

STATE OF NEW MEXICO
HOUSING TAX CREDIT PROGRAM
QUALIFIED CONTRACT PROCESS GUIDE

November 1, 2019



NEW MEXICO MORTGAGE FINANCE AUTHORITY

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INTRODUCTION

In 1975 the New Mexico state legislature created the New Mexico Mortgage Finance Authority (MFA), a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low or moderate income within the state. MFA's mission is to house New Mexico's people by serving as the State's lead affordable housing finance and resource provider, engaging in self-sustaining practices, and promoting sound housing policy. MFA is the housing credit agency for the state of New Mexico responsible for administering the federal Low Income Housing Tax Credit (LIHTC or tax credit) program.

Affordable housing projects (projects) allocated tax credits are subject to an initial fifteen year compliance period beginning the first taxable year that the building is "Placed in Service" or at the owner's election, the following taxable year. Projects allocated housing tax credits in 1990 or later are also subject to an extended use period for a minimum 15 years subsequent to the initial compliance period. MFA encourages the extended use of tax credit projects and continued management of tax credit projects in compliance with MFA's extended use restrictions as a means of preserving affordable housing.

Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code (Code) provides that the extended use period shall terminate if a housing credit agency is unable to present, during such period, a qualified contract to a taxpayer who has requested such, unless more stringent requirements are provided in the extended use Agreement or in state law. All owners receiving tax allocations in year 2004 and later have chosen to waive the right to request a qualified contract and have committed to operating projects for thirty years or more as low-income rental housing.

The Code contains basic provisions for administering qualified contract requests. However, the overall procedure and specific guidelines required are at MFA's discretion. The purpose of this qualified contract process guide (guide) is to set out the procedures to be followed by MFA and an owner of a tax credit project who is considering making a request for a qualified contract (request or QC application). The provisions of the Code with respect to requests are subject to modification and clarification by the Internal Revenue Service (IRS). MFA reserves the right to revise this guide from time to time. Compliance with the requirements of the Code is the responsibility of the owner of the building for which the request is made.

The request by the owner of a tax credit project is a substantial commitment of time and energy of all parties involved. MFA highly encourages owners to consider all other options and only choose to make a request when all other alternatives available to the owner are inadequate. In addition, owners should review the relevant Qualified Allocation Plan (QAP), the project tax credit application, and the Land Use Restriction Agreement (LURA) for the project to determine whether the project has waived the right to make a request prior to contacting MFA.

MFA's role is to implement the Code requirements and facilitate the presentation of a qualified contract, as defined in the Code. This guide has not been reviewed or approved by the IRS and should not be relied upon for interpretation of federal income tax legislation or regulations. MFA does not make any representation to any party concerning compliance with the Code, Treasury regulations or other laws or regulations governing tax credits. Interested parties should obtain advice from

independent sources, including consultation with knowledgeable tax professionals and legal counsel. MFA is not obligated to verify the accuracy of any information with respect to a QC application or a project, or the quality or marketability of the project, and is not acting as a real estate agent or broker. Owners and prospective purchasers are solely responsible for undertaking their own investigation of the information presented. If any information submitted to MFA is later found to be inaccurate by the owner, the owner is responsible to notify MFA.

This guide is applicable to any letter of intent/eligibility request or QC application received by MFA on or after November 1, 2019. The letter of intent/eligibility request and QC application are treated as separate applications and this guide governs any application submitted after its effective date.

QUALIFIED CONTRACT APPLICATION PROCESS

LETTER OF INTENT/ELIGIBILITY REQUEST AND QUALIFICATION PROCESS

At any time after the 14th year of the compliance period the owner may submit a letter of intent/eligibility request to MFA together with the required information described below stating owner's intent to request a qualified contract for a project. MFA will then verify the project's eligibility to submit a QC application. Eligibility will be determined based on verification of the compliance period, whether the right to a qualified contract has been waived, and if there are any outstanding compliance issues. If there are any unresolved compliance issues with respect to the project, MFA will extend the deadline for issuing an eligibility determination until the compliance issues are resolved and the project shall continue to be subject to LURA restrictions until such time. Owner shall submit the following items with the letter of intent/eligibility request:

- Documented ownership of all properties, including address and other pertinent property information, and owner certification must be completed and submitted with an original signature in blue ink. *See **Attachment 1** for required form.*
- Non-refundable \$1000 processing fee.

COPIES OF TAX CREDIT DOCUMENTS INCLUDING:

- Fully executed first-year forms 8609s for all buildings in the project, with Part 2 completed for each building;
- All loan and regulatory agreements, including all LURAs filed against the project (documents submitted should include original, current, and any interim amendments).
- Copies of all forms 8823 and any corresponding IRS communication.
- Documentation regarding any right of first refusal for purchase of the project and any waivers thereof.

In general, projects will be eligible to submit a QC application if:

1. The project has demonstrated satisfactory completion of the 14 year compliance period;
2. There exists no waiver of rights to a qualified contract in the LURA;

The project must maintain any affordability and regulatory restrictions based on financing and rental subsidies received on the project other than Section 42 LIHTC financing (i.e. HOME, Housing Trust Fund);

3. The project is in compliance with financial and compliance requirements under LIHTC. A project that does not meet the basic physical compliance standards and income restrictions required by the Code or LURA(s) may not be eligible for consideration; and if
4. The project is not subject to existing purchase options, including a non-profit general partner's right of first refusal. Owners must obtain a full waiver of existing purchase options and rights of first refusal in order to submit an eligible QC application.

The eligibility review does not bind the owner to submit a QC application and does not start the one year sale period (defined below). MFA will make a good faith effort to complete the eligibility review within 90 days of receipt of the letter of intent/eligibility request and all required materials. If the property is determined to be eligible, the owner will be notified in writing that the owner may submit a QC application. Any QC application submitted prior to receipt of a determination of eligibility shall be rejected.

QUALIFIED CONTRACT APPLICATION

After a letter of intent/eligibility request has been submitted and MFA has determined that the project is eligible for a qualified contract, and so notified the owner, owner shall, if it intends on submitting a QC application, request and may request a meeting with MFA staff to discuss the pending QC application.

