MEMORANDUM

TO: Persons interested in the Low-Income Housing Tax Credit Program

FROM: Multifamily Development Division

DATE: February 9, 2012

SUBJECT: 2012 Low-Income Housing Tax Credit Qualified Allocation Plan

The following document is the 2012 Qualified Allocation Plan for Low-Income Housing Tax Credits (the “2012 QAP”) as approved by the THDA Board of Directors on November 29, 2011 and approved by Governor Haslam on February 9, 2012.

The Exhibits to the 2012 QAP follow the 2012 QAP.

If you have questions, please contact:

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Or

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TENNESSEE HOUSING DEVELOPMENT AGENCY

Low-Income Housing Tax Credit

2012 QAP
Part I: Introduction

The Tennessee Housing Development Agency ("THDA") administers the Low-Income Housing Tax Credit program in Tennessee. The Low-Income Housing Tax Credit program was created by the Tax Reform Act of 1986 under Section 42 of the Internal Revenue Code of 1986, as amended ("Section 42"), to encourage the construction and rehabilitation of rental housing for low-income individuals and families. Under Section 42(m), THDA is required to develop a Qualified Allocation Plan ("QAP") to define the process by which it will allocate an annual amount of Low-Income Housing Tax Credits ("Tax Credits") in Tennessee.

This document is the QAP required by Section 42. This QAP incorporates all requirements of Section 42 unless more stringent requirements, as permitted under Section 42, are included. A public hearing was held to solicit comments. “Exhibits” are documents which accompany this QAP and which provide additional information. “Attachments” are forms or documents which must be submitted as part of the Initial Application. Exhibits, the Initial Application Form, and Attachments are all considered part of the QAP. The QAP has been approved by the THDA Board of Directors and adopted by the Governor of Tennessee.

Part II: Goals and Objectives

The goal of this QAP is to use the Tax Credits allocated to Tennessee for 2012 to the fullest extent possible to create, maintain, and preserve affordable rental housing for low-income households. Tax Credits are not intended to provide the primary or principal source of financing for a development, but are intended to provide financial incentives sufficient to fill “gaps” which would otherwise exist in developing affordable rental housing for low income households.

Specific objectives of this QAP are to:

1. Make rental units affordable to households with as low an income as possible and for the longest time period possible;
2. Encourage the construction or rehabilitation of rental units in the areas of Tennessee with the greatest need for affordable housing;
3. Encourage development of appropriate housing units for persons with special needs, including the elderly and persons who are homeless or have disabilities;
4. Discourage allocation of Tax Credits to developments for which Tax Credits are not necessary to create, improve, or preserve rental housing for low-income persons;
5. Allocate only the minimum amount of Tax Credits necessary to make a development financially feasible and to ensure its viability as a qualified low-income development throughout the credit period;
6. Encourage Non-Profit entities to develop rental housing for low-income households;
7. Encourage energy efficient construction and rehabilitation;
8. Encourage fair distribution of Tax Credits among counties and developers or related parties;
9. Improve distribution among developments of varying sizes to ensure that developments with a smaller number of housing units receive fair consideration; and
10. Allocate Tax Credits fairly.
Part III: Tax Credits Available

A. Total Tax Credits
   1. This 2012 QAP is limited to the Tax Credit available for allocation in 2012 that was
      not previously made available in 2011 as forward commitments under Part XI of the
      2011 QAP.
   2. The total amount of Tax Credits available for allocation in Tennessee under this 2012
      QAP shall be no less than $1,500,000 and shall include the total of the following:
      a. Any amount not forward committed under Part XIX of the 2011 QAP;
      b. Any unallocated credits from previous year;
      c. Any returned credit from previous years; and
      d. Any amount allocated to Tennessee by the IRS from the National Pool.

B. Set-Asides
   1. Non-Profit Set-Aside
      a. Eligibility and forward commitments of 2012 Tax Credit shall be made as specified in
         Part XIX of the 2011 QAP. No additional awards shall be made under this 2012 QAP
         unless such awards are necessary to meet the requirements of Section 42(h)(5).
   2. Special Housing Needs Set-Aside
      a. Eligibility and forward commitments of 2012 Tax Credit shall be made as specified in
         Part XIX of the 2011 QAP. No additional awards shall be made under this 2012
         QAP.
   3. Qualified Census Tract/Contributing to a Community Revitalization Plan Set-Aside
      a. Eligibility and forward commitments of 2012 Tax Credit shall be made as specified in
         Part XIX of the 2011 QAP. No additional awards shall be made under this 2012
         QAP.
   4. Public Housing Authority Set-Aside
      a. At least one million five hundred thousand ($1,500,000) of the amount of Tax Credits
         made available for 2012 shall be set aside for developments submitted by Public
         Housing Authorities (see Part VII-A-2-d).

Part IV: Limits on Amount of Tax Credits Available

A. Forward Commitments Under the 2011 QAP
   Forward commitments of 2012 Tax Credit made under Part XIX of the 2011 QAP will not be
   taken into account for purposes of applying the limits in this Part IV.

B. By County
   The maximum amount of Tax Credits that may be allocated to developments in any one
   urban county shall not exceed three million three hundred thousand dollars ($3,300,000).
   The maximum amount of Tax Credits that may be allocated to developments in any one
   rural county shall not exceed one million six hundred and fifty thousand dollars
   ($1,650,000). Exhibit 1 to this QAP identifies urban and rural counties.
C. By Development

The maximum amount of Tax Credits that may be allocated to a single development shall not exceed one million one hundred thousand dollars ($1,100,000). THDA reserves the right, in its sole discretion, to determine whether Initial Applications received reflect a single development or multiple developments for the purpose of applying this limitation. In making this determination, THDA will consider the physical location of developments; the relationships among owners, developers, management agents, and other development participants; the structure of financing; and any other information which might clarify whether Initial Applications reflect a single development or multiple developments.

D. By Developer or Related Parties

1. The maximum amount of Tax Credits that may be allocated to a single applicant, developer, owner, or related parties shall not exceed two million two hundred thousand dollars ($2,200,000). THDA reserves the right, in its sole discretion, to determine whether related parties are involved for the purpose of applying this limitation.

2. An applicant, developer, owner, or related party may not submit more than one Initial Application or be involved in more than one development per county with respect to 2012 Tax Credits. THDA reserves the right, in its sole discretion, to determine whether related parties are involved for the purpose of applying this limitation.

3. The following list includes, without limitation, related parties, however, THDA reserves the right to determine, in its sole discretion, that other related parties are involved for the purpose of applying this limitation:
   a. Any person or entity who has a right to (i) replace the developer, (ii) act as co-developer, (iii) replace any individuals or entities who comprise a developer or co-developer, or (iv) otherwise direct the activities of the developer will be considered a developer for purposes of applying this limit.
   b. Any person or entity who has a right to (i) replace the general partner of the owner or applicant, (ii) act as co-general partner of the owner or applicant, (iii) replace any individuals or entities who comprise a general partner or co-general partner of the owner or applicant, or (iv) otherwise direct the activities of the general partner of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
   c. Any person or entity who has a right to (i) replace the controlling stockholder of the owner or applicant, (ii) act as controlling stockholder of owner or applicant, (iii) replace any individuals or entities who comprise a controlling stockholder of the owner or applicant, or (iv) otherwise direct the activities of the controlling stockholder of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
   d. Any person or entity who has a right to (i) replace the managing member of the owner or applicant, (ii) act as co-managing member of the owner or applicant, (iii) replace any individuals or entities who comprise a managing member or co-managing member of the owner or applicant, or (iv) otherwise direct the activities of the managing member of the owner or applicant will be considered an owner or applicant, as the case may be, for purposes of applying this limit.
   e. Any person who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents.
   f. This limit will also apply to any person or entity that is related to any person or entity specified above.
E. Other Limits

1. No more than fifty percent (50%) of the total amount of Tax Credits available for allocation in Tennessee will be allocated to developments located completely and wholly within a Qualified Census Tract.

2. No more than forty percent (40%) of the total amount of Tax Credits available for allocation in Tennessee will be allocated to developments involving rehabilitation.

F. For Financial Feasibility

Section 42(m)(2) requires that THDA not allocate more Tax Credits than necessary for the financial feasibility of a development and its viability as a qualified low-income housing development. THDA reserves the right, in its sole discretion, to reject Initial Applications for Tax Credits when THDA determines that the proposed development is not financially feasible or does not need Tax Credits. THDA also reserves the right, in its sole discretion, to reserve or allocate an amount of Tax Credits less than the amount requested in an Initial Application, in a Carryover Application or in a Placed in Service Application. THDA’s determination under Section 42(m)(2) shall not be construed to be a representation or warranty by THDA as to the financial feasibility, viability, or lack thereof, of any development.

Tax Credits allocated pursuant to this QAP are not intended to provide the primary or principal source of financing for a development, but are intended to provide financial incentives sufficient to fill “gaps” which would otherwise exist in developing affordable rental housing for low and very-low income households. The maximum obtainable rents supported by the market study will be expected to support reasonable operating expenses and maximum mortgage debt service prior to Tax Credits filling any financial “gaps”. When rents for Tax Credit units in an Initial Application, a Carryover Application or a Placed in Service Application are below the maximum rents supported by the required market study, such rents, reflected as a percentage of maximum rents permitted under Section 42, must be maintained throughout the Compliance Period.

Part V: Limits On Developer and Consultant Fees, and Contractor Profit, Overhead, and General Requirements

A. Limit on Developer Fees and Consultant Fees

1. The combined total of developer and consultant fees (Attachment 15: Development Costs; #10, columns B & C) which may be included in the determination of the amount of Tax Credits for a particular development cannot exceed fifteen percent (15%) of that portion of THDA determined eligible basis attributable to acquisition (before the addition of the developer and consultant fees), and cannot exceed fifteen percent (15%) of that portion of THDA determined eligible basis attributable to new construction or to rehabilitation (before the addition of the developer and consultant fees). Construction Advisory or Construction Supervision fees listed separately from the maximum allowed Contractor Fees will be considered as a Consultant and will be included in Consultant Fees.

2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii), then the combined total of developer fees, consultant fees, and contractor profit, contractor overhead, and general requirements, which may be included in the determination of the amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%) of THDA determined eligible basis of that portion of the development attributable to acquisition (before the addition of the fees), and cannot
exceed twenty-five percent (25%) of that portion of THDA determined eligible basis
attributable to new construction or to rehabilitation (before the addition of the fees).

3. THDA will determine, in its sole discretion, whether other fees will be considered
consultant or developer fees for purposes of applying this limitation.

B. Limit on Contractor Fees, Profit, Overhead and General Requirements

1. The total contractor fees, including contractor profit, contractor overhead and general
requirements shall be limited to fourteen percent (14%) of total THDA determined site
work costs, plus accessory buildings plus either new building hard costs or rehabilitation
hard costs. The structure of this fee is limited to the following:
   - Contractor profit: may not exceed six percent (6%)
   - Contractor overhead: may not exceed two percent (2%)
   - Contractor general requirements (includes payment and performance bonds): may not exceed six percent (6%)
   - Total Contractor fees: may not exceed fourteen percent (14%)

2. If the developer and contractor are related persons as defined in Section 42(d)(2)(D)(iii),
then the combined total for contractor profit, overhead, and general requirements,
developer fees and consultant fees which may be included in the determination of the
amount of Tax Credits for a particular development, cannot exceed fifteen percent (15%)
of THDA determined eligible basis on that portion of the development attributable to
acquisition (before the addition of the fees), and cannot exceed twenty-five percent
(25%) of that portion of THDA determined eligible basis attributable to new construction
or to rehabilitation (before the addition of the fees).

3. THDA will determine, in its sole discretion, whether other fees will be considered
contractor or developer fees for purposes of applying this limitation.

Part VI: Application Submission

A. Application Requirements

A complete Initial Application must be submitted in accordance with Part VI-B by the Initial
Application deadline specified in Part VI-C. To be considered complete, an Initial
Application must meet ALL of the following requirements:

1. Have content, formatting and pagination identical to that of the attached Initial
   Application Form;
2. Be computer generated or typed (hand written Initial Applications are prohibited);
3. Bear original signature(s) as specified in Part VI-D;
4. Include all required Attachments and supporting documentation, with all such
   Attachments and supporting documentation containing correct, complete, consistent,
   and current information, all as determined in THDA’s sole discretion, as required in this
   QAP and bearing original signatures to the extent specified in Part VI-D;
5. Have no missing information or any information that is erroneous, incomplete or
   inconsistent;
6. Include a complete original and four complete copies;
7. Be submitted by the Application deadline specified in this Part VI; and
8. Include a certified check in the amount of all fees required with the Initial Application as
   specified in Part XV-A.
B. Initial Application Delivery

An Initial Application must be identified as a “Tax Credit Application” and be delivered to:

Tennessee Housing Development Agency
Suite 1200
404 James Robertson Parkway
Nashville, TN  37243-0900

Initial Applications may be delivered to THDA by mail, in person, by courier, or by other means of physical delivery. (Applications by express delivery services should be sent to the address above but at Zip Code 37219-1598.) Telecopy, facsimile, or other transmission or delivery of “copies” or “representations” of the Initial Application or other documents will not be accepted.

THDA assumes no responsibility for late delivery or delivery to locations other than stated above. Only those Initial Applications arriving at the location stated above by the Initial Application deadline specified in Part VI-C will be considered.

C. Initial Application Deadline

No Initial Applications will be accepted after 1:00 PM Central Time on Thursday, March 1, 2012. No Initial Applications will be accepted at any location other than the location specified in Part VI-B.

- After the Initial Application deadline, no erroneous, missing, incomplete or inconsistent supporting documentation or Attachments, or clarifications to the Initial Application, supporting documentation, or Attachments, or any other materials required in the Initial Application or in support of the Initial Application will be accepted except as specified in Part VIII-B.

