

GOAL Program: Project Cost Certification Requirements

1. AHFC will only accept audited cost certifications prepared by an independent Certified Public Accountant or Tax Attorney.
2. AHFC will only use those cost figures contained in the formal cost certification for estimates of basis for a carryover allocation, issuance of an IRS Form 8609 (LIHTC) or for the purpose of grant closeout processes (SNHG, HOME). Development costs incurred but not included in a CPA or Tax Attorney cost certification will not be considered by AHFC. AHFC reserves the right to adjust the calculation of eligible basis for the LIHTC to reflect sources of financing that may not have been included in the cost certification or to achieve consistency with cost limitations included in the cost allocation plan.
3. All sources of “soft” debt financing in the form of deferred developer fees, general partner loans or other non-HUD, non-USDA or non-AHFC financing must be reviewed by the party performing the cost certification to determine whether or not it constitutes a valid expense (meets IRS definition) to the owner submitting the cost certification. This is sometimes referred to as a “true debt” test, or “all events tests.” The cost certification narrative **must** contain a representation by the party performing the cost certification that these forms of financing are not grants.
4. It is the sole responsibility of the sponsor/owner to insure that the information provided to AHFC by the party performing the certification is accurate and has been prepared in accordance with 26 U.S.C.S. 42 of the IRS Code, HUD or State of Alaska Regulations. AHFC will make allocations of low-income housing credit and the completion of grant closeout processes based on the assurances of the certifying entity and the project owner.
5. AHFC reserves the right to reject a cost certification, or the firm preparing it, if it does not meet the requirements for cost certifications established by AHFC, or if the preparing agency has or, through its actions lead AHFC to believe that it has, little or no experience with the low income housing tax credit program, real estate accounting or tax law.
6. AHFC will only allocate the amount of low income housing tax credit, HOME, SCHDF or SNHG funds that are necessary to make a project financially feasible and viable, when considering all other sources of funding for the project. This means that the legal maximum amount of low income housing tax credit, HOME, SCHDF or SNHG program funds, may not be the amount that is allocated to the project based on AHFC’s analysis of the final cost certification.
7. State-imposed limits on eligible basis/costs affecting fees paid to related parties apply. Any fee paid to a related party must be reduced from the total development cost before the maximum allowable fee is calculated and included in eligible basis or total development costs. See the allocation plan for the GOAL Program for more detail on fee limitations. Any fee that is paid for activities that would normally be the responsibility of the developer, must be included in the developer fee and is subject to the overall developer fee limit. For example, a developer/sponsor hires an entity to negotiate the land purchase, negotiate the purchase of tax credits, etc.

8. In light of the recent IRS Technical Assistance Memorandum, Private Rulings (TAM), all cost certifications provided to AHFC for the purposes of the Low-income Housing Tax Credit program must contain the following statement signed by the preparer:

[Preparer's name] acknowledges that [they/he/she] has read IRS Technical Assistance Memorandum, Private Rulings 200043015, 200043017, 200044004, and 200044005, understands the implications of these rulings, has discussed their potential impact on the eligible basis of [project name] with [owner's name], and has prepared this cost certification in consideration of this discussion.

9. For LIHTC projects there is little detail on what constitutes eligible basis. A partial list of items that are generally excluded from calculating eligible basis includes: land and costs associated to the improvement of land, costs associated with obtaining permanent financing, costs related to the syndication or sale of the tax credits or organization of the partnership, federal grants, below market federal funding and historic tax credits. **IT IS THE RESPONSIBILITY OF YOUR TAX PROFESSIONAL TO RENDER AN OPINION ON WHAT CONSTITUTES ELIGIBLE BASIS.** Particular attention should be paid to developer fees, deferred development fee loans, land preparation costs, construction financing costs, and impact fees. These items were specifically discussed in the TAMs mentioned in paragraph number eight.