MFA requires submission of all required application materials, described below (the required application materials together with the notification letter constitute the QC application). The notification letter contains statements by the owner that the owner will reasonably cooperate with MFA and its agents with respect to marketing the project and acknowledges that the application materials may be disclosed to prospective purchasers, real estate brokers and other interested parties, together with any other information MFA deems reasonable to disclose to obtain a qualified contract. The notification letter requires owner to take sole responsibility for documents and information submitted with the calculation of the qualified contract price (QC price), in accordance with the Code Section 42(h)(6)(F).

REQUIRED APPLICATION MATERIALS

1. QC price determined and certified by an independent certified public accountant (CPA) in compliance with Section 42 together with *copies of all documents and other information that were used to calculate the qualified contract price* (the CPA certification). The CPA shall certify that annual partnership federal income tax returns and audited financial statements for all years of operation of the project, loan documents for all secured debt, and partnership agreements and other organization documents have been reviewed in connection with determining the QC price. The CPA shall also certify that the CPA is not being compensated for the assignment based upon a predetermined outcome or a percentage of the QC price or return on sale. The CPA certification must be dated within three months of submission of the QC application and the QC price calculation must be based on documentation submitted in connection with the QC application, including audited financial statements. See **Attachment 2a** for the required form of CPA certification.

CPA CERTIFICATION

The CPA certification shall include the following worksheets:

- Summary of QC price calculation
- Worksheet A - a summary of all outstanding secured indebtedness on the low-income buildings
- Worksheet B - calculation of adjusted investor equity in the low-income building(s) by year
- Worksheet C - other capital contributions made by the investor in the low-income portion of the building(s). These are contributions that are not included in other calculations, specifically in worksheets A and B.
- Worksheet D - cash distributions from the project by year. This calculation also includes a reporting of the cash held in reserve accounts and owner controlled accounts. The owner's non-cash distributions must also be included. These non-cash distributions will not be applied to reduce the QC price, but they must be reported.
- Worksheet E - fair market value of the non-low-income portion of the building(s) and land. This worksheet requires an appraisal, market study or other supporting documentation used to establish the market value of the non-low-income portions of the building(s) and land.

WORKSHEETS

The worksheets are included in **Attachment 2b**.

1. A thorough narrative description of the project, including all specifications and amenities, suitable for familiarizing prospective purchasers with the project. *See **Attachment 3** for required information and format.*
2. A description of all income, rental and other restrictions, if any, applicable to the project, together with copies of any documents imposing such restrictions.
3. Current title commitment agreeing to issue a Standard Owner's Policy of Title Insurance to a "to be determined" purchaser.
4. Confirmation that any existing mortgages on the project will permit the sale or transfer of the property and/or that pre-payment of any existing financing is allowable, including copies of the existing mortgages with age numbers referenced and pertinent language highlighted in yellow.
5. A detailed set of color photographs of the project, including the interior and exterior of representative apartment units and buildings, the main project entrance, the project grounds and all built amenities.
6. Monthly operating statements for the project for the 12 months preceding the QC application.
7. A current rent roll and occupancy report for the 12 months preceding the QC application.
8. Audited annual project financial statements for all years of operation since the start of the compliance period (all years).
9. If any portion of the land or improvements is leased, copies of the leases.

10. Qualified contract application fee in the amount of \$5,000.
11. \$20,000 deposit for any third party reports. This deposit will be used to pay for accounting consulting, including CPA review regarding calculation of the QC price, MFA's outside consultant, an appraisal, and any other third party reports deemed necessary solely in MFA's discretion. The owner may submit a current appraisal, if already available, but not in lieu of the deposit and MFA retains the right to order any and all reports determined necessary, including an updated or new appraisal. Current "As Built" ALTA survey of the property and buildings, signed and sealed.
12. Copies of all annual Partnership tax returns for all years, fully executed.
13. Copies of all amendments to the original Limited Partnership Agreement.
14. Use restriction memo prepared by a third party attorney and in a form acceptable to MFA. See **Attachment 4** for required information.
15. Capital Needs Assessment for the entire project prepared by a third party acceptable to MFA.
16. Phase I environmental (Phase II analysis, if conditions from the Phase I analysis determine a Phase II is necessary).

The above listed items are necessary to determine the QC price, physical condition and marketability of the project as required by the Code.

MFA staff will make a good faith effort to review a QC application within 120 days and notify owner of any missing or incomplete information and any outstanding issues or questions. Once MFA is in receipt of a complete QC application, MFA will review the QC application and materials. In an effort to confirm the calculations for the *low income portion of the QC price*, MFA may find it necessary to confer with an outside consultant in order to corroborate the calculated low income portion of the QC price.

Thereafter, MFA will order any necessary third party reports, including a new appraisal, for the purpose of determining the *non-low income portion of the QC price*. Only after the low income portion and non-low income portion of the QC price have been confirmed will MFA notify owner of acceptance or rejection of the owner's QC price calculation. MFA anticipates that prior to acceptance or rejection of the QC price, MFA's outside consultant will have questions, among other items, concerning numbers reflected in the partnership tax returns and audited financial statements.

If the proposed QC price is rejected, MFA and owner will attempt to agree upon a QC price. If MFA and owner fail to agree on a QC price within 30 days of the notice of rejection, then owner will have an additional 30 days in which to (a) seek binding arbitration before a single arbitrator in Albuquerque, New Mexico in accordance with the New Mexico Uniform Arbitration Act or (b) withdraw the application. If owner fails to seek binding arbitration or withdraws the application within 60 days of notice of rejection of the QC price, MFA will not be required to proceed with locating a purchaser at the QC price and the QC application will be considered terminated.

MFA will have one year from the date of written acceptance, agreement or determination of the QC price to locate a qualified purchaser and present a qualified contract to owner (sale period). During the sale period MFA will advertise the property in good faith. MFA's procedure for identifying interested

purchasers may include, but not be limited to: 1) posting the project information on MFA's website; 2) mailing informational flyers to other tax credit property owners, management companies, other funding agencies, local and national groups interested in preserving affordable housing, and tax credit investor contacts; and 3) sharing information on the project at local and regional meetings of development groups, affordable housing preservation groups and other stakeholder meetings attended by MFA.