D. Original Signatures Required

All forms and documents provided by THDA to be completed as part of the Initial Application must bear original signatures where signatures are required. No photocopies, telexcopies, or other reproductions of documents with signatures will be accepted on these forms and documents.

E. Local Government Notification

Following receipt of Initial Applications, THDA will notify the chief executive officer (or the equivalent) of the local government in whose jurisdiction a development proposed in an Initial Application is to be located. Such individual will have an opportunity to comment on the development proposed in the Initial Application to be located in the jurisdiction, as required by Section 42(m)(1)(A)(ii).
A. Eligibility Determination

THDA will evaluate each Initial Application that meets the requirements of Part VI to determine whether the following eligibility requirements are met:

1. Minimum Score Required
   To be eligible, an Initial Application must obtain a minimum score of 80 points as determined by THDA in accordance with Part VII-B.

2. Special Set-Asides
   a. Public Housing Authority Set-Aside:

   An Initial Application may qualify for the Public Housing Authority Set-Aside in one of two ways, either through a public housing authority ("PHA") without use of the HOPE VI Revitalization Program (the "HOPE VI Program") or through a PHA using the HOPE VI Program. **NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS QAP, INITIAL APPLICATIONS THAT QUALIFY FOR THE PUBLIC HOUSING AUTHORITY SET-ASIDE THROUGH A PHA USING THE HOPE VI PROGRAM WILL BE GIVEN PRIORITY WITHIN THE PUBLIC HOUSING AUTHORITY SET-ASIDE.**

   (i) To qualify for the Public Housing Authority Set-Aside without use of the HOPE VI Program, an Initial Application must contain information satisfactory to THDA demonstrating that the development proposed in the Initial Application involves a qualified PHA. To be qualified, a PHA must meet ALL of the following:

   (A) The PHA must, prior to the reservation of Tax Credits: (1) be the sole general partner or the sole managing member of the ownership entity of the development; or (2) own, alone or with qualified non-profits (as described in Part VII-A-2-a of the 2011 Qualified Allocation Plan) or other qualified PHAs who meet all the requirements of this QAP, one hundred percent (100%) of the stock of a corporate ownership entity of the development; or (3) own, alone or with qualified non-profits (as described in Part VII-A-2-a of the 2011 Qualified Allocation Plan) or other qualified PHAs who meet all the requirements of this QAP, one hundred percent (100%) of the stock or 100% of the partnership interests of an entity that is the sole general partner or sole managing member of the ownership entity of the development proposed in the Initial Application;

   (B) The PHA must materially participate (regular, continuous and substantial on-site involvement) in the development and operation of the development throughout the “compliance period” (as defined in Section 42(i)(1));

   (C) The PHA must be acting solely within the geographic area of its jurisdiction.

   (D) To demonstrate eligibility under this Part VII-A-2-d, a certification, in the form of Attachment 26, must be submitted as part of the Initial Application.

   (ii) To qualify for the Public Housing Authority Set-Aside using the HOPE VI Program, the Initial Application must contain the following:

   (A) A copy of the HOPE VI Revitalization Grant Assistance Award (form HUD-1044) which identifies the PHA receiving the HOPE VI grant and the amount of the grant;

   (B) A letter from the Executive Director of the identified PHA in the form of Attachment 27 certifying that: (1) the development proposed in the Initial
Application is identified in the PHA’s HUD approved HOPE VI application or Revitalization Plan; (2) the housing units are an essential element of that Plan; and (3) the Tax Credits for the development proposed in the Initial Application are an essential component of the financing plan for the PHA’s HOPE VI Program; and

(C) A copy of the HUD approved Revitalization Plan.

(iii) An Initial Application may qualify for the Public Housing Set-Aside under Part VII-A-2-d-(i) or under Part VII-A-2-d-(ii), but not both.

3. Non-compliance
   a. To be eligible, individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application must not have any involvement (either directly or indirectly) with the developer or the ownership entity of any prior Tax Credit development which has an uncured event of noncompliance under (i) Section 42; (ii) the restrictive covenants recorded in connection with such development or (iii) an IRS form 8823. Ineligibility due to noncompliance shall be in effect for the calendar year in which the noncompliance was identified and for the following calendar year. THDA will determine, in its sole discretion, whether an event of noncompliance exists which has not been cured.

   b. Notwithstanding a. above –
      (i) If the noncompliance identified by THDA, in its sole discretion, is capable of cure, but has not been cured within the periods identified in a. above, ineligibility shall continue beyond those periods and shall end with the Initial Application cycle that follows the delivery of documentation demonstrating to the satisfactory of THDA, in its sole discretion, that the identified noncompliance has been cured.

      (ii) An outstanding IRS Form 8823 issued for potential violations under the Fair Housing Act (FHA) as described pursuant to the Memorandum of Understanding among Treasury Department, HUD, and DOJ, dated August, 2000, is not considered noncompliance under this section unless there has been a finding of discrimination by an adverse final decision from a federal court or a judgment enforcing the terms of a consent decree.

   c. Attachment 19 must be submitted as part of the Initial Application to demonstrate eligibility under this Part VII-A-3.

4. Developments
   a. The Initial Application must propose an eligible development. To be eligible, a development proposed in the Initial Application must meet ALL of the following:

      (i) The development must be a qualified low-income housing development as defined in Section 42(g), containing qualified low-income buildings as defined in Section 42(c)(2) and low-income units as defined in Section 42(i)(3). THDA, in its sole discretion, may require opinions from relevant counsel regarding transitional housing for the homeless, single room occupancy units, service provision or other matters in connection with a determination of eligibility;

      (ii) One hundred percent (100%) of the units in buildings with elevators in the development and all ground floor units in non-elevator buildings in the development are “covered multifamily dwellings” (as defined in the Fair Housing Act). All covered multifamily dwellings must meet all accessible design requirements under the Fair Housing Act and must otherwise be designed and
built in accordance with the Fair Housing Act (including one of the eight safe harbors recognized by HUD as shown on Exhibit 7) and all other areas in the development open to the public are “public accommodations” as defined in the Americans with Disabilities Act and must be designed and built in accordance with the Americans With Disabilities Act. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609;

(iii) Proposed developments that request acquisition Tax Credits must meet Section 42(d)(2) (10-year rule), except for federally assisted buildings such as Section 8, 221(d)(3), 221(d)(4), 236 or 515;

(iv) If the development proposed in the Initial Application is located on scattered sites, then the Initial Application must reflect that all sites are included under a common plan of financing and the scattered sites must be appraised as a single proposed development, using appraisal methodology appropriate for rental property as described in Part VII-A-10;

(v) If the development proposed in the Initial Application involves rehabilitation and does not involve tax-exempt financing, rehabilitation hard costs (number from line item “Rehabilitation Hard Costs” in section 3, column A of Attachment 15: Development Costs) must be at least forty percent (40%) of total development costs (number from section 12, column A of Attachment 15: Development Costs). If the development proposed in the Initial Application involves rehabilitation and involves tax-exempt financing, rehabilitation hard costs must be the greater of (A) thirty percent (30%) of building acquisition costs or (B) an amount sufficient to satisfy the requirements of Section 42(e)(3)(A)(ii). Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609;

(vi) If the development proposed in the Initial Application will have vinyl siding on all or any part of the exterior, all such vinyl siding must meet a 15-year maintenance free standard. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609;

(vii) The development must meet all applicable local building codes or in the absence of such codes, the development must meet the following, as applicable: new construction of multi-family apartments of 3 or more units must meet the 2009 International Building Code; new construction or reconstruction of single-family units or duplexes must meet the 2009 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of rental units must meet the 2009 International Existing Building Code and the 2009 International Property Maintenance Code. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609.

(viii) To the extent not otherwise required, the development must have hardwired smoke detectors, with battery backup, in the bedroom areas of all units. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609.

b. A proposed development may receive, in THDA’s sole discretion, an increase in eligible basis of up to 30%. The provisions of this Part VII-A-4-b do not apply to proposed developments with tax-exempt financing as described in Section 42(h)(4).
c. The following types of developments are not eligible for Tax Credits:
   
   (i) Developments that have been part of “Bargain Sales” with a “step-up” in sales price paid to an intervening Non-Profit;
   
   (ii) Developments containing units that are not for use by the general public, including, but not limited to, hospitals, nursing homes, sanitariums, life care facilities, trailer parks, or intermediate care facilities for persons with mental and physical disabilities;
   
   (iii) Developments in which continual or frequent nursing, medical, or psychiatric services are provided. Examples include, but are not limited to, hospitals, nursing homes, sanitariums, life care facilities, or intermediate care facilities for persons with mental and physical disabilities; or
   
   (iv) Developments involving, either directly or indirectly, individuals (all as identified on relevant Attachments 4 and 5) who are also involved directly or indirectly in developments identified on Attachment 19 that submitted a Final Application for Tax Credits prior to January 1, 2011 and, prior to April 1, 2012, have not satisfied all THDA requirements for the release of the Owner’s copies of the IRS Form(s) 8609.

   d. A certification in the form of Attachment 20 must be submitted as part of all Initial Applications to demonstrate eligibility under this Part VII-A-4.

   e. A certification in the form of Attachment 21 must be submitted as part of any Initial Application that requests acquisition Tax Credits to demonstrate eligibility under Part VII-A-4-a-(iii).

5. Existing, Incremental, and New Developments

   a. Developments which received reservations/allocations of Tax Credits under QAPs at any time during the prior fifteen (15) years and which are not proposing additional housing units will be considered “existing” developments. Developments which have received reservations/allocations of Tax Credits under the 2010 QAP, but which are proposing additional housing units will be considered “incremental” developments. All other developments will be considered “new” developments.

   b. Initial Applications proposing “incremental” developments will be reviewed, evaluated and scored based solely on the costs, characteristics, and other elements of the development attributable to the housing units added pursuant to the Initial Application submitted for 2012 Tax Credits. None of the costs, characteristics, or other elements attributable to the existing development will be considered, evaluated, or scored. If Tax Credits are allocated to an “incremental” development, the limitations specified in Part IV, and the limitations specified in Part V will apply, based on the cumulative amount of Tax Credits allocated to the entire development for 2010 and 2012 and the cumulative costs of the development as proposed in 2011 and 2012.

   c. If there are sufficient qualified Initial Applications for “new” developments and/or “incremental” developments, Initial Applications for “existing” developments will not be reviewed or scored, and the application fee will be returned.

   d. If Tax Credits are allocated to an “existing” development, the limitations specified in Part IV and the limitations specified in Part V will apply, based on the cumulative amount of Tax Credits reserved for the entire development in 2012 and allocated to the development at any time during the prior fifteen (15) years and the cumulative costs of the development as proposed in 2012 and for the prior fifteen (15) years.
6. Development Participants

a. All development participants must be identified in Sections 3, 4, and 5 of the Initial Application and on Attachment 6, which must be submitted with the Initial Application.

b. Attachments 4A, 4B, or 4C must be fully completed and submitted with the Initial Application for the Ownership Entity identified in Section 3 of the Initial Application. If the copies of Attachments 4A, 4B, or 4C included in the Initial Application do not contain enough pages to fully describe the Ownership Entity identified in Section 3 of the Initial Application, make additional copies of the relevant portions of Attachments 4A, 4B, or 4C, as needed, and complete all additional pages until no entities and only individuals are identified. Provide the required information for all entities and individuals at each layer of the organizational structure of the Ownership Entity. TRACE THE PROPOSED OWNERSHIP ENTITY THROUGH ALL LAYERS OF ITS ORGANIZATIONAL STRUCTURE REGARDLESS OF THE TYPE OF ENTITY AT ANY PARTICULAR LAYER. Applicants are encouraged, but not required, to submit an organizational chart when the proposed Ownership Entity is complex and contains multiple layers.

c. Attachments 5A, 5B, or 5C must be fully completed and submitted with the Initial Application for the Developer Entity identified in Section 4 of the Initial Application. If the copies of Attachments 5A, 5B, or 5C included in the Initial Application do not contain enough pages to fully describe the Developer entity identified in Section 5 of the Initial Application, make additional copies of the relevant portions of Attachments 5A, 5B, or 5C, as needed, and complete all additional pages until no entities and only individuals are identified. Provide the required information for all entities and individuals at each layer of the organizational structure of the Developer Entity. TRACE THE PROPOSED DEVELOPER ENTITY THROUGH ALL LAYERS OF ITS ORGANIZATIONAL STRUCTURE REGARDLESS OF THE TYPE OF ENTITY AT ANY PARTICULAR LAYER. Applicants are encouraged, but not required, to submit an organizational chart when the proposed Developer Entity is complex and contains multiple layers.

d. In the event any entity identified in Attachments 4A, 4B, or 4C, and/or Attachments 5A, 5B, or 5C is a corporation that is publicly traded on a nationally recognized stock exchange or similar entity, the information required in Attachments 4A, 4B, or 4C, and/or Attachments 5A, 5B, or 5C need not be provided for that entity. Complete information must be provided on Attachments 4A, 4B, or 4C, and/or Attachments 5A, 5B, or 5C for all other types of entities at each layer of the organizational structure until no entities and only individuals are identified. An opinion of counsel in the form of Attachment 28 must be provided with the Initial Application for this exception to apply.

e. In the event any entity identified in Attachments 4A, 4B, or 4C, and/or Attachments 5A, 5B, or 5C is a trust, information must be provided in the relevant Attachment about the trustee and beneficiary of each trust at each layer of organizational structure. Information about trustees and beneficiaries must be traced through all levels of organizational structure.

f. An Attachment 22 (Disclosure Form) is required for each individual identified in Attachments 4A, 4B, and 4C for the Ownership Entity and for each individual identified in Attachments 5A, 5B, and 5C for the Developer Entity. Each Disclosure Form must include responses to each question and must bear the original signature of the individual, in their individual capacity. Provided, however, Attachment 22 is NOT required for individuals who are officers, directors of shareholders of a
corporation that is publicly traded on a nationally recognized stock exchange or similar entity which is identified in Attachments 4A, 4B, or 4C, and/or Attachments 5A, 5B, or 5C. An opinion of counsel in the form of Attachment 28 must be provided with the Initial Application for this exception to apply.

g. An Initial Application is ineligible if any of the following apply:

(i) Attachment 4A, 4B, or 4C is not fully completed and submitted as specified above.

