

2019

# Chapter 16 - Low Income Housing Tax Credit. 2019 Qualified Allocation Plan

Maine State Housing Authority



# Low Income Housing Tax Credit

## 2019 Qualified Allocation Plan



## **CHAPTER 16 LOW-INCOME HOUSING TAX CREDIT RULE**

### **Table of Contents**

SECTION 1: INTRODUCTION.....	1
SECTION 2: HOUSING NEEDS AND PRIORITIES .....	1
SECTION 3: SET-ASIDES AND MAXIMUM CREDIT AMOUNT.....	2
SECTION 4: ALLOCATION PROCESS.....	2
SECTION 5: THRESHOLD REQUIREMENTS.....	6
SECTION 6: SCORING CRITERIA .....	11
SECTION 7: PROJECT EVALUATION.....	22
SECTION 8: ALLOCATION OF CREDIT .....	24
SECTION 9: TAX-EXEMPT BOND FINANCED PROJECTS.....	26
SECTION 10: MONITORING .....	26
SECTION 11: GENERAL.....	29
STATUTORY AUTHORITY.....	30
BASIS STATEMENT .....	30
FISCAL IMPACT OF THE RULE: .....	33

## 99-346 MAINE STATE HOUSING AUTHORITY

### Chapter 16: LOW-INCOME HOUSING TAX CREDIT RULE

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#### SECTION 1: INTRODUCTION

The federal Low-Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986 to encourage private capital investment in the development of affordable rental housing. It is governed by Section 42 of the Internal Revenue Code of 1986, as amended, and associated regulations. As the designated housing credit agency for the State of Maine, MaineHousing is required by Section 42 of the Code and 30-A MRSA §§4741(1) and (14) to adopt a Qualified Allocation Plan (QAP) for allocating and administering LIHTC; this rule is the State's QAP.

This rule repeals and replaces in its entirety the prior Chapter 16, *Low Income Housing Tax Credit Rule*, except that the allocation provisions continue to apply to projects that were awarded LIHTC under a prior rule, or a program subject to a prior rule.

Capitalized terms used in this rule are defined in **Appendix A**, unless the context otherwise indicates, or if not defined therein, have the same meaning as set forth in Section 42 of the Code.

#### SECTION 2: HOUSING NEEDS AND PRIORITIES

MaineHousing and the Department of Economic and Community Development annually complete a statewide needs assessment as part of the Consolidated Housing and Community Development Plan. *Maine Consolidated Plan (2015-2019)* establishes the following housing priorities:

1. efficient use of the Credit and other MaineHousing resources to maximize the development of affordable rental housing;
2. provide affordable rental housing for households with the lowest income to the extent possible with available resources;
3. provide affordable rental housing in areas with the highest need and access to services, employment, education, health care, public transportation and other opportunities important to the tenants;
4. provide housing that offers services, amenities and other assistance appropriate for the needs of the tenants to increase housing quality and stability; and
5. preservation of existing affordable rental housing that is at risk of being lost due to deterioration or market conditions.

### SECTION 3: SET-ASIDES AND MAXIMUM CREDIT AMOUNT

- A. Nonprofit Set-Aside. MaineHousing will set aside ten percent (10%) of the annual State Ceiling for Projects in which a Qualified Nonprofit Organization owns an interest and materially participates in the development and operation throughout the Compliance Period in accordance with Section 42(h)(5)(B) of the Code. An Applicant will qualify if it is owned by either a Qualified Nonprofit Organization, or a business corporation which is 100% owned by one or more Qualified Nonprofit Organization(s), and (in accordance with Section 42(h)(5)(C) of the Code) it is the general partner or manager/managing member and controls the Project's development and day-to-day operation.
- B. Preservation Set-Aside. MaineHousing will set aside up to \$300,000 of the annual State Ceiling for the preservation and rehabilitation of one existing multifamily rental housing project if the scope of rehabilitation meets the minimum requirements set forth in Section 5.D.2. and one of the following:
1. at least 25% of its units, or those in a Related Development, are assisted under a Rural Development program; or
  2. at least 25% of its units will be converted to Section 8 under HUD's Rental Assistance Demonstration (RAD) Program.

Demolition and reconstruction of housing site will be treated as new construction and is not eligible for this set-aside.

- C. **Maximum Credit Amount.** The maximum amount of Credit that will be allocated for each Project is the lesser of (i) \$20,000 per Credit Unit, (ii) 25% of the 2019 State Ceiling, and (iii) the amount MaineHousing determines is necessary to ensure the Project's financial feasibility and long-term viability.

### SECTION 4: ALLOCATION PROCESS

- A. Pre-Application Submission. Each Project must undergo a mandatory Pre-Application review by MaineHousing to assess its feasibility, suitability for housing, and eligibility for Credit. Applicants must submit the information and documents set forth in **Appendix B** with the pre-application fee specified in Section 4.C. to MaineHousing by Friday, July 20, 2018. MaineHousing will meet with an Applicant by Tuesday, August 21, 2018, to discuss its Project. An Applicant will not be eligible for Credit if
1. it fails to provide a complete Pre-Application submission in accordance with this subsection, or
  2. there is any material change in the Project between the Pre-Application submission and the Application unless required by MaineHousing.

B. Application. Applications are subject to the following limitations, conditions and requirements:

1. Limits on Applications.

- a) **Number of Applications.** Applicants, Principals thereof, and Affiliates of either cannot submit more than two (2) Applications per LIHTC round. A development consultant cannot be involved as a consultant, Principal of an Applicant, or Affiliate thereof in more than three (3) Applications per round.
- b) **Acquisition and Rehabilitation Projects.** Projects that involve the acquisition and rehabilitation of Affordable Housing must include the addition of at least 20 new units, or meet the requirements of the Preservation Set-Aside in Section 3.B.
- c) **Demolition of Existing Housing.** Demolition of existing housing that has not been condemned or declared blight by a municipality is not eligible unless approved by MaineHousing.

2. Deadline. The deadline for submitting Applications for the 2019 State Ceiling is 5:00 PM on Thursday, September 20, 2018.

3. Format. The Application must be completed and submitted electronically in the form and manner prescribed by MaineHousing. MaineHousing may require the Applicant to submit additional information.

C. Fees. Applicants must pay the following fees when due. All fees are non-refundable.

Type of Fee	Amount	Due Date
Pre-application Fee	\$2,000	By Pre-application deadline in Section 4.A.
Application Fee	\$2,500	Postmarked for delivery by Application deadline in Section 4.B.2
Allocation Fee	7.5% of Credit	Earlier of Carryover Allocation (Section 8.B.) or Final Allocation (Section 8.A.)
Monitoring Fee*	\$1,000 per Credit Unit	Final Allocation (Section 8.A.)

\*MaineHousing may charge an additional monitoring fee to cover any increased costs due to unforeseen changes in monitoring requirements during the Compliance Period.

D. Ineligible Applicants. An Application will be deemed ineligible if one or more of the following has occurred:

1. The Applicant, any Principal thereof, or Affiliates of either

- a) Has an uncorrected IRS Form 8823 in connection with any LIHTC Project to the extent it is correctable unless previously waived by MaineHousing.
  - b) Has been declared in default or has been 60 days or more delinquent on any loan with MaineHousing, unless the default or delinquency has been cured or there is an approved payment or workout plan in good standing prior to the Application deadline.
  - c) Has ever been the owner of any project in which MaineHousing has foreclosed a mortgage interest or received a deed-in-lieu of foreclosure of a mortgage interest unless previously waived by MaineHousing.
  - d) Is presently debarred, suspended, proposed for debarment, or excluded from participation in any federal or state programs.
  - e) Has in the last 10 years either commenced or had commenced against it any proceeding in or for bankruptcy, receivership, reorganization, or any other arrangement for relief from creditors that affected a MaineHousing-funded project and was not dismissed within 90 days.
  - f) Has an ownership interest, development consulting contract, or other material role in more than four (4) LIHTC Projects that were awarded Credit under any State Ceiling and have not yet been completed. Complete means the issuance of an unconditional Certificate(s) of Occupancy or equivalent approval of the governing municipal authority, sign-off by MaineHousing's Construction Services Department, and the closing and full funding of all permanent financing sources for the Project.
  - g) Submitted an Application in the previous round that MaineHousing re-scored due to an increase in TDC, and found the Application's total score was lower than the highest scoring Application on the waiting list.
2. The tax credit syndicator, investor, or Affiliates of either
- a) transferred its interest in any LIHTC Project after March 25, 2014 in violation of the Ownership Transfer Rule; or
  - b) failed to make any required capital contributions with respect to any LIHTC Project, and has not corrected such actions prior to the Application deadline.

MaineHousing may reject the Application if it determines the deficiencies are not addressed. MaineHousing may also require financial statements from the Applicant, Principal thereof, or Affiliates of either.

- E. Notice to Local Jurisdiction. Upon receipt of an Application, MaineHousing will notify the Chief Executive Officer of the municipality with jurisdiction over the location of the

proposed Project. The notice will provide for a 15-day comment period. MaineHousing will consider any comments received.

- F. Selection Process. Applications for the State Ceiling with the highest scores will be awarded Credit until the applicable State Ceiling is fully awarded.
1. The preservation set-aside is limited to one Project. If the set-aside is not sufficient to complete the Project proposed in the highest-scoring eligible Application, MaineHousing may allocate additional Credit, allocate the Credit under the set-aside to the next highest-scoring eligible Application that does not need more than the set aside, or not allocate any Credit under the preservation set-aside. All Applications that participate in the preservation set-aside and do not win will be placed on a waiting list.
  2. The highest scoring Qualified Nonprofit Organization will be the winner of the nonprofit set-aside regardless of its ranking among other Applicants. If the set-aside is not fully awarded to the highest eligible Applicant, MaineHousing may allocate additional Credit to the next highest scoring eligible Applicant for the set-aside, not fully allocate Credit under the set-aside, or require an Applicant that has not indicated that it is participating in the set-aside to participate in the set-aside. MaineHousing may, if necessary, require the Applicant to change its ownership structure. All Applications that participate in the nonprofit set-aside and do not win will be scored with the other Applications.
  3. Except as set forth above, MaineHousing will make awards in score order to select threshold-eligible Applications. If the last Application selected for an award of Credit needs more Credit than remains under the applicable State Ceiling, MaineHousing may elect to either (a) not award the remaining Credit to any Application, or (b) award additional Credit under the next annual State Ceiling to the Application. All threshold-eligible Applications that are not selected will be placed on a waiting list. Any Credit that is returned or is otherwise unused will be made available to waiting list Applications using this process
- G. Notice to Proceed. MaineHousing will meet with each Applicant selected for a Credit award. If the Applicant accepts the Credit award conditions, MaineHousing will issue a Notice to Proceed. Applicants must execute and return the Notice within the time period specified.
- H. Credit Allocation. Upon receipt of the fully executed Notice to Proceed, MaineHousing will evaluate the Application pursuant to Section 7 to determine the amount of Credit, if any, to be allocated.
- I. Termination of Application or Notice to Proceed. MaineHousing will deem an Application withdrawn and any Notice to Proceed cancelled if one or more of the following occur without MaineHousing's written approval after the Application is submitted:
1. The Application or the Notice to Proceed is assigned or the Applicant or any Principal thereof changes.



