WHEDA

LOW INCOME HOUSING TAX CREDIT

QUALIFIED ALLOCATION PLAN 2017-18

for the State of Wisconsin

SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. BOX 7863
MADISON, WI 53707

June 28, 2016

Dear Friend of Affordable Housing:

Wisconsin's ongoing commitment to affordable housing will continue into 2017 and 2018 through the Low-Income Housing Tax Credit Program. The Low-Income Housing Tax Credit Program is a valuable resource that helps ensure the benefits of Wisconsin's robust housing market reach our low-to-moderate income residents.

This marks the 30th year for the LIHTC program. WHEDA has been the sole administrator for LIHTCs in Wisconsin since the federal program began in 1986. Since that time, WHEDA has awarded nearly $342 million in LIHTCs resulting in the development and rehabilitation of more than 53,000 units of rental housing for low- to moderate-income families, seniors and persons with special needs.

Wisconsin's 2017/2018 Qualified Allocation Plan was prepared in accordance with Section 42(m)(l)(A)(i) of the Internal Revenue Code of 1986. The Plan is based upon Congressional mandates and Wisconsin's housing needs. This Plan will provide as many quality affordable housing opportunities as possible.

The credits available under the Plan will produce and preserve high quality affordable rental units. Working together, we can ensure all citizens of Wisconsin safe, decent and affordable housing.

Sincerely,

Scott Walker
Governor

LOW INCOME HOUSING TAX CREDIT

2017-2018

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for the

STATE OF WISCONSIN

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2017-2018

QUALIFIED ALLOCATION PLAN

TABLE OF CONTENTS

I. INTRODUCTION

Thank you for your interest in the Low Income Housing Tax Credit (LIHTC) Program. The Governor has appointed Wisconsin Housing and Economic Development Authority (WHEDA) to administer this program in Wisconsin. In accordance with Section 42 of the Internal Revenue Code (the “Code”), WHEDA has developed this Qualified Allocation Plan (the "Plan") to establish the criteria and process for the allocation of the housing Tax Credit (the "Credit") to qualified rental housing developments in Wisconsin. WHEDA will implement this Plan following a public hearing, approval of the Plan by the WHEDA Board of Directors, and final approval of the Plan by the Governor. This Plan shall govern calendar years 2017 and 2018.

OBJECTIVES OF THE QUALIFIED ALLOCATION PLAN

1. Increase the supply of housing for very-low income families and seniors
2. Increase the supply of affordable housing with services, including veterans
3. Encourage housing development in areas of economic opportunity
4. Coordinate housing development with housing & community development plans
5. Ensure the efficient use of LIHTCs
6. Support the housing goals and objectives stated in the State of Wisconsin Consolidated Plan and the housing goals and objectives stated in the Plan to End Homelessness

II. THE COMPETITIVE (9%) CREDIT RESERVATION & ALLOCATION PROCESS

A. Amount of Credit to be Allocated

The amount of annual Competitive Credit authority is based on an estimated $2.35 per-capita derived from population estimates released by the Internal Revenue Service (the "IRS"). For calendar years 2017 and 2018, WHEDA's per-capita Competitive Credit authority is estimated to be approximately $13.6 million. In addition to per-capita Credit, WHEDA may have returned Credit from previous Credit years to allocate. WHEDA staff may also elect not to allocate remaining Credit.

There will be one pool of Competitive Credit divided into five Set-Asides. Applicants are required to choose the Set-Aside in which they will compete. These Set-Asides are General, Nonprofit, Preservation, Rural, and Supportive Housing. All Set-Asides are available at the opening of the application period. To leverage this limited public resource to the furthest extent possible, the maximum Credit that will be awarded to any one development is the lessor of $1,400,000, or one-half of the Rural, Preservation and Non-Profit Set-Asides.

WHEDA staff will rank all applications by score within the appropriate Set-Aside, and allocate Credit to the highest scoring applications to the extent that Credit is available to fully fund the next highest-scoring application within the Set-Aside. WHEDA staff may then allocate any remaining Credit at their discretion.

All developments applying for additional Competitive Credit (in excess of the development’s original Credit request) in a subsequent year must compete with all other competitive applications submitted in the selected

Set-Aside. Such additional Credit applications shall not include a Developer’s Fee higher than the development’s original request - the maximum developer fee for a property will be established at the approval of the Carryover application.

A partial credit award will only be made if needed to reach the 10% non-profit requirement mandated by the IRS, or the scenario in which credits have been returned or received by WHEDA that would otherwise expire if not allocated before the end of the year

All developments applying for the remainder of a partial award in a subsequent year, so long as the request for credit does not exceed the original request, will not have to compete with other applications submitted in the selected Set-Aside. Applications are required to meet threshold requirements including the minimum score threshold. Applications that request a credit amount exceeding their original application will be treated as an additional credit application.

The Set-Asides are:

1. **General Set-Aside. Fifty percent (50%)** of the State housing per-capita Credit will be made available in the General Set-Aside.

   Applications applying in this Set-Aside shall not be moved to a different Set-Aside for any reason.

2. **Nonprofit Set-Aside. Ten percent (10%)** of the State housing per-capita Credit must be set aside for qualified nonprofit organizations that have a majority ownership interest in a Credit development.

   If nonprofit applications score insufficient points to qualify for Credit in the Nonprofit Set-Aside, they will be transferred to the General Set-Aside to be ranked by score.

   The nonprofit must be named as the “Primary Applicant/Developer”, must sign the LIHTC application, and must be a "qualified nonprofit organization" as defined in Section 42 of the Code and submit a fully completed Appendix B with the initial LIHTC application. Applicants in the Nonprofit Set-Aside will be required to provide evidence that they have staff with residential development experience, and a controlling interest in the property. Applications determined by WHEDA to be ineligible for this Set-Aside will be moved to the General Set-Aside.