(ii) Attachment 5A, 5B, or 5C is not fully completed and submitted as specified above.

(iii) Attachment 6 is not fully completed and submitted.

(iv) Attachment 22 is not fully completed as specified above, with an original signature, in an individual capacity, and submitted for each required individual as identified in Attachment 4A, 4B, or 4C and Attachment 5A, 5B, and 5C.

(v) Attachment 22 for any required individual shows that any one of the following is true for that individual:

(A) A felony conviction of any type within the last ten (10) years;

(B) A fine, suspension or debarment involving financial or housing activities within the last five (5) years imposed by any federal agency;

(C) The individual currently in bankruptcy or a bankruptcy discharged within the last four (4) years or any organization or entity in which the individual had significant control currently is in bankruptcy or had a bankruptcy discharged within the last four (4) years; or

(D) Any suspensions of required state licenses (Tennessee or any other state) within the last ten (10) years.

(vi) An opinion of counsel in the form of Attachment 28 is not submitted with the Initial Application if the exception in Part VII-A-6-d and Part VII-A-6-e is claimed.

7. Property Control

a. To be eligible, an Initial Application must demonstrate control of the property on which the development proposed in the Initial Application is to be located (the “property”). Acceptable documentation must be in full force and effect, fully executed and include a correct legal description for the property. The person executing the documentation on behalf of the Ownership Entity must be a person identified in Attachments 4A, 4B, or 4C. A copy of any one of items (i)-(iv) below must be part of the Initial Application:

(i) Recorded instrument of conveyance (warranty deed, quitclaim deed, trustee deed, court order) evidencing title to the property vested in (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;

(ii) Acceptable evidence demonstrating the ability to acquire the property through the power of eminent domain by (A) the currently existing Ownership Entity identified in the Initial Application or (B) a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed;

(iii) Contract for sale or a contract for a 50-year ground lease, which contract must show that the ground lease, when executed, will meet the requirements specified
in Part VII-A-7-a-(v), executed by (A) the owner of record of the property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed; or

(iv) An option to purchase or an option for a 50-year ground lease, which option must show that the ground lease, when executed, will meet the requirements specified in Part VII-A-7-a-(v), executed by (A) the owner of record of the property and (B) the currently existing Ownership Entity identified in the Initial Application or a person or entity identified in the Initial Application as the general partner or managing member of the Ownership Entity to be formed.

(v) A ground lease for the property must have a minimum term of 50 years with no provisions for termination or reversion prior to the expiration of the extended use period as defined in Section 42(h)(6)(D). Proposed developments which are the subject of a Payment In Lieu of Taxes ("PILOT") agreement may be exempt from this minimum term requirement subject to THDA’s review of and satisfaction with the terms of the PILOT agreement, as determined in THDA’s sole discretion.

b. Documentation required as part of the Initial Application to demonstrate eligibility under this Part VII-A-7:

(i) A copy of one of the items identified in Part VII-A-7-a above, **AND**

(ii) One of the following: (I) a commitment for title insurance evidencing that title to the property is vested in the person or entity who executed the document required in Part VII-A-7-a above as owner; or (II) an executed, unqualified attorney title opinion, rendered by an independent third party attorney, indicating title to the property is vested in the person or entity who executed the document required in Part VII-A-7-a above as owner.

c. Copies of assignments of contracts or options without copies of the underlying contract or option that meets the requirements set forth above will not be accepted.

d. If the property identified in an Initial Application under this QAP includes land for which the purchase cost has already been taken into account in connection with a prior allocation of Tax Credits, no cost for the purchase of the land will be permitted in connection with the property identified in the Initial Application under this QAP.

8. Market Study

a. A market study, performed by an independent third party selected from **Exhibit 9** and prepared in accordance with the requirements of **Exhibit 8** (the "Market Study"), must be submitted with the Initial Application for all proposed developments. The Market Study, in a form and with content acceptable to THDA in its sole discretion, must support the need and demand for the proposed development.

b. The Market Study will be used to determine points for the scoring items in Part VII-B-1-a of this QAP.

c. The Market Study must be less than six months old at the time of submission in order to be acceptable.

d. Based on the information and analysis presented in the Market Study, and based on other information available to THDA, THDA may determine, in its sole discretion, that market demand is not sufficient to support the proposed development.

e. **The determinations of the market analyst as reflected in the Market Study are determinative as to eligibility and points.**
9. Physical Needs Assessment

For Initial Applications proposing rehabilitation, the Initial Application must include a physical needs assessment conducted by an independent third party. The physical needs assessment must be in a form and with content acceptable to THDA in its sole discretion, and must include a complete and detailed work plan showing all necessary and contemplated improvements and the projected cost. Physical needs assessments must be less than six months old at the time of submission in order to be acceptable.

10. Appraisal

a. For Initial Applications requesting acquisition Tax Credits for five or more units, an “as is” market rate appraisal not including Tax Credit benefits must be included with the Initial Application. The appraisal must be performed by a Certified General Appraiser licensed in Tennessee. The appraisal cannot be based solely or largely on a “cost” approach to value, but must also consider market and income approaches to value. If the development is proposed for scattered sites, the scattered sites must be appraised as a single rental development, using appraisal methodology appropriate for rental property as described here. The acquisition cost for Tax Credit purposes shall not exceed the lesser of the purchase price or the appraised value. Appraisals must be less than six months old at the time of submission in order to be acceptable.

b. For all other Initial Applications, a land appraisal must be included with the Initial Application. The appraisal must be performed by a Certified General Appraiser licensed in Tennessee. If the development is proposed for scattered sites, the scattered sites must be appraised as a single rental development, using appraisal methodology appropriate for rental property. The land cost for Tax Credit purposes shall not exceed the lesser of the purchase price or the appraised value. Appraisals must be less than six months old at the time of submission in order to be acceptable.

11. 100-Year Flood Plain

No portion of the improvements associated with the proposed development (other than parking lots) may be within a 100-year flood plain unless covered by flood insurance. Certification in the form of Attachment 24 will be required following the issuance of the Reservation Notice. Proof of flood insurance, if applicable, must be submitted with the Final Application.
B. Scoring Initial Applications

Applicants, Initial Applications and developments that meet all eligibility requirements stated above will be evaluated according to the scoring criteria specified below based on the information provided in each Initial Application. **A minimum of 80 points of the 181 points available is required for an Initial Application to be eligible for further consideration under this QAP.**

THDA will award points only if an Initial Application is complete, contains all required documentation, no documentation is incomplete, erroneous, or inconsistent and is submitted by the application deadline, all as specified in Part VI of this QAP. If documentation is incomplete, erroneous, or there are inconsistencies between Attachments or other supporting documentation and the Initial Application form itself or any other type of inconsistency, THDA will not award points for the scoring category which was incomplete, in error, or inconsistent. Completion, correction, or clarification of such items will be subject to the requirements of Part VIII-B and -C.

1. Development Location and Housing Needs: **Maximum 27 Points**
   a. Market Study: **Maximum 22 points**
      (i) Developments located within 2 miles driving distance (for urban counties as specified in Exhibit 1) or 4 miles driving distance (for rural counties as specified in Exhibit 1) of the following neighborhood amenities will receive 1 point for each amenity type. The distance will be as determined in the Market Study: **Maximum 10 points**
         - Full service grocery (if the full service grocery contains a full service bank, 1 point may be claimed for each)
         - Full service restaurant and/or retail center
         - Public transportation access (e.g. bus stop or passenger train station)
         - Full service bank or credit union (ATMs do not qualify)
         - Public or private non-profit educational institution
         - Doctor’s office (general practitioners, not specialized practices), Dentist’s office, or Emergency Clinic or Hospital (facilities must not be exclusive)
         - Public recreation or community center (e.g. senior center)
         - Library
         - Public park
         - Police or Sheriff Station
         - Fire Station
         - Convenience store/gas station
      (ii) Developments proposed in market areas where the overall affordable housing occupancy rate is greater than 93%. The overall affordable housing occupancy rate will be as determined in the Market Study. Rates are rounded to the nearest whole number: **Maximum 7 points**

<table>
<thead>
<tr>
<th>Occupancy Rate</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>94%</td>
<td>1 point</td>
</tr>
<tr>
<td>95%</td>
<td>2 points</td>
</tr>
<tr>
<td>96%</td>
<td>3 points</td>
</tr>
<tr>
<td>97%</td>
<td>4 points</td>
</tr>
<tr>
<td>98%</td>
<td>5 points</td>
</tr>
<tr>
<td>99%</td>
<td>6 points</td>
</tr>
<tr>
<td>100%</td>
<td>7 points</td>
</tr>
</tbody>
</table>
(iii) Developments able to achieve a minimum of 93% occupancy no later than 12 months from the required placed in service date. Occupancy rate and time will be as determined in the Market Study: **5 points**

(iv) **The determinations of the market analyst as reflected in the market study are determinative as to eligibility and points.**

b. Developments located in Identified Areas of Affordable Housing Need: **Maximum 5 points**

(i) Developments located completely and entirely in a Qualified Census Tract (identified on Exhibit 4, excluding Difficult to Develop Areas), the development of which contributes to an approved concerted community revitalization plan, as certified in the form of **Attachment 23A** (for urban counties as reflected in Exhibit 1) or **Attachment 23B** (for rural counties as reflected in Exhibit 1): **1 point**

OR

(ii) Developments located completely and entirely within a census tract (other than a Qualified Census Tract) that is, itself, completely and entirely within an area covered by an approved community revitalization plan, as certified, in the form of **Attachment 23A** (for urban counties as reflected in Exhibit 1) or **Attachment 23B** (for rural counties as reflected in Exhibit 1): **5 points**

Points may be claimed under Part VII-B-1-b-(i) OR Part VII-B-1-b-(iii), but not both.

2. **Development Characteristics: Maximum 45 Points**

a. **New Construction Only**

(i) Developments not involving rehabilitation that include written documentation from the appropriate local governmental authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development: **5 points**

(ii) Developments not involving rehabilitation designed and built to promote energy conservation by meeting the standards of the 2009 International Building Code. Certification in the form of **Attachment 30** will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609: **10 points**

(iii) Developments not involving rehabilitation designed and built using brick, stone, cement fiber siding, or vinyl to meet a 15-year maintenance-free exterior standard. Certification in the form of **Attachment 30** will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609: **10 points**

(iv) Developments not involving rehabilitation designed and built with a **minimum of 65%** of the exterior wall surfaces below the plate line covered with brick, stone, or cement fiber siding. Certification in the form of **Attachment 30** will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609: **15 points**

b. **Rehabilitation Only**

(i) Developments involving rehabilitation must be rehabilitated so that, upon completion of all rehabilitations, the following major building systems will not require further substantial rehabilitation for a period of at least fifteen (15) years from the required placed in service date. Certification in the form of
Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609: **40 points**

- exterior (e.g. brick, stone, cement fiber siding, or vinyl)
- roof structures;
- wall structures;
- floor structures;
- foundations;
- plumbing systems;
- central heating and air conditioning systems;
- electrical systems;
- doors and windows;
- parking lots;
- elevators; and
- fire/safety systems.

(ii) Developments involving the use of existing housing as part of a community revitalization plan as certified, in the form of Attachment 23A (for urban counties as reflected in Exhibit 1) or Attachment 23B (for rural counties as reflected in Exhibit 1): **1 point**

c. Historic Nature

Developments exclusively involving a structure (or structures) that is listed individually in the National Register of Historic Places, or is located in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and all proposed work will be completed in such a manner as to be eligible for historic rehabilitation tax credits. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609. **Developments seeking to combine historic nature and adaptive reuse will be treated as new construction: 1 point**

d. Energy Efficiency

Developments utilizing ENERGY STAR or equivalent compliant items in all units will be awarded 1 point per item type, up to a maximum of 5 points. Certification in the form of Attachment 30 will be required following the issuance of the Reservation Notice and prior to issuing the IRS Form 8609.

**Item types**

- Dishwashers (in all units)
- Exterior doors (in all units)
- HVAC units (in all buildings or units, as applicable)
- Refrigerators (in all units)
- Windows (in all units)

e. Combination of New Construction and Rehabilitation

For developments involving a combination of new construction and rehabilitation, points will be prorated based on the percentage of units in each category.
f. Adaptive Reuse/Conversion

Developments involving adaptive reuse/conversion will be treated as new construction. Adaptive reuse/conversion is defined as the change in use of a major building to residential use. Without limitation, the reuse of hotels, motels, buildings formerly used for residential purposes, slabs, sheds, trailers/mobile homes, barns, garages or single-family homes are not considered to be adaptive reuse/conversion.

