ATTACHMENT C

STATE OF RHODE ISLAND

2026 QUALIFIED ALLOCATION PLAN

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GLOSSARY

ACRONYMS USED IN QUALIFIED ALLOCATION PLAN

2025 PLAN	Rhode Island Land Use 2025 Plan
ALLOCATION PLAN	Qualified Allocation Plan
AFHMP	Affirmative Fair Housing Marketing Plan
AMI	Area Median Income
CAA	Carryover Allocation Agreement
CCD	Comprehensive Community Development
CCRP	Concerted Community Allocation Plan
COMPLIANCE MANUAL	RIHousing Compliance Monitoring Manual
DDA	Difficult-to-develop Areas
DECLARATION	Declaration of Land Use Restrictive Covenants
EEO	Equal Employment Opportunity
FEMA	Federal Emergency Management Agency
FLOOR	9% minimum tax credit rate
FMR	Fair Market Rent
HERA	Housing and Economic Recovery Act of 2008
HFA	Housing Finance Agency
HQS	Housing Quality Standards
HUD	U.S. Department of Housing and Urban Development
IQT	Initial Qualifying Tenant
IRC SECTION 42	Section 42 of the Internal Revenue Code
IRS	Internal Revenue Service
LAP	Language Access Plan
LEP	Limited English Proficiency
LIHTC	Low-Income Housing Tax Credits
MBE/WBE	Minority Business Enterprises and/or Women Business Enterprises
MTSP	Multifamily Tax Subsidy Projects

NAHASDA	Native American Housing Assistance and Self-Determination Act of 1996
NCHSA	National Council of State Housing Agencies
NGRID	National Grid
OVERALL TDC	Maximum Total Development Cost
OZ	Opportunity Zone
PATH	Protecting Americans from Tax Hikes Act
PLR	Private Letter Rulings
PRA	Section 811 Project Rental Assistance
PV	Polar Voltaic Solar Panels
QCT	Qualified Census Tract
RFP	Request for Proposals
RNC	Rhode Island Residential New Construction
RIGL	Rhode Island General Laws
SECTION 504	Section 504 of Rehabilitation Act of 1973
TAM	Technical Assistance Memoranda
TDC	Total Development Cost
THE STATE	State of Rhode Island
THE CODE	Internal Revenue Code
TITLE VI	Title VI of the 1964 Civil Rights Act, as amended
UBS	Utility Benchmarking Service
UPCS	HUD Uniform Physical Conditions Standards
WEIGHTED AVERAGE TDC	Weighted Average of Total Development Costs

State of Rhode Island
2026 Qualified Allocation Plan
For the Low-Income Housing Tax Credit ("LIHTC") Program

INTRODUCTION

RIHousing has been designated the responsibility for administering the federal Low-Income Housing Tax Credit ("LIHTC") Program (the "LIHTC Program") for the State of Rhode Island ("the State"). Federal law requires that a Qualified Allocation Plan (the "Allocation Plan") outlining the process for the allocation of LIHTCs be presented to the public through a hearing for review and comment. For the Governor to approve and execute, the final Allocation Plan must include input from the public hearing and comment period, as well as all available housing needs data.

RIHousing has developed this Allocation Plan to comply with the requirements of Section 42 ("IRC Section 42") of the Internal Revenue Code (the "Code") and to ensure that those developments receiving LIHTCs produce or preserve housing addressing the most pressing needs of the State. This Allocation Plan establishes the priorities that the LIHTC Program will address from among those needs and incorporates those priorities into the criteria used to evaluate all proposals. This Allocation Plan will cover the 2026 allocation year for 9% and 4% LIHTC in conjunction with tax-exempt financing that is subject to the private activity bond cap.

I. LIHTC PROGRAM SUMMARY AND REQUIREMENTS

A. Overview

There are three types of credits available to developers of affordable rental housing. The first type of credit is a 9% annual credit for the costs of new construction or substantial rehabilitation of an existing building. The second type of credit is a 4% annual credit for the cost of acquiring an existing building that involves substantial rehabilitation. Both the 9% and this 4% credit are part of the state's annual per capita allocation. The third type of credit is also a 4% annual credit for the costs of new construction or substantial rehabilitation, including acquisition, of an existing building and is made available through the issuance of tax-exempt bonds.

For further information and detailed requirements relating to the different credit types and methods of calculating the credit, refer to IRC Section 42.

B. Rhode Island Annual LIHTC Allocation Pool

Each state is awarded a limited amount of 9% LIHTCs annually. Rhode Island will receive the small state minimum or approximately $3,600,000 for 2026, indexed for inflation. The pool of LIHTCs may be greater in any year if the allocation is modified by Congress, unused credits are carried forward or if previously allocated credits are returned or rescinded.

Please refer to Section IV for information related to tax exempt bond financing and 4% LIHTC.

C. LIHTC Requirements

1. Federal Criteria

IRC Section 42(m)(1)(B)(ii)(III) requires that a preference for an allocation of credits must be given to developments serving the lowest income residents, developments which commit to the longest period of affordability, and developments located in a qualified census tract ("QCT"). Because placing LIHTC projects in a QCT risks exacerbating concentrations of poverty, the QCT preference will only be given when there is an added benefit to the neighborhood in the form of the project's contribution to a concerted community revitalization plan ("CCRP"), as outlined in Section III B. of the Allocation Plan, Scoring Criteria, under Comprehensive Community Development ("CCD").

A CCRP is a formal plan which may include but is not limited to (i) a description of the geographic scope of the community and provides a clear direction for implementation; (ii) demonstrates the need for revitalization; (iii) includes a strategy for obtaining commitments of public and private investment in non-housing infrastructure, amenities, or services beyond the development; and (iv) includes planning document elements such as demonstration of the need for revitalization, setting goals for outcomes, identifying barriers to implementation, establishing timelines and benchmarks, and identifying community partners.

A plan will not be considered a CCRP if RIHousing determines, in its sole discretion, that the plan focuses narrowly on a "single property," or that the plan was approved solely for the awarding of CCRP points.

The following 10 additional statutory requirements are included in the Allocation Plan: (i) project location, (ii) housing needs characteristics, (iii) project characteristics, (iv) sponsor characteristics, (v) tenant populations with special housing needs, (vi) public housing waitlists, (vii) tenant populations of individuals with children, (viii) projects intended for eventual tenant homeownership, (ix) energy efficiency of projects and (x) the historic nature of projects.

2. State Criteria

The State of Rhode Island Consolidated Plan is developed jointly by RIHousing and the Executive Office of Housing. The state completed the 2025-2029 Consolidated Plan in the spring of 2025, which sets the proposed priorities and goals for housing and community development programs for the next 5 years. Among the goals are the need to develop and maintain affordable housing including housing for elders, end homelessness, address healthy housing concerns, invest in non-housing community development, provide tenant-based rental assistance and to affirmatively further fair housing. Each year, the state submits an action plan to the U.S. Department of Housing and Urban Development ("HUD") restating its goals and makes adjustments to estimated spending and output.

The Department of Housing, which is now the Executive Office of Housing, released the draft Housing 2030 plan in April of 2025. The plan went out for public comment and will be finalized later this year. The draft report includes the following housing production goals:

- 15,000 total new homes permitted by 2030
- Permitting 1,000 new homeownership units priced below $400,000
- Permitting 525 accessory dwelling units
- Doubling the permitting of other types of middle-market homes by 2030 (Rhode Island has recently been averaging 195 units per year)
- 2,250 affordable rental homes financed
    - At least 375 permanent supportive housing units
    - At least 500 units being for extremely low-income households

These are the broad state-wide goals laid out in the Housing 2030 plan. Each municipality will also be responsible for meeting annual housing production goals with higher production goals for communities with greater concentrations of jobs, transit and infrastructure.

Statewide Planning has developed the Rhode Island Land Use 2025 Plan (the "2025 Plan") which encourages the development of designated growth centers. The 2025 Plan is located at http://www.planning.ri.gov/documents/121/lu_exec.pdf. These growth centers and development areas envision a mix of commercial and residential uses with access to services, transportation and adequate water and wastewater infrastructure. In addition, all municipalities in Rhode Island have developed affordable housing plans which identify development opportunities within these communities.

3. Housing Needs

The State faces an overall shortage of quality, affordable, safe and healthy rental homes. According to the National Low-Income Housing Coalition's 2024 Out of Reach Report, based on the most recent census data, Rhode Island has the 12th highest gap between what renters earn and what it costs to rent a two-bedroom apartment. As of January 2025, Rhode Island's Homeless Management Information System counted 2,373 people experiencing homelessness within Rhode Island.

Much of the State suffers from a continually aging housing stock, a significant portion of which is characterized by severe or moderate physical problems such as lead-based paint hazards.

The redevelopment of properties that are in foreclosure and those that are abandoned and vacant remains an important goal, however the number of vacant and abandoned properties has steadily declined over the past 10 years. Vacant and abandoned property can erode overall property values and causes deterioration in entire communities where prior investment has occurred. RIHousing is committed to using resources where they will most efficiently be used to stabilize neighborhoods.

To meet the state's goal of at least 10% affordable housing in each community and the goals of the Housing 2030 plan, the State must substantially increase its production. By concentrating state, federal and private resources to combine affordable housing with broader community development investments, neighborhoods can be revitalized. This approach encourages investment in Rhode Island's urban areas and in new or existing growth or town centers and surrounding neighborhoods. This comprehensive approach to development results in well planned developments that are sustainable and efficient.

D. Eligibility Requirements

Disclaimer:

To receive an allocation of LIHTCs, whether from the State's allocated pool or through the use of tax-exempt bond financing, a project must meet eligibility requirements under both the Allocation Plan and IRC Section 42. While many of these requirements are briefly summarized below, applicants should note that the federal rules governing LIHTCs are complex. All developers are advised to consult a qualified tax attorney and/or accountant to determine eligibility for the credit. In making this determination, qualified professionals are expected to be current and knowledgeable with all private letter rulings ("PLRs") and technical assistance memoranda ("TAMs") issued by the Internal Revenue Service ("IRS") which may provide insight to the IRS view regarding eligible basis determinations.

In allocating LIHTCs, RIHousing makes no representations to owners or other parties regarding compliance with IRC Section 42, Treasury regulations or other laws or regulations governing LIHTCs. Neither RIHousing nor its employees, agents, representatives, board members, or employees shall be liable for any matters arising out of, or in relation to, the allocation of LIHTCs.

1) Residential Rental Property

In order for a project to qualify as a low-income housing project, it must be residential property. The project must be: (1) used other than on a transient basis, (2) rented or available for rent on a continuous basis, (3) available to members of the general public, and (4) suitable for occupancy. Facilities providing continuous nursing, medical, or psychiatric care are not considered residential rental units for LIHTC purposes. Continual care, however, should not be confused with certain supportive services which can be provided. Examples of allowable incidental care include: (1) facilitating the making of medical appointments, (2) providing transportation to medical facilities, (3) providing basic first-aid skills in case of emergencies, and (4) assisted living.