MFA reserves the right to contract directly with a third party in the marketing and sale of the project or direct the owner to contract with a broker approved by MFA. Cost of such service, including a broker's fee not to exceed 6 percent plus New Mexico gross receipts tax will be paid by the owner. The listing broker will act as a conduit for requests for additional information by prospective purchasers and collecting and forwarding that information to the prospective purchasers. All pertinent project information requested by a prospective purchaser must be provided within five business days of request. Additionally, the broker must report any activity or interest to MFA immediately. The owner is responsible for ensuring the listing broker complies with the above. Further, owner must act in good faith at all times during the qualified contract process and must otherwise cooperate fully with MFA and the listing broker in the search for a purchaser. Marketing of the project will continue until such time that a qualified contract is presented or the one year sale period has expired. The listing price of the project will be the agreed upon QC price and the final sales price will be the amount agreed upon by the owner and the purchaser in a binding, written purchase agreement.

SUSPENSION OR TERMINATION OF QUALIFIED APPLICATION PROCESS

The following is a list of events that will cause the qualified contract process to be either suspended or terminated:

- During the qualified contract processing period and the sale period, if owner receives IRS notification of audit or investigation of the project, the QC application processing period and/or one year sale period will be suspended and processing stopped until the audit or investigation is complete.
- Should the owner fail to maintain the required applicable fraction for any building at any time during the qualified contract processing period and/or one year sale period, MFA reserves the right to reject approval of the QC application or rescind approval of the QC price. If correction of the non-compliance does not take place in a reasonable time-frame, as determined in MFA's sole discretion, MFA may suspend the qualified contract processing and/or one year sale period.
- All reasonable costs incurred by MFA with third parties will be paid by owner. The owner will be required to make additional deposits if costs exceed the initial deposit. If the owner delays in making a deposit MFA may suspend processing of the QC application, extend the sale period, or terminate an application.

COMPLETION OF QUALIFIED APPLICATION PROCESS

If a prospective purchaser is identified during the sale period, and a qualified contract, as defined in IRC Section 42(h) is presented to the broker, it is the broker's responsibility to inform MFA of the offer within five days. The owner must agree to enter into a commercially reasonable form of contract of sale for the project and provide a reasonable time for purchaser to complete its due diligence and closing of the purchase. If owner accepts the qualified contract and sells the project, MFA must be notified in

accordance with the guidelines in the applicable QAP and LURA for sales or transfers of property. If a qualified contract is offered to owner, but owner declines to accept it or the sale does not close for any reason, the owner will be deemed to have forfeited its right to utilize the provisions of code Section 42 for the project, and the restrictions of the extended use period as set forth in the LURA shall continue to bind the project for the remainder of the extended use period.

Pursuant to code § 42(h)(6)(E)(i)(11), “Provides for the termination of the extended use period if MFA is unable to present within a specified period a qualified contract for the acquisition of the low-income portion of the building by any person who will continue to operate such portion as a qualified low-income building.”

If MFA is unable to present a qualified contract within the sale period MFA will notify owner that the extended use period will terminate. However, pursuant to IRC Section 42(h)(6)(E)(ii) existing low-income tenants will not be evicted (other than for good cause) or charged rents in excess of tax credit rents for a period of three years following such termination (referred to as the decontrol period). Owner will continue to meet regular reporting, compliance and monitoring requirements of the LURA with respect to such tenants during this decontrol period. In addition, during this decontrol period, the owner is required to submit an annual report to MFA in a form and manner determined by MFA including, an annual “Owner’s Certificate of Continuing Program Compliance”. The report and certification are due annually by March 31 or the following business day, if the 31st falls on a Saturday, Sunday or holiday. MFA will proceed to discharge and release the LURA after the three year decontrol period is completed.

When a project is sold, including a sale or change in ownership interest during the decontrol period after the extended use period has expired, the owner must notify MFA of the transfer.

A bona fide contract signed by a prospective purchaser to acquire the owner’s project for the QC price is only required to be “presented.” When MFA presents the qualified contract to the owner, regardless of when or if the qualified contract is fulfilled, the possibility of terminating the extended use period is removed and the project remains bound to the provisions in, and may not terminate, the LURA. A request for a qualified contract may be submitted only once for each project. If an owner rejects an offer presented under the qualified contract or withdraws its request at any time after the application has been received by MFA, no other opportunity to request a qualified contract will be available for the project.

MONITORING THE DECONTROL PERIOD

REQUIREMENTS PRIOR TO THE DECONTROL PERIOD

Requirements that **must be met** prior to the commencement of the De-Control Period:

1. Owners must provide a letter to existing residents informing them of the three year decontrol period and their rights in the next three years. Please see example with all required language.
2. Update WCMS with all current residents and status, including vacant units.
3. Provide a rent roll with the date the decontrol period begins.

ON-GOING REQUIREMENTS

Requirements that **must be met** during the De-Control Period:

1. Annual Utility Allowance Updates
2. Annual Implementation of Appropriate Rent Limits, not to exceed the maximum

DISALLOWED CHARGES FOR EXISTING HOUSEHOLDS

During the De-Control Period, existing residents may not be charged any of the following. The list below may not be inclusive.

1. "RUBS"; charges for sub-metering of utilities; or any utilities without providing an allowance
2. Mandatory requirement of renter's insurance
3. Fees assessed for paying with *physical checks*
4. Fees for internet payments (although *credit card* processing fees are allowable if there is a reasonable alternative)
5. Fees for "serving" non-compliance notices for good cause evictions (3-day notices, 30-day notices or 7-day notices)
6. Pet "rent" in excess of the max rent limit
7. Administrative fees for new household members (entering home during decontrol period)
8. Application fees for newly added household members that are above the costs for background screening actually paid by owner

Note:

Owners may provide incentives to vacate to existing residents provided that they are equitable to all households. Owners must provide documentation for MFA review regarding incentives.

