



2026 ALLOCATION PLAN

Housing Incentive Fund



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SECTION 1: DEFINITIONS

Affordability Period: A specific starting and ending date range, communicated to the awardees of HIF program funds after a project's completion, during which the project is to comply with program rent and income restrictions.

Agency: North Dakota Housing Finance Agency.

Area Median Income (AMI): The midpoint of a county's income distribution. Half of families in a county earn more than the median and half earn less than the median. The Agency publishes Income Limits, based on household size, annually and from time-to-time as necessary.

BND: Bank of North Dakota.

Broadband Infrastructure: Cables, fiber optics, wiring, or other permanent infrastructure, including wireless infrastructure, resulting in broadband capability meeting the Federal Communication Commission (FCC) definition in effect at the time the pre-construction estimates are generated.

Developing Community: An incorporated city with a population less than 20,000 per the most recently available Annual Estimate of Residential Population for Incorporated Places provided by U.S. Census Bureau.

Developing Rural Community: An incorporated city with a population less than 5,000 per the most recently available Annual Estimate of Residential Population for Incorporated Places provided by U.S. Census Bureau.

Eligible Applicants: Units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers. Individuals are not eligible to receive direct assistance from HIF.

Extremely Low Income: Households with incomes of not more than thirty percent (30%) of AMI.

HIF: Housing Incentive Fund.

HIF Assisted Unit Calculation: HIF Assisted Units is calculated as a percentage of a project's Gross HIF Award in relation to the project's certified Total Development Costs. This percentage multiplied by the total number of units within the project (rounded-up to the nearest whole number) is the number of HIF Assisted Units within that project.

Income Limit(s): Agency published maximum annual household income limits, published annually and from time-to-time as necessary. HIF income limits are calculated using data published by the U.S. Department of Housing and Urban Development and U.S. Department of Health and Human Services.

Income Restricted: A household or unit which is subject to a specified annual household Income Limit. Household income is calculated using the rules and guidelines of the U.S. Department of Housing and Urban Development's Part 5 Income Determination.

Low Income: Households with incomes of not more than eighty percent (80%) of AMI.

Moderate Income: Households with incomes of not more than one-hundred forty percent (140%) of AMI.

Multifamily Project/Property: Any building or group of buildings totaling four (4) or more permanent residential rental units operated as a single rental housing project.

Plan: This current HIF Allocation Plan, when not preceded by a year. When preceded by a year or biennial year range, refers to that year's HIF Allocation Plan.

Rent Limit(s): Agency published maximum gross monthly rent limits, published annually and from time-to-time as necessary. HIF Rent limits are calculated using an average occupancy per unit, the jointly-published Income Limits, and/or current Fair Market Rents as published from the U.S. Department of Housing and Urban Development.

Rent Restricted: A maximum allowable gross monthly rent able to be charged/collected from a HIF restricted unit's tenant(s). Maximum monthly rents are published by the Agency annually, and from time-to-time as necessary, and are calculated as the sum of all tenant-paid rent, any applicable utility allowances, and all tenant-based rental assistance.

Restricted Unit: A housing unit subject to income and/or rent restrictions enforced through the HIF Land Use Restrictive Agreement. The number of Restricted Units will always be equal-to, or greater-than, the HIF Assisted Unit Calculation.

Single-Family Project/Property: Any singular building containing four (4) or less permanent residential units.

Total Development Cost: The all-in cost of developing a rental housing project including pre-development, acquisition, hard and soft construction, hard and soft rehabilitation, and financing costs, as well as developer fees, and reserve accounts capitalization. Costs associated with commercial construction shall not be included.

Very Low Income: Households with incomes of not more than fifty percent (50%) of AMI.

SECTION 2: INTRODUCTION

The North Dakota Housing Finance Agency (Agency) is responsible for the administration of the Housing Incentive Fund program (HIF) for the State of North Dakota.

The program was established by the sixty-second (62nd) Legislative Assembly under chapter 54-17 of the North Dakota Century Code (NDCC).

The Agency is responsible for developing guidelines for the use of HIF. These guidelines were developed with input from Agency partners, stakeholders, and finalized through a formal public hearing process.

Available Housing Incentive Fund State Tax Credit

This Plan does not include an allocation of Housing Incentive Fund State Tax Credits. The Agency is not currently authorized to accept North Dakota State Taxpayer contributions to HIF.

Housing Incentive Fund State Tax Credit availability is contingent on legislative authority.

Chapter 57-38 and Section 57-35.3-05 of NDCC allow for a credit against state income taxes and financial institution taxes equal to a contribution to HIF.

The 2011 special legislative session amended NDCC, allowing a taxpayer to claim a credit equal to the amount contributed into the fund in the year of the contribution. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten (10) succeeding taxable years.