3. **Preservation Set-Aside. Twenty percent (20%)** of the State housing per-capita Credit will be set aside for the preservation of qualifying federally assisted housing units. Applications must propose a minimum of 20% of eligible basis or $20,000/unit in hard cost rehabilitation, whichever is greater, to qualify for this Set-Aside.

   Federally Assisted Housing Preservation includes low-income housing developments subsidized under the following or similar programs: Section 236, Section 221(d)(3) Below Market Rate (BMIR), Section 221(d)(3) Market Rate with Section 8 rental assistance, Section 8 project-based new construction, Section 202, Section 811, Section 221(d)(4), public housing, Section 515- Rural Rental Housing Program, Rural Development, USDA, and NAHASDA or other tribal subsidies. Existing properties with project-based vouchers for a minimum of 75% of the units are eligible to apply in the Preservation Set-Aside.

   Applications applying in this Set-Aside shall not be moved to a different Set-Aside for any reason.

4. **Rural Set-Aside. Ten percent (10%)** of the State housing per-capita Credit will be set aside for developments in qualified rural locations.

   To qualify for the Rural Set-Aside:

   a. A development must be in a location that is rural in character. The following criteria will be used by WHEDA in determining whether a site is rural in character or not: a) Population (20,000 or less), b) Location relative to other communities and the population of those communities, c) Commuting patterns and distances, d) Community economic base, and d) Community land use patterns. WHEDA will, upon request, evaluate sites in advance and advise applicants as to whether the proposed site is eligible for the Rural Set-Aside. Any request for an evaluation should be directed to the Low Income Housing Tax Credit Allocating Group. The request must be made in writing and received a minimum of thirty (30) days prior to the due date for Competitive applications. Applications submitted in this set-aside that are determined to not be in a Rural location at WHEDA's sole discretion will be disqualified.

   b. Applications for Rural Set-Aside Credit must be for developments consisting of 40 or fewer units if the development involves newly constructed units.

   Applications applying in this Set-Aside shall not be moved to a different Set-Aside for any reason.

5. **Supportive Housing Set-Aside. Ten percent (10%)** of the State housing per-capita Credit will be set aside for developments intending to provide supportive services in at least 50% of the units for individuals and/or families who are chronically homeless or prone to homelessness and who require access to supportive services to maintain housing.

   To qualify for the Supportive Housing Set-Aside the applicant must:

   - Submit an executed Certification (see Appendix T to the Application) committing to certain conditions
   - Submit firm commitments for rental subsidy for a minimum 50% of the total development units from a public housing authority or government entity having such authority, and must clearly state support of the project.

   Examples of allowable rental assistance include: Project-based Section 8 HAP or vouchers, operating subsidy or capitalized operating fund, or other rental subsidy assistance provided by a public housing authority or other government entity.

   Applications applying in this Set-Aside shall not be moved to a different Set-Aside for any reason.

B. Steps in the Reservation & Allocation Process for Competitive Credit

	2017	2018
Management Agent Certification	November 7, 2016	August 28, 2017
Tax Credit Application Submissions Due (see www.wheda.com of LIHTC Online Application (LOLA) and Paper Application Documentation	Jan 23 – Feb 3, 2017	Nov 3, 2017 – Nov 17, 2017
WHEDA Initial Application Review, Site Visit, Financial Feasibility, Market Review, Scoring	Feb 6 - May 1, 2017	Nov 20, 2017 – February 28, 2018
WHEDA Publication of Preliminary Awards (see www.wheda.com)	Approx. May 1, 2017	Approx. Mar 1, 2018
WHEDA Credit Calculation & Reservation Issuance	Approx. May 1, 2017	Approx. Mar 1, 2018
Due Date for Additional Documents, and Second Application via LOLA and paper Application. WHEDA Issuance of Carryover Agreement	Due Approx. September 1, 2017 (120 days after Reservation issuance)	Due Approx. July 1, 2018 (120 days after Reservation issuance)
10% Test Deadline (see www.wheda.com for documentation	Due 30 days prior to twelve months after Carryover issuance	Due 30 days prior to twelve months after Carryover issuance
Mandatory Construction Start Date	July 31, 2018	May 31, 2019
Building places in service	No later than 12/31/2019	No later than 12/31/2020
Submission of Final (Third) Application via LOLA and Paper Documentation (see www.wheda.com for documentation)	Due within **180** days after latest placed in service date for the project	Due within **180** days after latest placed in service date for the Project
WHEDA Issuance of 8609 Form(s) & mandatory Land Use Restriction Agreement (LURA)	After receipt and approval of satisfactory third review documentation	After receipt and approval of satisfactory third review documentation
WHEDA Ongoing Compliance Monitoring Procedures	Post 8609 issuance	Post 8609 issuance

1. Application Deadline

WHEDA will prepare and make an application available to all interested applicants. The application will include a prescribed form and a list of required additional documentation. All initial and subsequent LIHTC applications must be submitted via WHEDA's LIHTC On Line Application system (LOLA). A Delegated Administrator Agreement must be submitted to and processed by WHEDA to obtain access to LOLA. One paper copy of the application and required additional documentation must also be submitted to WHEDA. Completed paper applications must contain **original signature(s) of both the Primary Applicant and Co-Applicant/Co-Developer, if applicable** and the initial application must be accompanied by a check for the appropriate nonrefundable application fee(s) (See Section IX, Tax Credit Allocation Fees). If the LIHTC application is not fully executed by all applicants, (Primary Applicant and Co-Applicant), the LIHTC application will be disqualified.

WHEDA will accept competitive LIHTC applications for a two-week period according to the calendar in this document. All competitive applications must be submitted via the

LOLA System by 5:00 p.m. CST. The paper copy of the application, nonrefundable fee(s), and required additional documentation will be accepted by mail, postmarked no later than the submittal due date, or hand-delivery, received in WHEDA's Madison office by 5:00 p.m. CST no later than the due date. WHEDA may accept applications after this period should WHEDA determine it has not received an adequate quantity of quality applications.

