

**CBE NO. 606214-22**

**INTERLOCAL AGREEMENT FOR STATE OF NEVADA HOME  
INSPECTIONS**

**THIS INTERLOCAL AGREEMENT** hereinafter referred to as “AGREEMENT” is entered into this \_\_\_\_ day of \_\_\_\_\_, 2022, by and between the STATE OF NEVADA, NEVADA HOUSING DIVISION, hereinafter referred to as “LEAD AGENCY” and CLARK COUNTY, Nevada hereinafter referred to as “COUNTY” for Physical Inspections of Affordable Housing Projects. The LEAD AGENCY and COUNTY are sometimes hereinafter referred to as “PARTIES.”

**RECITALS**

**WHEREAS**, Federal law requires that affordable multi-family housing developments receiving federal financial assistance from the Low Income Housing Tax Credits (LIHTC) Program, Tax Exempt Bonds, HOME Investment Partnership (HOME) Program and/or the Low Income Housing Trust Funds (LIHTF) Program (collectively referred to as “PROGRAMS”) undergo and satisfy certain physical inspection requirements of these PROGRAMS; and

**WHEREAS**, the physical inspections are intended to ensure high quality, efficient customer service to property owners, housing providers and residents living in affordable housing developments receiving federal funds from the Nevada Housing Division and/or the County using the physical inspection protocol established by HUD Real Estate Assessment Center (the REAC protocol) as a reference document; and

**WHEREAS**, by executing this AGREEMENT, the PARTIES hereto desire to facilitate the physical inspection of the multi-family developments funded under the PROGRAMS, which are more fully identified below (hereinafter the “Section 42 Properties”).

**NOW, THEREFORE**, the PARTIES mutually agree as follows:

**Section 1. PURPOSE.** This AGREEMENT sets forth the conditions, safeguards and procedures between the PARTIES for the performance of physical inspections of Section 42 Properties located within the County in a manner substantially consistent with the inspection requirements found in Section 42 of the Internal Revenue Code (“IRC”) and 24 CFR 92.504.

**Section 2. TERM.** This AGREEMENT shall be effective January 1, 2022 through December 31, 2024. The LEAD AGENCY and COUNTY shall review this AGREEMENT on an annual basis to determine whether and how best to continue to work together to achieve efficiencies and improved service through coordinated action.

**Section 3. AGREEMENT PARAMETERS.** In order to effectuate the objectives of the AGREEMENT, the PARTIES agree as follows:

**3.01. LEAD AGENCY to Perform Inspections.** For Section 42 Properties, the LEAD AGENCY will be responsible for scheduling and conducting Uniform Physical Condition Standards (UPCS) inspections, generally following the HUD REAC Protocol (**Exhibit A**).

**3.02 Communication Protocol - Property Condition Deficiencies.** LEAD AGENCY shall be responsible for communicating with the owners of Section 42 Properties on all matters related to inspection deficiencies and required actions to ensure completion within timeframes substantially consistent with IRS regulations as referenced in 26 CFR § 1.42-5 (**Exhibit B**). LEAD AGENCY will copy the COUNTY on all forms of communication.

**3.03 Property Inspection Frequency.** Section 42 Properties shall be inspected in a manner and frequency which is substantially consistent with the HUD REAC Protocol or as may be required by any other applicable state or local laws and regulations, whichever is more frequent. The COUNTY may perform either initial or follow-up inspections at any time to confirm compliance with other program requirements.

**3.04 Property Inspection Protocol.** The PARTIES agree the LEAD AGENCY shall conduct inspections using the Uniform Physical Condition Standards (UPCS). The LEAD AGENCY shall reference the HUD REAC Protocol to determine inspection sample size and may adjust sample size according to findings during the inspection process. The LEAD AGENCY shall consult with the COUNTY in making such determinations of inspection sample size to account for specific concerns, monitoring issues or any waivers provided by the COUNTY. Any amendments to the number of inspections shall be mutually agreed upon in writing.

**3.05 Reporting Format and Timeliness.** LEAD AGENCY will provide a copy of the Audit Findings Letter that is sent to the Property Manager and Developer to the COUNTY within 10 business days following completion of inspection. If necessary, LEAD AGENCY will provide a follow-up report outlining all required actions and the final outcome and resolution to any non-compliance issues.

**3.06 Covered Properties.** A list of all Section 42 Properties, units and related project information for properties covered under this AGREEMENT is attached as **Exhibit – C**.

**Section 4. LIMITATION ON OBLIGATION AND FINANCIAL COMMITMENT.** Notwithstanding any other provision of this AGREEMENT, this AGREEMENT does not obligate funds, personnel, services, or other resources. Each agency is an independent agency with respect to performance of duties under the AGREEMENT and does not represent that it is an employee or agent of another party of the AGREEMENT. This AGREEMENT does not give a third party any benefit, legal or equitable right, remedy, or claim under this AGREEMENT.

**Section 5. COMPENSATION FOR SERVICES.** The LEAD AGENCY shall charge a \$50.00 per unit fee for each unit inspected and a file review fee of \$16.00 per unit which is funded either by the HOME or LIHTF Programs plus Travel and Per Diem costs as applicable pursuant to this AGREEMENT. The LEAD AGENCY and the COUNTY shall review, and as mutually agreed upon in writing, amend the fee schedule as necessary on an annual basis. The LEAD AGENCY and the COUNTY shall agree upon an initial annual fee of \$20,460 based upon 310 units as outlined in Exhibit C.

