





STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

KIRK FORDICE
GOVERNOR



November 9, 1999

Ms. Dianne Bolen
Executive Director
Mississippi Home Corporation
P.O. Box 23369
Jackson, Mississippi 39225-3369

Dear Ms. Bolen:

Today I approved the State of Mississippi Low Income Housing Tax Credit Program 2000 Qualified Allocation Plan, as recommended by the Mississippi Home Corporation.

Sincerely,

KIRK FORDICE
Governor

KF:dhc

**2000 QUALIFIED ALLOCATION
PLAN**

AMENDMENTS TO 1999 QAP

**2000 COMPLIANCE
MONITORING PLAN**

2000 PROGRAM BULLETINS

**2000 NCSHA TAX CREDIT
BULLETINS**

2000 HTC ALLOCATIONS

Table of Contents

1

2

3

4

5

6

7

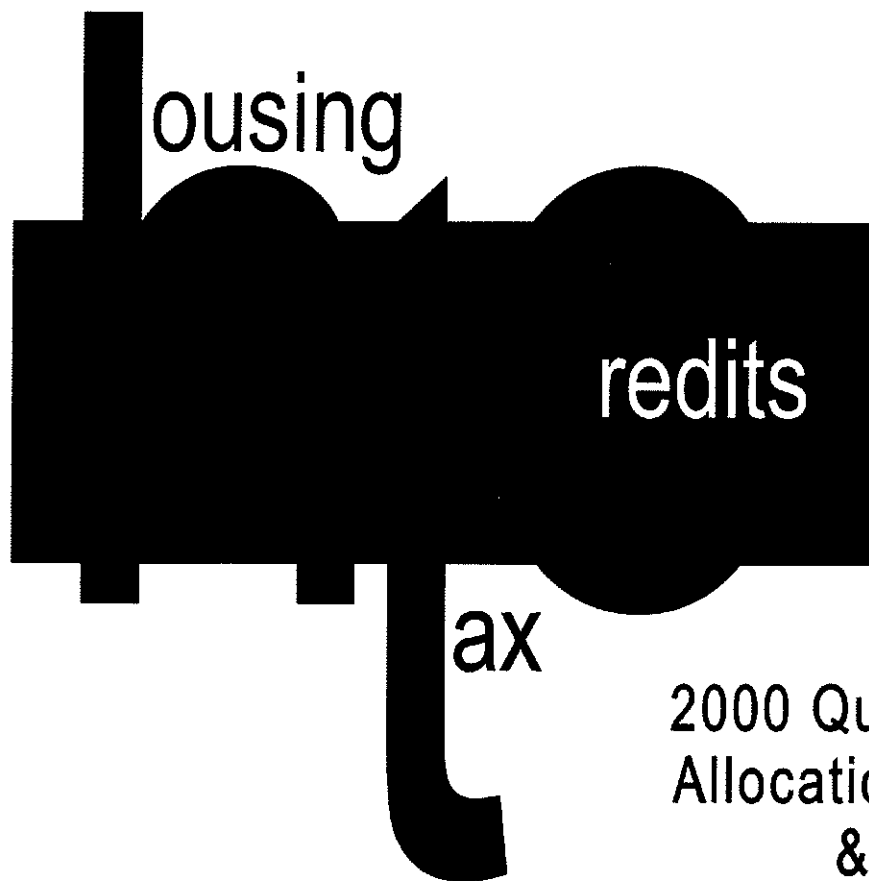
8

9

10

STATE OF MISSISSIPPI

Mississippi Home Corporation



2000 Qualified
Allocation Plan
&
Tax Credit
Application



2000 Qualified Allocation Plan

STATE OF MISSISSIPPI
MISSISSIPPI HOME CORPORATION

HOUSING TAX CREDIT PROGRAM
2000 QUALIFIED ALLOCATION PLAN

INTRODUCTION

The Mississippi Home Corporation (the "Corporation") is charged with the responsibility of administering the Low Income Housing Tax Credit Program (the "Tax Credits," "Housing Credit" or the "Tax Credit Program"), which was created by Congress in the Tax Reform Act of 1986, and which has been further amended by acts of Congress and amendments to Section 42, as amended, of the Internal Revenue Code.