2) Extended Use Period

IRC Section 42 requires that the low-income occupancy and rent restrictions be maintained during the initial compliance period of 15 years (IRC Section 42(i)(1). In addition, the occupancy restrictions must be maintained for an extended use period of an additional 15 years per IRC Section 42(h)(6)(D). RIHousing requires the following:

a. A Declaration of Land Use Restrictive Covenants ("Declaration") must be executed by the project owner. The Declaration must set forth an extended use period of affordability for the qualifying units of at least 30 years and an extended use period prohibition against evicting or terminating tenancy of existing tenants in low-income units other than for good cause.

b. If a development is allocated LIHTC under the nonprofit set-aside, the owner (and any subsequent owner) during the compliance period must continue to qualify under that set-aside. The owner will indicate in the Declaration that they are electing to qualify under the nonprofit set-aside.

c. For projects financed with tax-exempt bond proceeds, the required extended use period of affordability will be the greater of (i) the period that the tax-exempt bonds remain outstanding or (ii) 30 years.

d. The owner must waive the right to seek termination of the Declaration by petitioning RIHousing to find a buyer of the development as provided in IRC Section 42(h)(6)(E)(i).

e. In addition to the Declaration, RIHousing requires that a Regulatory Agreement be recorded prior to any lien documents and not be subject to termination in the event of foreclosure. The development owner may be required to have all lien holders of a development complete and sign a subordination to the Regulatory Agreement that will subordinate their liens to the provisions of the Regulatory Agreement.

3) Rent and Tenant Income Restriction

The project must meet certain tenant income and rent restrictions:

a. Income Restrictions:

The Project must elect one of the following three Minimum Set-Asides:

at least 20 percent of the rental units in the project must be rent restricted for and occupied by households with incomes no higher than 50 percent of the Area Median Income ("AMI"), adjusted for family size.

OR

at least 40 percent of the rental units must be rent restricted and occupied by households with incomes no higher than 60 percent of the AMI, adjusted for family size.

OR

Under the Average Income Test, at least 40 percent of the units must be both rent-restricted and occupied by individuals whose incomes do not exceed the imputed income limitation designated by the taxpayer.

The average of the imputed income limitations designated cannot, according to IRC Section 42, exceed 60 percent of AMI, however, RIHousing is designating the maximum as 58 percent of AMI.

The designated imputed income limitations must be in 10 percent increments as designated in the Code.

b. Rent Restrictions:

The gross rent charged to a tenant, including utilities, cannot exceed 30% of the income limit for a qualified low-income household at 50% or 60% or, for Average Income Test elections, the applicable unit income/rent designation of AMI adjusted for family size, assuming 1.5 persons per bedroom. A table of qualified rents is located in the Developers Handbook and from HUD at http://www.huduser.org/portal/datasets/mtsp.html and from Novogradac at http://www.novoco.com/products/rentincome.php.

For more information on tenant income and rent restrictions, including rules for calculating rents, see IRC Section 42.

4) Least Amount of LIHTC Necessary for Project Feasibility

IRC Section 42 requires that RIHousing allocate credits in the minimum amount necessary for the financial feasibility of the project and its continued viability as a qualified low-income housing project throughout the credit period.

RIHousing must evaluate the amount of the credit at 3 specific times: (1) at the time of application, (2) at the time of reservation, and (3) at the time the building is placed-in-service and an IRS Form 8609 is issued. RIHousing will consider the proposal's distribution of the tax benefits between direct development costs, soft costs, fees, operating reserves and other costs and evaluate the need for LIHTCs to fill the gap after other financing sources and subsidies have been taken into account. Developers will be required to certify the source and value of other subsidies and funding for the proposal.

5) Minimum Property Standards

Projects must meet state or local health or building codes or regulations. Corrections necessary to repair code violations must be specified in a rehabilitation work plan. The developer will be required to provide certification or to demonstrate to RIHousing that all code violations have been corrected upon construction completion. Compliance with health, safety and building codes is an ongoing obligation; non-compliance may result in penalties and/or recapture of credit.

6) Placed-In-Service Requirements

RIHousing will allocate credits only to projects which can be reasonably expected to become eligible for the credits in the year in which the Developer is to be awarded LIHTCs. This means that projects must either be able to be placed-in-service in that year or have incurred more than 10% of their reasonably anticipated project basis within 12 months of the reservation of LIHTCs. Placed-in-service generally refers to the issuance of the first certificate of occupancy for each building in the project.

7) Minimum Rehabilitation Requirements

IRC Section 42 requires that LIHTC projects meet minimum rehabilitation expenditure requirements. RIHousing requires a minimum rehabilitation expenditure of $15,000 per unit.

8) Ten Year Placed In Service Restriction

To be eligible for the acquisition credit, buildings may not have been placed in service within the last 10 years. Refer to IRC Section 42 for information regarding exceptions. Generally, a transfer of the building results in a new placed-in-service date if, on the date of the transfer, the building is occupied or ready for occupancy. Exceptions may apply to certain property transfers and expiring use properties. In cases involving the purchase of a development that previously utilized LIHTCs for acquisition, the property may not be eligible for acquisition credit from the 2nd purchase until the completion of the initial 15-year compliance period.

9) Community Service Facilities

The portion of a residential building used as a community service facility may be eligible for the LIHTC Program. A community service facility is a facility designed to primarily serve individuals whose income is 60% or less of AMI. Refer to Rev. Rul. 2003-77 for more information.

10) Market Study

Prior to closing, RIHousing requires that a comprehensive market study conforming to requirements consistent with standard industry practice be conducted as a condition of credit allocation analyzing the market area, including the depth and breadth of demand, comparable properties and rates, comparable operating expenses, market absorption rates as well as a study of the needs of the prospective population. For projects involving rehabilitation of existing and occupied properties with project-based rental assistance contracts, RIHousing, in its sole discretion, may modify the market study standards to reflect actual data available to RIHousing about the operation of the project and its market area. At the Developer's expense, the market study will be completed by a disinterested party commissioned by RIHousing. A market study acceptable to RIHousing, in its sole discretion, may also be commissioned by the development investor or third-party lender. For mixed-income proposals, a third-party market study will be required with the application for LIHTCs.

11) **Native American Housing Assistance**

Assistance provided under the Native American Housing Assistance and Self-Determination Act of 1996 ("NAHASDA") will not be taken into account in determining whether a building is federally subsidized for purposes of the LIHTC program. Therefore, such buildings will qualify for 9% credit as deeper targeting consistent with the rules for HOME-financed projects.

12) **Homeownership Option**

Developers electing to convert to homeownership at the end of the 15-year compliance period may do so under IRC Section 42. RIHousing will approve no more than 1 conversion application per calendar year. As these developments will be rental housing for a minimum of 15 years, they will be underwritten as a rental development and are subject to the same underwriting criteria set forth in the Developers' Handbook.

13) **Public Housing Waiting Lists**

Prior to occupancy, sponsors must commit in writing that they will provide written notice to the jurisdictional Public Housing Authority (or, where there is no local Public Housing Authority, RIHousing as the Section 8 Administrator for the State) committing to the acceptance of tenant-based vouchers. Sponsors should ensure and be prepared to demonstrate that they are proactively marketing the units to households with tenant-based vouchers.

14) **Tenant Populations of Individuals with Children**

Sponsors are encouraged to provide housing that provides opportunities to single parent and two-parent households with children.

E. HUD Qualified Census Tracts/Difficult-To-Develop Areas

Projects located in HUD's designated QCTs or difficult-to-develop areas ("DDAs") may be eligible for additional LIHTCs. DDAs are designated annually by HUD as updated income and fair market rent ("FMR") data become available. Generally, HUD publishes the list of QCTs and DDAs on an annual basis.

If an area is listed as a HUD designated QCT or DDA 1 year and is not listed on a subsequent list of designated areas, the designation is still effective if: (1) the allocation of credit to a borrower is made no later than the end of the 730-day period after the submission to the credit-allocating agency of a complete application by the borrower, and the submission is made before the effective date of the subsequent lists; or (2) for purposes of IRC Section 42(h)(4), the bonds are issued or the building is placed in service no later than the end of the 730-day period after the borrower submits a complete application to the bond-issuing agency, and the submission is made before the effective date of the subsequent lists, provided that both the issuance of the bonds and the placement in service of the building occur after the application is submitted.

The additional credits available to projects falling within the definitions of either or both of these categories are derived by increasing the project's eligible basis for the new construction or substantial rehabilitation portion of the project by up to 30%. The actual increase in basis is determined at the discretion of RIHousing pursuant to its analysis of the maximum amount of subsidy necessary to complete the project. The 30% increase is not available for the costs associated with the acquisition portion of any project.

Pursuant to H.R. 3221 Title I – Housing Tax Incentives, Rhode Island will prioritize projects that propose housing: (i) for special needs populations, (ii) for very low-income persons and families, (iii) for general occupancy units in "areas of opportunity" as defined by HUD or are otherwise proposed to be sited in areas of the state that will promote efforts to affirmatively further fair housing, and (iv) that is consistent with the RIHousing's CCD principles including the ability to collaborate, secure and leverage non-traditional resources to maximize financial feasibility for eligibility under the basis boost which is applicable to DDAs. Should RIHousing be given the authority, as the allocating agency, to designate properties funded with tax exempt bonds as DDAs, the same criteria shall apply.

F. HUD Subsidy Layering Guidelines

All projects submitted to RIHousing that may receive LIHTCs in combination with any form of HUD housing assistance will be subject to the subsidy layering review guidelines of Section 911 of the Housing and Community Development Act of 1992. These requirements are designed to ensure that participants in affordable multi-family housing developments do not receive excessive compensation by combining various HUD housing assistance with assistance from other federal, state, or local agencies. The guideline standards are divided into 3 categories: Builder's Profit, Developer's Fee, and Syndication Expenses, and are outlined in the Developer's Handbook. HUD has established safe harbor and ceiling standards for each of these categories. LIHTC agencies may perform the subsidy layering review function provided the agency certifies to HUD that it will properly apply the guidelines. RIHousing has assumed these responsibilities.

G. Single Room Occupancy Units

RIHousing no longer allocates LIHTC to the development of new Single Room Occupancy units.

H. Housing for the Homeless

The LIHTC has become a substantial resource for permanent supportive housing for people experiencing homelessness and developers are encouraged to use the LIHTC program to provide permanent supportive housing. Developers are strongly encouraged to actively pursue operating and/or rental subsidies for extremely low- and low-income units to increase project financial feasibility. The portion of a building used to provide supportive services may be included in the qualified basis. Permanent supportive housing for the homeless must contain sleeping accommodations, and kitchen and bathroom facilities. Supportive services must be either: (a) located within the building or (b) be readily available to residents and well defined in a written supportive service plan outlining how residents will be connected to the services.

I. Handicapped Accessibility

LIHTC projects must comply with all applicable federal and state statutes and regulations regarding the operation of adaptable and accessible housing for the handicapped, including, but not limited to, Section 504 of the Rehabilitation Act of 1973, as amended ("Section 504") and the ADA Amendments Act of 2008, which amended Section 504.