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ATTACHMENTS

Attachment 1	Prelim Request Form
Attachment 2a	Accountant Letter
Attachment 2b	Worksheets
Attachment 3	Specs and Amenities
Attachment 4	Requirements for Use Restriction Memo
Attachment 5	Sample Qualified Contract Notification Letter
Attachment 6	Sample of Resident Letter Declaring Decontrol Period Begins

ATTACHMENT 1 TO QC PROCESS GUIDE

OWNER INFORMATION

1. Owner Contact Information:

Owner Legal Name:

Phone:

Owner Contact Name:

Fax:

Owner Mailing Address:

City, State, ZIP:

Email:

If Owner's "Physical Address" is different from the "Mailing Address," provide the physical address below:

Owner Physical Address:

City, State, ZIP:

Owner is in good standing with the Secretary of State? ☐ No ☐ Yes Taxpayer ID #

2. Members of the Ownership Entity (***please attach a current organizational chart and list any additional partners on an attachment***)

Organization Legal Name:

Phone:

Organization Contact Name:

Fax:

Organization Mailing Address:

City, State, ZIP:

% Ownership:

Legal Form of Organization: ☐ For-Profit ☐ Nonprofit ☐ Local Government ☐ Housing Authority

Type of Ownership: ☐ General Partner ☐ Limited Partner

Organization Legal Name:

Phone:

Organization Contact Name:

Fax:

Organization Mailing Address:

City, State, ZIP:

% Ownership:

Legal Form of Organization: ☐ For-Profit ☐ Nonprofit ☐ Local Government ☐ Housing Authority

Type of Ownership: ☐ General Partner ☐ Limited Partner

Organization Legal Name:

Phone

Organization Contact Name:

Fax:

Organization Mailing Address:

City, State, ZIP:

% Ownership:

Legal Form of Organization: ☐ For-Profit ☐ Nonprofit ☐ Local Government ☐ Housing Authority

Type of Ownership: ☐ General Partner ☐ Limited Partner

DEVELOPMENT INFORMATION	
1	Development of the project was initiated in 2010, following the identification of the need for a new, more efficient and sustainable water supply system for the community.
2	The project was approved by the local government and the relevant authorities in 2011.
3	The project was funded by the local government and the relevant authorities in 2012.
4	The project was implemented by the local government and the relevant authorities in 2013.
5	The project was completed in 2014, and the new water supply system was operational.
6	The project has been successful in providing a reliable and sustainable water supply for the community.
7	The project has been a model for other communities in the region.
8	The project has been a success story for the local government and the relevant authorities.
9	The project has been a positive example of community development.
10	The project has been a valuable contribution to the community's well-being.

County:

ATTACHMENT 1 TO QC PROCESS GUIDE

f) Has the compliance period been extended in the LURA? ☐ Yes ☐ No

If yes, how many years beyond the compliance period must the project maintain affordability restrictions? _____

g) Has the property been cited for any violations that have required an 8823 to be filed with the IRS that remains uncorrected? If yes, state the nature and date of the violation and include copies of 8823s and related IRS communications.

Nature of Violation:

Violation Date:

h) Is the Project subject to additional affordability restrictions (i.e. USDA Rural Development, HUD, state/local funding, etc.)? If yes, submit copies of restrictions.

i) Does the Project have project-based rental assistance?

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ATTACHMENT 1 TO QC PROCESS GUIDE

OWNER CERTIFICATION

I certify that the information contained in this Letter of Intent/Eligibility request and in any attachments and exhibits in support thereof, is true, correct, and complete. I agree that the NM Mortgage Finance Authority ("MFA") or any of its directors, officers, employees, and agents will not be held responsible or liable for any representations made to the undersigned or its investors relating to the Housing Tax Credit Program; therefore, I assume the risk of all damages, losses, costs, and expenses related thereto and agree to indemnify and save harmless MFA and any of its directors, officers, employees, and agents against any and all claims, suits, losses, damages, costs, and expenses of any kind and any nature that MFA may hereinafter suffer, incur, or pay arising out of its decision concerning this Letter of Intent/Eligibility request.

I certify that, to the best of my knowledge, I am eligible to request a Qualified Contract pursuant to §42 of the Internal Revenue Code.

I hereby acknowledge and understand that this Letter of Intent/Eligibility request is subject to disclosure under Chapter 14, Article 2, entitled the Inspection of Public Records Act (the "Act"). Pursuant to the Act, all records held by MFA are public records except for those records designated under the Act as exceptions. When MFA receives a request for information under the Act, the request will be processed in accordance with MFA procedures. Owners must designate each item in the Letter of Intent/Eligibility request which Owner contends is an exception to the Act. Each designation must be accompanied by a written legal justification.

I agree that MFA may, at its discretion, request additional information and/or documentation in its evaluation of this Letter of Intent/Eligibility request.

I understand and agree that the one-year period during which MFA may offer a Qualified Contract will not begin until MFA receives the QC Application with all required documentation and MFA and Owner have agreed to the qualified contract price in writing.

By: _____ Date: _____
Signature of Owner

Its: _____

STATE OF: _____
COUNTY OF: _____

I, the undersigned, a notary public in and for said County, in said State, do hereby certify that _____, whose name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntary on the date same foregoing statement bears. Given under my hand and official seal this _____ day of _____, _____.

Notary Public Signature

Commission Expires

(seal)

ATTACHMENT 2A TO THE QC PROCESS GUIDE

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of {Owner or General Partner}
and the New Mexico Mortgage Finance Authority:

We have performed the procedures listed below, which were agreed to by {Owner or General Partner}, a {State} {limited partnership, limited liability company}, (the "Company"), owner of {Name of Project} (the "Project"), and the New Mexico Mortgage Finance Authority (the "Agency") (the "Specified Users"), solely to assist you in determining the Qualified Contract Price ("QCP") of the Project for the purpose of selling the Project in accordance with Internal Revenue Code ("IRC") Section 42(h)(6)(F). The Company's management ("Management") is responsible for the calculation of the QCP.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Specified Users. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We read IRC Section 42(h)(6)(F) and Final Treasury Regulation Section 1.42-18;
2. We obtained and read a publication compiled by the Agency titled "Qualified Contract Process Guide" dated October 2017;
3. We obtained and read the {Limited Partnership Agreement} for {Project Name}, a(n) {State} {limited partnership, limited liability company}, dated {Date}, and the amendments thereon (the "Partnership Agreement");
4. We obtained and read the Operating Agreement of the Company, dated {Date}, and the amendments thereon;
5. We obtained and read the Low Income Housing Tax Credit Land Use Restriction Agreement dated {Date}, between {Project Owner} and the Agency, {recording information (date, book, page)} and noted the low income applicable fraction of {Applicable Fraction}%;
6. We obtained and read the Project's fully executed Form(s) 8609 ("8609s");
7. We obtained and read the {Additional Financing Commitments (Mortgages, Notes)} between {Mortgagee} and {Mortgagor} for {Amount of loan} (the "Permanent Loan"); **{ADD MORE MORTGAGES AS NECESSARY}**

