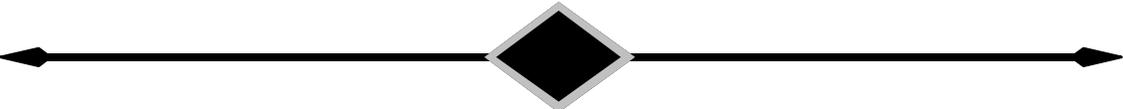


**HOUSING TAX CREDIT PROGRAM
YEAR 15 PLAN AND APPLICATION**



December 2004



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www.sdhda.org

Information summarizing the federal requirements is provided as a brief overview and should not be relied upon for tax purposes. Individual applicants and investors are solely responsible for compliance with Section 42 of the Tax Reform Act of 1986, as amended. SDHDA strongly recommends that applicants contact a CPA and/or tax attorney prior to submitting an application for a Qualified Contract.

**SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
HOUSING TAX CREDIT PROGRAM
YEAR 15 PLAN AND APPLICATION**

The Housing Tax Credit (HTC) Program has provided a mechanism for financing the construction, acquisition and rehabilitation of affordable housing developments since 1987. South Dakota Housing Development Authority (SDHDA), as the credit-issuing agency for the state of South Dakota, oversees the allocation and compliance of the HTC Program.

The housing developments, that were allocated Tax Credits prior to 1990 were required to be maintained for low-income use for a period of 15 years. In 1990, changes were made to the HTC Program to extend the low-income use from 15 to 30 years (Extended Use Period) and to allow for early termination of the Extended Use Period through a "Qualified Contract" purchase.

The Qualified Allocation Plan (QAP) provides the criteria under which SDHDA allocates Tax Credits. SDHDA retains the right to mandate more stringent extended use requirements than federally required, including possible elimination of a partnership's ability to sell a property under the Qualified Contract or delay of such transaction until after an extended period of time. Normally more stringent requirements are imposed by SDHDA only when a developer chooses the requirement to obtain a more competitive position (i.e. more points) in a Tax Credit application. The QAP for the year in which the Tax Credits were allocated and the recorded Declaration govern the Extended Use Period and the availability of early termination for each particular development.

For developments allocated Tax Credits prior to 1990, the 15-year low-income use requirement has or is currently expiring. Currently, SDHDA's Asset Management and Compliance division forwards to the owner an exit letter, notifying the owner that the 15-year obligation under the HTC Program has been completed and that the development is no longer subject to low-income use and compliance monitoring. The letter also contains a reminder that for a period of three years the owner must continue to certify that no residents have been evicted or displaced for other than good cause and that rents have not been raised above the tax credit maximum rents.

Compliance Monitoring During Extended Use Period

Developments which received allocations in 1990 or thereafter have Extended Use Period requirements that extend the low-income restrictions for an additional 15 years or more beyond the initial 15-year Compliance Period. SDHDA will review on an annual basis the filed declarations and 8609s to determine which projects are entering their 14th year. By the December prior to the 14th year, SDHDA will provide notice to development owners that the upcoming year begins their 14th year and explain what options are available to them.

For owners desiring to maintain their development as affordable housing and continue the low-income restrictions for the Extended Use Period and for purchasers of Tax Credit developments under the Qualified Contract process, SDHDA will modify compliance monitoring criteria and procedures, as allowed under Section 42 of the IRS Code. Income and rent restrictions, fair housing requirement of general use, acceptance of Section 8 tenants, minimum set-aside, applicable fraction, initial and annual recertification requirements and compliance monitoring fees will remain as program requirements.

Modifications to the monitoring criteria during the Extended Use Period:

- An initial Tenant Income Certification will be completed at move-in, including 3rd party documentation and/or verification.
- A self certification from the tenant will be required at annual recertification to ensure the annual reporting information can be completed by the owner.
- Student status will no longer be a consideration. Therefore, full-time students may occupy Tax Credit units.
- Unit transfers from building to building will be allowed without recertification.
- The available unit rule will be revised to provide that if a household's income goes over 140% of the applicable AMI, a currently vacant unit or the next unit in the same building must be rented to a qualified household. This would be a one for one unit replacement.
- The building's applicable fraction would be determined by the unit fraction. The square footage of the units will not be used to determine the lesser of fraction.

Modifications to the monitoring procedures during the Extended Use Period:

- Annual certification of compliance by the owners will continue to be required. A new document will replace the Owner's Certificate of Continuing Program Compliance. The Compliance Monitoring Status Report and Move-in Move-out Report will continue to be required.
- Every three years, a file review of the tenant files will be completed. A minimum of five tenant files will be examined. More files may be reviewed at the discretion of SDHDA. The same unit/same file requirement will be removed.
- Physical review of the property will include a minimum of five units and all public areas, along with the utility rooms. If SDHDA has completed a physical review of the property under a different housing program within the last two years, that physical review would be utilized.

