Final Cost Certification – LIHTC Projects

**INSTRUCTIONS**

Attached are the Form of Owner’s Final Cost Certification and the Form of Independent Auditor’s Report of Final Cost Certification. These documents must be completed, signed and returned to the Commission staff before the Commission will issue IRS Forms 8609 with respect to the buildings in your Project.

The Final Cost Certification has been updated as of **May 2022** and **previous versions will no longer be accepted.** This Word document contains the Owner’s Final Cost Certification Form and the Independent Auditor’s Report on the Final Cost Certification Form. All of the Exhibits, with the exception of E, are provided in an Excel workbook entitled “Final Cost Cert Exhibits” available on the Commission’s website. The required Exhibits are as follows:

* **Exhibit A-1:** Itemized Cost Certification & Eligible Basis
* **Exhibit A-2:** Sources of Funds for Residential Project
* **Exhibit A-3:** Itemized Cost Certification – Commercial
* **Exhibit A-4:** Sources of Funds for Commercial
* **Exhibit A-5:** Eligible Basis and LIHTC Calculations
* **Exhibit A-6:** Qualified Basis by Building
* **Exhibit A-7:** Total Development Cost Limit Compliance
* **Exhibit A-8:** Bond Financing
* **Exhibit B:** Identity of Interest Information
* **Exhibit C:** Square Footage Summary
* **Exhibit D:** 15 Year Operating Pro Forma
* **Exhibit E:** Development Services Agreement(s): Please include a copy of the Developer contract, each Consultant contract, and an itemized statement apportioning the amount of Developer Fee and/or Consultant Fees earned in relation to the services provided.

Please note that Exhibits A-3 and A-4 are only required for mixed residential/commercial projects where the commercial portion remains under the ownership of the tax credit partnership/LLC. It is not required if the commercial space is owned by a separate condominium.

The Final Cost Certification should be completed as follows:

1. First, the Owner should complete the Owner’s Final Cost Certification including completing and attaching all required exhibits. Upon completion, the Owner’s Final Cost Certification should be delivered to the Project’s accountant.
2. Second, upon receipt of the original Owner’s Final Cost Certification, the Project’s accountant should complete the Independent Auditor’s Report of Final Cost Certification. Upon completion, the Independent Auditor’s Report with the accompanying original Owner’s Final Cost Certification should be delivered to the Commission.

If you have any questions with respect to this process or the enclosed documents, please contact Commission staff.

**Independent Auditor’s Report**

|  |
| --- |
| Date: |
|  |
| To Owner: |
|  |
| And To: Washington State Housing Finance Commission (“Commission”)  Low-Income Housing Tax Program  1000 Second Avenue, Suite 2700  Seattle, WA 98104-1046 |
| Project TC or OID#: |
| Project Name: |
| Project Address: |
|  |

**REPORT ON THE AUDITED FINAL COST CERTIFICATION EXHIBITS**

**Opinion**

We have audited the accompanying Exhibits A-1, A-2, [A-3, A-4], A-5, A-6, A-7, A-8 of the accompanying Final Cost Certification (the “Audited Final Cost Certification Exhibits”) of      (the “Owner”) for       (the “Project”) as of      ,      .

In our opinion, the Audited Final Cost Certification Exhibits present fairly, in all material respects the costs for residential and commercial, the actual costs of residential only, the amount of eligible basis, the amount of aggregate basis of the buildings and the land financed with tax-exempt bonds, the aggregate basis of buildings and land, and the percentage of the aggregate of buildings and land that was financed with tax-exempt bonds, in accordance with the basis of accounting described below.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Audited Final Cost Certification Exhibits section of our report. We are required to be independent of [Entity Name] and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis of Accounting**

The accompanying Audited Final Cost Certification Exhibits were prepared for the purpose of complying with the rules and policies of the Washington State Housing Finance Commission (the Commission). The accompanying Audited Final Cost Certification Exhibits were 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, and the rules and policies set by the Commission, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Audited Final Cost Certification may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

**Other Matters**

We acknowledge that we have reviewed Technical Advice Memoranda 200043015, 200043016, 200043017, 200044004, 200044005, 200227009 with respect to the inclusion in eligible basis of certain fees and costs, including but not limited to, land preparation fees, developer fees and construction loan costs and interest.

**Responsibilities of Management for the Final Cost Certification**

Management is responsible for the preparation and fair presentation of the Audited Final Cost Certification Exhibits in accordance with the basis of account described above. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of THE Audited Final Cost Certification Exhibits that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibilities for the Audit of the Final Cost Certification**

Our objectives are to obtain reasonable assurance about whether the Audited Final Cost Certifications Exhibits as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Audited Final Cost Certifications Exhibits.