Within thirty (30) days of the taxpayer contribution to HIF, the Agency will issue a Tax Credit Certificate to the taxpayer and a copy to the State Tax Commissioner.

Contributions into the fund may be made on a project-specific basis or on a general pool basis to be used to fund projects statewide. Once a Tax Credit Certificate has been issued, the contribution is irrevocable and non-transferable.

The contributor identified on the documentation required to be submitted with a contribution shall be the taxpayer to whom the Tax Credit Certificate shall be issued. Once a Tax Credit Certificate has been issued, the contribution is irrevocable and non-transferable. Potential contributors are advised to consult with their tax counsel and/or accountant prior to making a contribution to HIF.

SECTION 3: GENERAL PROVISIONS

3.01 Eligible Uses

The Agency will evaluate the financial feasibility of each project to ensure assistance provided does not exceed an amount necessary to qualify for lending using generally acceptable underwriting standards.

Eligible uses of assistance from HIF are limited to:

- A. Multifamily Project:
 1. Costs associated to on-site development, construction, rehabilitation, acquisition, renovation, accessibility improvements, and/or adaptive reuse of a Multifamily Project.
 2. Development and/or construction cost gap assistance.
 3. Retirement of market rate debt.
- B. Single-Family Project:
 1. New construction, rehabilitation, preservation, and/or acquisition of a single-family housing project in a Developing Community or a Community Land Trust.
- C. Homelessness Prevention:
 1. Rental Assistance, emergency assistance, barrier mitigation, or services designated to prevent or end homelessness.

Single-Family and Homelessness Prevention uses will be strictly interpreted by the Agency. Applicants considering these uses should contact the Agency and refer to the applicable HIF Homeless or HIF Single-family Program Addendums for application information.

3.02 Eligible Projects

HIF proceeds may be used for expenses related to any of the following:

- A. New construction of multifamily rental housing units.
- B. Rehabilitation of an existing multifamily building(s) containing one or more uninhabitable rental unit(s).
- C. Acquisition, rehabilitation, and/or preservation of Rent Restricted housing at risk of becoming uninhabitable or obsolete.
- D. Acquisition, rehabilitation and/or preservation of an existing affordable housing project which is subject to and will continue receiving project-based rental assistance payments from a federal affordable housing program.
- E. Adaptive reuse of existing non-residential building(s).
- F. Retirement of market rate debt and conversion of non-Restricted Units to Restricted Units or conversion of current Restricted Units to Income and Rent limits which allow financial feasibility.
- G. The purchase of existing publicly owned housing, resulting in divestiture by the public entity.

Eligible Projects F and G will be strictly interpreted by the Agency. Applicants considering these projects are advised to contact the Agency well in advance of submitting an application.

3.03 Ineligible Projects

Projects under construction or renovation which has an existing funding commitment from the Agency or other similar funding source are not eligible unless at least one of the following are present:

- A. The applicant adequately demonstrates the newly requested funding from HIF's effect on presently proposed rents which improve rent affordability to households at or below Moderate Income.

- B. The applicant adequately demonstrates a change in circumstance such that the newly requested funding from HIF is now needed to ensure the project's financial feasibility.

3.04 Maximum Award

Award allocations from HIF for any single Multifamily Project will be limited to the lesser of:

- A. An amount required to secure project financing and make the project financially feasible; or
- B. A project located entirely within a Developing Rural Community, fifty percent (50%) of the project's Development Costs; or
- C. A project not located entirely within a Developing Rural Community, thirty percent (30%) of the project's Total Development Costs; or
- D. A project applying for or awarded tax credits from the federal Low Income Housing Tax Credit program, twenty percent (20%) of the project's Total Development Costs; or
- E. \$4,000,000

Exceptions to these maximums may be made on a case-by-case basis, at the sole discretion of the Agency, to accomplish overall program goals.

3.05 Set-Aside(s)

Developing Community: On a biennial basis, a minimum of ten percent (10%) of HIF's legislatively authorized funds will be used to assist Developing Communities to address an unmet housing need or alleviate a housing shortage.

Substantial Rehabilitation

Projects involving the acquisition of an existing building, rehabilitation or adaptive reuse must, upon completion, comply with the Agency's published Minimum Rehabilitation and Property Standards (Property Standards), which are hereby incorporated into this Plan by reference. Rehabilitation projects, including adaptive reuse, must address, at minimum, all deficiencies identified in Section XV of the Property Standards as part of the project's scope of work so that, upon completion, all such deficiencies are cured. For projects which include acquisition and/or rehabilitation of occupied housing, any life-threatening health and safety deficiencies, as defined in the Property Standards, must be addressed and corrected immediately. The Minimum Rehabilitation and Property Standards Manual can be found on the Agency's website.