The LEAD AGENCY shall provide an invoice to the COUNTY for inspection services completed in conformance with this Section D on at least a quarterly basis accounting for any amendments to the number of inspections as agreed upon in writing by both the PARTIES. Fees are due in whole and payable no later than 30 days following transmittal of an invoice to the COUNTY by the LEAD AGENCY.

**Section 6. GENERAL TERMS**

**6.01 Termination.** Either Party may terminate this AGREEMENT upon written notice to the other party, in which case termination shall be effective no sooner than 30 days after the date of that notice, except as required by law.

**6.02 Compliance with Law.** All PARTIES shall adhere to applicable State and Federal law and regulations in accessing data and ensuring that data is stored securely.

**6.03 Effect of Provision Declared Invalid.** The invalidity or unenforceability of any provision of this AGREEMENT shall not affect the validity or enforceability of the remaining provisions of this AGREEMENT. This AGREEMENT is not intended to, and does not restrict the authority of either Party to act as required by State and Federal law, or regulation.

**6.04 Applicable Law.** This AGREEMENT shall be governed by and construed in accordance with the laws of the State of Nevada and the federal laws of the United States of America. In the event of any conflict, federal law will prevail.

**6.05. Notices.** All notices under this AGREEMENT shall be in writing and delivered and served on the PARTIES at the addresses specified in Section 6.09 or 6.10 below, whichever is applicable, by personal delivery, by overnight delivery service using UPS or Federal Express or by email or facsimile transmission. Any notice shall be deemed effective for this AGREEMENT at the date of personal delivery, or one (1) business day after being deposited with UPS or Federal Express or the day sent (if sent by email or facsimile transmission).

**6.06. LEAD AGENCY Representative.** Primary contact at the Nevada Housing Division for all matters related to payment, scheduling and reporting is:

Denise Cox, Chief Compliance Audit Investigator  
Nevada Housing Division  
1535 Old Hot Springs Road,  
Carson City, Nevada, 89706  
Telephone: 775-687-2044  
Email: [dcox@housing.nv.gov](mailto:dcox@housing.nv.gov)

**6.07. COUNTY Representative.** Primary contact at the COUNTY for all matters related to payment, scheduling and reporting is:

Melissa Tate, Grants Coordinator, Community Resources Management  
Clark County  
2424 North Martin Luther King Blvd., Building C  
North Las Vegas, NV 89032  
Telephone: 702-455-5031  
Email: [Melissa.Tate@clarkcounty.nv.gov](mailto:Melissa.Tate@clarkcounty.nv.gov)

**Section 7. AUTHORITY TO EXECUTE THE AGREEMENT AND AMENDMENTS TO PROVISIONS THEREIN.** Amendment to AGREEMENT may be made only upon mutual consent in writing, by the PARTIES hereto and executed with the same formality attending the

original. Executed AGREEMENT, together with any attachments, contains the entire agreement between LEAD AGENCY and COUNTY relating to the rights granted and obligations assumed by the PARTIES hereto. Any prior agreements, promises, negotiations or representations, either oral or written, relating to the subject matter of agreement not expressly set forth in AGREEMENT are of no force or effect.

**Section 8. SUBCONTRACTS.** AGREEMENT is entered into to secure the services of LEAD AGENCY. Services specified in this AGREEMENT shall not be subcontracted by LEAD AGENCY without the written consent of COUNTY.

**Section 9. INSURANCE.** LEAD AGENCY agrees to maintain, at its own expense, general liability and medical malpractice insurance, through a self-funded program, on its employees and officers.

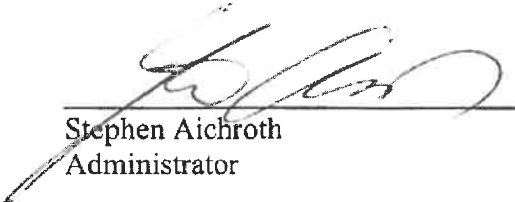
**Section 10. COUNTERPART SIGNATURES.** This AGREEMENT may be executed in counterparts. All such counterparts will constitute the same contract and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

**IN WITNESS WHEREOF** the parties hereto have caused AGREEMENT to be signed and intend to be legally bound thereby.

**COUNTY OF CLARK:**

**NEVADA HOUSING DIVISION:**

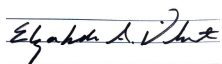
\_\_\_\_\_  
JAMES B. GIBSON, CHAIR                      Date  
Clark County Commissioners

 \_\_\_\_\_  
Stephen Aichroth                              Date  
Administrator

ATTEST:

BY: \_\_\_\_\_  
LYNN MARIE GOYA                      Date  
County Clerk

APPROVED AS TO FORM:  
Steven Wolfson, District Attorney

BY:  \_\_\_\_\_                      Aug 24, 2022  
ELIZABETH A. VIBERT                      Date  
Deputy District Attorney

**EXHIBIT A**  
**Department of Housing and Urban Development (HUD)**  
**Real Estate Assessment Center (REAC protocol)**  
***For General Reference and Guidance***

Rev. Proc. 2016-15

**SECTION 1. PURPOSE**

This revenue procedure sets forth, for purposes of § 1.42-5T(c)(2)(iii)(B) of the Income Tax Regulations, the minimum number of low-income units in a low-income housing project for which a State or local housing credit agency (Agency) must conduct physical inspections and low-income certification reviews. This revenue procedure also permits the physical inspection protocol established by the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (the REAC protocol) to satisfy the physical inspection requirements of § 1.42-5(d) and § 1.42-5T(c)(2)(ii) and (iii).