In performing an audit in accordance with GAAS, we:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the Audited Final Cost Certifications Exhibits, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Audited Final Cost Certifications Exhibits.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of [Entity Name]’s internal control. Accordingly, no such opinion is expressed.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Audited Final Cost Certifications Exhibits.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Restriction on Use**

Our report is intended solely for the information and use of the Owner and the Owner’s management and for filing with the Commission and is not intended to be and should not be used by anyone other than these specified parties.

**UNAUDITED FINAL COST CERTIFICATION EXHIBITS**

We were engaged for the purpose of forming an opinion on the Audited Final Cost Certification Exhibits as a whole. Exhibits B, C, D or E of the Final Cost Certification (the Unaudited Final Cost Certification Exhibits) are presented as required by the Commission. Such information has not been subjected to the auditing procedures applied in the audit of the Audited Final Cost Certification Exhibits, and, accordingly, we do not express an opinion or provide any assurance on the Unaudited Final Cost Certification Exhibits.

[Auditor’s signature]

[Auditor’s city and state]

[Date of the auditor’s report

**Owner's Final Cost Certification Form**

[Type on Owner's Letterhead]

|  |  |
| --- | --- |
| Project Name: |  |
|  |  |
| TC or OID #: |  |

TO: Accounting Firm Name

Firm Address

Firm City, State, Zip

TO: Washington State Housing Finance Commission

This Final Cost Certification is provided to [Accounting Firm Name] and the Commission pursuant to the Low-Income Housing Tax Credit Program of the Commission and Treasury Regulation 1.42-17. We hereby make the following representations to each of you:

1. Attached to this Certification, and by this reference made a part hereof, are Exhibits A-1, A-2, [A-3, A-4,] A-5, A-6, A-7, A-8, B, C, D and E.

2. Exhibits A-1, A-2, [A-3 and A-4] were prepared based on the accrual method of accounting, which is the method of accounting used by the Owner for federal income tax purposes. Exhibits A-1, A-2, [A-3 and A-4] set forth in detail all of the Project’s costs, including but not limited to those costs that qualify for inclusion in eligible basis under Section 42(d) of the Code and any and all site acquisition costs, construction contingency, general contractor’s overhead and profit, architect and engineering fees, permit and survey fees, insurance premiums, real estate taxes during construction, title and recording fees, construction period interests, financing fees, organizational costs, rent-up and marketing costs, accounting and auditing costs, working capital and operating deficit reserves, syndication and legal fees, and developer fees. Exhibits A-1, A-2, [A-3 and A-4] also set forth all of the Project’s current and anticipated funding, including but not limited to, all federal, state, local and other subsidies, all loans, and all syndication or placement proceeds.

3. The Project       [enter “is” or “is not”] located in a Qualified Census Tract, a Difficult Development Area or approved for the State Designated Basis Boost as defined in the Basis of Presentation.

4. There       [enter “is” or “is not”] an Identity of Interest, as defined in the Basis of Presentation, between us and the general contractor.

5. The Project is subject to the       [enter year of application] Total Development Cost Limits for       [enter “King County,” “Pierce/Snohomish County” or “Balance of State”]. The approved Total Development Cost at Credit Reservation was $      excluding land and capitalized reserves.

6. The Owner       [enter “did” or “did not”] request a waiver of the Total Development Cost Limits. [if applicable: The Project was approved for a waiver and has been allowed to exceed the Total Development Cost limit by up to      % for a maximum Total Development Cost of $      [enter approved TDC] excluding land and capitalized reserves.]

The Owner       [enter “did” or “did not”] request an amendment to the approved Total Development Cost after Credit Reservation. The amended Total Development Cost is $      excluding land and capitalized reserves.

7. The maximum Developer Fees percentage that applies to the Project is      % [enter: (i) the maximum Developer Fees percentage allowed in the “Developer Fees” Allocation Criterion, or otherwise (ii) 15% of Total Project Costs, less Developer Fees and Consultant Fees, capitalized reserves, intermediary costs, and the donation in support of local housing needs].

The Owner locked in the Developer Fee of $      at the time of Equity Closing.

8. [For Projects with more than one Building] The methodology we used to allocate costs between/among Buildings of the Project was       [describe the methodology used].

9. [For Projects with commercial and residential areas] The methodology we used to allocate costs between commercial and residential areas of the Project was       [describe the methodology used].

Under penalty of perjury, I/we certify that the information presented in this Certification, including all exhibits and attachments thereto, is true and correct to the best of my/our knowledge. The undersigned further understand(s) that providing false information herein constitutes an act of fraud. False, misleading, or incomplete information may result in a forfeiture or termination of the low-income housing tax credit allocated or allocable to the Project, in addition to the exercise of other rights and remedies that are available to the Commission.

Date:      

Owner:

(Print name of Owner)

By:

(Print name of general partner or other)

By:

(Signature here)

Name:

(Print)

Title:

(Print)