3. Sponsor Characteristics: Maximum 47 Points

a. Points will be awarded as designated below if the described event has NOT occurred in Tennessee since March 1, 2011 with respect to individuals involved (either directly or indirectly) with the developer or the ownership entity (whether formed or to be formed) identified in the Initial Application: **maximum 44 points**

   (i) A reservation of Tax Credits was issued and accepted for a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, yet a Carryover Allocation was not obtained: **8 points**

   (ii) A Carryover Allocation was made to a development that the individuals identified above were involved with (either directly or indirectly) through the developer or owner, yet an IRS Form 8609 will not be obtained: **13 points**

   (iii) An allocation of Tax Credits was made to a development that the individuals identified above were involved with (either directly or indirectly) through developer or owner, but the development failed to meet the minimum set-aside for low-income tenants as specified in the land use restrictive covenants: **23 points**

b. Initial Applications will be ineligible for points referenced in Part VII-B-3-a above if, with respect to individuals involved (either directly or indirectly) with the developer, the ownership entity (whether formed or to be formed), or the consultant identified in the Initial Application, any of the following has occurred:

   (i) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any prior Initial, Carryover, or Final Application that has been determined, in THDA’s sole discretion, to be in violation of the requirements of the applicable QAP regarding developer or related party issues; or

   (ii) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any prior Initial, Carryover, or Final Application that has been determined, in THDA’s sole discretion, to involve a “broker” who does not remain involved in the Initial Application through placed in service; or

   (iii) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any prior Final Application that has been determined, in THDA’s sole discretion, to be in violation of the requirements of the applicable QAP regarding submission of permanent financing documentation; or

   (iv) any such individual has been determined, in THDA’s sole discretion, to be or to have been involved in any prior Initial, Carryover, or Final Application as a consultant, but who is a signatory or guarantor of construction financing documents, permanent financing documents, and/or equity syndication documents with respect to the development reflected in such prior Initial, Carryover, or Final Application; or

   (v) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any Exchange Application that failed to satisfy the
deadline for completion of construction as specified in Part XVIII-F of the 2009 QAP.

(vi) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any Multifamily Tax Exempt Bond Authority Application that received an allocation of bond authority but failed to meet established deadline for issuance and sale of the tax-exempt bonds. Voluntary withdrawal of a Multifamily Tax Exempt Bond Authority Application in accordance with all applicable program requirements will not cause ineligibility for points under Part VII-B-3-a above.

(vii) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any Section 1602 or Tax Credit Assistance Program (“TCAP”) development that accepted a conditional commitment letter, but failed to meet deadlines established for the submission of documentation to THDA or failed to close on the Section 1602 or TCAP assistance or failed to achieve 100% completion of construction of the development by the relevant deadline. Voluntary withdrawal of a Section 1602 or TCAP Application in accordance with all applicable program requirements will not cause ineligibility for points under Part VII-B-3-a above.

(viii) any such individual has been determined, in THDA’s sole discretion, to be or have been involved in any development for which Section 1602 or TCAP assistance closed, but is in default thereunder or for which events have occurred that with the passage of time will become a default.

Ineligibility for points as described in this Part VII-B-3-b shall be in effect during the year in which THDA identifies the circumstances causing the ineligibility and for the following calendar year.

c. Developments using HOPE VI funding as part of the development financing. **To qualify for these points, the Initial Application must include a copy of the HOPE VI Revitalization Grant Assistance Award (form HUD-1044) which identifies the Public Housing Authority receiving the HOPE VI grant and the amount of the grant:**

<table>
<thead>
<tr>
<th>HOPE VI Funds as a Percentage</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>of Total Financing for this Development (including tax credit syndication proceeds)</td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td>1 point</td>
</tr>
<tr>
<td>10%</td>
<td>2 points</td>
</tr>
<tr>
<td>20%</td>
<td>3 points</td>
</tr>
</tbody>
</table>

4. **Lowest Income Preference: Maximum 27 Points**

   Election to set aside a minimum of ten percent (10%) of the units for households with incomes no higher than fifty percent (50%) of the area median income with rents maintained at or below 50% of area median income: **27 points**
5. **Extended Use Preference or Tenant Ownership: Maximum 13 points**

*Choose only one below, a. OR b.*

a. **Extended Use Preference: Maximum 13 Points**

A binding commitment to defer the point in time at which the written request specified in Section 42(h)(6)(I) may be given:

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least 5 years</td>
<td>13 points</td>
</tr>
<tr>
<td>At least 4 years, but less than 5 years</td>
<td>8 points</td>
</tr>
<tr>
<td>At least 3 years, but less than 4 years</td>
<td>3 points</td>
</tr>
</tbody>
</table>

**OR**

b. **Eventual Tenant Ownership: 2 points**

A binding commitment to offer the tenant of a single family building at the end of the fifteen-year tax credit compliance period a right of first refusal to purchase the property. The owner must provide to THDA a detailed plan with the Initial Application, specifically including how the owner will set aside a portion of the rent beginning in year two (2) of the compliance period to provide sufficient funds to the tenant at the end of the compliance period for the down payment and the closing costs to purchase the unit. The plan will be required to be updated and submitted to THDA again for approval in year 13 of the compliance period. The Restrictive Covenant Agreement will contain provisions ensuring enforcement of this provision.

6. **Public Housing Priority: 10 Points**

Marketing plans, lease-up plans, and operating policies and procedures which will give a priority to persons on current Public Housing waiting lists. Initial Applications with proposed developments in areas reflected on Exhibit 6 are eligible for these points.

7. **Affirmatively Furthering Fair Housing: 3 points**

The development must have and be operated in accordance with marketing plans, lease-up plans, and operating policies and procedures which are fully compliant with the THDA Affirmative Marketing Policy and Procedures.

8. **Tennessee Growth Policy Act: 9 points**

Initial Applications with proposed developments located completely and wholly in a county or municipality with a growth plan approved by the local government planning advisory committee as determined by the Tennessee Advisory Commission on Intergovernmental Relations and reflected on Exhibit 3. Initial Applications with proposed developments in counties not subject to the Tennessee Growth Policy Act, as shown on Exhibit 3, will receive these points.

**Part VIII: Initial Application Eligibility and Scoring Review**

A. **Notice to Applicants**

1. THDA will notify each applicant when the eligibility determination and scoring of their Initial Application is complete. All applicants will be so notified on or before May 11, 2012. THDA will send this notice to the contact person identified and the address specified in the Initial Application. Failure to receive any notice specified in this Part VIII will not extend deadlines or modify requirements in this Part VIII. All applicants shall immediately notify THDA, in writing, of changes in the name and/or address of the
contact person specified in the Initial Application. Such notification by the applicant will not be deemed to be an amendment to the Initial Application.

2. If THDA determines that an Initial Application meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants may not submit additional items for the purpose of increasing their scores in a particular scoring category if the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application. The provisions of Part VIII-B do not apply.

3. If THDA determines that an Initial Application does not meet one or more of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of items that were erroneous, missing, incomplete, or inconsistent. THDA will also notify applicants if THDA determines that (i) any two or more developments proposed in two or more Initial Applications constitute a single development for purposes of applying the development limit specified in Part IV-B or (ii) developers or related parties reflected in two or more Initial Applications constitute a single entity for purposes of applying the developer or related party limitation specified in Part IV-C. This notice to applicants from THDA is referred to herein as the “Cure Notice”.

4. No rankings or scoring summaries with respect to Initial Applications received by THDA will be available until all cure periods have expired and the review process is complete.

B. Cure Period

1. Applicants receiving a Cure Notice may, in compliance with the requirements of this Part VIII-B, correct erroneous items, supply missing or incomplete items and/or may clarify any inconsistencies related to the specific items identified by THDA during a cure period which shall begin on the date of the Cure Notice and shall end at 4:00 p.m. Central Time, on the date specified in the Cure Notice, which date shall be five (5) business days from the date of the Cure Notice. The Cure Notice shall specify the means and methods by which erroneous items may be corrected, missing items supplied, incomplete items completed and inconsistencies clarified. Applicants may not submit additional items for the purpose of increasing their score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application.

2. If additional documentation to address items specified in the Cure Notice is not submitted in accordance with the requirements contained in the Cure Notice, then the determination as to eligibility and scoring made by THDA is determinative. The review process described in Part VIII-C is not available to applicants who do not submit additional documentation in accordance with the Cure Notice (including, without limitation, the time deadlines specified therein.).

3. The cure provisions of this Part VIII-B do not apply to Initial Applications that are not submitted in accordance with the requirements of Part VI-B and -C.

4. THDA will review all documentation submitted in accordance with the Cure Notice for each relevant Initial Application. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, meets all of the eligibility requirements of this QAP and if the score assigned by THDA in each scoring category is the same as or higher than the score assigned by the applicant in the Initial Application, then no further action by the applicant or THDA will be taken. Applicants may not submit additional items for the purpose of increasing their score in a
particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application, taking into account documentation submitted in accordance with the Cure Notice. The provisions of Part VIII-C will not apply.

5. If THDA determines that an Initial Application, taking into account documentation submitted in accordance with the Cure Notice, still does not meet any one of the eligibility requirements of this QAP or if the score assigned by THDA in any scoring category is still less than the score assigned by the applicant in the Initial Application, THDA will notify the applicant of the determination (the “Review Notice”). The Review Notice will specify the time period within which a request for review may be made.

C. Review Process

1. Applicants who receive a Review Notice may submit, in writing, a request for review to the Executive Director of THDA. This request for review must be submitted in accordance with the Review Notice. A request for review will not be considered if no documentation was submitted or if documentation was not submitted in accordance with the Cure Notice (including, without limitation, the time deadlines therein). If no written request for review is submitted or if the written request submitted does not meet all requirements of the Review Notice or this QAP, no review will occur and the THDA determination prior to the issuance of the Review Notice will be final.

2. The request for review must identify the eligibility item or scoring category to be reviewed, the information in the Initial Application OR the documentation submitted during the cure period relevant to the eligibility item or scoring category in question, and the reason the applicant thinks that the eligibility determination or scoring was in error. The request for review must contain no more than two 8 1/2 X 11 inch pages, with print on one side of each page, typed in 12 point font or larger (or legibly hand written). Requests not meeting this format will not be considered.

3. No additional documentation may be submitted in connection with this request for review. No information submitted after the expiration of the relevant cure period specified in the Cure Notice for an Initial Application will be considered. Applicants may not submit additional items for the purpose of increasing their score in a particular scoring category where the THDA assigned score is the same as or higher than the score assigned by the applicant in the Initial Application, taking into account documentation submitted in accordance with the Cure Notice. Requests for review that were not submitted in accordance with the Review Notice will not be considered. The provisions of Part VIII-C-4, -5, and -6 will not apply.

4. The Policy and Programs Committee of the Board of Directors of THDA (the “Policy and Programs Committee”) will meet in regular or special session in June, 2012, to evaluate the Initial Application, documentation submitted during the cure period, the Review Notice, the request for review and THDA staff analysis thereof (the “Review Meeting”). The Policy and Programs Committee will consider only documentation submitted in compliance with this Part VIII, regardless of whether the applicant or a representative thereof are present at the Review Meeting. The Policy and Programs Committee will consider whether documentation submitted as a result of the Cure Notice, taking into account the THDA staff analysis, is sufficient to meet the requirements of this QAP or is otherwise consistent with the spirit and intent of this QAP. Any contact with THDA Executive Director, any member of the Policy and Programs Committee or any member of the THDA Board by any person or entity on behalf of any Initial Application between the date of the Review Notice and the date of the Review Meeting will be grounds for dismissal of the review request.
5. Applicants or representatives thereof may contact THDA Multifamily Development staff regarding procedural matters only between the date of the Review Notice and the date of the Review Meeting, which contact, if limited as specified herein, will not constitute grounds for dismissal of a review request. Applicants or representatives thereof may, but are not required, to appear at the Review Meeting. Notice of the decision of the Policy and Programs Committee will be provided to the applicant.

6. The final score for all Initial Applications will be determined after the Policy and Programs Committee meets. By adoption of this QAP, the THDA Board of Directors specifically delegates full authority to the Policy and Programs Committee to make the determinations specified in this Part VIII-C. The THDA Board of Directors will not consider requests to review decisions of the Policy and Programs Committee. All decisions of the Policy and Programs Committee are final. No matters with respect to eligibility under Part VII-A or with respect to scoring under Part VII-B will be considered after the date of the Review Meeting.

D. Final scoring and ranking of Initial Applications

After the completion of the cure period and completion of the review process set forth above, the final score for each Initial Application will be determined. Each Initial Application will be listed in order of score and such rankings will be made available to all applicants. This ranking is not confirmation of a reservation of Tax Credits. Reservations will not be made until all set-asides have been applied and all limits have been applied.

E. Application of Various Limits/Final Ranking

Following the final scoring of each Initial Application, THDA will reserve Tax Credits in the Non-Profit Set-Aside if needed to comply with Section 42(h)(5), then reserve all remaining Tax Credits made available under this QAP to developments in the PHA Set-Aside based on the final scores assigned to each Initial Application and the amount of Tax Credits determined by THDA to be appropriate, according to the following procedures and provisions:

1. Non-Profit Set-Aside:
   a. If the requirements of Section 42(h)(5) are not met with the forward allocation of 2012 Tax Credit made under Part XIX of the 2011 QAP, then, based on the final scoring of Initial Applications received under this QAP, THDA will list, in ranking order, all developments qualifying in the Non-Profit Set-Aside (as described in Part VII-A-2-a of the 2011 Qualified Allocation Plan), and will reserve Tax Credits beginning with the highest ranking Initial Application in the initial Non-Profit Set-Aside and will proceed down the ranking until the requirements of Section 42(h)(5) are met.

2. Public Housing Authority Set-Aside:
   b. THDA will list, in ranking order, Initial Applications qualified pursuant to Part VII-A-2-a-(ii) and will make reservations beginning with the highest ranking Initial Application and will proceed down the ranking until the point is reached when the last complete reservation has been made from the Set-Aside amount. **No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-7-c-(ii).** (The limitations specified in Part IV-B and IV-D will apply.)
   
   c. If any Tax Credits remain in the Public Housing Authority Set-Aside, THDA will list, in ranking order, Initial Applications qualified pursuant to Part VII-A-2-a-(i) and will make reservations beginning with the highest ranking Initial Application and will proceed down the ranking until the point is reached when the last complete reservation has been made from the Set-Aside amount. **No partial reservations of**
Tax Credits will be made, except pursuant to Part VIII-E-7-c-(ii). (The limitations specified in Part IV-B and -D will apply.)

d. After the Public Housing Authority Set-Aside is completely reserved, other qualified applications for developments qualifying for the Public Housing Authority Set-Aside that have not received a reservation will be included and considered, along with other applications, in the general pool.