2. The location of the Project changes from the location identified in the Application.
3. There is any change which would result in a net reduction in the Application's score except as provided in Section 6.H.
4. There is a change in the Project's design or financing from what was in the Application which MaineHousing determines would result in a substantial increase in the amount of Credit or other MaineHousing funding.
5. The Project's TDC Index exceeds the TDC Index Cap, or any other failure to meet the threshold requirements in Section 5.
6. There is any other material or substantive amendment or change to the Application.
7. Any event in Section 4.D. occurs and is not cured within any applicable cure period.
8. A notice of funding award for the acquisition, rehabilitation and/or construction of the Project is issued under another MaineHousing program.

## **SECTION 5: THRESHOLD REQUIREMENTS**

Applications must meet the following threshold requirements to be eligible for Credit:

- A. **Affordability.** An Applicant must agree that the Project will comply with Section 42 of the Code and this QAP for a minimum period of 45 years to maintain the Project as residential rental housing, keep at least 40% of the total Credit Units in a Project occupied by persons with 50% area median income, and keep the Credit Units in the Project rent-restricted in accordance with Section 42 of the Code.
- B. **Section 811.** For Family Housing, the Applicant agrees to accept HUD Section 811 Project Rental Assistance (PRA) and comply with the program requirements, if made available by MaineHousing. This does not necessarily constitute a commitment of PRA funding.
- C. **Total Development Cost (TDC).** Cost reasonableness will be evaluated using an index, which is the weighted average of the TDC per unit and the TDC per bedroom. For mixed-use projects, the TDC for only the residential portion of the project, including common areas, will be used for this calculation. The weighted average will be calculated as follows:

$$[(2 \times \text{TDC/unit}] + [\text{TDC/bedroom}] \text{ divided by } 3.$$

The product of this calculation will be referred to throughout this document as the "TDC Index". An Application will be rejected if the TDC Index exceeds the TDC Index Cap below for a project of its type at any time prior to the later of the construction loan closing or carryover allocation.

Type of Project	TDC Index Cap
Adaptive Reuse	\$265,000 per unit
New Construction	\$230,000 per unit
Acquisition and Rehabilitation of Existing Housing	\$150,000 per unit

Demolition and reconstruction of all housing on the same site or another site will be treated as new construction. If a Project involves more than one project type, the TDC Index Cap for the Project is the average of the TDC Index Caps allocable to each type, weighted by the number of units of each type.

- D. Acquisition and Rehabilitation of Existing Housing. Projects that involve the acquisition and rehabilitation of existing multifamily housing are subject to the following:
1. Capital Needs Assessment. The Application must include a capital needs assessment satisfying the requirements set forth in **Appendix C**.
  2. Minimum Rehabilitation Requirements. The Rehabilitation Costs per unit of existing housing must be at least \$50,000.
  3. Relocation/Displacement. The Project must comply with MaineHousing’s *Temporary Relocation and Permanent Displacement Policies* and, if the Project is federally-assisted, all applicable federal requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. The Applicant must take reasonable steps to minimize the displacement of existing tenants of the Project. The Application must identify any tenants who will be permanently displaced and the reason for the displacement. The Project’s TDC must include all costs associated with permanent and temporary displacement or relocation. MaineHousing will not allocate Credit until it has approved a project’s relocation plan.
- E. Development and Management Experience and Capacity. Applicant teams must have sufficient knowledge, experience and capacity to adequately design, develop, complete, maintain, manage, and operate LIHTC Projects and provide related services, such as accounting, tax and legal advice, and resident service coordination. If MaineHousing determines the Applicant’s team lacks sufficient qualifications, the team may be required to:
1. hire a qualified consultant,
  2. hire additional qualified staff, or
  3. replace a team member.
- F. Site Control. The Applicant must have site control of the Project throughout the Application process in the form of an option, a purchase and sale contract, ownership, or long-term lease. The Applicant, its agents, and MaineHousing must have access to the Project site, and if the

Project is an existing occupied property, access to records and other information about the existing tenants, including current rent and income information.

G. Growth Management Limitations. A Project that involves the new construction or acquisition of newly-constructed residential rental property or the conversion of existing buildings to residential rental property must comply with the State's Growth Management Law, 30-A M.R.S.A. § 4349-A, as amended. Projects must meet one of the following two sets of criteria to be eligible for a Credit allocation:

1. If the municipality in which the Project is located has adopted a comprehensive plan or growth management plan that is consistent with applicable State law, then the Project must be in a designated growth area as identified in such plan.
2. Otherwise, the Project must be located in an area
  - a) served by a public sewer system with existing capacity for the Project,
  - b) identified as a census-designated place in the latest Federal Decennial Census, or
  - c) in an urban municipality and defined under 23 M.R.S.A. § 754 as compact.

The law exempts projects that exclusively serve certain populations, such as persons with disabilities, who are homeless, or are wards of the State.

H. Project Feasibility. The Applicant must have the financial ability to develop and complete the Project and to operate it throughout the Compliance Period.

1. Development Budget. The Applicant must identify all
  - a) sources of funding for development and completion, whether direct or indirect, including the amount, timing, terms, conditions, and status (e.g. "applied for" or "committed") as of the date of the Application and uses of the funding based on the projected costs of and schedule for developing and completing the Project; and
  - b) sources and uses of funding for the Project, whether direct or indirect and whether they are included in the development budget for the Project.
2. Operating Budget. The Applicant must identify all
  - a) Sources of income, including rent from the residential units, any income from commercial or non-residential space, and the amount, terms and conditions of rental or operating assistance.
  - b) Costs of operating the Project as projected over the Compliance Period. The Applicant also must identify all forms of property tax relief (such as a PILOT, tax

abatement or exemption, or Tax Increment Financing) and other assistance that reduces operating costs.

2. Related Development. Any Related Development must be completed prior to or concurrently with the completion of the Project, and there must be sufficient funding to operate the Related Development.
3. Financial Re-Characterization. MaineHousing may re-characterize any information about the sources and uses for a Project and any Related Development, such as information that is inconsistent with the requirements of a funding source or is unreasonable based on comparable LIHTC Projects, industry standards, or market conditions. The Applicant must address all development and operating deficits identified by MaineHousing.

- I. Market Study. The Application must include a comprehensive market study prepared by a qualified professional in accordance with the *National Council of Affordable Housing Market Analysts Model Standards for Market Studies for Rental Housing*. The market study must have an effective date within 120 days of the Credit round deadline.

MaineHousing may require the Applicant to either correct any inadequacies it identifies or submit a new market study. MaineHousing also may elect to commission its own market study.

- J. Project Design. The design and construction or rehabilitation of the Project must comply with MaineHousing's Construction Standards and all applicable local, state and federal codes, regulations, statutes and ordinances.

- K. Project Amenities and Services.

1. Community Room. The Project must include an on-site community room with sufficient capacity to serve tenants' needs. For a scattered-site Project, only one community room is required and should be centrally located to the greatest extent possible to best serve all tenants.
2. Laundry Facilities. The Project must include either a washer/dryer hook-up in each unit or a fully accessible, centrally located laundry facility with sufficient capacity to serve all tenants.
3. Telemedicine Capabilities. Applications must include
  - a) broadband capacity sufficient to support the provision of Telemonitoring and/or Telehealth services; and
  - b) a plan outlining how the project management will provide Telemonitoring and/or Telehealth services, to include:

1. applicable project design features,
2. patient/resident health care privacy considerations,
3. relationships with provider partners,
4. provider access, and
5. services provided.

The providers and the tenants may not be charged for the use of the internet or wireless and telephone services provided for telemedicine services.

4. Shared Facilities. An amenity will meet the requirements if the Project
    - a) is fully accessible and located on an accessible path to the Project,
    - b) is within an existing multifamily housing project adjacent to the subject site,
    - c) has sufficient capacity to serve both the Project's tenants and the existing project,
    - d) will be available to the Project's tenants during the Compliance Period on the same terms as the residents of the existing multifamily project, and
    - e) will not charge the tenants to use the shared amenity other than a reasonable fee that does not exceed the amount charged to any others for the same use.
  5. Recreational Activities. An area(s) of recreational activity must be located on the Project site or within a Safe Walking Distance of ½ mile. The area(s) and activities must be free of charge to the tenants and not require membership. Projects with single-family detached style units satisfy this requirement if each unit has a private lawn with sufficient room for playground equipment, gardening or other activities acceptable to MaineHousing.
  6. Exceptions. The requirements of this subsection do not apply to existing multifamily housing projects if the Applicant cannot comply with the requirements because of the nature of the site, structural limitations, zoning restrictions, or other land use limitations.
- L. Resident Service Coordination. The Applicant must make a resident service coordinator available to the tenants on-site a minimum of one (1) hour per week for every five (5) Credit Units over an appropriate number of days each week acceptable to MaineHousing. The coordinator shall meet with tenants in a private and confidential manner to evaluate individual needs and make appropriate referrals. The services provided must be free of charge to the tenants. The Applicant must maintain adequate funding throughout the Compliance Period.
- M. Smoke-free Housing. The Applicant must
1. implement a written occupancy policy prohibiting smoking in the units and common areas,

2. include a non-smoking clause in the lease for every household, and
3. make educational materials on tobacco treatment programs (including the phone number for the statewide Maine Tobacco HelpLine) available to all tenants through the resident service coordinator.

N. **Waiting List Preference.** The Applicant must give an occupancy preference to eligible persons whose names are on a public housing or Section 8 waiting list, except for Projects financed by Rural Development or with Section 8 Project-Based Rental Assistance.

## **SECTION 6: SCORING CRITERIA**

The Applicant must complete all information and submit all documentation required to be eligible for points.

