as a permanent source of funds. Existing funds that are assumed and/or term(s) extended do not qualify for points under this criteria.

- 7 points – \$16,001+ per unit
- 6 points – \$12,001 - 16,000 per unit
- 5 points – \$8,001 - 12,000 per unit
- 4 points – \$4,000 - 8,000 per unit

- (b.) **Existing Funds.** A maximum of 4 points will be given to projects which have a Letter of Conditions from USDA for the transfer/assumption of an existing USDA Rural Development 515 loan.

- 4 points – \$30,001 + per unit
- 3 points – \$10,000 - 30,000 per unit

- (c.) **Rental/Operating Subsidies.** A maximum of 2 points will be given to projects, which have a commitment for additional rental/operating subsidies from USDA Rural Development or the Department of Housing and Urban Development (HUD) for at least 50% of the total proposed units.

(iv.) Tenant Needs (Maximum 5 Points)

- (a.) 1 point will be given to projects with 100% of the units in the project designed, equipped and set-aside for elderly. (For elderly definition, see the Compliance Manual available at [www.AHFA.com](http://www.AHFA.com))
- (b.) 1 point will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the low-income units having three or more bedrooms. If an applicant chooses 100% elderly, the applicant *will not* receive points for three or more bedrooms. Rehabilitation of existing multifamily rental units must already have the required three or more bedrooms to receive the points.
- (c.) 2 points will be given to projects which set-aside a minimum of 5% of the total proposed units for tenants with disabilities or homeless populations. The units must be actively marketed and rented to households with at least one tenant with a disability or a tenant transitioning from being homeless. An approved marketing and preference plan will be required at the time of the final application.
- (d.) 1 point will be given to projects which have committed in writing to target households on the public housing waiting list.
- (e.) 1 point will be given to projects which provide at a minimum 5% of the dwelling units be designed and constructed to be readily accessible to individuals with mobility impairments. An additional 2% of the dwelling units must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

(v.) Readiness Issues (Maximum 5 Points)

A maximum of 5 points will be given to applicants who provide AHFA's Certificate of Attendance for the AHFA-sponsored HOME/Housing Credit Application Workshop. For applicants that have not closed an AHFA HOME loan and/or received IRS Form 8609 from AHFA on a prior project, the Workshop attendee must be an owner, an officer, executive director or a principal of the ownership entity in the proposed application in order for the applicant to qualify for the points.

(vi.) Project Type (Maximum 8 Points)

- (a) A maximum of 7 points will be given for the rehabilitation of a project with an existing AHFA HOME loan that matures prior to or within the year covered by the applicable QAP. In order to be eligible for these points the project must meet one of the following criteria:
  - 7 points – If the proposed project has paid 100% of the HOME loan (principal and interest).

5 points – If the proposed project has fully executed a commitment of an AHFA approved 15 year extension of the HOME loan.

(b.) 4 points will be given for rehabilitation of existing buildings that provides sufficient evidence that the project qualifies for the Alabama Historic Rehabilitation Tax Credit or Federal Historic Tax Credit.

(c.) 1 point will be given for rehabilitation of existing multifamily residential rental housing, replacement of multifamily housing or replacement of previously existing multifamily housing. Previously existing multifamily housing is defined as multifamily housing that has been removed within the last 5 years or will be removed for new replacement housing on the same site.

(vii.) Location (Maximum 12 Points)

(a.) Points Gained for Site Selection

(1) Neighborhood Services (Maximum 10 Points)

2 points will be given for the following neighborhood services located within 2 miles of the site. Distance will be measured by odometer from the automobile entrance of the proposed project site to the closest automobile entrance to the parking lot of the applicable neighborhood service. Projects located in a federal declared disaster county may receive points, if the neighborhood service is currently under construction and funded in whole or part by Federal or State disaster funds. The applicant must provide sufficient evidence of both requirements. Duplicate neighborhood services will not be eligible for additional points. Points will only be given for the neighborhood services listed below. (Neighborhood Services defined in the Application Instructions)

Grocery Store	Pharmacy or Drug Store
Convenience Store	Bank or Credit Union
Hospital or Doctor Office	

(2) Census Tract Location (Maximum 2 points)

A maximum of 2 points will be given to a project located in a census tract where the Median Family Income from the 2010 census data (2010 ACS 5 Year) is equal or above the following percentages (rounded down) of the county's 2016 Annual Median Family Income published by HUD:

1 point – 80% to less than 100%  
2 points – 100% or more

(b.) Points Deducted for Site Selection

(1.) Negative Neighborhood Services (No Maximum)

There is not a limit on the amount of points that can be deducted for negative neighborhood services.

5 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive. (Negative Neighborhood Services defined in the Application Instructions)

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Industrial
Distribution facilities	Airports
Electrical utility Substations	Prison or Jail
Railroads	Solid waste disposal
Adult video/theater/live entertainment	

*\*Please note: An exception may be allowed for rehabilitation of existing multifamily units, replacement of public housing authority owned units with new construction or historic properties located near a railroad, provided a noise mitigation plan (subject to HUD standards) is presented at the time of application. The findings of the study must be acceptable to AHFA in all respects.*

2 points each will be deducted if any of the following incompatible uses listed are within .3 mile of the site. The list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Airports
Prison or Jail	Solid waste disposal

*Points will not be deducted for a prison, jail, or detention facility if it is co-located with a law enforcement office.*

(2.) Accessibility (Maximum 2 points Deducted)

2 points will be deducted if the condition of the streets and sidewalks are unsatisfactory. The width of the streets and the difficulty of access to the proposed site will be taken into consideration.

**2.) Applicant Characteristics (Maximum 21 Points)**

(i.) 5 points will be given to applicants with participation of minorities or women. To qualify for the points for participation of minorities or women, the application must meet one of the following requirements:

- Minorities or women have ownership in the project;
- Applicant/Owner guarantees at least 10% of the total building cost is awarded to minority- or women-owned businesses.

In all cases, the minority or female individual(s) must have at least a 50% ownership interest as the project's general partner or 50% ownership interest in the participating business to qualify for the points. These businesses include, but are not limited to, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services. The name and address of the company and the anticipated contract amount must be listed at the time of application on the form provided by AHFA in the application package in order to receive the points.

(ii.) 5 points will be given to applicant owners (individual(s), shareholders, members, corporation(s), or in the case of a limited partnership, the general partner(s)) who currently own and have previous successful experience in the development of Active AHFA funded projects that received a Housing Credit Reservation Letter or HOME Written Agreement in 2005 or later. Active AHFA funded projects are defined as: (1) HOME projects that have closed their HOME loan with AHFA; or (2) Housing Credit (including TCAP/Exchange) projects that received the IRS 8609 form(s).

Points will be given to applicant owners of Non-AHFA funded projects that placed in service in 2005 or later. The applicant owner must list each Non-AHFA project(s) on the Schedule of Real Estate Owned (Non-AHFA) form and provide a certification from each financing entity confirming ownership and the total number of units for each project.

*Special limited partners do not qualify for these points. Mobile home developments, hospitals, sanitariums, life care facilities, or intermediate care facilities are not considered multifamily housing for purposes of qualifying for points. The owner may include experience gained as an owner in another firm, but not as an employee of another firm. Applicants must currently own the properties listed for development points.*

5 points – (500+ units or 5+ projects)

(iii.) 10 points will be given to applicants with sound experienced managing agents of low-income multifamily housing. This experience is defined by the highest number of units or projects (with at least 20% of the units being considered low-income) currently managed. Only those units in projects that are considered low-income units will be counted in this total.

10 points – (1000+ units or 10+ projects)

- (iv.) 1 point for being an AHFA-approved CHDO applicant applying for Housing Credits combined with HOME and has attended AHFA's CHDO Workshop.

## **B. POINTS LOST**

In addition to the points gained, each application submitted by an owner(s) may be subject to point(s) deductions. Point deductions resulting from each existing AHFA-funded project (approved and/or placed-in-service) will be based on AHFA's QAP and HOME Action Plan for the applicable year and will cover compliance with AHFA documents, executed agreements, audits and inspections from January 1<sup>st</sup> through December 31<sup>st</sup> of the year immediately preceding the current QAP or HOME Action Plan Year. Points lost will be assessed on the following:

**1.) Existing AHFA-Funded Project(s) Approved and/or Placed-In-Service  
(No Maximum Loss of Points)**

- (i.) 5 points (for each occurrence) will be deducted if an owner(s) listed in the application made a change from an approved project's original application without prior written consent from AHFA.
- (ii.) 5 points (for each occurrence) will be deducted if an owner(s) listed in the application(s) is not in compliance with and/or fails to meet a requirement specifically listed in any AHFA document(s), executed agreement(s) with without prior written consent from AHFA.
- (iii.) 2 points (for each occurrence) will be deducted for failure to meet any one of the following Davis Bacon requirements on a current project.
- No response on outstanding issues for over 6 months
  - The general contractor is unable to submit payrolls, causing an escrow account to be established
  - Outstanding issues remain over 2 years from the date of the notice to proceed
  - Failure to provide AHFA the Section 3 report on the required date
  - Failure to provide AHFA the HUD 2516 report on the required date

**2.) Non-Compliance after the Initial On-Site Inspection (Maximum of 20 Points Loss)**

AHFA's compliance requirements are outlined in (Addendum D) Compliance Monitoring Procedures, Requirements and Penalty Criteria.

For applicants with non-AHFA projects in the state and/or out-of-state, will be subject to the same AHFA (Health and Safety, Unit, Site, Exterior and Common Area Deficiencies) requirements defined in attached Addendum D. The four (4) point threshold does not apply to non-AHFA project(s).

## ADDENDUM B

### Alabama Housing Finance Authority's Environmental Policy Requirements

Alabama Housing Finance Authority ("AHFA") requires that a project-specific Phase I Environmental Site Assessment ("ESA") Report be submitted for each application. The Phase I ESA Report must be prepared by a qualified third-party Environmental Professional ("EP") as defined by 40 C.F.R. § 312.10(b) and adhere to the guidelines, requirements and format described herein.

#### **For All Applications made to AHFA:**

A Phase I ESA must be completed by an EP and include all of the components described in Addendum B-1, including without limitation, certain components that are not specified by ASTM. Failure to fully comply with the AHFA-required elements may result in delays or rejection of the application package. AHFA requires that the applicant engage the EP in accordance with the terms set forth in the engagement letter in Addendum B-2, a copy of which must be included as Appendix I of the Phase I ESA.