3.06 Recognizable Costs

The Agency reserves the right to decline any application in which projected Total Development Costs exceed \$300,000 per unit. Upon the applicant's request and acceptable explanation, the Agency, in its sole discretion, may waive this limit.

Builder/General Contractor fees may not exceed a combined fourteen percent (14%) of the project's hard construction costs. These costs must be separately identified within the HIF Application: Exhibit A.

- Builder/General Contractor's Profit
- Builder/General Contractor's Overhead
- General Requirements

A project utilizing the Agency's 4% LIHTCs:

Maximum Developer Fees detailed within the applicable LIHTC QAP shall apply to HIF.

A project not utilizing the Agency's 4% LIHTCs:

The combined sum of Developer Fees, fees of all parties with an Identity of Interest with the Developer, and fees paid to consultants, may not exceed fifteen percent (15%) of Total Development Cost net of those same fees.

If the project developer and builder/contractor are the same entity or, at the sole discretion of the Agency, are closely enough related, in addition to the aforementioned fee limits, the combined sum of developer fees, fees of all parties with an identity of interest with the developer, and fees paid to consultants, builder/contractor profit, builder/contractor overhead, and general requirements may not exceed twenty percent (20%) of the project’s Total Development Cost, net of those same fees.

3.07 Reserves

Replacement Reserves: The project will be required to fund a Replacement Reserve account, accounted-for separately from the project’s operational funds, in a federally insured financial institution or BND, to be adequately funded for the entirety of the project’s Affordability Period.

The Replacement Reserve account shall be funded in regular increments, monthly is recommended, not less than annually. At or prior to the end of the project’s first fiscal year in which the project is subject to its Affordability Period an amount equal-to, or greater-than, the sum of four hundred dollars (\$400) per unit shall be contributed to the project’s Replacement Reserve Account. Each subsequent minimum annual contribution to the Replacement Reserve account shall increase at a rate of three percent (3%) per year in which the project is subject to its Affordability Period.

Replacement Reserves shall not be used for operations, routine maintenance, or upkeep expenses. It is to be used for the replacement of short-lived capital assets including, but not limited to, the replacement of a roof, window(s), heating system, parking surfaces, and/or similar capital assets. Approval must be received from the Agency prior to any decrease in the fiscal year-end’s Replacement Reserve account’s minimum balance.

Operating Reserve: At or prior to the issuance of any held-back funds, as described in Section VIII Access to HIF Funds, the project shall fully fund an Operating Reserve account, set aside in a federally insured financial institution or BND, to be adequately funded for the entirety of the project’s Affordability Period. The initial funding balance of this account shall be an amount equal-to, or greater-than, the sum of two (2) months of each, project’s reasonable annual operating expenses and annual hard debt-service as determined by the Multifamily Application Exhibit A executed in conjunction with the HIF Loan’s closing. Operating Reserve funds are encouraged to be accounted for separately from other project operational funds.

SECTION 4: APPLICATION PROCESS

Agency forms must be used to apply. The following application cycles have been set for the next calendar years. Funds available will be determined following the 2025 Legislative Session. Total funds available will be announced in May. Additional application rounds shall be published at the sole discretion of the Agency.

Application Round	Application Closing Date	Amount of HIF Available to Award
1	September 30, 2026	Remaining funding

Program income, repayments and recaptured funds received by the Agency will be available for reallocation.

After Application Round 1 the Agency will entertain, on an as-needed basis, applications for projects located in a Developing Community or Developing Rural Community until June 30th of the following calendar year.

A fully executed and complete Multifamily Application, including all required application attachments, must be received by the Agency by 5:00 p.m., CT, on the Application Closing Date of any Application Round to be eligible for consideration in that Application Round.

Applications selected for funding will be given a Conditional Commitment which will detail specific requirements needing to be satisfied to receive a Financial Award and proceed to closing.

4.01 Fees

Application Processing Fee: Remittance of a nonrefundable Application Processing Fee, payable to “North Dakota Housing Finance Agency,” shall be received by the Agency prior to 5:00 p.m., CT, on any Application Closing Date for its corresponding application to be reviewed for eligibility and/or considered for funding within any competitive funding round.

- For an application in which HIF is the only Agency-funded program being applied for in the Application Round, the Application Processing Fee shall be \$500.
- For an application in which more than one Agency-funded program is being applied for in the Application Round, the Application Processing Fee shall \$500 for the primary program and an additional \$250 for any subsequent Agency-funded program being sought by the Applicant for the Project in the Application Round.

HIF Origination Fee: Five percent (5%) of the project’s gross HIF Award. This HIF Origination Fee is due at the time the first draw on the HIF Award is processed by the Agency.