The Code requires the Corporation to develop a qualified allocation plan (i) which shall set forth the selection criteria to be used to determine housing priorities of the State of Mississippi that are appropriate to local conditions; (ii) which also gives preference in allocating housing credit dollar amounts among selected projects that (a) serve the lowest income tenants, and (b) obligate to serve qualified tenants for the longest period; and (iii) which provide a procedure that the Corporation (or an agent or other private contractor of the Corporation) will follow in monitoring for noncompliance and in notifying the Internal Revenue Service of such noncompliance. The selection criteria set forth in a qualified allocation plan must include: (i) project location, (ii) housing need characteristics, (iii) project characteristics, (iv) sponsor characteristics, (v) participation of local tax-exempt organizations, (vi) tenant populations with special housing needs, and (vii) public housing waiting lists. The Code also requires that the qualified allocation plan be subject to public review in accordance with rules similar to those in Section 147(f)(2) of the Code.

The delegation of authority to the states to administer the Tax Credit Program, a tax incentive program, is unique and unprecedented. However, the delegation is limited. While recognizing the value of decentralized decision making, Congress also imposed a uniform set of procedures each state must follow in administering the Tax Credit Program. These procedures are designed to ensure that the low income renters, whom the program is intended to benefit, are those actually served. These procedures are also designed to make certain that the Tax Credit is rationed in the amount necessary to make each project feasible and viable, taking into account all sources of funding.

In December 1997, the National Council of State Housing Agencies ("NCSHA") established a Task Force of Executive Directors of agencies with the responsibility for the Tax Credit Program in twenty (20) states to develop Best Practice Standards for State Housing Credit administration which responds to the suggestions the General Accounting Office (GAO) and the Ways and Means Oversight Subcommittee as well as other participants in the Housing Credit Community have made.

2000 Qualified Allocation Plan

The concerns include:

- The adequacy of housing needs assessments;
- The need for property market studies;
- Appropriate use of state agency discretion in allocating Credits;
- The need for independent, third party cost certifications;
- The adequacy of debt service ratios;
- Operating and replacement reserves;
- Operating expenses;
- Quality of management experience, and
- Adequacy of compliance safeguards.

On October 10, 1998, NCSHA adopted the Task Force's fifteen (15) recommended minimum standards for allocation and underwriting of housing credit agencies. If in the future Congress considers legislation in these areas, these standards will provide guidance.

State legislation requires the Corporation to develop an annual housing plan detailing the housing needs of the State. Based upon any such housing needs study and other available information and data, the qualified allocation plan has been designed to address the most pressing housing needs of the State. To assess Mississippi's overall housing needs, the Corporation has relied on the work of the Mississippi Housing Task Force (the "Task Force"), data compiled for the Target Area Designation Statistical Analysis and Report, the State of Mississippi Consolidated Plan, and available census data.

On September 22-23, 1999, the Corporation, acting pursuant to statutory requirements, held public hearings for the purpose of receiving comments on a draft of Mississippi's 2000 Qualified Allocation Plan (QAP). In addition to oral comments received at the hearing, the Corporation requested written comments from interested members of the public concerning the draft QAP. Both the oral and written comments received were considered and fully evaluated prior to the Corporation's approval of the 2000 Qualified Allocation Plan. The 2000 Qualified Allocation

2000 Qualified Allocation Plan

Plan was presented to the Governor of the State of Mississippi, who formally approved its terms by Resolution received by the Corporation on November 9, 1999.

GENERAL POLICIES AND GUIDELINES

1. The 2000 Qualified Allocation Plan shall utilize years 2000 and 2001's credit authority.
2. Applicants should verify prior to submitting an application to the Corporation for tax credits that they are in compliance with any programs they are participating in administered by the Corporation. All applications will be disqualified that are proposed by principals with existing major noncompliance findings for any project in which they have an interest. The application fee is non-refundable.