Developments experiencing sustained vacancies may request relief from certain deed restrictions. SDHDA reserves the right to use its discretion in granting such waivers on a temporary basis.

Upon completion of the Extended Use Period, a Satisfaction of Declaration of Land Use Restrictive Covenants will be issued and filed. During the three-year period after the expiration of the Extended Use Period, owners will be required to submit a certification that no residents have been evicted or displaced for other than good cause and the rents have not been raised above the tax credit maximum rents. SDHDA will notify each tenant of these rights.

Definitions

- Complete Application – An application containing all information and items required by SDHDA.
- Compliance Period – The period of 15 taxable years beginning with the 1st taxable year of the credit period.
- Declaration - Declaration of Land Use Restrictive Covenants agreement between the owner and SDHDA promoting extended or long term use of the development as low-income housing. The Declaration is executed prior to allocation of Tax Credits and is used to record restrictive covenants against the property.
- Extended Use Period – A minimum of 15 years after the close of the 15-year Compliance Period for a total minimum of 30 years.
- One-Year Period – Twelve (12) calendar months measured from the date on which SDHDA receives a Complete Application.

- Qualified Contract – A bona fide contract to acquire the non-low-income portion of the building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (specified in the Declaration) of the calculation as defined within IRS Code Section 42(h)(6)(F).
- Qualified Contract Price – Calculated purchase price of the development as defined within IRS Code Section 42(h)(6)(F).
- Qualified Purchaser – Proposed purchaser of the development who meets the criteria established by SDHDA and described in “Purchaser Characteristics and Responsibilities” and who has been approved by SDHDA.

Qualified Contract

Owners who are no longer interested in owning and/or retaining the low-income use restrictions on the development can pursue the Qualified Contract option. Owners are encouraged to contact their legal counsel and CPA to determine if they are eligible and to be advised as they proceed through the process outlined below. Since owners will be allowed only one opportunity to pursue the Qualified Contract process per development, it is recommended that they become familiar with the process before submitting an application.

During, or any time after the 14th year of the Compliance Period, the owner may request that SDHDA find a buyer for the low-income portion of the development. If SDHDA is unable within a One-Year Period to find a purchaser to purchase the development pursuant to a Qualified Contract, the development may be converted to market-rate use.

Submission Requirements:

To initiate the Qualified Contract process, an application packet, which must contain the following documentation (which is further defined in the Notification Letter), must be submitted to and received by SDHDA:

- Cover letter indicating the owner’s intentions (attached sample Notification letter)
- Completed application and certification (attached)
- Stated Qualified Contract Price (documentation of calculation)
- Narrative of the project and amenities
- Current rent and income restrictions from all funding sources
- Pictures of the property (interior and exterior)
- Area maps, site and architectural plans, and as-built survey (if available)
- Copy of the most recent 12 months of operating statements for the development including a current operating budget and year-to-date comparison of actual expenses to operating budget and a current (within three months) operating budget
- Most recent three years of historical financial statements (audited if available)
- Description of utilities provided by owner, special assessments, real estate tax assessment, valuation, etc.
- Current tenant rent roll
- Sample tenant lease(s) and copy of the land lease (if applicable)
- Copy of the most recent title insurance policy
- Copy of the most recent physical needs assessment
- Sale provisions anticipated by the seller
- Copy of most recent property appraisal (or calculated market price utilizing the most recent year-end net operating income and the current cap rate)
- Application fee of \$1,000
- Additional information as deemed necessary

SDHDA will review the items submitted and determine whether a complete application has been received. The application must include all items requested above and evidence the calculation of the Qualified Contract Price by a third party Certified Public Accountant. SDHDA reserves the right, at any time, to request additional information to document the Qualified Contract Price calculation or other information submitted.

SDHDA will have a One-Year Period to find a buyer. SDHDA will forward a letter to the owner letting the owner know when the One-Year Period commences. At this same time SDHDA will begin marketing the development.

By submitting an application, the owner grants SDHDA the authority to market the development and provide development information to interested parties. Development information will consist of pictures of the development, location, amenities, number of units, age of building, etc. Owner contact information will also be provided to interested parties. The owner is responsible for providing staff to assist with site visits and inspections. Interested parties may consist of other owners, developers, lenders, public housing authorities, nonprofit agencies, CHDOs, local economic development offices, etc. Marketing of the development will continue until such time that the title of the development has transferred or the One-Year Period has expired.

SDHDA will contact the owner when an interested party is requesting financial information on the development. At the owner's discretion, the interested party may be required to enter into a commercially reasonable form of nondisclosure agreement. SDHDA will fax a copy of such agreement to owner prior to releasing the requested information.

SDHDA reserves the right to contract with third party agencies in marketing of the developments. Cost of such service will be paid for by the existing owner.

SDHDA must have continuous cooperation from the owner. Lack of cooperation will cause the process to cease and the owner will be required to comply with low-income use and compliance requirements for the remainder of the Extended Use Period. Responsibilities of the owner include but are not limited to:

- Allowing access to the property and tenant files as deemed appropriate by SDHDA;
- Keeping SDHDA informed of potential purchasers, and
- Notifying SDHDA of any offers to purchase.