**SECTION 2. BACKGROUND**

.01 Section 42 of the Internal Revenue Code provides rules for determining the amount of the low-income housing credit, which is allowed as a credit against income tax under section 38. A low-income unit is a residential unit that is rent-restricted and whose occupants meet the applicable income limit elected by the taxpayer as described in section 42(g)(1)(A) or (B).

.02 Under section 42(i)(3)(B)(i), a low-income unit is not treated as a low-income unit unless it is suitable for occupancy and used other than on a transient basis. Under section 42(i)(3)(B)(ii), the suitability of a unit for occupancy must be determined under regulations prescribed by the Secretary taking into account local health, safety, and building codes. Failure of one or more units to qualify as low-income units may result in a low-income housing project's ineligibility for the low-income housing credit, reduction in the amount of the credit, and/or recapture of previously allowed credits.

.03 Section 1.42-5 of the Income Tax Regulations provides procedures that an Agency (or its Authorized Delegate within the meaning of § 1.42-5(f)(1)) must follow in monitoring for compliance with the provisions of section 42.

.04 Section 1.42-5T(c)(2)(ii) requires an Agency to conduct on-site inspections and perform low-income certification review (including documentation supporting the low-income certifications and the rent records for tenants) for each low-income housing project.

.05 Section 1.42-5T(c)(2)(iii) requires an Agency to conduct on-site inspections that satisfy the requirements of both § 1.42-5(d) and § 1.42-5T(c)(2)(iii)(A)-(D) (relating to timing, number of low-income units, manner of selection, and method of review) and to perform low-income certification review that satisfies the requirements of § 1.42-5T(c)(2)(iii)(A)-(D).

.06 Section 1.42-5T(c)(2)(iii)(A) requires an Agency to conduct on-site inspections of all buildings in a low-income housing project and review low-income certifications by the end of the second calendar year following the year the last building in the project is placed in service and at least once every 3 years thereafter.

.07 Section 1.42-5T(a)(2)(iii) provides that guidance published in the Internal Revenue Bulletin may provide alternative means of satisfying the requirements of §§ 1.42-5(a)(2)(i) and 1.42-5T and may provide exceptions from those provisions. Section 1.42-5T(c)(2)(iii)(B) provides that an Agency must conduct on-

site inspections and low-income certification review of no fewer than the minimum number of low-income units required by guidance published in the Internal Revenue Bulletin.

.08 Section 1.42-5T(c)(2)(iii)(C) requires an Agency to select the low-income units for purposes of on-site inspections and low-income certification review in a random manner. The Agency must select the low-income units to inspect and low-income certifications to review in a manner that will not give advance notice that a low-income unit or low-income certifications for a particular year will or will not be inspected or reviewed. However, the Agency may give an owner reasonable notice that an inspection of the building and low-income units or review of low-income certifications will occur so that the owner may notify tenants of the inspection or assemble low-income certifications for review. Section 1.42-5T(c)(2)(iii)(C)(3) provides rules for determining the meaning of “reasonable notice.”

.09 An Agency does not need to select the same low-income units for on-site inspections and low-income certification review. If the Agency chooses to select different low-income units for on-site inspections and low-income certification review, the Agency must select the units for on-site inspections or low-income certification review separately and in a random manner. An Agency may choose a different number of units for on-site inspections and low-income certification review, provided the Agency chooses at least the minimum number of low-income units in each case.

.10 Any pattern of overlap or non-overlap of the units selected for inspection and the units selected for low-income certification review must not violate § 1.42-5T(c)(2)(iii)(C)(2) (which limits advance notification to reasonable notice of which units will be subject to inspection or low-income certification review). Thus, if the Agency chooses to select the same units for on-site inspections and low-income certification review, the Agency may conduct on-site inspections and low-income certification review either at the same time or separately, but within the reasonable-notice period. This period starts to run on the date the Agency informs the owner of the identity of the units for which on-site inspections or low-income certification review will occur.

### **SECTION 3. SCOPE**

This revenue procedure applies for determining whether compliance-monitoring provisions meet the requirements of §§ 1.42-5(d) and 1.42-5T(c)(2)(ii) and (iii).

### **SECTION 4. NUMBER OF LOW-INCOME UNITS FOR INSPECTION AND LOW-INCOME CERTIFICATION REVIEW**

The minimum number of low-income units for which an Agency must conduct on-site inspections and low-income certification review is the lesser of (1) or (2) below:

- (1) 20 percent of the low-income units in the low-income housing project, rounded up to the nearest whole number of units, or
- (2) the Minimum Unit Sample Size set forth in the following Low Income Housing Credit Minimum Unit Sample Size Reference Chart:

## EXHIBIT B

### 26 CFR 1.42-5 MONITORING COMPLIANCE WITH LOW-INCOME HOUSING CREDIT REQUIREMENTS *For General Reference and Guidance*

(a) *Compliance monitoring requirement-*

(1) *In general.* Under section 42(m)(1)(B)(iii), an allocation plan is not qualified unless it contains a procedure that the State or local housing credit agency (“Agency”) (or an agent of, or other private contractor hired by, the Agency) will follow in monitoring for noncompliance with the provisions of section 42 and in notifying the Internal Revenue Service of any noncompliance of which the Agency becomes aware. These regulations only address compliance monitoring procedures required of Agencies. The regulations do not address forms and other records that may be required by the Service on examination or audit. For example, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor information related to the first year of the credit period so that the transferee can substantiate credits claimed.