REQUIRED COST CERTIFICATION FORMAT

Section One:

1. Name of project owner, owner address and owner EIN#.
2. The project name, project address and BINs (for LIHTC) of each building(s).
3. Limitations of the procedures used by the CPA or Tax Attorney to review invoices, expenses incurred, etc.
4. Summary of the procedures performed, documentation reviewed and findings made.
5. Statement on understanding of IRS Technical Assistance Memorandums (see attached example).
6. Preparer's signature, address, contact name, fax and phone number and E-Mail address.

Section Two:

Detailed project cost summary using the attached Project Development Cost Summary form. The total development cost summary **MUST** disclose:

1. All project development costs, by category.
2. Contractor Profit and Overhead - if you bid a fixed price construction contract you must obtain a certification from the contractor as to the profit and overhead. There is a maximum limit of 10% of the Construction or Rehabilitation cost.
3. General Requirements/Conditions - There is a maximum limit of 10% of the Construction or Rehabilitation cost.
4. Developer Profit and Overhead - Profit and Overhead may not exceed 15% of the Total Development Cost for new construction projects or 15% of the rehabilitation costs for acquisition/rehabilitation.
5. Consultant Costs - if you employ consultants for any activity associated with the development project the payments must be listed separately and the consultants must be identified. All identity of interests must be disclosed. Any consultant costs that cover activities normally performed by the developer must be included in the 15% maximum development fee, except for services related to the syndication of the tax credit which should be considered a syndication expense.
6. Any development expenses paid to any member of the development team or a related party ("identity of interest") must be subtracted from the total development cost before estimating the 15% maximum for developer fee and overhead.

Additional Requirements for Low Income Housing Tax Credit Projects:

1. The estimate of eligible basis on a building by building basis. If the project is an acquisition and rehabilitation, the cost certification must list the eligible basis for the acquisition portion separately from the rehabilitation portion, for every building. If a carryover allocation is being requested, an estimate of "reasonably expected basis", as defined in 26 U.S.C. Section 42, on a building by building basis is also required (See attached form if LIHTC project).
2. Identification of any "tainted" loan or grant funds that must be removed from eligible basis, i.e. Federal grants or below market Federal loans.
3. The applicable fraction for the entire project, defined as the lessor of the percentage of residential rental units that are set-aside for families at or below 60% of the area median income, adjusted for family size or the ratio of the gross square footage of the set-aside units to the gross residential rental unit square footage in the property.
4. Identification of any "identity of interest payments." Any amount contained in the attached Project Development Cost Data form that was paid to a member of the development team, outside of the developer fee.

Additional Requirements for HOME, SCHDF and SNHG Projects:

1. The disposition of all HOME, SCHDF and SNHG funds provided, including the budget items and dollar amounts spent on those budget items. You must use the Project Development Cost Summary (attached) for this purpose.
2. A statement of all interest earned on grant funds advanced under this Agreement.

Section Three:

A schedule which identifies:

1. A listing of all of the sources of funding planned or obtained for the project, including cash, donated materials or labor, deferred loans, permanent or secondary financing, etc. For the Final Cost Certification, a representation by the CPA or Tax Attorney that all forms of debt meet the IRS definition of a true debt instrument (are not grants) and have been included or excluded from eligible basis, is also required.
2. The amount of equity estimated to be received or obtained from the limited partner as a result of the sale of low-income housing tax credits (if any).

MODEL LETTER FOR FINAL COST CERTIFICATION
HOME, SCHDF and SNHG Programs
Independent Auditors' Report

Owner's Name: _____
Owner's Address: _____
Owner's EIN#: _____

Project Name: _____
Project Address: _____
Grant Number: _____

We have audited the costs included in the accompanying Alaska Housing Finance Corporation (AHFC) Project Development Cost Summary Form (the "Final Cost Certification") of XXXX (the "Owner") for XXXX ("the Project") as of _____, _____. The Final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and rules set by Alaska Housing Finance Corporation (AHFC), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of \$XXXX of the Owner for the Project as of XXXX XX, 20XX, on the basis of accounting described above.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with AHFC and should not be used for any other purpose. We have no financial interest in the Project other than in the practice of our profession.