All initial noncompetitive LIHTC applications must be submitted via the LOLA System between January 4 and 5:00 p.m. CST on December 20 each calendar year. The paper copy of the application, nonrefundable fee(s) and required additional documentation must be submitted to WHEDA's Madison office between January 4 and December 20 (postmarked) each calendar year (5:00 p.m. CST if hand-delivered).

WHEDA's Credit Application contains all scoring criteria details and all submittal checklists. Applicants are also encouraged to review all application Appendices. All of these materials are located by application year on www.wheda.com.

WHEDA will charge fees at the time of issuance of the Reservation Agreement, Carryover Allocation Agreement (Tier One and Tier Two Agreements for noncompetitive applications), 8609(s), and for ongoing LIHTC monitoring. Fees are detailed in Section IX, Tax Credit Allocation Fees.

No application may request more than 50% of the amount available in the Rural and Non-Profit Set-Asides. Applications in the General, Preservation, and Supportive Set-Asides will be limited to an annual credit amount of $1,400,000. A developer may receive up to $1,400,000 of LIHTCs in any year, in no more than three awards. If there is a developer and a co-developer for an LIHTC application, the credits will be allocated to the developer and co-developer based on the percentage of the developer fee paid to each entity. WHEDA will require a development agreement or Memorandum of Understanding (MOU) which describes the payment of developer fees. Developers and co-developers that have an Identity of Interest may be treated as a single developer if WHEDA concludes at its discretion that the structure is intended to circumvent the annual $1,400,000 limit on LIHTCs to a developer.

2. Initial Application Review & Site Visit

WHEDA will review all applications for completeness, including, but not limited to, the following:

- The application is complete with all additional documentation, including all threshold items
  See Application Submission Checklist accompanying the Application
- The development meets the basic occupancy and rent restrictions of Section 42 of the Code
- The organization applying for the Credit will have an ownership interest in the development unless the development is Public or Tribal Housing
- Nonprofit applicants applying in the Nonprofit Set-Aside meet the "qualified nonprofit organization" requirements of the Code, and have submitted a completed Appendix B
- The developments owned or operated by any member of the development team in the State of Wisconsin, or any other state, are in compliance with the Code and are operating in a manner acceptable to WHEDA, with no occurrences of LIHTC properties in foreclosure, default or placement in receivership within five years prior to the submission of the application

- Environmental issues or administrative proceedings do not exist that would adversely affect the ability to timely proceed
- The applicant is sufficiently ready to proceed based on site control

As required by the Code, WHEDA will also notify the appropriate official's office in the local jurisdiction of the proposed Credit development location and solicit comments. While Credit cannot be denied to a development based solely on such comments, WHEDA will consider this information, and in its sole discretion may utilize such comments in its decision making process. WHEDA will evaluate all input received from the appropriate official(s) when deciding to award Credit to a particular development.

A WHEDA representative will contact a member of the development team to discuss the proposed development, arrange a site/market visit, meet with representatives of the development team, and/or meet with representatives of the local municipality.

3. Market Approval Threshold

WHEDA requires all applications include a recent market study, prepared by a WHEDA approved third-party market analyst. A list of WHEDA approved market study providers can be found on www.wheda.com.

Market strength is a threshold determination based on the market study provided in the application, analysis by the WHEDA representative, and other sources including WHEDA internal occupancy data. The market study must adhere to the standards published on www.wheda.com. WHEDA may request additional information from the applicant during the market review process. All applications, including those financed with tax-exempt bonds (see Section II. B. 11.Rules for Developments Receiving Non Competitive Credit when Financed with Tax-Exempt Bonds), must meet the market approval threshold as determined by WHEDA. WHEDA, at its option, may elect to contract its own third-party market study to evaluate information provided by the developer.

WHEDA reserves the right to reject applications for market feasibility if, in its sole opinion, it believes that an insufficient market exists for the proposed development, or that the proposed development will have a negative impact on existing multifamily housing or other developments in the market area currently under construction or lease-up.

4. Financial Feasibility Threshold

Section 42 of the IRS Code states in part "The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period".

Therefore, WHEDA will evaluate the financial feasibility as a threshold item. Feasibility is determined by a variety of factors including: projected operating expenses, replacement reserves, rents, other income, vacancy assumptions, debt service, and expected equity proceeds.

<u>WHEDA reserves the right to reject applications or reduce Credit requests/allocations at any stage of the allocation process per Section 42 requirements, based on financial</u>

infeasibility, or excessive Credit request. WHEDA Furthers reserves the right to reject applications during Initial Application review which, in WHEDA's opinion, have inadequate or excessive development budgets. In those instances when more than one-third of the non-LIHTC funding sources are not committed, WHEDA may increase the credit request (which may reduce credit usage points) to lower the amount of uncommitted funding sources to one-third.

WHEDA limits total development cost for any one development under a formula based on location, number of units, and other project specific components. Public housing authorities and tribal housing authorities are exempt from this if they are the primary applicant and HOPE VI or NAHASDA (or similar to NAHASDA) funding is a source of funds. This is a threshold item and applications exceeding this standard will be rejected. See current year application and its appendices for calculation and methodology.

Requirements contained in any MOU executed by and between WHEDA and the US Department of Housing and Urban Development (HUD), Wisconsin Rural Housing Service (aka USDA RD), or others will be applied to the underwriting of applications combining both Credits and other federal funding. Subsidy layering reviews required under these MOUs will be conducted and may result in a reduction of Credit. By applying for Credit, applicants acknowledge that their Credit application materials may be shared with the aforementioned agencies in the underwriting of these Credit applications. A copy of the applicable MOU will be made available to applicants upon request.

Developments with HUD or Rural Development financing and/or project-based subsidies have special application submittal requirements that may impact feasibility. See the Application Submittal Checklist and various appendices of the Credit application.