If a Phase I ESA for a project either (a) identifies a Recognized Environmental Condition (which includes, but is not limited to, controlled recognized environmental conditions, historical recognized environmental conditions, etc. (hereinafter collectively referred to as ("RECs")), and/or (b) recommends additional testing, investigation or a Phase II ESA Report be conducted, any and all Phase II ESA Reports and Addenda that are prepared to address the RECs identified or additional testing reports must be included at the time the Phase I ESA is submitted to AHFA. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA (including any RECs that AHFA determines should have been identified in the Phase I ESA but were not); must be completed in accordance with ASTM E1903-11; and must demonstrate that all environmental conditions associated with the project are appropriate for residential use. If a Phase I ESA identifies an environmental condition that is ruled out as a REC, the Phase I ESA must provide sufficient explanation and supporting data to demonstrate that the environmental condition is not a REC. AHFA will not consider any sites for funding that are listed on or proposed to the National Priority List ("NPL") or State equivalent State Hazardous Waste Site ("SHWS") (Superfund sites).

Two versions of all reports must be submitted: A complete bound (3 ring binder) color hard copy (with each appendix separately tabbed) and an **exact, complete, color copy** in digital form, the text of which shall be in a searchable format. At the time of application submittal, applicant must pay a non-refundable fee as defined in the Housing Credit Qualified Allocation Plan and HOME Action Plan. AHFA may select and engage an EP, legal counsel, and/or designated consultant to review and comment on the Phase I ESA and/or the Phase II ESA Report submitted by the applicant, the cost for said review to be paid by the non-refundable fee. Any additional costs incurred by AHFA exceeding the initial third-party fee will be paid by the applicant to AHFA within ten (10) days upon notification. During the course of the AHFA environmental review process, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the All Appropriate Inquiry ("AAI") 40 CFR 312 and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). To the extent that an updated Phase I ESA Report is required, the applicant will be solely responsible for these costs, fees, and related expenses. During the AHFA review process, any report(s) submitted for which AHFA (or AHFA's



designated consultant) determines materially fails to comply with AHFA Environmental Policy Requirements, current ASTM standards or applicable environmental regulatory requirements will result in the termination of the related application.

### **Application Completeness Requirements:**

Upon submittal of the Phase I ESA Report, AHFA will conduct a completeness review to determine whether or not the report is complete and complies with the Environmental Policy Requirements.

If during its completeness review AHFA determines, in its sole discretion, that an application in a competitive scoring cycle for HOME funds and/or Housing Credits is missing any materials required by the Environmental Policy Requirements or that the materials included in the report fail to materially adhere to AHFA's defined standards, the application will terminate and will not be considered for funding during that scoring cycle. If during the completeness review AHFA determines, in its sole discretion, that all documentation required by the Environmental Policy Requirements has been provided and that the application materially adheres to AHFA's defined standards but that additional information or clarification is required in order for AHFA to complete its full evaluation of the Environmental Policy Requirements, AHFA will contact the applicant via email. When contacted, the applicant must submit requested items within five (5) business days or the application will terminate and will not be considered for funding during that scoring cycle.

If during its completeness review AHFA determines, in its sole discretion, that an application for tax-exempt volume cap (whether or not the applicant requests Housing Credits awarded without a competitive scoring cycle) is missing any materials required by the Environmental Policy Requirements or that the materials included in the application fail to materially adhere to AHFA's defined standards, the applicant will have up to 30 days after notification from AHFA to resolve any outstanding issues. A Commitment Agreement for Multifamily Tax Exempt Bonds will not be issued until all defined environmental requirements are met to AHFA's complete satisfaction.

All environmental issues identified (or that AHFA determines, in its sole discretion, should have been identified) in the Phase I ESA and Phase II ESA reports must have been fully abated or mitigated (or provide a written remediation plan approved in writing by the applicable regulatory authority) in a manner that is compatible with unrestricted residential use and is acceptable to AHFA in all respects before construction can begin. All remediation plans approved by an applicable regulatory authority must be submitted to AHFA in writing and include a summary of estimated costs and information regarding the expected source of funding for conducting the remediation activities.

All information provided by the applicant must be satisfactory to AHFA and may be subject to the fees as outlined in the applicable Housing Credit Qualified Allocation Plan or HOME Action Plan and at [www.AHFA.com](http://www.AHFA.com).

### **After the Reservation, Written Agreement, and/or Declaration of Official Intent:**

If any unforeseen environmental condition(s) is discovered with respect to a project that has already received an award of HOME funds, Housing Credits, and/or Multifamily Tax Exempt Bonds, and such envi-

ronmental condition(s) would have caused the project to fail to meet the Environmental Policy Requirements if discovered prior to award, then (a) if AHFA determines in its sole discretion that the environmental condition(s) should have been discovered by the owner during the application process, AHFA will terminate the award and require all HOME funds or Housing Credits to be returned to AHFA, or (b) if AHFA determines in its sole discretion that the environmental condition(s) arose through no fault of the applicant and should not reasonably have been discovered during the application process, AHFA may allow the project owner to remediate the environmental condition(s) at owner's sole cost and expense, including without limitation the fees and expenses of any EP and/or attorney engaged by AHFA in connection with the project, as necessary in order for the applicant to comply with the Environmental Policy Requirements and all other conditions specified by AHFA based on the specific nature of circumstances of the project. If AHFA determines under the foregoing standards that an applicant is eligible to take remedial actions with respect to any unforeseen environmental condition(s), the applicant will be permitted to do so only if the applicant provides the following items to AHFA within 30 days, in compliance with the following requirements (the "Remedial Action Requirements"):

1. Estimate of total remediation costs and schedule for completion of remediation from a qualified environmental professional;
2. Evidence that the project will remain financially feasible and capable of being completed within the time required by the type of funding received; provided, however, that if AHFA permits the owner to remediate an unforeseen environmental condition(s) and the time required for such remediation results in the inability of the project to Place-in-Service by the deadline established under Section 42 and AHFA, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the applicant's payment of the environmental extension penalty specified at [www.AHFA.com](http://www.AHFA.com); and
3. Evidence that the applicant has sufficient financial resources to complete the remediation and the project by the required deadline. AHFA will, in its sole discretion, require an applicant to provide a deposit in order to ensure that AHFA's expenses in connection with any remediation will be paid on a timely basis.

For a project that receives an award of HOME funds, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the AAI and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). If an updated Phase I ESA Report is required, the applicant will be solely responsible for all costs, fees and related expenses. If any environmental condition(s) is discovered with respect to the updated Phase I ESA Report that was not present, discovered or disclosed at the time of the initial Phase I ESA Report and such environmental condition(s) causes the project to fail to meet the Environmental Policy Requirements, the applicant must comply with AHFA's Remedial Action Requirements as specified above.

During the AHFA review process, if AHFA (or AHFA's designated consultant) determines that the ESA Report(s) fails to comply with AHFA's requirements, the ASTM standards or applicable environmental regulatory requirements, this determination will result in termination of the award and the return of HOME funds and/or Housing Credits if not corrected promptly after written notice.

### **NEPA Environmental Assessment (Projects Selected for HOME Funding):**

Each project that receives HOME funds must undergo an environmental assessment in accordance with the requirements of the National Environmental Policy Act (“NEPA environmental assessment”). The owner of a project that receives an award of HOME funds will be required to provide certain studies, reports and documentation necessary for AHFA to complete the NEPA environmental assessment. AHFA will notify the project owner of the NEPA environmental assessment requirements at the time of award of HOME funds. For more information about project owner submission requirements for the NEPA environmental assessment process, please review the AHFA Environmental Assessment Checklist and Guidance (Projects Selected for HOME Funding) at: [www.AHFA.com](http://www.AHFA.com)

### **“Choice-Limiting Activities” Prohibited (All Applicants for HOME Funding and Housing Credits):**

NEPA requires that no “choice-limiting activities” occur relating to the proposed project or at the project site from the time the applicant submits a HOME program application to AHFA until the NEPA environmental assessment process is complete (see 24 C.F.R. § 58.22). The applicant must take all actions necessary to ensure that no participant in the development process (including the applicant, project owner, contractors, subcontractors, current property owner(s) or any other person) commits non-HUD funds or undertakes an activity that would have an adverse environmental impact or limit the choice of reasonable alternatives relating to the proposed project or project site.

For projects applying for HOME funds (regardless of whether any other form of funding is received), prohibited “choice-limiting activities” include, but are not limited to, acquiring, purchasing, rehabilitating, demolishing, converting, leasing or repairing all or any portion of the project as well as disturbing the ground or commencing any form of construction at the project site. All such choice-limiting activities are prohibited during the NEPA environmental assessment period that (a) begins with delivery of the initial application to AHFA and (b) ends with AHFA’s issuance of the Notice to Proceed, which typically occurs at the pre-construction meeting conducted at AHFA’s offices in Montgomery.

For projects applying for low-income housing tax credits (“Housing Credits”) or a tax-exempt volume cap allocation (but do not receive HOME funds), prohibited “choice-limiting activities” include, but are not limited to, acquiring, rehabilitating or converting all or any portion of the proposed site or project as well as disturbing the ground or commencing any form of construction at the proposed site or project. All such choice-limiting activities are prohibited during the review period that (a) begins with delivery of the initial application to AHFA and (b) ends with a written notification from AHFA that the environmental review process has been completed.

If choice-limiting activities occur at a proposed site or project during the prohibited period, regardless of whether the applicant consented to the activity or had knowledge of it, the application will terminate and will not be considered for funding.

