VOLUME CAP FOR TAX EXEMPT BOND FINANCING

All developments seeking volume cap, regardless of who issues the bonds, must be underwritten by the Agency in accordance with the Allocation Plan and Program Guide.

The Tax Exempt Bond Request for Proposals can be found on the Agency's website, www.phfa.org.

Developments receiving tax exempt financing for at least 50 percent of the aggregate basis of the property including land are not required to submit an application for 9% Tax Credits from the Agency. However, the development must be evaluated by the Agency to assure that the proposal is in accordance with the priorities, Selection Criteria and other program requirements set forth in the Allocation Plan. Applicants are encouraged to use the Agency as Bond Issuer, but Applications using a local issuer will also be considered. The issuing authority must also determine the amount of Tax Credits required to assure the feasibility and long term viability of the development (the 42(m) review).

Developments financed through the issuance of tax exempt bonds are eligible for a 30 percent present value Tax Credit. The applicant has the option of deducting the amount of the tax exempt financing from the adjusted basis to be eligible for a 70 percent present value Tax Credit on the reduced eligible basis. If the applicant chooses this method, it must apply and compete for an allocation of Tax Credits from the Agency.

Developments receiving tax exempt financing on less than 50 percent of the aggregate basis will be eligible for 30% present value Tax Credits on only that portion of the eligible basis financed by the tax exempt bonds. For the remaining portion, the applicant must apply and compete for an allocation of Tax Credits from the Agency for the 70 percent present value Tax Credit. The development will be evaluated in accordance with the Allocation Plan and a determination will be made as to the amount of Tax Credits needed to assure feasibility and long term viability.

Every development (even those receiving only 30% present value Tax Credits) must submit an Application to the Agency. The Agency will review the Application for adherence to program criteria as set forth in the Program Guidelines and the accompanying exhibits. Upon the Agency's determination that the development qualifies for the Tax Credits, the Agency will issue the Indenture of Restrictive Covenants Agreement ("Restrictive Covenants Agreement"). Tax Credits may not be claimed until the Restrictive Covenants Agreement is executed and recorded pursuant to the Code.

The Agency processes applications for volume cap for tax exempt financing on a competitive basis through an announced Request for Proposals ("RFP"). For additional information please see the Agency website at www.phfa.org or contact the Development Division.

Developments receiving Tax Credits exclusively through the issuance of tax exempt bonds will be subject to the fees and costs as determined by the Agency. Upon construction completion, the development will be required to submit a cost certification package. The cost certification package should be received by the Agency no later than 90 days after the last residential building in the development is placed in service.

The Agency will conduct its standard review of the cost certification. After completion of this review, the Agency will issue an IRS Form 8609 for each building in the development. All Tax Exempt Bond Financed projects will be monitored by Tax Credit compliance staff throughout the compliance period.