3. Combining Remaining Tax Credits and Remaining Applications:

a. Any Tax Credits remaining after steps 1 and 2 above are complete will be combined with any other Tax Credits that are unallocated for any reason (from Part III-A above).

b. All remaining qualified Initial Applications will then be listed in ranking order. Throughout the remainder of the reservations, THDA will ensure that at least ten percent (10%) of Tax Credits have been reserved to Non-Profit Initial Applications, even if a lower ranking Non-Profit Initial Application must be reserved Tax Credits before a higher-ranking other Initial Application. THDA will reserve any remaining Tax Credits to the remaining Initial Applications beginning with the highest ranking Initial Application, subject to the priority for Non-Profit Initial Applications, the Set-Asides described in this QAP, and the limits described in Part IV and continuing down the lists until the last complete reservation is made. No partial reservations of Tax Credits will be made, except pursuant to Part VIII-E-3-c-(ii). (The limitations specified in Part IV will apply.)

c. (i) If the steps above leave THDA with insufficient Tax Credits to make a complete reservation to the next highest ranking Initial Application, THDA will hold the Tax Credits remaining until enough Tax Credits have been recaptured or returned for a complete reservation to be made. THDA will then make a complete reservation to the next highest ranking Initial Application (The limitations specified in Part IV will apply.)

(ii) If the Tax Credits remaining are likely to exceed one percent (1%) of the total Tax Credits available for reservation, thereby eliminating THDA from applying for Tax Credits from the National Pool in a subsequent year, then any remaining Tax Credits shall be offered as a partial reservation to the next highest ranking applicant, pursuant to this section, until the Tax Credits are accepted. (The limitations in Part IV will apply.) Acceptance of a partial reservation according to this provision would not classify a development as an “existing” application in subsequent years, but any limitation on Tax Credits per development in subsequent years would apply to any such partial reservation.

4. Tax Credits remaining in the Non-Profit Set-Aside after all qualified Non-Profit Initial Applications have received reservations of Tax Credits cannot be reserved to other Initial Applications.

5. Tie Breaker

In the event there is a tie between two or more Initial Applications at the cutoff for receipt of a Tax Credit reservation, the Initial Application requesting the least Tax Credits per square foot of heated, low-income, residential floor space will be given priority. If this first tie breaker still results in a tie, the Executive Director of THDA and the Chair of THDA, or his designee, will, in their sole discretion, determine which Initial Application will be given priority.
Part IX: Reservation of Tax Credits

A. Reservation Notice

THDA will notify, in writing, each successful applicant of an initial reservation of Tax Credits (the “Reservation Notice”). In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. The final amount of Tax Credits allocated to each successful applicant may be less than, but will not be more than, the amount requested in the Initial Application, the amount specified in the Reservation Notice or the amount reflected in a Carryover Allocation. Allocations will be determined in connection with a Carryover Allocation and in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this QAP.

B. Submission of Additional Information and Documentation

The Reservation Notice will specify what additional information and documentation is required and will specify a date by which such information and documentation must be submitted to THDA.

At a minimum, the applicant will be required to provide the following information and documentation, which information and documentation shall be in a form and with substance acceptable to THDA, by the date(s) specified in the Reservation Notice:

1. Firm commitment letters for construction financing and competitive state or Federal loans or grants (i.e.: AD-622 for USDA/RD [formerly FmHA]), executed as specified in the letter and otherwise in a form and with substance acceptable to THDA;
2. Most recent utility allowance documents (from USDA/RD [formerly FmHA], HUD, local PHA, or utility company) demonstrating the basis for calculations of utility costs for the size and type of units proposed;
3. Written documentation from each service provider that all necessary utilities (i.e.: electricity, gas (if proposed development utilizes gas), sewer, and water) are available at the site;
4. Written documentation from the appropriate local governmental authority demonstrating that current zoning and other local land use regulations permit the development as proposed or that no such regulations currently apply to the proposed development (as new construction, acquisition and rehabilitation, or rehabilitation only);
5. Detailed information about the syndication transaction including, without limitation, a firm commitment letter from the purchaser of the tax credits executed as specified in the Reservation Notice;
6. For Initial Applications subject to Part VII-A-2-b; Part VII-A-4-a-(ii), Part VII-A-4-a-(v), Part VII-A-4-a-(vi), Part VII-A-4-a-(vii), Part VII-A-4-a-(viii); Part VII-B-2-a-(ii); Part VII-B-2-a-(iii); Part VII-B-2-a-(iv); Part VII-B-2-b-(i); and/or Part VII-B-2-c, certification in the form of Attachment 30; and
7. Other information or documentation as THDA may deem necessary to fully evaluate the proposed developments and the applicant's ability to proceed.

C. Status Reports

All developments with a Reservation Notice shall provide status reports outlining progress toward completion by dates, in a form and with substance as specified by THDA in the Reservation Notice. Information requested will be development specific and may include such items as construction progress.
D. Recapture of Tax Credits During Reservation Period

1. THDA will cancel a Reservation Notice for failure to fully satisfy conditions imposed in connection with the Reservation Notice and for failure to provide satisfactory information or documentation required by the Reservation Notice by the deadlines specified in the Reservation Notice. This means that the Tax Credits referred to in the Reservation Notice are not available for the development specified in the Reservation Notice and will be made available to other qualified developments. Deadlines specified in the Reservation Notice are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline or unless an extension has been granted under Part XIV-C.

2. Tax credits made available through a Reservation Notice may be voluntarily returned. Any such return means Tax Credits are not available for the development referenced in the Reservation Notice.

3. Any Tax Credits recaptured either by cancellation of a Reservation Notice under Part IX-D-1 above or by voluntary return under Part IX-D-2 above will be reserved to the fullest extent practical to other qualified Initial Applications for Tax Credits as provided in this QAP.

Part X: Carryover Allocation

A. Qualifying for a Carryover Allocation

A development with a Reservation Notice but which will not be placed in service by December 31, 2012, may be eligible for a Carryover Allocation. In order to qualify for a Carryover Allocation, the ownership entity identified in the Initial Application must have ownership of the property on or before November 17, 2013, and must have spent a minimum of ten percent (10%) of the reasonably expected basis in the development on or before November 17, 2013.

B. Carryover Allocation Requirements

1. To file for a Carryover Allocation, the owner must, no later than November 17, 2012:
   a. Complete a Carryover Allocation Application (Form furnished by THDA);
   b. Submit any other development specific materials THDA may require; and
   c. Make an irrevocable gross rent floor election (Form furnished by THDA).

2. The owner must execute a Carryover Allocation document (Form furnished by THDA) no later than December 31, 2012.

3. To meet the Carryover Allocation requirements, the owner must submit the Cost Certification (Form furnished by THDA) for the ten percent (10%) test no later than November 17, 2013.

4. To meet the Carryover Allocation requirements, the owner must submit a copy of the recorded warranty deed showing ownership by the ownership entity identified in the Initial Application or a fully executed 50-year ground lease (subject to the provisions of Part VII-A-7-a-(v) of this QAP) showing the Ownership Entity as identified in the Initial Application as the lessee no later than November 17, 2013.

C. Tax Credits Available

The amount of Tax Credits to be allocated by a Carryover Allocation will be determined by THDA in connection with an evaluation at the time a Carryover Allocation is requested and in accordance with Section 42(m)(2). This amount may be less than, but will not be more than, the Tax Credit amount in the Reservation Notice.
D. Status Reports

All developments with a Carryover Allocation shall provide status reports outlining progress toward completion by dates, in a form and with substance as specified by THDA in the Carryover Allocation. Information requested will be development specific and may include such items as construction progress.

E. Recapture of Tax Credits During Carryover Period

1. THDA will cancel a Carryover Allocation for failure to fully satisfy conditions imposed in connection with the Carryover Allocation. This means that the Tax Credits referred to in the Carryover Allocation are not available for the development specified in the Carryover Allocation and will be made available to other qualified developments. Deadlines specified in the Carryover Allocation are the dates upon which Tax Credits are deemed recaptured by THDA unless the conditions related to each deadline have been met on or before such deadline. Such Tax Credits are recaptured by THDA, without further notice, effective as of the deadline established in the Carryover Allocation which was not met.

2. Tax Credits allocated by a Carryover Allocation may be voluntarily returned. Any such return means that Tax Credits are not available for the development referenced in the Carryover Allocation.

3. Any Tax Credits recaptured either by cancellation of a Carryover Allocation under Part X-E-1 above or by voluntary return under Part X-E-2 above will be made available as follows:
   a. Any Tax Credits returned before October 1, 2012, will be reserved to other qualified Initial Applications for Tax Credits as provided in this QAP;
   b. Any Tax Credits returned on or after October 1, 2012, will be reserved pursuant to a QAP for 2013, if available.

Part XI: Placed In Service

A. Placed In Service Requirements

1. After all units in a development are placed in service, THDA will make a final allocation of Tax Credits and will issue IRS Form(s) 8609 only after receipt of the following, in a form and with substance satisfactory to THDA, in its sole discretion:
   a. Final Application (Form furnished by THDA);
   b. Applicant’s Verification Form for each building in the development (Form furnished by THDA);
   c. Final Cost Certification of actual costs, incomes and expenses, including actual syndication proceeds, from an independent CPA licensed in Tennessee (Form furnished by THDA);
   d. Original Recorded Land Use Restrictive Covenants (Form furnished by THDA);
   e. Copy of the recorded warranty deed indicating ownership;
   f. Certifications as may be required under Part VII-A and Part VII-B of this QAP;
   g. Certificate of Occupancy for each building or, if the jurisdiction in which the development is located does not issue Certificates of Occupancy for the type of development involved, a letter from an authorized official of the local jurisdiction stating that the jurisdiction does not issue Certificates of Occupancy;
   h. Required Compliance Monitoring Fee;
i. Verification from THDA Program Compliance Division of THDA Owner’s Compliance Training attendance in accordance with Part XIII-K of this QAP; and

j. Other documentation as THDA may reasonably require.

2. THDA must receive a copy of the promissory note and recorded deed of trust for permanent financing of the development within fifteen (15) business days of the date of recording of the deed of trust. Failure to provide such documentation shall be deemed an event of noncompliance hereunder. THDA reserves the right to issue revised IRS Form(s) 8609 following receipt of the copy of the promissory note and recorded deed of trust if the terms of the promissory note and/or deed of trust vary from the terms specified in the Final Application.

B. Tax Credits Available

The amount of Tax Credits allocated when a development is placed in service will be determined by THDA based on an evaluation of the above required information and documentation and in accordance with Section 42(m). This amount may be less than, but will not be more than, the amount reserved in the Reservation Notice or allocated in the Carryover Allocation. THDA reserves the right to make adjustments in the amount of Tax Credits finally allocated based on the information submitted and Section 42 requirements.

Part XII: Developments to be Financed With Tax Exempt Bonds

A development financed with tax-exempt bonds may be eligible for an allocation of Tax Credits outside the competitive process described in this QAP. The development must meet the following conditions:

A. If fifty percent (50%) or more of the aggregate basis of a development is financed with tax-exempt bonds, the development is eligible to apply for Tax Credits outside the competitive allocation process described in this QAP. If less than fifty percent (50%) of the aggregate basis of a development is financed with tax-exempt bonds, the competitive allocation process described in this QAP applies. Either counsel or a Certified Public Accountant licensed in Tennessee must certify to THDA that this financing requirement is met.

B. Developments which are not subject to the competitive allocation process must, nevertheless, make application for Tax Credits to THDA in accordance with the terms of the THDA tax-exempt bond Commitment Letter based on bonds issued as a result of an allocation of 2012 volume cap by THDA. All such developments must meet all eligibility requirements of this QAP. THDA will, in its sole discretion, determine the appropriate amount of Tax Credits to be allocated, and will issue a Reservation Notice. In determining the initial amount of Tax Credits to be reserved, THDA will use the costs, incomes and expenses submitted in the Initial Application, as determined by THDA to be reasonable. The final amount of Tax Credits allocated may be less than the amount specified in the Reservation Notice. Allocations will be determined in connection with an evaluation at the time the development is placed in service, in accordance with Section 42(m)(2) and this QAP. Any such allocation of Tax Credits will not count against the limits on Tax Credits by county or by developer specified in Part IV. All requirements of Section 42 and this QAP apply to such developments.

C. Initial Applications for developments pursuant to this Part XII will be subject to the eligibility requirements in Part VII-A and to the minimum scoring requirements in Part VII-B.

D. Developments receiving Tax Credits pursuant to this Part XII will be subject to all fees and compliance requirements and procedures as described in this QAP.
E. Initial Applications for developments pursuant to this Part XII may be submitted to THDA outside the initial application deadlines stated in this QAP.

F. If a development or proposed development is the subject of a pending competitive Tax Credit Initial Application and becomes the subject of a Multifamily Tax Exempt Bond Authority Application, the issuance of a bond Commitment Letter by THDA shall constitute the withdrawal of the competitive Tax Credit Initial Application.

G. Initial Applications for noncompetitive Tax Credit for developments that have received an allocation of Multifamily Tax-Exempt Bond Authority in 2001 or later will not be considered prior to October 1, 2012.

**Part XIII: Compliance Monitoring**

Compliance monitoring procedures apply to all buildings placed in service in Tennessee which have received Tax Credits allocated under Section 42. The current compliance monitoring procedures and requirements are as follows:

A. Owners must certify annually (Owner’s Annual Certification of Compliance) under penalty of perjury that:

1. The development meets the minimum requirements of the appropriately selected test (i.e. 40/60 or 20/50) per Section 42(g)(1);

2. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development;

3. The owner has received an annual income certification from each low-income resident and has documentation to certify that tenant income has not increased above 140% of the income limitation required under Section 42(g)(2)(D)(ii);

4. Each low-income unit is rent restricted under Section 42(g)(2);

5. All units in the project were for use by the general public, including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the project.