Examples of major noncompliance include but are not limited to:

- Rents charged to tenants that exceed maximum limit
- Failure to follow the next available rule
- Numerous instances of administrative noncompliance (failing to execute the procedures and policies stated in the Mississippi Compliance Monitoring Manual and loan guidelines under the Mississippi Affordable Housing Development Fund);
- Severe health and safety violations generally affecting more than one (1) unit (structural problems, severe water damage, fire hazards, etc.);
- Down units (not suitable for occupancy for extended period of times generally more than ninety (90) days);
- Disposition/sale of property;
- Delinquent on loan payments to the Mississippi Affordable Housing Development Fund.

Examples of Minor Noncompliance include but not limited to are:

- Isolated instances of administrative noncompliance (failing to execute the policies and procedures stated in the Mississippi Low Income Housing Tax Credit Compliance Manual).
- Less critical health and safety violations (minor leak under sink, etc.).

2000 Qualified Allocation Plan

3. Applications will be disqualified that are proposed by principals (including consultants) that have previously participated with one or more of the Corporation's programs that has a major noncompliance issue and/or is in foreclosure or has been foreclosed.
4. Following submission of an application for tax credits, the Mississippi Home Corporation will not allow changes or corrections to be made to the application once the Corporation's deadline for receipt of the applications has passed. However, in its review of tax credit applications, the Corporation may request additional information to make a determination regarding the eligibility of the project for an allocation of tax credits. Such requests shall not be an indication of the worthiness of the particular project.
5. All documents required by the Corporation must be submitted with the application during that cycle.
6. Application fees are non-refundable.
7. The Corporation will accept applications within the identified application cycle time frame after the approval of the Qualified Allocation Plan by the Governor of Mississippi.
8. The Corporation will accept applications financed with tax-exempt bonds at any time after the approval of the Qualified Allocation Plan by the Governor of Mississippi. In order to qualify for the full four percent (4%) credit, an opinion letter from a Certified Public Accountant must accompany the application certifying that fifty percent (50%) or greater of aggregate basis will be financed by tax-exempt bonds.
9. For acquisition projects, documentation of the property ownership for the last ten (10) years must be provided with the application.

The acquisition of low income housing or rehabilitation of existing units as described in Section 42, as amended of the Internal Revenue Code (the "Code") must have rehabilitation expenditures of six thousand dollars (\$6,000.00) per housing unit or ten percent (10%) of the original basis, whichever is greater, in order to qualify under the tax credit program.

The acquisition of low income housing from a government entity may have rehabilitation expenditures of two thousand dollars (\$2,000.00) per housing unit if there is a waiver from the Internal Revenue Service from the ten (10) year previous ownership requirement for the acquisition credit on the grounds that the owner otherwise is likely to pay off the existing mortgage and end low income occupancy.

2000 Qualified Allocation Plan

10. For acquisition/rehabilitation projects that are not ten (10) years old or have changed ownership within the last ten (10) years, an approved waiver must be obtained from the U.S. Department of the Treasury. This waiver must accompany the application.
11. Acquisition/rehabilitation projects that are federally assisted and involve the displacement of persons, including displacements caused by rehabilitation and demolition activities must submit a Relocation Plan subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970.
12. For all rehabilitation properties, a physical needs assessment must accompany the application certified by a licensed architect or engineer.
13. For acquisition/rehabilitation properties, the acquisition price on which tax credits are allocated will be limited to the lesser of the sales price or the appraised "as-is" value of the property.
14. All deadlines outlined in the Reservation and Commitment letters will be enforced. Requests for extensions of any deadline will be considered only if requested in writing at least ten (10) days prior to the deadline date and only for good cause shown. However, if in the event an extension is granted, MHC will assess a late fee of \$100 per day for every day beyond the deadline date.
15. The Corporation will make reservation announcements within one hundred fifty (150) days of the close of the application cycle.
13. The Corporation will not issue a reservation or commitment to a project requesting tax credits in excess of ten percent (10%) of the 2000 per capita component to fill the equity gap.
16. The Corporation will issue Commitment Letters within twenty (20) days of the deadline for submitting executed Reservation Letters.
15. The **ORIGINAL** reservation and **ORIGINAL** commitment letters must be returned to the Corporation.
16. Applicants which are business entities must be legally formed and have authorization to do business in Mississippi as approved by the Secretary of State's Office before the submission of tax credit applications. The authorization must accompany the application.