## **Addendum B-1**

### **AHFA Requirements**

**NOTE: ALL REQUIREMENTS BELOW MUST BE PRESENTED IN THE DESIGNATED SECTIONS AND APPENDICES OF THE PHASE I ESA REPORT.**

UNLESS OTHERWISE SPECIFIED BELOW, EVERY PHASE I ESA REPORT SUBMITTED TO AHFA MUST:

1. Comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA's Environmental Policy Requirements.
2. Include a complete legal description (e.g., metes and bounds) of the site.
3. Be completed and certified as to its accuracy, completeness and in conformance with the ASTM Standards and AHFA Policy Requirements by an "Environmental Professional" as defined in X2 of the ASTM Standard.
4. Include a statement that the report can be relied upon by AHFA.
5. Pursuant to Section 4.6 of the ASTM Standard and 40 CFR 312.20, the following components of every Phase I ESA must be updated if they are greater than 180 days old:
  - a. interviews with owners, operators, and occupants;
  - b. searches for recorded environmental cleanup liens;
  - c. reviews of federal, tribal, state, and local government records;
  - d. visual inspections of the property and of adjoining properties; and
  - e. declaration by the Environmental Professional (EP) responsible for the assessment or update.
6. Be in the AHFA Required Environmental Report Format (Addendum B-3).
7. Include a database search. **IMPORTANT:** The search distances for ASTs and USTs (as specified in Addendum B-4) required by AHFA are more stringent than the default search distances based on ASTM E1527-13.
8. If the proposed project involves rehabilitation, removal, or demolition of a building the following items must be addressed (with associated cost estimates for each and documentation within project budget to account for these costs):
  - a. **Asbestos Testing:** If suspect asbestos-containing materials ("ACM") are present in any structures, asbestos testing must be performed to document the presence or absence of ACMs in every structure. Testing is to be conducted by accredited inspectors meeting the requirements presented in 40 CFR 763 Subpart E, Appendix C and TSCA Title II in accordance with the Asbestos Hazardous Emissions Response Act (AHERA) requirements and also EPA's National Emission Standards for Hazardous Air Pollutants (NESHAP) regulations. All asbestos testing results must be included in the Phase I ESA at the time of the initial application. AHFA requires the Phase I ESA to include a statement that all friable and non-friable ACM in deteriorated condition will be completely abated. If funded, a plan for complete abatement by a qualified asbestos contractor of all friable and

non-friable ACM in deteriorated condition in all structures will be required. An asbestos contractor's listing may be obtained from the Alabama Department of Environmental Management ("ADEM") at 334-271-7700 or at [www.adem.state.al.us](http://www.adem.state.al.us). Non-friable ACMs may be managed in place if in an intact condition. If funded, a site-specific Operations & Maintenance Plan will be required if non-friable intact ACMs are to be left in place. Asbestos standards are located at ASTM E-2356, EPA: Clean Air Act, CERCLA, & OSHA 29 CFR Part 1926.1101.

- b. Lead-Based Paint ("LBP") Testing: For all buildings built prior to 1978, a LBP testing report must be included in the Phase I ESA. AHFA requires the Phase I ESA include a statement that all LBP will be completely abated (eliminated) by a licensed LBP contractor. If funded, the plan for LBP abatement will be required. If any structures are planned to be demolished, it is acceptable to provide a plan for abatement via demolition, appropriate characterization of waste prior to disposal, and post-demolition clearance report in lieu of a LBP testing report. A list of licensed LBP contractors can be obtained from the Alabama Department of Public Health ("ADPH") at [www.adph.org](http://www.adph.org). Lead-Based Paint standards: US Department of HUD "Guidelines for the Evaluation and Control of Lead Paint Hazards in Housing": <http://www.hud.gov/offices/lead/lbp/hudguidelines/Ch07.pdf>.
- c. Mold: Visually check for the presence of mold, notate your findings. If mold is present or suspected to be present, the Phase I ESA shall provide recommendations for abatement and confirmation air sampling following removal.

9. All reports must include information on the following:

- a. Radon: ADPH lists the following counties as being located in zone 1 (highest level): Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega.<sup>1</sup> If the site is located in Zone 1: New Construction projects will require Radon Resistant New Construction ("RRNC") practices.<sup>2</sup> Rehabilitation projects will be required to follow EPA's Radon Mitigation Standards.<sup>3</sup>
- b. Wetlands: **No portion of the site may contain wetlands, streams, lakes, or other bodies (which also includes waters of the United States) including any portions not considered part of the site but necessary for ingress and egress to the site.** For purposes of the Phase I ESA Report, wetlands are defined according to the U.S. Army Corps of Engineers Wetlands Delineation Manual (1987). The EP must confirm whether or not the site contains wetlands, streams, lakes or other water bodies, including both jurisdictional "waters of the United States" and non-jurisdictional waters and wetlands. The Phase I report must include a United States Fish & Wildlife Service ("USFWS") National Wetlands Inventory (NWI) Map and any wetland delineation studies or assessment reports prepared for the project site and/or adjoining properties. To the extent a Jurisdictional Determination (JD) from the U.S. Army Corps of Engineers is obtained for the project site, the JD or request for JD must be included with the Phase I ESA Report at the time of submission.

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<sup>1</sup> <http://www.adph.org/radon/Default.asp?id=6413>

<sup>2</sup> <http://www2.epa.gov/radon/radon-resistant-construction-basics-and-techniques>

<sup>3</sup> [http://www.ahfa.com/multifamily/environmental/environmental\\_testing.aspx](http://www.ahfa.com/multifamily/environmental/environmental_testing.aspx)

- c. Floodplains (100 year (zones A or V), 500 year (zone B)): The Phase I ESA must include a FEMA Flood Insurance Rate Map (Firmette) with site boundaries clearly marked. For Housing Credit Only projects, no buildings (residential or any other use) on the site can be located within the 100 year floodplain. AHFA will allow an existing acquisition/rehabilitation rental property to be located in a floodplain as long as acceptable evidence of flood insurance is provided at time of application. For housing Credits combined with AHFA HOME funds, no portion of the site can be located within the 100 year flood plain.
10. Aboveground Storage Tanks: All aboveground storage tanks (ASTs) containing 100 or more gallons of explosive or flammable liquid or gas within one mile of the project site must be included in the Phase I ESA Report database search. The Phase I ESA Report must describe the contents, size, and distance of each AST to project site. The EP must certify that the distance of ASTs to the project site has been field-verified. The Phase I ESA Report must also demonstrate that an acceptable separation distance (“ASD”) will be met for people as well as buildings using the HUD-approved ASD calculations.<sup>4</sup>
11. The Phase I ESA Report must include a completed AHFA Environmental Summary (Addendum B-4). Addendum B-4 must be completed and certified to as a part of the Phase I ESA and placed in Appendix K-1.
12. The EP must obtain from the Applicant a completed X3 User Questionnaire to include with the Phase I ESA Report.
13. The EP must complete Addendum B-5 (The Letter of Reliance) on the EP’s letterhead and submit as Appendix H.

#### REQUIREMENTS FOR EVERY PHASE II ESA SUBMITTED TO AHFA:

1. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA Report (including any RECs that AHFA determines should have been identified in the Phase I ESA but were not); must be completed in accordance with ASTM E1903-11; and must demonstrate that all environmental conditions associated with the project are appropriate for residential use.
2. If after a Phase II is completed, mitigation measures and/or remediation has been or is recommended to be performed, the Phase II ESA Report must include (a) the Remediation Work Plan AND all regulatory approvals for the same; (b) a statement by the EP certifying that the recommended mitigation and/or remediation complies in all aspects with approved regulatory guidelines, standards, and methods; and (c) a summary of estimated costs and information regarding the expected source of funding for conducting the mitigation and/or remediation activities. To the extent there are conflicting or inconsistent guidelines or methods between regulatory agencies concerning the matter at issue, the EP shall follow the most stringent standard and certify that this standard has been satisfied.

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<sup>4</sup> Attach the results of the HUD ASD Calculator tool found at: <https://www.hudexchange.info/programs/environmental-review/asd-calculator/>.

Complete and submit the HUD “Explosives - Partner Worksheet” found at: <https://www.hudexchange.info/programs/environmental-review/explosive-and-flammable-facilities>.

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3. If the EP believes or contends that any Chemicals of Concern (“COC”) detected are consistent with or in line with “background conditions,” the EP shall provide a basis for such an opinion. Methods for doing so include, but are not limited to, the U.S.G.S. studies for COCs in the same geographic region and sufficient background samples to be analyzed and evaluated under the ADEM AEIRG Guidance Document (2005).

**Addendum B-2**  
**Engagement Letter**

Click here to enter a date.

[Applicant]

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Applicant

Development Name

Development Address

Dear [Applicant]:

Please accept this letter setting forth the terms of engagement (“Engagement Letter”) under which our Firm will provide environmental consulting services to you and your company for purposes of conducting a Phase I ESA Report [or subsequent Environmental Reports] for the Development Project at the designated address set forth above.

Our Firm appreciates the opportunity to work with you and your company in providing environmental professional services. It is our Firm’s understanding that the nature and scope of the environmental professional services to be provided to you are as follows:

1. Our Firm has been engaged by [APPLICANT] to conduct a Phase I ESA at the Development location specified above in conformance with the scope and limitations of both the ASTM E1527-13 (“ASTM Standards”) and AHFA’s Environmental Policy Requirements.
2. Our Firm certifies that the Phase I ESA Report will be conducted and completed by an Environmental Professional (as defined by 40 C.F.R. § 312.10(b)) and the Phase I ESA, once completed, will also be certified in this same manner.
3. Our Firm understands that the information contained in the Phase I ESA Report will be used by Alabama Housing Finance Authority (“AHFA”) in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the Phase I ESA Report in its entirety as if it were originally issued to AHFA. While AHFA will be entitled to rely upon the Phase I ESA Report in its entirety, the Applicant will be solely responsible for any and all fees and expenses associated with completing this scope of engagement.
4. Our Firm understands the AHFA Insurance Requirements that are required for this scope of work and these insurance requirements have been satisfied and addressed as set forth within the Terms & Conditions Section of this Engagement Letter. The AHFA Insurance Requirements are as follows:



- a. The Firm has Professional Liability and/or Errors and Omissions insurance coverage in the minimum amounts of One Million Dollars (\$1,000,000.00) per event or occurrence;
- b. The Firm has Worker's Compensation Insurance and Public Liability Insurance for bodily injury and property damage which may be suffered by third parties and members of the public in the minimum amounts of One Million Dollars (\$1,000,000.00) per event or occurrence; and
- c. The Firm has Comprehensive General Liability and Property Damage Insurance for bodily injury and property damage in the minimum amounts of One Million Dollars (\$1,000,000.00).

Our Firm understands that it shall provide a copy of its Insurance Certificate or Accord demonstrating that it satisfies the AHFA Insurance Requirements and listing or scheduling AHFA as an additional insured for these insurance policies.

5. Our Firm understands that to the extent recommendations are being provided by the EP to the Applicant concerning Phase I ESA work to be performed, mitigation or abatement measures, or additional assessment ("Additional Work"), those recommendations for Additional Work shall be provided to AHFA at the time of Application. Further, our Firm understands that the Applicant shall not have the authority to authorize or instruct the EP or our Firm to implement such recommendations without AHFA's express written concurrence.