### **Project Characteristics (maximum of 34 points)**

A. **Rehabilitation or Reuse of Existing Housing, Structure or Site. **3 Points****

The Project site exhibits one or more of the following characteristics:

1. rehabilitation of existing rental housing containing 5 or more units without permanently displacing any existing tenants or increasing their housing costs (including rent and all other charges paid by the tenant) by more than 10%;
2. rehabilitation, remediation, or reuse of an existing building or structure that has a current use other than multifamily rental housing;
3. one or more buildings or structures used for purposes other than single family residential housing or agricultural purposes, have been or will be demolished or removed for purposes of redeveloping the site;
4. left vacant or nearly vacant in the development of a downtown or other city or town center, such as a vacant lots or parking lots abutting commercial buildings and/or multifamily rental housing; or
5. specifically designated by a municipality for redevelopment to renew a blighted area or remediate environmental risks to the occupants.

Undeveloped portions of existing sites, regardless of use, and vacant lots in single-family residential areas are not eligible for points under this subsection.

B. **Historic Rehabilitation. **3 points****

The Project includes the rehabilitation of a certified historic structure using capital contributions generated from federal and state historic rehabilitation tax credits.

C. Populations with Special Needs. **3 points**

The Project gives an occupancy preference for at least 20%, but not less than 4 of the units, to persons who are homeless or displaced, have disabilities, are victims of domestic violence, or have other special housing needs.

The Applicant must commit to maintain a waiting list for the specific population(s) that qualify for the preference or the set-aside, and must make appropriate, voluntary services available through a qualified third-party provider other than the resident service coordinator required under Section 5.L.

D. National Housing Trust Fund. **1 point**

The Applicant agrees to accept or apply for and use any funding from MaineHousing’s National Housing Trust Fund program for the Project. Any funding award will require a certain number of units in the Project to be affordable to and occupied by Extremely Low Income households. Awarding points is not a commitment of funding from the National Housing Trust Fund.

E. Family Housing. **Up to 6 points**

The Project is for families and a minimum percentage of the Credit Units are two and/or three or more bedroom units as follows:

<b>Project for Families with Minimum Percentage of Credit Units by Bedroom Size</b>	<b>Points</b>
At least 50% of the Credit Units are two or more bedroom units and at least 20% of the Credit Units are three or more bedroom units.	<b>6 points</b>
At least 70% of the Credit Units are two or more bedroom units.	<b>2 points</b>

F. Readiness. **6 points**

MaineHousing must approve both the design to be submitted to the municipality and the State and the final design, including all plans, details and specifications. The Project and any Related Developments must have all

1. Municipal land use approvals (except building and other permits customarily issued during construction).

2. State land use approvals (such as site plan, subdivision, storm water or wetlands approvals) required to proceed with and complete construction. As of the Application date, the timeframe to appeal all such approvals must have expired with no appellate action being taken, or all appeals have been resolved.

**G. Accessibility.**

**Up to 12 points**

One (1) point for each unit that

1. exceeds the minimum number of such units required by applicable federal and state accessibility laws, and
2. meets the requirements for a Type A unit under ANSI Standard A117.1-2009, up to the maximum points by project type below.

<b>Type of Project</b>	<b>Maximum Points</b>
Senior Housing Projects	<b>12 points</b>
Other Projects	<b>6 points</b>

**Financial Characteristics (maximum of 33 points)**

**H. Total Development Cost (TDC).**

**-8 to 10 points**

Points are based on the percentage by which the Project's TDC Index varies from the Benchmark TDC range for a project of its type (upper and lower limit of the range below).

<b>Type of Project</b>	<b>Lower Limit of Range (per unit cost)</b>	<b>Upper Limit of Range (per unit cost)</b>
Adaptive Reuse	\$220,000	\$230,000
New Construction	\$190,000	\$200,000
Acquisition and Rehabilitation of Existing Housing	\$105,000	\$115,000

If the Project involves more than one type, the Benchmark TDC is the sum of the pro rata share of TDC allocable to each based on the number of units.

<b>Percentage difference of Project's TDC from Benchmark Range for Project type</b>	<b>Points</b>
>10% less than Lower Limit	<b>10 points</b>
8% to 10% less than Lower Limit	<b>8 points</b>
5% to <8% less than Lower Limit	<b>6 points</b>
2.5% to <5% less than Lower Limit	<b>4 points</b>
Lower Limit to <2.5 % less than Lower Limit	<b>2 points</b>
Upper Limit to <3.5% more than Upper Limit	<b>-2 points</b>



3.5% to <7% more than Upper Limit	<b>-4 points</b>
7% to 10% more than Upper Limit	<b>-6 points</b>
>10% more than Upper Limit	<b>-8 points</b>

**Future Round Penalties.**

If the Project’s TDC increases between its initial Notice to Proceed and its final tax credit cost certification for any reason, except market conditions or other circumstances beyond the Applicant’s control as determined by MaineHousing, then all eligible Applications submitted by the Applicant, any Principal thereof and their Affiliates in the next round in which they apply will lose 5 points. The parties may be ineligible to submit an application in the following round under Section 4.D.

**I. Below Market Capital. Up to 6 points**

1. Points are based on Below Market Capital, less the amount by which the Project’s TDC exceeds the applicable Benchmark TDC, relative to the Total Project Cost as follows:

<b>Percentage of Below Market Capital to Total Project Cost</b>	<b>Points</b>
\$100,000 (minimum amount) to 3%	<b>1 point</b>
>3% up to 6%	<b>2 points</b>
>6% up to 9%	<b>3 points</b>
>9% up to 12%	<b>4 points</b>
>12% up to 15%	<b>5 points</b>
>15%	<b>6 points</b>

2. If any Below Market Capital for which an Applicant was awarded points is reduced or terminated and the Project becomes infeasible, the Applicant must find alternative funding with similar terms within 90 days of notification from MaineHousing or MaineHousing will re-score the Application. If the total score is less than the highest scoring Application on the waiting list, the Project’s Notice to Proceed will be terminated and the Application will be placed on the waiting list. If the total scores are equal, MaineHousing will use the tie breaker mechanism in Section 6.Y.

**J. Developer Fee Contribution. 3 points**

At least 25% of the maximum Net Developer Fee is deferred, loaned, or foregone.

**K. Acquisition Cost. Up to 4 points**

Points are based on the percentage by which the acquisition costs are less than the average acquisition costs for a project of its type as follows:

<b>Type of Project</b>	<b>Average Acquisition Cost</b>
Acquisition and Rehabilitation of Existing Housing	\$47,000 per unit
New Construction	\$14,000 per unit
Adaptive Reuse	\$12,000 per unit

For purposes of this subsection, acquisition costs include

1. the purchase price for all of the land and any existing building(s) even if donated or leased to the Applicant at below market value;
2. the cost of razing or demolishing any building(s) and structure(s), or any part thereof, on the Project site; and
3. the Capitalized Lease Value of all leases of land or land and building(s) that are part of the Project, with the exception of parking spaces.

The value of any project reserves transferred to the Project as part of the acquisition and included in the purchase price will not be included for purposes of this subsection.

<b>Percentage of Project's Acquisition Cost to Average Acquisition Cost</b>	<b>Points</b>
0% to 1% (nominal)	<b>4 points</b>
>1% to <25%	<b>3 points</b>
25% to 50%	<b>2 points</b>
>50% to 75%	<b>1 point</b>

L. **New Project-Based Rental Assistance.** **Up to 6 points**

Points are based on the number of assisted units with a commitment of new eligible project-based rental assistance relative to the number of Credit Units.

<b>Percentage of Assisted Units to Credit Units</b>	<b>Points</b>
15% to < 25% (but not less than 4 units)	<b>2 points</b>
25% to < 50%	<b>3 points</b>
50% to < 75%	<b>4 points</b>
75% to <100%	<b>5 points</b>
100%	<b>6 points</b>

The assistance must be from RD or HUD, have similar terms to RD or HUD, or provide a minimum amount of \$200 per month for each assisted unit. Section 8 Project-based Vouchers (24 CFR Part 983) are only eligible if the vouchers were awarded pursuant to a

competitive process prior to the Application date. Assistance made available, either directly or indirectly, by MaineHousing is not eligible.

M. Property Tax Relief. **Up to 4 points**

Points are based on the percentage of the Project’s annual incremental property tax revenue returned to the Applicant or foregone by the taxing authority as follows:

<b>Percentage and Duration of Tax Benefit or Relief from Project Completion</b>	<b>Points</b>
50% to <75% for at least 15 years	<b>1 point</b>
50% to <75% for at least 20 years	<b>2 points</b>
50% to <75% for at least 30 years	<b>3 points</b>
≥ 75% for at least 15 years	<b>2 points</b>
≥ 75% for at least 20 years	<b>3 points</b>
≥ 75% for 30 or more years	<b>4 points</b>

Only Tax Increment Financing, payment in lieu of taxes, abatement, or other property tax relief arrangement approved by the taxing authority and all other applicable governing entities is eligible. A Project that is either a) located in a jurisdiction that does not assess property taxes or b) is exempt from property taxes will be awarded one (1) point.

Funding made possible by an Affordable Housing TIF will not be eligible unless the Applicant submits a complete application for the TIF at least 45 calendar days before the applicable Application deadline.

Project Location **(maximum of 25 points)**

N. Housing Need. **Up to 5 points**

Points are based on the need for the type of housing in an area as follows:

1. Senior Housing Projects in Service Center Communities

<b>Senior Housing Projects</b>			
<b>Service Center Community</b>			<b>Points</b>
Auburn	Falmouth	Saco	<b>5 points</b>
Augusta	Freeport	Sanford	
Bangor	Kittery	Scarborough	
Bath	Lewiston	South Portland	
Biddeford	Portland	Waterville	
Brunswick	Old Orchard Beach	Westbrook	
Brewer	Ellsworth	Rumford	
Bridgton	Kennebunk	Skowhegan	
Camden	Madawaska	Topsham	
Caribou	Presque Isle	Van Buren	
Ellsworth	Rockland	Windham	
Bar Harbor	Gardiner	Norway	<b>1 point</b>
Belfast	Hermon	Oxford	
Bethel	Houlton	Pittsfield	
Blue Hill	Lincoln	Rangeley	
Damariscotta	Mexico	Rockport	
Dexter	Millinocket	Wiscasset	
Farmington	Mount Desert		

2. Non-Senior Housing Projects in Service Center Communities

<b>Non-Senior Housing Projects</b>				
<b>Service Center Community</b>			<b>Points</b>	
Auburn	Brunswick	Rumford	<b>5 points</b>	
Augusta	Caribou	Sanford		
Bangor	Ellsworth	Skowhegan		
Bath	Lewiston	South Portland		
Biddeford	Old Orchard Beach	Waterville		
Brewer	Portland	Westbrook		
Bar Harbor	Houlton	Rockland		<b>3 points</b>
Belfast	Kittery	Saco		
Calais	Madawaska	Scarborough		
Falmouth	Mexico	Topsham		
Farmington	Orono	Windham		
Gardiner	Presque Isle			
Bridgton	Hermon	Rockport	<b>1 point</b>	
Camden	Lincoln	Thomaston		
Dover-Foxcroft	Millinocket	Wiscasset		
Fort Kent	Newport			
Greenville	Norway			

3. Projects located on Native American tribal lands will be awarded **5 points**.

O. Tax Credit/Market Rent Differential. **Up to 3 points**

Points are based on the percentage by which the average market rent for comparable multifamily housing is greater than the maximum tax credit rent at or below 60% of area median income, as follows:

<b>Percentage that Average Market Rent Exceeds Average Maximum Tax Credit Rent</b>	<b>Points</b>
10% or higher	<b>1 point</b>
15% or higher	<b>2 points</b>
20% or higher	<b>3 points</b>

Comparable means located in the same geographical area and not subsidized under any state or federal housing program. MaineHousing will rely on information in the Application's market study to determine the average market rent. For housing with units of varying bedroom size, the average will be weighted based on the number of units of each bedroom size.