2000 Qualified Allocation Plan

17. Application fees and allocation/monitoring fees must be in the form of a cashier's check or money order.
18. The Corporation reserves the right to make on-site visits before awarding tax credits.
19. The Corporation will require the submission of signed and notarized budget information submitted to financing entity with applications for tax credits.
20. Syndication costs will not be allowed in the eligible basis.
21. Tax credit fees will not be allowed in eligible basis.
22. The contingency line item (general requirements) cannot exceed six percent (6%) of the total construction cost.
23. All "other" line items must be identified and listed and may not exceed two percent (2%) of the total construction cost.
24. In its financial analysis, the Corporation will assume a seven percent (7%) vacancy rate, three percent (3%) income and four percent (4%) expense increase per year.
25. In evaluating projects for tax credits the Corporation will, among other things, analyze the development costs of the project including costs per unit, expenses per unit, project income, affordability of rents, cash flow of the project, and the gap between sources and uses of funds.
26. Tax credit applications whose costs exceed the MHC cost per unit standard without justification provided by the project engineer or architect, acceptable to the Corporation, will not be considered feasible for tax credits.
27. An application must provide documentation that it meets all threshold requirements listed in this plan. Documentation satisfying the four (4) threshold requirements must be included in the application and tabbed. Failure to tab this information will result in five (5) points being deducted from the applicant's ranking score total.
28. Projects receiving tax credits in 2000 will be required to provide cost certifications after project completion. A cost certification must include all cost categories listed under "Cost Breakdown" in the 2000 tax credit application and conform to the requirements of the Corporation.

2000 Qualified Allocation Plan

29. Applications for additional credits from the State of Mississippi's credit authority for the same developments which have received a prior reservation, commitment or allocation of tax credits will not be accepted. This Guideline pertains to any development that has ever received Forms 8609 with the exception of tax exempt bond developments.
30. All sections of the application must be tabbed. (Ex. Readiness: Tabs 1-12)
31. All applications must include a table of contents.
32. Developments that fail to include the minimum replacement and operating reserves outlined within the QAP will not be considered financially feasible for tax credits.

2000 Qualified Allocation Plan

APPLICATION CYCLE

Applications will be accepted during the following cycle:

Cycle	Application Period	Cycle Set Aside
1	March 1 - 27, 2000	100%

The aforementioned cycle includes years 2000 and 2001's tax credit authority. Credits not allocated or recaptured during the proposed competition will be carried forward to calendar year 2001 subject to Internal Revenue Service ruling.

Developers will have the opportunity to submit applications during the first ten (10) days of the application cycle to be reviewed for threshold feasibility only. During the first ten (10) days, staff will review the applications for threshold factors only. If discrepancies are found, the staff will notify the developer and allow them to rectify any discrepancies by the end of the application cycle (March 27, 2000).

A complete application package must be received at the office of the Corporation, 735 Riverside Drive, Jackson, Mississippi 39202/P.O. Box 23369 Jackson, Mississippi 39225-3369 no later than 5:00 p.m. on the last day of the application period to be considered for an allocation. Late applications will not be accepted.

2000 Qualified Allocation Plan

FEES

The Corporation shall charge application fees payable at application submission in the amounts specified below:

APPLICATION FEES

01 - 05 units	\$325
06 - 20 units	\$650
21 - over	\$1,050

Application fees are non-refundable

Allocation and Monitoring Fee

The Allocation and Monitoring fee will be assessed in the amount of 2.5% of the total credit over the ten (10) year period based on the first year's credit amount allocated.