J. Affirmative Action/Equal Employment Opportunity ("EEO")

Under Rhode Island law, state agencies disbursing financial assistance must require recipient organizations to undertake affirmative action programs under agency regulations necessary to implement the State's policies of non-discrimination and affirmative action. R.I. Gen. Laws 28-5.1-15. RIHousing acknowledges that State law may be amended from time to time. In keeping with the current requirement and the RIHousing enabling legislation at R.I. Gen. Laws 42-55-5(34), RIHousing has adopted Rules Relative to Agency Administration, Equal Opportunity and Affirmative Action Procedures, 825-RICR-10-00-2. These rules, to the extent allowable under federal law, establish minimum workforce utilization goals for Minority Business Enterprises and/or Women Business Enterprises ("MBE/WBE"). All developments receiving funding under the rental production program must use best efforts to: (a) award at least 10% of the total construction contract dollar amount to minority and female owned businesses, and (b) ensure that at least 10% of labor hours for all trades are performed by minorities and/or women. Developers are encouraged to exceed the minimum goals set by RIHousing. Note that only those businesses included in the Rhode Island Department of Administration's Directory of Certified Minority and Women Business Enterprises will count towards the minority and women business and workforce utilization goals.

K. Fair Housing Considerations

1. Siting and Marketing Consideration

In January 2017, Treasury issued regulations providing guidance on the implementation of Title VI of the 1964 Civil Rights Act, as amended (42 U.S.C. Section 2000d, et seq.) (hereinafter, "Title VI" and its regulations "the Title VI regulations"), as it applies to programs or activities receiving assistance from Treasury. Specifically, the Title VI regulations prohibit discrimination on the basis of race, color, or national origin in programs or activities receiving federal financial assistance from Treasury. See 31 CFR Part 22. Any proposal submitted for LIHTCs must comply with Title VI and Title VI regulations.

Under federal law, individuals seeking housing may not be discriminated against based on their race, color, religion, sex, ancestral origin, familial status or disability. State fair housing laws further extend protections against housing discrimination on the basis of marital status, sexual orientation, age, gender identity or expression, veteran status, and status as a victim of domestic abuse, or by reason of association with members of any of these protected classes.

In addition to prohibiting discrimination in housing due to membership in a protected class, the Title VI also imposes an obligation on recipients of federal housing assistance to administer programs in a way that affirmatively furthers fair housing. In its administration of the LIHTC Program, RIHousing is committed to encouraging the location of affordable homes throughout the state, particularly in geographic areas that have not reached the state affordable housing goal. RIHousing's scoring system provides incentives to achieve that result.

IRC Section 42(m)(1)(A)(ii) requires that each local jurisdiction have a "reasonable opportunity" to comment on any proposal to allocate LIHTCs to a project within that jurisdiction. In accordance with Revenue Ruling 2016-29, IRC Section 42 ensures the opportunity for local input regarding the allocation decision but does not grant a local veto or authorize an allocating agency to abandon the responsibility to exercise its own judgment. RIHousing will notify the Chief Executive Officer, or the equivalent, of each jurisdiction in which a borrower has been selected to receive federal low-income LIHTCs to provide the jurisdiction with an opportunity to comment.

In addition, in order to ensure that all potentially eligible residents of RIHousing-financed developments have a fair opportunity to gain admission to those developments, RIHousing requires that sponsors employ an open and fair process that affirmatively furthers fair housing opportunities. To that end, all homes financed by RIHousing must be available to the general public, must be marketed pursuant to an approved affirmative fair housing marketing plan ("AFHMP") and must be advertised on http://www.housingsearchri.org.

At a minimum, the AFHMP must include an analysis of those populations least likely to apply for housing in the area in which the development is located and a targeted marketing program to reach those populations. Such a program could include marketing in print or broadcast media targeted to such populations, outreach to organizations that serve those populations, and the like. In addition to the AFHMP, the housing must be distributed in accordance with an approved resident selection plan that is fair, open, and transparent. The resident selection plan must specify the process and timetable under which applications will be accepted, local preferences for admission, if any, the policy for initial selection of residents if the number of qualified applicants exceeds the housing available, and the waiting list policy. Nothing in this requirement shall be construed as a requirement to preferentially admit minorities or other underserved groups in violation of federal law.

The Violence Against Women Reauthorization Act of 2013, as amended, and its implementing regulations afford certain protections to victims of domestic violence, dating violence, sexual assault, and stalking, who apply for or reside in federally assisted housing, including housing financed with LIHTCs. RIHousing requires that sponsors incorporate these protections into lease forms, tenant selection plans, and resident policies relating to unit transfers and changes to family composition. On an annual basis, owners will be required to certify compliance with all applicable requirements of the Violence Against Women Reauthorization Act of 2013.

2. Limited English Proficiency ("LEP")

A limited English proficiency ("LEP") person is one who, as a result of national origin, does not speak English as their primary language and who has limited ability to speak, read, write, or understand English. To avoid national origin discrimination, in certain situations, Title VI requires assistance for persons who are LEP so that they can effectively participate in, or benefit from, federally assisted programs. All programs and operations of entities that receive financial assistance from the federal government, including but not limited to state agencies, local agencies and for-profit and non-profit entities, must comply with the Title VI requirements.

Federally assisted recipients are required to make reasonable efforts to provide language assistance to ensure meaningful access for LEP persons to the recipient's programs and activities. To do this, the recipient should consider (1) the services the recipient offers, (2) the community the recipient serves, (3) the resources the recipient possesses, and (4) the costs of various language service options, including, but not limited to, contracting with another organization to supply an interpreter, using a telephone service line interpreter, seeking assistance of another agency with bilingual staff, and responsible use of artificial intelligence and machine translation. All organizations should ensure nondiscrimination by taking reasonable steps to ensure meaningful access for persons who are LEP. Refusing to serve LEP persons or not adequately serving or delaying services to LEP persons would violate Title VI.

Resources for assisting LEP persons should be included in the Tenant Selection Plan. For more information on LEP visit: http://www.lep.gov.

All developments receiving LIHTC will have to complete HUD form 935.2A to detail its AFHMP, to the extent required by HUD.

L. One for One Replacement

Any proposal that contemplates the loss of existing deed restricted affordable homes must be accompanied with a plan outlining one-for-one replacement of the lost affordable rental homes. Proposed replacement units must be of comparable type and affordability.

M. Industry Recommended Standards

In evaluating and underwriting housing development proposals, RIHousing is guided by or generally follows industry recommended standards developed by the National Council of State Housing Agencies ("NCSHA"). Provisions of the "NCSHA Recommended Practices in Housing Credit Administration", updated in October 2023, have been incorporated into the Allocation Plan and/or the RIHousing Developer's Handbook.

N. Uniform Relocation Act

Developments financed under the rental production program are required to provide for uniform and equitable treatment of persons displaced from their homes and businesses and to establish and provide for uniform and equitable relocation of any residents or businesses.

O. Non-Profit Right of First Refusal

RIHousing is committed to the long-term affordability of developments for the benefit of tenants and full compliance by applicants and principals with the provisions of the IRC, the extended use agreement and other program requirements. RIHousing similarly has an interest in preserving the right of first refusal by a qualified nonprofit organization at the close of the compliance period, as authorized in § 42(i)(7) of the IRC.

RIHousing will therefore require the following with respect to all applications:

a) Provisions to be included in the applicant's organizational documents limiting transfers of partnership or member interests or other actions detrimental to the continued provision of affordable housing;
b) A designated form of right of first refusal document;
c) Terms in the extended use agreement requiring notice and approval by the executive director of transfers of partnership or member interests;
d) Debarment from the program of principals having demonstrated a history of conduct detrimental to long-term compliance with extended use agreements, whether in Rhode Island or another state, and the provision of LIHTC in general; and
e) Provisions to implement any amendment to the IRC or implementation of any future federal or state legislation, regulations, or administrative guidance.

The decision whether to institute, and the terms of, any such requirements shall be made by the executive director as reasonably determined to be necessary or appropriate to achieve the goals stated in this subsection and in the best interest of the plan. Any such requirements will be indicated on the application form, instructions, or other communication available to the public.

Any application submitted by an applicant containing a principal that was a principal in an owner that has, in RIHousing's determination, previously participated, on or after January 1, 2019, in a foreclosure in Rhode Island (or instrument in lieu of foreclosure) that was part of an arrangement a purpose of which was to terminate an extended low-income housing commitment (regardless whether the extended low-income housing commitment was terminated through such foreclosure or instrument) shall be rejected from further consideration for low-income housing tax credits and shall not be eligible for any reservation or allocation of credits.

II. APPLICATION PROCESS AND RANKING METHOD FOR 9% CREDITS

A. Funding Rounds

RIHousing may hold multiple competitive funding rounds each year for the 9% allocated credits. Funding rounds will be announced by RIHousing via Program Bulletin and/or issuance of a Request for Proposals ("RFPs"), and by advertisement on our website and through electronic communications. RIHousing may adjust the number or timing of funding rounds if required by the passage of federal legislation or adoption of IRS rules and regulations to accommodate variations in demand or for other compelling circumstances. Depending on the strength and number of proposals received in any funding round, RIHousing may, in its sole discretion, create an official waiting list for the LIHTC program year for proposals that demonstrate considerable merit but for which allocable credit is not immediately available. RIHousing will make the waiting list available for public inspection.

During the review period, staff will determine the need for the credit and the financial feasibility of the proposals; however, this determination is not a guarantee by RIHousing of the feasibility or viability of any proposal. In the event that RIHousing determines that the project is not feasible as proposed or that a change in circumstances has materially altered the proposal as submitted and approved, RIHousing reserves the right to rescind reservations of LIHTCs for projects. Any such rescissions shall be in writing and provided to the applicant.

The anticipated schedule for LIHTC reservations is as follows:

First Funding Round

RFP issuance	On or about October 1, 2025
Proposals submission deadline	On or about the third Friday in December 2025
Reservation decisions rendered by RIHousing's Board of Commissioners	At the April 2026 Board Meeting

Additional funding rounds will be conducted, if necessary, to allocate remaining credits or returned credits. RIHousing reserves the right to limit competition in subsequent competitive funding rounds to proposals that were submitted in the first and/or second competitive funding rounds.

RIHousing retains the right to award LIHTCs outside of competitive funding rounds to projects which were previously awarded LIHTCs and which either: (a) have returned their previously awarded LIHTCs to RIHousing for use by other developments pursuant to an agreement with RIHousing or (b) qualify for and can demonstrate a need for additional LIHTCs to meet project feasibility requirements. The projects must meet one or more of the following criteria:

- The project incurred or faces substantial, unforeseen cost increases beyond its control;
- The project is subject to a substantial unanticipated reduction in equity yield on the sale of the LIHTCs, or a substantial unanticipated reduction in leveraged debt;
- Supplemental LIHTCs would improve the project's financial feasibility and maintain its consistency with RIHousing's underwriting standards and development policies for multi-family finance.