ATTACHMENT 2A TO THE QC PROCESS GUIDE

8. We obtained and read the U.S. Partnership Returns of Income for each of the years ended December 31, {Year} through December 31, {Year} (the "Tax Return(s)");
9. We obtained a distribution listing from {Project Owner}, a {limited partnership, limited liability company}, for years ended December 31, {Year} through December 31, {Year} (the "Distribution Listing");
10. We obtained and read the audited balance sheets, statements of operations, changes in members' equity, and cash flows for the years ended December 31, {Year} through December 31, {Year} (the "Audited Financial Statements");
11. We obtained and read the fully executed 8609s and summed eligible basis of buildings to determine the initial qualifying building costs were {Dollar Amount} (the "Qualifying Building Costs");
12. We determined the outstanding indebtedness as of December 31, {Year}, to be {Dollar Amount} (the "Principal Balance"), based on the Audited Financial Statements. We reduced the principal balance of {Dollar Amount} by {Dollar Amount} to arrive at an adjusted balance of {Dollar Amount} (the "Outstanding Indebtedness"), as shown on Worksheet A. The {Dollar Amount} reduction represents an estimate of the non-qualifying building costs financed by the Principal Balance. We arrived at the reduction by first summing the Principal Balance of {Dollar Amount} with aggregate capital contributions derived below in the amount of {Dollar Amount}, respectively, for a total of {Dollar Amount}. We then reduced {Previous total amount} by the Qualifying Building Costs of {Dollar Amount} to arrive at {Dollar Amount} of funding in excess of Qualifying Building Costs, as shown on Worksheet A;
13. Based on the Tax Returns of the Original Project Owner, we noted the following capital contributions, as shown on Worksheet B:

Year (Add more rows as necessary)	\$	Amount
-----------------------------------	----	--------

Aggregate Capital Contributions	\$	
---------------------------------	----	--

14. We multiplied the annual capital contributions for each of the years ended December 31, {Applicable years} by the cost-of-living adjustment percentage of {COLA %}, resulting in adjustments of {Dollar Amount for each year, as applicable}, respectively. We then summed the adjustments with the annual capital contributions to determine the total adjusted investor equity of {Dollar Amount} (the "Adjusted Investor Equity"), as shown on Worksheet B;

The cost-of-living adjustment percentage of {COLA}% was derived from the United States Department of Labor Bureau of Labor Statistics website by dividing the Consumer Price Index for All Urban Consumers (the "CPI-U") for the twelve month period ending {Date} of {CPI-U} (as adjusted annually for the lesser of 5% or increase CPI-U) by the CPI-U for the twelve month period ending {Date}, the first taxable year of the credit period base calendar year, of {CPI-U}, subtracting one from the result;

15. We noted no other capital contributions ("Other Capital Contributions") to be reflected in Aggregate Capital Contributions, as shown on Worksheet C; **(INCLUDE AS NEEDED)**

ATTACHMENT 2A TO THE QC PROCESS GUIDE

16. Based on the Tax Returns and Audited Financial Statements, we noted Aggregate Distributions ("Aggregate Distributions"), as shown on Worksheet D:

Year (Add more rows as necessary)	\$	Amount
-----------------------------------	----	--------

Aggregate Distributions	\$	{Total Amount}
-------------------------	----	----------------

17. Based on the Audited Financial Statements and representations from Management, we noted the following cash available for distribution (the "Cash Available for Distribution"), as shown on Worksheet D:
- a.
 - b.
18. We added Aggregate Distributions of {Dollar Amount} to the Cash Available for Distribution of {Dollar Amount} and determined the Total Cash Distributions from or Available from the Project to be {Dollar Amount}, as shown on Worksheet D;
19. We obtained and read an appraisal report prepared by {Appraisal Firm} (the "Appraisal Report"). Based on the Appraisal Report, we noted the fair market value of the land to be {Dollar Amount} (the "Land Value"), as shown on Worksheet E; and
20. We added the Outstanding Indebtedness of {Dollar Amount}, from Worksheet A, with the Adjusted Investor Equity of {Dollar Amount}, from Worksheet B, and the Other Capital Contributions of {Dollar Amount}, from Worksheet C, and subtracted the Total Cash Distributed and Available for Distribution of {Dollar Amount}, from Worksheet D, to arrive at a Total Potential Housing Credit QCP of {Dollar Amount}. We then multiplied the total by the applicable fraction of {Applicable Fraction}%, and added the Land Value of {Dollar Amount}, from Worksheet E, to arrive at a QCP of {Dollar Amount}, as shown in the Calculation of Qualified Contract Price, supplemented by Worksheets A through E attached.

We were not engaged to, and did not, conduct an audit, the objective of which is the expression of an opinion on the calculation of the QCP. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We certify the QCP was determined in compliance with Section 42 and Final Treasury Regulation Section 1.42-18. We certify the annual partnership federal income tax returns and audited financial statements for all years of operation of the Project, loan documents for all secured debt, partnership agreements and other organization documents were used in connection with determining the QCP. We certify that we are not being compensated for the assignment based upon a predetermined outcome or a percentage of the QCP or return on sale.

We have no financial interest in the Project other than in the practice of our profession and have not been compensated for this assignment based on a predetermined outcome.

This report is intended solely for the information and use of the Company and the Agency, and is not intended to be and should not be used by anyone other than these Specified Users.