P. Community Revitalization. **Up to 3 points**

**Two (2) points** if the Project is located within the boundaries of and contributes to the revitalization goals and efforts identified in a Community Revitalization Plan.

**One (1) extra point** if the Project also involves the preservation of existing Affordable Housing or is located in a QCT and at least 20% of the units are market rate.

Q. Smart Growth. **Up to 10 points**

The Project incorporates smart growth principles as follows:

<b>Smart Growth Feature</b>	<b>Points</b>
<p><b>1. Access to Public Transportation</b></p> <p>The Project is located within Safe Walking Distance (<math>\frac{1}{2}</math> mile or less) of a designated pick-up location for existing Fixed-route Public Transportation.</p> <p><b>Demand Response Transportation</b></p> <p>Demand Response Transportation is available to all tenants with no eligibility criteria that would limit or deny service.</p>	<p><b>4 points</b></p> <p><b>OR</b></p> <p><b>1 point</b></p>

<p><b>2. Proximity to Activities Important to Daily Living</b></p> <p>The Project is located within a Safe Walking Distance of not more than ½ mile of at least 3 Activities Important to Daily Living.</p>	<p><b>3 points</b></p>
<p><b>3. Proximity to Significant Place of Employment</b></p> <p>The Project is located within 5 miles of a Significant Place of Employment.</p>	<p><b>3 points</b></p>

R. High Opportunity Areas. **3 points**

The Project is located in a City or Town that meets MaineHousing’s standards for high opportunity. High Opportunity Areas are communities with above average access to health care, services, economic activity, and quality education.

<b>High Opportunity Areas</b>			
Acton	Eddington	Limerick	Rockland
Alfred	Eliot	Limington	Rockport
Auburn	Ellsworth	Lisbon	Sabattus
Augusta	Falmouth	Lyman	Saco
Bangor	Farmingdale	Machias	Sanford
Bar Harbor	Farmington	Madawaska	Scarborough
Bath	Freeport	Manchester	Searsport
Belfast	Fryeburg	Minot	Shapleigh
Bethel	Gardiner	Naples	Sidney
Biddeford	Glenburn	New Gloucester	South Portland
Blue Hill	Gorham	North Berwick	South Thomaston
Boothbay	Gray	Norway	Standish
Bowdoin	Greene	Oakland	Topsham
Bowdoinham	Hallowell	Old Orchard Beach	Turner
Brewer	Hampden	Old Town	Union
Bridgton	Harpwell	Orono	Vassalboro
Bristol	Harrison	Orrington	Washington
Brunswick	Hermon	Otisfield	Waterville
Buxton	Holden	Phippsburg	Wells
Calais	Houlton	Pittsfield	West Bath
Camden	Kennebunk	Poland	West Gardiner
Cape Elizabeth	Kennebunkport	Portland	Westbrook
Caribou	Kittery	Presque Isle	Windham
Cumberland	Lebanon	Raymond	Yarmouth
Dover-Foxcroft	Lewiston	Richmond	York
Durham			

S. Certified Business-Friendly Community. **1 point**

The Project is located in a municipality certified by the State’s Department of Economic and Community Development as a Certified Business-Friendly Community.

T. Sponsor Characteristics **(maximum of 8 points)**

U. **Developer Capacity.** **Up to 4 points**

Points are based on the development experience of the Applicant, any Principal thereof, or Affiliates of either as follows:

1. Completed at least one multifamily rental housing project with MaineHousing funding or completed at least one LIHTC Project in another state(s).	<b>4 points</b>
2. Experience developing and operating multifamily rental housing or experience managing Affordable Housing, <b>and</b> the Applicant has a contract with a qualified LIHTC consultant to develop the Project.	<b>3 points</b>
3. Experience developing and operating multifamily rental housing.	<b>2 points</b>

V. Owner Performance. **Loss of Points**

Points are based on the performance of the Applicant, any Principal thereof or Affiliates of either as follows. MaineHousing may reject the Application if it determines the deficiencies are not addressed. MaineHousing may also require financial statements from the Applicant, Principal thereof, or Affiliate, if any of them

1. Was 60 days or more delinquent in the payment of any MaineHousing loan since September 20, 2013 (except delinquencies resulting from the delay or loss of Section 8 housing assistance payments), has been declared in default by MaineHousing, or has a municipal tax lien on any housing funded by MaineHousing.	<b>-2 points</b>
2. Failed to meet a deadline in the last Notice to Proceed received for a LIHTC Project in the State, unless the failure was the direct result of circumstances beyond its control, as determined by MaineHousing.	<b>-1 point</b>
3. LIHTC Projects still in their Compliance Period had a year-end operating deficit, as determined by MaineHousing, in the last full Fiscal Year, unless the operating deficit was fully funded by the Application deadline.	<b>-1 point for each LIHTC Project</b>
4. Either (a) was issued an IRS Form 8823 for any reason other than a violation of UPCS or local inspection standards (box 11c) that was subsequently reported as “noncompliance corrected” within the correction period, or (b) had an IRS audit finding resulting in a recapture event, since September 20, 2015.	<b>-2 points</b>

5. Is subject to TDC rescoring. See Section H.	<b>-5 points</b>
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W. Management Experience. **4 points**

The company that will manage the Project has at least

1. one (1) staff person with a minimum of three (3) years of experience successfully managing at least one (1) LIHTC Project, and
2. one (1) additional staff person with LIHTC training in the last 3 years for every 150 LIHTC units in LIHTC Project(s) the company plans to manage.

X. Management Performance. **Loss of up to 7 points**

Points are based on the management of LIHTC Projects still in their Compliance Period as follows:

1. Number of LIHTC Project(s) with a below average or unsatisfactory score on the last two physical plant inspections:  a. one b. two or more	<b>-1 point</b> <b>-2 points</b>
2. Number of Project Reports submitted after the applicable deadline in each of the two years preceding the Application deadline:  a. 1-4 reports b. 5-10 reports c. more than 10 reports	<b>-1 points</b> <b>-2 points</b> <b>-3 points</b>
3. Number of LIHTC Project(s) with a below average or unsatisfactory score on the last two management and occupancy reviews:  a. One b. Two or more	<b>-1 point</b> <b>-2 points</b>

Y. Tie Breaker. If more than one Application have the same score, the Application for the least amount of Credit and 0% deferred debt from MaineHousing per unit will have priority. If the Applications request the same amount of these resources, the Application with the most acceptable plan to convert the Project to affordable homeownership for the residents after the Extended Use Period will have priority. The plan must describe the process for transferring ownership to the residents, the purchase price or process for determining it, any financial assistance available for residents (including any reserves), how the affordability will be maintained, and must provide for homebuyer counseling and professional representation of the residents at the time of the conversion.



## SECTION 7: PROJECT EVALUATION

A. Amount of Credit. The amount of Credit allocated will be determined as follows:

1. The Applicable Percentage for the month in which the calculation is made will be used to determine the amount of Credit.
2. The calculation of the amount of Credit will be based on 130% of Eligible Basis. MaineHousing has designated the entire State as a DDA under Section 42(d)(5)(B)(v) of the Code because of the high cost of developing housing, the low median income, and the high annual operating costs for housing relative to other states.
3. To determine the amount of Credit, MaineHousing will use the lesser of (a) the market rent, based on the Application market study as approved by MaineHousing, and (b) the maximum Credit rent. For three or more bedroom units MaineHousing will use the maximum Credit rent for two-bedroom units plus \$50.00.
4. The amount of Credit allocated for a Project will not exceed the least of (a) the amount the Project is eligible to receive under Section 42 of the Code, (b) the amount MaineHousing determines is necessary for financial feasibility and viability throughout the Credit Period, and (c) the Maximum Credit Amount.
5. The Applicant must submit financial and all other required information. MaineHousing will evaluate the need for Credit based on
  - a) all sources of financing, including the terms and conditions;
  - b) equity expected to be generated by reason of tax benefits; and
  - c) the uses of funds, including the reasonableness of development costs and operating expenditures.
6. In order to determine the amount of Credit, MaineHousing must identify a gap between development sources and uses absent a Credit allocation. MaineHousing may limit recognition of Intermediary Costs, re-characterize Project sources and uses and make reasonable assumptions with respect to projected revenues and expenses. MaineHousing will also take into consideration any federal limitations when combining the Credit with other federal assistance (i.e. “subsidy layering” guidelines).

B. Developer Fee. Developer Fee will be determined as follows:

1. Maximum Developer Fee. The total Developer Fee may not exceed the sum of 15% of the Housing Development Costs, plus 10% of the costs of acquisition of land, existing buildings and equipment, determined without regard to the Developer Fee.
2. Net Developer Fee. The amount of Developer Fee not deferred may not exceed the least of

- a) \$10,000 per unit for the first 20 existing units and \$5,000 for each additional existing unit if the Project involves rehabilitation of existing housing,
- b) \$17,500 per unit for the first 20 new units and \$15,000 for each additional unit, and
- c) \$750,000 plus any unused construction contingency returned to the Applicant after completion.

An Applicant will be allowed to keep any unused construction contingency returned to the Applicant after completion, even if such amount combined with the Net Developer Fee exceeds the limits above.