SECTION 5: THRESHOLD REQUIREMENTS

When an application is received and its corresponding Application Processing Fee has been verified as collected by the Agency, the application shall be issued an application number and reviewed for eligibility to be scored. To be eligible for scoring, an application must be fully executed, fully completed, and satisfy each Threshold Requirement detailed within this section.

An applicant may request an exemption to the requirement of attaching a CNA to the application if there are other funding sources for the project which would, due to the timing, require additional costs or multiple reports. Any such exemption must be received from the Agency prior to and included within the project’s application. If granted such an exemption(s), the application will not be subject to a scoring deduction for the exempted requirement(s); however, the report(s) are required prior to the issuance of a Financial Award to the applicant.

- A. **Application:** The Agency’s currently published Multifamily Application must be fully completed and executed. All applicable Exhibits to the application must be fully completed and submitted.
- B. **Demonstrated Site Control:** Applicant must provide evidence that the Applicant, or Applicant’s affiliate, currently has, and is contractually able to maintain throughout the entirety of the application period, site control for the entirety of the project’s anticipated scope. An as-developed site plan must accompany the application.
- C. **Zoning, Codes, and Ordinances:** Applicant must provide evidence of current appropriate zoning for the entire scope of the proposed project. If current zoning does not comply, verification must be provided from the jurisdiction-having municipal office verifying, at a minimum, a preliminary review of the project’s plans and proposed land use complies with the zoning type being sought.

Upon completion, the project must meet all applicable state and local codes, ordinances, and requirements as applicable, or, in the absence of a state or local building code, the International Residential Code, International Building Code (as applicable to the type of structure), or the International Existing Building Code (for rehabilitation projects) of the International Code Council.

- D. **Infrastructure and Utility Availability:** Evidence must be provided that appropriate infrastructure (i.e. roads, curb, gutter, etc.) and utilities (i.e. water, sewer, electricity, natural gas, Broadband Infrastructure, etc.) are in-place, or are able to be put in-place, and have adequate capacity to absorb the proposed project. Examples of evidence include letters from the applicable utility company or municipal office providing the utility or service.

Projects must install Broadband Infrastructure to all units and common area community rooms. A letter from the project architect confirming the inclusion of Broadband Infrastructure is within the project's plans shall be included.

Broadband infrastructure is defined as cables, fiber optics, wiring, or other permanent and integral infrastructure, including wireless infrastructure, resulting in broadband capability meeting the Federal Communication Commission's (FCC) definition in effect at the time the pre-construction estimates are generated. Currently, the FCC defines broadband speeds as 25 Megabits per second (Mbps) download and 3 Mbps upload.

If all required infrastructure is not currently, or will not be, available on the proposed site(s), or on land directly adjacent to the proposed site(s), as of the Application Closing Date, a letter from the local jurisdiction must accompany the application confirming that no adequate infill opportunities exist within the community.

- E. **Development Team:** Application must demonstrate, to the satisfaction of the Agency, all members of the team have the experience, ability, and financial capacity, in their respective roles, to develop, construct, own, operate, manage the project, and are familiar, and prepared to fully comply, with this program's requirements.

9% or 4% LIHTC:

1. Applicants new to LIHTCs must partner with a developer, sponsor, and/or consultant included in a development team which received a LIHTC allocation from a federally approved allocator for a specific project and has placed that project in-service within the prior five years.
2. An Applicant, or closely related party of the Applicant, who has not yet placed a LIHTC project in-service in North Dakota will be ineligible to submit a subsequent application for an additional project until the initial development is, at a minimum, under construction and proceeding on schedule.

HOME or HTF:

3. Application including the use of HOME and/or HTF funding shall include a copy of the Applicant's current Active Registration on Sam.gov.
4. Application should demonstrate the proposed team's experience with, or working knowledge of, all federal cross-cutting requirements including, but not limited to, Section 3, Women-owned and Minority-owned Business Enterprise contracting practices, Davis-Bacon and related acts, environmental review, Section 504 and ADA requirements, lead-based paint mitigation, Uniform Relocation Act, and property condition requirements.
5. An Applicant, or closely related party of the Applicant, who has not yet completed a HOME or HTF project in North Dakota will be ineligible to submit a subsequent application for an additional project until the initial development is, at a minimum, under construction and proceeding on schedule.

Applications including any of the development team with limited experience in the development, construction, ownership, and/or management of an affordable Multifamily Project are encouraged to partner with an experienced developer, party, and/or sponsor. Agency may require the Applicant to provide historical financial statements as deemed necessary.