[signature of preparer]
[Contact Name for Preparer]
[Address of preparer]
[Phone number of Preparer]
[Fax number of Preparer]
[e-mail for contact name]

MODEL LETTER FOR FINAL COST CERTIFICATION

Low-Income Housing Tax Credit Program

Independent Auditors' Report

Owner's Name: _____

Owner's Address: _____

Owner's EIN#: _____

Project Name: _____

Project Address: _____

Building Identification Number (s): _____

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of XXXX (the "Owner") for XXXX ("the Project") as of _____, _____. The Final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by Alaska Housing Finance Corporation (AHFC), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of \$XXXX and eligible basis of \$XXXX of the Owner for the Project as of XXXX XX, 20XX, on the basis of accounting described above. In our opinion the eligible basis of this Project includes all debt instruments, used as part of the financing of the Project, that met the "all events" test of the IRS and as such may be included in eligible basis.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose. [Preparer's name] acknowledges that [they/he/she] has read IRS Technical Assistance Memorandum, Private Rulings 200043015, 200043017, 200044004, and 200044005, understands the implications of these rulings, has discussed their potential impact on the eligible basis of [project name] with [owner's name], and has prepared this cost certifications in consideration of this discussion.

We have no financial interest in the Project other than in the practice of our profession.

[signature of preparer]

[Contact Name for Preparer]

[Address of preparer]

[Phone number of Preparer]

[Fax number of Preparer]

[e-mail for contact name]

MODEL LETTER FOR TEN PERCENT DETERMINATION LETTER

Low-Income Housing Tax Credit Program
Independent Auditors' Report

Date: _____, 20XX

To: Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, Alaska 99510

Attn: Low Income Housing Tax Credit Program

and

Owner's Name:
Owner's Address:
Owner's EIN#:

RE: Project Name:
Project Address:
BIN#s:

We have audited the accompanying Certification of Costs Incurred ("Exhibit XXX") of the Owner for XXXX (the "Project") as of XXXX, XX, 20XX. Exhibit XXX is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on Exhibit XXX based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Exhibit XXX is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit XXX. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Exhibit XXX. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Exhibit XXX was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Alaska Housing Finance Corporation ("AHFC"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, Exhibit XXX referred to above presents fairly, in all material respects, costs incurred for the Project as of _____, 20XX, on the basis of accounting described above.

In addition to auditing Exhibit XXX, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the Owner and AHFC, were performed to assist you in determining whether the Project has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$XXXX as of XXXX XX, 20XX.
- We calculated the reasonably expected basis incurred by the Owner as of XXXX XX, 20XX to be \$XXXX.
- We calculated the percentage of the development fee incurred by the Owner as of XXXX to be XX% of the total development fee.
- We compared the reasonably expected basis incurred as of XXXX XX, 20XX to the total reasonably expected basis of the Project, and calculated that XX% had been incurred as of XXXX XX, 20XX.
- We determined that the Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.
- Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Project needed to incur at least \$XXXX of costs prior to December 31, 20XX. As of XXXX XX, 20XX, costs of at least \$XXXXXX had been incurred, which is approximately XX.XX% of the total reasonably expected basis of the Project.

We were not engaged to, and did not, perform an audit of the Owner's financial statements or of the Project's total reasonably expected basis. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with AHFC and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

[Signature of Preparer]
[Contact Name for Preparer]
[Address of Preparer]
[Phone Number of Preparer]
[Fax Number of Preparer]
[E-mail for Contact Name]

PROJECT DEVELOPMENT COST DATA

ALL PROJECTS COSTS (INCLUDING UTILITY AND ROAD ACCESS COSTS) MUST BE STATED.

