2019

HOME ACTION PLAN

The 2019 State of Alabama's HOME Investment Partnerships Program Action Plan (the "Plan") was approved by the Board of Directors of the Alabama Housing Finance Authority ("AHFA") on September 26, 2018, and will be included as part of the State of Alabama's Consolidated Plan to be submitted to the U.S. Department of Housing and Urban Development ("HUD") for its approval.

Until approved by HUD, the Plan is available for information purposes only and is subject to change in whole or in part.

On January 24, 2018, HUD issued its Guidance on Submitting Consolidated Plans and Annual Action Plans for Fiscal Year (FY) 2018 under Notice CPD 18-01 (the "Notice"). In accordance with the Notice, AHFA hereby notifies all potential applicants of the following:

- All amounts of 2019 HOME Funds shown in the Plan are merely estimates based on AHFA's 2018 HOME Funding levels.
- All amounts of HOME Funds shown in the Plan will be amended when HUD announces the final 2019 HOME Funding levels.
- HUD's announcement of final 2019 HOME Funding levels may not occur until after the AHFA application cycle has begun.
- As provided in the Notice, AHFA will not submit the Plan to HUD for review and approval until HUD announces the final 2019 HOME Funding levels, and the Plan has been revised to reflect those funding levels. The Plan and all 2019 HOME Funding levels described therein will remain subject to change in whole or in part until HUD's review and approval is actually received.
- The 2019 HOME Funding levels announced by HUD may be materially different than those described in the Plan, and HUD may require AHFA to amend the Plan in whole or in part, which may alter significantly how applications are scored and funded.

As a result, please be advised that all time, money and other resources committed to the submission of an application to AHFA under the Plan will remain entirely at risk until HUD announces the 2019 HOME Funding levels and provides final approval of the Plan.

Alabama Housing Finance Authority

2019 HOME Action Plan

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I. HOME INVESTMENT PARTNERSHIPS PROGRAM

The Home Investment Partnerships Program (HOME) is a federally funded housing program established in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act (the "Act"). Under guidelines from the United States Department of Housing and Urban Development (HUD), Alabama Housing Finance Authority (AHFA) is the designated administrator and designer of Alabama's HOME Program. AHFA has specifically designed the HOME Program to meet the needs of low- and moderate-income Alabamians consistent with HUD guidelines.

II. DEFINITIONS

Capitalized terms used in this HOME Action Plan have the meanings set forth below or elsewhere in this HOME Action Plan. Capitalized terms not defined herein shall have the meanings assigned in the AHFA Plan Defined Terms available at www.AHFA.com or as regulations or other context require. Singular terms include the plural as well as the singular, and vice versa.

Act - the Cranston-Gonzalez National Affordable Housing Act passed in November 1990. This Act contains the provisions for the HOME Program and is further defined in 24 CFR Part 92.

AHFA-Approved CHDO: A CHDO that has requested and obtained prior approval from AHFA to submit a funding application. Without this prior approval, a CHDO will be treated like a non-CHDO applicant under AHFA's programs and will not be eligible for funding under the mandatory CHDO set-aside established by the HOME Program.

Alabama Housing Finance Authority (AHFA). AHFA was designated the administrator of Alabama's HOME Program by the Governor of the State of Alabama on February 22, 1991.

Application Cycles - a period of time established by AHFA during which applications for funding under Alabama's HOME Program may be accepted.

Community Housing Development Organization (CHDO). In order to qualify as a CHDO, an organization must be a non-profit organization and meet the requirements specified in 24 CFR Section 92.2. The qualifying CHDO must have staff that is experienced in developing projects of the same size, scope and level of complexity as the activities for which HOME Funds are being reserved or committed. HUD defines CHDO staff as paid employees responsible for day-to-day operations (volunteers, board members, and consultants are not considered staff). The organization must recertify annually to remain an active and qualified CHDO for purposes of applying for HOME Funds.

Consolidated Plan (Plan) - the consolidated plan designed to help states and local jurisdictions to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. The consolidated planning process serves as the framework for a community-wide dialogue to identify housing and community development priorities that align and focus funding from the CPD formula block grant programs: Community Development Block Grant (CDBG) Program, HOME Investment Partnerships (HOME) Program, Housing Trust Fund (HTF), Emergency Solutions Grants (ESG) Program, and Housing Opportunities for Persons With AIDS (HOPWA) Program.

HOME Funds - funds made available under Alabama's HOME Program through allocations and reallocations, and may consist of any repayments and interest or other return on the investment of these funds.

Participating Jurisdiction - a unit of state or local government that has met the requirements of Section 216 of the National Affordable Housing Act and receives a separate appropriation of HOME Funds to be used within its jurisdictional boundary. The State of Alabama is the Participating Jurisdiction for the HOME Funds administered by AHFA. The local Participating Jurisdictions in Alabama: Anniston, Birmingham, Huntsville, Jefferson County, Mobile, Mobile County, Montgomery, and Tuscaloosa.

Project - a site or an entire building or two or more buildings, together with the site or (when permissible) sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME Funds, under a Written Agreement by the owner, as a single undertaking. Project includes all the activities associated with the site and building.

Recipient - an individual, public agency, for-profit developer(s), CHDO, non-profit developer(s), or any entity that receives State of Alabama HOME Funds.

Written Agreement - Alabama's HOME Investment Partnerships Program Written Agreement. The HOME Agreement is an agreement executed by AHFA and the entity approved to receive an appropriation of HOME Funds.

III. ALABAMA'S HOME PROGRAM

- Develop selection criteria to be used in determining housing priorities for the State. The selection criteria includes ranking each project in accordance with its location, fulfillment of housing needs, project and applicant characteristics, tenant populations with Special Housing Needs and with families, public housing waiting lists, projects intended for eventual tenant ownership, energy efficient projects and participation of local tax-exempt organizations;

- Develop an evaluation process whereby preference is given to projects that serve: (1) the lowest-income tenants, and (2) qualified tenants for the longest period(s) (3) projects which are located in Qualified Census Tracts and contribute to a concerted community revitalization plan; and

- Develop compliance monitoring procedures to test for compliance with HOME Regulations and for notifying HUD of noncompliance.

A. Development of Selection Criteria

AHFA has been responsible for preparing a housing needs assessment and strategy for the State of Alabama since the HOME Investment Partnerships Program was created. In 1992, AHFA prepared the first Comprehensive Housing Affordability Strategy (CHAS) as a prerequisite for Alabama to receive federal dollars for housing. Prior to submitting the CHAS to HUD, AHFA prepared an extensive list of interested relevant parties from which to gather information and mailed letters of inquiry, questionnaires and surveys to various state agencies, service providers, housing directors and individuals. Based on the information gathered, along with data from the relatively then new 1990 U.S. Census, AHFA then compiled a blueprint document for creating affordable housing across the State.

Beginning in 1995, HUD abandoned the CHAS and created the Consolidated Plan in an effort to blend its four Community Planning and Development (CPD) programs - CDBG, HOME, ESG, and HOPWA - into a single submission process. AHFA, as administrator of the HOME Program, was deemed responsible for writing the housing portion of the new

document. The State Consolidated Plan provided a detailed overview of how the State planned to utilize its annual Community Planning and Development funding to meet economic development objectives, provide affordable housing, and address other special needs. As a contributor, AHFA offered a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

The early State Consolidated Plan submissions relied on figures from the 2000 U.S. Census. Once the 2010 U.S. Census became available, the State relied upon the newer figures. While Alabama, like all states, has experienced fluctuations in population, income, and other critical Census-tracked data between 1990 and 2000 and between 2000 and 2010, one realization has not been altered – our State is still poor (our 17% poverty rate ranks 49th among the 50 states) and thousands of Alabama families and households need a safe and affordable place to live. A great many unmet needs still exist and AHFA will use the limited resources available to address as many unmet needs as feasible across the State.

The State Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies the housing needs associated with groups that have Special Housing Needs. As the administrator of the HOME Program for Alabama, AHFA identifies areas of need, prepares plans to address those needs, and reports on the use of allocated funds to meet those needs.

A demographic analysis performed for the first State Consolidated Plan (and still true today) concluded "that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the state's most populous urban and metropolitan counties, but the greatest concentration of need is observed in the rural counties located in the southern portion of the state, the Black Belt in particular."

A component of the State Consolidated Plan, the Analysis of Impediments to Fair Housing Choice, was updated in 2014 and submitted for HUD's review and approval with the Consolidated Plan in 2015. The purpose of developing the Analysis of Impediments to Fair Housing Choice is to identify impediments to fair housing choice existing within Alabama's non-entitlement communities so as to determine courses of action designed to address those impediments. The Analysis of Impediments to Fair Housing Choice identified 10 primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for 8 of the identified impediments. To that end, AHFA encouraged and offered Fair Housing training in efforts to measurably overcome the identified impediments. Alabama's Consolidated Plan and the Analysis of Impediments to Fair Housing are available at www.adeca.alabama.gov.

Additionally, the State Consolidated Plan continues to be updated with historical AHFA data, including a list of HOME and Housing Credit projects Placed in Service and/or committed by AHFA since those programs began. The new Census data did not dramatically alter the state's affordable housing priorities. While State HOME Funds provide hundreds of traditional affordable housing units across Alabama each year, the primary beneficiaries have been families and the elderly. Meeting those needs is consistent with the Consolidated Plan findings and the need for additional family units and elderly

units remains strong. AHFA encourages Citizen Participation in the HOME Program. Announcement of the development of the draft HOME Action Plan is published in the major newspapers in Alabama and posted online at www.AHFA.com. A Public Hearing is held during which a brief description of the Plan is provided, copies of the Plan are available for the public, and the public is invited to make comments on the Plan. A 30-day public comment period follows the public hearing during which time, comments are collected and comment based revisions to the Plan are made. Upon completion of the public comment period, the Plan is finalized and published along with all public comments received and AHFA responses. The Plan is finally presented for state and federal approval in accordance with prescribed submittal dates.

B. Establishment of Housing Priorities

This HOME Action Plan seeks to ensure that, where economically feasible, every county in Alabama regardless of population size and other factors, will have an opportunity to compete for funding to address its unmet housing needs, with the understanding that respective county stakeholders should be proactive toward a) providing additional funding sources and incentives as available, b) helping to remove regulatory and discriminatory barriers, and c) seeking experienced Housing Credit and HOME development partners to assist in creating housing solutions for their respective communities. AHFA has established certain housing priorities to be used in the distribution of HOME Funds. In the current allocation cycle. AHFA seeks to promote the following housing priorities (not in order of preference):

- Projects that add to the affordable housing stock
- Projects, which, without HOME Funds, would not likely set aside units for lower income tenants, inclusive of tenants with disabilities and/or those who are homeless
- Projects which use additional assistance through federal, state, or local subsidies
- Projects which promote healthy living and tenant quality of life by providing tenant services such as blood pressure screening, CPR and first aid training, promoting nutrition and healthy eating, budget counseling and various other quality of life services
- Balanced distribution of HOME Funds throughout the State in terms of geographical regions, counties, and urban/rural areas

C. Application Criteria

ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS HOME ACTION PLAN, INCLUDING WITHOUT LIMITATION ITS ADDENDA AND RELATED APPLICATION INSTRUCTIONS AND FORMS, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

AHFA is required to evaluate each application to determine which projects should receive HOME Funds. To facilitate the evaluation process, all applicants must complete the following basic steps:

1) Submit a complete application to AHFA. All or portions of the application may be required to be submitted online. After application submittal, AHFA will conduct a completeness review. The application will be deemed complete if the Application Package contains, at a minimum, the following:

- All required AHFA-provided forms for current year application. The application forms will be posted at www.AHFA.com prior to the beginning of the application cycle. AHFA will post these forms as they become available, and applicants should check www.AHFA.com regularly in order to begin work on the required forms as soon as possible. All AHFA-provided forms should be completed pursuant to instructions, legible, and all applicable spaces fully completed.

- All required third-party documents in form and content acceptable to AHFA. Refer to the application checklist and the current Multifamily Funding Application Instructions for the complete list of required documents as provided at www.AHFA.com.

- All required AHFA-provided and third-party forms and documentation must be in numerical order behind blue index pages. The application should be provided in a format per AHFA written instructions.

After the completeness review, each applicant with missing and/or incomplete application items (inclusive of items requiring clarifications), will be contacted via e- mail regarding any missing and/or incomplete items or documents described in this Section III(C)(1). Upon notice, applicants in a Competitive Application Cycle must submit all missing and/or incomplete items or documents (along with the required fee for each missing/incomplete item or document as specified in Section III(D)) within five (5) business days of notification by AHFA or the application will be terminated, and no further consideration will be given.

If AHFA determines during the completeness check that any application has an aggregate total of 8 or more missing and/or incomplete items, the application will be terminated automatically by AHFA, and AHFA will notify the applicant by email of this termination.

AHFA's shall deliver notices of missing and/or incomplete items to each applicant at the primary and secondary email addresses provided by the applicant in its application, and all deadlines for response shall be calculated from the date such email notice is sent. Each applicant is solely responsible for providing correct and valid email addresses (primary and secondary) in its application, for ensuring that both email addresses remain active on an ongoing basis, and for monitoring both email addresses for notices from AHFA.

The completeness check by AHFA includes <u>only</u> the items described in this Section III.C.(1), and does <u>not</u> include a review of threshold items (specified in Section IV.C., point scoring items (described in Addendum A) material environmental items (described in Addendum B) or any other item not specifically described in this Section III.C.(1) as included in the completeness check.

2) Provide evidence that the project is a Qualified Affordable Housing Project for multifamily rental housing that meets the basic occupancy and rent restrictions required of Section 42 and HOME Regulations.

Multifamily rental housing projects must be on a single site or contiguous sites. Sites may be considered contiguous if separated only by one neighborhood street.

Under the HOME Action Plan, the following projects do not qualify for HOME Funds:

- Mobile home developments
- Intermediate care facilities
- Group homes
- Congregate care facilities

In addition, any residential rental unit that is part of a hospital, nursing home, sanitarium, life-care facility, or intermediate care facility for the mentally and/or physically handicapped that is not for use by the general public and is not eligible for HOME Funds. Projects must contain no fewer than 12 units and no more than 56 units.

Multifamily rental housing units must be under common ownership, deed, financing and property management.

3) Provide evidence acceptable to AHFA that the proposed project meets the current AHFA Market Study Certification requirements. The proposed rental project must meet AHFA's market feasibility and analysis requirements. The market study must be conducted by an independent third party market analyst that has conducted a market study for a prior application submitted to AHFA for Housing Credits, HOME Funds or Multifamily Housing Revenue Bonds or has received prior written approval from AHFA to submit a market study for the current application cycle. The list of market analysts that have conducted studies for prior applications, Market Study Certification and other instructions are available at www.AHFA.com. The market study must, at a minimum, document the following criteria:

(i) The project's market area must be clearly defined and supported;

(ii) The supply analysis of comparable subsidized or non-subsidized developments must include, but not be limited to, vacancies, amenities and rental rates;

(iii) The demand analysis must convincingly demonstrate a need for the proposed type of housing;

(iv) The market feasibility of the proposed rent structure must demonstrate that there is a rent advantage over non-subsidized housing in the defined market area;

(v) The analysis of the relationship between supply and demand must demonstrate an acceptable absorption rate; and

(vi) The summary of important facts and conclusions as provided in the market study must include a statement from the market analyst clearly stating in the analyst's professional opinion whether the project as proposed will be successful.

The market study must demonstrate an adequate market for the proposed units and that the proposed project would not adversely impact any existing AHFA projects or create excessive concentration of multifamily units.

AHFA will review the market study submitted, in-house documentation collected from onsite compliance audits, market information submitted by Rural Development, audited financial statements, and applicant submitted project budgets in order to determine if there is an adequate need for the proposed project.

AHFA will terminate any application based on any one of the following market criteria:

(vii) The proposed project's capture rate is above 35%.

(viii) Active AHFA projects in the defined market area must have an overall average stabilized vacancy rate of 15% or above.

(ix) If determined that the proposed project's market will not support the proposed project and/or the proposed project will have a clear long-term negative impact on an existing AHFA-funded development(s) in the same market.

(x) The market study contains Misleading Information.

4) Demonstrate that the project is financially feasible. The project must meet certain financial feasibility requirements as defined in Section IV(E)(1)(iii) of this HOME Action Plan.

5) Demonstrate adequate infrastructure capacity evidenced by the proposed project's utility documentation provided in the complete application.

6) Demonstrate the likelihood of sustained 20-year HOME Affordability Period with the HOME Regulations based on the following criteria: (a) The market study demonstrates a need for the project as proposed, (b) The application demonstrates that the project is financially feasible as defined in Section IV(E)(1)(iii) at the time of application and (c) the Ownership Entity and Management Company demonstrate their respective financial capacity and experience consistent with Section 42 requirements related to development and compliance guidelines.

D. Fees

The following fees, as applicable, must be paid with a business check or certified funds and made payable to Alabama Housing Finance Authority. Cash or personal checks will not be accepted:

1) Application Fees:

(i) A ***non-refundable fee*** must accompany the required application forms and third party reports at the time of application submission.

a) $10,000 for applicants with up to eight (8) Responsible Owners applying on a single application where each Responsible Owner has fewer than 3 Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA.

b) $7,500 for applicants with up to eight Responsible Owners applying on a single application where each Responsible Owner has three (3) **or more** Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA.

c) $2,000 for all AHFA-Approved CHDO applicants applying for HOME Funds regardless of the number of Placed in Service projects awarded by AHFA.

An additional application fee will be due at the time application submission for application(s) that have ownership structures exceeding eight (8) individuals and /or entities. The amount of the fee will be $1,000 per each owner (individual/entity) exceeding eight (8). This fee does not apply to the investor limited partner.

All application fees are non-refundable. If an application fee is returned due to insufficient funds, the application will terminate.

In addition to the non-refundable application fee(s), AHFA may require the applicant to provide additional funds in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates to pay or to reimburse AHFA for any third-party costs incurred during the application review and analysis process. Third–Party fees include without limitation, legal fees, architect and engineers' fees, consultant (construction, environmental or otherwise) fees, and any other third-party report (construction, environmental or otherwise) fees related to the review of any third-party report(s) submitted by the applicant. These amounts must be paid by applicant within 5 business days of the invoice date.

Any unused portion of the additional funds collected will be returned to applicant without interest once all of the third-party invoices have been submitted and refund amount is determined.

2) Missing and/or Incomplete Application Document(s) & Third-Party Report(s): Applicants are required to submit their final and complete applications by the submission deadline. In the event AHFA determines that documents are missing, incomplete or require clarification (e.g. environmental study, market study, or capital needs assessment) the applicant if it so elects, will be allowed a limited reprieve to furnish the required information in order for AHFA to continue to consider the application for funding. The applicant will be contacted with a list of missing and/or incomplete documents or clarification items by email. The applicant will have five (5) business days from notification by AHFA to provide

the required document(s) or clarification item(s) and applicable fee(s). The fee(s) will be calculated based on the following:

Missing and/or Incomplete Documents	Required Fee	Missing Item Occurrence
Missing and/ or incomplete application document(s)	$2,000 per document	1 occurrence per document
Incomplete third-party report ***(excluding environmental reports) Restrictions apply, see Addendum B***	$2,000 per report	1 occurrence per document
Requests for additional information or clarification of third-party report(s) ***(Restrictions apply, see Addendum B)***	$2,000 per 5 or more	1 occurrence per document

If the applicant fails to pay the full amount of the required fee upon delivery of these items or information or if the applicant's fee payment is rejected for insufficient funds, the application will be terminated and will receive no further consideration.

An applicant may pay the above-referenced fee(s) in order to cure missing and/or incomplete items only to the extent that they are identified by AHFA in connection with the completeness check under Section III.C.(1). If an application has missing and/or incomplete items that are not included in the items reviewed by AHFA during the completeness check, the missing and/or incomplete items cannot be cured after the application is submitted and will have an adverse impact on the application, including without limitation a loss of points under the Point Scoring System or termination of the application without opportunity to cure.

3) **A complete list of AHFA's fees (from notification of approval of awards through the Extended Use Period) is located at www.AHFA.com.**

E. Amendments

AHFA is entitled to amend this HOME Action Plan as required by the promulgation or amendment of HOME Rules and Regulations from time to time or to implement new features or provisions of the HOME Rule or applicable regulations. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

Certain defined terms used in the HOME Action Plan are located at www.AHFA.com. Such defined terms may be amended at any time with public notice.

F. Uses of HOME Funds

HOME Funds will be allocated primarily toward the production of residential rental housing for low-income households. AHFA anticipates receiving additional HOME Funds from the repayment of previously allocated funds in the form of Program Income throughout the current Program Year. Those funds will also be allocated toward the production of residential rental housing for low-income households, and for other uses deemed necessary by AHFA, as long as the use is consistent with the State's Consolidated Plan.