6. Our Firm also understands that once the Applicant submits its Application to AHFA, none of the Applicant, the EP (or our firm), the current property owner or any agent of said parties may undertake or conduct any "choice limiting" activities at the Development project site. Choice limiting activities include converting, leasing, repairing, ground disturbance, or construction. For avoidance of doubt, our Firm will seek written authorization for any Additional Work from AHFA before proceeding. In addition, our Firm understands that once the Applicant submits its Application to AHFA, our Firm shall not engage in communications with the Applicant and or any governmental or regulatory agencies concerning Additional Work and any related activities concerning the Development project site without first obtaining written authorization from AHFA.

Our Firm appreciates the opportunity to work with the Applicant and AHFA in undertaking the Phase I ESA engagement and looks forward to working with you.

**Addendum B-3**

**AHFA Required Environmental Report Format**

**TABLE OF CONTENTS**

**1.0 SUMMARY**.....

1.1 PHASE I ESA.....

1.2 TIER 1 VAPOR ENCROACHMENT SCREENING.....

1.3 AHFA NON-SCOPE SUMMARY.....

1.4 RECOMMENDATIONS (If there is a potential for contamination to be present on the site, regardless of on-site or off-site sources of the contamination, recommendations for additional testing or assessment must be included).....

1.5 OTHER.....

**2.0 INTRODUCTION**.....

2.1 PURPOSE OF SERVICES (MUST state EP understands that the purpose of the Phase I ESA is to ascertain whether the property is environmentally suitable for construction/rehabilitation of multi-family residential housing).....

2.2 DETAILED SCOPE OF SERVICES.....

2.3 SIGNIFICANT ASSUMPTIONS.....

2.4 PROJECT-SPECIFIC LIMITATIONS AND EXCEPTIONS.....

2.5 SPECIAL TERMS AND CONDITIONS.....

2.6 RELIANCE (Must include a statement that the report(s) can be relied upon by AHFA).....

2.7 PASSAGE OF TIME AND VALIDITY OF REPORT.....

**3.0 SITE DESCRIPTION**.....

3.1 SITE LOCATION, LATITUDE & LONGITUDE, LEGAL DESCRIPTION (metes and bounds)....

3.2 SITE AND VICINITY GENERAL CHARACTERISTICS.....

3.3 CURRENT USE OF THE PROPERTY.....

3.4 DESCRIPTIONS OF ROADS, STRUCTURES, AND OTHER IMPROVEMENTS ON THE SITE.....

3.5 CURRENT USE OF ADJOINING PROPERTIES.....

**4.0 USER-PROVIDED INFORMATION**.....

4.1 TITLE RECORDS.....

4.2 ENVIRONMENTAL LIENS OR ACTIVITY AND USE LIMITATIONS (EP accepts responsibility for and obtains search results as explained in Section 6.2 of ASTM Standard).....

4.3 SPECIALIZED KNOWLEDGE.....

4.4 COMMONLY KNOWN OR REASONABLY ASCERTAINABLE INFORMATION.....

4.5 VALUATION REDUCTION FOR ENVIRONMENTAL ISSUES.....

4.6 OWNER, PROPERTY MANAGER, AND OCCUPANT INFORMATION.....

4.7 REASON FOR PERFORMING PHASE I ESA.....

4.8 OTHER.....

**5.0 RECORDS REVIEW**.....

5.1 DATABASE REPORT (Discuss listed regulated facilities, other notable facilities, and orphan facilities).....

5.1.1 Search Distances - from latitude and longitude (ASTM distances plus Delisted NPL one mile, AST one mile, UST 0.5 mile, and LUST 0.5 mile).....	
5.1.2 Mappable Sites (EP must field-verify the distance to any facilities identified).....	
5.1.3 Unmappable Sites.....	
5.2 STANDARD ENVIRONMENTAL RECORD SOURCES (Check with local government, library, fire department, courthouse, etc.).....	
5.3 ADDITIONAL ENVIRONMENTAL RECORD SOURCES.....	
5.4 PHYSICAL SETTING SOURCE(S).....	
5.4.1 Topography, Surface Water, and Hydrogeology.....	
5.4.2 Geology.....	
5.4.3 Soils.....	
5.5 HISTORICAL USE INFORMATION ON THE PROPERTY.....	
5.5.1 Property Ownership and Site History.....	
5.5.2 Aerial Photographs.....	
5.5.3 City Directories.....	
5.5.4 Sanborn® Fire Insurance Maps.....	
5.5.5 Historical Topographic Maps.....	
5.5.6 Other Historical Sources.....	
5.5.7 Historical Summary & Data Gaps.....	
5.6 HISTORICAL INFORMATION REGARDING ADJACENT PROPERTIES.....	
5.7 DOCUMENT ALL SOURCES CHECKED.....	
5.8 OTHER.....	
<b>6.0 SITE RECONNAISSANCE.....</b>	
6.1 METHODOLOGY AND LIMITING CONDITIONS.....	
6.2 GENERAL SITE SETTING.....	
6.3 EXTERIOR OBSERVATIONS.....	
6.4 INTERIOR OBSERVATIONS.....	
6.5 ADJOINING PROPERTY RECONNAISSANCE.....	
6.6 RECOGNIZED ENVIRONMENTAL CONDITIONS IDENTIFIED DURING SITE RECONNAISSANCE.....	
<b>7.0 INTERVIEWS.....</b>	
7.1 STATE AND LOCAL GOVERNMENT OFFICIALS (MAYOR, FIRE DEPARTMENT, LOCAL HISTORICAL SOCIETY, ETC.) (Interviews will be conducted first in person, if unavailable then by phone, then via written communication. Verify which method used).....	
7.2 OWNER DEVELOPER.....	
7.3 USER QUESTIONNAIRE.....	
7.4 PROPERTY OWNERS.....	
7.5 SITE MANAGER, OCCUPANTS, & LOCAL RESIDENTS.....	
7.6 OTHERS.....	
<b>8.0 EVALUATION (FINDINGS, OPINIONS, AND CONCLUSIONS).....</b>	
8.1 PHASE I ESA.....	
8.2 ADDITIONAL INVESTIGATIONS, LIMITATIONS, EXCEPTIONS, DEVIATIONS, AND DATA GAPS.....	
8.3 SIGNIFICANT ASSUMPTIONS.....	
8.4 CONCLUSIONS AND ASTM STATEMENT (Must certify EP conducted the Phase I ESA in accordance with ASTM Standard and AHFA’s Environmental Policy Requirements) (Must state	

whether the property is suitable for or may satisfy the residential use standard based upon EP’s best professional judgement).....

8.5 EP STATEMENT (40 CFR PART 312) AND SIGNATURE.....

8.6 OTHER.....

**9.0 ADDITIONAL AHFA REQUIRED ELEMENTS.....**

9.1 TIER 1 VAPOR ENCROACHMENT SCREENING.....

9.2 ASBESTOS, LEAD-BASED PAINT, MOLD, RADON, WETLANDS, AND FLOOD PLAINS (Must give summary of each item).....

9.3 NARRATIVE SUMMARY OF FINDINGS FROM ADDENDUM B-4, PART B (REQUIRED ONLY FOR APPLICATIONS FOR HOME FUNDS).....

9.4 OTHER.....

**10.0 REFERENCES.....**

**APPENDICES**

**APPENDIX A FIGURES**

- i. GOOGLE EARTH MAP (WITH SITE BOUNDARIES CLEARLY MARKED)
  - ii. SITE LOCATION MAP (WITH SITE BOUNDARIES CLEARLY MARKED)
- Items i. and ii. must include:
- a). An area large enough to display the location of the site and adjoining properties including existing streets.
  - b). Identification of environmental concerns, where applicable, including off-site sources or locations that have the potential to adversely impact the property.
  - c). Boundaries of floodplains, wetlands, drainage features, jurisdictional waters, and/or potential waters of the State on or potentially impacted by proposed activities at the site.)
- iii. SCHEMATIC SITE PLAN
  - iv. TOPOGRAPHY MAP (WITH SITE BOUNDARIES CLEARLY MARKED)

**APPENDIX B PROPERTY RECORDS AND USER QUESTIONNAIRE**

**APPENDIX C ENVIRONMENTAL LIEN/ACTIVITY USE LIMITATIONS RESEARCH**

**APPENDIX D ENVIRONMENTAL DATABASE REPORT**

**APPENDIX E HISTORICAL RECORDS DOCUMENTATION**

**APPENDIX F SITE AND VICINITY PHOTOGRAPHS**

**APPENDIX G INTERVIEW DOCUMENTATION (Document the interviewee’s contact information – name, business name and address, phone number)**

**APPENDIX H AHFA RELIANCE LETTER (Addendum B-5 on EP letterhead)**

**APPENDIX I ENGAGEMENT LETTER/CONTRACT (Addendum B-2 on EP letterhead)**

**APPENDIX J PROFESSIONAL RESUMES/PERSONNEL QUALIFICATIONS**

**APPENDIX K AHFA-REQUIRED ELEMENTS:**

**K.1 AHFA ENVIRONMENTAL SUMMARY PART A (REQUIRED FOR ALL APPLICATIONS) (Addendum B-4, Part A)**

**K.2 AHFA ENVIRONMENTAL SUMMARY PART B (REQUIRED ONLY FOR APPLICATIONS FOR HOME FUNDS) (Addendum B-4, Part B)**

**K.3 VAPOR ENCROACHMENT SCREENING DOCUMENTATION**

K.4 PROOF OF INSURANCE – AHFA MINIMUMS OR ABOVE (AHFA must be listed as Insured)  
K.5 SUPPLEMENTAL DOCUMENTATION

**Addendum B-4**  
**AHFA ENVIRONMENTAL SUMMARY – PART A**  
**(Required for All Applications)**

REPORT INFORMATION			PAGE #
Project Name:	Click here to enter Project Name		
Project City:	Click here to enter City Name		
ASTM E 1527-13: Yes <input type="checkbox"/> No <input type="checkbox"/>	Enter report date here	AHFA Reliance: Yes <input type="checkbox"/> No <input type="checkbox"/>	page #
Suitability for Residential Use statement included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
Local Interviews included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
Site Map Included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
SITE INFORMATION	DESCRIPTION / DOCUMENTATION		PAGE #
Developed <input type="checkbox"/> Undeveloped <input type="checkbox"/> (provide age if developed)	Click here to enter site description.		page #
Site Acreage:	Click here to enter text.		page #
Site Elevation:	Click here to enter text.		page #
Site Slope:	Click here to enter text.		page #
Water On Site: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Surface Water Flow Direction:	Click here to enter text.		page #
Groundwater Flow Direction:	Click here to enter text.		page #
Flood Insurance Rate Map #:	Click here to enter text.		page #
Flood Zone:	Click here to enter text.		page #
Env Lien/AUL on site: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Database Search: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Current or Pending VCP: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Listed on NPL or SHWS? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Delisted NPL (1 mile): Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #

ASTs (within 1 mile): Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Acceptable (ASD) Separation Distance: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
USTs (within 0.5 mile): Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Recognized Environmental Condi- tions (RECs) identified? Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Contamination (known or suspect): Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Recommendations included: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Mitigation or Remediation measures recommended? Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
ACM (every structure): Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Friable ACM: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
LBP (pre-1978): Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Radon Zone:		Click here to enter text.	page #
Wetlands, drainage features, jurisdic- tional waters or waters of the State on site: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
<b>OFF-SITE INFORMATION</b>		<b>DESCRIPTION / DOCUMENTATION</b>	<b>PAGE #</b>
Adjoining Land Use:	North	Click here to enter text.	page #
	South	Click here to enter text.	
	East	Click here to enter text.	
	West	Click here to enter text.	
Adjoining Water: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #
Adjoining Wetland: Yes <input type="checkbox"/> No <input type="checkbox"/>		Click here to enter text.	page #

Adjoining Contamination: (known or suspect)    Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
USTs (within 0.5 mile):    Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
Are USTs Trust Fund Eligible? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
Leaking USTs (within 0.5 mile):    Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
RCRA regulated:    Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #



**AHFA ENVIRONMENTAL SUMMARY - PART B**  
**(Required Only for Applications for HOME Funds)**

**Instructions:** Responses to the Environmental Summary- Part B questions must be fully supported by appropriate documentation. Responses to the Part B questions and rationale must be included in the Phase I ESA Report (Section 9.3); supporting documentation for each response must be included in Appendix K.2 of the Phase I ESA Report. The Part B questions are not intended to be all-inclusive, as each project site presents unique conditions and circumstances. AHFA reserves the right to pose follow-up questions to applicants and require additional explanatory details and documentation.

**1. Historic Preservation: IMPORTANT -** Project applicants should not contact the Alabama Historical Commission or the Alabama State Historic Preservation Officer (SHPO).

- Review and include the National Register database: [www.nationalregisterofhistoricplaces.com](http://www.nationalregisterofhistoricplaces.com)
- Review and include the State of Alabama Historic listings: [www.preserveala.org](http://www.preserveala.org)
- Provide a map (e.g., Google Earth or Google Street map) indicating the location of the project site and all historic properties that are located within 1 mile of the project site.
  - a. Are there any buildings over 50 years old on or within two blocks of the site?
  - b. Is the project located within a historical district?

**2. Endangered Species: IMPORTANT -** Project applicants should not contact the U.S. Fish & Wildlife Service (USFWS) or National Marine Fisheries Service for formal determination.

- Review the USFWS website to obtain a list of protected species found in the vicinity of the project site. Print and attach the species list: <http://www.fws.gov/daphne/es/specieslst.html>
- Use the USFWS online mapping tool to determine if the project site contains critical habitat for threatened or endangered species. Print and attach map showing the project site: <http://fws.maps.arcgis.com/home/webmap/viewer.html?webmap=9d8de5e265ad4fe09893cf75b8dbfb77>.
  - a. Are federally listed species found in the vicinity of the project site?
  - b. Will critical habitat for listed species be affected by this project?

**3. Farmlands Protection:**

- Use the Web Soil Survey (WSS) tool to prepare and print a map of the soils on an around the project site. Attach the WSS map: <http://websoilsurvey.nrcs.usda.gov/app/HomePage.htm>
  - a. Is the project site currently being farmed?
  - b. Is the project site listed as prime or unique farmland?

**4. Noise Abatement & Control:**

- Complete and attach a HUD “Noise (EA) - Partner Worksheet” found at: <https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control>.
- Complete and attach HUD “Day/Night Noise Level Calculator” assessment found at: <https://www.hudexchange.info/resource/2830/day-night-noise-level-assessment-tool/>.

- a. Is there a civil airport within five miles of the site?
- b. Is there a military airport within 15 miles?
- c. Is there a major road within 1,000 feet of the site?
- d. Is there a railroad track within 3,000 feet?
- e. Are anticipated noise levels acceptable at the project site? (outside noise level  $\leq$  65 dB; interior noise level  $\leq$  45 dB).

**5. Airport Clear Zones & Accident Potential Zones:**

- Complete and attach HUD “Airport Hazards - Partner Worksheet” and “Airport Runway Clear Zones – Partner Worksheet” found at: <https://www.hudexchange.info/programs/environmental-review/airport-hazards>.
  - Attach a map (e.g., Google Earth or Google Street map) indicating the location of the project site and any airport(s) in the vicinity of the project site.
  - Note: Civil clear zone is 2,500 feet (0.47 miles) from the end of the runway (ACZ).
  - Note: Military clear zone is 15,000 feet (2.8 miles) from the end of the runway (APZ).
- a. Is the project site located within an ACZ or APZ?
  - b. Is the site located within a flight path?
  - c. What is name of and distance to the airport nearest to the project site?

## **Addendum B-5**

### **Letter of Reliance**

Click here to enter a date.

Alabama Housing Finance Authority  
7460 Halcyon Pointe Drive, Suite 200  
Montgomery, AL 36117

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Development Name  
Development Address  
Development City, State Zip

Please find enclosed the Phase I Environmental Site Assessment (ESA) Report [or subsequent Environmental Reports] for the subject property dated [Click here to enter a date] to the Alabama Housing Finance Authority (AHFA).

It is my understanding that the information contained in the ESA Report(s) will be used by AHFA in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the ESA Report in its entirety as if it were originally issued to AHFA.

I certify that the attached is a true, correct and complete copy of the ESA Report and that the report represents my professional opinion of the site as of this date. I also confirm the evaluation, recommendations, and conclusions contained in the ESA Report have been performed in conformance with the scope and limitations of both the ASTM E1527-13 (the ASTM Standards) and AHFA's Environmental Policy Requirements.

Last, I also certify by my signature below that \_\_\_\_\_ (name) meets the definition of an Environmental Professional as defined by 40 C.F.R. § 312.10(b) and has performed the environmental investigations described above.

Sincerely,

Environmental Professional Name  
Environmental Professional Company Name

**Addendum C**

 **Alabama Housing Finance Authority's**  
**Design Quality Standards and Construction Manual**

# **Total of Contents**

- I. Introduction**
- II. Requirements for All Approved Projects**
- III. Attached New Construction Rental Units**
- IV. New Construction Single-Family Rental Units**
- V. Attached Rehabilitation of an Existing Building**
- VI. Inspections and Reports**

## I. Introduction

*All projects must be designed and constructed in accordance with the applicable requirements of the 2010 Americans with Disabilities Act Accessibility Guidelines, Section 504 of the Rehabilitation Act, Fair Housing Act, state and local disaster mitigation standards, 2009 or 2012 International Building Code-International Residential Code, 2009 International Energy Conservation Code for single-family homes, 2007 American Society of Heating, Refrigerating and Air-conditioning Engineers 90.1 for multifamily buildings and any more restrictive local building code requirements.*

Any deviations from these standards must have the written approval of AHFA prior to submitting an application for funding. The request for approval, with all supporting documentation, must be submitted to AHFA at least thirty (30) days prior to submitting a final application for funding. Once the project begins construction and through the end of construction of project, any deviation must have written approval before any work commences or any deviation is made on the construction site. Any deviation requested and approved will be charged the appropriate fee. A complete list of fees is located at [www.AHFA.com](http://www.AHFA.com).

## II. Requirements for All Approved Projects

### A. Site Specific Criteria:

- 1.) HOME proposed sites containing property within a 100-year flood plain are not permitted. Housing Credit and HOME proposed sites and existing projects are not allowed to contain wetlands.
- 2.) Proposed sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices in all buildings. Existing buildings located in a Radon Zone-1 (highest level) must meet the Radon Mitigation Standards as required by the Environmental Protection Agency. The following counties are located in Radon Zone -1: Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega. For the most current radon information see: [www.adph.org/radon](http://www.adph.org/radon).
- 3.) All new construction developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.
- 4.) All developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring for every two (2) single family buildings and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report
- 5.) Projects adding any new building foundations must submit a foundation specific soils report. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified

testing agency with a current license to practice in the State of Alabama must prepare the report.

**B. Site Located Outside Municipal City Limits:**

- 1.) A proposed new construction site or existing project may be located outside a municipality's city limit, but must be within the local police or sheriff jurisdiction.
- 2.) A proposed site or existing project that is located in the police jurisdiction of a local municipality must comply with applicable zoning restrictions as if located within that municipality's city limit.
- 3.) Domestic water and fire water service must be provided to the development by the local utility service provider.

**C. Project Standards:**

1.) Clubhouse/Community Building Standards:

The square footage of the Project's clubhouse/community building or space(s) may exceed 3,000 square feet heated and cooled (inclusive of the office area, community laundry, community meeting room, restrooms, kitchens, etc.)(Any square footage exceeding this amount will not be included in the eligible basis used to calculate the Housing Credit) and be ADA accessible.

2.) Elderly Project Standards:

All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed to service all upper level apartments. Design exceptions, or deviations, must be reviewed by AHFA on an individual basis.

3.) Required Unit Amenities:

All projects are required to have the following unit amenities for all units:

- Range
- Refrigerator with Ice Maker
- Dishwasher
- Microwave
- Washer and Dryer Connections
- Heater
- Air Conditioner
- Ceiling Fans

All units must include an exterior storage closet with a minimum area of sixteen (16) square feet. Developments designed with all interior unit access must provide the additional required exterior storage for each unit in the interior of the building(s). It may be located inside the unit, on the tenants' floor, or in a common area. All exterior and interior storage must be lockable.

#### 4.) Modular Construction:

Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein. A modular home manufacturer's warranty must be provided.

#### 5.) Drawing Submission Criteria:

The following documents must be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

##### A. Site Plan: The following items must be shown.

1. Scale: 1 inch = 40 feet or larger for typical units.
2. North arrow.
3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
6. Existing and proposed topography of site.
7. Finished floor height elevations and all new paving dimensions and elevations.
8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
9. Provide an accessible route site plan with applicable details.