The owner is not required to accept the first or any of the purchase offers presented. The owner may accept less than the Qualified Contract Price for the development. However, the owner cannot require a price higher than the Qualified Contract Price.

Within the One-Year Period, if the owner does not accept an offer at the Qualified Contract Price that has been presented by a Qualified Purchaser, the development will remain as affordable housing and must meet the low-income use and compliance requirements for the remainder of the Extended Use Period as outlined previously.

If a Qualified Purchaser is not found by the end of the One-Year Period, SDHDA will terminate the Declaration, and the development will no longer be restricted to low-income requirements and compliance. However, for the three years following the termination, the owner will not be able to evict or displace tenants for reasons other than good cause and will not be permitted to increase rents beyond the tax credit maximum rents. The owner will be required, at the end of each year of the three-year period, to provide a certification to SDHDA that these requirements have been met. Should the owner sell the development within the three years, the restriction

will continue for the new owner and the new owner will be required to submit the annual certification to SDHDA.

SDHDA will provide notice to the current tenants, that the low-income use restrictions have been terminated for the development. The notice will inform the tenants of their protections during the three-year time frame.

Purchaser Characteristics and Responsibilities:

The owner is responsible for providing SDHDA a copy of any proposed purchase agreements and related contact information. SDHDA must be satisfied that the purchaser is familiar with and prepared to comply with the requirements of the HTC Program. SDHDA may reject any purchaser who has failed to demonstrate proficiency within the HTC Program or other government sponsored programs. SDHDA may also reject any purchaser who has had serious and repeated noncompliance issues on developments financed with Tax Credits or financed through other government sponsored programs.

Individuals who have been convicted of, enter an agreement for immunity from prosecution for, or plead guilty, including a plea of nolo contendere, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records are ineligible to purchase a development through the Qualified Contract process. Purchasers or members of the management team who have been debarred from any South Dakota program, other state program, or any federal program are ineligible. Purchasers having an identity of interest with persons or entities falling into any of the above categories may not be eligible at the sole discretion of SDHDA.

An attorney's opinion that the purchaser is in good standing will be required in all cases, prior to transfer of the development.

Upon the transfer of ownership, the original owner will pay SDHDA .25% of the Qualified Contract Price and SDHDA will cease marketing the development.

The new owner will be required to fulfill the requirements of the Declaration for the remainder of the Extended Use Period. The compliance requirements will be modified as listed above.

Available Financing:

The purchaser may be eligible for financing under the HOME or Housing Tax Credit Programs to assist in purchase and rehabilitation of the development. The purchaser will be required to complete the SDHDA HOME/Housing Tax Credit Application Form and other application requirements, as applicable, and as defined within the corresponding HOME or Housing Tax Credit Allocation Plans. Purchasers interested in applying for HOME or HTC for funding should contact SDHDA early in the process for availability of funding and relocation requirements.

Right of First Refusal:

Some partnership agreements have incorporated a right of first refusal that will allow tenants, non-profits, government entities and other groups to purchase the development at a predetermined price. The purchase period under the right of first refusal is defined within the partnership agreement. Owners that have purchased a development through the right of first refusal are not eligible to sell developments under the Qualified Contract process.

Application Form

Owner Information:

Owner: _____

Mailing Address: _____

City: _____ State _____ Zip Code: _____

Contact Person: _____

Phone No.: _____ Fax No.: _____

E-Mail Address: _____

Taxpayer Identification Number: _____

Principal(s) involved (e.g., general partners, controlling shareholders, etc.)

<u>Name(s)</u>	<u>Phone</u>	<u>Type of Ownership</u>	<u>% Ownership</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Development Information:

Development Name: _____

Development Contact: _____

Site Address: _____

City: _____ State: _____ Zip Code: _____

A. Housing Tax Credit Allocation Year: _____

B. Minimum Low-income Threshold

_____ 20% of the units servicing households at 50% AMI

_____ 40% of the units servicing households at 60% AMI

C. Total Size of Site / Land

(Exact area of site in square feet) _____ (Exact area of site in acreage) _____

_____ 1. Total number of units in the development.

_____ 2. Number of low-income units in the development.

_____ Number of units designated for Housing Tax Credit

0 Bdr____ 1 Bdr____ 2 Bdr____ 3 Bdr____ 4 Bdr____

_____ Number of units designated for Project-Based Rental Assistance

0 Bdr____ 1 Bdr____ 2 Bdr____ 3 Bdr____ 4 Bdr____

Project-Based Rental Assistance Source: _____

- _____ 3. Percentage of units designated as low-income.
- _____ 4. Total number of buildings in the development.
- _____ 5. Total square footage of buildings in the development.
- _____ 6. Total square footage of buildings designated for low-income tenants
- _____ 7. Total square footage of residential living area (excluding common areas).
- _____ 8. Percentage of floor space designated for low-income units.
- _____ 9. Number of handicapped accessible and hearing impaired units.
- _____ 10. Number of employee-occupied or owner-occupied units.