WHEDA reserves the right to reject Competitive Credit applications if it believes the development could reasonably be accomplished utilizing noncompetitive 4% credits and tax-exempt financing. WHEDA may use the following assumptions for this determination: WHEDA’s current tax-exempt loan rates, longer amortization, a subsidized second mortgage, or reasonable deferment of developer fees.

Acquisition-rehab proposals (except for adaptive reuse developments) must provide:

- a Capital Needs Assessment report (CNA) of the subject property completed within the past 18 months. The CNA must be completed by a WHEDA approved third-party CNA provider. A list of WHEDA approved CNA providers can be found on www.wheda.com.

Applicants requesting Acquisition Credit must provide:

- an “as-is” market value appraisal no more than 12 months old conducted by a third party appraiser certified under the requirements of the State of Wisconsin general certification of real estate appraisers. The values established shall be used for any acquisition portion of the Credit calculation, subject to WHEDA review and approval.

5. Land Use Restriction Agreement (LURA)

Owners of developments funded with LIHTC will be required to enter into a Land Use Restriction Agreement (LURA) with WHEDA for a mandatory 30-year period. No "opt-out" provision will be included except for awards of Non Competitive (4%) Credit.

6. Application Scoring & Minimum Scoring Threshold

Applications are scored based on various scoring criteria. Applicants will self-score a portion of these criteria in the Application. However, WHEDA will make the final determination of the applicant's score. WHEDA requires a minimum threshold point score for all applications which will be noted in the application.

7. Scoring Categories

Detailed scoring criteria, instructions and tie-breakers are located within the Credit application itself on www.wheda.com.

1. Lower-Income Areas
2. Energy Efficiency and Sustainability
3. Mixed-Income Incentive
4. Serves Large Families (Three-bedroom or larger units)
5. Serves Lowest-Income Residents
6. Supportive Housing
7. Rehab/Neighborhood Stabilization
8. Universal Design
9. Financial Participation
10. Eventual Tenant Ownership
11. Project Team
12. Readiness to Proceed
13. Credit Usage
14. Opportunity Zones

WHEDA calculates and ranks the score for each application in each Set-Aside and determines which applications meet or exceed a minimum established scoring threshold. WHEDA will publish a list of awarded applications, as well as those that are on-hold or ineligible on www.wheda.com at the conclusion of each LIHTC allocation round.

8. Submission & Review of Additional Documents

The highest-ranking applicants within each Set-Aside and for which Credit is deemed likely to be available are able to continue in the process. WHEDA will subsequently issue to the highest- ranking applicants a Credit Reservation letter shortly after the credit award announcement.

Additional required application materials must be submitted to WHEDA within **120 days** of the issuance of the Credit Reservation. Failure to meet all threshold requirements within the 120-day period **will render applications ineligible for further consideration**.

At its sole discretion, WHEDA may approve a written request for an extension. See Section IX, Tax Credit Allocation Fees. In the event an application is unable to proceed in the Credit process, WHEDA, at its discretion, may award credits to the next highest-ranked scored application that meets or exceeds the minimum scoring threshold.

9. Competitive Credit Calculation & Reservation

a. Credit Calculation:

WHEDA will reserve the calculated Credit amount after the development has received market approval, received financial feasibility approval, achieved sufficient scoring rank, and has satisfactorily submitted all requested additional documentation. WHEDA determines the amount of Credit reserved through information received and the amount requested in the application. The actual reservation amount may not equal the dollar amount requested in the application. The Code requires that WHEDA determine that *"the housing Credit dollar amount allocated to the development does not exceed the amount the housing Credit agency determines is necessary for the financial feasibility of the development and its viability as a qualified low-income housing project throughout the Credit period."* In making this determination, WHEDA will consider the following:

- The sources and uses of funds and the total financing planned for the development
- Any proceeds or receipts expected to be generated by tax benefits
- Percentage of the housing Credit dollar amount used for development costs
- The reasonableness of operating expenses, rent and vacancy assumptions, and proposed debt service coverage, the development and operational costs of the proposed development
- An analysis of the appropriate Credit amount based on an "equity gap" model

The Code allows the possibility of receiving a Credit reservation equal to 130 % of qualified expenditures. The increased basis is allowed in areas defined by HUD as "qualified census tracts" (QCT) or "difficult development areas" (DDA). A map of the census tract showing the development location must be submitted with the application for Credit. See Appendix E of the LIHTC Application for a list of qualified census tracts. WHEDA will provide periodic guidance to applicants regarding the maximum QCT basis boost that may be requested by applicants.

The Housing and Economic Recovery Act of 2008 allows WHEDA to designate areas or projects to receive up to a 30% "HFA basis boost". WHEDA expects to publish its "HFA boost policy" annually subject to market conditions and project feasibility. Applicants should monitor www.wheda.com for the latest information. WHEDA reserves the right to revise its policy at any time. WHEDA will provide periodic guidance to applicants regarding the maximum HFA basis basis boost that may be requested by applicants.

The Code allows Credit to be awarded to that portion of a building used as a community service facility not in excess of 25% of the total eligible basis, if the building is located within a qualified census tract. Such "community service facility" may include childcare, workforce development, healthcare, etc., and must be designed primarily to serve individuals whose income is 60% or less of county median income.

Under certain circumstances described in the Code, buildings financed under the Native American Housing Assistance and Self-determination Act of 1996 (NAHASDA) are eligible for the Competitive Credit.

b. Reservation of Credit

WHEDA will issue a letter reserving the determined Credit amount to qualifying applicants shortly after the announcement of preliminary awards. An applicant may not transfer Credit to another development or another development site. **WHEDA will not allow changes to the development that affect scoring after the reservation letter has been issued without its written approval. All developments receiving a reservation of Credit will be required to erect a WHEDA construction sign meeting specifications outlined in Appendix L of the LIHTC Application.**

In those cases in which a Reservation Agreement (and the Reservation Fee) are not returned to WHEDA by the deadline within the Reservation Agreement, WHEDA will consider this a request for an extension.