RIHousing reserves the right to award any additional credits received during any year to qualified projects that were previously placed on a waiting list in prior rounds. RIHousing may consider making a reservation of LIHTCs for qualified application(s) received outside the context of the first or subsequent funding rounds if LIHTCs are available from the previous year. In such event, a general priority will be given to projects which best demonstrate readiness to proceed, and/or projects which have previously received credit awards from RIHousing.

B. Project Selection Process

Applicants are advised to thoroughly review the Allocation Plan, the Developer's Handbook and the application requirements when preparing their application. While RIHousing does not have a formal pre-application process, applicants are strongly encouraged to review potential applications with RIHousing staff prior to submission. It is solely the applicant's responsibility to select a preferred plan of action.

RIHousing's selection process for allocating LIHTCs is designed to select proposals which address the priorities identified in the Rhode Island Consolidated Plan: 2025-2029, the Housing 2030 plan, the federal criteria included in IRC Section 42 and the housing needs of the State. A funding committee (the "Funding Committee") including but not limited to senior staff, and one or more representatives of the Board of Commissioners will evaluate and score applications based on the review criteria stated below.

All tax credit reservations are made based upon the information contained in the application. Upon review of the application, RIHousing staff will advise the applicant of discrepancies or incomplete items and will allow the applicant to clarify or supplement the original application. Such requests will be made in writing to the applicant who will have 10 days to respond in writing only. **Only clarifications or missing information will be accepted, no substantive changes may be made by the applicant after the application is submitted. A substantive change may include, but is not limited to, modifying the LIHTC request, changing unit count, and adding or removing specific locations from the application.**

RIHousing staff will conduct a review to determine whether a proposal meets the Threshold Criteria (the "Threshold Criteria"). If staff determines that a proposal does not meet the Threshold Criteria, notice will be provided to the applicant prior to the Funding Committee meeting. Threshold determinations are not appealable.

Only those projects that meet the Threshold Criteria will be officially scored. Applications passing threshold will be reviewed and scored against the LIHTC priorities set forth in the Allocation Plan. After applications have been scored by RIHousing staff, but prior to presentation at the Funding Committee meeting, applicants shall be notified of their overall score. Applicants shall have the opportunity to meet with staff to discuss their project scoring and may also appeal the score prior to presentation at the Funding Committee meeting.

Aggregate assessment and score in no way guarantees an award of LIHTCs to a particular development. During proposal review and throughout the LIHTC allocation process, RIHousing will utilize its sound and reasonable judgment and will exercise its discretion consistent with sensible and fair business practices. RIHousing reserves the right not to reserve LIHTCs to any applicant or project, regardless of the proposal's aggregate assessment and score, if it determines, in its sole and absolute discretion, that 1) a reservation for any applicant or project does not further the purposes and goals set forth in this Allocation Plan; 2) available resources are not sufficient to fulfill a LIHTC request; 3) there exists an over-concentration of projects in a specific geographic location; or 4) there exists an over-concentration of specific production types (e.g. new production, assisted living, preservation or rehabilitation).

In addition, RIHousing reserves the right to adjust aggregate assessments and scores or to rescind a reservation of LIHTCs if there is a material change in the project including, but not limited to, a change in the general partner, the construction start date which adversely affects the achievement of stated goals and/or diminishes the proposal's ability to address documented housing needs or significant changes to the budget.

In the first round, RIHousing may not allocate all available credits. Credits not allocated under the first round may be allocated at a future date within the credit year to projects submitted under the initial RFP. RIHousing will request updated models and will review and re-score all proposals submitted, even those proposals that did not originally meet the Threshold Criteria.

RIHousing may elect to award a forward allocation of credits to a project provided it is determined that the project meets the objectives of the State's Allocation Plan and that such forward allocation is in the best interests of the project and RIHousing's mission and affordable housing objectives.

If RIHousing allocates LIHTCs from the LIHTC Program outside of the priorities and selection criteria set forth in this Allocation Plan, RIHousing will document and provide a written explanation of its decision to the general public.

III. LIHTC REVIEW CRITERIA

In its mission to meet the statewide need for affordable homes, RIHousing believes it to be in the public's interest to avoid concentration of affordable housing in any one neighborhood, community or corner of the State. As a small state, Rhode Island receives a relatively small statewide allocation of LIHTC.

The LIHTC is the primary funding source for the development of new affordable rental homes in Rhode Island. Therefore, developers applying under the rental production program must meet the following requirements:

(i) For new production proposals, create a minimum of 30 new units.
(ii) RIHousing does not allocate 9% credits for projects solely focused on preservation of existing affordable homes. For proposals contemplating preservation, 30% of the overall units in an application or 20 units, **whichever is greater**, must be newly created affordable homes.
(iii) As the LIHTC is a highly competitive and scarce resource, no single development may be awarded more than 40% of Rhode Island's annual small-state minimum allocation.

In awarding development resources, including LIHTCs, RIHousing has identified the following priorities:

1. Increase the supply of affordable housing. While the existing stock of affordable housing faces threats from expiring subsidies and use restrictions, deferred maintenance and obsolescence, the extreme need for additional affordable housing makes new production RIHousing's primary housing priority.

2. RIHousing will approve no more than one transaction with a preservation component per funding round for 9% allocated LIHTCs.

3. Dual and equal goals of (a) increasing the supply of affordable housing in communities that have traditionally had a lack of such housing; and (b) prioritizing housing development in areas close to jobs, infrastructure and transit.

4. Affordable homes must do more than just provide a physical structure. RIHousing identifies these goals with its CCD initiative and prioritizes developments that most effectively achieve these.

5. Because of the limited number of available subsidies, including the capital subsidy from the LIHTC, priority will be given to developments which can viably and effectively serve:
   a. Extremely low-income households
   b. Individuals and families who are currently experiencing homelessness or who have experienced homelessness over the past 24 months.
   c. Individuals with special needs
   d. Households with children

6. Developments that best serve the needs of Rhode Island workers and businesses.

7. Developments that achieve these goals cost effectively. Developers should refer to Section 9 of the Developer's Handbook for the total development costs per unit

by building type for new production, as well as maximum total development costs for preservation units, that is used to determine total development cost scoring metrics as outlined in Section III of this Plan.

In order to best achieve these goals, RIHousing has established 5 threshold criteria that must be met before a development can be considered for a reservation of LIHTC Threshold Criteria. The 5 Threshold Criteria are set forth here and described in more detail below. They are:

1. The developer and their development team must have experience in the successful development and operation of affordable housing of similar scope and complexity;

2. The development must demonstrate financially feasibility for at least 15 years and have a reasonable likelihood of feasibility for the entire term of financing;

3. The development must have a reasonable likelihood of achieving sustainable occupancy of 95% within 6 months of construction completion; and

4. Construction must be reasonably likely to commence within 12 months of preliminary commitment and be complete within 30 months of firm commitment.

5. The per unit TDC of the project does not exceed $500,000 per unit, not including capitalized reserves. Exceptions may be made for, but not limited to, well-documented and <u>verifiable</u> extraordinary conditions as outlined in the Scoring Section of the Plan. Note that in a mixed preservation/new construction project, the preservation units and new construction units must separately meet this requirement.

Only proposals that satisfy the Threshold Criteria review will be further considered under the Scoring Criteria.

A. <u>Threshold Criteria</u>

1) <u>Development Team Capacity</u>: The developer must have experience in the successful development and operation of affordable housing of similar scope and complexity.

    - The Developer and their development team will be evaluated on its professional capacity to plan, build, market, and operate the proposed development.
    - The performance record of the developer, consultant, architect, management agent and contractor will be measured individually and collectively by the quality and quantity of previous development,

design, construction and property management efforts, as well as affirmative action records.

- Each team member is expected to demonstrate satisfactory prior experience on projects of similar scale and complexity; to have satisfactory professional references; and to devote sufficient experienced staffing and resources to complete the proposed development.
- If the developer does not have satisfactory prior experience, including but not limited to, the ownership and management of LIHTC projects, they must enter into a joint venture with an entity experienced with the development of LIHTC projects, or demonstrate to RIHousing's sole satisfaction how they will compensate for the lack of LIHTC experience.
- The developer (including the ultimate borrower entity) and contractor will also be evaluated for creditworthiness and financial capacity including a thorough review of the developer's audited financial statements for the previous 3 years. Creditworthiness takes into consideration the financial condition of an organization, management capabilities, character and capacity.

RIHousing reserves the right to deny LIHTCs to any proposal where: (i) any materially participating entity (owner or management agent) is not in good standing regarding compliance monitoring of other LIHTC projects; (ii) any partner, developer or other key development team member has been determined by RIHousing as not creditworthy; or (iii) any partner, developer or other key development team member is on the HUD or RIHousing debarment list.

RIHousing will review each developer's most recent audit to ensure financial capacity to develop the project and manage the development for the long term. In addition, developers will be evaluated based upon the prior performance of existing developments both in RIHousing's portfolio and those financed by others. This review will include: 1) condition and security of existing developments; 2) maintenance and operating of existing developments; 3) leasing and occupancy history; 4) general management practices; and 5) financial management. A credit report will be required for all principals of for-profit developers participating in the LIHTC program.

For service-enriched housing proposals, development team members will also be evaluated on the basis of demonstrated success in: (i) the development, design and construction of housing with supportive services;

and (ii) the planning and delivery of services including adequacy of staffing and/or oversight of third-party contracts for services.

2) Financial Feasibility: The development must demonstrate financial feasibility for: (i) the overall development costs of the project , (ii) the long-term operation of the proposal, and (iii) feasibility of the overall capital stack.

- As to development costs, applicant must demonstrate that the proposed budget is adequate and realistic for the proposed project.
- In regard to operations, the proposal must demonstrate financial feasibility for at least 15 years consistent with RIHousing's underwriting guidelines and have a reasonable likelihood of feasibility for the entire term of financing.
- RIHousing reserves the right to deny LIHTCs to proposals for which adequate funding sources have not been identified for all development costs or development costs do not appear to be consistent with the scope of the proposal. This includes a commitment of syndication. While commitments from these sources do not have to be secured before applying for LIHTCs, the applicant must be able to demonstrate to RIHousing's satisfaction that the sources identified will be available to the developer within 9 months of the reservation of credit.
- For mixed income developments, an agreement with the municipality on the real estate tax assessment associated with the market rate units should include, at a minimum, an analysis of how the units will be assessed, the methodology for valuing the market rate units, the cap rate, if applicable, and the time frame associated with the tax assessment agreement.
- Documentation must be provided demonstrating that the municipality has agreed to limit taxes on the affordable units to 8% of the gross scheduled rental income for the real estate tax calculation or lesser percentage determined by the municipality.