Fifteen percent (15%) of HOME Funds allocated to AHFA is required by federal regulations to be reserved for investments in housing owned by CHDOs and/or other specific organizational activities. AHFA will meet this required set aside for use by CHDOs by allocating HOME Funds in the form of loans for project construction and development. AHFA reserves the right in its discretion to award a sufficient number of projects to CHDO applicants, regardless of point scoring, to meet the 15% set aside of HOME Funds. AHFA will make efforts to identify and assist eligible organizations in using HOME Funds to meet the housing needs of the state. These organizations must meet the criteria identified by the Act and demonstrate the feasibility of their proposed endeavors. Alabama's HOME Program will utilize loans to promote the production of affordable housing in an effort to meet the needs as identified in the State's Plan. A general outline of the HOME Program is as follows:

Anticipated Uses of HOME Funds:

AHFA estimates the following uses of HOME Funds for the State of Alabama:

2019 HOME Funds:		
Entitlement	**(estimate)**	$ 11,817,675
Program Income		TBD
Uncommitted HOME		$ TBD
	Total	TBD
2019 USES of HOME Funds:		
CHDO Loans		$ 1,772,651
Administrative Fee		1,181,767
Loans		$ TBD

G. Loan Structure

The structure of the loans made under Alabama's HOME Program will be determined based upon AHFA's assessment of the proposed project's ability to address the needs as identified by the Plan. HOME Funds to be allocated to any project will not exceed the amount, determined by AHFA, needed to make the project economically feasible. The amount, terms and rate structure will be set by AHFA. General loan guidelines are as follows and are subject to change at AHFA's discretion:

1) Loan Terms and Repayment: HOME Funds will be allocated to approved projects in the form of a loan(s). AHFA may allocate HOME Funds to an approved project(s) in the following ways:

   (i) The loan will bear an interest rate of one-half of one percent (1/2%) accrued annually with all principal and accrued interest payments due at the end of the 20th year. In the event of default, AHFA reserves the right to set a default rate in excess of the prevailing Prime Lending Rate applicable at the time of the default; or

A combination of the above loan with the following:

(ii) The loan will bear an interest rate of one percent (1%) fully amortizing in twenty (20) years with required quarterly principal and interest payments. The loan will be in first position relative to any other proposed debt (hard or soft) for the project. The loan will require a minimum Debt Service Coverage ratio of 1.20:1 and if not repaid will result in foreclosure. AHFA will determine the allowable operating expense per unit based on historic and current HOME and Housing Credit properties' financial statements.

2) Eligible Activities and Costs: HOME Funds will be used solely to fund new construction costs of rental units. Any additional costs associated with the development such as the demolition of existing structures onsite or offsite cost associated with the development will not be eligible for HOME Funds.

3) Eligible Participants: For-profit developers, CHDOs, non-profit developers or any entity eligible to receive an appropriation under Title II of the Act.

4) Security: The loan may be secured by a first or subordinate mortgage on the land and the existing or proposed improvements. In addition, a collateral assignment of rents and leases will be executed in connection with the property. Additional collateral may also be required, but is subject to the discretion of AHFA based on the nature of the transaction involved.

5) Guaranty: AHFA, in its sole discretion, may require that the loan be guaranteed by an individual(s) or entity acceptable to AHFA.

6) Insurance: Appropriate insurance will be required in connection with the principal security as collateral for the loan. In addition, the applicant, developer and/or builder must evidence insurance coverage to include, but not be limited to, builder's risk insurance, general liability insurance, and loss of rents insurance.

7) Good Standing: No loan application will be processed for any borrower or related entity which is not in good standing with AHFA and any other state housing finance authority, the ADECA, HUD or Rural Development. An applicant can be denied consideration of the HOME Funds under Alabama's HOME Program if the applicant or its Related Parties have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or unlawful.

8) Closing Costs: The borrower is responsible for all closing costs incurred in connection with any HOME Program loan(s), inclusive of all AHFA-appointed attorneys' costs.

9) Environmental Review: AHFA may select and engage an environmental professional at borrower's expense to review and comment on the environmental report(s) submitted by the applicant. AHFA may also select and engage an environmental professional to complete a Phase I Environmental Site Assessment after a Written Agreement of HOME Funds. Environmental reviews will be conducted in accordance with the applicable HOME Regulations and AHFA's Environmental Policy. Before AHFA can execute the HUD Form 7015.15 Request

for Release of Funds, all environmental issues identified in the Environmental Site Assessment(s) must be cleared in a manner acceptable to AHFA.

10) Survey: Loans closed under Alabama's HOME Program will require an as-built survey of the property, which must be completed prior to closing, and contain a Flood Zone certification. The survey and certification, in form and content, must be acceptable to AHFA and must demonstrate that no portion of the property (including areas necessary for ingress or egress) are located within the 100 year flood plain.

11) Declaration of Land Use Restrictive Covenants: Prior to closing, applicants must execute and record a copy of the Declaration of Land Use Restrictive Covenants. The terms of the Declaration of Land Use Restrictive Covenants will require that the covenants remain in effect for the required low-income occupancy period.

12) Construction Consultant: AHFA will contract with an independent construction consultant who may: (i.) perform an up-front analysis of the construction budget to determine the reasonableness of costs as presented; (ii.) review the final plans and specifications of the project (during and upon the completion of the project) for compliance with AHFA's Design Quality Standards & Construction Manual, applicable local, state and federal building codes and ordinances; (iii.) review specifications and make comments and/or recommendations regarding the quality of materials to be used in connection with the project; and (iv.) review work in progress and the completed project for any material defects and quality of work.

13) Appraisal: Appraisals will be required on all loans and must adhere to applicable federal and state laws. AHFA will select and engage all appraisers.

14) Applying for Funds: Applications for Alabama HOME Funds may be made to AHFA during a Competitive Application Cycle (funding decisions will be based upon the project selection criteria and Point Scoring System as detailed herein and Addendum A).

15) Existing HOME Loans: The full principal and accrued interest is due and payable on the maturity date specified in the project loan documents. For projects unable to pay the full principal and accrued interest, AHFA will consider an extension. Projects not able to pay off 100 percent of the HOME loan (Principal and interest) or be approved for a fifteen (15) year extension of HOME loan balance will not be eligible for additional funding under any AHFA administered program.

H. Notices and Communications

From the date of application submission through the end of the HOME Affordability Period, AHFA will deliver all notices or other communications under the HOME Program to the owner contact or contact email, as applicable, designated in the Application Instructions. All notices or communications sent to the contact information designated in the Applicant Instructions will be considered validly delivered for all purposes of the HOME Program, including without limitation the calculation of applicable deadlines. Each applicant or recipient is solely responsible for designating correct contact information in the Application Instructions and for updating that designation as needed. In no event will AHFA be deemed to receive constructive notice of a change in contact information by any means or communication outside of the Application Instructions as updated in accordance with this paragraph. For the avoidance of doubt, this paragraph governs all

notices and communications under the HOME Program to all applicants or recipients of HOME Funds or Housing Credits, regardless of the specific term used to describe them in a particular HOME Program document, which may include applicant, owner, project owner, Ownership Entity or any term or phrase of equivalent meaning.

IV. ALLOCATION PROCESS

A. Application Cycle

The dates of the application cycle (or cycles, if more than one) will be determined by AHFA on an annual basis. All individuals who have requested to be on the email distribution list as described in Section IV (B)) will receive notification of the cycle via Constant Contact. Notice of the cycle will also appear at www.AHFA.com and in no less than four (4) newspapers throughout Alabama.

To apply for HOME Funds, an applicant must complete the applicable AHFA Multifamily Funding application which is available online at www.AHFA.com.

All correspondence and inquiries regarding the application are to be directed to the following:

Alabama Housing Finance Authority		
Attn: Multifamily Division	Phone	(334) 244-9200
P. O. Box 242967	Fax	(334) 279-6957
Montgomery, Alabama 36124-2967		
www.AHFA.com		
ahfa.mf.application@ahfa.com		

Applications received during a Competitive Application Cycle will be evaluated on a competitive basis.

AHFA may award HOME Funds without the use of a Competitive Application Cycle or the Point Scoring System to:

- Any project eligible for HOME Funds pursuant to any waiver, exception, program or other special action by HUD.
- Any project that must be funded to meet the CHDO set aside as specified in the Final HOME Rule.

However, applicants for the projects listed above may be required to submit a complete application and be subject to AHFA's threshold items, underwriting and cost requirements in order to be considered for an award of HOME Funds.

B. E-Mail Distribution List

AHFA maintains an email distribution list for those interested in receiving notifications of application cycles and other AHFA Multifamily program activities. Visit www.AHFA.com to be added to the email list or you may submit a written request to the address as specified in Section IV(A). Changes or updates to contact information are the responsibility of each

applicant or interested party who wishes to remain (or be placed) on AHFA's email distribution list.

C. Application Threshold Requirements

Although it is recognized that each application submitted is different, certain standard requirements must be met by all applicants before the application can be considered for full evaluation. Upon application submittal, if AHFA determines that any threshold requirement is missing or fails to materially adhere to AHFA defined standards during the completeness review, the application will be terminated. If during the completeness review AHFA determines that additional information or clarification is required for any threshold item, AHFA will contact the applicant via email. When contacted, the applicant must respond within five (5) business days or the application will be terminated. Any additional information provided by the applicant must be satisfactory to AHFA as to form and content and may be subject to the fees as outlined in Section III (D). A list of all threshold requirements and explanations are provided below:

1) Fee(s). If any fee(s) described in Section III (D) is not paid in full when due or is returned due to insufficient funds, the application will terminate.

2) Complete Application. The applicant must submit to AHFA a complete application as defined in Section III(C)(1). An application with eight (8) or more missing and/or incomplete documents will be terminated.

3) Existing Project Inspection. Applications with one or more owners applying on a single application that has **less than** three (3) Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA, AHFA will perform an on- site inspection. The applicant must provide, at the time of the initial application submission, a complete AHFA Schedule of Real Estate Owned for each owner.

   Each Responsible Owner must consent to an on-site inspection by AHFA (or by AHFA's designated consultant) of any of such owner's existing projects, including physical inspections of building and units as deemed necessary by AHFA (or the AHFA designated consultant). AHFA will select one (1) Non-AHFA Project for inspection for each applicant based on the AHFA Schedule of Real Estate Owned submitted by the applicant. For applicants with Non-AHFA Projects in the state and/or out-of-state, the project selected for inspection may be in Alabama or in another state. All applicant owner(s) will be subject to the same AHFA requirements defined in attached Addendum D during the current application cycle.

   For applicants with one or more owners applying on a single application that has three **or more** Placed in Service projects funded with Housing Credits and/or HOME Funds awarded by AHFA, AHFA may schedule an on-site inspection if AHFA has not performed an on-site inspection in the current year. However, if AHFA determines there are sufficient and satisfactory on-site inspections for such owner's current projects that were performed within three (3) years prior to the date of owner's application in the current application cycle and show that such projects were in compliance with AHFA requirements defined in attached

Addendum D, AHFA reserves the right to waive the on-site inspection for any owner listed in an application.

4) Site Control. If the applicant does not already own the property for which funds are requested at the time of application, the applicant must have Site Control as evidenced by a sales contract, purchase option or long-term leasehold. Because of regulations that impact the varying lengths of the approval process for each property and the significant risks to the applicant for failing to do so, AHFA requires: (i) that the applicant secure, at a minimum, a 6 month purchase option with an option to renew for an additional 6 months (ii) if the proposed site is subject to any restrictions that allow any other person or entity, such as a homeowner's association or neighborhood design review board, to approve any aspect of the proposed Project (excluding construction-related approvals from local government that become necessary only if AHFA awards funding to the proposed project, e.g. building permit, traffic engineering approval, storm water drainage permit, architectural endorsement…), that the applicant deliver evidence satisfactory to AHFA that all such approvals have been obtained before application submittal, and (iii) after application submittal and as applicable, obtain seller's written agreement that the seller shall not under any circumstances commence (or allow any other party to commence) any choice-limiting activity or other mitigation work at the project without the written permission of AHFA. Choice-limiting activities include, but are not limited to, acquiring, rehabilitating, converting, leasing, repairing, disturbing the ground or construction activity of any kind.

5) Evidence of Zoning based on Intended Use (Proper Zoning). The applicant must provide evidence that the property owned (or to be owned) is properly zoned and consistent with the proposed project's use. AHFA does not consider the property zoned if final Zoning (but not including plans and specifications for issuance of building permits) is contingent upon further city meetings, approvals and/or advertisement. Evidence must be in the form of a signed statement from the local jurisdiction where the property is located.

6) Market Study. The applicant must provide a market study at the time of application submission. All market studies must be less than 6 months old. If the market study does not meet AHFA requirements at the time of application, the application will terminate as further described in Section III(C)(3).

7) Design Quality Standards and Construction Manual. All projects are required to meet AHFA's Design Quality Standards and Construction Manual for construction of attached new construction rental units or for single-family rental homes. These are minimum standards and AHFA permits applicants to exceed these project standards. Each applicant may construct the proposed project in a manner that reflects applicant goals or that exceeds local building codes. Any deviations from these standards must have the written approval of AHFA.

8) Flood Certification. The applicant must provide a Certified Boundary Survey including the flood certification indicating the map and panel number of the Flood Insurance Rate Map, the Flood Zone designation and that no portion of the property (including areas necessary for ingress or egress) is located within the 100-year flood plain.

9) Applications submitted in other Participating Jurisdictions. AHFA will not accept or consider an application(s) submitted in a city or county that is a HUD approved participating jurisdiction and receives its own allocation of HOME Funds.

AHFA-Approved CHDOs applying for HOME Funds combined with Housing Credits in a Competitive Application Cycle are allowed to apply in another Participating Jurisdiction. If the proposed project is in an area that is covered by a local Consolidated Plan, the AHFA-Approved CHDO applicant must provide a Certification of Consistency with the Consolidated Plan completed by an authorized official of the participating jurisdiction. In the event that the Certification of Consistency with Consolidated Plan is signed by someone other than the designated person(s) listed current year list of Consolidated Plan Coordinators-PJ's found at www.AHFA.com, it is the responsibility of the Applicant to provide AHFA with evidence that the signer is authorized to execute this certification.

10) Environmental Site Assessment. The applicant must provide an Environmental Site Assessment at the time of the initial application submission. The Environmental Site Assessment must meet the minimum AHFA's Environmental Policy Requirements (Addendum B). If the Environmental Site Assessment does not meet AHFA's requirements, the application will terminate.

11) Architect's Certification of Project Progress. The project's architect must certify that all building foundations, slabs or crawl spaces are in place on projects that received a Reservation Letter/Binding Commitment for Housing Credits and/or HOME Written Agreement in 2016 and prior. Issuance of a Future-Year Binding Written Agreement does not change this requirement.

12) Site Location. AHFA will not consider any application for a new construction project, if the proposed project is located within a radius of 2 miles (2-Mile Radius Requirement), as hereinafter defined, of any other Project approved by AHFA for funding in a prior year's cycle, that has not been Placed in Service and/or is 90% or more Occupied at the time of application, including without limitation all Active AHFA Projects.

The radius must be determined by using a starting point at the centroid (geometric center) of the proposed Project's site and measured using Geographic Information System (GIS) maps. The 2-Mile Radius Requirement for each proposed Project must be clearly defined and depicted in the Market Study.

The following is an exception to the 2-Mile Radius Requirement:

Applications that contain financing through HUD's Choice Neighborhood, Replacement Housing Factor funds, Capital Fund Program funds and Promise Neighborhood.

AHFA will provide reasonable assistance in determining occupancy of applicable projects, upon request. All information provided to applicants by AHFA may be based upon third party information reported to AHFA.

AHFA determination of occupancy is final and binding for all applicants. AHFA is not responsible for errors or omissions in occupancy reported.

Note: If a project has been awarded Housing Credits but returns the Housing Credits before the start of the current application cycle, that project will not be considered in determining the 2-Mile Radius Requirement.

13) Extended Low-Income Use. All projects must commit in writing to extend the Housing Credits low-income set-aside an additional 5 years beyond the 15-Year Compliance Period to 20 years.

14) CHDO Designation Application (if applicable). AHFA will not consider an application under the CHDO set-aside unless the applicant is an AHFA-Approved CHDO and submits a complete CHDO Application and all supporting documentation at the time of application. AHFA's determination as to the designation of the applicant as a CHDO is final. If AHFA does not pre-approve an organization as a CHDO, then the project application may continue to compete in the current cycle for funding beyond the CHDO set-aside.

D. Negative Actions

Should any of the following actions occur after the application has been submitted and prior to approval by AHFA, consideration of the application will terminate unless otherwise provided below:

1) Site change or alteration of any kind or change of property ownership

2) Change in ownership of the Ownership Entity (e.g., addition of a new general partner/member or removal of an existing general partner/member)

3) Change in syndication structure, including without limitation a change in the role of the syndicator or in the distribution of allocated funds to others through syndication as stated in the application without prior written consent of AHFA

4) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or codes)

5) Change in the general contractor

6) Change in the Management Company

7) Change in the architect

8) If AHFA receives a determination from a federal, state or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's Non-AHFA Projects, AHFA may terminate the application

9) Any Development Team Member (listed in the application) who has instances of excessive, flagrant or uncorrected non-compliance within the timeframe provided by AHFA, Housing Credit, HOME, TCAP/Exchange, National Housing Trust Fund or Multifamily Housing Revenue Bond regulations on existing projects

10) Any Development Team Member listed in the application is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits

11) Applicant has a project that goes into foreclosure or has been foreclosed within the last 10 years

12) Any material adverse change relating to the Project or Responsible Owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate an application

13) Applicant (including all Development Team Members listed in the application) has any outstanding fee(s) due to AHFA on other projects; and/or

14) If AHFA determines that the applicant failed to materially adhere to AHFA's defined environmental standards as set forth in Addendum B, including without limitation, the failure by the applicant to identify any unsatisfactory environmental condition that the applicant (or any Responsible Owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions is not all-inclusive. The Application Package itself will list other necessary requirements via forms, related instructions and other items. AHFA will terminate consideration of an application if it determines that the application contains Misleading Information.

E. Application Evaluation

AHFA follows a competitive process by which all applicants are objectively scored according to criteria specified in the QAP. AHFA strictly adheres to the policy and procedures of the QAP. Efforts to influence the outcome of the application process through lobbying efforts either directly (by the applicant) or indirectly (via the efforts of third parties on the applicant's behalf), will be futile, considered as a violation of the QAP and may result in the termination of the application. In addition, the applicant could be subject to civil or criminal liability. Each application must stand on its own merits.

1) Process of Evaluation. Provided each applicant has met the threshold requirements in Section II.C., each application will be subject to the following evaluation process:

(i) Completeness. The applicant must submit a complete application (see Section III.C(1)) to AHFA.

(ii) Point Scoring. The application will be evaluated using the Point Scoring System included in Addendum A. The applicant will not receive points if the item(s) or document(s) required to qualify for points are missing and/or incomplete or fail to be submitted in the format as required per AHFA instructions.

(iii) Determination of Financial Feasibility. The Project will be evaluated to determine its financial feasibility as hereinafter defined, including its

financial viability as a Qualified Affordable Housing Project throughout the HOME Affordability Period.

At minimum, AHFA will evaluate a proposed project's financial feasibility based on the following criteria:

a) the extent to which the project's sources of funds equals the project's uses of funds

b) the extent to which the proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service

c) the reasonableness of total project costs, taking into account AHFA's hard and soft cost standards and AHFA's minimum Design Quality Standards and Construction Manual

d) the proposed repayment terms (including interest rate, total debt and loan term) for all proposed debt (hard and soft) in connection with the proposed project

AHFA will determine the financial feasibility of the project based on an amount of Housing Credits equal to the lesser of the amount requested by applicant or the amount that is determined by AHFA. HOME Funds are allocated as gap financing based on the Housing Credit Amount determined by AHFA. Because AHFA is permitted to allocate only the resources necessary to make a project financially feasible, AHFA cannot and should not be expected to fund the full amount requested by an applicant, especially in those cases where an applicant proposes to complete a higher than normal cost development which far exceeds AHFA minimum Design Quality Standards and Construction Manual.

Therefore, AHFA will allocate Housing Credits based on the lesser of the amount requested by applicant or the Housing Credit amount that is determined by AHFA to be necessary to make a project financially feasible and will evaluate financial feasibility on this basis.

AHFA's determination of the appropriate amount of Housing Credits is not a representation or warranty as to the financial feasibility of any project, and may not be relied upon as such by the applicant, Responsible Owner, developer, Investor Owner, lender or any other person. The amount of Equity contributed by Investor Owners to a project partnership shall not be less than the amount generally contributed by Investor Owners to similar projects based on current market conditions. In the event that the Ownership Entity receives less Equity proceeds than the amount which should be reasonably obtained based on prevailing market rates, AHFA will underwrite each project's projected Equity proceeds based on the prevailing market rate. Any equity deficits will become the responsibility of the Ownership Entity to contribute. In the event of a surplus in Equity, AHFA may reduce the amount of Housing Credits allocated to the Project at the time of Actual Cost Certification as described herein to avoid over subsidizing the Project.

Special purpose or high cost housing applications that exceed construction and soft costs of other applications received must be supported with other subsidy sources, especially in those cases where proposed costs significantly exceed those of other projects that meet AHFA's minimum Design Quality Standards and Construction Manual. AHFA fully expects that any proposed application submitted will include sufficient other subsidy sources needed to leverage AHFA's limited Housing Credit and HOME Funds.