10. Second & Third Application Reviews & Credit Allocation

Federal law requires that WHEDA evaluate the application three times: 1) at initial application; 2) at carryover allocation; and 3) at the time the building(s) is (are) placed in service. On each occasion, the applicant must submit a complete Credit application via LOLA and in paper form and certify to all Federal, State, and local subsidies expected to be available to the development.

The process requires that applicants provide detailed and accurate information concerning all development costs at each evaluation. Applicants with Reservations will be subject to cancellation of the Reservation if they are unable to provide WHEDA with satisfactory evidence of progress toward timely completion of the proposed development, or if there are significant changes to the proposed development from the approved application.

The second review is due from the applicant no later than **120** days after the date of the Reservation issuance. WHEDA will review financial feasibility and revised costs based on information provided by the applicant in the second review application to determine the appropriate amount of Credit to be allocated. Provided the second evaluation is in order, WHEDA will issue a Carryover Agreement at the time of completion of the second evaluation. Developments allocated Credit must be placed in service a) during the calendar year in which the allocation took place - **OR** – b) apply for a Carryover Agreement within **120 days** of the issuance of the Credit Reservation. WHEDA must **receive** the fully executed Carryover Agreement on or before December 29 each calendar year.

A valid Carryover Agreement, per the Code, requires that the taxpayer incur costs that exceed 10% of the taxpayer's "reasonably expected basis" or total development cost no later than 12 months after the date the Carryover Agreement is issued. The owner must submit a third-party accountant's review certifying that the required 10% expenditure has occurred, or is likely to. WHEDA requires a breakdown of expenditures as well as proof of expenditure by the specified deadline.

In those cases in which the Carryover Agreement (and the Carryover Fee) are not returned to WHEDA by the deadline within the Carryover Agreement, WHEDA will consider this a request for an extension.

WHEDA will require evidence that construction/rehabilitation of the property is underway by July 31st, 2018 for all LIHTC awards made in 2017. For LIHTC awards made in 2018, WHEDA will require evidence that construction/rehab of the property is underway by May

31, 2019. Applicants who do not meet the mandatory construction start date will not be allowed to apply for LIHTCs in the next cycle, unless construction has started a minimum of 30 days before the next LIHTC application deadline.

The third and final review is conducted after the development has been placed in service. WHEDA will again review financial feasibility, revised costs and the equity requirement based on information provided by the applicant in a third updated application to determine the appropriate amount of Credit to be allocated. Submission of a Final Application for final allocation must be made within 180 days of the latest placed-in-service date for the project or an extension must be requested. See Section IX Tax Credit Allocation Fees.

A final allocation of Credit cannot be made until 1) the development building(s) has/have been placed in service, and the applicant provides all items on WHEDA's 8609 Submission Checklist. This includes a third-party cost certification to actual development costs or any other documents WHEDA may require to carry out the requirements of the application, the Qualified Allocation Plan for the State of Wisconsin, or IRS regulations.

Please see www.wheda.com for the Final (8609 Submission) Review Checklist for a complete list of required items to be submitted with the Final Application.

WHEDA requires execution of a Land Use Restriction Agreement (LURA) mandated under Section 42 of the Code that commits to extend use for low-income housing for a mandatory 30-year period with no "opt-out" provision for developments funded with Competitive Low Income Housing Tax Credits**.**

Owner/Taxpayer must provide WHEDA with a recorded LURA (or LURAs, if recorded in more than one office) as part of Review 3. In the event Owner/Taxpayer is unable to produce a recorded version of the LURA that meets WHEDA's approval, WHEDA will not issue a Form 8609 to Owner/Taxpayer.

The above requirements must be submitted in an acceptable form to WHEDA. Upon receipt, review and acceptance of all required materials, WHEDA will allocate Credit and send a completed original of IRS Form(s) 8609 to the owner. WHEDA will forward a photocopy of Form(s) 8609 to the IRS. WHEDA will assess fees for the re-issuance of 8609 form(s) at the Owner's request for non-WHEDA errors. This fee must be paid in full prior to WHEDA mailing or faxing the revised/corrected 8609 forms to the Owner.

If WHEDA at any time has reason to believe that the development: 1) will not be placed in service in a timely fashion; 2) fails to comply with the requirements for a Carryover Allocation; 3) is not in compliance with Section 42 of the Code; or 4) that the application contains misrepresentations, WHEDA may revoke the Credit allocation.

In addition, WHEDA reserves the right to deduct up to 15 points within the Project Team scoring category on subsequent LIHTC applications should it discover developer/applicant noncompliance on previous tax credit awards. Deductions shall apply no less than 24 months from the date of discovery. Examples include, but are not limited to : failure to incorporate design/amenity/accessibility/green building elements, failure to include special needs services for which the developer received points or were threshold certification items at initial application, failures which would have reduced the total amount of points scored on the initial application.

11. Rules for Developments Receiving Non Competitive (4%) Credit Financed with Tax-Exempt Bonds

Applicants applying for Non Competitive Credit for a development financed by WHEDA or locally issued tax-exempt bonds must follow a two-tier application process.

Applicants are encouraged to submit the first application prior to commencing construction of the development. WHEDA will review the application to confirm that the development meets the requirements of the Plan, including a determination that the application meets the market threshold, financial feasibility threshold, and minimum scoring threshold. Developments may rely on the Plan and form of application in effect for the year in which they make their first application. In its review of the first application, WHEDA also confirms that 50% or more of the aggregate basis of building(s) and land is being financed with tax-exempt bonds. **Since all Tax Credit applications must meet the market threshold, financial feasibility threshold, and minimum scoring threshold, developers are encouraged to make the first application for Credit as early in the development process as possible.**

Applicants submit the second application at the time of request for Credit allocation (assignment of the building identification numbers [BINs] and Form 8609). In addition to the approval of the first and second Tax Credit applications, Applicants must meet the following requirements to qualify for the final allocation of Credit:

- The governmental unit that issues the bonds must make a determination of allowable Credit under rules similar to those required in Section 42(m)(2)(A)&(B), and will be required to provide an affidavit in a form acceptable to WHEDA that it has made this determination
- If there has been a change in Owner entity since the "Tier One" letter, include a photocopy of the original signed and dated organizational documents filed with the Wisconsin Department of Financial Institutions, change the Owner information on the application for Credit, and note the correct Federal Identification number on the application for Credit
- Applicants must submit evidence of applicable Tax Credit percentage election in accordance with Section 42(b)(2). If no such election is submitted, WHEDA will issue an allocation based on the appropriate percentage prescribed by the law
- Submit all items referenced under "The third and final review" in Section 10 above
- Owners of developments funded with Non-Competitive (4%) Credits will be required to enter into a Land Use Restriction Agreement (LURA) with WHEDA for a 30-year period; however, an "opt-out" provision after year 15, as allowed under the Code, will be included

WHEDA will charge an application fee and additional review fees for all tax-exempt bond financed developments. See Section IX, Tax Credit Allocation Fees.

12. Compliance Monitoring Procedures

The Code requires housing Credit agencies to monitor all Credit developments to determine whether they are complying with the requirements of the Credit program. The monitoring requirement applies to all buildings placed in service for which the Credit is, or has been, allowable at any time. WHEDA's internal monitoring process is outlined in the AHTC Compliance Manual and the Compliance Policy for Extended Use Period, which are provided on the Internet at www.wheda.com.

Once the Form(s) 8609 is (are) issued, WHEDA will only allow changes to the development affecting the selection criteria on which the allocation of Credit was awarded upon satisfactory evidence that the change is necessary for the ongoing financial viability of the development.

All Credit developments are required to comply with the following regulations: The owner of a Credit development must keep records for each qualified building for ***each year*** in the compliance period. These records must include:

a. The owner of a Credit development must certify annually to WHEDA under penalty of perjury, on forms and in a manner prescribed by WHEDA, that:

- The development meets the minimum set-aside test applicable to the development
- The owner has received an annual Resident Income Certification from each qualifying resident and documentation to support that certification
- Each qualifying unit in the development is rent restricted under Section 42(g)(2) of the Code
- All units in the development are for use by the general public (as defined in §1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the development. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent State or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a Federal court
- The buildings and each residential unit in the development are suitable for occupancy (taking into account applicable health, safety, accessibility, building codes and regulations or other habitability standards), and the government unit responsible for making health, safety, or building code inspections did not issue a violation report for any building or residential unit in the development
- Either there has been no change in the eligible basis as defined in Section 42(d) of any building, or there has been a change, and the nature of the change, including any new Federal funds received
- All resident facilities included in the eligible basis under Section 42(d) of the Code of any building in the development, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances, are provided on a comparable basis without a separate fee to all residents in the buildings
- If a qualifying unit in the development becomes vacant during the year, reasonable attempts are made to rent that unit to residents having a qualifying income and while the unit is vacant, no units of comparable or smaller size are rented to residents not having a qualifying income
- If the income of residents of qualifying units increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building will be rented to residents having a qualifying income
- Either there has been no change in the applicable fraction as defined in Section 42 (c)(1)(B), or there has been a change, and the nature of the change
- The development complies with the requirements or special provisions on which the allocation was based as outlined in the allocation documents, including, but not limited to, special set-asides and the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing

Act of 1927, 42 U.S.C. 1437s (for buildings subject to Section 13142(b)(4) of the Omnibus budget Reconciliation Act of 1993, 107 Stat. 312, 438-439)

- All qualifying units in the development are used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under Section 42(i)(3)(B)(iv) of the Code)
- The development complies with the requirements for all Federal or state housing programs (e.g.) RHS assistance, HOME assistance, Section 8, FHA, tax-exempt financing or other programs), as applicable
- If the owner received its Credit allocation from the portion of the State ceiling set-aside for a development involving “qualified non-profit organizations” under Section 42(h)(5) of the Code, the nonprofit entity materially participates in the operation of the development within the meaning of Section 469(h) of the Code, as applicable
- The development is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations
- There has been no change in the ownership or management of the development or any such changes have been reported to the State Monitoring Agency
- The applicable fraction as reported to the IRS for each building in the development at the close of the most recent tax year

b. WHEDA requires that an owner of a Credit development submit to WHEDA during the compliance period, at times and in a manner prescribed by WHEDA, which may include transmission via e-mail or through a website, the following information:

- The Form 100 owner's certification as described in Section (a) above
- Unit event information including data as described in Section (a) above
- Utility documentation as required by the Code of Federal Regulations (26 CFR §1.42-10) and described in WHEDA's Tax Credit Program Compliance Monitoring Manual
- Copy of signed 8609s the owner submits in the first year Credit is claimed
- Other documentation as required

c. WHEDA has the right to perform inspections of any Credit development through the end of the compliance period, including any extended use period. IRS regulations mandate that at least once every three (3) years WHEDA must conduct on-site inspections of all buildings in the development and review at least 20 percent (20%) of the development's low-income units. An inspection includes a physical inspection of any building and units in the development, as well as a review of the records described in Section (a) above.

