

EXTENDED USE
COMPLIANCE PROCEDURES

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5.1 APPLICABLE FRACTION

The Applicable Fraction must be met on a project basis. The Applicable Fraction of units may not be decreased during the extended use compliance period.

5.2 EXTENDED USE COMPLIANCE PERIOD

Properties receiving an allocation of tax credits after 1989 must enter into a Restrictive Covenants Agreement with the Agency. This agreement addresses not only the maintenance of the applicable fraction of tax credit units, but also the rights of the residents and provisions for an extended low-income compliance period beyond the initial 15-year compliance period.

5.3 ELIGIBILITY REPORTING REQUIREMENTS FOR DEVELOPMENTS FINANCED BY PHFA

If a development has PHFA mortgage financing, monitoring requirements for the property must meet additional PHFA compliance procedures and requirements as set forth in the mortgage loan documents and the additional requirements as set forth below:

1. **Owner's Certificate of Continuing Program Compliance** – The owner/agent shall submit to the Agency an Owner's Certificate of Continuing Program Compliance, along with its attachment, the Rental Schedule. The Annual Report covers the prior calendar year, and the Rental Schedule should include all residents that occupied a unit at any given time during that 12-month period, minus the income information for recertifications. The Tenant Income Certification shall also be submitted to the Agency for each resident household move-in, along with copies of third-party supporting income and asset verifications. Both the Owner's Certificate of Continuing Program Compliance and the Tenant Income Certifications are required submissions for each year throughout the extended use period. All reports are due on or before January 31 each year and unless otherwise requested, must be submitted via the Agency's Automated Web Entry System.

Should there be any items that require further clarification, either the Tax Credit Analyst or the Housing Management Representative will write to the owner/agent advising of any outstanding items to be addressed. The owner/agent must respond within 90 days of the date of the letter addressing the method and/or action completed to rectify each item indicated in the letter. (If an owner must make corrections/revisions to previously completed reports/forms, in order to correct an issue of noncompliance, all parties involved in signing the reports/forms must sign off/initial the changes.)

2. **Annual Recertification** – The owner will no longer be required to annually recertify households for LIHTC purposes. An Alternate Certification Form must be completed on an annual basis, if the owner chooses not to complete an Annual Recertification. Annual Recertifications are sometimes required for other types of financing.

3. **Physical Inspection of Property** - At the discretion of PHFA, physical inspections will be performed on LIHTC units at least every five years.

The developments participating in a Physical Inspection will be subject to the following:

- a. Notification in writing of a proposed visitation review date.
- b. Required to have on file a copy of the letter sent to tenant(s) notifying them of a pending physical inspection of the unit.
- c. A review will be performed by a PHFA representative to determine compliance with code requirements. The number of units reviewed will not be less than 20 percent of the Low Income Housing Tax Credit units, and may be up to 100 percent of the units.
- d. PHFA representative will respond to the owner/agent as to any finding during this review. The owner/agent will be required to respond to the representative within 90 days of the date of the letter, addressing the method and/or action completed to rectify each item. If at the end of the 90-day period any issue remains unaddressed, the Agency will issue a letter to the owner informing them of possible repercussions.

5.4 ELIGIBILITY REPORTING REQUIREMENTS FOR ALL LIHTC DEVELOPMENTS NOT FINANCED BY PHFA

As the monitoring agency for the LIHTC Program, PHFA will request the owner/agent utilizing the Program to complete the following steps:

1. **Owner's Certificate of Continuing Program Compliance** – The owner/agent shall submit to the Agency an Owner's Certificate of Continuing Program Compliance, along with its attachment, the Rental Schedule. The Annual Report covers the prior calendar year, and the Rental Schedule should include all residents that occupied a unit at any given time during that 12-month period, minus the income information for recertifications. A Tenant Income Certification shall also be submitted to the Agency for each resident household move-in, along with copies of third party supporting income and asset verifications. Both of the Owner's Certificate of Continuing Program Compliance and the Tenant Income Certification are required submissions for each year throughout the extended use period. All reports are due on or before January 31 each year and, unless otherwise requested, must be submitted via the Agency's Automated Web Entry System.
Should there be any items that require further clarification, a Tax Credit Analyst will write to the owner/agent advising of any outstanding items to be addressed. The owner/agent must respond within 90 days of the date the letter addressing the method and/or action completed to rectify each item indicated in the letter. (If an owner must make corrections/revisions to previously completed reports/forms, in order to correct an issue of noncompliance, all parties involved in signing the reports/forms must sign/off/initial the changes.)

2. **Annual Recertification** – The owner will no longer be required to annually recertify households for LIHTC purposes. An Alternate Certification Form must be completed on an annual basis, if the owner chooses not to complete an Annual Recertification. Annual Recertifications are sometimes required for other types of financing.
3. **Student Households** – Households will no longer be excluded because they are comprised in their entirety by students.
NOTE: An owner who plans to seek a new allocation of low income housing tax credits should continue to implement the Full-Time Student Rule during the Extended Use Period, so the existing residents will qualify for the new credit allocation.
4. **Physical Inspection of Property** - At the discretion of PHFA, physical inspections will be performed on LIHTC units at least every five years.

The developments participating in a Physical Inspection will be subject to the following:

- a. Notification in writing of a proposed visitation review date.
- b. Required to have on file a copy of the letter sent to tenant(s) notifying them of a pending physical inspection of the unit.
- c. A review will be performed by a PHFA representative to determine compliance with code requirements. The number of units reviewed will not be less than 20 percent of the Low Income Housing Tax Credit units, and may be up to 100 percent of the units.
- d. PHFA representative will respond to the owner/agent as to any finding during this review. The owner/agent will be required to respond to the representative within 90 days of the date of the letter, addressing the method and/or action completed to rectify each item. If at the end of the 90-day period any issue remains unaddressed, the Agency will issue a letter to the owner informing them of possible repercussions.