{SIGNATURE}

ATTACHMENT 2B TO THE QC PROCESS GUIDE

Project Name_____

Owner Name_____

Pursuant to Section 42(h)(6)(F) of the Internal Revenue Code

As of _____

(Date)

A. Calculation of Low-Income Portion of Payment:

(i)	Outstanding Indebtedness secured by, or with Respect to the Building (from Worksheet A)	\$ _____	
(ii)	Adjusted Investor Equity (from Worksheet B)	\$ _____	
(iii)	Other Capital Contributions not reflected in (i) or (ii) (from Worksheet C)	\$ _____	
(iv)	Total of (i), (ii) and (iii)	\$ _____	
(v)	Cash Distributions from or available from, the project (from Worksheet D)	\$ _____	
(vi)	Line (iv) reduced by line (v)	\$ _____	
(vii)	Applicable fraction (set forth in the Tax Credit Extended Use Agreement)	_____ %	
(viii)	Low-Income Portion of Qualified Contract Price (Line (vi) multiplied by Line (vii))		\$ _____

Fair Market Value of Non Low-Income Portion

Of building(s) (from Worksheet E) \$ _____

C. Qualified Contract Price

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

ATTACHMENT 2B TO THE QC PROCESS GUIDE

WORKSHEET A

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

1. First Mortgage Loan

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

2. Second Mortgage Loan:

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

3. Third Mortgage Loan:

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

4. Fourth Mortgage Loan:

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

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

[Sum of 1-4 subtotals above]

\$ -

WORKSHEET B

**Calculation of Adjusted Investor Equity In
the Low-Income Building(s) Code Section
42(h)(6)(F)(i)(II)**

Adjusted Investor Equity

- (i) Base Calendar Year: _____
- (ii) Enter the average CPI figure for the 12 month period ending in August, **for the year that precedes the calendar year the buildings are offered:** _____
- (iii) **Base Calendar Year:** _____
- (iv) Cost-of-living adjustment [Divide (ii) by (iii)] _____

1. _____ Adjusted Investor Equity

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

2. _____ Adjusted Investor Equity

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

3. _____ Adjusted Investor Equity

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

4. _____ Adjusted Investor Equity

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

5. _____ Adjusted Investor Equity

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

6. _____ Adjusted Investor Equity

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

7. _____ Adjusted Investor Equity

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

WORKSHEET B

**Calculation of Adjusted Investor Equity In
the Low-Income Building(s) Code Section
42(h)(6)(F)(i)(II)**

8. _____ Adjusted Investor Equity

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

9. _____ Adjusted Investor Equity

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

10. _____ Adjusted Investor Equity

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

11. _____ Adjusted Investor Equity

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

12. _____ Adjusted Investor Equity

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

13. _____ Adjusted Investor Equity

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

14. _____ Adjusted Investor Equity

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

15. _____ Adjusted Investor Equity

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

Total Adjusted Investor Equity:

[Sum of 1-15 subtotals above]

\$ -

ATTACHMENT 2B TO THE QC PROCESS GUIDE

WORKSHEET C

Other Capital Contributions

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

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. Investment Amount \$ - (i) Name

of Investor:

(ii) Date of Investment:

(iii) Use of Contributions/ Proceeds: (iv) Other

Information:

4. [Add as needed]

Total of Other Contributions

\$ -

WORKSHEET D

*Cash Distributions**From, or Available From, the Development*

Code Section 42(h)(6)(F)(ii)

A. Cash Distributed

1. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

2. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

3. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

4. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

5. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

6. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

7. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

8. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

9. _____ Distributions
 (i) Total Distributions \$ _____ -
 (ii) Recipient: _____
 (iii) Characterization of Distribution (i.e.: return of capital, etc.): _____

ATTACHMENT 2B TO THE QC PROCESS GUIDE

WORKSHEET D

Cash Distributions

From, or Available From, the Development

Code Section 42(h)(6)(F)(ii)

A. Cash Distributed (continued)

10.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	
11.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	
12.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	
13.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	
14.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	
15.	_____ Distributions	
	(i) Total Distributions	\$ -
	(ii) Recipient: _____	
	(iii) Characterization of Distribution (i.e.: return of capital, etc.): _____	

Total Distributions	[Sum of Lines 1(i) - 15 (i)]	\$ -
---------------------	-------------------------------	------

ATTACHMENT 2B TO THE QC PROCESS GUIDE

WORKSHEET D

Cash Distributions

From, or Available From, the Development

Code Section 42(h)(6)(F)(ii)

B. Cash Available for Distribution:**1. Replacement Reserve Account(s)**

(i) Total Balance	\$	-	
(ii) Amount available for distribution		\$	-

2. Operating Reserve Account(s)

(i) Total Balance	\$	-	
(ii) Amount available for distribution		\$	-

3. Other Reserve Account(s) (identify type of reserve and terms)

(i) Total Balance	\$	-	
(ii) Amount available for distribution		\$	-

4. Partnership Account(s) other than reserves

(i) Total Balance	\$	-	
(ii) Amount available for distribution		\$	-

Total Available for Distribution	[Sum of Lines 1(ii) - 4 (ii)]	\$	-
---	--------------------------------	----	---

TOTAL CASH DISTRIBUTED AND AVAILABLE FOR DISTRIBUTION	[Sum of Sections A and B]	\$	-
--	---------------------------	----	---

C. Non-Cash Distributions**1. Asset Distributed:**

(i) Recipient:		
(ii) Date of Distribution:		
(iii) Estimated Value at Distribution:	\$	-
(iv) Reason For and/or Characterization of Distribution:		

2. Asset Distributed:

(i) Recipient:		
(ii) Date of Distribution:		
(iii) Estimated Value at Distribution:	\$	-
(iv) Reason For and/or Characterization of Distribution:		

3. Asset Distributed:

(i) Recipient:		
(ii) Date of Distribution:		
(iii) Estimated Value at Distribution:	\$	-
(iv) Reason For and/or Characterization of Distribution:		

TOTAL NON-CASH DISTRIBUTIONS	[Sum of Lines 1(iii) - 3 (iii)]	\$	-
-------------------------------------	----------------------------------	----	---