(2) *Requirements for a monitoring procedure-*

(i) *In general.* A procedure for monitoring for noncompliance under section 42(m)(1)(B)(iii) must include -

- (A) The recordkeeping and record retention provisions of paragraph (b) of this section;
- (B) The certification and review provisions of paragraph (c) of this section;
- (C) The inspection provision of paragraph (d) of this section; and
- (D) The notification-of-noncompliance provisions of paragraph (e) of this section.

(ii) *Order and form.* A monitoring procedure will meet the requirements of section 42 (m)(1)(B)(iii) if it contains the substance of these provisions. The particular order and form of the provisions in the allocation plan is not material. A monitoring procedure may contain additional provisions or requirements.

(iii) [Reserved]. For further guidance, see § 1.42-5T(a)(2)(iii).

**(b) Recordkeeping and record retention provisions-**

**(1) Recordkeeping provision.** Under the recordkeeping provision, the owner of a low-income housing project must be required to keep records for each qualified low-income building in the project that show for each year in the compliance period -

**(i)** The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

**(ii)** The percentage of residential rental units in the building that are low-income units;

**(iii)** The rent charged on each residential rental unit in the building (including any utility allowances);

**(iv)** The number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under section 42(g)(2) (as in effect before the amendments made by the Omnibus Budget Reconciliation Act of 1989);

**(v)** The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;

**(vi)** The annual income certification of each low-income tenant per unit. For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building);

**(vii)** Documentation to support each low-income tenant's income certification (for example, a copy of the tenant's federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation). For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building). Tenant income is calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement of this paragraph (b)(1)(vii) is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under section 42 (g);

**(viii)** The eligible basis and qualified basis of the building at the end of the first year of the credit period; and

**(ix)** The character and use of the nonresidential portion of the building included in the building's eligible basis under section 42 (d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).



**(2) Record retention provision.** Under the record retention provision, the owner of a low-income housing project must be required to retain the records described in paragraph (b)(1) of this section for at least 6 years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

**(3) Inspection record retention provision.** Under the inspection record retention provision, the owner of a low-income housing project must be required to retain the original local health, safety, or building code violation reports or notices that were issued by the State or local government unit (as described in paragraph (c)(1)(vi) of this section) for the Agency's inspection under paragraph (d) of this section. Retention of the original violation reports or notices is not required once the Agency reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

**(c) Certification and review provisions -**

**(1) Certification.** Under the certification provision, the owner of a low-income housing project must be required to certify at least annually to the Agency that, for the preceding 12-month period -

**(i)** The project met the requirements of:

**(A)** The 20-50 test under section 42 (g)(1)(A), the 40-60 test under section 42 (g)(1)(B), or the 25-60 test under sections 42 (g)(4) and 142 (d)(6) for New York City, whichever minimum set-aside test was applicable to the project; and

**(B)** If applicable to the project, the 15-40 test under sections 42(g)(4) and 142 (d)(4)(B) for “deep rent skewed” projects;

**(ii)** There was no change in the applicable fraction (as defined in section 42(c)(1)(B)) of any building in the project, or that there was a change, and a description of the change;

**(iii)** The owner has received an annual income certification from each low-income tenant, and documentation to support that certification; or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described in paragraph (b)(1)(vii) of this section. For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building);

**(iv)** Each low-income unit in the project was rent-restricted under section 42(g)(2);

**(v)** All units in the project were for use by the general public (as defined in § 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred

for the project. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court;

**(vi)** The buildings and low-income units in the project were suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to the Agency under paragraph (c)(1) of this section. In addition, the owner must state whether the violation has been corrected;

**(vii)** There was no change in the eligible basis (as defined in section 42(d)) of any building in the project, or if there was a change, the nature of the change (e.g., a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

**(viii)** All tenant facilities included in the eligible basis under section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

**(ix)** If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

**(x)** If the income of tenants of a low-income unit in the building increased above the limit allowed in section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the building was or will be rented to tenants having a qualifying income;

**(xi)** An extended low-income housing commitment as described in section 42(h)(6) was in effect (for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311), including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439); and

**(xii)** All low-income units in the project were used on a non-transient basis (except for transitional housing for the homeless provided under section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under section 42(i)(3)(B)(iv)).

(2) **Review.** The review provision must -

(i) Require that the Agency review the certifications submitted under paragraph (c)(1) of this section for compliance with the requirements of section 42;

(ii) [Reserved]. For further guidance, see § 1.42-5T(c)(2)(ii).

(iii) [Reserved]. For further guidance, see § 1.42-5T(c)(2)(iii).

(3) [Reserved]. For further guidance, see § 1.42-5T(c)(3).