AHFA will require a minimum Debt Service Coverage ratio of 1.20:1 for HOME development debt financing that would foreseeably result in foreclosure if not repaid. AHFA will determine the allowable operating expense based on historic and current HOME and Housing Credit properties' financial statements.

AHFA will require the Project to establish and maintain throughout the Extended Use Period a minimum operating reserve. The operating reserve will be an amount equal to six months of the projected first year operating expenses plus three months of debt service.

AHFA will require the Project to establish and maintain throughout the Extended Use Period a minimum replacement reserve account of (a) $250 per unit annually for new construction projects for the elderly, and (b) $300 per unit annually for all other projects.

Additional underwriting criteria and assumptions that are market-driven, such as interest rates, Housing Credit pricing, and project operating expenses will be available at www.AHFA.com prior to the application cycle.

(iv) Credit Worthiness. AHFA will perform credit examinations of the individual(s) and review trade reports for all businesses comprising the proposed development team involved in the development and operation of the Project. The application must contain sufficient documentation to obtain all applicable credit and trade reports. If these reports prove to be less than satisfactory, including but not limited to the finding of federal tax liens, bankruptcies, judgements, etc., the application will be terminated.

(v) Reasonableness of Project Costs.

a) Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed at the determination of AHFA. Additional information and documentation (verified by AHFA and/or an AHFA third-party consultant) may be required to substantiate the reasonableness of the cost, including without limitation information regarding proposed costs which significantly exceed AHFA minimum Design Quality Standards and Construction Manual. Any allocation of Housing Credits, regardless of funding type or project type, will be determined using AHFA's assessment of cost and overall application feasibility. Any allocation of HOME

Funds cannot exceed the limits published by HUD. A list of applicable limits can be provided by AHFA.

b) AHFA determines reasonableness of project costs by comparing aggregate cost data based on all applications received, historical cost certification, cost data of completed projects, and current cost data provided by AHFA third-party construction consultant reports. After evaluating all the data, reasonable standard project hard construction costs and soft costs are established for each application cycle.

AHFA reserves the right to request certification or verification in a form acceptable to AHFA of any line item cost at any time between the application cycle and Actual Cost Certification.

2) Frequency of Evaluation. Applications will be evaluated at least two times:

- At submission; and,
- Before the closing of the HOME loan.

F. Developer and Builder Fees

1) Developer Fee. The developer fee, which includes the developer's overhead and profit plus consultant fees and the Ownership Entity's profit, should not exceed 15% of the total project costs (excluding the developer fee).

2) Builder Fee. The builder fee, which includes builder profit and overhead, should not exceed 8% of the construction costs, excluding the fee. General requirements must be cost-certified and, as a general rule, should not exceed 6% of the total construction costs. Items included in general requirements will be consistent with HUD and USDA Rural Development regulations.

G. HOME Funds Allocations

All AHFA issued Written Agreements for HOME Funds to approved projects are contingent upon AHFA's receipt of an allocation of HOME Funds from the U.S. Department of the Housing and Urban Development and subject to any change in applicable laws or regulations. Each approved Written Agreement may be reduced or terminated if AHFA does not have available the expected amount of HOME Funds or if there is a change in applicable laws or regulations. AHFA shall have no liability whatsoever to any Ownership Entity if AHFA's Written Agreement for HOME Funds to such Ownership Entity is impacted by a change in AHFA's HOME Action Plan or in applicable laws or regulations.

No single Ownership Entity, Responsible Owner or their Related Parties shall be allocated HOME Funds in excess of 20% of the state's current HOME Fund allocation. Regardless of the percentage ownership in a project, 100% of the project's HOME Fund allocation will count towards all caps.

The intent of the HOME Cap is to promote fair and objective administration of the HOME Program by ensuring that no single applicant can receive an excessive share of the available HOME Funds in any application cycle. Parties that have an Identity of Interest are

presumed to be sufficiently related for them to be treated as a single applicant for purposes of the Cap. As described below, AHFA may in its discretion, identify other parties whose relationship is sufficiently close to cause them to be treated as a single applicant for purposes of the Cap. A significant factor in the evaluation will be whether, based on the facts and circumstances, a primary purpose of a party's involvement in a project appears to be avoidance of the Cap. For purposes of this paragraph, the following relationships constitute an Identity of Interest for purposes of identifying Related Parties in order to apply the Cap:

1) Individual persons are considered related to each other (i.) if they have any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father- in-law, and mother-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or (ii.) if one individual is an employer, by common law or otherwise, of the other.

2) Entities are considered related to each other (a) if any director, shareholder, partner, member or any other type of Responsible Owner of any Ownership Entity would be considered a related individual (under item (a) above) to any director, shareholder, partner, member or any other type of Responsible Owner of another Ownership Entity, (b) if the Ownership Entity has the ability to control another Ownership Entity, or (c) if the Ownership Entity owns a material interest in another Ownership Entity. An Ownership Entity will be presumed to control another Ownership Entity if it has a percentage of ownership in the other Ownership Entity or the ability to appoint a percentage of the members of the other Ownership Entity's governing body (i.e., board of directors, board of trustees, partners, managers, etc.) that would permit it to control the other Ownership Entity either by operation of law or by agreement. A material interest means any ownership interest in excess of 20% of the stock, partnership interests, membership interests or other forms of ownership of any Ownership Entity; provided, however, that ownership interests held by Housing Credit investors, Housing Credit syndicators or special administrative partners or members shall be disregarded for purposes of 20% test.

3) Without limiting the above, a trust will be considered related to any individual or Ownership Entity if any trustee, trustor, grantor, settlor, beneficiary, permissible distributee, any person or entity serving a role similar to the foregoing, or any person holding power of appointment (general or limited) over trust property would be considered related to the individual or entity under items (a) or (b) above.

4) Any other relationship which, while not specifically listed above, is determined to constitute an Identity of Interest because it is a relationship at least as close as an Identity of Interest described above or because it would permit an allocation that violates the intent of the ceiling.

H. Notification of Approval

Applicants may be notified of the award decisions via email notification, by a letter of non-selection, or a Written Agreement. In addition, award recipients will be listed at www.AHFA.com. Applicants approved for an award will be issued a Written Agreement. The Written Agreement will outline the requirements that must be met in order for an Ownership Entity to receive HOME Funds. Failure to accept the Written Agreement when required or to comply with its terms will cause the award decision to be automatically terminated.

Any applicants that are not selected for funding may schedule a conference call or meeting with AHFA staff to discuss the reasons their application was not selected for funding. The call or meeting must be scheduled and held within four (4) weeks of the date of the notification letter from AHFA. Once the call or meeting has been concluded, AHFA will not have any further discussion regarding the application.

I. Progress Requirements After the Written Agreement

From the date of the Written Agreement, the applicant must deliver each item listed below on or before the deadline specified for that item. The deadlines outlined below or in the Written Agreement will be enforced. Requests for extensions must be submitted on the AHFA-provided forms with the required fees, which are both found at www.AHFA.com. Failure to comply with any one of the deadlines (in whole or in part) and/or providing incomplete or unacceptable content of the required document(s) will cause the Written Agreement to be automatically terminated. The progress requirements after the Written Agreement are as follows:

1) Within 15 days of the date of the Written Agreement, the Ownership Entity must provide:

   (i) The executed HOME Written Agreement acknowledging acceptance of the terms and conditions.

   (ii) The Management Plan (available at www.AHFA.com)

   (iii) The tenant lease agreement with the HOME Lease Addendum and HUD Lease Addendum Violence against Women and Justice Department Reauthorization Act of 2005.

   (iv) The Affirmative Fair Housing Marketing Plan (available at www.AHFA.com).

2) Within 60 days of the date of the Written Agreement, the Ownership Entity must provide as applicable:

   (i) The Environmental Assessment Checklist (available on AHFA's website www.AHFA.com)

   (ii) An asbestos abatement plan by a licensed asbestos contractor for all friable and non-friable Asbestos Containing Materials (ACMs) in deteriorated condition.

(iii) A site-specific Operations & Maintenance Plan for all intact non-friable ACMs that are to be left in place.

(iv) A lead-based paint abatement plan by a certified lead inspector/risk assessor.

(v) Police/Sheriff Department Letter (instructions available at www.AHFA.com)

(vi) Fire Department Letter (instructions available at www.AHFA.com)

(vii) Verification of registration in the System for Award Management at www.SAM.gov.

3) Within 135 days of the date of the Written Agreement, the Ownership Entity must provide:

(i) 3 sets of sealed plans and specifications (refer to Addendum C – Design Quality Standards and Compliance Manual).

(ii) A site-specific soils report bound within the specifications.

(iii) An ALTA/ACSM Certified Boundary Survey bound within the plans.

(iv) Standard AIA form of agreement between Ownership Entity and architect.

(v) Paving recommendation letter from geotechnical engineer (available at www.AHFA.com)

4) Within 165 days of the date of the Written Agreement, the Ownership Entity must provide:

(i) Certified organizational documents for the Ownership Entity and all Responsible Owners that are entities.

(ii) Construction cost estimate summary (in a paper size no larger than 8 ½" x 14").

(iii) Detailed construction schedule (in a paper size no larger than 8 ½" x 14").

(iv) Standard AIA form of agreement between Ownership Entity and contractor (AIA form).

(v) Contractor's State License.

5) Within 195 days of the date of the Written Agreement, the Ownership Entity must provide:

(i) A copy of executed construction note or loan agreement.

(ii) Recorded warranty deed.

(iii) Original recorded Declaration of Land Use Restrictive Covenants for AHFA's HOME Program.

(iv) A copy of the building permit.

(v) Proof of construction commencement evidenced by copy of Owner's Notice to Proceed to project's General Contractor (AHFA form).

(vi) Recertification of Real Property Acquisition Form (available at www.AHFA.com).

(vii) Owner's Title Insurance Policy.

(viii) A written Capital Maintenance Plan for the project (in a paper size no larger than 8 ½" x 14"; available at www.AHFA.com).

6) The Ownership Entity must submit AHFA's HOME/Housing Credit Progress Report as required.

7) If any unforeseen or unusual environmental condition(s) not otherwise identified after completing AHFA's environmental requirements is discovered with respect to a project that received an award of HOME Funds, Housing Credits, or for both under this plan or for any prior year, and such unforeseen environmental condition(s) results in the inability of the project to Place-in-Service by the deadline established under Section 42, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the Ownership Entity's payment of the environmental extension penalty specified at www.AHFA.com herein and the Ownership Entity's compliance with Addendum B and with all other conditions specified by AHFA based on the specific nature of circumstances of the project.

8) Within 180 days after Placed in Service Date, the Ownership Entity must provide AHFA with the Actual Cost Certification package (Available at www.AHFA.com).

Construction on the project cannot begin until a pre-construction conference has been held with AHFA.

J. Negative Action After Notification of Approval

Should any of the following actions occur after the notification of approval of HOME Funds the award will be terminated unless otherwise provided below:

1) Site change--a change from the original site location or a change in property ownership will not be allowed under any circumstances. Any change in the site configuration or size from what was originally proposed in the application must have prior written consent from AHFA;

2) Change in ownership--a change in the parties involved in the Ownership Entity (e.g., addition of a new general partner/member or removal of an existing general partner/member) without prior written consent of AHFA. Examples of situations in which consideration may be given for a change in Ownership Entity include but are not limited to: death or bankruptcy. Any person or entity, including syndicators, that attempts to circumvent this requirement, may be subject to debarment from all AHFA programs;

3) Change in syndication structure--a change in the role of the syndicator or in the distribution of funds/allocation to others through syndication as stated in the application without prior written consent of AHFA;

4) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by a local regulatory authority and/or regulatory codes);

5) Change in the general contractor without prior written consent of AHFA;

6) Change in the Management Company without prior written consent of AHFA;

7) Change in the architect without prior written consent of AHFA;

8) If AHFA receives a determination from a federal, state or local regulatory authority or agency of significant or uncorrected non-compliance on applicant's existing Non-AHFA Projects, AHFA may terminate the application;

9) Any Development Team Member listed in the application who has instances of excessive, willful neglect or uncorrected (within the time required by AHFA) non-compliance with AHFA, Housing Credit, HOME, TCAP/Exchange or Multifamily Housing Revenue Bond regulations on existing projects;

10) Any Development Team Member listed in the application who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;

11) Applicant has a project that is in foreclosure or has been foreclosed in the past 10 years;

12) Any material adverse change relating to the Project or Ownership Entity. AHFA will determine whether the change(s) is material and/or adverse and further reserves the right to terminate the allocation based on the effect of said change(s) in comparison to original application approved by AHFA;

13) Applicant (including all Development Team Members listed in the approved application) has outstanding fees due to AHFA; and/or

14) If Housing Credits are combined with HOME Funds and the Environmental Site Assessment review by AHFA (or AHFA's consultant) identifies any unsatisfactory environmental condition that the applicant (or any Responsible Owner of applicant) knew or should have known about or failed to investigate fully prior to application submission.

The above list of negative actions after an award of HOME Funds is not all-inclusive. The Written Agreement itself will list other necessary requirements. AHFA will terminate the Written Agreement if it determines that any information supplied in connection with the project contains Misleading Information.

K. Change in or Denial of HOME Allocation

The application evaluation described in Section IV (E)(2) of the HOME Action Plan may result in a possible change in the amount of HOME Funds allocated to a project or denial of the total allocation altogether due to, but not limited to, one of the following reasons:

1) AHFA determines that the application contains Misleading Information;

2) Conditions in the Written Agreement are not met;

3) Changes in the actual cost of the project;

4) Obtains additional subsidies or financing other than those disclosed in the application;

5) Appraised value of the land that will be included in the project is not equal to or higher than the purchase price based on the sales contract provided at the time of application; and

6) Applicant's failure to notify AHFA promptly of any material or adverse changes in the original application. Material or adverse changes include, but are not limited to, applicant's loss of Site Control, rights of way, ingress and egress, adverse change in the financial condition of the applicant, and applicant's inability to perform tasks proposed in the application by the deadline set by the applicant and further set or agreed to by AHFA.

L. Disclosure

AHFA will attempt to request all information necessary to make informed decisions regarding HOME allocations. Therefore, it is in the best interest of all parties involved with the process to disclose completely and accurately all information regarding each proposed project. AHFA acknowledges that errors and misjudgment sometimes occur and simply requests that the applicants notify AHFA of any errors that may occur upon discovery.

V. ADMINISTRATIVE OVERVIEW

A. Alabama Housing Finance Authority (AHFA)

AHFA is a public corporation and instrumentality of the State of Alabama, organized pursuant to the provisions of Title 24 Chapter 1A of the Code of Alabama, as revised. AHFA was established as the housing finance entity for the State in 1980. Currently, AHFA has an experienced staff of employees with many having 10-20 years of commercial banking, mortgage banking or accounting experience. AHFA staff includes experienced commercial real estate and construction lenders, mortgage bankers, accountants and support personnel. The multifamily staff, responsible for the HOME Program, has experience in dealing with other federal programs, which include the Housing Credit and Multifamily Bond Financing Programs. The single-family staff administers a number of programs including the Mortgage Revenue Bond program, the Mortgage Credit Certificate program, the Down Payment Assistance program, the Step Up program, the Rural Alabama Mortgage program, the Building Blocks to Homeownership program, and the Habitat for Humanity Loan Purchase program.

AHFA has the necessary computer hardware and software programs required to properly administer and service loan transactions in connection with the HOME Program. Hardware components consist of a personal computer local area network with multiple large-capacity file servers with the capacity to run mortgage loan servicing software packages.

B. Administrative Policies and Procedures

AHFA's administration of the HOME Program includes, but is not limited to, the following functions: accounting, loan processing, loan servicing, administration, compliance, investments, and disbursement of funds. AHFA will be compensated for any and all expenses incurred in performance of its duties (inclusive of those duties for which AHFA may subcontract) through draws from available administrative funds in the HOME account.

The State of Alabama, as a Participating Jurisdiction, is responsible for ensuring that HOME Funds are used in accordance with all program requirements. AHFA, acting in its capacity as Administrator of the State of Alabama's HOME Program, AHFA's Board of Directors, officers, employees and agents will not be held responsible or liable for losses incurred from claims, suits, damages, and costs and expenses of any kind or of any nature that the HOME Program may suffer, incur or pay arising out of decisions by AHFA concerning any application, loan decision(s), or action(s) associated with the administration of the HOME Program unless said responsibility or liability is specifically contained within the Act.

1) HOME Disbursement Accounts

Two accounts have been established to administer Alabama's HOME Program. The first account, the HOME Investment Trust Fund, is established in the Treasury Department and managed through HUD's Integrated Disbursement and Information System (IDIS). The second, Alabama's HOME Account, is established and utilized by AHFA as a deposit and disbursement account of HOME Funds. HOME Funds from the federal government, interest earnings and repaid principal will be deposited and disbursed from this account. All HOME related funds in this account will be kept separate from other accounts maintained by AHFA. AHFA may establish other administrative accounts, which are allowed under Title II of the Act.

Once a project has been approved for funding, and all of the conditions required to be satisfied prior to the execution of the HOME Written Agreement have been satisfied, an account for said project will be established in IDIS. Requests for HOME Funds will be made to the IDIS by AHFA or its designee.

2) Administrative Duties

(i) Audits and Reviews: AHFA, as administrator, may conduct reviews and audits of recipients as may be necessary or appropriate to determine compliance with the rules and regulations of Title II of the National Affordable Housing Act. An accounting firm chosen by AHFA will conduct required external audits of Alabama's HOME Program.

(ii) Monitoring: AHFA will monitor each designated recipient of HOME Funds for compliance with occupancy and use restrictions. The scope and frequency of monitoring activities will meet or exceed the minimum requirements of the specific program as outlined in the Act or regulations. See Compliance Section VI.

Recipients of HOME Funds must comply with the reporting requirements as defined in 24 CFR Section 92.508 and are responsible for providing AHFA with the information necessary to complete the annual reporting requirements. Recipients

must report all instances of non- compliance to AHFA at P. O. Box 242967, Montgomery, AL 36124-2967 and the HUD office in Birmingham, Medical Forum Building, 950 22nd Street North, Suite 900, Birmingham, AL 35203.

VI. COMPLIANCE

A. Minority and Women's Business Outreach

As required in Section 281 of the HOME Investment Partnerships Act, AHFA will work to involve minority and women's business enterprises whenever possible.

AHFA will give preference points to those applications which evidence the participation of minorities in connection with the project. AHFA will maintain a record of reported activities of Minority- and Women- Owned Businesses involved in the HOME Program.

B. Equal Opportunity and Fair Housing

Affirmative marketing procedures will be utilized so that no person in the United States shall, on the grounds of race, color, national origin, religion, or sex, be excluded from participation in, be denied benefits of, or be subject to discrimination under any program or activity funded in whole or in part with funds made available under Alabama's HOME Program. Recipients of Alabama's HOME Funds must adhere to the requirements of the Fair Housing Act and the Age Discrimination Act of 1975. AHFA will maintain records, whenever possible, of the percentage of low-income units Occupied or purchased by minority and single parents.

All loan applicants or local units of government applying for Alabama HOME Funds must certify in the application that they will adhere to the affirmative marketing procedures (as defined in 24 CFR Section 92.351). Records concerning the characteristics of tenants renting HOME assisted units must be maintained by the Ownership Entity; and supplied to AHFA on an annual basis. AHFA will analyze this data to assess the success of the Ownership Entity's affirmative marketing procedures.

C. Section 3 Economic Opportunities for Low – and Very Low-Income Persons

As required by Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, recipients of HOME Funds must ensure that employment and other economic opportunities generated by housing development must be directed toward low- and very low-income persons.

D. Environmental Review

AHFA will conform to the Environmental Review requirements of Title II of the Act.

E. Matching

NOTE: The State of Alabama is typically required to match a portion (twelve and one-half percent) of annual HOME Funds. This match may be derived from several possible sources including the donation of land by localities, the donation of voluntary skilled or unskilled labor, sweat equity, the use of tax exempt bond proceeds, the value waived of property taxes by localities, cash injections by localities, and any other source which may be determined at a later date. Additionally, a number of AHFA programs (Down Payment Assistance, Habitat for Humanity Partnership) provide financial assistance to HOME- eligible Alabama households

and a portion of this funding may count as match. The use of any possible state funds would require an appropriation by the legislature. Specific sources and the amount of possible funds available to meet the matching requirements for a program year will be determined prior to any draw of HOME Funds. A HOME recipient may be required to provide a "Match" source to close their project. Specific waivers may be granted if an Alabama county is listed as a presidentially declared disaster area.

F. Occupancy and Rent Requirements

In HOME and Housing Credit residential rental projects at least 20% of the units must be Occupied by households with incomes at or below 50% of median family income and the rent must be restricted at or below the 50% rent level or Section 8 Fair Market Rent, whichever is less. The remaining units must be Occupied with households with incomes at or below 60% of median family income and the rent must be restricted at or below the 60% rent level or Section 8 Fair Market Rent, whichever is less. HOME income limits and rent limits are calculated annually by HUD's Office of Policy Development and Research (PDR), once the Section 8 income limits have been issued.