As provided in the Code, WHEDA and USDA Rural Development have entered into a Memorandum of Understanding ("MOU") whereby developments financed by Rural Development will be inspected by Rural Development. Rural Development will provide the result of such reviews to WHEDA.

d. WHEDA will provide prompt written notice to the owner of a Credit development if WHEDA does not receive the required certifications or discovers through inspection, review or any other manner, that the development is not in compliance with the provisions of Section 42. In general, the owner will have an opportunity to correct noncompliance within **90 days** from the date of notification to the owner. However, in the case of non-submission of reports or fees, the owner will have **30 days** from the date of written notification in which to submit any missing report(s), information, or documentation. This includes, but is not limited to: Unit Status Report, annual Owner's Certificate of Continuing Compliance, utility allowance documentation, initial information, and fees. During the correction period, an owner must supply any missing certifications and bring the development into compliance with the provisions of Section 42. WHEDA may extend the correction period for up to six (6) months if it determines there is good cause for granting an extension.

e. WHEDA is required to file Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described above, including any extension, whether or not the noncompliance or failure to certify is corrected.

f. Compliance with the requirements of Section 42 is the responsibility of the owner of the development for which the Credit is awarded. WHEDA is relying solely on the quality and accuracy of the information presented by the owner's agent. This does not prohibit the IRS or WHEDA from detecting future violations. The IRS has issued no guidance on what constitutes a cure, therefore the IRS may overturn any cure deemed reasonable by WHEDA. WHEDA's obligation to monitor for compliance does not make WHEDA liable for an owner's noncompliance.

g. WHEDA will charge an annual fee to the development for conducting compliance monitoring. The annual fee is due March 15 of each year during the compliance period. WHEDA will also charge an initial compliance monitoring fee payable after the Form 8609 is issued. A late charge will be assessed for documentation or fees that are not received by the due date. WHEDA's Compliance Monitoring Fee Schedule and Compliance Monitoring Fee Policy is included in WHEDA's AHTC Compliance Manual and the Qualified Allocation Plan. Fees will be charged on all units within each development and drawn via Automated Clearing House (ACH) agreement. WHEDA will only accept payment via ACH agreement. Monitoring fees are as follows:

Initial Compliance Fee (Payable after 8609 issuance)
The Initial Compliance Fee is a one-time fee payable after 8609 issuance. For developments of 15 or fewer units the fee is $800.00. For developments of 16 or more units, the fee is $55.00 per unit with a maximum of $5,000.00.

Initial 15 Year Compliance Period (Electronic Unit Status Report Submission)

WHEDA Financed	$30.00 per unit annually
Rural Development	$30.00 per unit annually
All Other	$45.00 per unit annually

Extended Use Period (Electronic Unit Status Report Submission)

WHEDA Financed	$25.00 per unit annually
Rural Development	$25.00 per unit annually
All Other	$40.00 per unit annually

Unit Status Reports received in paper form: an additional $30.00 per unit will be assessed.

III. PUBLIC REVIEW PROCESS FOR THE QUALIFIED ALLOCATION PLAN

WHEDA will convene public hearings to receive oral and/or written comments regarding this Plan. After the hearings, the Plan will be presented to the WHEDA Board Members or their Assignees and the Governor of the State of Wisconsin forapproval.

IV. ADMINISTRATION OF, AND MODIFICATIONS TO, THE PLAN

WHEDA's Director of Commercial Lending shall oversee the implementation, administration and interpretation of this Plan by WHEDA staff, including: the preparation of forms of all applications, certifications, scoring sheets and other documents; and the implementation of fair and reasonable processes for consideration of objections that may be raised by Credit applicants to decisions made by staff who administer the Credit program.

WHEDA's Members Loan Committee may amend this Plan from time to time to implement policy or program changes that the Committee deems to be in the best interests of the citizens of the state of Wisconsin.

The Director of Commercial Lending may amend this Plan to implement administrative changes, make clarifications and technical corrections, and conform the Plan to the requirements of the Code.

WHEDA Staff shall distribute a copy of each change made to this Plan to the WHEDA Board of Members promptly after the change takes effect.

WHEDA's Board of Members may, notwithstanding anything in this Plan to the contrary, allocate Credit to developments irrespective of points scored, if the allocations are: in compliance with the requirements of the Code; in furtherance of the housing priorities stated herein; and determined by the Board to be in the best interests of the citizens of the state of Wisconsin.

V. STATEMENT OF POLICY

The Code requires that the Plan provide selection criteria that include: (i) development location, (ii) housing needs characteristics, (iii) development characteristics, including whether the development includes the use of existing housing as part of a community revitalization plan, (iv) sponsor characteristics, (v) tenant populations with special housing needs, (vi) public housing waiting lists, (vii) tenant populations of individuals with children, (viii) developments intended for eventual tenant ownership, (ix) the energy efficiency of the project, and (x) the historic nature of the project.

The Plan must: (i) set criteria used to determine housing priorities which are appropriate to local conditions, (ii) give preference to: (I) developments serving the lowest-income tenants, (II) developments obligated to serve qualified residents for the longest period, and (III) developments located in qualified census tracts which contributes to a concerted community revitalization plan. The Agency must provide a procedure to monitor for noncompliance, notify the IRS of noncompliance and monitor for noncompliance with habitability standards through regular site visits.

The Plan may also include other criteria WHEDA deems appropriate and, except for the inclusion of the specified preference items, WHEDA has discretion with regard to the relative weight of these criteria.

WHEDA is also given the discretion to determine the appropriate amount of Credit allocated to developments selected under the plan. In developing this Plan, WHEDA considered the Wisconsin Consolidated Plan as well as its experience in creating affordable housing throughout Wisconsin.

WHEDA is responsible for allocating only the amount of Credit to a given development required to make that development economically feasible. This decision shall be made solely at the discretion of WHEDA, but in no way represents or warrants to any person that the development is, in fact, feasible or viable.

WHEDA's review of documents submitted in connection with this allocation is for its own purposes. By allocating the Credit, WHEDA makes no representations to the applicant, owner, or any other entity regarding adherence to the Code, Treasury regulations, or any other laws or regulations governing Low Income Housing Tax Credit.

No member, officer, agent, or employee of WHEDA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of the Credit. WHEDA reserves the right to revoke Credit in the case of misrepresentations made to WHEDA by any member of the development team.