Applicants who have been convicted of, entered an agreement for immunity from prosecution for or have pleaded guilty, including a plea of nolo contendere, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification, or destruction of records are ineligible. Applicants who have been debarred from any North Dakota program, other state program or any federal program are ineligible. Agency may determine Applicants having an Identity of Interest with any debarred entity are ineligible.

Agency may inquire to other state allocating agencies about the Applicant's or Developer's performance history. Negative performance may result in the application being ineligible.

- F. **Ownership:** The Applicant shall provide an Organizational Chart listing all proposed Developers, Guarantors,

Managers of LLCs and/or General Partnerships of Partnerships along with proposed entity ownership percentages within the entities.

The Applicant shall provide an attestation of the intent, or lack thereof, to transfer any ownership interest held by an entity within the proposed Organizational Chart within five (5) years from the Application Date. If known, the names and backgrounds of those who will receive those ownership interest(s) shall be disclosed. Failure to provide this information may result in forfeiture of any Conditionally Committed or Reserved LIHTCs.

Credits are allocated to the proposed project's Owner. A sale or transfer of a controlling ownership interest of the Owner prior to issuance of the Final Allocation requires an amended application, Agency approval and payment of a non-refundable transfer fee of \$2,500, or 1% of the annual credit amount currently allocated to the Owner for the proposed project, whichever is greater. Payment of this fee does not oblige the Agency to approve the transfer.

- G. **Financial Projections:** Applicant shall submit the Agency's currently published Multifamily Application Exhibit A, must be submitted in Excel format. All applicable tabs must be fully completed.

The reasonableness of development costs and operating expenses, in relation to other similar developments, will be assessed when the Agency evaluates a project's financial feasibility.

The Agency reserves the right to decline any application if, during underwriting, the project is determined to have a Hard-Debt-Service Coverage Ratio, or Expense Coverage Ratio for a project which proposed no hard-debt, less than 1.10.

- H. **Subsidies:** If the Applicant anticipates any federal, state, and/or local subsidies, a signed confirmation identifying all anticipated federal, state, and/or local subsidies must be provided. All federal, state, and/or local subsidies must be listed within the Multifamily Application Exhibit A's "SLR & HUD 2880" tab.

If no federal, state, or local subsidies are anticipated, a signed confirmation from the applicant confirming as such shall be provided.

- I. **Public Housing Waiting List:** The application package must include a copy of a written communication from the Applicant to the jurisdiction-having Public Housing Authority (PHA) describing the proposed project. The Applicant's communication shall include a commitment to communicate project completion and work directly with the PHA during the proposed project's lease-up in an attempt to house households on PHA waitlist(s) and, when allowed, granting PHA waitlisted households' priority in obtaining occupancy within the project.

- J. **Housing Need:** Applications must include a comprehensive market study of the housing needs of low-income individuals in the market area to be served by the project. The market study should be completed at the Developer's, or affiliate of the Developer, expense by an acceptable disinterested party to the Agency.

The market study must demonstrate there is sufficient sustained demand in the market area to support the proposed development, and that the development of any additional affordable units will not have an adverse impact on the existing affordable units in the market area. The market study must have been completed within six (6) months of Application Close Date and must contain the National Council of Housing Market Analysts' (NCHMA) current model content standards unless the Agency authorizes deviation from these standards.

- K. **Capital Needs Assessment:** A Capital Needs Assessment (CNA) must be submitted with all application packages involving rehabilitation, adaptive reuse, or acquisition of an existing building which will, in-whole or in-part, remain an asset of the project.

The CNA must be completed by a competent, independent third party acceptable to the Agency, such as a licensed architect and/or engineer. The assessment must include a site visit and a physical inspection of the interior and exterior of all units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs and improvements, pending repairs, and existing or chronic physical deficiencies.

The assessment must consider the presence of environmental hazards such as asbestos, lead paint and mold on the site. The assessment must include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. If the remaining useful life of any component is less than fifty percent (50%) of the expected useful life, immediate rehabilitation will be required unless capitalized. If the remaining useful life is less than the Affordability Period, the application package must provide a practical way to finance the future replacement.

The assessment must also include a projection of recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per unit per year basis. The assessment will examine and analyze the following:

1. Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utilities and their lines.
2. Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage.
3. Interiors, including unit and common area finishes (carpeting, tile, plaster walls, paint condition, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors.
4. Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators.

Application packages involving the demolition and new construction replacement of existing housing units must demonstrate the benefit of such activity over rehabilitation, including an opinion of cost of rehabilitation to assist Agency to determine the cost savings and/or other benefits.

- L. **USDA Financing:** An application proposing the inclusion of new or existing USDA debt must include written confirmation from the regional USDA officer which verifies any progress made on an initial transfer request and/or the approval of any proposed debt additional to the existing USDA debt, and any associated lien to the debt, proposed.
- M. **Self-Scoring:** The Applicant must provide a self-scoring narrative indicating the number of points being sought in each scoring category. The narrative should be brief but also explain the Applicant's justification(s) for the points being sought.