**50% OF FEE IS DUE AT ISSUANCE OF RESERVATION
50% OF FEE IS DUE AT ISSUANCE OF COMMITMENT**

An additional fee of 1.25% of the first year's allocation of credits will be assessed to a developer if a Certificate to Proceed has not been received from a certified architect or engineer within fifteen (15) months of the tax credit reservation date.

Refunding of Allocation and Monitoring Fee

For projects receiving a reservation or commitment in 2000, ninety percent (90%) of the Allocation and Monitoring Fee is refundable if credits are unused and returned to the Mississippi Home Corporation before October 16, 2000. There will be no refund of the Allocation and Monitoring Fee after October 16, 2000 for projects receiving an allocation of tax credits in 2000 and have tax credits returned or recaptured by the Corporation prior to or after the issuance of IRS Form 8609.

TAX EXEMPT BONDS

Projects financed with certain tax-exempt bonds are eligible for tax credits without receiving a state allocation. Tax-exempt bond projects include projects financed with exempt facility bonds that are used for qualified residential projects. If fifty percent (50%) or more of a project's basis (total development cost including land) is financed with tax-exempt financing, one hundred percent (100%) of the project qualifies for the tax credit without any decrease in the state's allocation.

Although these bond-financed projects are not required to receive tax credit allocations from the state, the project must satisfy the requirements for an allocation of tax credits under this qualified allocation plan. The project must also commit to a thirty (30) year extended low income use on the portion supported by tax credits. Bond-financed projects will be reviewed for feasibility and threshold requirements under this allocation plan. However, they will not be required to meet the minimum point threshold nor the ten percent (10%) requirements for a carryover allocation of Tax Credits if the project will not be placed in service by the close of the credit allocation year.

An opinion letter from a Certified Public Accountant must accompany the application to certify that fifty percent (50%) or greater of aggregate basis will be financed by tax-exempt bonds.

SET-A-SIDES

For 2000, the State of Mississippi will allocate credits from its 2000-2001 per capita credit authority, returned credits and national pool credits, if applicable. Set-a-sides will include a combination of 2000 and 2001's per capita credit authority.

Non-profit entities will have available for 2000, ten percent (10%) of 2000 and 2001's total credit allocation authority. This ten percent (10%) set-a-side must be reserved, committed and allocated to buildings or developments in which "qualified nonprofit organizations" own directly or indirectly a fifty one percent (51%) interest in the project throughout the compliance period. A nonprofit may not be affiliated with or controlled by a for-profit entity. A nonprofit is not prohibited from applying for tax credits in the for profit set-a-side.

The Corporation will set-a-side for Rural Development (RD) Section 515 projects for 2000 Two Hundred Fifty Thousand Dollars (\$250,000) of 2000 and 2001's total credit allocation authority for tax credit applicants meeting the eligibility criteria contained within this plan.

The Corporation will set-a-side five hundred thousand \$500,000 of 2000 and 2001's credit authority for projects located in the urban geographic regions listed below.

Gulf Coast Urban Set-A-Side - three coastal counties of Hancock, Harrison and Jackson - \$250,000

Inner City Set-A-Side within the City of Jackson (Jackson State University area and Farish Street Historic District) - \$250,000

West Jackson, MS (Jackson State University Area)

Northern Boundary	Robinson Road
Northeastern Boundary	West Capitol Street
Eastern Boundary	Gallatin Street
Southeastern Boundary	Terry Road
Western Boundary	Ellis Avenue
Southern Boundary	Highway 80

Farish Street Neighborhood (Historic District)

Northern Boundary	Fortification Street
Eastern Boundary	Lamar Street
Southeastern Boundary	John Hart Street
Western Boundary	North Mill Street
Southern Boundary	Amite Street

2000 Qualified Allocation Plan

The Corporation will set-a-side two hundred thousand dollars (\$200,000) of 2000 and 2001's credit authority for projects located in a historic district.

The remaining credit authority will be awarded to projects in a statewide set-a-side. Any unused, returned or national pool credit authority will be awarded to applications placed on a waiting list, ranked by scores statewide, during the application cycle.