SPECIFICATIONS AND AMENITIES

Kitchen	Floors	Air System	Other Amenities
<input type="checkbox"/> Range/Oven	<input type="text"/> % Carpet	<input type="checkbox"/> Central	<input type="checkbox"/> Window covers
<input type="checkbox"/> Hood/Fan	<input type="text"/> % Vinyl	<input type="checkbox"/> Heat Pump	<input type="checkbox"/> Phone jack in each room
<input type="checkbox"/> Garbage Disposal	<input type="text"/> % Tile	<input type="checkbox"/> Evaporative	<input type="checkbox"/> Laundry connections
<input type="checkbox"/> Dishwasher	<input type="text"/> % Other <u>(Describe)</u>	<input type="checkbox"/> Window Units	<input type="checkbox"/> Washer and dryer
<input type="checkbox"/> Refrigerator		<input type="checkbox"/> Other <u>(Describe)</u>	<input type="checkbox"/> Ceiling Fans
<input type="checkbox"/> Microwave			

ATTACHMENT 4 TO QC PROCESS GUIDE

Requirements for Use Restriction Memo-

- A. Prepared by a third party attorney
- B. Includes a complete discussion of the following:
 1. Has there been any change in any of the General Partners ("GP") or Limited Partner (LP) and if so, provide detailed information, including whether MFA consented to any such change.
 2. What are the internal rights and options, what internal consents are needed-
 - May the GP withdraw without the consent of the LP and/or MFA?
 - Does GP have the option to purchase the Project?
 - Does the LP need GP consent or MFA consent to withdraw?
 - Can LP force a sale?
 - Which partners must consent to transfer of the Project?
 3. What use restrictions currently encumber the Project-
 - Discuss prepayment penalties or lock-outs;
 - Discuss bond redemption issues;
 - Discuss due on sale clauses (HUD);
 - Does the mortgagee need to consent to the assignment and assumption? Any other consents required?
 - Discuss notice to mortgage of management changes.
 4. Discuss what long term use restrictions will remain-
 - Existence of Extended Use period and restriction period remaining;
 - HUD participation e.g. HAP contract, deed restriction, HUD insured mortgage or direct loan;
 - State and/or local program originally financed the transaction;
 - Local tax abatements or exemptions; and/or
 - What happens to outstanding bonds, if applicable.
 5. Discuss what third party approvals are required for transfers and how long approvals will take-
 - Assess prepayment notice periods and fees;
 - Assess whether any parties have Rights of First Refusal or options;
 - Timing for any required governmental approvals.
- C. Subject to review for sufficiency by MFA.

ATTACHMENT 5 - SAMPLE QUALIFIED CONTRACT NOTIFICATION LETTER

[Date]

Housing Tax Credit Program Officer
NM MFA
344 Fourth St., SW
Albuquerque, NM 87102

RE: Project name, number

Dear Housing Tax Credit Program Officer:

On behalf of _____, [project owner] (owner), we hereby request that the New Mexico Mortgage Finance Authority (MFA) present a qualified contract as defined in Section 42(h)(6)(F) of the Internal Revenue Code (code) for the purchase of _____, [Project Name] (project). This request is made pursuant to Section 42(h)(6)(E)(i)(II) of the code. We understand that MFA has one year to present a qualified contract for the purchase of the aforementioned project and that one year period will begin on the date MFA and owner agree to the qualified contract price (QC price) in writing and will terminate twelve calendar months thereafter. We further understand that submitting this request and the materials required does not cause the one year period to commence, but that receipt of this letter and all of the information described below is a prerequisite for MFA to assess the QC price.

Enclosed with this request are the following documents and information required by MFA:

1. QC price determined and certified by an independent certified public accountant (CPA) in compliance with Section 42 together with *copies of all documents and other information that were used to calculate the qualified contract price* (the CPA certification). The CPA shall certify that annual partnership federal income tax returns and audited financial statements for all years of operation of the project, loan documents for all secured debt, and partnership agreements and other organization documents have been reviewed in connection with determining the QC price. The CPA shall also certify that the CPA is not being compensated for the assignment based upon a predetermined outcome or a percentage of the QC price or return on sale. The CPA certification must be dated within three months of submission of the QC application and the QC price calculation must be based on documentation submitted in connection with the QC application, including audited financial statements. *See Attachment 2a for the required form of CPA certification.*

The CPA certification shall include the following worksheets:

- Worksheet A - a summary of all outstanding secured indebtedness on the low-income buildings;
- Worksheet B - calculation of adjusted investor equity in the low-income building(s) by year.

- Worksheet C - other capital contributions made by the investor in the low-income portion of the building(s). These are contributions that are not included in other calculations, specifically in worksheets A and B.
 - Worksheet D - cash distributions from the project by year. This calculation also includes a reporting of the cash held in reserve accounts and owner controlled accounts. The owner's non-cash distributions must also be included. These non-cash distributions will not be applied to reduce the QC price, but they must be reported.
 - Worksheet E - fair market value of the non-low-income portion of the building(s) and land. This worksheet requires an appraisal, market study or other supporting documentation used to establish the market value of the non-low-income portions of the building(s) and land.
1. The worksheets are included in **Attachment 2b**. A thorough narrative description of the project, including all specifications and amenities, suitable for familiarizing prospective purchasers with the project. *See Attachment 3 for required information and format.*
 2. A description of all income, rental and other restrictions, if any, applicable to the project, together with copies of any documents imposing such restrictions.
 3. Current title commitment agreeing to issue a Standard Owners Policy of Title Insurance to a "to be determined" purchaser.
 4. Confirmation that any existing mortgages on the project will permit the sale or transfer of the property and/or that pre-payment of any existing financing is allowable, including copies of the existing mortgages with page numbers referenced and pertinent language highlighted in yellow.
 5. A detailed set of color photographs of the project, including the interior and exterior of representative apartment units and buildings, the main project entrance, the project grounds and all built amenities.
 6. Monthly operating statements for the project for the 12 months preceding the QC application.
 7. A current rent roll and occupancy report for the 12 months preceding the QC application.
 8. Audited annual project financial statements for all years of operation since the start of the compliance period (all years).
 9. If any portion of the land or improvements is leased, copies of the leases.
 10. Qualified contract application fee in the amount of \$5,000.
 11. \$20,000 deposit for any third party reports. This deposit will be used to pay for accounting consulting, including CPA review regarding calculation of the QC price, MFA's outside consultant, an appraisal, and any other third party reports deemed necessary solely in MFA's discretion. The owner may submit a current appraisal, if already available, but not in lieu of the

deposit and MFA retains the right to order any and all reports determined necessary, including a new or updated appraisal.