Item	Total Project Cost	Eligible LIHTC Basis (Acquisition)	Eligible LIHTC Basis (Rehab/New Constr)	Funded with HOME Funds	Funded with SCHDF Funds
Acquisition of Land & Buildings:					
Land Acquisition Costs					
Building Acquisition Costs					
Other:					
Subtotal-Acquisition of Land & Buildings					
Construction/Rehabilitation Costs:					
Construction / Rehabilitation costs					
Demolition Costs					
Job Training Program Costs					
Permits				Not Eligible	Not Eligible
Equipment & Furnishings					
Site Work					
Off Site Work					
Utility Connections					
Construction Management					
General Requirements (see Program Guide for limits)					
Contractor Profit and Overhead (see Program guide for limits)					
Construction Contingency				Not Eligible	Not Eligible
Subtotal-Construction/Rehabilitation Costs (C/R Cost)					
Construction Financing Costs:					
Construction Loan Interest					
Construction Insurance					
Construction Loan Origination Fee					
Property Taxes During Construction					
Other:					
Subtotal-Construction Financing Costs					
Permanent Loan Financing Costs:					
Credit Report					
Permanent Loan Origination Fee					
Title and Recording Fees					
Documentation Prep. Fees					
Escrow Closing Fee					
Escrow Prepaid Items (insurance, taxes, interest)				Not Eligible	Not Eligible

Item	Total Project Cost	Eligible LIHTC Basis (Acquisition)	Eligible LIHTC Basis (Rehab/New Constr)	Funded with HOME Funds	Funded with SCHDF Funds
Subtotal-Permanent Loan Financing Costs					
Related Soft Costs - General:					
Architecture & Engineering (including supervision)					
Market Study & Appraisal					
Soils & Environmental Report(s)					
Inspections: Lender-Investor					
Inspections: non-lender / non-investor					
Legal: Acquisition, Financing, Syndication					
Project Audit & Accounting Fees					
Title Fees					
Relocation Assistance					
Marketing Costs					
Tax Credit Fees					
Rent-up & Operating Reserves					
Other Reserves:					
Other:					
Subtotal-Related Soft Costs/General					
Syndication Costs: (Related to Sale of LIHTC's)					
Partnership Organization Costs					
Bridge Loan Fees and Expenses					
Tax Attorney Fees					
Consultant Fees					
Other:					
Subtotal-Syndication Costs					
Developer Costs:					
Developer Overhead					
Developer Fee in Excess of Overhead					
Development Consultant					
Deferred Developer Fee					
Subtotal-Developer Costs (see Program Guide for limits)					
TOTAL PROJECT COST (TPC)					

For Low Income Housing Tax Credit Projects only:

Table of Eligible and Qualified Basis for Carryover Allocation or IRS Form #8609

Building Number (If Acquisition and Rehab, then do rehab. Separately)	Unit Numbers	Building Identification Number (BIN)	Placed in Service Date	Eligible Basis	Applicable Fraction	Qualified Basis	Reasonably Expected Basis (for Carryover allocation only)	Credit Percentage	Annual Credit

SOURCES OF FUNDS TABLE					
PROJECT SPONSOR NAME:					
GOAL PROJECT #:					
	Commitment Received		Federal Funds		
	Yes	No	Yes	No	Amount (\$)
Owner/Sponsor Cash					
Owner/Sponsor Land Contribution					
HOME Funds - State Portion					
HOME Funds - Federal Portion					
Other Grant Funds (specify):					
Other Grant Funds (specify):					
Other Grant Funds (specify):					
Other Grant Funds (specify):					
Other Grant Funds (specify):					
Value of Donated Construction Material					
Value of Donated Labor					
LIHTC Sale Proceeds Anticipated					
Other:					
1st Deed of Trust (source:)					
2nd Deed of Trust (source:)					
3rd Deed of Trust (source:)					
4th Deed of Trust (source:)					
5th Deed of Trust (source:)					
Other (specify):					
TOTAL SOURCES OF FUNDS					0.00