G. Compliance Monitoring

The compliance monitoring procedures apply to all buildings Placed in Service in Alabama, which have received allocations of HOME Funds as determined under the HOME Regulations. A complete outline of AHFA's compliance requirements is located in AHFA Compliance Manual available at www.AHFA.com. A description of AHFA's basic compliance monitoring procedures and requirements are described in Addendum D.

VII. AMERICAN DREAM DOWNPAYMENT INITIATIVE

A. American Dream Downpayment Initiative (ADDI)

ADDI is a HOME Program-based funding source for the provision of down payment assistance to eligible first-time homebuyers. AHFA serves as administrator of the State of Alabama HOME Program and the State of Alabama ADDI Program.

The initial allocation of ADDI funds to the State was approximately $1,463,919 -- 2003 HUD- appropriated funds totaling $671,691 and 2004 new funding totaling $792,228. Each source had its own separate requirements.

B. ADDI Funds

The State of Alabama has not received a new allocation of funds since 2009. Should the program continue to be funded, AHFA will continue to use these funds to provide down payment assistance throughout the State. The per-family assistance shall not exceed $10,000 in the form of a grant or a forgivable loan.

Families and households eligible to receive ADDI funds must (a) earn 80% or less of the Area Median Income (AMI) per HOME guidelines, (b) have less than $4,000 in liquid assets at the time of loan application through the date of closing, (c) complete a homeownership counseling course provide by a HUD-approved counseling agency or any other AHFA-approved homeownership counseling course, and meet lenders credit requirements.

Outreach and marketing efforts for ADDI will be conducted by AHFA and its many business partners such as the Homebuilders Association of Alabama, the Mortgage Bankers Association of Alabama, the Alabama Association of Realtors, the Alabama Federation of Housing Counselors and Agencies, and the Consuming Credit Counseling Services of Alabama.

C. ADDI Recapture Provision

If at any time during the five-year affordability period, the original homebuyer sells, trades, transfers title or otherwise ceases to occupy the home as their primary residence, the homebuyer will be subject to recapture and must pay back the funds as deemed applicable. ADDI recapture is assessed on a reduced prorated basis of 20% per complete year, except in cases of non-compliance, which requires 100% of the ADDI funds to be repaid. Non-compliance for ADDI means that the homebuyer was not eligible for the ADDI funds at the time of the application. Non-compliance would result if the program criteria such as prior ownership, family income limits, sales price limits, and occupancy of residence during the 5-year affordability period are not met and this information was not properly disclosed. Any recaptured funds paid back to AHFA will be returned to the ADDI allocation and used to assist other qualifying homebuyers.

Addendum A

Alabama Housing Finance Authority's

2019 HOME Point Scoring System

WITHOUT LIMITING ANY OTHER PROVISION OF THIS HOME ACTION PLAN, ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

The point scoring system described in this Addendum A and related provisions of the QAP (Point Scoring System) will allow AHFA to award points to projects that best meet the identified housing priorities for the State of Alabama. The Point Scoring System will rank each project in two sections (Points Gained and Points Lost). The ranking of each project will be determined by taking the Points Gained section and deducting the Points Lost section to get an overall project score. The Point Scoring System will largely determine which projects should be allocated. Applicants will be required to score their applications using the current year HOME/Housing Credit Point Scoring form provided by AHFA. This point scoring form must be submitted to AHFA as part of the Application Package.

Any points gained category referenced herein or in other sections of the current QAP or the current HOME Action Plan are specific to the current program year and may not be carried (or brought) forward to (or from) any future (or past) program year by any entity, individual or application.

AHFA has established a housing priority in order to achieve a balanced distribution of Housing Credits and HOME Funds throughout the State in terms of geographical regions, counties, urban, and rural areas. AHFA will achieve this priority by allocating Housing Credits and HOME Funds generally to only one project per county. This allocation methodology, used over time, has helped to ensure that counties and cities across the State have received a share of AHFA allocation of funds proportionate to their respective populations.

Please note that applicants may apply for Housing Credits combined with HOME Funds only for new construction projects, which are not eligible for the rehabilitation points described in this Point Scoring System.

Project Selection Procedures:

Allocation Selection:

1. The highest scoring project per county with ownership by an AHFA-Approved CHDO will be funded until the regulatory 15% CHDO set-aside has been met.

2. The highest scoring Housing Credit project and/or HOME project combined with Housing Credits will be allocated per county until all available 2019 Housing Credits and HOME Funds have been allocated, subject to the following exception. **AHFA will allocate Housing Credits to 2 projects in the same county or city only if both projects score high enough to be funded, are otherwise eligible to be funded under this HOME Action Plan, and one of the projects being considered has all of the following attributes at the time of application: (i) has received a HOME Loan from AHFA, (ii) has at least 85% occupancy, and (iii) has either (a) repaid the HOME Loan in full, or (b) has a fully executed commitment with AHFA for a 15-year extension of the debt evidenced by the outstanding HOME loan.**

3. If all available 2019 Housing Credits have been allocated and there still remains available HOME Funds, the highest scoring HOME project combined with Housing Credits may be allocated per county, subject to a future-year Housing Credit allocation.

Projects with a net score of less than 70 points (Points Gained less Points Lost) will not be considered for allocation.

In the event of a tie between two or more applications, the projects will be ranked in the following order to determine which application will receive priority:

1. In the event there is a tie in scoring among two or more applications, then a recommendation will be made for the application that has the least amount of aggregate participation by any one Responsible Owner. Aggregate participation is defined as the total of all Housing Credit and HOME/Housing Credit applications recommended for allocation in the current application cycle.

2. If a tie(s) still remains, priority will be given to the application that has applied for HOME Funds.

3. If a tie(s) still remains, priority will be given to the application located in a county with the least total number of Active Units and other units approved by AHFA for funding in the last 5 years.

4. If a tie(s) still remains, priority will be given to the Responsible Owner who has not been required to schedule an additional on-site compliance inspection at a project, at any time prior to the project's standard inspection cycle, as the result of a material finding of non-compliance, a failure to maintain or provide complete records, a failure to provide on-site access to compliance staff, or unresponsiveness to AHFA's compliance program.

5. If a tie(s) still remains, priority will be given to the project that is located in a Qualified Census Tract and is supported by a revitalization plan approved by the governing body of the local jurisdiction within 5 years before application submittal. To be eligible for this priority, the application must include copies of the relevant excerpted pages from the revitalization plan, including referenced defined terms, with specific references highlighted (no more than 10 pages).

6. If a tie(s) still remains, priority will be given to the application for a project that is intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, townhomes or a combination thereof to be eligible. To be eligible for this priority, the applicant must complete the AHFA-provided Homeownership Conversion Proposal and provide a plot plan and counseling agreement in form and content acceptable to AHFA.

7. If a tie(s) still remains, priority will be given in accordance with a drawing that will be held the next business day after the applications are submitted. The drawing will be held in AHFA's boardroom to determine the order of awards in the event of a tie. An impartial person will be selected to draw. The drawing will be open to the public and the results will be posted on AHFA's website at the conclusion of the drawing.

AHFA reserves the right to deny a Housing Credit allocation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a Housing Credit allocation be made irrespective of the ranking order established by the Point Scoring System, based on the amount of Housing

Credit allocation needed relative to the amount of allocation available for the project to be financially feasible.

Regardless of strict numerical ranking, the Point Scoring System does not operate to vest in an applicant or project any right to a reservation or allocation of Housing Credits in any amount. AHFA will in all instances reserve and allocate Housing Credits consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

A. POINTS GAINED

1.) **Project Characteristics (Maximum 66 Points)**

(i.) Type of Construction (Maximum 33 Points)

(a.) A maximum of 25 points in aggregate will be given to projects that provide extra unit/project amenities. Refer to the application and its instructions for the distinction between an extra amenity and a required amenity. Only the extra amenities listed below will be eligible for points. If a project receives an allocation of Housing Credits and fails to provide any extra amenity in the manner represented in the Application Package, the project and its Responsible Owners will be subject to point penalties and other sanctions in accordance with this HOME Action Plan.

<u>4 Points will be given for each of the following extra amenities:</u>

- Clubhouse/Community Building/Community Room *(Must have at a minimum a kitchen (with refrigerator/freezer, cabinets and a sink with counter space), community meeting room (with seating and activity areas commensurate to total number of units), restrooms, community TV with cable, satellite or streaming services with a minimum of 42 inch screen TV, and wireless internet service. A community laundry must be included if not providing a washer/dryer in each unit and the community laundry must contain at least 1 washer and 1 dryer for every 25 units proposed in the project.)*
- Washer/Dryer provided in each unit *(3-7 cu. ft. capacity. Washer must be Energy Star rated.)*
- Exterior Security Package *(Must include all of the following: cameras, alarms and lighting that will provide adequate monitoring and coverage of the entire property)*
- Unit Security Package *(Each unit must have an alarm on all entry doors and windows)*
- Storm Shelter *(Must meet the International Code Council National Storm Shelter Association Standard for the Design and Construction of Storm Shelters (ICC-500 August 2008) Standards)*
- Playground *(Must provide commercial grade playground equipment with a minimum of 3 play activities)*
- Outdoor Fitness Activity Area *(Must provide commercial grade outdoor fitness equipment with a minimum of 3 exercise activities)*
- Covered Picnic Pavilion *(Minimum of 2 tables with attached bench seating and 2 grills with a permanent cover)*

3 Points will be given for each of the following extra amenities:

- Computer center *(two or more computers with printer and internet access)*
- Splash Center *(at least 500 square feet) which includes at a minimum a spray zone and pad and 3 above ground water features.*
- Exercise/Fitness room with equipment *(Room must be no less than 144 square feet and provide a minimum of 3 separate types of commercial grade exercise/fitness equipment)*
- Covered bus stop shelter (minimum 6' wide by 12' long) with 2 fixed bench seating underneath same cover *(Must be separate/independent of the mail kiosk unless location allows for proper access of bus to pick-up and drop off)*
- Access Gate *(Must be on all entry points of project if more than one)*
- Walking Trail with Benches *(5 feet wide concrete and minimum of ¼ of mile long) (Must be separate from required sidewalks)*

2 Points will be given for each of the following extra amenities:

- Basketball court *(Must have break-away rim and shatter-proof backboard)*
- Picnic area (minimum of 168 square feet of concrete slab for each picnic table) with grills *(1 grill (permanently fixed) 1 picnic table with attached bench seating for every 14 units proposed in the project). Rooftop area with 1 picnic table with attached bench seating for every 14 units proposed in the project.*
- Storm doors (Must be aluminum construction)
- Emergency Pull Cord/Call Button *(Minimum of 1 in each unit)*
- A car wash station *(At a minimum the car wash station must include a dedicated space, wall/ceiling boom with spray wand and fixed mount vacuum)*
- Attached bike rack *(1 per building including the community building) (Rack must be permanently installed on concrete in such a way that sidewalk traffic is not impeded)*
- Gazebo (Minimum 16' x 16') *(Minimum of 1 picnic table with attached bench seating)*

New Construction Projects Only (Maximum of 8 Points)

(b.) 4 points will be given for storm windows; thermal break insulated windows or extruded vinyl windows and insulated exterior doors. Windows must be Energy Star Rated.

(c.) 4 points for full brick/cementitious siding, stucco, cultured stone or concrete masonry unit (CMU) products (No Exterior Insulation Finishing System is acceptable).

Multifamily units (two or more units in a building)

A minimum of 40% of each building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. The remaining 60% can be cementitious siding, stucco, or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

All entry areas into the apartment (including covered breezeways, porches, balconies, and patios) must have brick, cementitious siding, stucco, cultured stone or CMU to be considered full brick.

Single-family units (single unit/detached building)

A minimum of 50% of the building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. Each exterior wall must contain brick up to the bottom of the first floor windows on a two-story unit or the window sill of a one-story unit. The remaining 50% can be cementitious siding, stucco, cultured stone or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

(ii.) **Energy/Water Conservation and Healthy Living Environment**
(Maximum of 8 Points in Aggregate)

<u>3 points will be given for each of the following:</u>

- HVAC of 15 SEER (HSPF 9.0) or above.
- Energy Star rated "cool roof" shingles or metal roof with a fifty (50) year warranty.

<u>2 points will be given for each of the following:</u>

- Kitchen range hood ventilation to be vented to the exterior and equipped with a damper.
- EPA's Partnership Program "WaterSense" labeled water closet, faucets (all bathrooms and kitchen) and showerheads.

<u>1 point will be given for each of the following:</u>

- Low Volatile Organic Compounds (VOC) wall finishes (maximum VOC levels of 50 grams/liter).
- Low VOC flooring finishes (maximum VOC levels of 100 grams/liter).
- Energy Star rated LED lighting in the kitchen.

(iii.) **Rent Affordability** (Maximum 7 Points)

(a.) **New Funds**. A maximum of 5 points in aggregate will be given to projects which have a commitment for the AHFA approved sources of new funds listed below. If the funds are loaned (required repayment) or granted to the project, at least 50% of the total amount of funds committed for points must remain as a permanent source of funds. Existing funds that are assumed and/or term(s) extended do not qualify for points under these criteria. To qualify for these points, the application must include a fully executed firm commitment from the entity that will be loaning or granting the funds to project.

(1.) A maximum of 5 points will be given to projects that have a commitment for AHFA-approved sources of new funds from the following list: Federal Home Loan Bank for Affordable Housing Program (AHP) funds (AHP funds must be in the form of a grant), HOME Funds (not awarded by AHFA), USDA Rural Development 515 funds, CDBG, CDBG Disaster Funds administered from Alabama Department Economic Development, HUD CDBG Disaster Funds, Neighborhood Stabilization Program funds, CHOICE Neighborhood funds, Promised Neighborhood funds, NeighborhoodWorks Capital Grant, Home Depot Foundation Grant, Capital Magnet Funds grants or HUD's Economic Development Initiative program funds allocated through the Community Development funds.

5 points – $16,001+ per unit

4 points – $12,001 - 16,000 per unit

3 points – $8,001 - 12,000 per unit

2 points – $4,000 - 8,000 per unit

(b.) **Rental/Operating Subsidies**. A maximum of 2 points will be given to projects that have a commitment for rental/operating subsidies from USDA Rural Development or HUD.

- USDA Rural Development commitment must be for at least 25% of the total proposed units to receive the points.
- HUD commitment must be for at least 50% of the total proposed units to receive the points.

(iv.) **Tenant Needs** (Maximum 5 Points)

(a.) 1 point will be given to projects with 100% of the units in the project designed, equipped and set-aside for the elderly. (For elderly definition, see the AHFA Compliance Manual available at www.AHFA.com)

(b.) 1 point will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the low-income units having three or more bedrooms. If an applicant chooses 100% elderly, the applicant *will not* receive additional points for three or more bedrooms. Rehabilitation of existing multifamily rental units must already have the required three or more bedrooms to receive the points.

(c.) 2 points will be given to projects that set-aside a minimum of 5% of the total proposed units for tenants with disabilities or homeless populations. The units must be actively marketed and rented to households with at least one tenant with a disability or a tenant transitioning from being homeless. A marketing and preference plan will be required at the time of the application, along with an executed Memorandum of Understanding.

(d.) 1 point will be given to projects that have committed in writing to target households on the public housing waiting list.

(e.) 1 point will be given to projects that provide at a minimum 5% of the dwelling units be designed and constructed to be readily accessible to individuals with mobility impairments. An additional 2% of the dwelling units must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

(v.) **Project Type** (Maximum 1 Point)

1 point will be given for rehabilitation of existing multifamily residential rental housing, replacement of multifamily housing or replacement of previously existing multifamily housing. Previously existing multifamily housing is defined as multifamily housing that has been demolished and cleared within the last 5 years or will be demolished and cleared for the construction of new replacement housing on

the same site, except for replacement of existing multifamily housing owned by public housing authorities, which may be constructed on the same site or a new site.

(vi.) **Location** (Maximum 13 Points)

(a.) Points Gained for Site Selection

(1.) Neighborhood Services (Maximum 10 Points)

2 points will be given for each of the following neighborhood services located within 3 miles of the site. Distance will be measured by odometer from the automobile entrance of the proposed project site to the closest automobile entrance to the parking lot of the applicable neighborhood service. Projects located in a federally declared disaster county may receive points for neighborhood services, if the neighborhood service is currently under construction and funded in whole or part by Federal or State disaster funds. The applicant must provide sufficient evidence of both requirements. Duplicate neighborhood services will not be eligible for additional points. Points will only be given for the neighborhood services listed below. If AHFA cannot locate a service due to incorrect directions, 1 point will be deducted for each service where incorrect directions are provided. (Refer to the Application Site/Project Information Form for instructions on providing directions from site, and a general definition of services eligible for points).

Grocery Store	Pharmacy or Drug Store
Convenience Store	Bank or Credit Union
Hospital or Doctor Office	

(2.) Census Tract Location (Maximum 3 points)

A maximum of 3 points will be given to a project located in a Census tract where the Median Family Income from the 2010 Census data (2010 ACS 5 Year) is equal to or higher than the following percentages (rounded down) of the county's 2018 Annual Median Family Income published by HUD:

1 point – 80% to less than 90%

2 points – 90% to less than 100%

3 points – 100% or more

(b.) Points Deducted for Site Selection

(3.) Negative Neighborhood Services (No Maximum)

There is not a limit on the amount of points that can be deducted for negative neighborhood services.

5 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive. (Refer to Negative Neighborhood Services as defined in the Application Instructions)

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Industrial
Distribution facilities	Airports
Electrical utility Substations	Prison or Jail
Railroads	Solid waste disposal

Adult video/theater/live entertainment

*Please note: Points will not be deducted for properties located adjacent to a railroad, if the noise levels are acceptable (outside noise level < 65 dB; interior noise level < 45 dB). AHFA will rely on the noise level assessment required in the environmental report submitted with the application.

2 points each will be deducted if any of the following incompatible uses listed are within .3 mile of the site. The list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Airports
Prison or Jail	Solid waste disposal

Points will not be deducted for a prison, jail, or detainment facility if it is co-located with a police station or similar law enforcement office.

(4.) Accessibility (Maximum 2 points Deducted**)**

2 points will be deducted if the condition of the streets and sidewalks are unsatisfactory. The width of the streets and the difficulty of access to the proposed site will be taken into consideration.

2.) **Applicant Characteristics (Maximum 20 Points)**

(i.) 5 points will be given to applicants with participation of minorities or women. To qualify for the points for participation of minorities or women, the application must meet one of the following requirements:

- Minorities or women have ownership in the Ownership Entity or any Responsible Owner;
- Applicant guarantees at least 10% of the total building cost is awarded to minority- or women-owned businesses.

In all cases, the minority or female individual(s) must serve as the general partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner, or must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include, but are not limited to, real estate firms, construction firms, appraisal firms,

management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services. The name and address of the company and the anticipated contract amount must be listed at the time of application on the form provided by AHFA in the Application Package in order to receive the points.

(ii.) 5 points will be given to Ownership Entities with a Responsible Owner that currently owns and has previous successful experience in the development of Active AHFA Projects that received a Housing Credit Reservation Letter or HOME Written Agreement in 2006 or later.

Those 5 points will also be given (but without duplication) to Ownership Entities with one or more Responsible Owners that have listed Non-AHFA Projects that were Placed in Service in 2006 or later. The Ownership Entity must list each Non-AHFA Project(s) on the Responsible Owner's AHFA Schedule of Real Estate Owned included in the application.

Special limited partners do not qualify for these points. Mobile home developments, hospitals, sanitariums, life care facilities, or intermediate care facilities are not considered multifamily housing for purposes of qualifying for points. The Responsible Owner may include experience gained as a Responsible Owner in another firm, but not as an employee of another firm. Applicants must currently own the properties listed for development points.

5 points = (500+ units or 5+ projects)

(iii.) 10 points will be given to applicants with sound, experienced managing agents of low-income multifamily housing. This experience is defined by the highest number of units or projects (with at least 20% of the units being considered low- income) currently managed. Only those units in projects that are considered low- income units will be counted in this total.

10 points = (1000+ units or 10+ projects)

B. POINTS LOST

In addition to the points gained, each application submitted by an Ownership Entity may be subject to point deductions. Point deductions resulting from each existing AHFA-Project (approved and/or Placed in Service) will be based on AHFA's QAP and HOME Action Plan for the applicable year and will cover all non-compliance with AHFA documents, executed agreements, audits and inspections that is identified during the period from January 1st through December 31st of the year immediately preceding the current QAP or HOME Action Plan Year. Point deductions for non-compliance identified between January 1st and December 31st of each year will take into account whether or not the Ownership Entity or other Responsible Owner completes corrective actions, follow up inspections or other verification of compliance within the deadline required by AHFA, even if the deadline falls after December 31st of such year. Points lost will be assessed based on the following criteria:

1.) **Existing AHFA- Project(s) Approved and/or Placed-In-Service (No Maximum)**

(i.) 5 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity altered an approved project in any manner different from the approved project's original application without prior written consent from AHFA.

(ii.) 5 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity or the Management Company identified in the application is not in compliance with and/or has any uncured failure to meet a requirement specifically listed in any AHFA document(s), executed agreement(s) with without prior written consent from AHFA.