##### B. Floor Plans:

1. Scale: 1/4 inch = 1 foot or larger for typical units.
2. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
3. Indicate the total gross square foot size, and the net square foot size for each typical unit.

For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

##### C. Elevations and sections:

1. Scale: 1/8 inch = 1 foot or larger.
2. Identify all materials to be used on building exteriors and foundations.

##### D. Title Sheet:

Indicate Building Codes that are applicable for the project.



### III. Attached New Construction Rental Units

The following outline of minimum standards must be used in designing Housing Credit and HOME projects of twelve or more attached units.

#### Minimum Building Standards:

1.) Minimum Apartment Unit Net Area Requirements:

Net area is measured from the **interior finished face** of the exterior wall to the **interior finished face** of the common or tenant separation wall.

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

<u>Unit Type</u>	<u>Number of Bathrooms</u>	<u>Minimum Unit Net Area*</u>	<u>Min. Bedroom Net Area</u>
1 Bedroom	1	725 s.f.	120 s.f.
2 Bedroom	1	900 s.f.	120 s.f.
2 Bedroom	1.5	925 s.f.	120 s.f.
2 Bedroom	2	975 s.f.	120 s.f.
3 Bedroom	2	1,200 s.f.	120 s.f.
4 Bedroom	2	1,455 s.f.	120 s.f.

*\*Note 1: Net unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2.) Exceptions to the minimum area requirements:

Single-Room Occupancy (“SRO”) projects

3.) Exterior Building Standards:

a. Exterior Finishing Materials:

1. Exterior building coverings: For new construction, very low maintenance materials are required. Acceptable materials include:
  - a. Brick;
  - b. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
  - c. Cementitious siding and trim material; or
  - d. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.

2. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.

3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
4. Materials for entry doors are to be metal-clad wood, fiberglass, or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
5. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
6. Roof gable vents must be made of aluminum or vinyl materials.
7. All attics shall be vented.
8. All primary entries must be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide, and must be designed to divert water away from the entry door. Entry pads measuring 4 feet by 4 feet and made of impervious material with a minimum slope of 1/4 inch per foot are required at each exterior entry.
9. All breezeways must be constructed of concrete floor/decking material.
10. Exterior shutters are required on all 100% Brick or vinyl siding buildings.
11. Stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. All project steps must include a kick plate in between each step beginning at the first step nearest to the ground and ending at the nearest step at the balcony or landing. Handrails and pickets must be constructed from steel or aluminum.
12. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6" x 6" pressure treated columns concealed as noted above or properly sized columns of steel, fiberglass, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass, steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

b. Other Exterior Standards:

1. Adequate exterior lighting is required in all covered exterior breezeways/walkways. Exterior lighting fixtures are required at all entry doors. The fixtures must be controlled from the interior of the unit.
2. Address numbers are to be clearly visible.
3. One and one-half parking spaces per living unit required for family units, one space per unit for elderly units, two parking spaces for single family homes, and two parking spaces for each duplex, unless local code dictates otherwise, and no designated street parking allowed.
4. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable municipal landscape ordinance. At a minimum, 20 feet of solid sod must be provided

(if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded.

Landscaping around and between the buildings is allowed. At a minimum, provide one 2" caliper tree per unit and Six 1 gallon shrubs per unit.

6. Concrete curbing is required along all paved areas throughout the development site, including parking areas. (Valley curbs are not allowed)
7. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width.
8. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
9. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.
10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
11. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.
12. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, clubhouse/community building and amenities must be connected to the dwelling units by a sidewalk or walkway.
13. Mailboxes, playground and all exterior project amenities must be on an accessible route as defined by the Fair Housing Guidelines. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
14. No above ground propane tanks allowed on the site.
15. All utilities located on site must be underground.
16. Storm Water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

#### 5.) Interior Building and Space Standards:

##### a. Wall Framing:

1. Walls may be framed using metal studs in lieu of wood.
2. Sound proofing or sound batt insulation is required between the stud framing in tenant separation walls. A sound rating of Sound Transmission Class (STC) 54 is required.
3. Sound proofing between floors is required to achieve a rating of (STC) of not less than 50 and an Impact Insulation Class (IIC) of not less than 50.

b. Insulation Requirements:

1. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
2. Roof or attic insulation must have an R-38 minimum.
3. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

1. A minimum 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
2. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
3. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
4. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep and/or pre-manufactured millwork pantry cabinets that are 1'x2'-6" deep with a minimum five shelves, located in or adjacent to the kitchen.
5. A 4 foot long fluorescent light fixture is required.
6. All appliances must be Energy Star rated.
7. A grease shield is required behind ranges on the wall.

d. Bathroom Spaces:

1. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.
2. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
3. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
4. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.

- e. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
  - f. All interior doors to habitable spaces in units subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
  - g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.
  - h. Window treatments are required for all windows.
  - i. Sliding glass doors are prohibited.
  - j. Floor Finishes:
    - 1. Carpet materials must meet FHA minimum standards.
    - 2. Resilient flooring materials must meet FHA minimum standards.
  - k. A minimum of two hard-wired with battery back-up smoke detectors are required per unit. Townhomes must have a minimum of one smoke detector upstairs.
  - l. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
  - m. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
- 6.) Plumbing and Mechanical Equipment:
- a. Water heaters must be high efficiency with a 0.95 EF minimum. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharge must meet applicable building code requirements.
  - b. Through-wall HVAC units are not permitted in residential units except in efficiency units.
  - c. CPVC supply piping is not allowed for interior space in-wall or overhead services.
  - d. HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets with insulated walls located within the living unit. Water heaters are to be located within the living unit.
  - e. HVAC refrigeration lines must be insulated.
  - f. HVAC 14 SEER or greater must be used.

## IV. Single-Family Rental Homes

The following outline of minimum standards must be used in designing Housing Credit and HOME projects of twelve or more units and consist of single-family. All single-family homes must be new construction.

### Minimum Building Standards:

1.) Minimum Unit Net Area Requirements:

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

<u>Unit Type</u>	<u>Number of Bathrooms</u>	<u>Minimum Unit Net Area*</u>	<u>Minimum Bedroom Net Area*</u>
3 Bedroom	2	1,200 s. f.	120 s. f.
4 Bedroom	2	1,455 s. f.	120 s. f.

*\*Note 1: Unit areas do not include outside storage, covered porches, patios, balconies, etc.*

- 2.) All single-family rental homes must have a minimum of thirty (30) feet of building facing the front street. These thirty (30) feet must be the sum of all front-facing dimensions adjacent to conditioned space and can include the “common” wall which is part of a front-facing garage as long as this wall is front-facing and conditioned on one side.
- 3.) All single-family rental homes must have a minimum of thirty (30) feet front yard building set-back from the curb. Each home must have a minimum of ten (10) foot side yards. (Minimum width of lot shall be fifty (50) feet.) Both lot width and side yard setbacks can be modified with the following exception: A ten (10) foot side yard setback on one lot side and a “zero lot line” setback on the other (thus, a forty (40) foot minimum lot width) will be allowed with a front-facing garage.
- 4.) All single-family rental homes must have a minimum of three (3) different front and rear elevation designs. No identical front elevations may be built next to each other.
- 5.) All single-family rental homes must have a minimum of three (3) different color schemes.
- 6.) Exterior Building Standards:

a. Exterior Finishing Materials:

1. Exterior building coverings: Very low maintenance materials are required. Acceptable materials include:
  - a. Brick;
  - b. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
  - c. Cementitious siding and trim material; or
  - d. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick decorative block or cultured stone must be used as an apron material.

2. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
4. Materials for entry doors are to be metal-clad wood, fiberglass, or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
5. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
6. Roof gable vents must be made of aluminum or vinyl materials. All roof penetrations must be located on the rear most section of the roofline.
7. All attics must be vented.
8. Exterior shutters are required on all single-family homes.
9. Units where a conventional wood frame foundation system is used, a non-wood "maintenance-free" composite decking material may be used at porches above a pressure treated wood framing system.

b. Other Exterior Standards:

1. Exterior lighting is required at entry doors.
2. Address numbers are to be clearly visible.
3. Two parking spaces for each home.
4. Metal flashing or 20 mil polyethylene when used in conjunction with self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. All rental units must have minimum of two (2) trees per unit and twelve (12) 1 gallon shrubs per unit.
6. Concrete curbing is required along all paved areas throughout the development site, including parking areas. Six (6) inch raised curbs and gutter design is required. No valley curbs allowed.
7. Sidewalk access to the front door and the driveway must be provided.
8. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
9. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants. Individual trash receptacle at each home may be provided instead of a single trash dumpster.
10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.

11. All community parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.
12. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, community building and amenities must be connected to the dwelling units by a sidewalk or walkway on one side of the street throughout the development.
13. All driveways must be concrete.
14. Mailboxes, playground and all exterior project amenities must be ADA accessible. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
15. No above ground propane tanks allowed on the site.
16. All onsite utilities must be underground.
17. Storm Water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

8.) Interior Building and Space Standards:

a. Wall Framing:

Walls may be framed using metal studs in lieu of wood.

b. Insulation Requirements:

1. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
2. Roof or attic insulation must have an R-38 minimum.
3. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

1. 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
2. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
3. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
4. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
5. A 4 foot fluorescent light fixture is required.
6. All appliances must be Energy Star rated.



7. A grease shield is required behind ranges on the wall.
- d. Bathroom Spaces:
    1. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with “factory-installed grab bars” where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.
    2. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
    3. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6’-0” above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14” x 24”.
    4. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.
  - e. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
  - f. All interior doors to habitable spaces in units subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
  - g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom
  - h. Window treatments are required for all windows.
  - i. Sliding glass doors are prohibited.
  - j. Floor Finishes:
    1. Carpet materials must meet FHA minimum standards.
    2. Resilient flooring materials must meet FHA minimum standards.
  - k. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.
    1. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.

9.) Plumbing and Mechanical Equipment:

- a. Water heaters must be high efficiency with a 0.95 EF minimum. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharges must be direct to exterior of building and elbow down to 6" above finish grade.
- b. Through-wall HVAC units are not permitted in single-family homes.
- c. CPVC supply piping is not allowed for interior space in-wall or overhead services.
- d. HVAC refrigeration lines must be insulated.
- e. HVAC 14 seer or greater must be used. HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.