(4) **Exception for certain buildings-**

(i) **In general.** The review requirements under paragraph (c)(2)(ii) of this section may provide that owners are not required to submit, and the Agency is not required to review, the tenant income certifications, supporting documentation, and rent records for buildings financed by the Rural Housing Service (RHS), formerly known as Farmers Home Administration, under the section 515 program, or buildings of which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under section 103 (tax-exempt bonds). In order for a monitoring procedure to except these buildings, the Agency must meet the requirements of paragraph (c)(4)(ii) of this section.

(ii) **Agreement and review.** The Agency must enter into an agreement with the RHS or tax-exempt bond issuer. Under the agreement, the RHS or tax-exempt bond issuer must agree to provide information concerning the income and rent of the tenants in the building to the Agency. The Agency may assume the accuracy of the information provided by RHS or the tax-exempt bond issuer without verification. The Agency must review the information and determine that the income limitation and rent restriction of section 42 (g)(1) and (2) are met. However, if the information provided by the RHS or tax-exempt bond issuer is not sufficient for the Agency to make this determination, the Agency must request the necessary additional income or rent information from the owner of the buildings. For example, because RHS determines tenant eligibility based on its definition of “adjusted annual income,” rather than “annual income” as defined under Section 8, the Agency may have to calculate the tenant's income for section 42 purposes and may need to request additional income information from the owner.

(iii) **Example.** The exception permitted under paragraph (c)(4)(i) and (ii) of this section is illustrated by the following example.

**EXAMPLE.**

An Agency selects for review buildings financed by the RHS. The Agency has entered into an agreement described in paragraph (c)(4)(ii) of this section with the RHS with respect to those buildings. In reviewing the RHS-financed buildings, the Agency obtains the tenant income and rent information from the RHS for

20 percent of the low-income units in each of those buildings. The Agency calculates the tenant income and rent to determine whether the tenants meet the income and rent limitation of section 42 (g)(1) and (2). In order to make this determination, the Agency may need to request additional income or rent information from the owners of the RHS buildings if the information provided by the RHS is not sufficient.

(5) **Agency reports of compliance monitoring activities.** The Agency must report its compliance monitoring activities annually on Form 8610, “Annual Low-Income Housing Credit Agencies Report.”

(d) **Inspection provision-**

(1) **In general.** Under the inspection provision, the Agency must have the right to perform an on-site inspection of any low-income housing project at least through the end of the compliance period of the buildings in the project. The inspection provision of this paragraph (d) is a separate requirement from any tenant file review under paragraph (c)(2)(ii) of this section.

(2) **Inspection standard.** For the on-site inspections of buildings and low-income units required by paragraph (c)(2)(ii) of this section, the Agency must review any local health, safety, or building code violations reports or notices retained by the owner under paragraph (b)(3) of this section and must determine

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(i) Whether the buildings and units are suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); or

(ii) Whether the buildings and units satisfy, as determined by the Agency, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety, and building codes. A low-income housing project under section 42 must continue to satisfy these codes and, if the Agency becomes aware of any violation of these codes, the Agency must report the violation to the Service. However, provided the Agency determines by inspection that the HUD standards are met, the Agency is not required under this paragraph (d)(2)(ii) to determine by inspection whether the project meets local health, safety, and building codes.

(3) **Exception from inspection provision.** An Agency is not required to inspect a building under this paragraph (d) if the building is financed by the RHS under the section 515 program, the RHS inspects the building (under 7 CFR part 1930), and the RHS and Agency enter into a memorandum of understanding, or other similar arrangement, under which the RHS agrees to notify the Agency of the inspection results.

(4) **Delegation.** An Agency may delegate inspection under this paragraph (d) to an Authorized Delegate retained under paragraph (f) of this section. Such Authorized Delegate, which may include HUD or a HUD-approved inspector, must notify the Agency of the inspection results.

(e) **Notification-of-noncompliance provision-**

(1) ***In general.*** Under the notification-of-noncompliance provisions, the Agency must be required to give the notice described in paragraph (e)(2) of this section to the owner of a low-income housing project and the notice described in paragraph (e)(3) of this section to the Service.

(2) ***Notice to owner.*** The Agency must be required to provide prompt written notice to the owner of a low-income housing project if the Agency does not receive the certification described in paragraph (c)(1) of this section, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described in paragraph (c)(2)(ii) of this section, or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of section 42.

(3) ***Notice to Internal Revenue Service-***

(i) ***In general.*** The Agency must be required to file Form 8823, “Low-Income Housing Credit Agencies Report of Noncompliance,” with the Service no later than 45 days after the end of the correction period (as described in paragraph (e)(4) of this section, including extensions permitted under that paragraph) and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or eligible basis under paragraph (c)(1)(ii) and (vii) of this section, respectively, that results in a decrease in the qualified basis of the project under section 42 (c)(1)(A) is noncompliance that must be reported to the Service under this paragraph (e)(3). If an Agency reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Agency need not file Form 8823 in subsequent years to report that building's noncompliance. If the noncompliance or failure to certify is corrected within 3 years after the end of the correction period, the Agency is required to file Form 8823 with the Service reporting the correction of the noncompliance or failure to certify.

(ii) ***Agency retention of records.*** An Agency must retain records of noncompliance or failure to certify for 6 years beyond the Agency's filing of the respective Form 8823. In all other cases, the Agency must retain the certifications and records described in paragraph (c) of this section for 3 years from the end of the calendar year the Agency receives the certifications and records.

