



LOW INCOME HOUSING TAX CREDIT PROGRAM

Reservation of Federal Low-Income Housing Tax Credits

Maryland Department of Housing and Community Development
 Community Development Administration
 7800 Harkins Road
 Lanham, Maryland 20706
taxcredits@mdhousing.org
 301-429-7854

The Community Development Administration (the "Administration") hereby grants a reservation of Low-Income Housing Tax Credits (the "Tax Credit") as specified below. This reservation is based on the information previously submitted to the Administration by the sponsor in its application for Tax Credits (the "Application") and upon the criteria and other factors set forth in the *Low-Income Housing Tax Credit Program: Qualified Allocation Plan* approved by the Governor on February 14, 2019 (the "Plan"). This letter is a reservation of Tax Credits only. The allocation of Tax Credits by the Administration is subject to the terms and conditions as stated herein and compliance with federal tax law and the Plan.

1. Reservation Information

1.1. Project Name and Address (the "Project"):

Name: Artists Flats
 Address: 5910 Symphony Woods Road
 Columbia, MD 21044

Building Identification Number #: MD-21-01001

1.2. Sponsor Receiving Reservation (the "Sponsor"):

Name: Howard County Housing Commission
 Address: 9770 Patuxent Woods Drive, Suite 100
 Columbia, MD 21046

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|---|---------------|
| 1.3. Amount of Reservation | \$ 1,500,000 |
| 1.4. Estimated Eligible Basis in Project | \$ 20,435,388 |
| 1.5. Estimated Qualified Basis in Project | \$ 26,521,398 |

2. Tax Credit Amount

2.1 For projects placed in service after January 1, 2015, the Administration will assume a 9% applicable percentage for new construction costs or rehabilitation costs. If applicable, for acquisition costs the applicable percentage will be that in effect for the month in which the building is placed in service unless the Sponsor and CDA enter into a Binding Agreement and Election Statement choosing an applicable percentage in effect for a month up through the month in which the Carryover Allocation is issued by the Administration. Applicable credit percentages are published monthly by the Service and are based in part on current interest rates.

2.2 The Tax Credit amount set forth above reflects the initial determination by the Administration of the amount of Tax Credits necessary for the financial feasibility of the Project and its viability as a qualified low-income housing project throughout the Tax Credit compliance period. This determination may include the assumption that the Project has received a reservation of Rental Housing Funds, as requested in the application,

assumption that the Project has received a reservation of Rental Housing Funds, as requested in the application, or will identify alternative resources to address the Rental Housing Fund request included in the project application but not awarded by the Department. As required by federal law and in accordance with the Plan, the Administration also will undertake this analysis at the time of the allocation of Tax Credits to the project and at the time the building is placed in service to determine the final Tax Credit amount. Reductions in the Tax Credit amount are not anticipated unless there is a significant change in the sources and uses of funds or if the Sponsor fails to meet any conditions for this reservation. Despite the discretionary authority granted to the Administration in the Plan to increase reservations by as much as 10%, the Administration, because of funding constraints, may require the Sponsor to reapply in a future competitive round for any additional credits over the amount set forth above.

2.3 In an effort to ensure the most effective use of all its financing tools, the Administration will evaluate this Project to determine if it could be financed in whole or in part using other Department-controlled resources, including other federal or state funding. Therefore, the reservation of federal Low-Income Housing Tax Credits described herein is contingent on the Administration's determination of the feasibility of substituting alternative financing for some or all of the private or public financing initially included in the application.

3. Conditions and Requirements

3.1 The Project shall be carried out in accordance with all of the items set forth below. If the sponsor and/or the Project do not continue to meet all the conditions and requirements herein, the Administration in its sole and absolute discretion, may cancel this reservation:

(i) Representations made by the Sponsor. The project must be financed and built in accordance with the Application, except as determined by the Administration in its sole and absolute discretion, including without limitation, the development team, the project site, the local contribution, the tenant services and the income restrictions, all as identified in the Application and summarized in part on Exhibit A attached hereto.

(ii) Development Budget submitted with the Application. The budget submitted with the Application shall not be significantly changed, except as determined by the Administration in its sole and absolute discretion, in the amounts, sources and uses of funds.

(iii) Development Schedule submitted with the Application. The schedule submitted with the Application shall not be significantly changed, except as determined by the Administration in its sole and absolute discretion. A delay of 60 or more days, or as otherwise determined by the Administration, is significant,

(iv) Compliance with Applicable Law. The Project must be at all times in compliance with the Plan, the Code and the State and Federal regulations governing the Low Income Housing Tax Credit Program.