3) Marketability: The development must have a reasonable likelihood that it will achieve sustainable occupancy of 95% within 6 months of construction completion. For mixed income proposals that meet the 20% at 50% or 40% at 60% set asides, the applicant must submit a third-party market study that includes an absorption schedule, lease-up reserve and identifies the timeline for achieving 95% occupancy. Marketability of all projects will be evaluated

relative to the proposed locality of the development, target market population, rent levels and affordability, project design and amenities. Developers will be required to demonstrate marketability through such documentation as:

- Information on market comparables;
- Information on the supply and quality of the existing housing stock and rent burdens;
- Information on other planned development/revitalization activity in the area;
- Assessment of potential impact on the financial and operating viability of existing subsidized housing developments; local demographics (including income, age and any special needs characteristics); marketing and outreach strategies;
- Information demonstrating that the proposed location is appropriate for the target population in terms of environment, quality, proximity to services, and attractiveness of the site and its surroundings.
- Mixed use developments must provide the marketability information for both the residential and commercial components.

Developers are encouraged to set rents so that the proposed rents are affordable to residents in a given location and not simply set at the program's maximum rents. One aspect of a development's marketability is to have rents that are affordable and attractive to prospective tenants. Therefore, additional consideration will be given to projects that demonstrate that the proposed LIHTC rents are below those of comparable, unassisted units in the market.

4) Readiness to Proceed: Applicants must demonstrate that construction is reasonably likely to commence within 12 months of reservation of credits and be complete within 30 months of reservation. To receive and maintain a reservation of LIHTCs, all developers must demonstrate readiness to proceed throughout the pre-development process. An assessment of a proposal's initial readiness to proceed will be made based on the developer's ability to achieve the following within 9 months of an executed reservation letter for LIHTCs: (i) receive all written land use and zoning approvals and building permits; (ii) complete all regulatory, environmental, and historical reviews; (iii) maintenance of site control; (iv) secure all funding commitments; and (v) demonstrated financial feasibility.

Continued readiness to proceed will be determined by RIHousing, in its reasonable judgment, based on factors such as: (i) a developer's ability to meet the requirements to receive a Carryover Allocation Agreement ("CAA"); (ii) finalize and complete design development and contract drawings; (iii) secure an executed commitment letter with a LIHTC investor; (iv) demonstrate continued financial feasibility including, but not limited to, a signed schedule of values from a general contractor based on an approved set of plans and specifications; and (v) close on all financing and commence construction within 12 months of reservation for LIHTCs.

RIHousing will use its best professional judgment in evaluating an application for readiness to proceed. Staff will consider the developer's past performance in meeting permitting, funding and closing deadlines in projects of similar scope and size, and present their recommendations to the Funding Committee for a final award decision.

For projects proposing a hybrid transaction in which a developer seeks both an allocation of 9% LIHTC and a simultaneous financing plan seeking an allocation of tax exempt bonds and 4% Credits (a "Hybrid Development"), developers must conform their applications for both the 9% and 4% proposals to the RIHousing requirements for such transactions contained in Program Bulletin 2022-2 and Section 12 of the Developer's Handbook.

RIHousing will require proposed Hybrid Developments to be of a scale necessary to produce demonstrable savings of resources in exchange for the higher complexity of the execution and to otherwise meet the requirements set forth in the Program Bulletin. In evaluating a proposed Hybrid Developments, RIHousing will consider, among other things: (i) the Applicant's experience in successfully completing the proposed hybrid structure and organizational depth and capacity to undertake complex transactions, (ii) simultaneous financing for each tranche, and (iii) demonstrated cost savings and increased units as a result of a Hybrid Development.

For any project proposing market rate units (whether in a 9%, 4% or Hybrid transaction), the developer must demonstrate that no gap funding subsidy awarded to support affordable units is being used to support the market rate units.

B. Scoring/Point Allocation Summary

Category	QAP criteria	Points	
Financing			60
	TDC	25	
	LIHTC Efficiency	20	
	Leverages operating support	5	
	Leverages hard debt	10	
Incomes/ Populations Served			44
	3+ bedrooms	6	
	homeless, special needs	25	
	Include units over 80% AMI	5	
	Resident Service provision	6	
	Add'l Accessible units	2	
Promoting RI Workforce/Permitting			16
	RI construction firms	3	
	MBE/WBE	2	
	RI Nonprofit developers	3	
	Fully permitted	8	
Community			13
	Communities with <10% affordable housing and job rich/ strategic growth	10	
	Areas of Opportunity	3	
Sustainability			14
	Energy Star 3.1 standard	3	
	All electric	2	
	Net Zero/ Passive House	3	
	Onsite solar/ renewables	3	
	Avoid destruction of open space	3	
	Total Points		147

(20) Negative points if applicable

FINANCING POINTS (Up to 66 points)

A. Up to 25 points - TDC per residential unit based on construction type as defined below. If submitting a proposal with 2 types of construction, provide a breakout of TDC by type.

Projects will fall within six categories of building type and RIHousing has determined a maximum TDC (the "Overall TDC") within each building type. **The maximum per unit Overall TDC can be found in the Program Bulletin included in the 2026 Developer's Handbook.** The building types and Overall TDC are as follows:

Building Type	**Maximum per unit Overall TDC**
	Refer to Section 9 of the 2026 Developer's Handbook
Urban (includes scattered site and urban in-fill)	
Historic Mill Conversion	
Suburban/Rural Cluster Subdivision (buildings contain less than 8 units per building)	
Garden style apartment up to 3 stories (no elevator)	
Up to 4 Story building with elevator	
4 or 5 Story Stick built on Podium Parking	

While the Overall TDC costs above are limits based on comparisons of previous RIHousing funded projects and RS Means, the scoring will be calculated on a weighted average (the "Weighted Average TDC"), based on bedroom size to ensure parity between projects that cater to different populations. Project applications will be evaluated for cost reasonableness using an index, which is the Weighted Average TDC per unit and the TDC per bedroom. For mixed-use projects, the Weighted Average TDC for only the residential portion of the project, including common areas, will be used for this calculation. Capitalized reserves will be excluded from the TDC calculation. The Weighted Average TDC will be calculated as follows:

([2 * TDC/unit] + [TDC/# of bedrooms]) divided by 3.

The Weighted Average TDC will be the basis for scoring the TDC per unit. TDC points will be based on $5,000 increments. The calculations will be built into the proforma.

Proposals that include both new construction and preservation will require a Weighted Average TDC for both new construction and preservation. The 2 amounts will then be averaged for a final Weighted Average TDC.

Note: Efficiency apartments will count as a one-half bedroom in the Weighted Average TDC calculation.

Extraordinary Conditions:

Projects with extraordinary conditions that increase costs beyond the TDC caps should **provide detailed back-up outlining the reasons for the higher costs**. Acceptable extraordinary conditions include, but may not be limited to, the following:

1. Excessive environmental remediation defined in a remedial action work plan required by the either the Environmental Protection Agency, the RI Department of Environmental Management, or the Coastal Resources Management Council.
2. The demolition of non-contributing structures to facilitate the leveraging of historic LIHTCs.
3. Demolition of a building that was not contemplated in the original scope of work to make way for a new project (e.g. demolition due to building originally included in a new project but determined to be structurally unsound. Documentation of structural integrity required).
4. The calculation of prevailing wages.
5. The installation of on-site water service and water treatment systems in rural locations.
6. The legal costs associated with a SHAB, Superior Court or Supreme Court appeal of a municipal denial of a zoning change to allow the proposed affordable housing development.
7. Unsuitable soils (requires detailed backup to qualify as extraordinary).
8. Inclusion of space for supportive service provision that is over and above the typical square footage for management and community space based on the size of the proposed development.

If the applicant is seeking relief under one of these extraordinary conditions, they must provide itemized breakdowns of these costs prepared and attested to by a general contractor. RIHousing will evaluate these costs to ensure consistency with the industry, and they will then be deducted from the unweighted TDC before applying the Weighted Average as described above.

In order to ensure that applicants are submitting realistic pricing for their proposals, if allocated LIHTC, the first 10% of cost overruns above the preliminary budget, will be absorbed by a like reduction in paid developer fee before any additional LIHTC or soft funds will be allocated to the project.

<u>B. Up to 20 points</u> - LIHTCs per residential unit. Applications with more than $30,000 per credit per unit will receive 0 points. The points will increase by 1 for every $1,000 below the maximum.

Weighted Avg units: ([2 * # of bedrooms] + [1 * # of units]) divided by 3

The product, the Weighted Average Credit per Unit, will be the basis for scoring the LIHTC per unit. LIHTC per unit points will be based on $1,000 increments. The calculations will be built into the proforma.

Note: Efficiency apartments will count as one-half bedroom in the Weighted Average calculation.

<u>C. Up to 5 points</u> for leveraging committed state and federal funds from rental and operating subsidy programs such as a Project Based Section 8 rental contract, HPF-ELI, or RIH-ELI operating subsidy or other similar federal and state program.

20% or more units in the development	5 points
10-19% of units in the development	3 points
up to 9% of units in the development	0 points

<u>D. Up to 10 points</u> – Leveraging of (i) hard debt, or (ii) other competitive housing resources (e.g., USDA funding, Municipal, Federal and/or State Historic Credits, FHLB, private grants, etc.). Less than $20,000 per unit will receive 0 points. The points will increase for every $1,000 above the minimum.

≥$60,000 per unit	10
≥$50,000 per unit	8
≥$40,000 per unit	6
≥$30,000 per unit	4
≥$20,000 per unit	2

<u>INCOMES/POPULATIONS SERVED (Up to 44 Points)</u>

<u>A. Up to 6 points</u> – The creation of <u>new</u> three bedroom or larger units (preservation of existing larger units does not qualify).

% 3-bedroom units of overall unit count	Bonus Points
10%	2
20%	4
30%	6

No points will be awarded for projects if less than 10% of the new units are 3+ bedrooms.

B. Up to 25 points for effectively serving people: (i) who have income at or below 30% of median income, (ii) who are homeless and coming from the Coordinated Entry System or (iii) have special needs, including persons with physical, developmental, or other disabilities; individuals fleeing domestic violence; and other populations where supportive services or assistance would prevent homelessness or serve those with the greatest risk of housing instability. Developments do not qualify as "special needs" simply by serving an elderly population.

The applicant must identify the operating subsidy for these units or use the 30% rent for underwriting.

For developments in which the owner will be partnering with a service provider to provide supportive services:

- 25 points – 21% or greater of the total number of units in the development
- 20 points – 16-20% of the total number of units in the development
- 15 points – 11-15% of the total number of units in the development
- 10 points – up to 10% of the total number of units in the development

A service plan and memorandum of understanding with a service provider is required for homes that are intended for persons with special needs, and the supportive service plan must outline the appropriate services applicable to the population being served, and which must be approved by RIHousing in order to be eligible for points in this category.

For developments providing 30% AMI units (without supportive services):

- 18 points – 21% or greater of the total number of units in the development
- 15 points – 16-20% of the total number of units in the development
- 12 points – 11-15% of the total number of units in the development

- 9 points – up to 10% of the total number of units in the development

C. 2 points for making no less than 10% of the newly created units accessible.

The current minimum requirement is as follows: UFAS "Accessible" – All New Construction and "Substantial" rehabilitation developments require a minimum of 5% of units (minimum of 1 unit) be "accessible" as defined by the Uniform Federal Accessibility Standards (UFAS), regardless of the use group exception contained in the Building Code.