- 3. Additional Developer Fee. An Applicant is eligible for Developer Fee in excess of the Net Developer Fee calculated above only if
  - a) the Applicant agrees that any such additional Developer Fee will be used as a funding source for the development, acquisition and construction or rehabilitation of the Project, either by deferring payment or making a loan of the additional Developer Fee to be repaid from the surplus cash of the Project;
  - b) the Applicant can demonstrate there is a reasonable certainty that any additional Developer Fee will be fully repaid from the surplus cash of the Project, as determined by MaineHousing pursuant to its underwriting criteria, during the Credit Period or such longer period allowed by the investor or syndicator for the Project; and
  - c) the total Developer Fee, including the additional Developer Fee under this subsection, does not exceed the Maximum Developer Fee set forth above.

C. General Contractor Intermediary Costs. The General Contractor's Intermediary Costs must be

- 1. separated from other construction and rehabilitation costs,
- 2. with general conditions and overhead and profit parsed out, and
- 3. no more than 14% of the Total Construction Cost, within the following ranges:
  - a) Overhead and Profit up to 8% of Total Construction Cost, and
  - b) General Requirements up to 6% of Total Construction Cost.

D. Time of Credit Determination. MaineHousing will determine the amount of Credit at the time of

- 1. application, which will be evidenced by the Notice to Proceed;

2. the allocation of Credit, including any carryover allocation;
3. the date each Qualified Building is Placed in Service; and
4. if a Qualified Building is allocated Credit pursuant to Section 9, the date of issuance of the tax-exempt bonds.

Prior to each determination, the Applicant must certify the full amounts of all funding sources and provide any other information required by MaineHousing.

- E. **Binding Agreement; Rate Lock.** The Applicable Percentage for each Qualified Building will be based on the Placed in Service month unless the Applicant elects an earlier option.
- F. **Construction Cost Increases.** MaineHousing may allocate additional Credit to a Project if its construction costs increase after the Application date and the increase is the result of market conditions or other circumstances beyond the Applicant's control. Any additional Credit will not exceed an amount necessary to generate equity equal to 5% of the Total Construction Cost based on construction bids.

## **SECTION 8: ALLOCATION OF CREDIT**

- A. **Allocation.** MaineHousing will issue one or more IRS Form(s) 8609 after receipt of the following:
1. A complete request for allocation of Credit in a form prescribed by MaineHousing.
  2. An audit report on the schedule of project costs prepared by an independent, third party certified public accountant including all associated costs (such as commissions, due diligence, legal, accounting, reserves, and other similar items).
  3. Certification of the Project's sources, including all federal, state and local subsidies in any stage of commitment. This certification must include income, operating and development cost projections and methods for satisfying any deficits.
  4. The allocation fee and monitoring fee less the amount of any allocation fee paid in connection with the issuance of a carryover allocation.
- B. **Carryover Allocation.**
1. The Applicant must submit the following to receive a carryover allocation:

- a) A complete request for carryover allocation in the form prescribed by MaineHousing no later than the first day of December of the year in which the carryover allocation is made.
  - b) Certification of the Project's sources, including all federal, state and local funding. This certification must include income, operating and development cost projections and methods for satisfying any deficits.
  - c) Development progress report, including completion likelihood.
2. The applicant must execute a carryover allocation and return it to MaineHousing, together with the allocation fee, no later than December 31 of the year in which the carryover allocation is made.
  3. A carryover allocation will be subject to the following conditions:
    - a) satisfactory evidence that more than 10% of the Project's reasonably expected basis is incurred within 12 months of the carryover allocation, including an audit report prepared by an independent, certified public accountant; and
    - b) any performance conditions MaineHousing may require.

Failure to comply with these conditions may result in termination of the carryover allocation.

- C. Tax Credit Compliance Experience. Prior to an allocation the Applicant must demonstrate that the entity managing the Project has sufficient Credit compliance experience and training. The entity must complete a Credit compliance training or receive a certification from a MaineHousing-approved trainer.
- D. Extended Use Agreement. Prior to an allocation of Credit, the Owner must enter into an Extended Use Agreement with MaineHousing obligating the Owner to comply with Section 42 of the Code, the threshold requirements in Section 5, and commitments for which the Application was awarded points. The Extended Use Agreement must be recorded in the appropriate registry of deeds prior to all mortgage liens and encumbrances on the Project and before MaineHousing issues any IRS Form 8609 for the Project.
- E. Converting a Carryover Allocation. MaineHousing may convert a carryover allocation to the year in which it is terminated or the following year if there are extenuating circumstances beyond the Applicant's control. The carryover allocation must be rescinded by the mutual consent of MaineHousing and the Applicant. There can be no change in the design or financing that would render the Application withdrawn under Section 4.I. The Project will be subject to the QAP in effect at the time of the original allocation.

- F. Forward Allocation of Credit. MaineHousing may issue a binding commitment to allocate State Ceiling available in the subsequent year upon determining that the amount of Credit in the current year's State Ceiling is insufficient.

## **SECTION 9: TAX-EXEMPT BOND FINANCED PROJECTS**

Projects financed with tax-exempt bond proceeds must satisfy all QAP requirements except

- a. the Maximum Credit Amount limitation in Section 3.C.,
- b. the application limits in Section 4.B.1.,
- c. the application deadline in Section 4.B.2.,
- d. the selection process described in Sections 4.F.,
- e. the affordability threshold requirement set forth in Section 5.A.,
- f. the requirement of a minimum \$50,000 per unit of Rehabilitation Costs for Projects involving the acquisition and rehabilitation of existing housing in Section 5.D.2.,
- g. the scoring criteria in Section 6, and
- h. the Developer Fee limits if the Applicant applies for interest-bearing debt financing and Credit only.

## **SECTION 10: MONITORING**

- A. Compliance with Applicable Laws. Owners must comply with all local, state and federal laws and regulations, including without limitation
1. Section 42 of the Code and associated regulations and guidance,
  2. UPCS and all other local, state and federal health, safety and building codes applicable to the Project;
  3. the Federal Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988 (42 U.S.C. § 3601 *et seq.*), Title II of the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 *et seq.*), and the Maine Human Rights Act (5 M.R.S.A., Chapter 337, Subchapter IV) and all other applicable federal, state and local fair housing and accessibility requirements, and the regulations, guidance and standards associated with all of the foregoing; and

4. Title VI of the Violence Against Women Reauthorization Act of 2013, 42 USC Chapter 136, Subchapter III, Part M, and all associated regulations and guidance, as may be amended (VAWA).

B. Recordkeeping and Record Retention. Each Owner must keep on file and available to MaineHousing upon request, the following records for each Qualified Building in its LIHTC Project(s) for each year in the Extended Use Period:

1. The total number of residential rental units including the number of bedrooms and the square footage of each.
2. The number of low-income units.
3. The rent charged for each unit including any utility allowances.
4. The number of occupants in each low-income unit.
5. The number of low-income unit vacancies and information showing when, and to whom, the next available units were rented.
6. Income certification for each household occupying a Credit Unit at the time of initial occupancy and source documents verifying the income of the household.
7. An income certification for each new member added to the household of a Credit Unit after initial occupancy and third party verification of the new member's income as described in Section 10.B.6.
8. Annual income certifications for each household occupying a Credit Unit if less than 100% of the units are subject Section 42(g)(1) of the Code. Annual income certifications are required for households in units subject to lower income targeting requirements.

For a LIHTC Project with 100% Credit Units, MaineHousing allows a self-certification of annual income, except a third party verification shall be required every 6 years during the affordability period and otherwise upon request by MaineHousing. The self-certification must be

- a) in writing,
- b) include the size of the household and annual household income,
- c) contain a representation that the information is complete and accurate,
- d) indicate that third-party source documentation will be provided if requested by the Owner or MaineHousing, and

- e) witnessed.
- 9. The Eligible Basis and Qualified Basis of each Qualified Building at the end of the first year of the Credit Period.
- 10. The character and use of the nonresidential portion of a Qualified Building included in its Eligible Basis.
- 11. A determination of the student status of the resident household.
- 12. The tenant occupancy policies and procedures and lease. The lease form and content must be acceptable to MaineHousing and comply with all applicable federal, state and local laws (including VAWA).
- 13. All other disclosures to tenants, certifications and other records required by applicable local, state and federal laws.

Owners must maintain these records throughout the Extended Use Period for at least 6 years after the due date (with extensions) for filing the federal income tax return for that year, except that the records for the Credit Period's first year must be retained at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period.

- C. Annual Reports. Each Owner must submit the following to MaineHousing by March 1<sup>st</sup> of each year throughout the Extended Use Period:
  - 1. Certification for the prior calendar year that the Owner's LIHTC Project(s) comply with IRS Treasury Regulation § 1.42-5(c)(1) and *MaineHousing's Low Income Housing Tax Credit Program Owner's Certificate of Continuing Program Compliance* attached hereto as **Appendix D**. A completed and executed IRS Form 8609 for each Qualified Building must be submitted with the first certification.
  - 2. Certain information and data about the tenants in Credit Units for the prior calendar year, including household income; monthly rental payments; family composition; use of Section 8 rental assistance and other similar assistance; the race, ethnicity, age and disability status of the members of the households; and all other occupancy information required by MaineHousing.
- D. Review. For new LIHTC Projects, MaineHousing will complete a review of tenant records within two (2) years following the year the last Qualified Building is Placed in Service. MaineHousing will give owners prior written notice of a review, including information required, no more than 30 days beforehand.

- E. Inspections. Every one to three years after a Project is Placed in Service, MaineHousing will inspect LIHTC Projects. For new LIHTC Projects, MaineHousing will inspect Credit Units by the end of the second calendar year following the year the last Qualified Building is Placed in Service. MaineHousing may inspect a LIHTC Project or any Credit Unit after reasonable prior written notice.
- F. Notification of Noncompliance. MaineHousing will notify an Owner of any failure to
  - 1. submit any complete certifications or information required by MaineHousing when due,
  - 2. allow MaineHousing to perform any review or inspection required under this Section, or
  - 3. comply with Section 42 of the Code or any others requirements under this QAP.

The Owner will have a reasonable period of time to correct the noncompliance identified in the notice.