The Sponsor shall promptly notify the Administration if for any reason the Project becomes unfeasible. With or without such notification, the Administration may cancel this reservation, and may require the Sponsor to return to the Administration previously allocated Tax Credits if the Administration determines that the Tax Credits are in jeopardy of being lost to the State due to nonperformance by the Sponsor. The Sponsor shall cooperate fully with the Administration in any actions necessary to return allocated Tax Credits to the

Administration, including executing any required documents, as a result of any delay in the development of the Project or any other failure of the Sponsor to comply with this reservation, the Plan or the federal tax law.

(v) Changes to Tax Credit Application. **Any changes to the proposed project elements contained in the tax credit application submitted by the Sponsor could cause this reservation of tax credits to be revoked.** Failure to notify the Administration promptly of changes could cause this reservation of tax credits to be rejected. The following are examples of significant changes that could require the Administration to revoke the tax credits and must be brought to the Administration's attention:

- A. The terms of the tax credit application are changed in a manner that would cause the Project to no longer meet the threshold requirements set forth in the Qualified Allocation Plan/Guide.
- B. The Project elements contained in the tax credit application are changed in a manner that would reduce the Project's rating and ranking score by the lesser of 3% or a reduction sufficient to drop the score below the cut-off score for the round in which the Project was approved. In these cases, the tax credit application will need to be resubmitted in a future round of competition.
- C. There is a redesign of the Project, change of site, change of development team members, or change to the proposed tenant services plan whether or not these changes would result in a threshold or score change.
- D. The Project is behind schedule, as further discussed in section 3.1(iii) above.

3.2 To qualify for a Carryover Allocation, the Sponsor must meet the "10% Test". To meet this test, the Sponsor must complete and forward the Affidavit of Utilization of a Reservation form and incur and certify costs in excess of ten percent (10%) of the Sponsor's reasonably expected basis in the Project by the earlier of the anticipated date as specified in the Sponsor's Development Schedule (and specified in Exhibit B), or twelve months from the date of the Carryover Allocation.

3.3 A sponsor unable to meet the requirements of Section 3.2 above to receive an allocation of Tax Credits within the period specified in the reservation may request an extension (for no more than twelve months from the date of the Carryover Allocation) by use of the Affidavit of Utilization of a Reservation form. The sponsor must pay a nonrefundable extension fee of \$1,000 for each month for which an extension of the reservation is requested. The Affidavit of Utilization of a Reservation form used in this manner must be accompanied by the Sponsor's new Development Schedule and the entire \$1,000 per month extension fee.

3.4 The Project shall be placed in service by the end of the second year following the year of the Carryover Allocation.

3.5 The Sponsor shall certify the following at the time of the allocation of Tax Credits and again when the building is placed in service:

(i) the amount and details of each federal, State and local subsidy which applies or which is expected to apply to the Project; and

(ii) that all representations made in the Application remain accurate and complete.

3.6 The Sponsor shall enter into an extended low-income housing covenant with the Administration for a minimum period of 40 years beginning on the first day of the compliance period during which the building

is part of a qualified low-income housing project. This covenant shall comply with the provisions of Section 42(h)(6) of the Code, shall be memorialized by a written covenant in the form approved by the Administration, and shall be recorded among the Land Records in the County (including Baltimore City) in which the Project is located. The Sponsor shall provide a fully executed and recorded copy of this covenant prior to the issuance of the Internal Revenue Service Form 8609 by the Administration.

3.7 Development and operation of the Project shall comply with Section 42 of the Code, all regulations and the Plan, all as may be amended from time to time, relating to the Low-Income Housing Tax Credit. Satisfaction of the duties imposed by Section 42 of the Code, the regulations, and the Plan with regards to the Project shall be the sole responsibility of the Sponsor.

3.8 Sponsors are advised that the Plan requires payment to the Administration of an annual \$35 fee per tax credit unit for monitoring compliance with the Code. This fee may increase in the future.

3.9 Once a project is placed in service, the Sponsor shall request the Internal Revenue Service Form 8609 from the Administration no later than 3 months after the first year the credit is claimed for the first building receiving the allocation. If the Sponsor elects to defer the first year of the credit period until the succeeding tax year, The Administration must be notified in writing no later than 3 months after the original required placed in service deadline for the project. The Administration may recapture all or part of the allocation if the Administration determines that all or part of Tax Credit is in jeopardy of being lost to the State due to nonperformance by the Sponsor to submit the required documentation for the issuance of the Form 8609 in the allotted time period.

3.10 Upon the Administration's request, the Sponsor shall provide a copy of Internal Revenue Service Forms 8609 and 8586 within 30 days of the date of their annual filing with the Service. The Sponsor agrees to provide to the Administration any additional information and documentation that the Administration reasonably requests regarding the Tax Credits for the Project.

3.11 The Sponsor shall pay a nonrefundable reservation fee to the Administration of \$5,000 upon receipt and acceptance of the terms and conditions of this Reservation of Federal Low Income Housing Tax Credits. If the sponsor also receives a reservation of multifamily rental housing funds, the sponsor shall pay a combined reservation fee of \$5,000 for both programs. The appropriate invoice has been transmitted with this reservation.