D. Type of Housing

- | | |
|---|-----------------------|
| _____ Multifamily Residential | _____ Single Family |
| _____ Housing for Older Persons (55 or Older) | _____ Congregate Care |
| _____ Housing for Older Persons (62 or Older) | _____ Assisted Living |

E. Type of Units

- | | | | |
|-----------------------------|-----------------|---------------------|----------------|
| _____ Apartments | _____ Townhomes | _____ Semi-Detached | _____ Detached |
| _____ Single Room Occupancy | | _____ Manufactured | |

F. Number of Floors in the Tallest Building _____ Elevator? _____ Yes _____ No

G. Targeting of Units (Indicate type and % of units)

- | | |
|---|--------------------------------|
| _____ Families with Children | _____ Homeless |
| _____ Housing for Older Persons | _____ Mentally disabled |
| _____ Physically disabled | _____ Developmentally disabled |
| _____ Frail Elderly - Assisted Living / Congregate (62 or over) | |

H. Support services provided to the tenants? _____ Yes _____ No
 If Yes, are they included in the rent? _____ Yes _____ No

Provide a description of the service(s) or special accommodations.

I. Amenities for Low-Income Units

Unit Amenities _____

Common Building _____

Site Amenities (including recreational amenities) _____

Are market rate units' amenities substantially equivalent to those of the low-income units? If no, explain differences? Yes _____ No _____

J. Utilities - Indicate which of the following type and costs (if any) are paid by the tenant:

	Type	Cost		Type	Cost
Heating	_____	_____	Hot Water	_____	_____
Air Conditioning	_____	_____	Water	_____	_____
Cooking	_____	_____	Sewer	_____	_____
Lighting	_____	_____	Trash	_____	_____

K. Tenant Paid Utility Allowance by bedroom size:

0 BDRM \$ _____ 1 BDRM \$ _____ 2 BDRM \$ _____
 3 BDRM \$ _____ 4 BDRM \$ _____ 5 BDRM \$ _____

L. Affordable Units:

Bdrm. Size	No. of Units (A)	Sq. Ft. Per Unit (B)	Total Sq. Ft. Per Unit = (A)*(B)	Gross Monthly Rent Per Unit (C)	Tenant Paid Utility (D)	Net Monthly Rent Per Unit (E) = (C)-(D)	Total Net Monthly Rent = (A)*(E)	AMI %
Totals								

M. Employee Units:

Bdrm. Size	No. of Units (A)	Sq. Ft. Per Unit (B)	Total Sq. Ft. Per Unit = (A)*(B)	Gross Monthly Rent Per Unit (C)	Tenant Paid Utility (D)	Net Monthly Rent Per Unit (E) = (C)-(D)	Total Net Monthly Rent = (A)*(E)	
Totals								

N. Market Units:

Bdrm. Size	No. of Units (A)	Sq. Ft. Per Unit (B)	Total Sq. Ft. Per Unit = (A)*(B)	Gross Monthly Rent Per Unit (C)	Tenant Paid Utility (D)	Net Monthly Rent Per Unit (E) = (C)-(D)	Total Net Monthly Rent = (A)*(E)	
Totals								

O. Project-Based Rental Assistance:

Will the existing Project-Based Rental Assistance be continued: Yes _____ No _____

Source of Project-Based Rental Assistance: _____
 (Complete the following table and provide a copy of the most recent contract)

	No. Of Units	Bedroom Size	Contract Rents	Utility Allowance	Gross Rents

Applicant Acknowledgement and Certification

The undersigned hereby acknowledges that:

1. This application form, including all sections herein relative to development characteristics, calculations, and determination of the Qualified Contract Price, is provided by SDHDA for purposes of assisting the undersigned in marketing the development and any notations herein describing the CFR and/or Code requirements are offered by SDHDA only as general guidelines and not as legal authority;
2. The undersigned is responsible for ensuring that all required documentation has been submitted, there is no material misrepresentation with respect to the development, and the applicant will in all respects satisfy all applicable requirements of federal tax law and any other requirements imposed upon it by SDHDA;
3. This application form is submitted to SDHDA by the undersigned for purposes of marketing the development and identifying a Qualified Purchaser;
4. For the purposes of reviewing this application, SDHDA is entitled to rely upon the representations of the undersigned and marketing the development is not warranting the development's compliance with the CFR and/or the Code requirements;
5. SDHDA may request or require changes in the information submitted and may substitute actual figures for any estimated figures provided by the undersigned; and
6. SDHDA has the authority to market the development based on the information provided in the application and supporting documentation and to release financial information to interested parties upon receipt of an executed release of information form from the applicant when necessary;

Further, the undersigned hereby certifies that:

1. The applicant shall not, in the provision of services, or in any other manner, discriminate against any person on the basis of race, color, creed, religion, sex, national origin, age, familial status or handicap;

2. To the best of the undersigned's knowledge and belief, all factual information provided herein or in connection herewith is true and correct and all estimates are reasonable and can be obtained from any source named herein;
3. The undersigned will at all times indemnify and hold harmless SDHDA against all losses, costs, damages, expenses, and liabilities of any nature or indirectly resulting from, arising out of or relating to SDHDA's acceptance, consideration, approval, or disapproval of this request and the sale or non-sale of the development; and
4. That it provides SDHDA the right to exchange information with other state allocation agencies, other federal or state agencies, or other parties as deemed appropriate.