12. Current "As Built" ALTA survey of the property and buildings, signed and sealed.
13. Copies of all annual Partnership tax returns for all years, fully executed.
14. Copies of all amendments to the original Limited Partnership Agreement.
15. Use Restriction Memo prepared by a third party attorney and in a form acceptable to MFA. See ***Attachment 4*** for required information.
16. Capital needs assessment for the entire project prepared by a third party acceptable to MFA.
17. Phase I environmental (Phase II analysis, if conditions from the Phase I analysis determine a Phase II is necessary).

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

We will reasonably cooperate with MFA and its agents with respect to MFA's efforts to present a qualified contract for the purchase of the project and we understand that our failure to reasonably cooperate will extend or cancel the one year time period MFA has to present a qualified contract. In this regard, we understand that before the presentation of a qualified contract, we may need to share project "due diligence" with MFA 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 project, operating expenses and debt service. Provided however, that before information is shared with a prospective purchaser, we may require that it enter into a commercially reasonable form of nondisclosure agreement. We also agree to allow MFA, its agents, and prospective purchasers, upon reasonable prior written notice, to visit and inspect the project, including representative apartment units.

The applicant warrants and represents that:

1. It is the duly authorized representative of the owner and is fully empowered to enter into any subsequent commitments or agreements on behalf of the owner to execute a qualified contract for the project.
2. The project that is the subject of this application is in the 14th year of the compliance period or later, and there is no IRS form 8823 remaining uncorrected.
3. We have conducted our own investigation and due diligence with respect to the calculation of the QC price and the qualified contract procedure set forth in Section 42(h)(6)(F) of the code

4. We are solely responsible for documents and information provided to MFA with this notification letter, including the calculation of QC price form and the worksheets thereto, and any other documents or project information that we may provide to MFA and/or share with prospective purchasers at a later time;
5. The information submitted is truthful, accurate and complete and contains no misstatements or misleading information;
6. Neither MFA nor any of its employees or agents have made any independent investigation or review of the accuracy, truthfulness or completeness of the information; and
7. By submission of this notification letter, we agree to indemnify, defend, and hold MFA harmless with respect to MFA's use of the information.
8. We agree that any material omission or misrepresentation of act shall be grounds for termination of the QC application and/or sale period.

We agree that MFA and its employees and agents shall have no liability to us with respect to the calculation of the QC price or any other act, omission, or determination by MFA with respect to marketing the project or carrying out its responsibilities under Section 42(h)(6)(F) of the code, so long as MFA is acting in good faith.

We also understand that if MFA finds a prospective purchaser willing to present an offer to purchase the project for an amount equal to or greater than the Qualified Contract price, we agree to enter into a commercially reasonable form of contract of sale for the project which will allow prospective purchaser a reasonable period of time to undertake additional, customary due diligence prior to closing the purchase. We further understand that if we fail to enter into a commercially reasonable form of contract of sale for the project, we have irrevocably waived any right to further request that MFA present a qualified contract for the purchase of the project and the project will remain subject to the requirements of the Land Use Restriction Agreement for the full extended use period.

Sincerely,

Name

ATTACHMENT 6 - SAMPLE OF RESIDENT LETTER DECLARING DECONTROL PERIOD BEGINS

RESIDENT NOTIFICATION LETTER FOR ALL RESIDENTS AS OF EFFECTIVE DATE

Dear Residents of Apartment name:

As you are a resident of Apartment name, you should be advised that effective Effective date, the community has entered into a “decontrol period” through MFA. Apartment name was initially funded under the Low-Income Housing Tax Credit (LIHTC) program and has now elected to opt out of this program.

As a current resident of Apartment name, you have certain rights as stated in the lease addendum as the community goes through this process; the owner and management must follow the federal and state rules for the Housing Tax Credit Decontrol program. An important protection is that during the three year period, your rent cannot be raised higher than your area’s maximum rent limits. Another important protection provided by federal law is that you cannot be evicted from your home without a good reason, or “good cause.”

Good cause is generally serious or repeated violations of the terms of your lease. The landlord must state the good cause in any notice seeking to terminate your tenancy. If you contest the eviction, the landlord must then file a court action and prove the good cause to a judge.

Decontrol means that the income and rent limits will no longer apply for **NEW** residents as of effective date. However, you will still be provided the quality affordable housing you currently enjoy for the next three years; and at the same time, we will be able to serve individuals in the municipality that have a higher income. After the decontrol period, you may stay in your apartment at the unregulated market rent available to you or provide the management notice to vacate.

During this three-year decontrol period, you will remain protected under the terms of the LIHTC program. At the end of the three-year decontrol period or end date, all units will be deregulated and the rules and regulations of LIHTC program will no longer apply.

Once the three-year period concludes, the property will not be required to accept Housing Choice Vouchers. Therefore, if you are a resident receiving housing assistance through a Housing Choice Voucher, you will need to contact management and your housing assistance case worker for further guidance as soon as possible.

If you have questions or concerns, please contact management at contact information.

Sincerely,

ATTACHMENT 6 - SAMPLE OF RESIDENT LETTER DECLARING DECONTROL PERIOD BEGINS

NOTICE – GOOD CAUSE EVICTION PROTECTION

As a resident in a housing tax credit program rental unit, you have a right to continue living in your rental unit unless you do something that give your landlord “good cause” to evict you. This notice provides basic information about your rights.

What is “good cause” for your landlord to evict or to terminate your tenancy?

There is no specific list of “good causes” to evict residents. Rather, this matter has been left to the courts to decide and define. However, your landlord would have “good cause” if you commit a serious or repeated violation of the significant terms of your lease. Some examples of what might be considered good cause are failure to pay rent on time, failure to cooperate with legal recertification requirements, repeated disruptions limiting peaceful enjoyment to your neighbors and engaging in illegal activity on the premises.

Current MTSP Area Maximum Rent Limits
Enter Here