3.12 Sponsors shall pay a nonrefundable allocation fee equal to 5% of the annual Tax Credits reserved for the project upon the earlier of the filing of a request for a Carryover Allocation, receipt of the Carryover Allocation, or the date the project is placed in service.

3.13 At least one month prior to closing, the Sponsor shall provide evidence that the project is registered with the Administration's housing search website, www.mdhousingsearch.org, and shall, for the term of the Tax Credits, continue to maintain and update its listing on the website or any replacement or related website provided by the Administration.

3.14 This reservation of Tax Credits is conditioned on the Sponsor's satisfaction of the special conditions, if any, contained in Exhibit B attached to this reservation and made a part hereof.

3.15 This reservation of Tax Credits is conditioned on the Sponsor's acceptance of these terms and delivery of a signed copy to the Administration within 14 days of the date of this reservation.

3.16 This reservation of Tax Credits is not a "binding agreement" as described in Section 42(b)(1)(A)(ii)(I) of the Code. A Binding Agreement and Election Statement form is available from the Department.

The Community Development Administration and the Department of Housing and Community Development of the State make no representation concerning any tax consequences resulting from this reservation of Tax Credit authority and accept no responsibility for any consequences to the Sponsor, related entities or any other parties arising out of the reservation or subsequent allocation of Tax Credits.

COMMUNITY DEVELOPMENT
ADMINISTRATION

9-16-19
Date


Cheryl L. Curley
Director- Tax Credit Allocation

Exhibit A-Criteria for Tax Credit Award
Exhibit B-Special Conditions

By execution of this reservation the Sponsor agrees and accepts the terms and conditions of this reservation and the provisions of the Plan.

Agreed and accepted this 23rd day of September 2019.

Howard County Housing Commission
Sponsor

By: 
(Signature of authorized officer)

Name: Peter Engel

Title: Executive Director

Exhibit A**CRITERIA FOR TAX CREDIT RESERVATION AWARD**Project Name: Artists Flats**Development Team**

- Yes No Experience in developing, building, renting and managing similar projects.
 Yes No Satisfactory basic project financing and underwriting criteria.
 Yes No Financial capacity to carry the project forward.
 Yes No Involves a non-profit or public housing authority.
 Yes No Involves a qualified nonprofit organization under §42(h)(5)(A), therefore the tax credit reservation and allocation will be assigned to the nonprofit set-aside.
 Yes No MBE or DBE participation.

Community Context

- Yes No Elderly or general occupancy new construction or rehabilitation project located in a Qualified Census Tract or Difficult to Develop Area that contributes to a concerted community revitalization plan.
 Yes No General occupancy or Elderly project located in a community of opportunity.
 Yes No Located in a Transit Orientated Development.
 Yes No Project is general occupancy and is located in a Base Realignment Closure area.
 Yes No Project is elderly or general occupancy and is located in a Rural area, per 4.2.3. of the guide.

Public Purpose

Project Income Targeting:

- 11 units leased to tenants with annual income of 20% or less of the area median
15 units leased to tenants with annual income of 30% or less of the area median
6 units leased to tenants with annual income of 40% or less of the area median
6 units leased to tenants with annual income of 50% or less of the area median
15 units leased to tenants with annual income of 60% or less of the area median
 units leased to tenants with annual income of 80% or less of the area median
 units leased at market rate

- Yes No 10% or more units are leased to families with incomes of 30% or less of area median.
 Yes No Provides housing for individuals with disabilities or special needs.
 Yes No Provides housing for individuals or households with children.
 Yes No Provide housing for elderly.
 Yes No Plans to implement supportive tenant services and access to internet services.

Leveraging and Long Term Subsidies62.29% of costs of the affordable units leveraged from non-Departmental funds.

- Yes No Other long term operating subsidies included in the project.

Construction or Rehabilitation Costs

- Yes No Construction costs are within specified limits.

Development Quality

- Yes No Demonstrates acceptable environmental sustainability and energy conservation.
 Yes No Includes acceptable level of amenities and design criteria.

Exhibit B

SPECIAL CONDITIONS

1. **Allocation Year:** The Tax Credit reserved for the project is expected to be available in 2020 or later year. The project may receive a Binding Forward Commitment prior to issuance of a Carryover Allocation. If, in future years, the Tax Credit program is significantly amended or eliminated by the United States Government, or if the amount of Tax Credit allocated to the State of Maryland is significantly reduced, the Administration may eliminate or reduce the Tax Credit reserved for the project.

2. **10% Test:** The reservation is conditioned on CDA's receipt, by October 31, 2022 the Affidavit of Utilization of a Reservation, including any applicable fee, in which the Sponsor has certified that the project has met, or will meet, the requirements for utilization of the Tax Credit. This due date may be adjusted one time only without an extension fee at the time of the project kick-off meeting.