IN WITNESS WHEREOF, the undersigned, being duly authorized, has caused this document to be executed in its name on this _____ day of _____, 20 ____.

I declare and affirm under the penalties of perjury that the application and accompanying information has been examined by me, and to the best of my knowledge and belief, is in all things true and correct.

Legal Name of Owner

Signature

Title

Qualified Contract Notification Letter

South Dakota Housing Development Authority
Housing Tax Credit Program
PO Box 1237
221 South Central Avenue
Pierre, SD 57501

RE: (Development Name and location)

Dear SDHDA:

On behalf of (Development Owner), we hereby request that SDHDA present a Qualified Contract for the purchase of (Development Name) ("the Development"). This request is made pursuant to Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code. We understand that SDHDA will have a One-Year Period from its receipt of this letter and the Complete Application to present a Qualified Contract for the purchase of the Development. *We hereby request to extend this period an additional _____ months.*

We have enclosed with this request the following documents and information required by SDHDA:

- a. A Complete Application.
- b. A completed "Calculation of Qualified Contract Price", including Worksheets A-E. This form was completed by an independent accountant for the Development, (Accountant's Name).
- c. A thorough narrative description of the Development, including all amenities, suitable for familiarizing prospective purchasers with the Development.
- d. A description of all income, rental or other restrictions, if any, applicable to the operation of the Development.
- e. A detailed set of photographs of the Development, including the interior and exterior of representative apartment units and building, and the Development grounds. (We have included digital photographs so that they may be easily displayed on SDHDA's website).
- f. Area maps, site and architectural plans, and as-built survey (if available)
- g. A copy of the most recent 12 months of operating statements for the Development including a current operating budget and year-to-date comparison of actual expenses to operating budget. The recent financials shall fairly apprise the potential purchaser of the Development's operating expenses, debt service, gross receipts, net cash flow and debt service coverage ratio.
- h. Copy of the last three years' historical financials (audited if available).
- i. Description of utilities provided by owner, special assessments, real estate tax assessment, valuation, etc.
- j. A current rent-roll for the entire Development that provides the unit number, tenants' name, lease expiration and current rent.
- k. Copy of most recent title insurance policy.
- l. Copy of the most recent physical needs assessment. If no assessment is available, please provide a description of the property's physical needs.
- m. If any portion of the land or improvements are leased, copies of the leases.

- n. Copy of a current tenant lease(s).
- o. Copy of the most recent property appraisal.
- p. Sale provisions anticipated by the Seller.
- q. Application fee of \$1,000.

We understand that the above information may be shared with prospective purchasers, real estate brokers and agents of SDHDA and basic development data may be posted on SDHDA's website.

We will reasonably cooperate with SDHDA and its agents with respect to SDHDA's efforts in marketing and finding a Qualified Purchaser for the Qualified Contract and the purchase of the Development. In this regard, we understand that prior to the presentation of a Qualified Contract, we may need to share project "due diligence" with SDHDA and with prospective purchasers, including but not limited to, additional rent rolls, project tax returns, income certifications and other Section 42 compliance records, records with respect to repair and maintenance of the Development, operating expenses and debt service; provided, however, that before information is shared with a prospective purchaser, we may require that such prospective purchaser enter into a commercially reasonable form of nondisclosure agreement. We will also share with SDHDA, at its request, the documents and other information that were used to prepare the enclosed Calculation of Qualified Contract Price, including Worksheets A-E. We also agree to allow SDHDA, its agents, and prospective purchasers, upon reasonable prior written notice, to visit and inspect the Development, including representative apartment units.

We also understand that if SDHDA finds a Qualified Purchaser willing to present an offer to purchase the Development for an amount equal to or greater than the Qualified Contract Price, we agree to enter into a commercially reasonable form of earnest money agreement or other contract of sale for the project which will allow the prospective purchaser a reasonable period of time to undertake additional customary due diligence prior to closing the purchase.

We further state our willingness (non-willingness) to amend the sale price to \$ _____ based on current market conditions and other pertinent considerations.

Sincerely,

Attachments

Instructions for Calculation of Qualified Contract Price

Before SDHDA will commence marketing your project, you must complete the Calculation of Qualified Contract Price form attached to these instructions (the "Calculation Form"). This calculation will establish the minimum price at which SDHDA will market your project and present an offer for its purchase.