(4) ***Correction period.*** The correction period shall be that period specified in the monitoring procedure during which an owner must supply any missing certifications and bring the project into compliance with the provisions of section 42. The correction period is not to exceed 90 days from the date of the notice to the owner described in paragraph (e)(2) of this section. An Agency may extend the correction period for up to 6 months, but only if the Agency determines there is good cause for granting the extension.

(f) ***Delegation of Authority-***

(1) ***Agencies permitted to delegate compliance monitoring functions-***

(i) ***In general.*** An Agency may retain an agent or other private contractor (“Authorized Delegate”) to perform compliance monitoring. The Authorized Delegate must be unrelated to the owner of any building that the Authorized Delegate monitors. The Authorized Delegate may be delegated all of the functions of the Agency, except for the responsibility of notifying the Service under paragraphs (c)(5) and (e)(3) of this section. For example, the Authorized Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under paragraph (c) (1) and (2) of this section, the right to inspect buildings and records as described in paragraph (d) of this section, and the responsibility of notifying building owners of lack of certification or noncompliance under paragraph (e)(2) of this section. The Authorized Delegate must notify the Agency of any noncompliance or failure to certify.

(ii) ***Limitations.*** An Agency that delegates compliance monitoring to an Authorized Delegate under paragraph (f)(1)(i) of this section must use reasonable diligence to ensure that the Authorized Delegate properly performs the delegated monitoring functions. Delegation by an Agency of compliance monitoring functions to an Authorized Delegate does not relieve the Agency of its obligation to notify the Service of any noncompliance of which the Agency becomes aware.

(2) ***Agencies permitted to delegate compliance monitoring functions to another Agency.*** An Agency may delegate all or some of its compliance monitoring responsibilities for a building to another Agency within the State. This delegation may include the responsibility of notifying the Service under paragraph (e)(3) of this section.

(g) ***Liability.*** Compliance with the requirements of section 42 is the responsibility of the owner of the building for which the credit is allowable. The Agency's obligation to monitor for compliance with the requirements of section 42 does not make the Agency liable for an owner's noncompliance.

(h) ***Effective/applicability dates-***

(1) ***In general.*** Allocation plans must comply with these regulations by June 30, 1993. The requirement of section 42 (m)(1)(B)(iii) that allocation plans contain a procedure for monitoring for noncompliance becomes effective on January 1, 1992, and applies to buildings for which a low-income housing credit is, or has been, allowable at any time. Thus, allocation plans must comply with section 42(m)(1)(B)(iii) prior to June 30, 1993, the effective date of these regulations. An allocation plan that complies with these regulations, with the notice of proposed rulemaking published in the FEDERAL REGISTER on December 27, 1991, or with a reasonable interpretation of section 42(m)(1)(B)(iii) will satisfy the requirements of section 42(m)(1)(B)(iii) for periods before June 30, 1993. Section 42(m)(1)(B)(iii) and these regulations do not require monitoring for whether a building or project is in compliance with the requirements of section 42 prior to January 1, 1992. However, if an Agency becomes aware of noncompliance that occurred prior to January 1, 1992, the Agency is required to notify the Service of that noncompliance. In addition, the

requirements in paragraphs (b)(3) and (c)(1)(v), (vi), and (xi) of this section (involving recordkeeping and annual owner certifications) and paragraphs (c)(2)(ii)(B), (c)(2)(iii), and (d) of this section (involving tenant file reviews and physical inspections of existing projects, and the physical inspection standard) are applicable January 1, 2001. The requirement in paragraph (c)(2)(ii)(A) of this section (involving tenant file reviews and physical inspections of new projects) is applicable for buildings placed in service on or after January 1, 2001. The requirements in paragraph (c)(5) of this section (involving Agency reporting of compliance monitoring activities to the Service) and paragraph (e)(3)(i) of this section (involving Agency reporting of corrected noncompliance or failure to certify within 3 years after the end of the correction period) are applicable January 14, 2000.

(2) [Reserved]. For further guidance, see § 1.42-5T(h)(2).

(i) [Reserved]. For further guidance, see § 1.42-5T(i).

[T.D. 8430, 57 FR 40121, Sept. 2, 1992; 57 FR 57280, Dec. 3, 1992; 58 FR 7748, Feb. 9, 1993; T.D. 8563, 59 FR 50163, Oct. 3, 1994; T.D. 8859, 65 FR 2326, Jan. 14, 2000; 65 FR 16317, Mar. 28, 2000; T.D. 9753, 81 FR 9336, Feb. 25, 2016]