6. Each building in the development is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards) and the state or local government unit responsible for making local, health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project;

7. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the development;

8. All resident facilities included in the eligible basis under Section 42(d) of any building in the development, such as a swimming pool, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all residents of the development;

9. If a low-income unit has been vacant during the year, reasonable efforts have been made to rent that unit to residents having a qualifying income and while the unit has been vacant no units of comparable or smaller size have been rented to residents not having a qualifying income;

10. If the income of residents of a low-income unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of a comparable or smaller size was rented to residents having a qualifying income;

11. An extended low-income housing commitment, as described in Section 42(h)(6), was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot
refuse to lease a unit in the project to an applicant because the applicant holds a voucher under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f;

12. All low-income units in the project were used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) or single-room occupant units rented on a month-by-month basis under Section 42(i)(3)(B)(iv)).

13. If the owner received its credit allocation from the portion of the state ceiling set-aside for a project involving “qualified non-profit organizations” under Section 42(h)(5), that its non-profit entity materially participated in the on-going operation of the development within the meaning of Section 469(h);

14. If the building is financed by USDA/RD (formerly FmHA) under the Section 515 program, the owner certifies that the building complies with the requirements for USDA/RD assistance.

B. THDA will conduct yearly on-site inspections of no less than 33% of developments receiving Tax Credits. We will review at least 20% of the prior year’s tenant files for adherence to Section 42 occupancy and rent restrictions. We will conduct physical inspections of 20% of the units at every development to evaluate the suitability of the development for occupancy, taking into account local, health, safety, and building codes (or other habitability standards).

C. As a part of the site inspection, a review will be conducted of the owner’s marketing efforts to attract special needs populations and Section 8 applicants as outlined in the extended low-income housing commitment.

D. Developments which may be, but are not required to be, exempt from annual on-site file reviews and physical inspections are those developments financed by the USDA/RD Section 515 loan program.

E. THDA will charge fees to cover the administrative expenses of monitoring compliance and other expenses incurred in carrying out its duties as the Housing Credit Agency including but not limited to reasonable fees for legal and professional services.

F. Owners will be allowed a 90-day correction period to provide missing documentation or to correct noncompliance. This correction period begins the earlier of the date notification specifying the missing documentation or the noncompliance is mailed, or the date of the inspection at which the missing documentation or the noncompliance is noted. An extension of up to 90 days may be requested in writing and may be granted by THDA if it is determined that there are extreme circumstances beyond the control of the owner.

G. THDA will notify the Internal Revenue Service of an owner’s noncompliance or failure to certify compliance no later than 45 days after the end of the time allowed for correction, whether or not the noncompliance or failure to certify compliance is corrected. THDA will notify the Internal Revenue Service by filing form 8823 Low-Income Housing Credit Agencies Report of Noncompliance.

H. THDA has the right to inspect any low-income development during the compliance period including but not limited to on-site inspections and review of all records relating to compliance with Section 42 requirements. THDA may require copies of the tenant certifications and supporting documentation to be forwarded to THDA.

I. Awareness of Section 42 provisions and compliance with requirements of Section 42 are the responsibility of the owner of the building for which the Tax Credits are allocated. THDA’s monitoring of compliance with Section 42 does not make THDA or the State of Tennessee liable for an owner’s noncompliance.

J. THDA shall be entitled to amend the compliance monitoring provisions of this QAP and its Tax Credit Program as required by applicable federal statutes or regulations as amended,
from time-to-time. Such amendment is expressly permitted by this QAP, and the making of such amendment will not require further public hearings. THDA, in accordance with Section 42, may impose additional requirements at its discretion in order to fulfill the objectives of its housing initiatives.

K. Owners shall attend Owner’s compliance training sessions provided by THDA within the 12 months prior to the submission of the Final Application for a development. Only attendees who are listed on Attachment 4: Development Owner or who are an employee of the development owner may meet this requirement. Development owners shall provide notice to THDA at least three (3) business days prior to the date of the Owner’s compliance training session identifying the proposed attendee. Failure to provide such notice shall cause any attendee to not meet this requirement. THDA reserves the right to disallow any proposed attendee. THDA may, under extraordinary circumstances, extend the deadline, but will not issue the final allocating document (IRS form 8609) until such training has been completed.

L. Owners or their management staff shall attend Manager's compliance training sessions provided by THDA after the final allocation and during the compliance period if it is determined that noncompliance exists which could be corrected by a better understanding of the requirements.

M. Owners shall maintain tenant records within Tennessee.

N. Owners shall submit annual compliance monitoring reports via THDA’s internet reporting application.

O. Owners shall submit, not less than annually, information concerning the race, ethnicity, family composition, age, income, use of rental assistance under Section 8(o) of the United States Housing Act of 1937 or other similar assistance, disability status, and monthly rental payments of households residing in the development in a form and with substance as THDA may require.

**Part XIV: Amendments/Modifications/Deadlines**

A. **QAP Amendments**

THDA may amend any part of this QAP following public notice and approval by the THDA Board of Directors.

B. **Modifications**

   1. Eligibility for Tax Credits and reservations of Tax Credits are based solely on the information contained in the Initial Application, including without limitation, elections made or points claimed in the Initial Application.

   2. Modifications to an Initial Application will not be considered or approved after the Initial Application Deadline but before the issuance and acceptance of a Reservation Notice, except for changes or modifications identified by THDA during the Initial Application Cure Period and Review Process, which changes or modifications may be made only in accordance with the requirements of Part VIII-B.

   3. Subject to Part XIV-B-2 above, THDA will consider other changes or amendments, including, without limitation, site changes, ownership changes, developer changes or other changes, only after a Reservation Notice has been issued by THDA and executed by the proper party as identified in the Initial Application and only after the Initial Application Cure Period and Review Process is complete. In addition, THDA will not consider proposed changes or modifications unless all requirements contained in the Reservation Notice, including the payment of the Reservation Fee, are met to THDA’s sole satisfaction and a Modification Fee as specified in Part XV-C is received by THDA.
4. Once a Carryover Allocation Agreement is issued by THDA, no further changes or modifications, including, without limitation, site changes, ownership changes, developer changes or other changes that would affect eligibility or scoring of the Initial Application are permitted until after all units in the development as proposed in the Initial Application are placed in service.

5. Modifications permitted under this Part XIV-B may be made only with the express written approval of THDA, which approval may be granted or withheld at THDA’s sole discretion.

C. Deadlines/Extension of Deadlines

1. No extensions or changes to timetables stated in this QAP, in any Reservation Notice, in any Carryover Allocation, in any Placed in Service documentation, or in any other documentation distributed or sent by THDA may be made without the express written approval of THDA, which approval may be granted or withheld at THDA’s sole discretion.

2. Due to the competitive nature of the Tax Credit reservation and allocation process, time is of the essence of this QAP.

3. Deadlines established in Section 42 cannot be waived or extended.

4. Tax Credits will be recaptured if there is a failure to meet requirements by established deadlines.

5. No person or entity shall be entitled to rely on any waiver or extension previously granted for the purpose of obtaining subsequent waivers or extensions.

6. Process for Requesting Extension of a Deadline

   An extension of deadlines established in the Reservation Notice, the Carryover Allocation Agreement, or in any other THDA documentation may be requested, in writing, in a form and with substance satisfactory to THDA in its sole discretion. Any such deadline extension request shall be submitted to the Executive Director of THDA on or before the deadline for which an extension is requested, together with a fee in an amount as specified in Part XV-G. Deadline extension requests will not be considered if they are not received by THDA on or before on or before the deadline for which an extension is requested or if the appropriate fee is not included with such a request. In the sole discretion of the Executive Director, such requests may be granted if the applicant documents good cause for the request and demonstrates that new deadlines can be met, provided, however, requests for extension of the deadline to accept a Reservation Notice shall also be subject to Part XIV-C-7. Deadlines established in Section 42 cannot be waived or extended.

7. THDA may, in its sole discretion, grant a single extension of no more than ten (10) business days to the deadline to provide supporting information in response to a Reservation Notice. No other extensions may be granted. The requirements of this Part XIV-C shall apply to an extension request and no such extension will be approved unless the Reservation Notice has been accepted and the reservation fee has been paid on or before the original deadline.
Part XV: PROGRAM FEES

A. Application Fee

<table>
<thead>
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<th>Number Of Units</th>
<th>Application Fee</th>
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<tr>
<td>1-4</td>
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</tr>
<tr>
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<td>$1,200</td>
</tr>
<tr>
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<td>$1,700</td>
</tr>
<tr>
<td>101+</td>
<td>$30 per unit</td>
</tr>
</tbody>
</table>

The Application Fee must be submitted with the Initial Application, and is not refundable, except as provided in Part VII-A-5-c.

B. Reservation Fee

1. A Reservation Fee equal to 5.0% of the total annual Tax Credit amount approved by THDA is due by the date specified in the Reservation Notice.

2. **The Reservation Fee is not refundable.**

C. Modification Fee

1. A modification fee in an amount equal to the greater of $500 or one half of one percent (0.5%) of the total amount of Tax Credits specified in the Reservation Notice must be received by THDA prior to any evaluation of proposed modifications or changes as specified in Part XIV-B.

2. Payment of this fee does not guarantee approval of proposed changes or modifications.

3. Only proposed changes or modifications that meet the requirements of Part XIV-B, as determined by THDA in its sole discretion, may be approved.

4. Subsidy Layering Review required or requested after submission of the Initial Application will be deemed a modification under this Part XV-C and under Part XIV-B.

D. Fee to Amend IRS Form(s) 8609

An amendment fee in an amount equal to $50 per IRS Form(s) 8609 to be amended, with a minimum fee of $250, must be received by THDA prior to the release of the Owner’s copies of amended IRS Form(s) 8609, if amended IRS Form(s) 8609 are requested by the Owner and THDA, in its sole discretion, determines that the previously generated IRS Form(s) 8609 for the development were generated in accordance with information provided to THDA by the Owner.

E. Monitoring Fee

1. When the development is placed in service, a compliance Monitoring Fee is due to THDA, payable in the form of a certified check (this fee also applies to USDA/RD [formerly FmHA] developments). The Monitoring Fee must be delivered to THDA prior to the release of IRS form 8609 for the development. The Monitoring Fees for developments receiving Tax Credits according to this Plan are as follows: $400 per unit

2. Owners seeking to correct non-compliance will be charged additional fees to cover additional costs which may be incurred by staff to correct the non-compliance issue.

   a. Reinspection of a file: $200
b. Reinspection of a property:
   (i) Standard mileage rate in effect by the State of Tennessee at the time of the
       reinspection from Nashville to the property and back to Nashville;
   (ii) applicable state allowed per-diem for one staff person;
   (iii) Lodging expenses as allowed under State of Tennessee travel regulations; and
   (iv) Any other expenses incurred by THDA relating to the property reinspection.

c. Fees will be due to THDA prior to issuance of reinspection findings.

3. At any time following the fifth year of monitoring for each development, THDA will
   evaluate the need for an additional Monitoring Fee. THDA may, at its sole
discretion, charge a single additional Monitoring Fee not greater than the initial
Monitoring Fee stated above. THDA will charge this additional Monitoring Fee only
if the costs of monitoring for Tax Credit compliance, in the aggregate, appear
likely to exceed the aggregate amount of initial Monitoring Fees collected. A
decision by THDA to charge any such additional fee shall not constitute an
amendment to this Plan.

F. Late Fee for Failing to Submit Timely Compliance Certification Forms

Owners failing to submit the required Owner’s Annual Certification of Compliance forms and
supporting documentation by the date required by THDA will be charged a late fee of $100
per month, for each month, or portion of a month, until the Certification and supporting
documentation is received and considered satisfactory by THDA, or until an IRS Form 8823
is filed with the Internal Revenue Service. This fee will be due upon submission of the forms
required. Receipt of Certification without the applicable late fee will be considered
incomplete.

G. Deadline Extension Fee

Deadlines established in this QAP, in a Reservation Notice, in a Carryover Allocation
Agreement, or in other documentation from THDA may be extended only as specified in
Part XIV-C. and only with the prior written approval of THDA, which approval may be
withheld in THDA’s sole discretion. A deadline extension request must be submitted in
accordance with Part XIV-C-6. and must be accompanied by a fee in the amount of $500.00
for each such request. This deadline extension fee applies to the deadlines established for
the following items:
   - Deadline to provide supporting information in response to a Reservation Notice
   - Carryover Application deadline
   - Carryover 10% test certification
   - Placed in Service Application deadline
   - Other deadlines established in THDA documentation

PART XVI: MISCELLANEOUS PROVISIONS

A. Cost Certifications, Physical Needs Assessment, and Appraisals

Cost certifications, physical needs assessments, and appraisals must be completed by
independent and unrelated third parties with no interest in any application or development
except for an agreement to be paid reasonable fees for preparing the cost certification,
physical needs assessment or appraisal. Persons or companies who serve or who have
served as consultants or advisors to any parties identified in the Initial Application or related
parties will not be considered to be independent. THDA will not accept cost certifications,
physical needs assessments and appraisals prepared by parties THDA has determined, in its sole discretion, are not independent.

B. Document Review

1. THDA will review and evaluate only those materials submitted in compliance with the requirements of this QAP. THDA will not evaluate any materials submitted outside the deadlines established for submission of such materials and will assume no obligation to request additional information from applicants for any purpose. THDA may require additional information and /or documentation if THDA, in its sole discretion, determines that additional information and /or documentation is necessary for clarification and /or explanation. Review by THDA of documents submitted with Initial Applications or other documents submitted in connection with Tax Credits reserved or allocated under this QAP is for THDA’s own purposes and is not for the purpose of advising, certifying, representing or warranting to others as to the feasibility or viability of any proposed development.