## **SECTION 11: GENERAL**

- A. Conflicts. If this rule conflicts with Section 42 of the Code or any other provision of federal or State law, the federal or State law shall control.
- B. Full Discretion. MaineHousing is entitled to the full discretion allowed by law in making all decisions and interpretations under this rule.
- C. Not an Entitlement. This rule establishes a pool of eligible Applicants but does not preclude additional reasonable criteria and does not confer any automatic right or entitlement to Credit on any person or entity eligible hereunder. MaineHousing may reject any and all Applications and may refuse to award any or all of the Credit.
- D. Final Agency Action. The Director of MaineHousing, individually or by exercise of the delegation of powers contained in the Act, shall make all decisions and take all action necessary to implement this rule. Such action of the Director shall constitute final agency action.
- E. Waiver. Upon a determination of good cause, the Director of MaineHousing or the Director's designee may, subject to statutory limitations, waive any provision of this rule. The waiver must be in writing and must be supported by documentation of the pertinent facts and grounds.
- F. Freedom of Access Act. MaineHousing is subject to the Freedom of Access Act, 1 M.R.S.A. §401 *et seq.*, which requires the disclosure of all information provided to MaineHousing that is not specifically excluded, such as confidential information under the Act. MaineHousing shall not be liable for the disclosure of any information that it determines must be disclosed under the Freedom of Access Act.



- G. **Liability.** Compliance with Section 42 of the Code is the responsibility of the Owner. MaineHousing is in no way responsible for an Owner's compliance or liable for an Owner's noncompliance. Any allocation, review or inspection by MaineHousing and any determination made by MaineHousing pursuant to this QAP is for the sole benefit of MaineHousing. No liability or responsibility for Owner compliance with Section 42 of the Code or other applicable requirements and no representation or warranty of a Project's feasibility or viability, eligibility for Credit, or compliance shall be implied or construed from any such actions and determinations by MaineHousing.
- H. **Headings/Context.** The headings in this rule are for convenience only and do not define or limit the scope of the provisions of this rule. The use of Section, Subsection or Appendix without a reference to another document or source refers to a section, subsection, or Appendix of this rule.

**STATUTORY AUTHORITY:** 30-A MRSA §§4741(1) and 4741(14), Section 42 of the Internal Revenue Code of 1986, as amended

**BASIS STATEMENT:** This rule is the qualified allocation plan for allocating and administering federal low income housing tax credits ("LIHTC") in the State of Maine, which MaineHousing, as the State's designated housing credit agency, is required to adopt pursuant to Section 42 of the Internal Revenue Code and the above-referenced sections of the Maine Housing Authorities Act.

This rule replaces the prior rule and includes the following changes:

- Overhaul and reformatting to make the rule more concise, clearer, and easier to use.
- Total development cost per unit cap is changed to an index based on per unit and per bedroom cost.
- Adjustment to upper and lower limits in new construction cost containment scoring category.
- Telemed requirement allows for a plan rather than a separate room.
- High Opportunity Area category takes into account quality education, healthcare, services, and economic activity.
- Monitoring fee increased from \$800 to \$1,000 per credit unit.
- Removal of self-scoring from scoring process.
- Acceptance of HUD Section 811 Project Rental Assistance is a threshold requirement.
- Points adjusted to accommodate removal of criteria and slightly greater/lessor focus in specific areas.
- Service center communities list updated.
- Allows for two consecutive years of submitting required reports past the deadline before loss of points.

## Process

MaineHousing held public meetings in the course of developing the proposed rule. MaineHousing submitted the proposed rule to the Office of the Governor for review before publishing the proposed rule for public comment. The Governor's Office approved the proposed rule on April 23, 2018. MaineHousing sent notice of the proposed rule, the public hearing, and the public comment period to interested parties on April 25, 2018. A notice of proposed rulemaking was published in the State's rulemaking ad in the major newspapers in the State on April 25, 2018. A public hearing was held on May 15, 2018. Greg Payne, Director for the Maine Affordable Housing Coalition, testified at the public hearing. The public comment period expired May 25, 2018. MaineHousing received written comments from Debora Keller, Chair of the Maine Affordable Housing Coalition, Rebecca Hatfield, Director of Real Estate Development of Avesta Housing Development Corporation (Avesta Housing), and Nathan Szanton, President of The Szanton Company. A summary of all comments received and MaineHousing's responses are set forth below.

## Comments and responses

### Section 5.C. – Total Development Cost (TDC)

*Comment:* Avesta Housing suggested that Additional Developer Fee, or any Deferred Fee, be excluded from the calculation of TDC. Deferred Fee is funded through cash flow, not development sources. It is not paid out before permanent loan closing, will not be paid if cash is not sufficient, funds itself, and is a non-cash transaction.

*Response:* We believe the policy in place has been working and should remain for now. However, we appreciate your point of view and will consider making changes in future rounds.

### Section 6.H. - Total Development Cost (TDC)

*Comment:* Avesta Housing suggested that the introduction of the TDC Index discourages the production of one-bedroom units. Rising construction costs have been ignored. Long-term sustainability should be considered in cost evaluation, as the current approach to TDC prohibits the use of durable materials.

*Response:* Use of the TDC Index provides for higher scoring in projects for older adults which contain one-bedroom units but not family projects, which aligns well with the respective populations' needs. The Index approach also allows for a significantly higher TDC on a per-unit basis than it did in last year. We also made changes to the TDC calculation last year to remove certain items. In addition we have seen no discernible rise in construction costs in the 5 years prior to 2018. Projects constructed in recent years have met quality standards, and provided for replacement reserves that were adequate according to developer-submitted physical needs assessments. We will continue to evaluate cost on an annual basis, and adjust as appropriate.

*Comment:* Avesta Housing suggested that estimating costs of construction, and proving that cost changes are due to market conditions is difficult. MaineHousing should allow for a certain percentage margin of error above which a penalty is triggered, such as the 5% allowed in the past.

*Response:* That is part of the risk assumed by developers of LIHTC projects, and the reason for their compensation. It is our opinion that in the past, larger projects misused the 5% to make unnecessary betterments. We understand that developers have had difficulty staying within cost estimates, and will continue to consider alternative methods of evaluating cost overruns for the next QAP.

*Comment:* Avesta Housing suggested that the cost of energy efficiency items such as solar and PassivHaus design elements be excluded from the TDC calculation.

*Response:* We are exploring this very concept and hope to receive more information from our developer partners that show that the technology does indeed provide cost savings. We continue searching for evidence that upfront costs can offset ongoing operating costs, and may find a way to reward energy efficient design, or reduce penalties for corresponding cost increases in future QAPs.

#### Section 6.S – Certified Business-Friendly Community

*Comment:* If the Maine Certified Business-Friendly Community program is being re-evaluated by the State, then MaineHousing should suspend the category's use. Communities can no longer apply for the designation according to the website.

*Response:* The program is still in place, and it is important to the current administration. While additional communities cannot currently apply to become a Maine Certified Business-Friendly Community, the designation still remains active. It accounts for one point out of one hundred.

#### Section 6.U.2. – Owner Performance

*Comment:* Avesta Housing suggested that the Notice to Proceed deadlines are set by MaineHousing with little discussion with the developers. The developers should have more say in determining those deadlines. MaineHousing's determination of whether missed deadlines are within the developers' control requires micromanagement of the projects. There should be a 15 month construction loan closing timeline.

*Response:* The Notice to Proceed deadlines are based on the timelines submitted with the developers' applications and always open to negotiation with MaineHousing. Delays caused by MaineHousing or by a situation beyond the developers' control may warrant new deadlines, if necessary. We believe that barring unforeseen problems beyond the developers' control, projects for which developers are well-prepared and staffed can be developed within 12 months. MaineHousing believes the process to be fair and reasonable.

## Section 6.V.2.(now 6.X.2) – Management Performance

*Comment:* Avesta Housing suggested that the number of late reports should be measured on a relative basis instead of an absolute basis. This would be fairer to larger organizations. Additionally, the current process for report submission lacks transparency and checks and balances.

*Response:* MaineHousing believes that there is no good reason for late reports. This measurement refers only to three reports annually for projects that are still within the initial LIHTC compliance period. These reports are standard programmatic requirements for all tax credit projects, and not just for QAP scoring purposes. Management companies have a lot of lead time, and can receive a deadline extension when requested. Any organization, large or small that does not get their reports in on time likely has a capacity/staffing issue. Additionally, we relaxed the penalty to allow for late reports in two consecutive reporting periods.

*Comment:* Avesta Housing and The Szanton Company indicated that the late reporting penalty was poorly worded.

*Response:* We agree. The intent was that management companies be penalized based on the number of reports submitted late in both of the last two consecutive reporting periods prior to the Application deadline (the period from September 20, 2016 to September 19, 2017 and the period from September 20, 2017 to September 20, 2018). The QAP language has been revised to reflect this.

## Section 6.W – Management Experience.

*Comment:* The Szanton Company suggested that instead of “one additional staff person with LIHTC training in the last three years *for every 150 units in LIHTC project(s)* the company plans to manage”, it should read, “one additional staff person with LIHTC training in the last three years *for every 150 LIHTC units* the company plans to manage.”

*Response:* We agree, and that was our initial intent. We corrected the language.

## Process

*Comment:* Greg Payne of Avesta Housing and Debora Keller, Chair of the Maine Affordable Housing Coalition suggested that MaineHousing hold an additional meeting with external partners to review the QAP draft before presenting to the Board. Mr. Payne and Ms. Keller also requested a redlined version highlighting changes from the prior QAP.

*Response:* We held several meetings with our external partners before drafting the QAP. Changes were made based on their feedback. We greatly appreciate our partners’ feedback and will reevaluate the appropriateness of meeting timing and providing redlining in the next round.

**FISCAL IMPACT OF THE RULE:** The 2019 State of Maine ceiling of federal low-income housing tax credits is projected to raise approximately \$35,500,000 of private investor capital. The

private investor capital generated by the federal low-income housing tax credits will be used to develop affordable housing for low-income persons. Additionally, it is estimated that 1,400 jobs will be created with this investment. The rule will not impose any costs on municipalities or counties for implementation or compliance.

**EFFECTIVE DATE:**

## APPENDIX A

### Definitions

“Act” means the Maine Housing Authorities Act, 30-A M.R.S.A. §4701 et seq., as may be amended from time to time.

“Activities Important to Daily Living” means activities or destinations that are important to course of daily living of the population served by the Project, which include a grocery store, a public school only if the Project is housing for families, a daycare only if the Project is housing for families, a senior center only if the Project is Senior Housing, a pharmacy, a bank or credit union, a post office, a retail store, a general health care practitioner’s office (not a specialist), a public library, a hospital and other activities or destinations approved by MaineHousing. Convenience stores, gas stations, restaurants and other food service establishments are not eligible destinations for purposes of this subsection. If there is more than one activity or destination important to the course of daily living within a single establishment, each activity or destination will be counted separately for purposes of this subsection (e.g. a retail store that also includes a pharmacy and a bank branch will be treated as 3 destinations important to the course of daily living).