(iii.) 2 points (for each occurrence) will be deducted from an application if any Responsible Owner of the Ownership Entity or the Management Company identified in the application for any of the following with respect to Davis Bacon requirements on any AHFA-Project (approved and/or Placed in Service):

- No response on outstanding issues for over 6 months
- The general contractor is unable to submit payrolls, causing an escrow account to be established
- Outstanding issues remain over 2 years from the date of the notice to proceed
- Failure to provide AHFA the Section 3 report on the required date
- Failure to provide AHFA the HUD 2516 report on the required date

2.) **Non-Compliance after the Initial On-Site Inspection (No Maximum)**

Applications are subject to point deductions for failure to comply with the Compliance Requirements as outlined in (Addendum D) Compliance Monitoring Procedures, Requirements and Penalty Criteria.

Applications with Responsible Owners that have Non-AHFA Projects, whether in the State and/or out-of-state, will be subject to the same AHFA requirements defined in attached Addendum D (Health and Safety, Unit, Site, Exterior and Common Area Deficiencies). The 4 point threshold in Addendum D does not apply to Non-AHFA Project(s).

Addendum B

Alabama Housing Finance Authority's
Environmental Policy Requirements

WITHOUT LIMITING ANY OTHER PROVISION OF THIS HOME ACTION PLAN, ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

Alabama Housing Finance Authority ("AHFA") requires that a project-specific Phase I Environmental Site Assessment ("ESA") Report be submitted for each application. The Phase I ESA Report must be prepared by a qualified third-party Environmental Professional ("EP") as defined by 40 C.F.R. § 312.10(b) and adhere to the guidelines, requirements and format described herein.

For All Applications made to AHFA:

A Phase I ESA must be completed by an EP and include all of the components described in Addendum B1, including without limitation, many components that are not specified by ASTM. Failure to fully comply with and include in the Phase I ESA all of the AHFA-required elements will result in delays in processing or termination of the Application Package. AHFA requires that the applicant engage the EP in accordance with the terms set forth in the engagement letter in Addendum B-2, a copy of which must be included as Appendix I of the Phase I ESA. Because many of the required elements of the Phase I ESA take time to complete, AHFA strongly recommends that applicants engage an EP and begin preparing the Phase I ESA as early as possible in the process of preparing an application.

If a Phase I ESA for a project either (a) identifies a Recognized Environmental Condition (which includes, but is not limited to, controlled recognized environmental conditions, historical recognized environmental conditions, etc. (hereinafter collectively referred to as ("RECs")), and/or (b) recommends additional testing, investigation or a Phase II ESA Report be conducted, any and all Phase II ESA Reports and Addenda or additional testing reports that are prepared to address the RECs identified must be included at the time the Phase I ESA is submitted to AHFA. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA; must be completed in accordance with ASTM E1903-11; and must demonstrate that all environmental conditions associated with the project are appropriate for **unrestricted** residential use as defined by the Alabama Department of Environmental Management ("ADEM") under Alabama Administrative Code regulation 335-15-1.02(ccc) (with the sole exception that AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility). If a Phase I ESA identifies an environmental condition that is ruled out as a REC, the Phase I ESA must provide sufficient explanation and all supporting data to demonstrate that the environmental condition is not a REC. AHFA reserves the right to terminate any application if it determines that the EP failed to identify environmental conditions as RECs and addressed, where appropriate, in a Phase II ESA. AHFA will not consider any sites for funding that are listed on or proposed to the National Priority List ("NPL") or State equivalent State Hazardous Waste Site ("SHWS") (Superfund sites).

Two versions of all reports must be submitted as follows: a complete bound (3 ring binder) color hard copy (with each appendix separately tabbed) and an **exact, complete, color copy** in digital form, the text of which shall be in a searchable format. At the time of application submittal, the applicant must pay a non-refundable application fee as specified in the QAP and HOME Action Plan. Pursuant to those plans, AHFA may select and engage third-parties (e.g., an EP, legal counsel, and/or designated consultant) to review and comment on the Phase I ESA or the Phase II ESA Report submitted by the applicant. In addition to the non-refundable application fee(s), AHFA may require the applicant to provide additional funds in amounts sufficient to cover

all third-party costs that AHFA reasonably anticipates to pay or reimburse AHFA for any third-party costs incurred during the application review and analysis process. AHFA will submit an invoice to the applicant which shall be paid by the applicant within five (5) business days of the invoice date. Any unused portion of any additional payments made by applicant related to third-party review, shall be returned to applicant without interest once all third-party invoices have been submitted and a refund amount is determined. During the course of the AHFA environmental review process, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the All Appropriate Inquiry ("AAI") 40 CFR 312 and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). To the extent that an updated Phase I ESA Report is required, the applicant will be solely responsible for these costs, fees, and related expenses. During the AHFA review process, any report(s) submitted for which AHFA (or AHFA's designated consultant) determines materially fails to comply with AHFA Environmental Policy Requirements, current ASTM standards, or applicable environmental regulatory requirements will result in the termination of the related application.

Application Completeness Requirements:

Upon submittal of the Phase I ESA Report, AHFA will conduct a completeness review to determine whether or not the report is complete and complies with the Environmental Policy Requirements.

If during its completeness review AHFA determines that an application in a Competitive Application Cycle for HOME Funds and/or Housing Credits is missing any materials required by the Environmental Policy Requirements or that the materials included in the report fail to materially adhere to AHFA's defined standards, the application will terminate and will not be considered for funding during that scoring cycle. If during the completeness review AHFA determines that all documentation required by the Environmental Policy Requirements has been provided and that the application materially adheres to AHFA's defined standards but that additional information or clarification is required in order for AHFA to complete its full evaluation of the Environmental Policy Requirements, AHFA will contact the applicant via email. When contacted, the applicant must submit requested items within five (5) business days or the application will terminate and will not be considered for funding during that scoring cycle. If in response to a request from AHFA for additional information or clarification, the applicant provides materially different or new information or documentation that was required by this Environmental Policy to have been submitted at the time of application submission, AHFA reserves the right to terminate the application.

If during its completeness review AHFA determines that an application for tax-exempt volume cap (whether or not the applicant requests Housing Credits awarded without a Competitive Application Cycle) is missing any materials required by the Environmental Policy Requirements or that the materials included in the application fail to materially adhere to AHFA's defined standards, the applicant will have up to 30 days after notification from AHFA to resolve any outstanding issues. A Commitment Agreement for Multifamily Housing Revenue Bonds will not be issued until all defined environmental requirements are met to AHFA's complete satisfaction.

All environmental issues identified (or that AHFA determines should have been identified) in the Phase I ESA and Phase II ESA reports must have been fully abated or mitigated (or provide a written remediation plan approved in writing by the applicable regulatory authority) in a manner that is compatible with **unrestricted** residential use (as defined by ADEM under Alabama Administrative Code regulation 335-15-1.02(ccc), with the sole exception that AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility) and is acceptable to AHFA in all respects before submittal of the application. All remediation plans approved by an applicable regulatory authority must be submitted to AHFA in writing upon submittal of the application and include (a) details regarding the specific remediation plan; (b) all applicable final regulatory authority approvals required for the implementation of the remediation plan; (c) a detailed line item summary of estimated costs with supporting quotes; (d) information regarding the expected source of funding for conducting the remediation activities; and (e) a projected schedule for approved remediation activities. To the

extent there are conflicting or inconsistent guidelines or methods between regulatory agencies concerning the environmental matter at issue, the EP shall follow the most stringent standard and certify that this standard has been satisfied. Note that AHFA will not accept any proposed future institutional or engineering controls on the proposed site other than a prohibition on the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility.

All information provided by the applicant must be satisfactory to AHFA and may be subject to the fees as outlined in the applicable QAP or HOME Action Plan and/or at www.AHFA.com.

After the Reservation, HOME Written Agreement, and/or Declaration of Official Intent:

If any unforeseen environmental condition(s) is discovered with respect to a project that has already received an award of HOME Funds, Housing Credits, and/or Multifamily Housing Revenue Bonds, and such environmental condition(s) would have caused the project to fail to meet the Environmental Policy Requirements if discovered prior to award, then (a) if AHFA determines that the environmental condition(s) should have been discovered by the applicant or its Responsible Owners during the application process, AHFA will terminate the award and require all HOME Funds or Housing Credits to be returned to AHFA, or (b) if AHFA determines that the environmental condition(s) arose through no fault of the applicant and should not reasonably have been discovered during the application process, AHFA may allow the Ownership Entity for the project to remediate the environmental condition(s) at the Ownership Entity's sole cost and expense, including without limitation the fees and expenses of any EP and/or attorney engaged by AHFA in connection with the project, as necessary in order for the applicant to comply with the Environmental Policy Requirements and all other conditions specified by AHFA based on the specific nature of circumstances of the project. If AHFA determines under the foregoing standards that an applicant is eligible to take remedial actions with respect to any unforeseen environmental condition(s), the applicant will be permitted to do so only if the applicant provides the following items to AHFA within 30 days, in compliance with the following requirements (the "Remedial Action Requirements"):

1. Estimate of total remediation costs (including itemized quotes from any third party contractors) and schedule for completion of remediation from a qualified environmental professional;
2. Evidence that the project will remain financially feasible and capable of being completed within the time required by the type of funding received; provided, however, that if AHFA permits the Ownership Entity to remediate an unforeseen environmental condition(s) and the time required for such remediation results in the inability of the project to Place-in-Service by the deadline established under Section 42 and AHFA, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the applicant's payment of the environmental extension penalty specified at www.AHFA.com; and
3. Evidence that the applicant has sufficient financial resources to complete the remediation and the project by the required deadline. AHFA will require an applicant to provide a deposit in order to ensure that AHFA's expenses in connection with any remediation will be paid on a timely basis.

For a project that receives an award of HOME Funds, AHFA will notify the applicant if the Phase I ESA Report must be updated in order to satisfy the AAI and ASTM Section 4.6 requirements (requiring certain components of the Phase I ESA to be conducted or updated within 180 days). If an updated Phase I ESA Report is required, the applicant will be solely responsible for all costs, fees and related expenses. If any environmental condition(s) is discovered with respect to the updated Phase I ESA Report that was not present, discovered or disclosed at the time of the initial Phase I ESA Report and such environmental condition(s) causes the project to fail to meet the Environmental Policy Requirements, the applicant must comply with AHFA's Remedial Action Requirements as specified above.

During the AHFA review process, if AHFA (or AHFA's designated consultant) determines that the ESA Report(s) fails to comply with AHFA's requirements, the ASTM standards or applicable environmental regulatory requirements, this determination will result in termination of the award and the return of HOME Funds and/or Housing Credits if not corrected promptly after written notice.

NEPA Environmental Assessment (Projects Selected for HOME Funding):

Each project that receives HOME Funds must undergo an environmental assessment in accordance with the requirements of the National Environmental Policy Act ("NEPA environmental assessment"). The Ownership Entity of a project that receives an award of HOME Funds will be required to provide certain studies, reports and documentation necessary for AHFA to complete the NEPA environmental assessment. AHFA will notify the Ownership Entity of the NEPA environmental assessment requirements at the time of award of HOME Funds. For more information about an Ownership Entity's submission requirements for the NEPA environmental assessment process, please review the AHFA Environmental Assessment Checklist and Guidance (Projects Selected for HOME Funding) at www.AHFA.com

"Choice-Limiting Activities" and Other Activities Prohibited:

Applicants for HOME Funding

NEPA requires that no "choice-limiting activities" occur relating to the proposed project or at the project site **from the time the applicant submits a HOME Program application to AHFA until the NEPA environmental assessment process is complete** (see 24 C.F.R. § 58.22). The applicant must take all actions necessary to ensure that no participant in the development process (including the applicant, Ownership Entity, all Development Team Members, contractors, subcontractors, current property owner(s) or any other person) commits non-HUD funds or undertakes an activity that would have an adverse environmental impact or limit the choice of reasonable alternatives relating to the proposed project or project site.

For projects applying for HOME Funds (regardless of whether any other form of funding is received), prohibited "choice-limiting activities" include, but are not limited to, acquiring, purchasing, rehabilitating, demolishing, converting, leasing or repairing all or any portion of the project as well as disturbing the ground or commencing any form of construction at the project site. All such choice-limiting activities are prohibited during the NEPA environmental assessment period that (a) begins with delivery of the application to AHFA and (b) ends with AHFA's issuance of the Notice to Proceed, which typically occurs at the pre-construction meeting conducted at AHFA's offices in Montgomery.

If choice-limiting activities occur at a proposed site or project seeking HOME Funds during the prohibited period, regardless of whether the applicant consented to the activity or had knowledge of it, the application will terminate and will not be considered for funding. AHFA reserves the right to inspect a site at any time after submittal of an application to confirm that no choice-limiting activities are taking place.

Applicants for Housing Credits

AHFA also prohibits certain post-application activities on projects applying for low-income housing tax credits ("Housing Credits"). For projects applying for Housing Credits or a tax-exempt volume cap allocation (but do not receive HOME Funds), prohibited post-application activities include, but are not limited to, acquiring, changes in property ownership, rehabilitating or converting all or any portion of the proposed site or project as well as disturbing the ground or commencing any form of construction at the proposed site or project. All such post-application activities are prohibited during the review period that (a) begins with delivery of the application to AHFA and (b) ends with a written notification from AHFA that the environmental review process has been completed.

If the aforementioned prohibited activities occur at a proposed site or project seeking Housing Credits during the prohibited period, regardless of whether the applicant consented to the activity or had knowledge of it, the application will terminate and will not be considered for funding. AHFA reserves the right to inspect a site at any time after submittal of an application to confirm that no prohibited activities are taking place.

Addendum B-1

AHFA Requirements

NOTE: ALL REQUIREMENTS BELOW MUST BE PRESENTED IN THE DESIGNATED SECTIONS AND APPENDICES OF THE PHASE I ESA REPORT.

UNLESS OTHERWISE SPECIFIED BELOW, EVERY PHASE I ESA REPORT SUBMITTED TO AHFA MUST AT TIME OF APPLICATION:

1. Comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA's Environmental Policy Requirements.
2. Include a complete legal description (e.g., metes and bounds) of the entire site and the exact site acreage. A tax map identifying the parcel that is the subject of the application must also be included in Appendix A of the Phase I ESA. If applicable, the Phase I ESA should state that the proposed project area does not include the entire tax parcel, and in such instances, the outlines of the proposed project area must be accurately illustrated on the tax map. The site boundaries must be clearly marked and consistent on all figures.
3. Be completed and certified as to its accuracy, completeness and in conformance with the ASTM Standards and AHFA Policy Requirements by an "Environmental Professional" as defined in X2 of the ASTM Standard.
4. Include a statement that the report can be relied upon by AHFA.
5. Pursuant to Section 4.6 of the ASTM Standard and 40 CFR 312.20, the following components of every Phase I ESA must be updated if they are greater than 180 days old:
   a. interviews with owners, operators, and occupants;
   b. searches for recorded environmental cleanup liens;
   c. reviews of federal, tribal, state, and local government records;
   d. visual inspections of the property and of adjoining properties; and
   e. declaration by the Environmental Professional (EP) responsible for the assessment or update.
6. Be in the AHFA Required Environmental Report Format (Addendum B-3).
7. Include a database search. IMPORTANT: The search distances for ASTs, USTs, and delisted NPLs (as specified in Addendum B-4) required by AHFA are more stringent than the default search distances based on ASTM E1527-13. The results and EP's analysis of the database search must be described in the text of the Phase I ESA report and include a sufficiently detailed rationale for why each facility listed in the database search should or should not be identified as a recognized environmental condition.
8. If the proposed project involves rehabilitation, removal, or demolition of a building the following items must be addressed (with associated cost estimates for each and documentation within project budget to account for these costs):
   a. Asbestos Testing: If suspect asbestos-containing materials ("ACM") are present in any structures, asbestos testing must be performed to document the presence or absence of ACMs in every structure. Testing is to be conducted by accredited inspectors meeting the requirements presented in 40 CFR 763 Subpart E, Appendix C and TSCA Title II in accordance with the Asbestos Hazardous Emissions Response Act (AHERA) requirements and also EPA's National Emission Standards for Hazardous Air Pollutants (NESHAP) regulations. All asbestos testing results must be included in the Phase I ESA at the time of

application submittal. AHFA requires the Phase I ESA to include a statement that all friable and non-friable ACM in deteriorated condition will be completely abated. If funded, a plan for complete abatement by a qualified asbestos contractor of all friable and non-friable ACM in deteriorated condition in all structures will be required. An asbestos contractor's listing may be obtained from the Alabama Department of Environmental Management ("ADEM") at 334-271-7700 or at http://www.adem.state.al.us. Non-friable ACMs may be managed in place if in an intact condition, and if any proposed rehab activities will not disturb the non-friable ACMs. If funded, a site-specific Operations & Maintenance Plan will be required if non-friable intact ACMs are to be left in place. Asbestos standards are located at ASTM E-2356, EPA: Clean Air Act, CERCLA, & OSHA 29 CFR Part 1926.1101.

b. Lead-Based Paint ("LBP") Testing: For all buildings built prior to 1978, a LBP testing report must be included in the Phase I ESA. AHFA requires the Phase I ESA include a statement that all LBP will be completely abated (eliminated) by a licensed LBP contractor. If funded, the plan for LBP abatement will be required. If any structures are planned to be demolished, in lieu of a LBP testing report, it is acceptable to provide a plan for abatement via demolition that includes the appropriate management and disposal of waste in accordance with applicable solid waste regulations and the preparation of any required post-demolition clearance report compliant with applicable state, federal, and local regulations. A list of licensed LBP contractors can be obtained from the Alabama Department of Public Health ("ADPH") at www.adph.org. Lead-Based Paint standards: US Department of HUD "Guidelines for the Evaluation and Control of Lead Paint Hazards in Housing": Chapter 7 of https://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/lbp/hudguidelines.

c. Mold: Visually check for the presence of mold, notate your findings. If mold is present or suspected to be present, the Phase I ESA shall provide recommendations for abatement and confirmation air sampling following removal.

9. All reports must include information on the following:

a. Radon: ADPH lists the following counties as being located in zone 1 (highest level): Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega.[1] New Construction projects in zone 1 will require Radon Resistant New Construction ("RRNC") practices in all buildings[2] Rehabilitation projects in zone 1 will be required to follow EPA's Radon Mitigation Standards in all buildings.[3]

b. Wetlands: No portion of the site may contain wetlands, streams, lakes, or other water bodies (which also includes waters of the United States) including any integral offsite development areas (e.g., offsite areas required for ingress, egress, or parking). For purposes of the Phase I ESA Report, wetlands, streams, lakes, and other water bodies are defined according to the U.S. Army Corps of Engineers Wetlands Delineation Manual (1987) and related guidance documents. The Phase I report must include a United States Fish & Wildlife Service ("USFWS") National Wetlands Inventory (NWI) Map with site boundaries clearly marked and consistent with the boundaries on all other figures. The EP must also field verify to confirm whether or not the site contains wetlands, streams, lakes or other water bodies, including both jurisdictional "waters of the United States" and non-jurisdictional waters and wetlands. If on any portion of the site (including integral offsite development areas) any evidence of wetlands, streams, lakes or other water bodies are suspected to be present (based on the EP's field

[1] http://www.adph.org/radon/Default.asp?id=6413

[2] http://www2.epa.gov/radon/radon-resistant-construction-basics-and-techniques

[3] http://www.ahfa.com/multifamily/environmental/environmental-testing

observations, aerial photographs, topographic map, NWI map, or soils map for the site), and a wetlands delineation report for the site is prepared by a qualified professional to demonstrate the absence of wetlands, streams, lakes, or other water bodies on the site, a Jurisdictional Determination (JD) from the U.S. Army Corps of Engineers will also be required to confirm the absence of wetlands, streams, lakes, or other water bodies. If the applicant intends to subdivide an existing parcel so as to remove all wetlands, streams, lakes, or other water bodies from the project site, a JD from the U.S. Army Corps of Engineers will also be required. Any wetland delineation studies or assessment reports prepared for the project site or adjoining properties must be submitted with the application and the field work completed within 180 days prior to application submittal. To the extent a JD must be obtained for the project site, the JD must be included with the Phase I ESA Report at the time of submission. If AHFA's review of the EP's field observations, aerial photographs, topographic map, NWI map, or soils map indicate the potential presence of wetlands, streams, lakes, or other water bodies at the site, and the presence of all such water bodies is not sufficiently ruled out in the Phase I ESA Report, AHFA reserves the right to terminate the application.

c. Floodplains (100 year (zones A or V), 500 year (zone B)): The Phase I ESA must include a FEMA Flood Insurance Rate Map (Firmette) with site boundaries clearly marked and consistent with the boundaries on all other figures. For Housing Credit Only projects, no buildings (residential or any other use) on the site can be located within the 100 year floodplain. AHFA will allow an existing acquisition/rehabilitation rental property to be located in a floodplain as long as acceptable evidence of flood insurance is provided at time of application. For any projects receiving HOME Funds, no portion of the site (including integral offsite development areas) can be located within the 100 year flood plain.

d. Noise Abatement & Control: The Phase I ESA must include (1) a completed HUD "Noise (EA) - Partner Worksheet" found at:

https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control/; and (2) a completed HUD "Day/Night Noise Level Calculator" assessment found at: https://www.hudexchange.info/resource/2830/day-night-noise-level-assessment-tool/. The noise level assessment must answer the following questions:

- Is there a civil airport within five miles of the site?
- Is there a military airport within 15 miles?
- Is there a major road within 1,000 feet of the site?
- Is there a railroad track within 3,000 feet?
- Are anticipated noise levels at the project site acceptable (outside noise level < 65 dB; interior noise level < 45 dB)("Acceptable Noise Levels")?