2. THDA makes no representations or warranties to applicants, developers, owners or anyone else as to compliance with Section 42, Treasury regulations, or any other laws or regulations applying to Tax Credits or Tax Credit developments or as to the feasibility or viability of any proposed Tax Credit development.

C. No THDA Liability

No member, officer, agent, or employee of THDA shall have any personal liability with respect to any matters arising out of, or in relation to, Tax Credits reserved or allocated under this QAP or the monitoring of properties which have received Tax Credits.

D. Enforcement

In the event THDA seeks enforcement of the representation and warranties made by virtue of the submission of an Initial Application for Tax Credits or any other matter connected with any reservation, allocation or monitoring of Tax Credits, THDA shall be entitled to recover all damages, costs, expenses and fees, including without limitation, court costs, attorney’s fees and staff time, from the applicant or any other party connected with Tax Credits reserved or allocated under this QAP.
E. False Statements

1. Tennessee Code Annotated, Section 13-23-133, makes it a Class E felony for any person to knowingly make, utter, or publish a false statement of substance or aid or abet another person in making, uttering, or publishing a false statement of substance for the purpose of influencing THDA to allow participation in the Tax Credit Program. Any and all statements contained in any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications, submitted to THDA in connection with Tax Credits reserved or allocated under this QAP or otherwise made by an applicant or other person connected in any way with Tax Credits reserved or allocated under this QAP are statements of substance made for the purpose of influencing THDA to allow participation in the Tax Credit Program.

2. By submitting any materials, including without limitation, an Initial Application and any other applications, documents, letters, opinions, or certifications, to THDA in an effort to obtain Tax Credits, the applicant and all parties connected with the development proposed in the Initial Application acknowledge and agree (1) they are entering into a contract with THDA; and (2) they intend for THDA to rely on and seek enforcement of these representations with respect to any reservation or allocation of Tax Credits by any and all means available, including specific performance of all such representations and warranties; and (3) they are knowingly making, uttering or publishing or aiding and abetting others in making, uttering or publishing statements of substance for the purpose of influencing THDA to allow participation in the Tax Credit program.
Part XVII: Adoption and Approval by the Governor

I, Bill Haslam, the Governor of the State of Tennessee, do hereby designate Tennessee Housing Development Agency to be the housing credit agency for this State and do hereby signify my adoption and approval of this Qualified Allocation Plan as the Governor's plan for the distribution of Tax Credits in this State in 2012, in conformance with Section 42 of the Internal Revenue Code of 1986, as amended.

Bill Haslam, Governor

Date

2/7/11
<table>
<thead>
<tr>
<th>URBAN</th>
<th>RURAL</th>
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<tbody>
<tr>
<td>County</td>
<td>Percent Rural</td>
</tr>
<tr>
<td>Shelby</td>
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<tr>
<td>Davidson</td>
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<tr>
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<tr>
<td>Knox</td>
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<td>Hamblen</td>
<td>25%</td>
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<td>Sullivan</td>
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<td>Madison</td>
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<td>Williamson</td>
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<td>Haywood</td>
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<tr>
<td>Roane</td>
<td>49%</td>
</tr>
<tr>
<td>Gibson</td>
<td>49%</td>
</tr>
</tbody>
</table>

The Census classifies areas as rural that have a density of fewer than 500 people per square mile or fewer than 1000 people per square mile if not adjacent to an area with greater than 1000 people per square mile. Percent rural was determined by dividing the county's rural population by its total population.
RESERVED
This document is available online at the following address:

http://www.state.tn.us/tacir
This document is available online at the following address:

http://www.huduser.org/datasets/qct.html
INCOME AND RENT INSTRUCTIONS

Developer must elect one of the following for the development:

* At least 20% of the residential rental units to be rent restricted and occupied by individuals whose income is 50% or less of area median income; or

* At least 40% of the residential rental units to be rent restricted and occupied by individuals whose income is 60% or less of area median income

TO CALCULATE INCOMES:

50% test: The income limits are shown as VERY LOW-INCOME on the HUD listing.

60% test: Multiply the VERY LOW-INCOME figure by 1.20 to get income level.

TO CALCULATE RENTS:

To calculate rent limits including tenant-paid utilities for both the 50% and 60% tests, use the following method:

EFF: It is assumed that 1.0 person will live in the unit
Use income limit for one person
Divide by 12
Multiply by 0.30
Result is rent limit for efficiency unit

1 BR: It is assumed that 1.5 persons will live in the unit
Add income limits for one person and two persons
Divide by 2
Divide by 12
Multiply by 0.30
Result is rent limit for 1 bedroom unit

2 BR: It is assumed that 3.0 persons will live in the unit
Use income limit for three persons
Divide by 12
Multiply by 0.30
Result is rent limit for 2 bedroom unit

3 BR: It is assumed that 4.5 persons will live in the unit
Add income limits for four persons and five persons
Divide by 2
Divide by 12
Multiply by 0.30
Result is rent limit for 3 bedroom unit

4 BR: It is assumed that 6.0 persons will live in the unit
Use income limit for six persons
Divide by 12
Multiply by 0.30
Result is rent limit for 4 bedroom unit
### 2012 LIHTC EXHIBIT 6
COUNTIES WITH PUBLIC HOUSING WAITING LISTS

<table>
<thead>
<tr>
<th>Anderson</th>
<th>Hamilton</th>
<th>Morgan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedford</td>
<td>Hancock</td>
<td>Obion</td>
</tr>
<tr>
<td>Benton</td>
<td>Hardeman</td>
<td>Overton</td>
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<td>Bledsoe</td>
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<td>Perry</td>
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<td>Blount</td>
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<td>Putnam</td>
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<td>Cannon</td>
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<td>Carroll</td>
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<td>Carter</td>
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<td>Cheatham</td>
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<td>Chester</td>
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<td>Scott</td>
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<td>Claiborne</td>
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<td>Sequatchie</td>
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<td>Clay</td>
<td>Johnson</td>
<td>Sevier</td>
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<tr>
<td>Cocke</td>
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<td>Coffee</td>
<td>Lake</td>
<td>Smith</td>
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<td>Crockett</td>
<td>Lauderdale</td>
<td>Stewart</td>
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<tr>
<td>Cumberland</td>
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<td>Sullivan</td>
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<tr>
<td>Davidson</td>
<td>Lewis</td>
<td>Sumner</td>
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<td>Decatur</td>
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<td>Tipton</td>
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<td>DeKalb</td>
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<td>Dickson</td>
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<td>Dyer</td>
<td>Madison</td>
<td>Union</td>
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<td>Fayette</td>
<td>Marion</td>
<td>Van Buren</td>
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<td>Fentress</td>
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<td>Warren</td>
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<td>Franklin</td>
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<td>Wayne</td>
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<td>McNairy</td>
<td>Weakley</td>
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<td>Grainger</td>
<td>Meigs</td>
<td>White</td>
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<td>Greene</td>
<td>Monroe</td>
<td>Williamson</td>
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<tr>
<td>Grundy</td>
<td>Montgomery</td>
<td>Wilson</td>
</tr>
<tr>
<td>Hamblen</td>
<td>Moore</td>
<td></td>
</tr>
</tbody>
</table>
• See www.fairhousingfirst.org for complete information.

• The following are HUD recognized safe harbors identified at www.fairhousingfirst.org which, if met, indicate compliance with the Fair Housing Act’s design and construction requirements:

  2. HUD Fair Housing Act Design Manual
  8. International Building Code 2003, with one condition: effective February 28, 2005 HUD determined that the IBC 2003 is a safe harbor, conditioned upon ICC publishing and distributing a statement to jurisdictions and past and future purchasers of the 2003 IBC stating, “ICC interprets Section 1104.1, and specifically, the exception to Section 1104.1, to be read together with Section 1107.4, and that the Code requires an accessible pedestrian route from site arrival points to accessible building entrances, unless site impracticality applies. Exception 1 to Section 1107.4 is not applicable to site arrival points for any Type B dwelling units because site impracticality is addressed under Section 1107.7.”

One of these eight must be referenced in the required certificates.

• Refer to www.fairhousingfirst.org for detailed information regarding the following seven basic design and construction requirements that must be met to ensure Fair Housing Act compliance:

  1. An accessible building entrance on an accessible route.
  2. Accessible common and public use areas.
  3. Usable doors (usable by a person in a wheelchair).
  4. Accessible route into and through the dwelling unit.
  5. Light switches, electrical outlets, thermostats and other environmental controls in accessible locations.
  6. Reinforced walls in bathrooms for later installation of grab bars.
  7. Usable kitchens and bathrooms.

• These requirements are stated in the fair housing Act, as amended, 42 U.S.C. 3604 (f)(3)(C).
Executive Summary

Each market study must include a narrative executive summary and a summary table (Table 1). The narrative must include the following (recommended to be no more than three pages):

1. A brief statement on the overall prospects for the success of the proposed development, given housing demographic trends and economic factors.
2. A brief description of the site and the immediately surrounding area. The description must include the project’s name, street address (if available), city, county, and zip code.
3. A description of the targeted population.
4. A brief description of the delineation of the market area.
5. A brief summary narrative that includes an estimate of the demand for each unit type at the proposed start of lease-up through presentation of the penetration, absorption, and capture rates. Also include a summary of strengths and/or weaknesses of the market and of the proposed development that may impact the development’s marketability and performance and circumstances that may lessen any negative attributes. A summary of how competitive the proposed development may be relative to existing and planned affordable housing developments in the market area. Please include a statement of possible negative effects on existing subsidized housing (e.g. Rural Development, LIHTC, etc.) in the PMA.

Table 1: Summary Table

Table 1 provides crucial, required information from the market study. In particular, Part VII, A(1)(b) of the Program Description refers to the “overall affordable housing occupancy rate”. This rate is found in Table 1(ii) under the “All Comparable Developments” row, in the “Current Occupancy” column. All of the properties that are considered for inclusion in this part (ii) should be multi-family, with the exception of those that fall under the criteria found in Section E(13) of the Market Study Guidelines.

Please note in the following definitions, that the categories of “Market Rate Housing”, “Assisted/Subsidized Housing not incl. LIHTC”, and “LIHTC” are mutually exclusive. Further information can be found in Section E of these guidelines. Definition of terms in Table 1(ii):

**All Rental Housing**: refers to all rental housing in the market area.

**Market-Rate Housing**: refers to all rental housing in the market area that does not benefit from a public or non-profit subsidy that creates non-market limitations on maximum rents charged.

**Assisted/Subsidized Housing not incl. LIHTC**: refers to all rental housing in the market area that has some form of public or non-profit assistance or subsidy that creates non-market limitations on maximum rent charged, except LIHTC developments which are listed below.

**LIHTC**: this refers to all housing in the market area that received Low Income Housing Tax Credits and are still in the compliance or extended use period.
Non-Stabilized Comps: refers to all rental housing properties that are still in lease-up or properties that have suffered significant damage (e.g. from a fire or flood).

All Comparable Developments: Comparable developments are those that compete at nearly the same rent levels and tenant profile, such as age, family and income, regardless of the housing category they fall under. This means that comparable developments can be found under the “Market-Rate Housing”, “Assisted/Subsidized Housing not incl. LIHTC” and “LIHTC” categories. Developments that are not comparable but that are included under the “Market-Rate Housing”, “Assisted/Subsidized Housing not incl. LIHTC” and “LIHTC” categories will not be included under “All Comparable Developments”.

### TABLE 1: SUMMARY TABLE

<table>
<thead>
<tr>
<th>(i) Market Study Summary</th>
<th></th>
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<tbody>
<tr>
<td>Development Name</td>
<td></td>
<td>Project ID</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td>Total Units</td>
<td></td>
</tr>
<tr>
<td>PMA Description</td>
<td></td>
<td>Low income Units</td>
<td></td>
</tr>
<tr>
<td>Furthest Boundary Distance to Project</td>
<td></td>
<td># Buildings</td>
<td></td>
</tr>
<tr>
<td>Within QCT (y/n)</td>
<td></td>
<td>Within DDA (y/n)</td>
<td></td>
</tr>
<tr>
<td>Type of Development (New/Rehab/Acq. Rehab)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeted Household Type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development Recommended/Not Recommended</td>
<td></td>
<td></td>
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</tbody>
</table>

### (ii) Rental Housing Stock (found on pages 7-9)

<table>
<thead>
<tr>
<th>Type</th>
<th># Properties</th>
<th>Total Units</th>
<th>Vacant Units</th>
<th>Current Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Rental Housing</td>
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<td></td>
</tr>
<tr>
<td>Market-Rate Housing</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assisted/Subsidized Housing not incl. LIHTC</td>
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<tr>
<td>LIHTC</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Non-Stabilized Comps</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>All Comparable Developments</td>
<td></td>
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</table>

### (iii) Rent Comparison
### Proposed Development

<table>
<thead>
<tr>
<th># Units</th>
<th># Beds</th>
<th># Bath</th>
<th>Sq. Ft.</th>
<th>Proposed Rent</th>
<th>Per Unit</th>
<th>Per Sq. Ft.</th>
<th>Mkt. Adv. Per Unit</th>
<th>Per Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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Gross Proposed Monthly Rent

### Adjusted Market Rent

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### Highest Comp Rent

#### (iv) Demographic Data (found on page 6)

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<th>2000</th>
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<th>2013</th>
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<tbody>
<tr>
<td>Renter Households</td>
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<td></td>
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<tr>
<td>Income Qualified Renter Households</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Rent Households (if applicable)</td>
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</tr>
</tbody>
</table>

#### (v) Targeted Income Qualified Renter Household Demand (found on page 9-10)

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>50%</th>
<th>60%</th>
<th>Market-rate</th>
<th>Other</th>
<th>Other</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renter Household Growth</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Existing Households</td>
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<tr>
<td>Home Conversion</td>
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<tr>
<td>Other</td>
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<tr>
<td>Less Comp. Supply</td>
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<tr>
<td>Net Demand</td>
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#### (vi) Capture Rates (found on page 10)

<table>
<thead>
<tr>
<th>Target Population</th>
<th>50%</th>
<th>60%</th>
<th>Market-rate</th>
<th>Other</th>
<th>Other</th>
<th>Overall</th>
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</thead>
<tbody>
<tr>
<td>Capture rate</td>
<td></td>
<td></td>
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</table>

#### (vii) Absorption (found on page 10)

<table>
<thead>
<tr>
<th>Absorption Rate</th>
<th>per month</th>
<th>Absorption Period</th>
<th>months</th>
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</thead>
</table>

Below are the guidelines for market studies performed for Tennessee’s application process. Studies should follow the order of information below and include the appropriate section heading. For definitions of terms used and not defined in these guidelines, please refer to
the National Council of Affordable Housing Market Analysts’ Market Study Terminology. Please note that where rehabilitation developments or special needs population developments require a departure from the standard information, analysts are to follow industry best practices in constructing their analysis.