“Adaptive Reuse” means the conversion of an existing non-housing building or structure to multi-family residential rental housing or the reconstruction of existing housing that has become functionally obsolete, as determined by MaineHousing in its sole discretion.

“Affiliate” means any person or entity directly or indirectly controlling, controlled by, or under common control with another person or entity.

“Affordable Housing” means multi-family rental housing that has five or more units and is assisted under a HUD or Rural Development program or is subject to a restrictive covenant requiring units in the housing to be restricted to households with income at or below 60% of area median income, as determined by HUD.

“Affordable Housing TIF” means an affordable housing development district and development program approved by MaineHousing pursuant to MaineHousing’s Affordable Housing Tax Increment Financing Program, 30-A M.R.S.A., Chapter 206, Subchapter 3 and the Act, as may be amended.

“Applicant” means the entity applying for Credit, its successors and assigns, which must be the entity that will be the owner of the Project for tax purposes; must be duly organized and validly existing under the laws of the state in which it is formed, and if not formed in this State, must be duly authorized to conduct business in this State; and must be in good standing under the laws of this State and its state of formation, if not this State.

“Application” means an application to MaineHousing for an allocation of Credit.

“Below Market Capital” means the face value of a grant and the net present value of the savings produced by other funding with an effective rate that is less than the market rate. For this calculation, the market rate is the 10-year Treasury note rate 60 calendar days before the Application deadline plus 300 based points. Such grants and funding must be committed to the Applicant for the Project no

later than the Application deadline and do not include construction-period financing, donations or below market purchases of land and buildings, investor capital from tax credits, funding made possible by Tax Increment Financing, any Developer Fee that is loaned, deferred or foregone for the benefit of the Project, service funding, operating funds, rental assistance and any resources made available, either directly or indirectly, by MaineHousing.

“Benchmark TDC” means the benchmark TDC by housing type established by MaineHousing based on reasonable costs of completing the respective types of housing, which is \$225,000 for Adaptive Reuse, \$195,000 for new construction and \$110,000 for the acquisition and rehabilitation of existing housing.

“Capitalized Lease Value” means the net present value of all lease payments under a lease calculated over the term of the lease using the 10-year Treasury note rate 60 calendar days before the Application deadline plus 300 basis points.

“Census Tract” means a geographic region that is defined for purposes of taking the census pursuant to the United States Bureau of the Census Participant Statistical Areas Program.

“Code” means the Internal Revenue Code, Title 26 of the United States Code, and applicable regulations promulgated pursuant thereto, as may be amended.

“Community Revitalization Plan” means (1) a community that has been designated by HUD or RD as an Empowerment Zone, a Renewal Community or Enterprise Community, or a Neighborhood Revitalization Strategy Area. or (2) a written plan that is formally adopted by the governing body of a municipality following a concerted planning process and public input, specifically targets a neighborhood or area in the community (not a single building or site or the entire municipality) for redevelopment or revitalization, and includes (a) an assessment of the existing physical structures and infrastructure of the area, (b) detailed policy goals with respect to economic redevelopment, the rehabilitation or development of housing (including multi-family rental housing) and the improvement or expansion of infrastructure, and (c) proposed activities and a timetable for implementing the policy goals. Comprehensive plans, zoning and land use plans and other plans about the growth or use of areas within a municipality, plans for a single development and plans formulated by or on behalf of the Applicant are not Community Revitalization Plans.

“Credit” or “LIHTC” means the low-income housing tax credit established pursuant to Section 42 of the Code and allocated pursuant to this rule.

“Credit Units” means units in a Project that are eligible for Credit.

“Demand Response Transportation” means on-call transportation services that operate at least 3 days per week and provide service throughout the day.

“Developer Fee” **means** the total compensation for the work, costs and risks associated with developing a Project, including without limitation, creating the Project concept, identifying and acquiring the Project site, obtaining construction and permanent financing, obtaining necessary subsidies, negotiating the syndication of investment interests in the Project, obtaining all necessary regulatory approvals, constructing and/or rehabilitating the Project and marketing, and includes all amounts paid to consultants to perform this work, except fees for professional services such as

environmental assessments, rental market studies, soil tests, and water tests, and includes all reserves, in the form of cash, expected to be paid to the tax credit developer from the Project.

“DDA” means an area of the State that is designated by HUD as a difficult development area pursuant to Section 42(d)(5)(B)(iii) of the Code or an area of the State that is designated by MaineHousing as a difficult-to-develop area in Section 7.A.3 pursuant to Section 42(d)(5)(B)(v) of the Code.

“Extended Use Agreement” means an agreement that satisfies the requirements of Section 42(h)(6)(B) of the Code.

“Extended Use Period” means the period of time specified by MaineHousing in the Extended Use Agreement executed in connection with a Project pursuant to Section 42(h)(6)(D) of the Code, which is the period set forth in Section 5.A. for Projects allocated Credit under the State Ceiling.

“Extremely Low Income” means income that is at or below 30% of the area median income as determined pursuant to the regulations and guidance governing the National Housing Trust Fund.

“Family Housing” means housing for families that qualifies for points under the Family Housing scoring criteria set forth in Section 6.E.

“Fiscal Year” means the fiscal year for a LIHTC Project as defined in the Owner’s organizational documents.

“Fixed-route Public Transportation” means year-round, regularly scheduled public transportation that operates at least 5 days per week and provides regular service throughout the day.

“High Opportunity Areas” mean those communities in the State designated by MaineHousing as areas of opportunity for low-income persons based primarily on population and access to employment, education and healthcare. Specific factors considered include population, proximity to major employers, proximity to colleges and universities, proximity to hospitals, availability of public transportation and geographic diversity.

“Housing Development Costs” means the total of all direct and indirect costs incurred in financing, creating, purchasing or rehabilitating a LIHTC Project except the costs attributable to the acquisition of the land and any existing buildings as determined by MaineHousing.

“HUD” means the United States of America acting through the United States Department of Housing and Urban Development.

“Intermediary Costs” means all Housing Development Costs except the actual construction costs or eligible rehabilitation costs under Section 42(e) of the Code attributable to the development of the units.

“IRS” means the United States Department of Treasury, Bureau of Internal Revenue Service.

“LIHTC Project” means a qualified low-income housing project as defined in and governed by Section 42(g) of the Code.



“MaineHousing” means Maine State Housing Authority.

“MaineHousing’s Construction Standards” means MaineHousing’s *Quality Standards and Procedures Manual* in effect 60 days prior to the applicable deadline for an Application for Credit which include without limitation certain energy efficiency standards and UPCS.

“Maximum Credit Amount” means the maximum amount of Credit a Project is eligible to receive pursuant to Section 3.C.

“National Housing Trust Fund” means the Housing Trust Fund established under Title I of the Housing and Economic Recovery Act of 2008, 12 U.S.C. §4568, together with associated regulations and guidance now or hereafter promulgated pursuant thereto.

“Net Developer Fee” means the Developer Fee with respect to a Project that does not exceed the applicable limit set forth in Section 7.B.2., including any portion thereof that is deferred or loaned to pay for costs associated with the Project (and does not include any additional Developer Fee allowed under Section 7.B.3).

“Notice to Proceed” means the notice that a Project has been selected for further evaluation to determine the Project’s eligibility for Credit and the amount of Credit to be allocated for the Project. The Notice to Proceed will require the submission of all information necessary for MaineHousing to determine the amount of Credit, if any, to be allocated to the Project, obligate the Applicant to fulfill all commitments made in the Application, and require the Applicant to promptly and diligently develop and complete the Project according to the deadlines specified in the notice.

“Owner” means the legal owner of a LIHTC Project or Qualified Building for which an Application has been submitted to MaineHousing or which has received an allocation of Credit from MaineHousing pursuant to this Qualified Allocation Plan or a prior Qualified Allocation Plan for the State.

“Ownership Transfer Rule” means Chapter 27 of MaineHousing’s rules, *Transfers of Ownership Interests*, and the policies and procedures related thereto, all as may be amended.

“Placed in Service” means the date on which a Qualified Building is suitable and available for occupancy as determined in accordance with Section 42 of the Code.

“Principal” means any person or entity with a controlling interest in another entity, including without limitation, a person or entity with an ownership interest in an Applicant that controls the development and day-to-day operation of a Project, such as the general partner(s) of a limited partnership or the manager(s) or member(s) invested with the management authority of a limited liability company, and all persons and entities with an ownership interest in or control of said entity.

“Project” means the property described in the Application, which must be a qualified low-income housing project as defined in and governed by Section 42(g) of the Code.

“Project Report” means the annual certification and tenant data required under Section 10.C., and if required for the LIHTC Project, the audited financial report (AFR) and the annual project budget.

“QCT” means an area of the State designated by HUD as a qualified census tract pursuant to Section 42(d)(5)(B)(ii) of the Code.

“Qualified Allocation Plan” or “Plan” means the plan for allocating and administering the Credit adopted by the housing credit agency pursuant Section 42(m)(1)(B) of the Code.

“Qualified Building” means a qualified low-income building as defined in and governed by Section 42(c)(2) of the Code.

“Rehabilitation Costs” means with respect to a Project (1) the site costs, (2) the costs of complying with the construction requirements of other funding sources except those required by the Applicant, any Principal thereof or Affiliate of either, (3) contractor profit, overhead and general conditions, and (4) certain costs identified in the capital needs assessment required under Section 5.D.1. of the QAP, including (a) the cost of correcting all violations of applicable federal, state and local health, safety and building codes and correcting deferred maintenance, (b) the rehabilitation or replacement of all structures, systems, facilities and components that have reached or exceed their useful life or will reach their useful life within 5 years, (c) the cost of complying with MaineHousing’s Construction Standards, (d) the cost of complying with the most current accessibility requirements for new construction projects under applicable federal, state and local accessibility laws, regulations, standards and guidance, and (e) the remediation and disposal of any environmental or other hazards identified in environmental reports. Rehabilitation Costs do not include construction contingency, relocation costs, or other soft costs.

“Related Development” means any development of which the Project is a part or is related and the Project cannot be completed, either structurally or financially, without the completion of the development.

“RD” or “Rural Development” means the United States of America acting through the United States Department of Agriculture, Rural Housing Services.

“Safe Walking Distance” means a pedestrian route appropriate to the area, as determined by MaineHousing, with sidewalks, crosswalks and traffic signals at busy roads or intersections and year-round walkability, which includes being plowed during the winter.

“Section 8” means Section 8 of the United States Housing Act of 1937, 42 U.S.C. § 1437f, as may be amended.