VI. NONCOMPLIANCE & PREVIOUS PERFORMANCE

WHEDA will review the compliance history and overall performance of members of the development team. The development team is defined as the developer, applicant, owner, management agent, contractor, general partner or managing member of the ownership entity, or any related entity which controls, is controlled by, or under common control with any of the foregoing. Noncompliance or unsatisfactory performance may result in any member of the development team being denied participation in the Credit Program. All compliance fees owed by any member of the development team must be paid in full and compliance reports must be current before WHEDA will process an application. WHEDA will reject applications and bar the development team from program participation for a period of up to three years if the development team has submitted information to WHEDA that, when verified by WHEDA or other third-party review, is found to materially affect the qualified basis of the building, or **have: 1) failed to make the required 10% expenditure for two or more allocations in the five calendar years preceding the application; 2) returned Credit for two or more allocations in the previous five calendar year period(s); 3) not made satisfactory progress on existing allocations; 4) been issued an IRS form 8823 with line 10(j) marked as "out of compliance." Line 10(j) states: "Project is no longer in compliance nor participating in the low- income housing tax Credit program (attach explanation)".**

WHEDA will complete a background check on any individual with ownership of 20% or more within the managing member/general partner. Individuals with active files on the Wisconsin Department of Revenue's List of Delinquent Taxpayers, or unexpired liens on the Wisconsin Child Support Lien Docket will not be eligible for an LIHTC award.

VII. WHEDA EMERGING BUSINESS PROGRAM

The WHEDA Emerging Business Program was created to encourage the involvement of small businesses owned, operated, and controlled by persons who are at an economic disadvantage. Participation is required with an award of Low Income Housing Tax Credits (LIHTC) within the State of Wisconsin. The participation goals are located in the Emerging Business Program Manual and can be found on WHEDA's website https://www.wheda.com/Emerging-Business-Program/

This Emerging Businesses dollar goals (established by county) are based on percentages of allowable construction cost to include (Not an all-inclusive list): general contracting, grading, excavation, concrete, paving, framing, electrical, carpentry, roofing, masonry, plumbing, painting, asbestos removal, trucking, and landscaping ***and*** the following soft costs: planning, architectural and engineering fees.

Developers of Tax Credit developments in these counties must use their best efforts to meet the Emerging Business participation goal and report to WHEDA their results. A business qualifies for participation if it is certified as: 1) a Disadvantaged Business Enterprise; 2) an Emerging Business Enterprise; 3) a Minority Business Enterprise; 4) an 8a; 5) a Small Business Enterprise; or 6) a Women Business Enterprise.

The Workforce Development Program is a companion program to the Emerging Business Program. This program was created to help both unemployed and underemployed individuals obtain living wage jobs in areas and counties surrounding the LIHTC developments. The goal is to hire 12 area residents from 12 of the 16 Divisions of Labor. The hires can be obtained from the following divisions: 01 General Requirements; 02 Site Construction; 03 Concrete; 04 Masonry; 05 Metals; 06 Wood and Plastics; 07 Thermal Moisture Protection; 09 Finishes; 11 Equipment; 14 Conveying Systems; 15 Mechanical; and 16 Electrical.

Please refer to the Emerging Business Program Manual for a complete overview of the Emerging Business and Workforce Development Program.

VIII. WHEDA INTERNET SITE

The following materials will be made available on WHEDA's Internet site at www.wheda.comor within WHEDA's LIHTC On-line Application system (LOLA). A Delegated Administrator Agreement must be submitted to and processed by WHEDA to obtain access to LOLA.

- Qualified Allocation Plan
- Low Income Housing Tax Credit Application, Scoring Exhibit and Appendices
- Management Agent Certification Worksheet
- Market Study Guidelines
- Approved List of Market Study Providers
- Approved List of Capital Needs Assessment Providers
- Updates on Wisconsin's Tax Credit Program
- List of Awarded Projects for the Current Year
- List of Applicants for the Current Year
- Income and Rent Limits
- Archived Documents from Previous Tax Credit Cycles

IX. TAX CREDIT ALLOCATION FEES

WHEDA will charge fees for filing, reviews, extensions, and document revisions as follows. These fees must be paid in full before further processing of the Application. These fees apply to activities in the calendar years for this QAP and will be applied regardless if the Initial Application was submitted previously.

LIHTC Application Fees - Competitive and Noncompetitive

24 units or fewer:	**$1,000**
Over 24 units:	**$2,000**

WHEDA Multifamily Loan Application Addendum**

24 units or fewer:	**$250**
Over 24 units:	**$500**

**Competitive Applications: Do not submit the Loan Application fee until award is made. Non-Competitive Applications: Submit loan fee with Loan Addendum if applying for WHEDA Bond financing.

Competitive: Reservation Agreements, Carryover Agreements, and 8609s

Noncompetitive: Tax-Exempt Tier One or Tier Two Agreements

Reservation Agreement	5.0% of the annual Credit amount per Agreement
Carryover Agreement	5.0% of the annual Credit amount per Agreement
Tier One or Tier Two Agreement	2.5% of the annual Credit amount per Agreement
8609s	$500 plus $100 per 8609 issued (limited to a total of $2500)

Fees for Document Reissuance

Document	**First Reissuance**	**Each Subsequent Reissuance**
Reservation/Tier 1 Letter	$500	$1000
Carryover/Tier 2 Letter	$500	$1000
8609(s) –Each 8609 form (not to exceed $5,000)	$250/ea	$500/ea
Amended Carryover Agreement	$1000	$2000

Fees for Time Extensions and/or Incomplete Application Packages (30 day minimums. Not pro-rata)

Carryover Application (Review 2)	1.00% of annual Credit reserved per 30-day extension
10% Test	1.00% of annual Credit allocated for a 30-day extension
Mandatory Construction Start Date	1.00% of annual Credit allocated for a 30-day extension
8609 Application (Final Application)	$1,000 for each 30-day period if not received within 180 days of the latest placed in service date for the project

$15,000 underwriting fee for LIHTC applications associated with a conduit bond issue application.

In those cases in which a Reservation Agreement and the Reservation Fee, or the Carryover Agreement and Carryover fee, are not returned to WHEDA by the deadline within the Reservation or Carryover Agreement, WHEDA will consider this a request for an extension, with a fee equal to 1% of the annual Credit to be assessed.