D. Mixed Income

A development that proposes to have a range of income levels, and at least 15% of the units are over 80% AMI units, and the developer can demonstrate that these over-80% AMI units don't need a capital subsidy designed to support the under-80% units may receive the following points:		Up to 5 points
15% of the units serve households above 80% of AMI	2	
Up to 20% of the units serve households above 80% of AMI	3	
More than 20% of the units serve households above 80% of AMI	5	

E. Services

Service Provision		Up to 6 Points
Development includes a 40 hour per week Resident Services Coordinator (RSC) or evidence of a MOU with a 3rd party provider of resident services for the same number of hours and the cost for the RSC or service provision is either built into the operating budget and/or evidenced in a MOU with a 3rd party provider.	6 points	
Development includes a 20 hour per week Resident Services Coordinator (RSC) or evidence of a MOU for the same number of hours with a 3rd party provider of resident services, and the cost for the RSC or service provision is either built into the operating budget and/or evidenced in a MOU with a 3rd party provider.	4 points	
Development includes a 10 hour per week Resident Services Coordinator (RSC) or evidence of a MOU for the same number of hours with a 3rd party provider of resident services, and the cost for the RSC or service provision is either built into the operating budget and/or evidenced in a MOU with a 3rd party provider.	2 points	

PROMOTING RI WORKFORCE/PERMITTING (16 Points)

A. Up to 3 points for utilizing Rhode Island based firms.

- 3 points for an applicant that certifies in the application that up to 50% of the sub-contractor contracts will be awarded to Rhode Island based construction firms.

B. 2 points for including a certified Minority or Women-owned Business Enterprise as the Developer or minimum 50% Co-developer, Architect, General Contractor, or Property Manager.

C. 3 points Developer is a community-based nonprofit that has a demonstrable track record of community engagement, is incorporated in the state of RI, has IRS 501(c)3 status and has operated housing in the neighborhood or similar neighborhoods in the state. The qualifying non-profit developer may be part of a joint venture if they own at least 50% of the general partner interest of the borrower entity.

D. Up to 8 points for a development that at the time of application has all applicable regulatory agency permits including: municipal permitting bodies (local planning, zoning, and fire code approvals) and state regulatory agencies (Department of Environmental Management and Coastal Resources Management Council).

- 8 points for a fully permitted development AND specifications are at least 90% complete AND architect confirms in writing that the plans and specifications can be 100% complete within 30 days AND the application includes a signed schedule of values from the general contractor, determined by RIHousing to be consistent with current pricing, that is the basis for the funding application.
- Up to 6 points for master, preliminary and final plan approval for a development or for a development with "by right" approval AND 50% plans and specifications consistent with the requirements of the 2026 Developer's Handbook for "Design Development" level plans.
- Up to 4 points for master, preliminary and final plan approval for a development or for a development with "by right" approval and plans that

are only schematic. **Points will be prorated based on approvals in place at time of application.**

Proposals that do not have zoning approval at the local level typically cannot meet the Readiness to Proceed Threshold Requirement. Applicants that cannot adequately demonstrate zoning approval or the ability to build "by right" are discouraged from applying unless they can adequately demonstrate they can secure approvals within 6 months of preliminary approval of a LIHTC award.

COMMUNITY (up to 13 points)

For "A" below, applicants are only eligible for one category and a maximum of 10 points.

A. 10 points – A proposed development which is located within a community with less than 10% affordable housing as defined by state law and meets the criteria of Modest Growth or Strategic Growth communities as outlined in the State's Housing 2030 plan.

7 points - A proposed development in a community with more than 10% affordable housing as defined by state law and meets the criteria of Modest Growth or Strategic Growth communities as outlined in the State's Housing 2030 plan.

5 points – A proposed development in a Continued Growth community, as outlined in the State's Housing 2030 plan, which has access to public water.

B. Areas of Opportunity/Graduation Rates

1 point – A proposed development is in a QCT and/or there is a Concerted Community Revitalization Plan that meets the criteria outlined in the Federal Criteria section of the Allocation Plan.

The statewide average HS graduation is 84%. See the 2024 KidsCount for reference, page 160 https://rikidscount.org/wp-content/uploads/2024/05/factbook2024_final-2.pdf		Up to 2 points

• Communities with HS graduation rate equal to or greater than 92%	2	
• Communities with HS rates between 84% and 91.99%.	1	
• Communities with HS rates less than 84%	0	

SUSTAINABILITY (Up to 14 points)

RIHousing strives to ensure that developments are as energy efficient as possible and to the extent financially feasible, incorporate many of the industry's current green building practices. Points will be awarded to new construction developments that achieve NGRID's RNC Tier II and Energy Star 3.1 revision 8 standards to obtain a higher level of documented energy efficiency. The additional standards should be itemized for review.

These standards are consistent with the anticipated 2024 R.I. State Energy Conservation Code Standards.

Projects undertaking substantial rehabilitation rather than new construction will be eligible for partial points if they can achieve Tier II of standards under RI Energy's program guidelines.

A. Up to 3 points may be awarded to new construction that achieve Energy's RNC Tier II and minimum Energy Star 3.1 revision 11 standards for single-family and Energy Star 1.1 revision 2 standards for multi-family to obtain a higher level of documented energy efficiency The additional standards should be specifically itemized for review otherwise no points will be awarded; OR

   Projects undertaking substantial rehabilitation rather than new construction will be awarded up to 3 points if they demonstrate an ability to achieve RI Energy's RNC Tier II standards. The additional standards should be specifically itemized for review otherwise no points will be awarded: OR

   For Historic Mill rehabilitation projects, 1 point will be awarded to projects that achieve Level 1 under the RI Energy Rhode Island Adaptive Reuse Program and 2 points if they achieve Level 2 under this same program.

B. 2 points may be awarded to projects that are 100% electric, have all electric systems and appliances, and meet the energy efficiency requirements of the Design and Construction Standards.

C. Up to 3 additional points may be awarded to projects that achieve RNC Tier III **AND** meet current Net Zero or Passive House certification standards. Projects intended to achieve program certification shall refer to:

http://www.energy.ri.gov/policies-programs/lead-by-example/rhode-island-stretch-codes.php
https://www.energy.gov/eere/buildings/zero-energy-ready-home-program
https://www.phius.org

D. Up to 3 points may be awarded to those developments that incorporate Photo Voltaic solar panels ("PV") or other renewables, including net metering (as defined in R.I.G.L. Chapter 39-26-5). Developments will receive points as follows:

- 1 point if the proposed PV array system or other renewable energy system(s) is/are large enough to cover no less than 50% of the project's annual common area and site electric load as calculated by a qualified engineer
- 2 points if the proposed PV array system or other renewable energy system(s) is/are large enough to cover no less than 100% of the project's annual common area and site electric load as calculated by a qualified engineer.
- 3 points if a Development incorporates a PV array or other renewable energy systems that are sufficiently sized to create a net-zero development based on the overall plans and specifications for the property.

E. 3 points for a development that does not involve destruction of fields, forests, agricultural lands or environmentally sensitive land, and/or includes a cluster development in which more than 50% of the land is conserved.

NEGATIVE POINTS (assessed by RIHousing based on borrower's inability to perform under a previous allocation of LIHTCs).

- Negative 5 points for having a higher TDC per unit at the closing of the developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored; provided however, that if the developer has secured additional non-RIHousing and non-State gap funding to offset the cost, no penalty will be assessed.
- Negative 5 points for higher LIHTCs per unit at the closing of the developer's previous LIHTC transaction that would have resulted in lower points at the time the proposal was initially scored.
- Negative 5 points for developer not closing their previous LIHTC transaction within 12 months of preliminary approval. Exceptions may be made for circumstances that, in RIHousing's sole determination, were outside the developer's control.
- Negative 5 points for a developer who closes a previously approved LIHTC project for which they received points for specific QAP incentives but does not include these items in their final scope of work.

At a minimum an applicant subject to a negative point assessment, must submit an application that meets threshold and results in a score that is equal to or higher than the lowest scoring application in the funding round.

C. Scoring Assessment Criteria

Borrowers should note the assessment scoring criteria, requirements and guidance that are applicable to the selection of proposals.

1. Financial Analysis:

a) TDC: Development and construction costs will be reviewed for adequacy and reasonableness in accordance with the guidelines established in the RIHousing Developers Handbook. Staff will consider the documentation submitted in support of the proposed costs, sources and uses; the development team's past performance in achieving the costs set forth in prior applications for funding and prior projects; and RIHousing's own expertise and experience with housing developments.

b) Management Plan/Operating Budget: Operating budgets will be reviewed to determine adequacy and reasonableness of each expense line item, including but not limited to management fees, maintenance and administrative costs, replacement reserves, taxes, insurance, and costs of any planned tenant services. Proposed operating budgets will be compared to the applicant's own portfolio as well as similar type developments in the RIHousing portfolio. Proposed management agents and management plans will be reviewed to determine the acceptability of planned procedures for managing the development's operations.

Existing portfolio performance is a key component of RIHousing's review. RIHousing staff will review the overall risk rating associated with each previously funded project in our portfolio to assess the strength of the owner and management agent, and their ability to address operating challenges over the life of the loan.

For service-enriched housing proposals, management plans will also be reviewed for demonstrated appropriateness and sufficiency of planned services for the target population, the inclusion of a cohesive, well-conceived and financially feasible service program, and the organizational capacity of the service provider(s) to deliver the proposed services.

2. Populations Served:

Rhode Island has adopted Open Doors Rhode Island which is a strategic plan to prevent and end homelessness. The plan can be accessed at: http://ohcd.ri.gov/freq-requested/documents/openingdoorsri.pdf. The goals of the plan are to end chronic homelessness in 5 years, end veteran's homelessness in 5 years and to end homelessness for families and youth in 10 years.

Services:

Provision of resident services is critical to supporting resident success. The Plan seeks to incentivize the provision of access to resident services needed to help residents thrive. Areas of support include, but are not limited to, job training and health counseling that prioritize educational, health, and economic benefits for residents.

Accessibility: The Plan seeks to encourage the development of housing units that go beyond the minimum federal requirements for the provision of accessible housing to individuals with disabilities.

3. Rhode Island Based Firms:

To provide employment opportunities for the Rhode Island workforce, points will be given to borrowers that certify their general contractors will utilize Rhode Island based subcontractors.

a. Permitting:

There are substantial costs associated with permitting a development. However, significant delays in proceeding to construction can result from various local and state permitting processes. Recognizing the cost/benefit of fully permitting a development prior to the award of financing, RIHousing will provide a range of points for those developments that have received various permitting approvals.

b. Site Design:

The proposed site, including any existing improvements, must support the intended population in terms of desirability of location; environmental quality; adequacy of utilities and transportation; proximity and connections to jobs, civic, social, commercial, recreational, and services; and appropriateness of the proposed development to the specific site.