For all projects involving HOME Funds that exceed Acceptable Noise Levels, mitigating measures must be incorporated into the project to reduce anticipated noise levels below Acceptable Noise Levels utilizing HUD approved mitigation measures. See generally, https://www.hudexchange.info/programs/environmental-review/noise-abatement-and-control/.

For all projects involving Housing Credits (but not HOME Funds) that exceed Acceptable Noise Levels, mitigating measures should be incorporated into the project to the full extent practicable and in accordance with HUD environmental criteria and standards contained in Subpart B (Noise Abatement and Control) of 24 CFR Part 51 and related guidance.

If in accordance with the above, mitigation measures are required to reduce noise levels at the project site below Acceptable Noise Levels, a noise mitigation plan must be submitted with the Phase I ESA. The noise mitigation plan must include: (a) details regarding the specific plan and its compliance with all applicable HUD noise mitigation guidelines and (b) estimated mitigation costs.

e. Airport Clear Zones & Accident Potential Zones: The Phase I ESA must (1) include both a completed HUD "Airport Hazards - Partner Worksheet" and a completed HUD "Airport Runway Clear Zones – Partner Worksheet" found at: https://www.hudexchange.info/programs/environmental-review/airport-hazards, and (2) attach a map (e.g., Google Earth or Google Street map) indicating the location of the project site and any airport(s) in the vicinity of the project site. AHFA will not approve an application for HOME Funds if any part of the project site is located within the runway protection zone/clear zone of a civilian airport (RPZ/CZ) or accident potential zone of a military airport (APZ). Note: Civil clear zone is 2,500 feet (0.47 miles) from the end of the runway (RPZ/CZ); military clear zone is 15,000 feet (2.8 miles) from the end of the runway (APZ). The Phase I ESA must answer the following questions:

    - Is the project site located within an RPZ/CZ or APZ?
    - Is the site located within a flight path?
    - What is name of and distance to the airport nearest to the project site?

10. Aboveground Storage Tanks: All aboveground storage tanks (ASTs) containing 100 or more gallons of explosive or flammable liquid or gas within one mile of the project site must be identified in the Phase I ESA Report via database search AND field verification. The Phase I ESA Report must describe the contents, size, and distance of each AST to the perimeter of the project site. The EP must certify that the EP field-verified the distance of the ASTs to the perimeter of the project site. The Phase I ESA Report must also demonstrate that an acceptable separation distance ("ASD") between any ASTs and the perimeter of the project site will be met for people as well as buildings using the HUD-approved ASD calculations. If any ASTs are determined to be less than the HUD-approved ASD, the Phase I ESA must describe HUD-approved mitigation measures proposed to be installed and a cost estimate for any such measures.[4]
11. The Phase I ESA Report must include a completed AHFA Environmental Summary (Addendum B-4). Addendum B-4 must be completed and certified to as a part of the Phase I ESA and placed in Appendix K-1.
12. The EP must obtain from the Applicant a completed X3 User Questionnaire to include with the Phase I ESA Report.
13. The EP must complete Addendum B-5 (The Letter of Reliance) on the EP's letterhead and submit as Appendix H.

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[4] Attach the results of the HUD ASD Calculator tool found at: https://www.hudexchange.info/programs/environmental-review/asd-calculator. Acceptable mitigation measures can be found at https://www.hudexchange.info/resource/2762/acceptable-separation-distance-guidebook/.
Complete and submit the HUD "Explosives - Partner Worksheet" found at: https://www.hudexchange.info/environmental-review/explosive-and-flammable-facilities/.

REQUIREMENTS FOR EVERY PHASE II ESA SUBMITTED TO AHFA:

1. All Phase II ESA Reports must fully address all RECs identified in the Phase I ESA Report (including any RECs that AHFA determines should have been identified in the Phase I ESA but were not); must be completed in accordance with ASTM E1903-11, ADEM AEIRG Guidance (2017), and Alabama Risk Based Corrective Action Guidance (2017); and must demonstrate that all environmental conditions associated with the project are appropriate for unrestricted residential use (as defined by ADEM under Alabama Administrative Code regulation 335-15-1.02(ccc), with the sole exception that AHFA will permit the use of an institutional control prohibiting the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility).
2. If after a Phase II is completed, mitigation measures and/or remediation has been or is recommended to be performed, the Phase II ESA Report must include (a) details regarding the specific remediation plan; (b) all applicable final regulatory authority approvals required for the implementation of the remediation plan; (c) a detailed line item summary of estimated costs with supporting quotes; (d) information regarding the expected source of funding for conducting the remediation activities; and (e) a projected schedule for approved remediation activities. To the extent there are conflicting or inconsistent guidelines or methods between regulatory agencies concerning the environmental matter at issue, the EP shall follow the most stringent standard and certify that this standard has been satisfied. Note that AHFA will not accept any proposed future institutional or engineering controls on the proposed site other than a prohibition on the use of groundwater for potable or irrigation purposes in instances where the water is supplied by a utility.
3. If the EP believes or contends that any Chemicals of Concern ("COC") detected are consistent with or in line with "background conditions," the EP shall provide a basis for such an opinion. Methods for doing so include, but are not limited to, the U.S.G.S. studies for COCs in the same geographic region and sufficient background samples to be analyzed and evaluated under the ADEM AEIRG Guidance (2017).

Addendum B-2

Engagement Letter

Click here to enter a date.
[Applicant]

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Applicant

Development Name

Development Address

Dear [Applicant]:

Please accept this letter setting forth the terms of engagement ("Engagement Letter") under which our Firm will provide environmental consulting services to you and your company for purposes of conducting a Phase I ESA Report [or subsequent Environmental Reports] for the Development Project at the designated address set forth above.

It is our Firm's understanding that the nature and scope of the environmental professional services to be provided to you are as follows:

1. Our Firm has been engaged by [APPLICANT] to conduct a Phase I ESA at the Development location specified above in conformance with the scope and limitations of both the ASTM E1527-13 ("ASTM Standards") and AHFA's Environmental Policy Requirements.
2. Our Firm certifies that the Phase I ESA Report will be conducted and completed by an Environmental Professional (as defined by 40 C.F.R. § 312.10(b)) and the Phase I ESA, once completed, will also be certified in this same manner.
3. Our Firm understands that the information contained in the Phase I ESA Report will be used by Alabama Housing Finance Authority ("AHFA") in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the Phase I ESA Report in its entirety as if it were originally issued to AHFA. While AHFA will be entitled to rely upon the Phase I ESA Report in its entirety, the Applicant will be solely responsible for any and all fees and expenses associated with completing this scope of engagement.
4. Our Firm understands the AHFA Insurance Requirements that are required for this scope of work and these insurance requirements have been satisfied and addressed as follows:
   a. The Firm has Professional Liability and/or Errors and Omissions insurance coverage in the minimum amounts of One Million Dollars ($1,000,000.00) per event or occurrence;
   b. The Firm has Worker's Compensation Insurance and Public Liability Insurance for bodily injury and property damage which may be suffered by third parties and members of the public in the minimum amounts of One Million Dollars ($1,000,000.00) per event or occurrence; and[5]
   c. The Firm has Comprehensive General Liability and Property Damage Insurance for bodily injury and property damage in the minimum amounts of One Million Dollars ($1,000,000.00).

   Our Firm understands that it shall provide a copy of its Insurance Certificate or Accord demonstrating that it satisfies the AHFA Insurance Requirements and listing or scheduling

[5] Where applicable, it is acceptable for the following to be used instead: Per the attached documentation, the Firm has only [#] employees and is exempt from Alabama Workers' Compensation Laws.

AHFA as an additional insured for the Comprehensive General Liability and Property Damage insurance policies.

5. Our Firm understands that to the extent recommendations are being provided by the EP to the Applicant concerning Phase I ESA work to be performed, mitigation or abatement measures, or additional assessment ("Additional Work"), those recommendations for Additional Work shall be provided to AHFA at the time of Application. Further, our Firm understands that the Applicant shall not have the authority to authorize or instruct the EP or our Firm to implement such recommendations without AHFA's express written concurrence.

6. Our Firm also understands that once the Applicant submits its Application to AHFA, none of the Applicant, the EP (or our firm), the current property owner or any agent of said parties may undertake or conduct any Choice Limiting Activity at the Development project site. For avoidance of doubt, our Firm will seek written authorization for any Additional Work from AHFA before proceeding. In addition, our Firm understands that once the Applicant submits its Application to AHFA, our Firm shall not engage in communications with the Applicant and or any governmental or regulatory agencies concerning Additional Work and any related activities concerning the Development project site without first obtaining written authorization from AHFA (except when responding to any written request by AHFA to the Applicant for additional information regarding or clarification of the Phase I ESA). Our Firm appreciates the opportunity to work with the Applicant and AHFA in undertaking the Phase I ESA engagement and looks forward to working with you.

Addendum B-3

AHFA Required Environmental Report Format

TABLE OF CONTENTS

1.0 SUMMARY.....

1.1 PHASE I ESA.....

1.2 TIER 1 VAPOR ENCROACHMENT SCREENING .....

1.3 AHFA NON-SCOPE SUMMARY.....

1.4 RECOMMENDATIONS (If there is a potential for contamination to be present on the site, regardless of on-site or off-site sources of the contamination, recommendations for additional testing or assessment must be included) .....

1.5 OTHER.....

2.0 INTRODUCTION.....

2.1 PURPOSE OF SERVICES (MUST state EP understands that the purpose of the Phase I ESA is to ascertain whether the property is environmentally suitable for construction/rehabilitation of multi-family residential housing) .....

2.2 DETAILED SCOPE OF SERVICES .....

2.3 SIGNIFICANT ASSUMPTIONS.....

2.4 PROJECT-SPECIFIC LIMITATIONS AND EXCEPTIONS .....

2.5 SPECIAL TERMS AND CONDITIONS.....

2.6 RELIANCE (Must include a statement that the report(s) can be relied upon by AHFA) .....

2.7 PASSAGE OF TIME AND VALIDITY OF REPORT.....

3.0 SITE DESCRIPTION.....

3.1 SITE LOCATION (latitude and longitude) AND LEGAL DESCRIPTION (metes and bounds) ..

3.2 SITE AND VICINITY GENERAL CHARACTERISTICS.....

3.3 CURRENT USE OF THE PROPERTY .....

3.4 DESCRIPTIONS OF ROADS, STRUCTURES, AND OTHER IMPROVEMENTS ON THE SITE .....

3.5 CURRENT USE OF ADJOINING PROPERTIES .....

4.0 USER-PROVIDED INFORMATION.....

4.1 TITLE RECORDS.....

4.2 ENVIRONMENTAL LIENS OR ACTIVITY AND USE LIMITATIONS (EP accepts responsibility for and obtains search results as explained in Section 6.2 of ASTM Standard) .....

4.3 SPECIALIZED KNOWLEDGE.....

4.4 COMMONLY KNOWN OR REASONABLY ASCERTAINABLE INFORMATION .....

4.5 VALUATION REDUCTION FOR ENVIRONMENTAL ISSUES .....

4.6 OWNER, PROPERTY MANAGER, AND OCCUPANT INFORMATION .....

4.7 OTHER.....

5.0 RECORDS REVIEW.....

5.1 DATABASE REPORT (Discuss **all** listed regulated facilities, other notable facilities, and orphan facilities) .....

5.1.1 Search Distances - from latitude and longitude (ASTM distances plus Delisted NPL one mile, AST one mile, UST 0.5 mile, and LUST 0.5 mile) .....

5.1.2 Mappable Sites (EP must field-verify the distance to any facilities identified) .....

5.1.3 Unmappable Sites.....

5.2 STANDARD ENVIRONMENTAL RECORD SOURCES (Check with local government, library, fire department, courthouse, etc.) .....

5.3 ADDITIONAL ENVIRONMENTAL RECORD SOURCES .....

5.4 PHYSICAL SETTING SOURCE(S).....

5.4.1 Topography, Surface Water, and Hydrogeology.....

5.4.2 Geology .....

5.4.3 Soils.....

5.5 HISTORICAL USE INFORMATION ON THE PROPERTY (include all documents in Appendix D).....

5.5.1 Property Ownership and Site History (provide detailed narrative) .....

5.5.2 Aerial Photographs.....

5.5.3 City Directories .....

5.5.4 Sanborn® Fire Insurance Maps.....

5.5.5 Historical Topographic Maps.....

5.5.6 Other Historical Sources .....

5.5.7 Historical Summary & Data Gaps.....

5.6 HISTORICAL INFORMATION REGARDING ADJOINING PROPERTIES .....

5.7 DOCUMENT ALL SOURCES CHECKED .....

5.8 OTHER.....

6.0 SITE RECONNAISSANCE .....

6.1 METHODOLOGY AND LIMITING CONDITIONS .....

6.2 GENERAL SITE SETTING.....

6.3 EXTERIOR OBSERVATIONS .....

6.4 INTERIOR OBSERVATIONS .....

6.5 ADJOINING PROPERTY RECONNAISSANCE.....

6.6 RECOGNIZED ENVIRONMENTAL CONDITIONS IDENTIFIED DURING SITE RECONNAISSANCE .....

7.0 INTERVIEWS.....

7.1 STATE AND LOCAL GOVERNMENT OFFICIALS (MAYOR, FIRE DEPARTMENT, LOCAL HISTORICAL SOCIETY, ETC.) (Interviews will be conducted first in person, if unavailable then by phone, then via written communication. Verify which method used and include name, contact information, and date of interview) .....

7.2 APPLICANT/DEVELOPER .....

7.3 USER QUESTIONNAIRE .....

7.4 PROPERTY OWNERS .....

7.5 SITE MANAGER, OCCUPANTS, & LOCAL RESIDENTS .....

7.6 OTHERS .....

8.0 EVALUATION (FINDINGS, OPINIONS, AND CONCLUSIONS) .....
8.1 PHASE I ESA .....
8.2 ADDITIONAL INVESTIGATIONS, LIMITATIONS, EXCEPTIONS, DEVIATIONS, AND DATA GAPS .....
8.3 SIGNIFICANT ASSUMPTIONS .....
8.4 CONCLUSIONS AND ASTM STATEMENT (Must certify EP conducted the Phase I ESA in accordance with ASTM Standard and AHFA's Environmental Policy Requirements) (Must state whether the property is suitable for or may satisfy the residential use standard based upon EP's best professional judgment) .....
8.5 EP STATEMENT (40 CFR PART 312) AND SIGNATURE .....
8.6 OTHER .....
9.0 ADDITIONAL AHFA REQUIRED ELEMENTS .....
9.1 TIER 1 VAPOR ENCROACHMENT SCREENING (ASTM E2600-15) .....
9.2 ASBESTOS, LEAD-BASED PAINT, MOLD, RADON, WETLANDS, FLOODPLAINS, NOISE ABATEMENT & CONTROL, AND AIRPORT CLEAR ZONES & ACCIDENT POTENTIAL ZONES (Must provide detailed summary for each item) .....
9.3 NARRATIVE SUMMARY OF FINDINGS FROM ADDENDUM B-4, PART B (REQUIRED ONLY FOR APPLICATIONS FOR HOME FUNDS) .....
9.4 OTHER .....
10.0 REFERENCES .....

APPENDICES

APPENDIX A FIGURES (SITE BOUNDARIES MUST BE CLEARLY MARKED AND CONSISTENT ON ALL FIGURES)

i. GOOGLE EARTH MAP
ii. TAX MAP
iii. SITE LOCATION MAP Items i. ii., and iii. must include:

a). An area large enough to display the location of the site and adjoining properties including existing streets.
b). Identification of environmental concerns, where applicable, including off-site sources or locations that have the potential to adversely impact the property.
c). Boundaries of floodplains, wetlands, drainage features, jurisdictional waters, and/or potential waters of the State on or potentially impacted by proposed activities at the site.)

iv. SCHEMATIC SITE PLAN
v. TOPOGRAPHIC MAP
vi. NATIONAL WETLANDS INVENTORY MAP
vii. FLOOD INSURANCE RATE MAP

APPENDIX B PROPERTY RECORDS AND USER QUESTIONNAIRE
APPENDIX C ENVIRONMENTAL LIEN/ACTIVITY USE LIMITATIONS RESEARCH
APPENDIX D ENVIRONMENTAL DATABASE REPORT
APPENDIX E HISTORICAL RECORDS DOCUMENTATION
APPENDIX F SITE AND VICINITY PHOTOGRAPHS
APPENDIX G INTERVIEW DOCUMENTATION (Document the interviewee's contact information – name, business name and address, phone number, and date of interview)
APPENDIX H AHFA RELIANCE LETTER (Addendum B-5 on EP letterhead)

APPENDIX I ENGAGEMENT LETTER/CONTRACT (Addendum B-2 on EP letterhead)
APPENDIX J PROFESSIONAL RESUMES/PERSONNEL QUALIFICATIONS
APPENDIX K AHFA-REQUIRED ELEMENTS:

K.1 AHFA ENVIRONMENTAL SUMMARY PART A (REQUIRED FOR ALL APPLICATIONS) (Addendum B-4, Part A)

K.2 AHFA ENVIRONMENTAL SUMMARY PART B (REQUIRED ONLY FOR APPLICATIONS FOR HOME FUNDS) (Addendum B-4, Part B)

K.3 VAPOR ENCROACHMENT SCREENING DOCUMENTATION (ASTM E2600-15)

K.4 PROOF OF INSURANCE – AHFA MINIMUMS OR ABOVE (AHFA must be listed as Insured)

K.5 SUPPLEMENTAL DOCUMENTATION

Addendum B-4

AHFA ENVIRONMENTAL SUMMARY – PART A

(Required for All Applications)

REPORT INFORMATION			PAGE #
Project Name:	Click here to enter Project Name		
Project City:	Click here to enter City Name		
ASTM E1527-13: Yes☐ No☐	Enter report date here	AHFA Reliance: Yes☐ No☐	page #
Suitability for Residential Use statement included? Yes ☐ No☐			page #
Local Interviews included? Yes☐ No☐			page #
Site Map Included? Yes☐ No☐			page #

SITE INFORMATION	DESCRIPTION / DOCUMENTATION	PAGE #
Developed☐ Undeveloped☐ (provide age if developed)	Click here to enter site description.	page #
Site Acreage:	Click here to enter text.	page #
Site Elevation:	Click here to enter text.	page #
Site Slope:	Click here to enter text.	page #
Water On Site: Yes☐ No☐	Click here to enter text.	page #
Surface Water Flow Direction:	Click here to enter text.	page #
Groundwater Flow Direction:	Click here to enter text.	page #
Flood Insurance Rate Map #:	Click here to enter text.	page #
Flood Zone:	Click here to enter text.	page #
Env Lien/AUL on site? Yes☐ No☐	Click here to enter text.	page #
Database Search: Yes☐ No☐	Click here to enter text.	page #
Current or Pending VCP? Yes ☐ No☐	Click here to enter text.	page #

Listed on NPL or SHWS? Yes☐ No☐	Click here to enter text.	page #
Delisted NPL (1 mile)? Yes☐ No☐	Click here to enter text.	page #
ASTs (within 1 mile)? Yes☐ No☐	Click here to enter text.	page #
Within Acceptable Separation Distance (ASD)? Yes☐ No☐	Click here to enter text.	page #
USTs (within 0.5 mile)? Yes☐ No☐	Click here to enter text.	page #
Recognized Environmental Conditions (RECs) identified? Yes☐ No☐	Click here to enter text.	page #
Contamination (known or suspect)? Yes☐ No☐	Click here to enter text.	page #
Mitigation or Remediation measures recommended? Yes☐ No☐	Click here to enter text.	page #
ACM (in any structures)? Yes☐ No☐	Click here to enter text.	page #
Friable ACM? Yes☐ No☐	Click here to enter text.	page #
LBP (pre-1978)? Yes☐ No☐	Click here to enter text.	page #
Radon Zone:	Click here to enter text.	page #
Wetlands, drainage features, US or State waters on site? Yes☐ No☐	Click here to enter text	page #

OFF-SITE INFORMATION		**DESCRIPTION / DOCUMENTATION**	**PAGE#**
Adjoining Land Use:	North	Click here to enter text.	page #
	South	Click here to enter text.	
	East	Click here to enter text.	
	West	Click here to enter text.	