**V. For Attached Rehabilitation of an Existing Building**

**The following outline of minimum standards must be used in designing Housing Credit (not applicable to projects with HOME funds) projects of twelve or more units.**

**Minimum Building Standards:**

1.) Minimum Apartment Unit Net Area Requirements:

Net area is measured from the interior finished face of the exterior wall to the interior finished face of the common or tenant separation wall.

1 Bedroom Unit	600 s.f.
2 Bedroom Unit	775 s.f.
3 Bedroom Unit	1,000 s.f.

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

No units may contain a bedroom of less than 90 square foot.

\*Note 1: Net unit areas do not include outside storage, covered porches, patios, balconies, etc.

2.) Exterior Building Standards:

a. Exterior Finishing Materials:

- 1. Exterior building coverings: very low maintenance materials are required. Acceptable materials include:
  - a. Brick;
  - b. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable; or
  - c. Cementitious siding and trim material.
  - d. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and

- covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.
2. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
  3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
  4. Materials for entry doors are to be metal-clad wood, fiberglass, or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
  5. No Mansard Roofs are allowed. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
  6. Roof gable vents must be made of aluminum or vinyl materials.
  7. All attics must be vented.
  8. Exterior shutters are required on all 100% Brick or vinyl siding buildings.
  9. Handrails and pickets must be constructed from steel or aluminum.
  10. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6" x 6 pressure treated columns concealed as noted above or properly sized columns of fiberglass, steel, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass, steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

b. Other Exterior Standards:

1. Adequate exterior lighting is required at entry doors.
2. Address numbers are to be clearly visible.
3. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
4. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. If bare spots or erosion exist in current landscaping, the area must be sodded. Landscaping around and between the buildings is allowed. One 2" caliper tree per unit and Six 1 gallon shrubs per unit.
5. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width
6. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
7. A minimum of one enclosed on a minimum of 3 sides trash dumpster or compactor is required that is enclosed. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.
8. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.

9. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the application by a geotechnical engineer.
10. All sidewalks and walkways must be concrete and at least 36 inches wide. All public building, community building and amenities must be connected to the dwelling units by a sidewalk or walkway.
11. Mailboxes, playground and all exterior project amenities must be on an accessible route as defined by the applicable accessibility standard(s). All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.
12. No above ground propane tanks allowed on the site.
13. Storm Water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

### 3.) Interior Building and Space Standards:

#### a. Insulation Requirements:

Roof or attic insulation must have an R-38 minimum.

#### b. Kitchen spaces:

1. A minimum 6 1/2-inch deep double bowl stainless steel sink is required in each unit.
2. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
3. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
4. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
5. A 4 foot fluorescent light is required.
6. All appliances must be Energy Star rated.
7. A grease shield is required behind ranges on the wall.

#### c. Bathroom Spaces:

1. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.

2. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.
  3. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'- 0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
  4. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.
- d. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.
  - e. All interior doors to habitable spaces in units subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum clear width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
  - f. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.
  - g. Window treatments are required for all windows.
  - h. Sliding glass doors are prohibited.
  - i. Floor Finishes all flooring must be replaced:
    1. Carpet materials must meet FHA minimum standards.
    2. Resilient flooring materials must meet FHA minimum standards.
  - j. A minimum of two hard-wired with battery back-up smoke detectors is required per unit. Townhomes must have a minimum of one smoke detector upstairs.
  - k. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
  - l. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
- 4.) Plumbing and Mechanical Equipment:
- a. Water heaters must be high efficiency with a 0.95 EF minimum. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharge must meet applicable building code requirements.
  - b. Through-wall HVAC units are not permitted in residential units except in efficiency units.
  - c. HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets with insulated walls located within the living unit. Water heaters are to be located within the living unit.
  - d. HVAC refrigeration lines must be insulated.

- e. HVAC 14 seer or greater must be used. On single-family homes the HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.
- f. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.

### **VIII. Reports and Inspections**

AHFA will engage a third-party construction consultant to review the final plans and specifications prior to construction for each approved project to ensure that it meets all applicable requirements of AHFA's Design Quality Standards and Construction Manual. The applicant/owner, project architect and general contractor will certify that the project meets the federal Fair Housing Amendments Act, the Americans with Disabilities Act and all additional accessibility requirements at the time of the submittal of the final plans and specifications, the completion of the project and the issuance of the IRS Form 8609. In addition to the plans and specification review, AHFA has the right to inspect the project during the following phases of development:

1. During construction;
2. At the completion of construction and
3. Prior to issuance of the IRS Form 8609.

The applicant will be responsible for the actual cost of work completed by AHFA designated consultants.

## **Addendum D**

### **2017 HOUSING CREDIT QUALIFIED ALLOCATION PLAN**

#### **Compliance Monitoring Procedures, Requirements and Penalty Criteria**

As referenced in Section III “Compliance Monitoring” of the 2017 Housing Credit Qualified Allocation Plan “QAP”, the AHFA Compliance department will conduct monitoring procedures and requirements to ensure owner and project compliance with Section 42 (m)(1)(B)(iii) of the Internal Revenue Code and all requirements as specified in the QAP.

#### **I. Compliance Monitoring Procedures and Requirements:**

- A. AHFA will require each owner of a Housing Credit project to maintain records for each qualified Housing Credit building in the project. These records must show, for each year in the compliance period, the information required by the record-keeping provisions contained in Section 1.42-5 (b) (1) of the Treasury Regulations, incorporated herein by reference.
- B. AHFA will require owners to retain the records documenting compliance with Section 42 of the Internal Revenue Code “Section 42” for each year as described in Paragraph A above for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. AHFA will also require owners to retain the records for the first year of the credit period for at least six (6) 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.
- C. Each owner must enter all required tenant data into the AHFA DMS Authority Online “AHFA DMS” by February 1<sup>st</sup> of each year. The required tenant data must be for all tenant events, including all move-in and move-out occurrences, income recertification, and transfer of tenants through the previous year ended December 31<sup>st</sup>.
- D. By March 1<sup>st</sup> of each year AHFA must receive from each owner of a Housing Credit project an Annual Owner’s Certification “AOC”, under penalty of perjury, as provided in Section 1.42-5 (c)(1) of the Treasury Regulations. The AOC will be completed using AHFA DMS or other approved method as provided by AHFA’s Compliance department. In addition to completing the AOC the owner must submit a rent roll for December 31<sup>st</sup> of the previous year unless all of the required tenant data described in Section I C of Addendum D has been entered into the AHFA DMS. Once the AOC is received AHFA will review for compliance with the requirements of Section 42. Penalty points as described in Section II A of Addendum D will be applied if an owner fails to submit an AOC by March 1<sup>st</sup> of each year. Failure to submit the AOC to AHFA within thirty (30) days after written notification of non-receipt by AHFA will result in a \$500 late fee.
- E. Owners must submit to AHFA an annual financial statement of the project by May 1<sup>st</sup>. Projects with Housing Credits and HOME funds must submit annual audited financial statements prepared

by a licensed Certified Public Accountant. All financial statements may be sent electronically by e-mail, flash drive, thumb drive or memory stick. Paper financial statements should not be bound or stapled. Also, owners must submit a copy of the Schedule A (Form 8609) Annual Statement filed with the federal income tax return of the ownership entity for each project by May 1<sup>st</sup>.

- F. AHFA will inspect the required Housing Credit projects on an annual basis. AHFA will also review the income certification, the documentation the owner has received to support that certification, and the rent records for each tenant in at least twenty-five percent (25%) of the Housing Credit units of each project. AHFA will determine which tenants' records are to be inspected in accordance with Section 1.42-5 (c) (2) (iii) of the Treasury Regulations. AHFA will also conduct a physical inspection of a random sampling of a project's units. The number of units in this random sampling is the lesser of twenty percent (20%) of the Housing Credit units in each project or the amount of units listed in the Low Income Housing Credit Minimum Unit Sample Size Reference Chart provided by the Internal Revenue Service "IRS". Additional household files and/or units may be inspected up to one-hundred percent (100%) if deemed necessary by AHFA's Compliance team.
- G. The owner must allow AHFA or its designated representative to perform additional on-site inspections of any Housing Credit unit or building in a project through the end of the affordability period. These additional inspections are separate from any review of tenant files or units under Paragraph F. Inspections performed outside of Paragraph F will be at the expense of the owner. Each unit or building inspection will be performed using the Uniform Physical Condition Standards "UPCS" guidelines established by HUD. The UPCS standards and related definitions provided by HUD ([http://www.hud.gov/offices/reac/pdf/pass\\_dict2.3.pdf](http://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf)) provide guidance for at least five hundred twenty (520) compliance protocols.
- H. AHFA will promptly notify the owner in writing if AHFA does not receive the AOC, or is not permitted to inspect and review as described in Paragraphs F and G, or otherwise discovers that the project does not comply with Section 42. In such event, the owner will be informed in writing of the stipulated period to supply missing documentation or to correct noncompliance commencing on the date of the notification letter.
- I. AHFA will notify the IRS of an owner's noncompliance or failure to submit an AOC no later than forty-five (45) days after the end of the time allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. AHFA will notify the IRS by filing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance for the first 15 years of the IRS compliance period. Additionally, AHFA may notify HUD if deemed appropriate.
- J. AHFA will charge fees to cover the ongoing administrative expenses in monitoring compliance and to collect all expenses incurred in carrying out its duties as the Housing Credit agency, including, but not limited to, reasonable fees for legal and professional services. (Reference Chapter 1 Section 1.4 of AHFA's compliance manual.)



- K. Compliance with requirements of Section 42 is the responsibility of the owner of the building for which the Housing Credits are allowed. The owner of each building for which the Housing Credits are allowed is also responsible for compliance with all of the accessibility, adaptive design and construction requirements of the Fair Housing Act. Failure to comply with the requirements of Section 42 or the Fair Housing Act may result in the loss of Housing Credits pursuant to Section 1.42-9 of the Treasury Regulations.
- L. AHFA's monitoring of an owner's compliance with the requirements of Section 42 and the Fair Housing Act does not make AHFA or the State of Alabama liable to any owner or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any owner for an owner's non-compliance therewith.
- M. It is the policy of AHFA to immediately report to the appropriate federal department and the cognizant inspector general of such department any indication of fraud, waste, abuse, or potentially criminal activity pertaining to federal funds.
- N. AHFA will report its compliance monitoring activities annually on Form 8610.
- O. A copy of the Form 8609 with Part II completed by the owner must be submitted to AHFA the first year housing credits are claimed for a building.
- P. The owner must submit a copy of any health, safety, or building code violation reports issued by any regulatory or third party entity to AHFA's compliance department.