**EXHIBIT – C  
SECTION 42 PROPERTIES INSPECTION LIST & SCHEDULE**

Project Name	Property Address	Project Completion Date	Affordability Period End Date	Total Units	Total HOME Units	HOME Units Annually	Inspection Cost \$50/Unit	Notes
2512 Spear Street	2512 Spear Street	2020	2040	3	3	3	\$150.00	
3141 Walnut Street	3141 Walnut Street	2019	2034	4	4	4	\$200.00	
3147 Walnut Street	3147 Walnut Street	2019	2034	4	4	4	\$200.00	
Acapella Duet Senior Hsg	2192 S Nellis Blvd	2014	2035	80	11	4	\$200.00	8 Fed HOME units, 3 State HOME units
Acapella Senior Living	5025 Mohave Avenue	2012	2033	142	11	4	\$200.00	
Agate Ave. Sr. Apts Phase 2	2775 W. Agate Ave	2018	2038	188	9	4	200.00	
Agate Ave. Sr. Apts Phase I	2875 W. Agate Ave	2016	2036	182	11	4	\$200.00	
Allegiance Apartments (Vets II)	4375 Boulder Highway	2020	2040	50	11	3	150.00	
Annabelle Pines I	310 Annabelle Lane	2005	2035	106	11			
Annabelle Pines II	320 Annabelle Lane	2005	2025	50	11			
Apache Pines	9552 W. Tropicana Ave	2001	2031	274	10	4	\$200.00	
Arbor Pointe Apt	8855 W. Arby	2010	2030	180	10	4	\$200.00	
Bledsoe Supportive Housing	2306 Bledsoe Lane	2009	2030	25	10	4	\$200.00	
Bonnie Lane Senior Apt	2047 Bonnie Lane	2015	2036	66	16	4	\$200.00	10 HOME units, 6 LIHTE units
Boulder Pines I	4315 Boulder Highway	2017	2037	96	10	4	\$200.00	
Boulder Pines II	4375 Boulder Highway	2017	2037	168	10	4	\$200.00	
Buena Vista Springs III	2510 Morton Avenue	2001	2021	56	11	4	\$200.00	
Calcaterra	504 Calcaterra Circle	2006	2022	6	6	4	\$200.00	
Calcaterra	512 Calcaterra Circle	2006	2022	6	6	4	\$200.00	
Calcaterra	489 Calcaterra Circle	2004	2024	6	6	4	\$200.00	
Carefree Living Overton	130 South Conley Street Overton, NV	2020	2040	20	3	3	\$150.00	
Carol Havnes Apt	5160 General Miles Way	1996	2026	24	24	6	\$300.00	
Casa Oliva	1315 S. Mojave Rd	2016	2045	9	9	4	\$200.00	
Cedar Mojave Apt	2837 Cedar Street	2013	2024	10	4	4	\$200.00	
City Impact Sr Housing	978 E. Sahara Avenue	2020	2040	66	5	4	\$200.00	
Dr. Luther Mack Jr. Sr. Apt	8158 Giles Street	2014	2034	48	10	4	\$200.00	
Dina Titus Estates	5050 Missouri Avenue	2005	2035	19	19	4	\$200.00	
Donna Louise Apts Phase I	6225 Donna Street	2019	2039	48	11	4	\$200.00	
Dorothy Kidd	5380 E. Flamingo Road	2019	2039	5	5	4	\$200.00	
Dr. Paul Meacham Sr. Apt	65 E. Windmill Lane	2015	2035	57	10	4	\$200.00	
Ensemble Apartments	2675 W. Agate Avenue	2016	2036	182	11	4	\$200.00	



Espinosa Terrace	171 W. Van Wagenen	2020	2040	100	8	26	\$1,300.00	
Eva Garcia Mendoza	1950 Walnut Road	2000	2030	129	129	26	\$1,300.00	
Flamingo Pines I	8710 W. Flamingo Rd., Bldg 1	2020	2040	66	14	4	\$200.00	
Flamingo Pines II	8710 W. Flamingo Rd., Bldg 2	2021	2041	66	6	4	\$200.00	
Flamingo Pines III	8710 W. Flamingo Rd., Bldg 3	2021	2041	43	4	4	\$200.00	
Fort Apache Sr Apartments	9550 W. Russell Rd.	2020	2040	195	10	10	\$500.00	
Harmon Pines	6000 W. Harmon Avenue	2008	2038	105	16	4	\$200.00	
Harrison Pines	5045 Harrison	2004	2024	90	11	4	\$200.00	
Harrison Pines III	5070 Harrison Drive	2006	2026	20	11	4	\$200.00	
John Chambers Apt	2030 Camel Street	2006	2036	25	9	4	\$200.00	
John W. Simmons Manor	5385 Austin John Court	2002	2032	61	13	4	\$200.00	
Lindell Harbor	3440 Lindell Road	2003	2023	19	11	4	\$200.00	
Madison Palms 9%	3150 W. Ann Road	2017	2037	72	8	4	\$200.00	
McFarland Senior	4988 Jeffreys Street	2003	2041	47	47	10	\$500.00	Added \$101,800 in LIHTF in 2011. Added to affordability period to 2041.
McKnight Sr Village I	651 McKnight Street	2000	2030	111	10	4	\$200.00	
McKnight Sr Village II	651 McKnight Street	2011	2041	78	4	4	\$200.00	
McKnight Sr Village III	651 McKnight Street	2011	2041	24	6	4	\$200.00	
Newport Cove (aka Bob Hogan)	5075 Newport Cove	2010	2031	21	9	4	\$200.00	
North 5 <sup>th</sup> Street	140 E. Rome Blvd.	2021	2041	116	5			
Park Apartments (aka Bledsoe II)	2312 Bledsoe Lane	2011	2041	22	5	4	\$200.00	NSP funds of \$645,625.62
Portofino Senior	1001 Las Palmas Entrada	2002	2032	205	11	4	\$200.00	
Quail Ridge Manor	1499 Medical Park Drive	1996	2026	60	11	4	\$200.00	
Rav Rawson	3420 Lindell Road	2003	2033	24	6	4	\$200.00	
Rochelle Pines	4285 Hildebrand Lane	2005	2025	115	10	4	\$200.00	
Rose Gardens	1731 Yale Street	2020	2040	120	9	9	\$450.00	
Russell II	5665 S. Hollywood Blvd	2018	2038	75	8	4	\$200.00	
Russell III	6500 E. Russell Road	2017	2037	105	10	4	\$200.00	
Santa Barbara Palms I	4880 Santa Barbara Street	2013	2033	71	10	4	\$200.00	
Santa Barbara Palms II	4880 Santa Barbara Street	2013	2033	42	5	4	\$200.00	
Shadow Creek II	420 Ryan Avenue	2000	2030	24	5	4	\$200.00	
Shelbourne Avenue	1235 E. Shelbourne Ave	2010	2030	24	10	4	\$200.00	
Sierra Pines	3201 S. Mojave Road	1999	2049	90	10	4	\$200.00	
Silver Pines	6650 E. Russell Road	2004	2024	200	11	4	\$200.00	
Sonoma Palms	3050 N. Jones Blvd	2008	2028	238	10	4	\$200.00	
Summerhill Apartments	3630 E. Owens	2016	2036	221	4	4	\$200.00	