Adjoining Waters? Yes☐ No☐	Click here to enter text.	page #
Adjoining Wetlands? Yes☐ No☐	Click here to enter text.	page #
Adjoining Contamination: (known or suspect)? Yes☐ No☐	Click here to enter text.	page #
USTs (within 0.5 mile)? Yes☐ No☐	Click here to enter text.	page #
Are USTs Trust Fund Eligible? Yes☐ No☐	Click here to enter text.	page #
Leaking USTs (within 0.5 mile)? Yes☐ No☐	Click here to enter text.	page #
RCRA regulated? Yes☐ No☐	Click here to enter text.	page #
Noise within Acceptable Noise Levels? Yes☐ No☐	Click here to enter text.	page #

AHFA ENVIRONMENTAL SUMMARY - PART B

(Required Only for Applications for HOME Funds)

Instructions: Responses to the Environmental Summary- Part B questions must be fully supported by appropriate documentation. Responses to the Part B questions and rationale must be included in the Phase I ESA Report (Section 9.3); supporting documentation for each response must be included in Appendix K.2 of the Phase I ESA Report. The Part B questions are not intended to be all-inclusive, as each project site presents unique conditions and circumstances. AHFA reserves the right to pose follow-up questions to applicants and require additional explanatory details and documentation.

1. **Historic Preservation: IMPORTANT -** Project applicants should not contact the Alabama Historical Commission or the Alabama State Historic Preservation Officer (SHPO).
   - Review and include the National Register database (for the project county only): http://www.nationalregisterofhistoricplaces.com
   - Review and include the Alabama Register of Landmarks and Heritage historic listings (for the project county only): https://www.preserveala.org/alabamaregister.aspx
   - Provide a map (e.g., Google Earth or Google Street map) indicating the location of the project site and all historic properties that are located within 1 mile of the project site.
     - Indicate location and name of any buildings over 50 years old on or within two blocks of the site.
     - Indicate location and name of any historical districts in vicinity of project site.
2. **Endangered Species: IMPORTANT -** Project applicants should not contact the U.S. Fish & Wildlife Service (USFWS) or National Marine Fisheries Service for formal determination.
   - Review the USFWS website to obtain a list of protected species found in the vicinity of the project site. Print and attach the species list: http://www.fws.gov/daphne/es/specieslst.html
   - Use the USFWS online mapping tool to determine if the project site contains critical habitat for threatened or endangered species (for the project county only). Print and attach map showing the project site: http://fws.maps.arcgis.com/home/webmap/viewer.html?webmap=9d8de5e265ad4fe09893cf75b8dbfb77
     - Indicate whether any federally listed species found in the vicinity of the project site.
     - Describe whether critical habitat for listed species will be affected by this project.
3. **Farmlands Protection:**
   - Use the Web Soil Survey (WSS) tool to prepare for the report a map of the soils on and around the project site. See http://websoilsurvey.nrcs.usda.gov/app/HomePage.htm
     - Describe whether the project site currently being farmed.
     - Indicate whether the project site is listed as prime or unique farmland.
4. **Wild & Scenic Rivers Act:**
   - Document distance to the project site from the Sipsey Fork of the West Fork River and include a map showing distance.
   - Print and include Alabama segments from the Nationwide Rivers Inventory (NRI)

https://www.nps.gov/subjects.rivers/alabama.htm

- Indicate whether a river or creek in the same county of the project is listed on the NRI.
- If so, indicate the distance of the project from the site boundaries to the river/creek on a map, and discuss the effect of the project on the river/creek.

Addendum B-5

Letter of Reliance

Click here to enter a date.

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, AL 36117

RE: Phase I ESA Report [or subsequent Environmental Reports] for:

Development Name

Development Address

Development City, State Zip

Please find enclosed the Phase I Environmental Site Assessment (ESA) Report [or subsequent Environmental Reports] for the subject property dated [Click here to enter a date] to the Alabama Housing Finance Authority (AHFA).

It is my understanding that the information contained in the ESA Report(s) will be used by AHFA in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the ESA Report in its entirety as if it were originally issued to AHFA.

I certify that the attached is a true, correct and complete copy of the ESA Report and that the report represents my professional opinion of the site as of this date. I also confirm the evaluation, recommendations, and conclusions contained in the ESA Report have been performed in conformance with the scope and limitations of both the ASTM E1527-13 (the ASTM Standards) and AHFA's Environmental Policy Requirements.

Last, I also certify by my signature below that _____ (name) meets the definition of an Environmental Professional as defined by 40 C.F.R. § 312.10(b) and has performed the environmental investigations described above.

Sincerely,

Environmental Professional Name

Environmental Professional Company Name

Addendum C

Alabama Housing Finance Authority's
Design Quality Standards and Construction Manual

TABLE OF CONTENTS

I. Introduction

II. Requirements for All Approved Projects

III. Attached New Construction Rental Units

IV. New Construction Single-Family Rental Units

V. Inspections and Reports

WITHOUT LIMITING ANY OTHER PROVISION OF THIS HOME ACTION PLAN, ALL DETERMINATIONS, CALCULATIONS, JUDGMENTS, ASSESSMENTS OR OTHER DECISIONS MADE BY AHFA UNDER THIS ADDENDUM, INCLUDING WITHOUT LIMITATION RELATED APPLICATION INSTRUCTIONS, AHFA FORMS AND THE QAP ITSELF, SHALL BE MADE IN AHFA'S SOLE AND ABSOLUTE DISCRETION.

I. Introduction

All projects must be designed and constructed in accordance with the applicable requirements of the 2010 Americans with Disabilities Act Accessibility Guidelines, Section 504 of the Rehabilitation Act, Fair Housing Act, state and local disaster mitigation standards, 2009 or 2012 International Building Code- International Residential Code, 2009 International Energy Conservation Code for single-family homes, 2007American Society of Heating, Refrigerating and Air-conditioning Engineers 90.2 for multifamily buildings and any more restrictive local building code requirements.

Any deviations from these standards must have the written approval of AHFA prior to submitting an application for funding. The request for approval, with all supporting documentation, must be submitted to AHFA at least 30 days prior to submitting a final application for funding. Once the project begins construction and through the end of construction of project, any deviation must have written approval before any work commences or any deviation is made on the construction site. Any deviation requested and approved will be charged the appropriate fee. A complete list of fees is located at www.AHFA.com.

II. Requirements for All Approved Projects

A. Site Specific Criteria:

1.) HOME proposed sites containing property within a 100-year flood plain are not permitted. Housing Credit and HOME Funds proposed sites and existing projects are not allowed to contain wetlands.

2.) Proposed sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices in all buildings. Existing buildings located in a Radon Zone-1 (highest level) must meet the Radon Mitigation Standards as required by the Environmental Protection Agency. The following counties are located in Radon Zone -1: Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega. For the most current radon information see: ***www.adph.org/radon***.

3.) New Construction Rental Units: All new construction developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of 1 soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.

4.) New Construction Single-Family Rental Homes: All developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of 1 soil boring for every two (2) single family buildings and a minimum total of two (2) soil borings at the planned paved areas of the

development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.

5.) Rehabilitation of an Existing Building: Projects adding any new building foundations must submit a foundation specific soils report. The soils report must reflect the results of laboratory tests conducted on a minimum of one soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.

B. Site Located Outside Municipal City Limits:

1.) A proposed new construction site or existing project may be located outside a municipality's city limit but must be within the local police or sheriff jurisdiction.

2.) A proposed site or existing project that is located in the police jurisdiction of a local municipality must comply with applicable Zoning restrictions as if located within that municipality's city limit.

3.) Domestic water and fire water service must be provided to the development by the local utility service provider.

C. Project Standards:

1.) Clubhouse/Community Building Standards:

The eligible square footage of the project's clubhouse/community building or space(s) is 3,000 square feet heated and cooled (inclusive of the office area, community laundry, community meeting room, restrooms, kitchens, etc.). The clubhouse/community building or space(s) may exceed 3,000 square feet heated and cooled but any square footage exceeding this amount will not be included in the Eligible Basis used to calculate the Housing Credit. The clubhouse/community building or space(s) is required to meet all applicable accessibility standards.

2.) Elderly Project Standards:

All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed to service all upper level apartments. Design exceptions, or deviations, must be reviewed by AHFA on an individual basis.

3.) Required Unit Amenities:

All projects are required to have the following unit amenities for all units:

- Range
- Refrigerator with Ice Maker
- Dishwasher
- Microwave
- Washer and Dryer Connections
- Heater
- Air Conditioner
- Ceiling Fans

All units must include an exterior storage closet with a minimum area of sixteen (16) square feet and either a single coated wire shelf that spans the length of the closet or a grouping of smaller coated wire shelves. Developments designed with all interior unit access must provide the additional required exterior storage for each unit in the interior of the building(s). It may be located inside the unit, on the tenants' floor, or in a common area. All exterior and interior storage must be lockable.

4.) Modular Construction:

Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein. A modular home manufacturer's warranty must be provided.

5.) Drawing Submission Criteria:

The following documents must be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

a. Site Plan: The following items must be shown.

i. Scale: 1 inch = 40 feet or larger for typical units.
ii. North arrow.
iii. Locations of existing buildings, utilities, roadways, parking areas if applicable.
iv. Existing site/Zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
v. All proposed changes and proposed buildings, parking, utilities, and landscaping.
vi. Existing and proposed topography of site.
vii. Finished floor height elevations and all new paving dimensions and elevations.
viii. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
ix. Provide an accessible route site plan with applicable details.

b. Floor Plans:

i. Scale: 1/4 inch = 1 foot or larger for typical units.
ii. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
iii. Indicate the total gross square foot size, and the net square foot size for each typical unit.

For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

c. Elevations and sections:

i. Scale: 1/8 inch = 1 foot or larger.

ii. Identify all materials to be used on building exteriors and foundations.

d. Title Sheet:

Indicate Building Codes and Accessibility Standards that are applicable for the project.

III. Attached New Construction Rental Units

The following outline of minimum standards must be used in designing Housing Credit and HOME Funds projects of twelve or more attached units.

A. Minimum Building Standards:

1.) Minimum Apartment Unit Net Area Requirements:

Net area is measured from the **interior finished face** of the exterior wall to the **interior finished face** of the common or tenant separation wall.

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

Unit Type	Number of Bathrooms	Minimum Unit Net Area*	Min. Bedroom Net Area
1 Bedroom	1	725 s.f.	120 s.f.
2 Bedroom	1	900 s.f.	120 s.f.
2 Bedroom	1.5	925 s.f.	120 s.f.
2 Bedroom	2	975 s.f.	120 s.f.
3 Bedroom	2	1,200 s.f.	120 s.f.
4 Bedroom	2	1,455 s.f.	120 s.f.

**Note 1*: *Net unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2.) Exceptions to the minimum area requirements:

Single-Room Occupancy ("SRO") projects

3.) Exterior Building Standards:

a. Exterior Finishing Materials:

i. Exterior building coverings: For new construction, very low maintenance materials are required. Acceptable materials include:
   a) Brick;
   b) High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
   c) Cementitious siding and trim material; or
   d) Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.

ii. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.

iii. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.

iv. Materials for entry doors are to be metal-clad wood, fiberglass, or metal insulated construction. “Peepholes” and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have “thumb latch” on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.

v. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.

vi. Roof gable vents must be made of aluminum or vinyl materials.

vii. All attics shall be vented.

viii. All primary entries must be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide and must be designed to divert water away from the entry door. Entry pads measuring 4 feet by 4 feet and made of impervious material with a slope that meets Fair Housing and ADA standards are required at each exterior entry.

ix. All breezeways must be constructed of concrete floor/decking material.

x. Exterior shutters are required on all 100% Brick or vinyl siding buildings.

xi. Stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. All project steps must include a kick plate in between each step beginning at the first step nearest to the ground and ending at the nearest step at the balcony or landing. Handrails and pickets must be constructed from steel or aluminum.

xii. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6” x 6” pressure treated columns concealed as noted above or properly sized columns of steel, fiberglass, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass, steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

b. Other Exterior Standards:

i. Adequate exterior lighting is required in all covered exterior breezeways/walkways. Exterior lighting fixtures are required at all entry doors. The fixtures must be controlled from the interior of the unit. Exterior light fixtures at apartment unit entry doors in apartment buildings with enclosed, heated and cooled corridors are not required when the corridor lighting remains on all the time.

ii. Address numbers are to be clearly visible.

iii. One and one-half parking spaces per living unit required for family units, one space per unit for elderly units, two parking spaces for single family homes, and two parking spaces for each duplex, unless local code dictates otherwise, and no designated street parking allowed.

iv. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.

v. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable municipal landscape ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. Landscaping around and between the buildings is allowed. At a minimum, provide one 2" caliper tree per unit and Six 1 gallon shrubs per unit.

vi. Concrete curbing is required along all paved areas throughout the development site, including parking areas. (Valley curbs are not allowed)

vii. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width.

viii. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.

ix. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.

x. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.

xi. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.

xii. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, clubhouse/community building and amenities must be connected to the dwelling units by a sidewalk or walkway.

xiii. Mailboxes, playground and all exterior project amenities must be

on an accessible route as defined by the Fair Housing Guidelines. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.

xiv. No above ground propane tanks allowed on the site.

xv. All utilities located on site must be underground.

xvi. Storm Water retention basins (existing, shared and/or newly constructed) must be located within the property and include fencing around the entire perimeter with a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

4.) Interior Building and Space Standards:

a. Wall Framing:

i. Walls may be framed using metal studs in lieu of wood.

ii. Sound proofing or sound batt insulation is required between the stud framing in tenant separation walls. A sound rating of Sound Transmission Class (STC) 54 is required.

iii. Sound proofing between floors is required to achieve a rating of (STC) of not less than 50 and an Impact Insulation Class (IIC) of not less than 50.

b. Insulation Requirements:

i. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.

ii. Roof or attic insulation must have an R-38 minimum.

iii. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

i. A minimum 6 1/2-inch deep double bowl stainless steel sink is required in each unit.

ii. Each unit must be equipped with a 2.5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.

iii. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers

Association).

iv. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1’6” x 1’6” deep and/or pre-manufactured millwork pantry cabinets that are 1’x 2’-6” deep with a minimum five shelves, located in or adjacent to the kitchen.

v. A 4 foot long fluorescent light fixture is required.

vi. All appliances must be Energy Star rated.

vii. A grease shield is required behind ranges on the wall.

d. Bathroom Spaces:

i. Tub/shower units must have minimum dimensions of 30-inch width by 60- inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with “factory- installed grab bars” where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.

ii. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.

iii. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6’-0” above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14” x 24”.

iv. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.

e. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.

f. All interior doors to habitable spaces in unit(s) subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.

g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.

h. Window treatments are required for all windows.

i. Sliding glass doors are prohibited.

j. Floor Finishes:

i. Carpet materials must meet FHA minimum standards.

ii. Resilient flooring materials must meet FHA minimum standards.

k. A minimum of two hard-wired with battery back-up smoke detectors are required per unit. Townhomes must have a minimum of one smoke detector upstairs.

l. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.

m. All units pre-wired for cable television hook-ups in the living room and 1 per bedroom.

5.) Plumbing and Mechanical Equipment:

a. Water heaters must be high efficiency with a 0.95 EF minimum. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharge must meet applicable building code requirements.

b. Through-wall HVAC units are not permitted in residential units except in efficiency units.

c. CPVC supply piping is not allowed for interior space in-wall or overhead services.

d. HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets with insulated walls located within the living unit. Water heaters are to be located within the living unit.

e. HVAC refrigeration lines must be insulated.

f. HVAC 14 SEER or greater must be used.

IV. Single Family Rental Homes

The following outline of minimum standards must be used in designing Housing Credit and HOME Program projects of twelve or more units and consist of single-family. All single-family homes must be new construction.

A. Minimum Building Standards:

1.) Minimum Unit Net Area Requirements:

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

Unit Type	Number of Bathrooms	Minimum Unit Net Area*	Minimum Bedroom Net Area*
3 Bedroom	2	1,200 s. f.	120 s. f.
4 Bedroom	2	1,455 s. f.	120 s. f.

****Note 1**: Unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2.) All single-family rental homes must have a minimum of 30 feet of building facing the front street. These 30 feet must be the sum of all front-facing dimensions adjacent to conditioned space and can include the "common" wall which is part of a front- facing garage as long as this wall is front-facing and conditioned on one side.

3.) All single-family rental homes must have a minimum of 30 feet front yard building set-back from the curb. Each home must have a minimum of 10 foot side yards. (Minimum width of lot shall be fifty (50) feet.) Both lot width and side yard setbacks can be modified with the following exception: A 10 foot side yard setback on one lot side and a "zero lot line" setback on the other (thus, a forty (40) foot minimum lot width) will be allowed with a front-facing garage.

4.) All single-family rental homes must have a minimum of 3 different front and rear elevation designs. No identical front elevations may be built next to each other.

5.) All single-family rental homes must have a minimum of 3 different color schemes.

B. Exterior Building Standards:

1.) Exterior Finishing Materials:

a. Exterior building coverings: Very low maintenance materials are required. Acceptable materials include:

i. Brick;
ii. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;
iii. Cementitious siding and trim material; or
iv. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick decorative block or cultured stone must be used as an apron material.

b. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.

c. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.

d. Materials for entry doors are to be metal-clad wood, fiberglass, or metal insulated construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.

e. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.

f. Roof gable vents must be made of aluminum or vinyl materials. All roof penetrations must be located on the rear most section of the roofline.

g. All attics must be vented.

h. Exterior shutters are required on all single-family homes.

i. Units where a conventional wood frame foundation system is used, a non-wood "maintenance-free" composite decking material may be used at porches above a pressure treated wood framing system.

2.) Other Exterior Standards:

a. Exterior lighting is required at entry doors.

b. Address numbers are to be clearly visible.

c. Two parking spaces for each home.

d. Metal flashing or 20 mil polyethylene when used in conjunction with self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.

e. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. All rental units must have minimum of two (2) trees per unit and twelve (12) 1 gallon shrubs per unit.

f. Concrete curbing is required along all paved areas throughout the development site, including parking areas. 6 inch raised curbs and gutter design is required. No valley curbs allowed.

g. Sidewalk access to the front door and the driveway must be provided.

h. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.

i. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants. Individual trash receptacle at each home may be provided instead of a single trash dumpster.

j. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.

k. All community parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the reservation items by a geotechnical engineer.

l. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, community building and amenities must be connected to the dwelling units by a sidewalk or walkway on one side of

the street throughout the development.

m. All driveways must be concrete.

n. Mailboxes, playground and all exterior project amenities must be ADA accessible. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table(s) with attached bench seating.

o. No above ground propane tanks allowed on the site.

p. All onsite utilities must be underground.

q. Storm Water retention basins (existing, shared and/or newly constructed) must be located within the property and include fencing around the perimeter with a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

C. Interior Building and Space Standards:

1.) Wall Framing:

Walls may be framed using metal studs in lieu of wood.

2.) Insulation Requirements:

a. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.

b. Roof or attic insulation must have an R-38 minimum.

c. Vapor retarders must be installed if recommended by project architect.

3.) Kitchen spaces:

a. 6 1/2-inch deep double bowl stainless steel sink is required in each unit.

b. Each unit must be equipped with a 2.5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.

c. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).

d. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1’6” x 1’6” deep with a minimum five shelves, located in or adjacent

to the kitchen.

e. A 4 foot fluorescent light fixture is required.

f. All appliances must be Energy Star rated.

g. A grease shield is required behind ranges on the wall.

4.) Bathroom Spaces:

a. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. Integral wood blocking in walls as per Fair Housing guidelines is required. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced. Wood blocking in walls is still required with factory reinforced fiberglass surrounds. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble or composite materials; solid wood blocking must be installed to meet Fair Housing guidelines.

b. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines.

c. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".

d. Vanity cabinets with drawers or a vanity cabinet without drawers and a linen cabinet with drawers must be installed in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.

5.) Floor Finishes:

a. Carpet materials must meet FHA minimum standards.

b. Resilient flooring materials must meet FHA minimum standards.

6.) Other Interior Standards:

a. Hallways must have a minimum clear width of 36 inches or greater as per applicable accessibility standards.

b. All interior doors to habitable spaces in unit(s) subject to Fair Housing Guidelines must have a minimum clear width in compliance with the applicable Fair Housing design standards. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.

c. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom

d. Window treatments are required for all windows.

e. Sliding glass doors are prohibited.

f. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.

g. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.

7.) Plumbing and Mechanical Equipment:

a. Water heaters must be high efficiency with a 0.95 EF minimum. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharges must be direct to exterior of building and elbow down to 6" above finish grade.

b. Through-wall HVAC units are not permitted in single-family homes.

c. CPVC supply piping is not allowed for interior space in-wall or overhead services.

d. HVAC refrigeration lines must be insulated.

e. HVAC 14 seer or greater must be used. HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.

V. Inspections and Reports

AHFA will engage a third-party construction consultant to review the final plans and specifications prior to construction for each approved project to ensure that it meets all applicable requirements of AHFA's Design Quality Standards and Construction Manual. The applicant/Ownership Entity, project architect and general contractor will certify that the project meets the federal Fair Housing Amendments Act, the Americans with Disabilities Act and all additional accessibility requirements at the time of the submittal of the final plans and specifications, the completion of the project and the issuance of the IRS Form 8609. In addition to the plans and specification review, AHFA has the right to inspect the project during the following phases of development:

A. During construction;
B. At the completion of construction and
C. Prior to issuance of the IRS Form 8609.

The applicant will be responsible for the actual cost of work completed by AHFA designated consultants.