To complete the Calculation Form, you must complete Exhibits A through D and, if the project has market rate units, Exhibit E. The results of Exhibits A through E are transferred to the Calculation Form to determine the Qualified Contract Price for the property.

The Calculation Form is derived from a statutory formula set forth in Section 42 (h)(6)(F) of the Internal Revenue Code. The statutory formula divides the purchase price between the low-income portion of the project and the market rate portion of the project, if any. Qualified Contract Price for the low-income portion of the project is equal to the sum of project indebtedness (Worksheet A), investor equity (Worksheet B), and other capital contributions (Worksheet C) reduced by the total cash that has been distributed, or is available for distribution, from the project (Worksheet D). If the project has any market rate units, the Qualified Contract Price is increased by the fair market value of those units (Worksheet E).

Please remember that the One-Year Period for finding a buyer will not commence until the Calculation, and Exhibits A through E, are completed and returned to SDHDA with the notification letter and other required materials. The Calculation must be prepared or reviewed and approved by an independent third-party CPA who is not an employee of the owner.

Calculation of Qualified Contract Price Pursuant to Section 42(h)(6)(F) of the Internal Code As of _____, 200_

A. Calculation of Low-Income Portion of Payment:

- | | | |
|-------|--|----------|
| (i) | Outstanding Indebtedness secured by, or with respect to the Buildings (from <i>Worksheet A</i>) | \$ _____ |
| (ii) | Adjusted Investor Equity (from <i>Worksheet B</i>) | \$ _____ |
| (iii) | Other Capital Contributions not reflected in Line (i) or Line (ii) (from <i>Worksheet C</i>) | \$ _____ |
| (iv) | Total of Lines (i), (ii) and (iii) | \$ _____ |
| (v) | Cash Distributions from or available from, the Project (from <i>Worksheet D</i>) | \$ _____ |
| (vi) | Line (iv) reduced by Line (v) | \$ _____ |

(vii) Applicable fraction (as set forth in the Tax Credit Regulatory Agreement) _____ %

(viii) Low-Income Portion of Qualified Contract Price (Line (vi) multiplied by Line (vii)) \$ _____

B. Fair Market Value of Non Low-Income

Portion of Building(s) (from *Worksheet E*) \$ _____

Qualified Contract Price

(Sum of Line A(viii) and Line B) \$ _____

WORKSHEET A
Outstanding Indebtedness With Respect to Low-Income Building(s)
Code Section 42(h)(6)(F)(i)(I)

Instructions

The Qualified Contract Price includes the unpaid balance of all secured and unsecured indebtedness with respect to the low-income buildings. Worksheet A requires you to set forth certain information with respect to each mortgage loan and other project indebtedness: The name of the lender, the unpaid principal balance, the accrued interest, the maturity date, and other relevant information.

In the section marked "Other Information" (subsection (v) with respect to each loan), please set forth any information with respect to the loan that may be relevant to SDHDA's efforts to market the project. Examples of relevant information include whether the loan has a "due-on-sale" clause or if any portion of the loan is payable from net cash flow (i.e., is "soft" debt). Please also attach to the worksheet an amortization schedule for each loan, if available.

In addition to mortgage indebtedness, you should also list any unsecured, long-term debt the proceeds of which were used directly in the construction, rehabilitation, or operations of the project.

The unpaid principal balance and accrued interest for each loan set forth on this worksheet should be totaled and that total should be transferred to Line A(i) of the Calculation Form.

Worksheet

1. First Mortgage Loan:

- (i) Lender:
- (ii) Principal Balance \$ _____
- (iii) Accrued Interest \$ _____
- (iv) Maturity Date:
- (v) Other Information:

[attach amortization schedule, if available]

Subtotal \$ _____

2. Second Mortgage Loan:

- (i) Lender:
- (ii) Principal Balance \$ _____
- (iii) Accrued Interest \$ _____
- (iv) Maturity Date:
- (v) Other Information:

[attach amortization schedule, if available]

Subtotal \$ _____

3. Third Mortgage Loan:

- (i) Lender:
- (ii) Principal Balance \$ _____
- (iii) Accrued Interest \$ _____
- (iv) Maturity Date:
- (v) Other Information:

[attach amortization schedule, if available]

Subtotal \$ _____

4. Fourth Mortgage Loan:

- (i) Lender:
- (ii) Principal Balance \$ _____
- (iii) Accrued Interest \$ _____
- (iv) Maturity Date:
- (v) Other Information:

[attach amortization schedule, if available]

Subtotal \$ _____

5. Other Indebtedness with Respect to Low-Income Building(s):

- (i) Lender:
- (ii) Principal Balance \$ _____
- (iii) Accrued Interest \$ _____
- (iv) Maturity Date:
- (v) Other Information:

[attach amortization schedule, if available]

Subtotal \$ _____

Total Indebtedness with respect to Low-Income Portion of the Building(s)

(Sum of 1-5 subtotals above) \$ _____

WORKSHEET B
Calculation of Adjusted Investor Equity In the Low-Income Building(s)

Code Section 42(h)(6)(F)(i)(II)

Instructions

The Qualified Contract Price includes the sum of the “Adjusted Investor Equity” with respect to the project. “Adjusted Investor Equity” means, with respect to each calendar year, the aggregate amount of cash that taxpayers invested with respect to the low-income buildings, increased by the applicable cost-of-living adjustment, if any.