	61 N. Arrowhead Lane	1999	2029	24	11	4	\$200.00	Mesquite, NV
Sunriver Apartments	61 N. Arrowhead Lane	1999	2029	24	11	4	\$200.00	Mesquite, NV
Tempo Senior Apt	5625 S. Hollywood Blvd	2014	2035	101	10	4	\$200.00	One manager unit.
Tonopah Lamb	4250 E Tonopah Av	2012	2033	34	10	4	\$200.00	1 manager unit
Veterans Supportive Housing	4245 S. Pecos Road	2017	2037	50	8	4	\$200.00	
Vintage at Laughlin	2250 Coular Avenue	2010	2041	150	6	4	\$200.00	Laughlin
Vista Creek	2220 Coular Drive	2010	2041	300	5	4	\$200.00	Laughlin
Wardelle Townhouses	700 Wardelle Street	2010	2041	57	57			
				5920	865	310	\$15,500.00	

**Annual Fee from Clark County**

**TOTAL HOME UNITS:**  
**HOME SAMPLE SIZE**  
**FILE REVIEW**

**Units 865**  
**Units 310**  
**Units 310**

**charged @ \$50.00/Unit = \$15,500.00**  
**charged @ \$16.00/Unit = \$ 4,960.00**  
**TOTAL CHARGES \$20,460.00**

## EXHIBIT D

### Ongoing Monitoring: Rental Housing Project

**Project Name:** \_\_\_\_\_ **Project ID:** \_\_\_\_\_

**Reviewer:** \_\_\_\_\_ **Date:** \_\_\_\_\_

#### I. BACKGROUND INFORMATION

1. Amount of HOME Allocation:

\_\_\_\_\_

2. Number HOME-assisted Units:

\_\_\_\_\_

3. Period of Affordability:

\_\_\_\_\_

Owner should also complete a Project Compliance Report (Checklist 6-D) on a yearly basis during the period of affordability and submit it to the PJ.

#### II. PROJECT COMPLIANCE

QUESTIONS	ANSWER		COMMENTS/ ACTIONS REQUIRED
	Y	N	
<b>A. PROJECT REQUIREMENTS</b>			
1. Does the owner have tenant selection procedures that are non-discriminatory?			
2. Does the owner provide adequate information to program applicants about program rules and expectations?			
3. When the floating designation is used, does the owner ensure that the rental units are comparable?			
<b>B. PROPERTY STANDARDS AND ELIGIBLE COSTS</b>			
4. Does the property still meet all local codes and property standards?			

1  
of  
2

## Ongoing Monitoring: Rental Housing Project

### II. PROJECT COMPLIANCE

QUESTIONS	ANSWER		COMMENTS/ ACTIONS REQUIRED
	Y	N	
<b>C. RENT, OCCUPANCY, AND ONGOING REQUIREMENTS</b>			
5. Does the owner complete a Project Compliance Report (Checklist 6-D) and submit it to the PJ on time every year?			
6. Does the owner monitor rents in HOME-assisted units and enforce HOME rent limits in all projects?			
7. Does the owner monitor and enforce HOME low-income occupancy requirements?			
8. Are tenant incomes properly documented during occupancy?			
9. Is there a copy of a lease in every tenant file?			
10. Are all leases signed in HOME-assisted units free of prohibited provisions?			
11. Does the owner conduct regular property inspections?			
12. Does the owner affirmatively market units?			
13. Does the owner follow his/her tenant selection policy?			

# Project Compliance Report: Rental Housing

Project Name: \_\_\_\_\_ Owner Name: \_\_\_\_\_  
 Project ID: \_\_\_\_\_ Reporting Period: from \_\_\_\_\_ to \_\_\_\_\_

A	B	C	D	E	F	G	H	I	J	K	
UNIT NUMBER	LOW OR HIGH HOME RENT UNIT?	TENANT NAME	NO. PERS.	NO. BR'S	DATE OF LAST INCOME CERT.	MAX RENT	UTILITY ALLOWANCE	MONTHLY UNIT RENT	TENANTS ANNUAL GROSS INCOME	COMPLIANCE Y/N?	UNIT STATUS (PJ Only)

Reviewer: \_\_\_\_\_ Date: \_\_\_\_\_