SECTION 6: SCORING DEDUCTIONS

Applications not meeting a minimum amount of Additional Leverage (Scoring Criteria G) will be subject to a point reduction.

Applications failing to satisfy a Threshold Requirement as of the application deadline will be a 5-point scoring deduction for EACH unsatisfied Threshold Requirement and be given a reasonable amount of time to submit any missing items required to satisfy the Threshold Requirement(s).

SECTION 7: SCORING CRITERIA

Applications meeting Threshold Requirements will be reviewed and assigned points based on Scoring Criteria expounded upon below. Representations made within successful applications will be bound by those representations within a Loan Agreement and/or a recorded Land Use Restrictive Agreement.

Applications must achieve a minimum score of one hundred twenty (120) points to be considered for funding.

Successful applications for a Project located within a Developing Rural Community will be bound to Rent Restrictions but will not be bound to Income Restrictions represented and awarded points under Scoring Criteria A, B, and C.

The most restrictive Income and Rent Limits for all anticipated project funding sources will be used to evaluate points awarded under Scoring Criteria A, B, and C. A project unit is able to receive points under only one Restricted Unit type (Scoring Criteria A, B, or C).

The Agency, at its sole discretion, shall determine the amount of funds to award. The award may not equal the amount requested in the application. All applicants will be notified of their respective project(s) approval or denial.

In the event of a scoring point tie between two (2) or more projects during a competitive application round when insufficient program funds remain to adequately fund each project, the first tiebreaker will be for the project(s) which satisfies any applicable Set-Aside(s) within this HIF Allocation Plan which has not yet been satisfied by other approved applications; the second tiebreaker will be the project with the highest score under Category F, Readiness to Proceed.

A. Serves Extremely Low-Income Households **5 points**

Points awarded based on the percentage of total project units which are Restricted Units which are Income Restricted and Rent Restricted at, or below, thirty percent (30%) AMI. Projects are able to receive points for a unit under only one Restricted Unit type (Scoring Criteria A, B, or C).

- 1. 10% to 50% of total project units serve Extremely Low-Income Households5 points

For 30% AMI Restricted Units only: Gross monthly rent collected is allowed to exceed the Agency published thirty percent (30%) AMI rent limit so long as the unit is receiving a project-based rental assistance payment. This exception does not apply for any Tenant-Based rental assistance source.

B. Serves Low Income Households **Up to 40 points**

Points awarded based on the percentage of total project’s Restricted Units which are Income Restricted at, or below, eighty percent (80%) AMI and Rent Restricted at, or below, fifty percent (50%) AMI. Projects are able to receive points for a unit under only one Restricted Unit type (Scoring Criteria A, B, or C).

- 1. 20% of total project units serve Low Income Households10 points
- 2. 40% of total project units serve Low Income Households25 points
- 3. 60% of total project units serve Low Income Households40 points

C. Serves Moderate Income Households **Up to 15 points**

Points awarded based on the percentage of total project units which are Restricted Units which are Income Restricted at, or below, one hundred forty percent (140%) AMI and Rents Restricted at, or below, eighty percent (80%) AMI. Projects are able to receive points for a unit under only one Restricted Unit type (Scoring Criteria A, B, or C).

- 1. 10% of total project units serve Moderate Income Households5 points
- 2. 25% of total project units serve Moderate Income Households10 points
- 3. 50% of total project units serve Moderate Income Households15 points

D. Serves a Developing Community **Up to 25 points**

Points awarded when the proposed project is located an incorporated city with a population meeting the definition of a Developing Community or Developing Rural Community.

- 1. Located within a Developing Community15 points
- 2. Located within a Developing Rural Community25 points