In addition, site conditions will be evaluated in terms of suitability for construction or rehabilitation. For new construction, ledge, wetlands, existence of subsurface contamination, grade, soil suitability, and base flood elevation ("Base Flood Elevation") are typical considerations. For rehabilitation, existing structural conditions, ease or difficulty of adaptations, abatement of hazardous materials, appropriateness of existing buildings, layout and site plan for the proposed resident population will be considered.

HUD has published updated Floodplain Management and Protection of Wetlands rules which are effective as of January 1, 2025. All applicants and their consultants are encouraged to refer specifically to the final rule when developing their plans:

Floodplain Management and Protection of Wetlands; Minimum Property Standards for Flood Hazard Exposure; Building to the Federal Flood Risk Management Standard.

As a general rule, developments will only be eligible for financing if the residential buildings are not constructed on land which is in a Base Flood Elevation (100-year flood) as determined by RIHousing in accordance with the most current flood insurance rate maps issued by the Federal Emergency Management Agency ("FEMA"); and comply with other applicable requirements of law, as they may be amended from time to time. RIHousing may consider granting a waiver to the Base Flood Elevation Requirement, if the Developer seeking to construct or rehabilitate a building in a Base Flood Elevation, can demonstrate to RIHousing's satisfaction that upon the occurrence of an event of the magnitude of the 100 year flood: (i) there will not be an unreasonable risk of bodily injury or harm to the residents; (ii) the ground floor units, building egress, site egress and parking areas are constructed above 100-year flood elevation; (iii) the structural integrity, systems and interior finishes of the building will not be materially and adversely affected; (iv) the building will remain functional; (v) the construction or renovation of the buildings will not result in increased flooding elsewhere and (vi) the property is covered by flood insurance in strict conformance with RIHousing's insurance requirements.

In addition, all developments located in a 100-year flood plain will be required to provide a flood plain engineering report and, if necessary, an evacuation plan prepared by a qualified civil engineer or land surveyor. Developments which receive federal funding will also be required to meet HUD's 8-Step floodplain standards. The decision of RIHousing shall be binding and conclusive.

4. Consistency with the State of RI Housing 2030 plan:

The Housing 2030 plan sets aggressive goals for the production and preservation of affordable housing in Rhode Island. The plan preserves the state's statutory goal of 10% affordable housing in every community, but also prioritizes housing production in proximity and with access to jobs, transit and the infrastructure needed to support denser development. . .

5. Geographic Diversity:

Consistency with the State of RI Housing 2030 plan:

In an effort to provide affordable homes in every community in Rhode Island and to assist communities that have been unable to reach a 10% affordable housing goal, a sliding scale of points will be given to developments creating new affordable units located in areas with less than 10% existing affordable housing that are consistent with Housing 2030 plan in regard to proximity to jobs and existing infrastructure and transit.

By emphasizing areas of opportunity, the Plan recognizes the goal of maximizing opportunities and services for residents. HUD considers areas of opportunity as high opportunity neighborhoods that have a "positive effect on the economic mobility of residents".

7. Sustainability:

RIHousing strives to ensure that developments are as energy efficient as possible and to the extent financially feasible, incorporate many of the industry's current green building practices. Points will be awarded to new construction developments that achieve RI Energy's RNC Tier II and Energy Star 3.1 revision 8 standards to obtain a higher level of documented energy efficiency. The additional standards should be itemized for review.

Projects undertaking substantial rehabilitation rather than new construction will be eligible for partial points if they can achieve Tier II standards under RI Energy's program guidelines.

Additional points may be awarded to projects that achieve RNC Tier III **AND** meet the State's most current Net Zero or Passive House standards.

RIHousing has been working with RI Energy and the Office of Energy Resources to develop strategies for improving energy efficiency in existing and new affordable housing, and to incentivize the use of renewable resources. The recent change in legislation to allow Virtual Net Metering in affordable housing is an additional opportunity to leverage these resources. See Chapter 26.4 of Title 39 of the General Laws of Rhode Island ("RIGL"), entitled "Net Metering" and more specifically "Community Remote Net Metering" as defined at RIGL Sec. 39-26.4-2(1).

Points will be awarded for all-electric construction projects as outlined in the Design and Construction Standards in the Developer's Handbook.

Points will be awarded for developments that include PV or other renewable energy sources with enough capacity to offset a determined amount of annual operating costs.

8. Preservation of Greenfields:

In recognition of the need to preserve Rhode Island's diverse natural resources, points will be provided for a proposal that does not involve destruction of fields, forests, agricultural and other environmentally sensitive land and/or includes a cluster development in which more than 50% of the land is conserved.

D. Non-Profit Set-Aside, 9% Credits

Pursuant to IRC Section 42(h)(5)(B), RIHousing will set-aside a minimum of ten percent (10%) of the total LIHTC allocation, as required by IRC Section 42(h)(5)(B), for non-profit organizations that materially participate in the development and management of the project throughout the compliance period. The allocation of this set-aside to qualified non-profits will be determined by RIHousing in its sole discretion. These credits will be administered in the same manner as LIHTCs allocated to for-profit developers.

In order to qualify for credits from the non-profit set-aside, organizations must certify that they are a qualified non-profit organization and any substitute owner during the compliance period must continue to qualify under that set-aside. The term "qualified non-profit organization" means any organization that is described in Section 501(c)(3) or (4), is exempt from tax under Section 501(a), and includes as one of its exempt purposes the fostering of low-income housing.

E. Assisted Living Program

LIHTCs from the state per capita allocation and those provided through tax-exempt bond financing are available to borrowers proposing assisted living developments, provided that the proposal identifies long term funding for essential services. Developers should refer to the Developers Handbook for detailed information related to the development of Assisted Living units.

F. Supportive Housing

LIHTCs from the state per capita allocation and those provided through tax-exempt bond financing are also available to borrowers proposing permanent housing developments with supportive service options for residents. Critical to the evaluation of these proposals will be the availability and commitment of sustainable funding for the proposed services and operating or rental assistance to assure long-term feasibility.

LIHTC regulations prohibit sub-leasing of units to agencies. Owners should not enter into a master lease agreement with service providers. Tenants must execute a lease for a unit. A contract between the owner and service provider should be executed to ensure the provision of services for a tenant.

IV. TAX EXEMPT FINANCING WITH 4% CREDIT

In addition to the 9% LIHTC, RIHousing allocates 4% LIHTC, which are as of right tax credits for affordable housing projects using tax-exempt private activity bonds. All developments utilizing tax-exempt bonds to generate 4% LIHTC in their financing plan must submit an application for Tax Exempt Volume Cap ("Volume Cap"). Applications for Volume Cap are currently received on a rolling basis and will be subject to availability.

RIHousing highly encourages the use of tax-exempt bond financing with 4% LIHTC. Proposals utilizing tax-exempt bond financing with 4% LIHTC are not scored based on the 9% scoring criteria outlined in the QAP. These projects typically need subsidy funding and will be scored for the other competitive sources developers may be seeking (e.g. HOME, Housing Production Fund, Building Homes RI, etc.). All development proposals seeking tax exempt bonds and 4% LIHTC must comply with both Section 42 and 142 of the Code and meet the Threshold requirements of the Plan (Part III(A)) and the Developer's Handbook.

V. UNDERWRITING GUIDELINES

RIHousing guidelines for underwriting, general contractor fees, reserve requirements, developer's fees, and soft costs can be found in the RIHousing Developer's Handbook at https://www.rihousing.com/developers-handbook/. The costs associated with these guidelines must be incorporated into the TDC for all proposals requesting LIHTC from RIHousing. The guidelines may be amended from time to time through Program Bulletin.

VI. FEE STRUCTURE FOR LIHTC PROPOSALS

All LIHTC proposals, including those seeking credits from the State's allocated pool or in conjunction with tax-exempt bond financing, shall be assessed the following fees:

A. Application Fees:

LIHTC proposals will be assessed a $1,500 non-refundable application fee, payable upon application submission.

B. Underwriting Fee:

RIHousing will charge an underwriting fee for the review of all 4% and 9% credit proposals

Up To $1,000,000	$20,000
Up To $3,000,000	$25,000
Greater than $3,000,000	$35,000

If RIHousing provides the first mortgage financing, these underwriting fees will be applied toward RIHousing's origination fees. However, the underwriting fee will be charged if RIHousing is not the permanent senior lender. A **minimum** combined origination/underwriting fee of $20,000 will be paid if the loan amount is less than $1,000,000.

C. Allocation Fees:

Approved LIHTC proposals will be assessed the following LIHTC allocation fee, payable at closing:

For 9% LIHTC Developments: 0.5 % of the 10-year allocation amount
For 4% LIHTC Developments: 1.0 % of the 10-year allocation amount

VII. COMPLIANCE MONITORING

Please refer to RIHousing's compliance monitoring manual which was updated in 2021 (the "Compliance Manual") for detailed monitoring requirements.
https://www.rihousing.com/wp-content/uploads/RIHousing-LIHTC-Manual-Revised-March-2021-highlighted.pdf

The compliance monitoring procedure is adopted pursuant to IRC Section 42. RIHousing or its agent reserves the right to amend this procedure as may be necessary or appropriate to conform to applicable changes in IRC Section 42 or regulations. In addition, RIHousing or its agent may adopt further monitoring forms and procedures as part of its Compliance Manual or as otherwise deemed appropriate.

Upon project completion, owners are required to obtain an independent third-party audit of 100% of the initial qualifying tenant files. This audit cannot be performed by the investor. Documentation of such audit must be submitted to RIHousing along with the Initial Qualifying Tenant ("IQT") report, the 8609(s) and the Cost Certification. The IQT must list the initial qualifying households and must coincide with the initial Tenant Income Certifications on file. Owners and agents are also required to attend a welcome meeting with RIHousing Asset Management and Loan Servicing staff.

BORROWERS AND OWNERS ARE ADVISED THAT COMPLIANCE WITH THE REQUIREMENTS OF IRC SECTION 42 OF IS THE RESPONSIBILITY OF THE OWNER OF THE DEVELOPMENT. MONITORING OF THE DEVELOPMENT BY RIHOUSING OR ITS AGENT DOES NOT IN ANY MANNER AFFECT, MODIFY, OR SUBSTITUTE FOR THIS RESPONSIBILITY. MONITORING BY RIHOUSING OR ITS AGENT DOES NOT CONSTITUTE A DETERMINATION OF ANY KIND REGARDING THE DEVELOPMENT'S ELIGIBILITY FOR LIHTC UNDER IRC SECTION 42.

A. Recordkeeping and Record Retention

Recordkeeping: For each year in the compliance period, which is equal to 15 taxable years beginning in the first year the credit is taken, the owner shall maintain records for each building in the project showing the:

1) Total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit).
2) Percentage of residential rental units in the building that are low-income units.
3) Rent charged on each residential rental unit in the building, supporting documentation, and the applicable utility allowance.
4) Number of occupants in each low-income unit.
5) Annual income certification of each eligible tenant.
6) Documentation to support each eligible tenant's income certification.
7) Student status of all household members.
8) Waiting Lists and marketing/advertising information.