## **II. Penalty Scoring, Fees for Non-Compliance and Suspension Criteria**

According to the UPCS standards and related definitions provided by HUD ([http://www.hud.gov/offices/reac/pdf/pass\\_dict2.3.pdf](http://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf)), there are at least five hundred and twenty (520) compliance protocols for which, if noncompliance is found, are reportable noncompliance items to the IRS. AHFA has identified certain specific compliance protocols in Section II D of this Addendum as automatic penalty point deduction items, which for the rest of this document will be referred to as point deduction items, when noncompliance is discovered. AHFA expects, at a minimum, that each owner and management company will develop a routine inspection process to ensure the items defined in Section II D are regularly inspected by their respective staff on an ongoing basis. The point deduction item categories address health and safety concerns, sanitary nature and habitable living conditions of each unit and project, and AHFA standards for minimal record-keeping practices. If prior to an inspection an owner notifies AHFA of an issue and provides an acceptable plan of corrective action, AHFA will not deduct points for that issue. The owner's plan for corrective action must include details for how the issue will be resolved along with a deadline for when the issue will be resolved. Since AHFA will generally provide up to a three (3) day notice with regard to scheduling compliance inspections, no cure period will be allowed for the point deduction items defined under Section II D.

Point deductions will **not** be deducted from a 2017 multifamily applicant's score until the cumulative total of all point deductions collected during 2016 (January 1<sup>st</sup> through December 31<sup>st</sup>) exceeds four (4) points.

If an applicant's cumulative total of all point deductions is five (5) points or more, then the total of **all** point deductions **will be** deducted from an applicant's score on their 2017 multifamily application(s). All point deductions will be assessed to both the owner and the management company for the 2017 allocation cycle as follows:

- A. One (1) point will be deducted for each project for which the owner does not submit the correct and complete AOC and the previous year-end Rent Roll to AHFA's Compliance Department by March 1, 2017.
- B. AHFA will review all results of third party inspection reports it receives from any local, state, federal or financial entity or institution with an interest in the project which contains noncompliance issues as defined in the QAP. AHFA will apply applicable point deductions for items of noncompliance found in any third party report in accordance with Section II D of this Addendum.
- C. Should any of the negative actions listed in Section II D of the 2017 QAP (not Section II D of this Addendum) occur after a 2017 AHFA multifamily application(s) has been submitted and prior to approval by AHFA, AHFA has the right to **immediately terminate** the application(s) of anyone involved with these negative actions. AHFA will also suspend or permanently ban any owner from applying for funding or any management company from participating in an application for funding according to the following criteria:
  - a. If an owner is assessed a cumulative total of ten (10) points or more for all AHFA projects audited and/or inspected from January 1, 2016 through December 31, 2016, the owner will be **suspended immediately** from applying for any AHFA-funded multifamily program (low-income housing credit, HOME, Housing Trust Fund or multifamily tax-exempt bond) from the time the owner is notified of the suspension through December 31, 2017. If an owner is suspended after a 2017 AHFA-funded multifamily program application has been submitted but prior to approval by AHFA, any of the applications for which this owner is listed as one of the members will be **terminated immediately**.
  - b. If a management company is assessed a cumulative total of ten (10) points or more for all AHFA projects audited and/or inspected from January 1, 2016 through December 31, 2016, the management company will be **suspended immediately** from participating in any AHFA-funded multifamily program applications (low income housing credit, HOME, Housing Trust Fund or multifamily tax exempt bond) from the time the management company is notified of the suspension through December 31, 2017. If a management company is suspended after a 2017 AHFA-funded multifamily program application has been submitted, and the application is later funded, the ownership for the newly funded property must replace the suspended management company with a management company which is **not** currently under suspension. Furthermore, once a management company is suspended, a representative of the management company **must** attend compliance training at the AHFA office at a mutually agreeable time. Any transfer of management requests which involve a suspended management company will be rejected until the suspended management company completes a compliance audit/inspection year (January 1<sup>st</sup> through

December 31<sup>st</sup>) without a suspension and a representative of the management company attends the required compliance training at the AHFA office.

- c. If an owner is prohibited from participating for five (5) consecutive calendar years, the owner will be permanently banned from applying for any AHFA-funded multifamily programs (low-income housing credit, HOME, Housing Trust Fund or multifamily tax-exempt bond).
  - d. If a management company is prohibited from participating on any application for five (5) consecutive calendar years, the management company will be permanently banned from participating on any multifamily program applications for any AHFA-funded multifamily programs (low-income housing credit, HOME, Housing Trust Fund or multifamily tax-exempt bond). Any transfer of management requests which involve a permanently banned management company will be rejected.
- D. The following point deduction items discussed in Subsections a, b, and c below are not intended to supplant or usurp applicable local or other building codes. Point deductions will be based on AHFA's 2017 QAP and HOME Action Plan and will cover audits and inspections conducted January 1, 2016 through December 31, 2016. If an applicant has less than three (3) AHFA-funded properties, at least one property the applicant owns will be inspected as referenced in Section II E herein. Points will be assessed to the owner and management company of record at the time of inspection unless ownership or management company changes have occurred within the last six (6) months. Point deductions for this QAP will be based on the following methodology:
- a. Health and Safety Deficiencies - Two (2) points per occurrence (or collectively per project audited if the same deficiency) will be assessed for health and safety deficiencies, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or the management company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, four (4) additional points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Health and Safety Deficiencies":*
    - i. Missing, non-charged or empty fire extinguishers (for properties funded under the 1999 QAP and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
    - ii. Missing or non-working smoke detectors for more than twenty-five percent (25%) of the total units inspected. A missing or non-working smoke detector is defined as not having at least one operable smoke detector per floor for each apartment unit inspected. Any

findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.

- iii. Missing fire canisters above the cooktop surface or temperature limiting plates on the cooktop surface (applies to properties funded under the 2013 QAP and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
- iv. Exposed electrical wiring or electrical hazards including, but not limited to, missing, damaged or improperly installed cover plates or wire guards which leave connections exposed or missing fuse box blanks. Exposed electrical wiring or electrical hazards located in a locked area where the resident(s) cannot gain access must be repaired but will not cause a point deduction. Any findings in this category located in a locked area where the resident(s) cannot gain access will be subject to the penalty criteria as defined in Section II D e herein.
- v. Insect infestation (based on visible presence, damage or reports), including, but not limited to, owner's failure to notify AHFA of any bed-bug infestation.
- vi. Mold or mildew in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
- vii. Tripping hazards due to damaged sidewalks, parking lots, or other accessible exterior routes.
- viii. Missing, broken or loose handrails or steps.

b. Unit Deficiencies - One (1) point per occurrence (or collectively per project audited if the same deficiency) will be assessed for each of the units inspected for any of the deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or the management company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, two (2) additional points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Unit Deficiencies":*

- i. Missing or inoperable plumbing fixtures.
- ii. Missing or disconnected stoves, dishwashers, or refrigerators.
- iii. Missing, improperly installed, affixed, or damaged cabinetry such as extensive mold or damage which would cause the cabinetry to be replaced in the unit.

- iv. A missing or damaged drawer in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
  - v. Boarded, broken or missing exterior windows or doors.
  - vi. Units which have been vacant for more than thirty (30) days and are not suitable for occupancy or are found to be unsanitary. A unit which is suitable for occupancy should at a minimum include removal of the previous household's items (furniture, clothing and trash), repairs to the walls and floors completed, cleaned carpets and walls and general maintenance completed to the unit which creates an overall market readiness. If a unit which has been vacant for more than thirty (30) days suffers damage due to fire, storm, vandalism or natural disaster (while vacant) a point will not be deducted as long as the owner immediately reports this damage to AHFA upon its discovery.
  - vii. Units unable to be accessed or inspected by AHFA at the time of its inspection/audit due to an owner/owner agent's inability to unlock the unit's exterior door locks prior to AHFA inspectors' exit interview.
- c. Project or Unit Amenity Deficiencies - One (1) point per occurrence (or collectively per project audited if the same deficiency) will be assessed for the project or unit amenity deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or the management company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, two (2) additional points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Project or Unit Amenity Deficiencies":*
- i. A project amenity listed in the owner's application which is found to be missing. The owner must notify AHFA **immediately** upon occurrence if any of their project amenities have been damaged, rendered unusable or subject to replacement along with a written plan to repair or replace said amenities within a timeframe acceptable to AHFA.
  - ii. A unit amenity listed in the owner's application which is found to be missing in more than twenty-five percent (25%) of the total units inspected. The owner must notify AHFA **immediately** upon occurrence if any of their unit amenities have been damaged, rendered unusable or subject to replacement along with a written plan to repair or replace said amenities within a timeframe acceptable to AHFA. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.

- d. Documentation or File Deficiencies - One (1) point per occurrence (or collectively per project audited if the same deficiency) will be assessed for the documentation or file deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or the management company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, two (2) additional points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows “Documentation or File Deficiencies”:*
- i. The failure to obtain an updated utility allowance which results in a household’s gross rent being in excess of the applicable gross rent limit.
  - ii. If over twenty-five percent (25%) of the households in a project are over the applicable income limit. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
  - iii. If over twenty-five percent (25%) of files selected for audit are missing. Any findings related to this category that is twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
  - iv. If over twenty-five percent (25%) of files selected for audit indicates that tenants are ineligible households due to student rule violations. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
  - v. If over twenty-five percent (25%) of the households in a project were charged over the maximum applicable rents. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II D e herein.
- e. Other General Deficiencies - Two (2) points per occurrence (or collectively per project audited if the same deficiency is cited) will be assessed for other general deficiencies if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party and is uncured after the end of the written specified timeframe to cure the deficiencies. All timeframes for curing deficiencies will be submitted in writing. General deficiencies include all violations or deficiencies not listed in the preceding paragraphs that are cited as findings during the AHFA onsite audits.
- E. Applicant/Owner(s) with less than three (3) projects funded with Housing Credits or HOME funds awarded by AHFA will be subject to the penalty criteria as specified herein in Section II. AHFA will apply the same scoring criteria to any new applications submitted by any owner/applicants with less than three (3) projects funded with Housing Credits or HOME funds awarded by AHFA

if any AHFA or non-AHFA units inspected by AHFA, its designated representative or other unrelated third party are cited for any Health and Safety Deficiencies, any Occupied or Vacant Deficiencies, or any Project or Unit Amenity Deficiencies.