“Senior Housing” means a Project that is designated as elderly or senior housing and receives funding and project-based rental assistance under a RD or HUD multi-family elderly housing program (such as RD’s Section 515 Rural Rental Housing Program and HUD’s Section 202 Supportive Housing for the Elderly Program) or that meets the definition of “housing for older persons” under the federal Fair Housing Act, 42 U.S.C. § 3607(b)(2) and the Maine Human Rights Act, 5 M.R.S.A. § 4581 et seq. and all associated regulations, as may be amended.

“Service Center Community” means an entire municipality that provides jobs and retail to surrounding areas and is a center for education, health care, cultural, recreational and social services, designated pursuant to the Municipal Planning Assistance Program of the State’s Department of Agriculture, Conservation and Forestry as a Regional Service Center as of January 2013.

“Significant Place of Employment” means an industrial, business or office park with at least 5 separate employers; a shopping mall that is anchored by one or more big box or large department stores and has at least 10 or more stores or establishments; or a single non-seasonal place of employment with at least 100 employees.

“State” means the State of Maine.

“State Ceiling” means the State’s housing credit ceiling established pursuant to Section 42(h)(3)(C) of the Code.

“Tax Increment Financing” means any type of tax increment financing, including without limitation an Affordable Housing TIF, a development district and development program approved by a municipality or a tax increment financing district approved by the State’s Department of Economic and Community Development pursuant to 30-A M.R.S.A., Chapter 206, as may be amended.

“TDC Index” means the calculation described in Section 5.C.

“TDC Index Cap” means the limit on Total Development Cost set forth in Section 5.C.

"Telehealth" means the use of interactive real-time visual and audio or other electronic media for the purpose of consultation and education concerning and diagnosis, treatment, care management and self-management of a patient's physical and mental health and includes real-time interaction between the patient and the telehealth provider, synchronous encounters, asynchronous encounters, store and forward transfers and remote patient monitoring. Telehealth includes telephonic services when interactive telehealth services are unavailable or when a telephonic service is medically appropriate for the underlying covered service.

"Telemonitoring," means the use of information technology to remotely monitor a patient's health status via electronic means through the use of clinical data while the patient remains in a residential setting, allowing the provider to track the patient's health data over time. Telemonitoring may or may not take place in real time.

“Total Construction Cost” means the sum of site costs, costs of constructing or rehabilitating structures, systems, facilities, units and components, general requirements, bond premiums, and contractor overhead and profit as determined by MaineHousing.

“Total Development Cost” or “TDC” means Total Project Cost less (1) the fees required by MaineHousing in connection with the Credit, (2) the Project’s operating deficit account to the extent required by MaineHousing and (3) the costs associated with any commercial space developed in connection with the Project.

“Total Project Cost” means the sum of all costs associated with the development, construction and rehabilitation of a Project, as determined by MaineHousing. Total Project Cost includes, without limitation, acquisition costs, the Capitalized Lease Value of all leases of land and building(s), demolition costs, Total Construction Cost, construction contingency, costs associated with community service facilities included in the Eligible Basis of the Project, soft costs (such as permits, design and engineering fees, environmental reports, appraisals, market studies and legal fees),

syndication costs, Net Developer Fee, financing costs and project reserves. Community service facilities are not considered commercial space for purposes of Total Project Cost.

“UPCS” means the Uniform Physical Conditions Standards established by HUD pursuant to 24 CFR § 5.703, as may be amended.

“Very Low Income” means income that is at or below 50% of the of the area median income as determined in accordance with Section 42(g) of the Code.

## APPENDIX B

### Pre-Application Submission Requirements

Applicants must submit a request for pre-application review and the following information to MaineHousing **at least 60 calendar days before the applicable Application deadline.**

1. A narrative description of the Project and any Related Development, including, the location, type of housing, total number of units by bedroom size, breakdown of required and/or pledged accessible units by type and location, total number of income-restricted units by bedroom size, proposed affordability, any existing affordability restrictions, any existing or proposed use restrictions, common areas and amenities at the Project, any community service facilities, any commercial space and other unique features of the Project.
2. Conceptual, Diagrammatic Site Plan and Conceptual Floor Plans and Conceptual Building Elevations in accordance with the requirements set forth in the 2016 Edition of MaineHousing's *Quality Standards and Procedures Manual*.
3. The status of applicable federal, State and local land use approvals for the Project and any Related Development, and any site, subdivision and other plans for the Project and any Related Development that have been prepared for submission or have been submitted to applicable municipal, state and federal governmental entities.
4. Details about the parking for the Project, including the number, type and location of all on-site parking and off-site parking and the terms and conditions thereof. If the Project will have less than one parking space for each unit in the Project, a written waiver request in accordance with the requirements set forth in 2016 Edition of MaineHousing's *Quality Standards and Procedures Manual* must be provided.
5. An explanation and all supporting documentation for any exceptions from the requirement to provide a community room, laundry facilities, telemedicine facilities or area activities in accordance with Section 5.K of the QAP.
6. All available information about any known or suspected environmental conditions on the Project site and any Related Development or adjacent sites that may impact the Project site or any Related Development, including any environmental reports. To the extent feasible, identify any and all visible (both on and off-site) fuel oil and propane tanks and include them on the Site Plan.
7. A capital needs assessment for any existing housing that meets the requirements in Section 5.D. and Appendix C.
8. A conceptual construction estimate(s) prepared by a qualified general contractor or third-party estimator for the Project and any Related Development, including trade breakdowns in the form of a schedule of values and a reasonable estimating contingency, if applicable, with sufficient detail to demonstrate expected construction-related costs. All exclusions and qualifications, if any, must be clearly stated in the estimate. The estimate is to be the basis of the hard cost line items contained in the project underwriting without exception.
9. A projected development and operating budget(s) for the Project and any Related Development which must be submitted electronically in the format prescribed by MaineHousing.

## **APPENDIX C**

### **Capital Needs Assessment Requirements**

1. The assessment must include a site visit, an interview with the on-site property manager and maintenance personnel concerning prior and pending repairs and improvements and existing or chronic physical deficiencies, and a physical inspection of the interior and exterior of at least 20% of the units and all other structures, facilities, systems and components that will be part of the Project, including the following.

- a) Site, including without limitation topography, drainage, pavement, curbing, walkways, sidewalks, parking, accessible parking, accessible routes, landscaping, amenities, water, sewer, storm drainage, and all utility lines;
- b) Structural systems and components, both substructure and superstructure, including without limitation foundations, exterior walls, balconies, porches, and stairways, exterior doors and windows, chimneys and roofing;
- c) Interiors, including without limitation unit and common area finishes and substrata (e.g. flooring, underlayment, carpeting, plaster or drywall, wall coverings and paint condition), and unit and common area kitchen finishes, cabinets, countertops and appliances, and unit and common area bathroom finishes, fixtures and accessories, laundry facilities, and common area lobbies and corridors; and
- d) Building systems, including without limitation plumbing supplies and drainage, domestic hot water production, heating, ventilating and air-conditioning production and distributions systems, fuel storage and delivery systems, electrical power distribution and metering systems, lighting controls and fixtures, smoke, fire and any other alarm systems, fire protection systems, security systems, and elevators.

The capital needs assessment must specifically identify all structures, systems, facilities, units and components that were inspected and must include a concise overview of the physical and operational condition of the existing housing and a detailed assessment of the expected useful life and the remaining useful life of each structure, system, facility, unit and component inspected. The assessment must also consider the presence of environmental and other hazards, including without limitation, asbestos, lead paint, mold, water damage and insect infestations.

2. The capital needs assessment must include a recommended scope of work and a cost estimate to complete the scope of work that addresses the following capital needs of the Project, without consideration of financial feasibility:

- a) Correction of all violations of applicable federal, state and local building, health and life safety codes and correction of all deferred maintenance;
- b) Rehabilitation or replacement of all structures, systems, facilities, units and components that have reached or exceeded their useful lives or will reach their useful lives within 5 years;

- c) Rehabilitation of all units and common areas and facilities to bring them into compliance with MaineHousing's Construction Standards to the maximum extent feasible;
- d) Rehabilitation of the minimum number of units and all common areas and facilities that are necessary to comply with the most current requirements for new construction projects under applicable federal, state and local accessibility laws, regulations, standards and guidance (which include without limitation, Section 504 of the Rehabilitation Act of 1973, HUD's housing regulations at 24 C.F.R. Part 8 and any accessibility standard designated by HUD; Title II and Title III of the Americans with Disabilities Act of 1990 and the 2010 Standards of Accessible Design; and if the Project involves substantial rehabilitation, the Maine Human Rights Act, the Maine Human Rights Commission's Chapter 8, Housing Regulations, and ANSI Standard A117.1-2009); and
- e) Remediation and disposal of any environmental or other hazards identified in the assessment.

3. The capital needs assessment must also identify any structures, systems, facilities, units and components with a remaining useful life of less than 30 years. The Application must include a plan for future rehabilitation or replacement of any identified structure, system, facility, unit and component with a useful life of less than 30 years that is not included in the scope of work for the Project, including possible funding sources, which will be considered in establishing the appropriate funding amounts for the Project's reserve accounts.

**APPENDIX D**  
**Gross Rent Floor Election Form**

**Note: This form only has to be completed if the Applicant wants to use the placed in service date to establish the gross rent floor for its Project.**

Pursuant to Section 42(g)(2)(A) of the Code and the State of Maine 2019 Qualified Allocation Plan, the gross rent floor for each Qualified Building that is part of \_\_\_\_\_ [NAME AND ADDRESS OF PROJECT] (the "Project") will be the maximum LIHTC rent applicable to the Project on (i) the date of the first allocation of tax credits to the Qualified Building (which may be the date of the first carryover allocation) if allocated tax credits from the State Ceiling, and (ii) the date the Notice to Proceed was first issued for the Project if LIHTC are allocated pursuant to Section 42(h)(4) of the Code, unless the Applicant completes and signs this form and returns it to Maine State Housing Authority before the first Qualified Building that is part of the Project is Placed in Service.

Terms used but not defined herein have the same meaning as set forth in the 2019 Qualified Allocation Plan.

\_\_\_\_\_ [check box] the undersigned elects to use the applicable maximum LIHTC rent on the date each Qualified Building in the Project is Placed in Service as the gross rent floor for the Qualified Building(s).

[INSERT NAME OF OWNER]

By: [INSERT NAME OF GENERAL PARTNER/MEMBER/MANAGER]

\_\_\_\_\_  
Witness

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_