Not all capital contributions with respect to the project qualify as “Adjusted Investor Equity.” Specifically, cash invested in the project should be included in this Worksheet B only if **each of the following is true:**

- (i) The cash is contributed as a capital contribution and not as a loan or advance;
- (ii) the amount is reflected in the adjusted basis of the project (until there is further guidance from the Internal Revenue Service, SDHDA will interpret this to mean cash contributions used to directly fund adjusted basis and cash contributions used to pay off a construction or bridge loan, the proceeds of which directly funded adjusted basis); and
- (iii) there was an obligation to invest the amount as of the beginning of the credit period (until there is further guidance from the Internal Revenue Service, SDHDA will interpret this to include cash actually invested before the beginning of the credit period and cash invested after the beginning of the credit period for which there was an obligation to invest at the beginning of the credit period).

With respect to Worksheet B, subsection (i) for each calendar year requires you to set forth the identity of the investor. Typically, this will be the tax credit investor (i.e., the investor limited partner); however, it may include a general partner if the cash investment by a general partner otherwise satisfies the requirements set forth above.

Subsection (ii) requires you to set forth the amount of qualifying cash equity that was invested in the project for that calendar year. This amount should include only cash that was actually contributed to the project that year; it should not include amounts for which there was a mere obligation to invest.

Subsection (iii) sets forth the cost-of-living adjustment for each calendar year. Investment amounts qualifying as investor equity are entitled to a cost-of-living adjustment. Pursuant to Sections 1(f) and 42 (h)(6)(G)(ii) of the Code, the CPI adjustment is calculated for each 12-month period ending August 31.

For each calendar year, the amount of “Adjusted Investor Equity” is the sum of the qualifying investment amount and the cost-of-living adjustment. After calculating the investment amount and cost-of-living adjustment, if any, for each year, these amounts must be totaled and set forth

in column 15 of the worksheet. This total is then transferred to Line A(ii) of the Calculation Form.

Worksheet

1. Year 1 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

2. Year 2 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

3. Year 3 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

4. Year 4 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

5. Year 5 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

6. Year 6 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

7. Year 7 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

8. Year 8 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

9. Year 9 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

10. Year 10 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

11. Year 11 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

12. Year 12 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

13. Year 13 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

14. Year 14 _____ Adjusted Investor Equity

(i) Investor: _____
(ii) Investment Amount \$ _____
(iii) Cost-of-living Adjustment (%) \$ _____
Subtotal (ii) plus (iii) \$ _____

Total Adjusted Investor Equity (Sum of 1-14 subtotals above): \$ _____

WORKSHEET C
Other Capital Contributions
Code Section 42(h)(6)(F)(i)(III)

Instructions

The Qualified Contract Price includes the amount of other capital contributions made with respect to the project. For this purpose, "other capital contributions" are not limited to cash (at least until there is contrary guidance from the Internal Revenue Service) and, therefore, include "in-kind" contributions such as land. However, if you include any non-cash contributions in this worksheet, please describe in detail the type of contribution, the value you have assigned to the contribution, and your justification for assigning that value.

Do not include in this Worksheet C any amounts included in Worksheets A or B. Further, all amounts included in this worksheet must constitute contributed capital and not be a debt or advance.

After setting forth the required information with respect to each contribution, please total the contribution amounts and then transfer the total to Section A(iii) of the Calculation Form.

Worksheet

1. Investment Amount \$ _____

(i) Name of Investor: _____

(ii) Date of Investment: _____

(iii) Use of Contributions/ Proceeds: _____

(iv) Other Information: _____

2. Investment Amount \$ _____

(i) Name of Investor: _____

(ii) Date of Investment: _____

(iii) Use of Contributions/ Proceeds: _____

(iv) Other Information: _____

3. [Add as needed.]

Total of Other Contributions (1 - _____) \$ _____

WORKSHEET D
Cash Distributions From or available From the Project
Code Section 42 (h)(6)(F)(ii)

Instructions

The Qualified Contract Price is reduced by the total of all cash distributions from, or available from, the project. To assist you in this calculation, we have divided Worksheet D into three sections.