A. Development Description

1. Development Make Up:
   a) Proposed number of units by: number of bedrooms and baths, income limit as a percent of area median income (AMI), unit size in square feet, and utility allowances for tenant paid utilities, proposed rents, and target population, including income restrictions, proposed housing assistance and any special needs units, the utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat, cooking and air conditioning.
   b) Description of: type of construction (new construction or rehabilitation), the type of structure (townhouse, duplex, high-rise, etc.), the number of buildings, design (walk-up, elevator, etc.), and number of stories, units per acre, unit and common amenities, site amenities and the number of parking spaces.
   c) For rehabilitation developments provide a description of the methodology for the rehabilitation and the scope of work. Include the estimated cost of the rehabilitation per unit. Include the status or date of architectural plans, name of the architect, and/or a copy of the floor plans and elevations. For rehabilitation projects of existing, operational rental housing, provide an explanation of the current occupancy rate, whether current tenants will remain eligible for the rehabbed units, trends in occupancy over the previous 24 months, current rents, rent subsidies in place, and information regarding the future availability of rent subsidies.
   d) For rehabilitation, identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc., as well as current occupancy levels, current rents and proposed rents.
   e) Developer’s projected dates for construction start and completion, and start of pre-leasing.
   f) Description of the type of households the development is designed to serve (e.g. income level, senior, disabled, homeless, etc.).

2. The market study must provide a clear and thorough development description that includes:
   a. Color photos of the development site labeled to facilitate understanding of the project. Existing projects should include photos of: the exterior of the property, the interior units, and the common area amenities.
   b. A map indicating the location of the development site.
   c. A narrative explaining any zoning, overlays or other types of land use requirements for the development site.
   d. A narrative explaining the type and character of land use in the immediate area around the development site, including zoning of any undeveloped sites.
e. Color photographs that show land use surrounding the development site and the type and character of the land surrounding the development site as well as land use in the surrounding neighborhood if different from the immediate area.

f. Report on any negative attributes of the site and the immediate area. Examples of negative attributes of the site include: a site on the National Priorities List, a site neighboring a junkyard/dump, etc.

g. A description of the site characteristics including its size, shape, general topography and vegetation. Describe the suitability of the proposed site. Describe and evaluate the visibility and accessibility of the site and a conclusion on how it may impact marketability.

3. Neighborhood Amenities

a. A narrative describing the neighborhood amenities offered.

b. A table (Table 2) that describes the neighborhood amenities closest to the development site and specify the driving distance of the amenity from the site. Distances will be measured from the physical address of the development site to the physical address of the applicable amenity. If the development is a scattered site development, complete Table 2 for each site.

c. Other amenities that the neighborhood offers can be included in the table and described in a narrative if applicable. Provide photographs of the site and neighborhood, and two maps: a map at the neighborhood level clearly identifying the location of the development and the amenities listed above that are found in the proposed development’s immediate area and a more regionalized map that shows the location of the development, neighborhood, and relevant amenities.

<table>
<thead>
<tr>
<th>Amenity type (list only nearest of each type of amenity)</th>
<th>Driving Distance from Site</th>
<th>Notes (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Service Grocery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Transportation Access (e.g. bus stop or passenger train station)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Service Bank or credit union (ATMS do not qualify), including those located within a grocery store</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public or private not for profit educational institution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctor’s office (general practitioners, not specialized practices), Dentist’s office or Emergency Clinic or Hospital (facilities must not be exclusive)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public recreation or community center (e.g. senior center)</td>
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<td>Library</td>
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<td>Public park</td>
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<td>Police or Sheriff Station</td>
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</table>
B. Location and Market Area Definition

1. Define the primary market area (PMA) and provide a map of the defined area. Include a map that clearly delineates the areas and an explanation of the basis for the boundaries of the PMA. Identify PMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Also define the larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.).

2. Include a narrative that explains the rationale of the PMA definition. This should include clear socio-economic differences in the area, a demographic analysis of the market, and interviews with area stakeholders, including management or leasing agents at comparable properties. The map and/or narrative must include the distance from the project site to the PMA boundaries.

C. Demographic Characteristics

Present demographic data for the PMA and other geographic areas (like cities, counties, or states) as appropriate. All data should include information for 2000, the current year, and 2013. These data must be from reputable public entities and/or private vendors. All sources of data should be identified and the strengths and weaknesses of each data source should be described as they pertain to the conclusions of the market analyst. These data must include:

1. Population and household counts within the PMA

2. Total population characteristics and households. Population and households by age group and by household type.

3. Households by incomes in $5,000-$10,000 increments by tenure and by average household size and average household size by tenure.

4. An analysis of trends indicated by the data including an explanation of methodologies for analyst-generated estimates.

5. If the project is for a targeted population, the above demographics should also focus on the relevant data for this targeted population. For example, studies for proposed developments that target senior households should include demographic data for the relevant age cohort.

D. Employment and Economy
Provide data and analysis on the employment and economy of the Primary Market Area (PMA) to give an understanding of the overall economic health of the community in which the PMA is located. List sources for the data and methodology for the analysis and the strengths and weaknesses of each data source/methodology should be described as they pertain to the conclusions of the market analyst.

1. Provide a description of overall employment and of employment by industry sector for the PMA or smallest geographic area available that includes the PMA and compare the data to the larger geographic area, e.g. the city, county, labor market area, or metropolitan statistical area (MSA).

2. Show the unemployment rate for the last ten years (or other appropriate period) for the most appropriate geographic areas.

3. List major employers in the PMA (or other appropriate small geographic area), the type of business and the number employed. Discuss any announced changes in the area workforce, contractions in the workforce, newly announced employers and their expected effect on the local economy.

4. Show employment growth over the last five years. Compare to the larger geographic area.

5. Comment on trends for employment in the PMA in relation to the development.

6. If relevant (such as in resort areas), comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.

7. Provide a breakdown of typical wages by occupation.

8. If relevant for the proposed development, provide commuting patterns for workers such as how many workers commute to/from surrounding areas outside the PMA, the mode of transportation used for the commute, and the average commuting time.

9. Based on the above data provide analysis and conclusions on the overall status of the PMA’s economy and how the proposed development would be affected.

E. Competitive Environment

Provide information on other rental housing in the Primary Market Area (PMA) and any rental housing proposed to be developed in the PMA. This section of the market study should address the following:

1. Identify a list of all existing comparable properties, including: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included, site staffing, occupancy rate, absorption history (if recently
completed), name, address and phone number of property contact. A minimum of three comparables must be included, and all LIHTC and/or THDA Multifamily Tax-Exempt Bond comparables must be included. Attach photos of each comparable property. Include a map identifying the location of each comparable property in relation to the subject.

2. Provide a narrative evaluation of the development in relation to the comparable properties, and identify the competitive properties, which are most similar to the proposed development. The analyst should state why the comparables referenced have been selected, which are the most directly comparable, and explain why other potentially comparable developments have not been included. Comparables should not include properties that are still in lease-up or properties that have suffered significant damage (e.g. from a fire or flood).

3. Comparable property comparisons to the proposed development in terms of amenities, tenant paid utilities, location, parking, concessions and rent increase or decrease trends. Please submit this in table format, when appropriate.
   - An analysis of the competitive position (rents) of the proposed development relative to other LIHTC and/or THDA Multifamily Tax-Exempt Bond rental developments in the PMA.
   - An analysis of the competitive position (rents) of the proposed development relative to competitive market-rate rental developments in the PMA.

4. The market occupancy rate for the PMA rental housing stock by population served (i.e. market rate, low income housing tax credit, and project based rent assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size.

5. Discuss the impact of the proposed development on the existing rental housing stock. Detail all existing subsidized housing by type (RD, LIHTC, etc.) and any adverse impact the proposed development may have on the existing subsidized housing.

6. Identify the number of people on waiting lists for each comparable property.

7. Describe the size of the overall rental market in the PMA, including the percentage of market rate and affordable housing units.

8. Describe the status of Section 8 Housing Choice Voucher and Public Housing waiting lists serving the PMA.

9. Discuss the availability and cost of affordable housing options, including purchase or sale of homes, if applicable. This should include a discussion of residential foreclosures.

10. Discussion of rental projects planned or under construction in the market area. Include a list of LIHTC and/or THDA Multifamily Tax-Exempt Bond projects with allocations in or near the market area that are not placed in service, giving as much known detail as possible on estimated placed-in-service dates, unit mix and income levels to be served.
11. A 10-year, or other appropriate period, history of building permits, if available, by housing type and comments on building trends in relation to household trends.

12. In cases of rehabilitation of an existing property, discuss the development’s marketability and competitiveness in comparison to similar existing or planned multifamily properties.

13. In the case of proposed rural projects where a sufficient number of comparables do not exist in the PMA, data on at least three developments in adjacent markets with similar characteristics must be included in the market analysis. Also, in rural areas lacking sufficient three or four bedroom rental comparables, provide data on three and four bedroom single family rentals, or provide information on rental trailer homes and single family homes in an attempt to identify where potential tenants are currently living.

14. Senior developments should not be used in the survey for a family oriented community. If insufficient senior communities exist in the primary market area to make a determination on rents or market conditions, a survey of family oriented communities with comparable unit types (e.g. 1-bedroom, garden units) should be included.15. In the case of other special needs housing developments, analysts should use comparables that serve like populations to the population served by the proposed development, consistent with industry best practices for examining the competitive environment.

F. Analysis/ Conclusions

The analyst should describe the strengths and weaknesses of each data source as they pertain to the conclusions of the market study.

1. Provide a detailed analysis of the income levels of the potential tenants for the proposed units. State and support the minimum household income used for total housing expenses to set the lower limit of the targeted household income range.

2. Calculate total demand based on existing (current year) and the addition of new income eligible renter households to the PMA that will take place through 2013. Total demand should be based on the following within the PMA:

   - New households (growth)

   - Rent-overburdened households, if any, within the age group, income cohorts and tenure (renters) targeted for the proposed development; the analysis should assume rent-overburdened households are paying greater than 35% (family) or 40% (senior) of income towards gross rent.

   - Households living in substandard housing units; adjust for age, income bands, and tenure as applicable. The analyst must use conservative estimates as to the demand from households that are both rent-overburdened and living in substandard housing.
• Income-eligible senior homeowners likely to convert to renters. Analysts must provide a narrative of the steps taken in order to derive estimates of demand. Analysts are encouraged to be conservative in this regard.

3. Calculate the capture rate and penetration rate for each income limit in the proposed development incorporating any housing finance agency or other regulating agency restrictions such as age, income, living in substandard conditions, renters versus home owners, household sizes, etc.

4. Define and justify the absorption period (to 93% occupancy) and absorption rate for the proposed development.

5. Calculations for this section should include the following consideration:

- The population projected must be limited to the age and income cohort. The demand for each income group (i.e. 50% of area median income (AMI)) targeted must be shown separately).
- Proposed developments targeting senior households must present data demand calculations for the elderly population, as defined by the Qualified Allocation Plan.
- Use a rent burden of up to 35% of total household income for family households and up to 40% for senior households.
- For senior developments, maximum income limits should be capped at a two person household size.
- In instances where three and four bedroom units, the analyst must include analysis of the number of large households for these larger units.
- In the case of special populations being served (e.g. homeless, disabled, senior, etc.) the analyst must include analysis that considers the proposed population, consistent with industry best practices.

7. Derive a market rent and then compare them to the developer’s proposed rent. Quantify and discuss market advantage of the proposed development and its impact on marketability. The average market advantage across all unit types must be calculated. This average must be weighted based on the number of units by unit bedroom type. Please use the HUD tables found at [www.hud.gov/offices/adm/hudclips/forms/files/92273-s8.xls](http://www.hud.gov/offices/adm/hudclips/forms/files/92273-s8.xls) to assist in your calculation of market advantage.

8. Project and explain any future changes in the housing stock within the primary market area.

9. Identify risks (i.e. competitive properties which may come on line at the same time as the proposed development; declining population in the PMA, etc.), unusual conditions and mitigating circumstances.

10. Provide an overall conclusion on the feasibility of the proposed development.
<table>
<thead>
<tr>
<th>Approved Vendor</th>
<th>Contact Name</th>
<th>Contact Address</th>
<th>Contact City</th>
<th>Contact State</th>
<th>Contact Zip</th>
<th>Contact Phone</th>
<th>Contact Fax</th>
<th>Contact Email or Company Website</th>
<th>Grand Division Preference</th>
<th>Special Needs and/or Elderly Experience</th>
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