- E. Need for HIF Funds** **Up to 30 points**
 The applicant must demonstrate the proposed project would not be financially feasible without the applied-for HIF award. Financial evaluation will include, but is not limited to, any construction or permanent financing gap(s), and the project’s projected ability to maintain an even-trending debt-service coverage.
- F. Readiness to Proceed** **Up to 25 points**
 Applicants must provide a timeline for completion of the project. Points awarded in this category are based on earliest achievable completion of the activity. Such things as letters of interest or commitment for all sources of project financing; ownership of the land; and availability of infrastructure will be considered in the award of points. Points will be awarded at the sole discretion of the Agency in comparison to other projects competing in the application round.
- G. Additional Leverage** **Up to 50 points**
 Points awarded for applications which include additional funding source(s), identified within the Multifamily Housing Application Exhibit A, that reduce the project’s need to carry debt which has a reasonable expectation of repayment or are an operating subsidy which substantively reduces the project’s operating expenses (such as a PILOT).
 For purposes of scoring in this category, funds which reasonable expectation of repayment, are temporary in nature, or do not exist for at least the first 15-years of the project’s HIF Affordability Period are not eligible. Only the present value of an operating budget’s reduction which will be realized for the guaranteed term of the subsidy is eligible.
1. Combined value less than 20% of Total Development Costs20 point reduction
 2. Combined value of at least 20% of Total Development Costs..... 20 points
- Applications proposing to utilize and have submitted a North Dakota 4% LIHTC application at or prior to this application round will receive an additional 30 points. A 42m letter is not required to have been issued.
- H. Rehabilitation** **Up to 30 points**
 Points awarded for applications which propose to rehabilitate existing structure(s) that are currently, or at-risk of becoming, uninhabitable or obsolete.
1. \$15,000 per unit in hard construction costs 10 points
 2. \$30,000 per unit in hard construction costs 20 points
 3. \$45,000 per unit in hard construction costs 30 points
- For purposes of scoring within this category: Proposals in which an appropriate project-specific level of due diligence (which shall be included within the application package) has led to the development team’s determination that demolition and replacement of existing structure(s) is a more appropriate and/or cost-effective development approach than rehabilitating the existing structure(s) shall qualify for scoring within this category. While one-for-one unit replacement is not a requirement, the agency encourages applicants to seek this replacement ratio whenever able.
- I. Universal Design** **Up to 9 points**
 Applicants seeking Project Standards points are required to provide a written statement from the project’s architect, verifying the architect has fully reviewed the Agency’s current Universal Design Standards and that 100% of the Project Standards will be implemented within the design of the proposed project.
1. All Project Standards implemented..... 3 point
- Applicants seeking Unit Standards points are required to provide a written statement from the project’s architect, verifying the architect has fully reviewed the Agency’s current Universal Design Standards and that 100% of the Unit Standards will be implemented within specific units the proposed project. The Applicant and architect shall specify which units are proposed to be these Universal Design Units.

- 2. Greater-than 0.00% but less than 5.00% of the project’s total units..... 1 point
- 3. Greater-than or equal to 5.00% but less than 10.00% of the project’s total units2 points
- 4. Greater-than or equal to 10.00% but less than 25.00% of the project’s total units3 points
- 5. One point for each Universal Design Unit which is two-bedroom or larger Up to 3 points

J. Impact of HIF Award Up to 10 points

Applications will receive 0.50 points for each Restricted Unit in the project.

SECTION 8: AWARD PROCESS

Proposals received by the due date will be reviewed and ranked within an approximate 60-day timeframe. Successful proposals will be issued a conditional commitment of financial assistance from HIF. Applicants will be required to reach certain benchmarks during this timeframe identified in the Agency’s conditional commitment letter. An extension of the conditional commitment period may be granted, at the sole discretion of the Agency. Upon satisfactory review of these items, a Financial Award will be issued.

Progress reports from Conditional Commitment to Financial Award.

To ensure HIF funding is conditionally committed to projects which are proceeding according to the schedule presented in the application, each applicant receiving a conditional commitment will be required to submit monthly progress reports. The report must describe the Applicant’s actual progress to date together with an estimated timeline for future project activity.

Progress reports from Financial Award to Stabilized Occupancy.

Upon the Agency’s issuance of a Financial Award to the project, the borrower must submit quarterly progress reports until the project has reached stabilized occupancy. The report must describe actual development progress to-date, identify changes to the development budget or scope of the project, and contain an estimated timeline for future activity and lease-up. Development costs which increase above the contingency listed in the HIF application must be disclosed in the progress reports along with an explanation as to how the gap is being filled. At the Agency’s discretion, information submitted with draw requests, such as site reports, may serve to satisfy the quarterly reporting requirement.

SECTION 9: ACCESS TO HIF FUNDS

Draws against a Financial Award can be made for costs incurred upon firm commitment of all other funding sources such as construction financing. For Multifamily Project, a mortgage with recapture provisions, deed restriction, loan agreement, and promissory note must be executed prior to release of any HIF funds.

The borrower may request one or more draws of available HIF proceeds for payment or reimbursement of costs incurred toward the development of the project. Draws are requested by submitting to Agency a completed HIF Draw Request form together with an electronic transfer authorization, documentation supporting the expenses claimed, general contractor’s sworn construction statement, and architect’s inspection or trip report. All disbursements are made by electronic funds transfer to the borrower’s authorized account or designated escrow agent.