9) Unit vacancies in each building and information that shows when, and to whom, the next available units were rented.

10) Eligible basis and qualified basis of the building at the end of the first year of the credit period.

11) Character and use of the non-residential portion of any building included in the building's eligible basis that are resident facilities available on a comparable basis to all residents and for which no separate fee is charged for use of the facilities (or facilities otherwise reasonably required by the development).

Record Retention: The owner shall retain records relative to the first year of the credit period for at least 6 years beyond the due date (with extensions) for filing the tax return for the last year of the compliance period of the building. The owner shall retain the records described above for all subsequent years in the compliance period for at least 6 years after the due date (with extensions) for filing the federal income tax return for that year.

Additionally, for each year that any Agreements remain in effect after the compliance period, the owner shall retain records adequate to demonstrate compliance with the terms and conditions of the Agreement, including, but not necessarily limited to, income of tenants and rents charged at the development. The owner shall retain the records pertaining to a particular year for at least 6 years following the close of that year.

B. Certifications and Reporting

Annual Certification: The owner of every project that has received LIHTCs must submit to RIHousing by January 31st of each year during the compliance period and the extended use period an owner's Annual Certification of Continuing Program Compliance and evidence of Certification of LIHTC Training. As required under Treasury Revenue Regulation 1.42-5, the owner shall certify to RIHousing under the penalty of perjury, whether for the preceding 12-month period:

1) The project was continually in compliance with the terms and conditions of its Agreements with RIHousing.

2) The project met either (i) the 20-50 test under IRC Section 42(g)(1)(A), (ii) the 40-60 test under IRC Section 42(g)(1)(B) or (iii) the average income test, whichever minimum set-aside test was applicable to the project.

3) There was any change in the applicable fraction as defined by IRC Section 42(c)(1)(B) of any building in the project, and if there was a change, a description of that change.

4) The owner has received an annual income certification from each low-income tenant, and documentation to support that certification.

5) Each low-income unit in the project was rent restricted under IRC Section 42(g)(2).

6) All units in the project were for use by the general public (as defined in Treasury Regulation 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601, et seq., occurred in the project.

7) Each building in the project was suitable for occupancy, taking into account local health, safety and building codes.

8) There was no change in the eligible basis (as defined in IRC Section 42(d)) of any building in the project, or there was a change, and information regarding the nature of that change.

9) All tenant facilities included in the eligible basis under IRC Section 42(d) of any building in the project were provided on a comparable basis without charge to all tenants in the building.

10) If a low-income unit in a building becomes vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any unit in the building was or will be rented to tenants not having a qualifying income.

11) If the income of the tenant of a low-income unit in a building increases above the limit allowed in IRC Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income.

12) An extended low-income housing commitment as described in IRC Section 42(h)(6) was in effect (for buildings subject to Section 7108(c) of the Omnibus Budget Reconciliation Act of 1989).

13) All low-income units in the project were used on a non-transient basis except for permanent supportive housing for the homeless provided under IRC Section 42(i)(3)(B)(iii) or single room occupancy units rented on a month-to-month basis under IRC Section 42(i)(3)(B)(iv).

14) The project was continually in compliance with the Violence Against Women Reauthorization Act of 2013, as amended, and all applicable implementing regulations.

Additional Reporting as Required: The owners of all LIHTC projects will also be required to submit to RIHousing information on tenant income, occupancy, and rent for each low-income unit, in the form and manner designated by RIHousing. RIHousing reserves the right to require owners of all low-income projects to submit additional information as it deems necessary.

The HERA included a provision directing state HFAs to collect and submit to HUD demographic and economic information on tenants living in LIHTC properties, including LIHTC projects in the extended use period. RIHousing requires owners/agents to upload and report tenant data monthly utilizing the RIHousing's online reporting system which allows property managers to enter tenant information directly into a web-based compliance reporting system. The information is immediately uploaded to RIHousing's online reporting system and is then transmitted directly to HUD.

C. **Records Review**

In accordance with Section 26 CFR 1.42-5(c)(2)(ii), all projects will be monitored for compliance by the end of the second calendar year following the year the last building in the project is placed in service. Subsequently, IRS regulations require that at least once every 3 years, state agencies conduct on-site inspections of all buildings in the project. These inspections will include a sample size in accordance with IRS guidance of the project's low-income units and review the certifications and supporting documentation along with the rent records for all the tenants living in the units. Properties directly financed by RIHousing and/or monitored under other federal or state programs administered by RIHousing will be reviewed annually. Additionally, LIHTC projects whose operations do not meet RIHousing's financial and operating management standards may be subject to more frequent examinations.

RIHousing reserves the right to perform a records review of any low-income housing project at least through the end of the compliance period and for any additional term, as defined in the RIHousing extended use compliance monitoring policy.

D. **Inspection**

RIHousing may conduct annual physical property and unit inspections, as well as tenant file reviews, on all of the LIHTC developments monitored by RIHousing. RIHousing will randomly select the low-income units to be inspected in each development. The number of units to be inspected will be a sample size in accordance with IRS guidance.

Inspections of buildings, grounds and LIHTC units will be conducted using HUDs Uniform Physical Conditions Standards ("UPCS") protocol.

RIHousing retains the right to perform an on-site inspection of any low-income housing project at least through the end of the compliance period and for an additional term, as defined in the RIHousing extended use compliance monitoring policy.

E. Notification of Non-Compliance

RIHousing defers to the Guide for Completing Form 8823 Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition (the "Guide") to evaluate non-compliance findings. The scope of the Guide is limited to guidelines for preparing Form 8823 for submission to the IRS. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC Section 42. The Guide is available on the IRS website at: https://www.irs.gov/pub/irs-utl/lihc-form8823guide.pdf

RIHousing will look to the Guide in evaluating compliance with IRC Section 42 and in determining whether a notice of noncompliance should be issued. As outlined in IRC Section 42(m)(1)(B)(iii), RIHousing or its agent has the responsibility to notify the IRS of non-compliance with the LIHTC provisions by completing Form 8823 "Low-Income Housing Credit Agency Report of Non-Compliance." In the event that RIHousing or its agent learns of an event of non-compliance, it will send a letter to the project's owner describing the condition and, where appropriate, recommending actions to correct the problem. The agency shall retain records of non-compliance or failure to certify in accordance with Treasury regulations.

The development shall have 30 days from the date of the notice to correct and supply proof that the noncompliance has been corrected (e.g., copies of income certifications/lease/rent rebate, etc.).

If RIHousing determines that the clarification from the owner on the noncompliance issue establishes that the owner was always in compliance, then no Form 8823 is issued, and the owner is notified within 5 business days.

If RIHousing determines that there was noncompliance and the issue is now remedied, then Form 8823 will be filed with the IRS and the owner will be notified no later than 45 days after the end of the time allowed to the owner to take remedial action.

F. Casualty Loss

Unfortunately, disasters or accidents sometimes damage or destroy LIHTC units or properties. When these occur, it is the responsibility of the owner/agent to report the loss to RIHousing as soon as possible after an incident that results in a unit or building going off-line. Furthermore, the owner must submit a plan to RIHousing that sets a timeframe for restoration of the lost buildings or units.

Casualty loss that is not part of a presidentially declared disaster invokes no recapture if the loss is returned to a good condition within a reasonable period. This period is no more than 24 months after the end of ***the year*** that loss occurred. However, credits cannot be claimed while the unit(s) or building(s) are offline. For presidentially declared disasters, both recaptured and disallowance of credits are avoided if the loss is restored in a *reasonable period.* In the case of a declared disaster, the maximum reasonable period is 25 months ***after the month*** that a disaster is declared. For either type of casualty loss, RIHousing may impose a lesser reasonable period based on specific details as to the severity of loss.

For LIHTC projects, RIHousing must report the loss and restoration to the IRS. If the units have not been fully restored, RIHousing will submit a copy of the owner's plan and timeframe for replacement along with an uncorrected Form 8823 to the IRS. Once all units have been restored and are available for occupancy, RIHousing will issue a corrected Form 8823 to show the units are back in compliance.

If an owner fails to report a casualty loss to RIHousing promptly, RIHousing will report the incident as noncompliance to the IRS using Form 8823 as soon as compliance staff becomes aware that a loss event occurred.

Displaced Persons. For a period after a presidentially declared disaster, LIHTC properties across the nation may house persons displaced by the disaster *regardless of their income.* RIHousing will issue bulletins following specific disasters, along with directions and how long the temporary allowance to house disaster victims will last.

G. Liability of the Owner

Compliance with the requirements of IRC Section 42 is the responsibility of the owner of the building for which the credit is allowable. RIHousing's obligation to monitor for compliance with the requirements of IRC Section 42 does not make it responsible for the owner's noncompliance.

H. Annual Compliance Training

During the 15-year compliance period, the owner must certify that at least one member of the on-site management staff attended annual training specific to the LIHTC program and provided by a 3rd party vendor, or, with prior written approval of RIHousing, by the management company's in-house compliance department. A copy of the training certifications must be submitted to RIHousing by January 31st of each year.

VIII. EVENTS OF RECAPTURE

A full recapture of credits occurs if the building fails to meet the minimum set-aside requirement. A partial recapture of credits occurs if the building's low-income occupancy percentage decreases, but not below the minimum set-aside level, and/or if eligible basis decreases. The potential effect of non-compliance is to increase taxes in the year of non-compliance based on all previous years that the credit was earned. The excess of the credit actually earned each year over the credits that would be allowed if the credits were claimed ratably over the fifteen-year compliance period (the accelerated portion of the credit) plus interest is recaptured. In this event, IRS Form 8611 "Recapture of Low-Income Housing Credit" must be filed by the project's owner and retained for 3 years following the Compliance Period.

It is important to note that there are additional items that trigger recapture. Please refer to IRC Section 42 and the RIHousing website for important Program Bulletins and Notices regarding changes/revisions to policies.

IX. COMPLIANCE MONITORING FEES

A. Compliance Monitoring Fees:

In order to offset the cost of compliance monitoring, a low-income housing unit fee will be assessed to all LIHTC developments per LIHTC unit. This fee will be due and payable no later than March 31st of each year. This fee will be reviewed on an annual basis and may be increased to cover administrative costs at RIHousing's discretion. In accordance with the RIHousing Extended Use Compliance Monitoring Policy, fees will be assessed through the term of the Extended Use Period. RIHousing reserves the right to increase compliance monitoring fees for Owners who elect income averaging.

X. MISCELLANEOUS

RIHousing recommends that owners/agents stay current with updated information by logging into our website at https://www.rihousing.com/ and viewing and downloading important information outlined in our Program Bulletins and Notices.

XI. APPROVAL OF THE GOVERNOR

I, Daniel J. McKee, Governor of the State of Rhode Island, do hereby signify my approval of this 2026 LIHTC Qualified Allocation Plan for the distribution of federal LIHTCs in this State, in conformance with IRC Section 42.

Signed: Dan McKee

Daniel J. McKee, Governor

Date: 9/17/25, 2025