In Section A, set forth all cash distributions with respect to the project for calendar years 1990 through 2003. Generally, this will include all cash payments and distributions from net operating income (i.e., “below the line” distributions and payments, after the payment of operating expenses, debt service, and reserve). Distributions set forth in Section A of the worksheet will include, but are not limited to: (i) amounts paid to partners or affiliates as fees (including investor fees, partnership management fees, incentive management fees and guaranty fees) and (ii) amounts distributed to partners as a return of capital or otherwise. Until guidance is provided by the Internal Revenue Service, SDHDA will not reduce the Qualified Contract Price by payments of deferred Developer Fee to the extent the amount of fee was within SDHDA’s guidelines. We require, however, that you list all payments and distributions from net cash flow. If you believe any portion of a payment or distribution should be excluded from the calculation (such as deferred Developer Fee), please identify such payments or distributions and provide an explanation of why it should be excluded.

Section A of the worksheet provides for up to five types of distributions of net operating income for each year (items (i)-(v)). If there were more in any calendar year, you will need to attach an addendum to the worksheet setting forth the recipient, characterization and amount of such distribution.

The Qualified Contract Price is reduced not only by cash distributions made with respect to the project but also all cash that is available for distribution. In Section B you are required to set forth amounts held in reserve and other project accounts and the amounts thereof that are available for distribution. Until such time as guidance is provided by the Internal Revenue Service, SDHDA will interpret “available for distribution” to mean all cash held in project accounts the distribution of which is not prohibited by mortgage restrictions, regulatory agreements or similar third-party contractual prohibitions. An amount currently held in a project account that will become unrestricted and available for distribution on or before the expiration of the One-Year Period should be listed as available for distribution in Section B.

Finally, Section C requires you to set forth and describe all non-cash distributions that have been made with respect to the project. Absent unusual circumstances, the amount of “noncash distributions” will not be applied to reduce the Qualified Contract Price (until contrary guidance from the Internal Revenue Service).

To complete Worksheet D, please total the qualifying cash distributed for all calendar years under Section A and the cash available (or that will be available) for distribution in Section B. The total of Sections A and B should be transferred to Section A(v) of the Calculation Form.

Worksheet

A. Cash Distributed

1. 1990 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

2. 1991 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

3. 1992 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

4. 1993 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

5. 1994 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

6. 1995 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

7. 1996 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

8. 1997 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

9. 1998 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

10. 1999 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

11. 2000 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

12. 2001 Distributions

- (i) Recipient and characterization: _____
Amount \$ _____
- (ii) Recipient and characterization: _____
Amount \$ _____
- (iii) Recipient and characterization: _____
Amount \$ _____
- (iv) Recipient and characterization: _____
Amount \$ _____
- (v) Recipient and characterization: _____
Amount \$ _____

13. 2002 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

14. 2003 Distributions

- (i) Recipient and characterization: _____
_____ Amount \$ _____
- (ii) Recipient and characterization: _____
_____ Amount \$ _____
- (iii) Recipient and characterization: _____
_____ Amount \$ _____
- (iv) Recipient and characterization: _____
_____ Amount \$ _____
- (v) Recipient and characterization: _____
_____ Amount \$ _____

B. Cash Available for Distribution:

- 1. Amount Held in Replacement Reserve Account(s) \$ _____
 - a. Amount available for Distribution \$ _____

- 2. Amount Held in Operating Reserve Account(s) \$ _____
 - a. Amount available for Distribution \$ _____

- 3. Amounts Held in Other Reserve Accounts (identify each account, the terms thereof, and amount held therein) \$ _____
 - a. Amount available for Distribution \$ _____

- 4. Amount Held in Partnership Accounts Other than Reserves \$ _____
 - a. Amount available for Distribution \$ _____

Total Amount Available for Distribution (Sum of Lines 1a, 2a, 3a and 4a) \$ _____

Total Cash Distributed and Available for Distribution (Sum of Sections A and B) \$ _____

C. List of All Non-Cash Distributions (identify asset distributed, recipient value, and characterization of distribution)

1. **Asset Distributed:** _____
- (i) Recipient: _____
 - (ii) Date of Distribution: _____
 - (iii) Estimated Value of Asset When Distributed: \$ _____
 - (iv) Reason For and/or Characterization of Distribution: _____
- _____
- _____

2. **Asset Distributed:** _____
- (i) Recipient: _____
 - (ii) Date of Distribution: _____
 - (iii) Estimated Value of Asset When Distributed: \$ _____
 - (iv) Reason For and/or Characterization of Distribution: _____
- _____
- _____

3. **Asset Distributed:** _____
- (i) Recipient: _____
 - (ii) Date of Distribution: _____
 - (iii) Estimated Value of Asset When Distributed: \$ _____
 - (iv) Reason For and/or Characterization of Distribution: _____
- _____
- _____

WORKSHEET E

Fair Market Value of Non-Low-Income Portion of Building(s)

The fair market value of the non-low-income portion of the project buildings is: \$ _____.

Set forth or attach to this worksheet the appraisal, study, methodology proof or other support for the fair market value of the non-low-income portion of the building(s). The fair market value set forth above should be transferred to Section B of the Calculation Form.