Addendum D

Alabama Housing Finance Authority's

2019 HOME Action Plan

Compliance Monitoring Procedures, Requirements and Penalty Criteria

As referenced in Section VI G "Compliance Monitoring" of the HOME Action Plan for 2019 funds (HOME Action Plan), the AHFA Compliance department will conduct monitoring procedures and requirements to ensure Ownership Entity and Project are in compliance with the HOME regulations. These compliance monitoring procedures apply to all buildings Placed in Service in Alabama, which have received an allocation of HOME Funds from AHFA. A complete outline of AHFA's compliance requirements is located in AHFA Compliance Manual available at *www.ahfa.com*.

I. Compliance Monitoring Procedures and Requirements:

A. AHFA will require each Responsible Owner of a HOME Project to maintain records for each qualified HOME building in the Project. These records must show, for each year in the HOME Affordability Period, the information required by the record-keeping provisions contained in the HOME regulations, incorporated herein by reference.

B. AHFA will require Responsible Owners to retain the records documenting compliance with the HOME regulations for each year as described in Paragraph A above for at least 5 years past the end of the HOME Affordability Period.

C. Each Ownership Entity must enter all required tenant data into the AHFA DMS Authority Online (AHFA DMS) by February 1st of each year. The required tenant data must be for all tenant events, including all move-in and move-out occurrences, income recertification, and transfer of tenants through the previous year ended December 31st. A point deduction as described in Section II A 1 of Addendum D will be applied to the Ownership Entity and the Management Company (including owners and managers of the Management Company) of a Project for failing to enter all tenant data as required.

D. By March 1st of each year AHFA must receive from the Responsible Owner of each HOME funded Project combined with Housing Credits or each HOME only funded Project, the applicable Annual Owner's Certification (AOC), under penalty of perjury, as provided in Section 1.42-5(c)(1) of the Treasury Regulations. The AOC will be completed using AHFA DMS or other approved method as provided by AHFA's Compliance department. Once the AOC is received AHFA will review for compliance with the requirements of Section 42 and AHFA's AOC requirements for HOME funded properties. A point deduction as described in Section II A 2 of Addendum D will be applied if a Responsible Owner fails to provide an AOC by 5:00p.m. CST on March 1st. Failure to submit an AOC to AHFA within 30 days after written notification of non- receipt by AHFA will result in a $500 late fee.

E. Each Ownership Entity of AHFA HOME funded properties must submit to AHFA an annual audited financial statement and form Schedule A (filed with IRS Form 8609) prepared by a licensed Certified Public Accountant for each Project by May 1st. All financial statements must be sent electronically by e-mail, flash drive, thumb drive or memory stick. **Paper financial statements will not be accepted/will no longer be accepted.** Failure to submit an annual audited financial statement prepared by a licensed Certified Public Accountant within 30 days after written notification of non-receipt by AHFA will result in a $500 late fee.

F. By May 1st of each year, the Responsible Owner or owner's Management Company for all properties receiving AHFA HOME Funds in 2012 and after **must** also submit an updated Capital Maintenance Plan (CMP) to AHFA. Each CMP must be completed in the manner as defined by AHFA:

The Responsible Owner must maintain a written CMP for each Project that complies with 24 C.F.R. Section during the term of the HOME Loan. The written CMP for each Project must be available for AHFA review at any time, upon request. At a minimum, and without limiting the foregoing, the CMP must include the following components:

1.) **Annual Physical Needs Summary**: This summary shall provide an estimate of all the planned and anticipated repairs, replacements, and significant deferred and other maintenance items that will need to be addressed within the next 12 months. It should take into consideration anticipated unit turn-over, physical assessment of grounds/amenities/common areas, and any deferred maintenance items (including reason for deferment). Funding sources for this work must be identified. This summary serves as the short-term action plan for the property management and as a reporting tool for AHFA and the Ownership Entity. Documentation of repairs (e.g. receipts, before/after photos, completed work orders, etc.) must be maintained through the course of the year. Any additional repairs, replacements, or maintenance completed during the course of the year should also be documented. In addition to the current summary, a copy of the previous year's summary must be provided to AHFA. The previous year's summary must include all repair, replacement, or maintenance performed with the funding source identified or current status of outstanding items with planned remedy, estimated timeline for completion, and funding source identified.

2.) **Long-Term Physical Needs Summary**: This summary shall provide an estimate of the repairs and replacement items beyond the first year which are required to maintain the development's physical integrity over the term of the HOME Loan. Items to be addressed include major structural systems (e.g. stairs, balconies, pavements, sidewalks, etc.) and interior components (e.g., appliances, flooring, lighting/plumbing fixtures, etc.) which, based on the expected useful life (EUL), require replacement during this period. Prior to the Loan closing, the Responsible Owner shall present to AHFA, for review and approval, a sample version of the capital maintenance tracking system intended for use over the term of the HOME Loan. This maintenance tracking system should be continually updated by management and should address units during turn over as well as units Occupied by long-term tenants. Sources of funding for the planned replacements must be identified.

3.) **Analysis of Reserves for Replacement**: This analysis will provide an estimate of the initial and monthly deposit to the Replacement Reserve Account needed to fund the development's long-term physical needs during the term of the HOME Loan. This plan will account for inflation, the existing Replacement Reserve balance, and the Expected Useful Life (EUL) of major building systems. This analysis should include the costs of twelve (12) month annual physical needs, but not any work items that would be considered an operating expense.

G. AHFA will inspect each active HOME Project on an annual basis during the HOME Affordability Period. AHFA will inspect each required HOME Project based on the AHFA Compliance Manual located at www.AHFA.com.

H. Each Ownership Entity must allow AHFA or its designated representative to perform additional on-site inspections of any HOME Funded building in a Project through the end of the HOME Affordability Period. These additional inspections are separate from any review of tenant files or units under Paragraph G. Inspections performed outside of Paragraph G will be at the expense of the Ownership Entity. Each unit or building inspection will be performed using the Uniform Physical Condition Standards (UPCS) guidelines established by HUD. The UPCS standards and related definitions provided by HUD (https://www.hud.gov/sites/documents/appendix2-finaldictionary.pdf) provide guidance for at least 520 compliance protocols.

I. AHFA will promptly notify the Ownership Entity in writing if AHFA is not permitted to inspect and review as described in Paragraphs G and H, or otherwise discovers that the Project does not comply with the HOME regulations. In such event, the Ownership Entity will be informed in writing of the stipulated period to supply missing documentation or to correct noncompliance commencing on the date of the notification letter.

J. AHFA may notify HUD of an Ownership Entity's noncompliance or failure to submit an AOC no later than 45 days after the end of the time allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected.

K. AHFA will charge fees to cover the ongoing administrative expenses in monitoring compliance and to collect all expenses incurred in carrying out its duties as the Housing Credit agency, including, but not limited to, reasonable fees for legal and professional services. (Reference Chapter 1 Section 1.4 of AHFA's compliance manual.)

L. Compliance with the requirements of the HOME regulations and the Fair Housing Act is the responsibility of the Ownership Entity of the building for which HOME Funds are loaned or granted. Each Ownership Entity of each building for which HOME Funds are loaned or granted is also responsible for compliance with all of the accessibility, adaptive design and construction requirements of the Fair Housing Act. AHFA's obligation to monitor for compliance with the requirements of the HOME regulations does not make AHFA or the State of Alabama liable to any Ownership Entity or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any Ownership Entity for an owner's non-compliance therewith.

M. It is the policy of AHFA to immediately report to the appropriate federal department and the cognizant inspector general of such department any indication of fraud, waste, abuse, or potentially criminal activity pertaining to federal funds.

N. If the Ownership Entity received Housing Credits, a copy of the IRS Form 8609 with Part II completed by the Ownership Entity must be submitted to AHFA the first year Housing Credits are claimed for a building. Failure to submit a copy of the IRS Form 8609 with Part II completed by the Ownership Entity to AHFA within 60 days after written notification of non-receipt by AHFA will result in a $500 fee.

O. The Ownership Entity must submit a copy of any health, safety, or building code violation reports issued by any regulatory or third party entity to AHFA's compliance department. AHFA will apply applicable point deductions for items of noncompliance found in any third party report in accordance with Section II E of this Addendum. Furthermore, if AHFA becomes aware of any health, safety, or building code violation reports issued by any regulatory or third party entity which were not submitted to AHFA's compliance

department within 30 days of the date the Ownership Entity received the report, AHFA will charge the Ownership Entity a $500 fee.

II. Penalty Scoring, Fees for Non-Compliance and Suspension Criteria

According to the UPCS standards and related definitions provided by HUD (https://www.hud.gov/sites/documents/appendix2-finaldictionary.pdf), there are at least 520 compliance protocols for which, if noncompliance is found, are reportable noncompliance items to the IRS. AHFA has identified certain specific compliance protocols in Section II E of this Addendum as automatic penalty point deduction items, which for the rest of this document will be referred to as point deduction items, when noncompliance is discovered. AHFA expects, at a minimum, that each Ownership Entity and Management Company will develop a routine inspection process to ensure the items defined in Section II E are regularly inspected by their respective staff on an ongoing basis. The point deduction item categories address health and safety concerns, sanitary nature and habitable living conditions of each unit and Project, and AHFA standards for minimal record-keeping practices. Since AHFA will generally provide up to a 3 day notice when scheduling compliance inspections, no cure period will be allowed for the point deduction items defined under Section II E.

If prior to receiving a notice regarding an AHFA inspection, an Ownership Entity or Management Company notifies AHFA immediately regarding any disruption/discontinuation of any service/amenity or property damage with respect to the Project, a report, in a form acceptable to AHFA, detailing the circumstances and plan of corrective action must immediately be submitted to AHFA for review. If the required report is submitted immediately upon occurrence, AHFA will not deduct points. The Ownership Entity's plan for corrective action must include details for how the issue will be resolved along with a deadline for when the issue will be resolved. If the Ownership Entity decides not to correct the issue within the timeframe specified by AHFA or if AHFA determines that the Ownership Entity and Management Company failed to report the occurrence of a disruption/discontinuance in a service/amenity or property damage with respect to the Project, point deductions will be assessed against the Ownership Entity of the Project and Management Company (inclusive of owners and managers).

A. Point deductions for late or non-submittal of tenant data or AOC will be assessed to the Ownership Entity and Management Company (inclusive of owners and managers) for the 2020 Competitive Application and Non-Competitive Application cycles as follows:

   1.) 1 point will be deducted for each Project for which the Responsible Owner or Management Company fails to enter required tenant data into AHFA DMS by February 1, 2019.

   2.) 1 point will be deducted for each Project for which the Responsible Owner fails to submit a correct and complete AOC to AHFA's compliance department by 5:00 p.m. CST March 1, 2019.

B. Point deductions will **not** be deducted from a 2019 applicant's score until the cumulative total of all point deductions collected during 2018 (January 1st through December 31st) exceeds 4 points. If an applicant's cumulative total of all point deductions is 5 points or more, then the total of **all** point deductions **will be** deducted from an applicant's score on their 2019 application(s).

C. AHFA will review all results of third party inspection reports received from any local, state, federal or financial entity or institution with an interest in the Project which identifies compliance issues as defined in the HOME Action Plan. AHFA will apply applicable point

deductions for items of noncompliance found in any third party report in accordance with Section II E of this Addendum.

D. AHFA will suspend or permanently ban any Ownership Entity from applying for funding or any Management Company from participating in an application for funding according to the following criteria:

1.) Should any of the negative actions listed in Section IV D of the 2019 HOME Action Plan occur after a 2019 Application Package has been submitted and prior to approval by AHFA, AHFA has the right to terminate the Application Package.

2.) If an Ownership Entity is assessed a cumulative total of 10 points or more for all AHFA Projects audited and/or inspected from January 1, 2018 through December 31, 2018, the Ownership Entity/Responsible Owner will be **suspended immediately** from applying for any AHFA-funded program (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds) from the time the Ownership Entity is notified of the suspension through December 31, 2019. If an Ownership Entity is suspended after a 2019 AHFA-funded program application has been submitted but prior to approval by AHFA, any Application Package for which Ownership Entity/Responsible Owner is listed as one of the members will be **terminated immediately**.

3.) If a Management Company is assessed a cumulative total of 10 points or more for all AHFA Projects audited and/or inspected from January 1, 2018 through December 31, 2018, the Management Company will be **suspended immediately** from participating in any AHFA-funded program applications (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds) from the time the Management Company is notified of the suspension through December 31, 2019. If a Management Company is suspended after a 2019 AHFA-funded program application has been submitted, and the application is later funded, the Ownership Entity for the newly funded property must replace the suspended Management Company with a Management Company which is **not** currently under suspension. Furthermore, once a Management Company is suspended, a representative of the Management Company **must** attend compliance training at the AHFA office at a mutually agreeable time. Any transfer of management requests which involve a suspended Management Company will be rejected until the suspended Management Company (inclusive of owners and managers) completes a compliance audit/inspection year (January 1st through December 31st) without a suspension and a representative of the Management Company attends the required compliance training at the AHFA office.

4.) If an Ownership Entity is prohibited from participating for 5 consecutive calendar years, the Ownership Entity will be permanently banned from applying for any AHFA-funded programs (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds).

5.) If a Management Company is prohibited from participating on any application for 5 consecutive calendar years, the Management Company will be permanently banned from participating on any program applications for any AHFA-funded programs (Housing Credits, HOME Funds, Housing Trust Fund or Multifamily Housing Revenue Bonds). Any transfer of management requests which involve a

permanently banned Management Company (inclusive of owners and managers) will be rejected.

E. The following point deduction items discussed in Subsections 1), 2), and 3) below are not intended to supplant or usurp the UPCS standards and related definitions provided by HUD and/or applicable local or other building codes. Point deductions for funding applications in 2019 will be applicable to audits and inspections conducted from January 1, 2018 to December 31, 2018 and will be based on the point deduction items listed in Addendum D of AHFA's 2018 QAP and HOME Action Plan. The point deduction items listed below are applicable to audits and inspections conducted from January 1, 2019 to December 31, 2019. If an applicant has less than 3 AHFA-funded properties, at least one property the applicant owns will be inspected as referenced in Section II F herein. Points will be assessed to the Ownership Entity and Management Company of record at the time of inspection.

If an Ownership Entity/Responsible Owner or Management Company acquires a property and upon inspection of the property discovers the property has multiple items which will require extensive repairs, the Ownership Entity/Responsible Owner or Management Company must complete an assessment of the work which must be completed along with a plan for how long the work will take and submit this documentation to AHFA within 60 days of possessing the property. If AHFA approves the plan of action submitted, the Ownership Entity/Responsible Owner or Management Company will have the time period approved by AHFA to complete the repairs before any point deduction items discussed in subsections 1), 2) and 3) below are assessed due to an AHFA inspection.

Point deductions for this HOME Action Plan will be based on the following methodology:

1.) Health and Safety Deficiencies - 2 points per occurrence (or collectively per Project audited if the same deficiency) will be assessed for health and safety deficiencies, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the onsite representatives for the Ownership Entity and/or the Management Company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the Ownership Entity will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 4 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Health and Safety Deficiencies":*

(a) Missing, non-charged or empty fire extinguishers (for properties funded under the 1999 HOME Action Plan and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II E 5herein.

(b) Missing or non-working smoke detectors for more than twenty-five percent (25%) of the total units inspected. A missing or non-working smoke detector is defined as not having at least one operable smoke detector per floor for each apartment unit inspected. Any findings related to this

category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(c) Missing fire canisters above the cooktop surface or temperature limiting plates on the cooktop surface (applies to properties funded under the 2013 HOME Action Plan and thereafter) for more than 25% of the total units inspected. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(d) Exposed electrical wiring or electrical hazards including, but not limited to, missing, damaged or improperly installed cover plates or wire guards which leave connections exposed or missing fuse box blanks. Exposed electrical wiring or electrical hazards located in a locked area where the resident(s) cannot gain access must be repaired but will not cause a point deduction. Any findings in this category located in a locked area where the resident(s) cannot gain access will be subject to the penalty criteria as defined in Section II E 5 herein.

(e) Insect infestation (based on visible presence, damage or reports) for more than 25% of the total units inspected. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(f) If an Ownership Entity/Management Company fails to inform AHFA staff in advance of any inspection of any unit(s) of a Project which is currently infested and/or being treated for bed bugs or other similar infestation.

(g) Mold or mildew in more than 25% of the total units inspected. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(h) Tripping hazards due to damaged sidewalks, parking lots, or other accessible exterior routes.

(i) Missing, broken or loose handrails or steps.

2.) Unit Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for each of the units inspected for any of the deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the onsite representatives for the Ownership Entity and/or the Management Company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the Ownership Entity will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Unit Deficiencies":*

(a) Missing or inoperable plumbing fixtures.

(b) Missing or disconnected stoves, dishwashers, or refrigerators.

(c) Missing, improperly installed, affixed, or damaged cabinetry such as extensive mold or damage which would cause the cabinetry to be replaced in the unit.

(d) A missing or damaged drawer in more than 25% of the total units inspected. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(e) Boarded, broken or missing exterior windows or doors.

(f) Units which have been vacant for more than 30 days and are not suitable for occupancy or are found to be unsanitary. A unit which is suitable for occupancy should at a minimum include removal of the previous household's items (furniture, clothing and trash), repairs to the walls and floors completed, cleaned carpets and walls and general maintenance completed to the unit which creates an overall market readiness. If a unit which has been vacant for more than 30 days suffers damage due to fire, storm, vandalism or natural disaster (while vacant) a point will not be deducted as long as the Ownership Entity immediately reports this damage to AHFA upon its discovery.

(g) Units unable to be accessed or inspected by AHFA at the time of its inspection/audit due to an Ownership Entity's or Management Company's inability to unlock the unit's exterior door lock(s). The Ownership Entity or Management Company must gain access to the unit within 10 minutes after the last unit is inspected. If a lock(s) or door(s) is damaged by the Ownership Entity/Management Company when attempting to gain access to any unit(s), any damage to the lock(s) and/or door(s) must be repaired/replaced immediately.

3.) Project or Unit Amenity Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for the Project or unit amenity deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the onsite representatives of the Ownership Entity and/or the Management Company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the Ownership Entity will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Project or Unit Amenity Deficiencies":*

(a) A Project amenity listed in the Ownership Entity's application which is found to be missing. The Ownership Entity must notify AHFA **immediately** upon occurrence if any of their Project amenities have been damaged, rendered unusable or subject to replacement along with a written plan to repair or replace said amenities within a timeframe acceptable to AHFA.

(b) A unit amenity listed in the Ownership Entity's application which is found to be missing in more than 25% of the total units inspected. The Ownership Entity must notify AHFA **immediately** upon occurrence if any of their unit amenities have been damaged, rendered unusable or subject to replacement along with a written plan to repair or replace said amenities within a timeframe acceptable to AHFA. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

4.) Documentation or File Deficiencies - 1 point per occurrence (or collectively per Project audited if the same deficiency) will be assessed for the documentation or file deficiencies listed below, if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party. At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the onsite representatives of the Ownership Entity and/or the Management Company who are present at that time. AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the Ownership Entity will be required to cure all applicable deficiencies. *Point deductions resulting from any deficiencies listed below will be assessed automatically upon discovery, regardless of whether the identified deficiencies have been cured. Furthermore, 2 additional points will be deducted if the Ownership Entity fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in point deductions under this paragraph are as follows "Documentation or File Deficiencies":*

(a) The failure to obtain an updated utility allowance which results in a household's gross rent being in excess of the applicable gross rent limit.

(b) If over 25% of the households in a Project are over the applicable income limit. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(c) If over 25% of files selected for audit are missing. Any findings related to this category that is 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(d) If over 25% of files selected for audit indicates that tenants are ineligible households due to student rule violations. Any findings related to this category that total 25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

(e) If over 25% of the households in a Project were charged over the maximum applicable rents. Any findings related to this category that total

25% or less will be subject to the penalty criteria as defined in Section II E 5 herein.

5.) Other General Deficiencies - 2 points per occurrence (or collectively per Project audited if the same deficiency is cited) will be assessed for other general deficiencies if cited as a finding at the time of inspection by AHFA, its designated representative or other unrelated third party and is uncured after the end of the written specified timeframe to cure the deficiencies. All timeframes for curing deficiencies will be submitted in writing. General deficiencies include all violations or deficiencies not listed in the preceding paragraphs that are cited as findings during the AHFA onsite audits.

F. Applicant/ Ownership Entity with less than 3 Projects funded with Housing Credits or HOME Funds awarded by AHFA will be subject to the penalty criteria as specified herein in Section II. AHFA will apply the same scoring criteria to any new applications submitted by any Ownership Entity/applicants with less than 3 Projects funded with Housing Credits or HOME Funds awarded by AHFA if any AHFA or units in Non-AHFA Projects inspected by AHFA, its designated representative or other unrelated third party are cited for any Health and Safety Deficiencies, any Occupied or Vacant Deficiencies, or any Project or Unit Amenity Deficiencies.