Disbursement of up to ninety-five percent (95%) of the HIF proceeds may be made during construction of the project. A hold-back amount of five percent (5%) of the HIF proceeds will be retained until project completion. Disbursement of the hold-back amount will be made upon satisfaction of all conditions identified on the Borrower’s Post-Closing Requirements document signed at closing including but not limited to final sworn total development cost certification, certificate of occupancy, completion certification, final lien waivers, and executed loan or grant agreements for all other permanent funding sources.

SECTION 10: REPAYMENT OR RECAPTURE OF FUNDS

All HIF awards will be structured as a forgivable zero-interest loan, unless an associated interest rate is requested from the awardee, with repayment terms determined on a project specific basis as necessary to achieve project feasibility. The term of the HIF loan shall be, at a minimum, fifteen (15) years, but no less than the term of the affordability period of any other affordable housing program funding provided to the project by or through the Agency. Annual repayment of HIF funds may be calculated as all, or a percentage of, the project's net cash flow above a 1.30 hard-debt-service coverage ratio remaining after payment of reasonable operating expenses, cash-flow dependent (soft) debt service, and HIF-required reserve capitalization.

Income targeting and/or rent restriction requirements will remain with the project for the duration of the Affordability Period and will be enforced through a deed restriction on the land. In the event of a prepayment of the loan, the deed restriction will ensure the Income and Rent Restrictions remain in place for the remainder of the Affordability Period, unless waived by the Agency.

If a project can demonstrate to the Agency's satisfaction that it is not able to maintain occupancy in a Restricted Unit by income-eligible households, and there exists a threat of chronic vacancy of the Restricted Unit, the vacant unit may, with the prior express written consent of the Agency, be granted a temporary exception to certain aspects of the deed restriction.

A recapture of the HIF funds from the borrower will occur at any time during the term of the loan if the borrower fails to abide by the representations made in the application, unless waived by the Agency. In the event of recapture of the HIF funds, the deed restriction will remain in place for the remainder of the original term of the HIF loan.

SECTION 11: COMPLIANCE MONITORING

Owners of HIF-assisted properties must remain in compliance with program guidelines throughout the term of the HIF agreement. Agency will monitor all properties for compliance with HIF program requirements including those related to income and rent limits, cash flow, reserve accounts, insurance coverage, and property condition. Annual compliance monitoring will consist of a desk review of information provided by the project owner and/or a property inspection and review of documentation at the project location. A copy of the HIF Ongoing Compliance Monitoring Manual is provided to all HIF award recipients and is also available on the Agency website.

On a quarterly basis, owners of HIF-assisted properties must provide the Agency the following:

- HIF Quarterly Vacancy Report, provided to the Owner and/or Property Management by the Agency.

On an annual basis, owners of HIF-assisted properties must provide the following to Agency, at a minimum:

- Annual Rental Compliance Report (SFN 60046).
- Documentation supporting the current utility allowance(s) being used (i.e. a copy of the current utility allowance table from the local public housing authority).
- Property Expense Statement (SFN 61073) and attach a copy of any financial document(s) used to complete this document (i.e. Year-over-Year Balance Sheet, Income Statement, Statement Cash Flows).
- Reserve account statements, if not already documented within the Balance Sheet.
- Proof of sufficient property and liability insurance coverage listing Agency as mortgagee (Acord 25 and Acord 27 or 28)

Agency will charge each HIF-assisted property an annual fee to cover expenses incurred during normal and routine monitoring activities. The fee is currently set at \$50 per property, plus \$40 per Restricted Unit. Agency reserves the right to adjust the annual fee as necessary. Additional fees may be assessed to properties determined to be in substantial noncompliance in order to cover the expense of additional monitoring. The HIF compliance monitoring fee should be included in the operating budget of applications for HIF assistance.

Developments which are subject to annual compliance monitoring fees for other programs administered by the Agency may be eligible for a reduction in their HIF compliance monitoring fee at the sole discretion of the Agency.

SECTION 12: DISCLAIMER OF AGENCY LIABILITY

Agency seeks to allocate sufficient HIF assistance to a project to make the project economically feasible. Such decision shall be made solely at the discretion of Agency but in no way represents or warrants to any Applicant, investor, lender, or others that the property is feasible, viable, or of investment quality.

No member, officer, agent, or employee of Agency shall be personally liable concerning any matters arising out of, or in relation to, the allocation of HIF assistance.

SECTION 13: MODIFICATION TO THE ALLOCATION PLAN

The Agency Executive Director may make minor modifications deemed necessary to facilitate the administration of HIF or to address unforeseen circumstances. Further, the Executive Director is authorized to waive any conditions on a case-by-case basis for good cause shown. As a matter of practice, the Agency will document any waivers from the established priorities and selection criteria of the Plan and will make this documentation available to the public, upon request.