

**Appendix I  
Threshold Criteria**

**QAP THRESHOLD  
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## **Appendix I Threshold Criteria**

To be considered for an allocation of DCA resources, Applications must meet the Threshold requirements described below.

### **I. PROJECT FEASIBILITY, VIABILITY ANALYSIS AND CONFORMANCE WITH PLAN**

**(Additional policies and requirements can be found in the Core Plan of the 2011 QAP, the Application Instructions and the Tab Checklist)**

**A.** OAH will require the development of properties that meet OAH financial underwriting requirements and which have sufficient long-term operating income to secure sustainability. DCA requires that all funding sources be clearly identified. The ownership entity must be structured as a single purpose entity and must be able to clearly show that the project is financially sustainable based on income from operations. Only rental income plus up to a maximum of 2% of gross potential rents in ancillary income will be used in the cash flow analysis. Tax abatements and exemptions, interest credit payments, and other documented sources of commonly accepted forms of expense off-sets will also be considered. However, income from commercial space, fees, charitable contributions or owner contributions will not be considered.

**B.** Construction costs must be reasonably estimated for the specific project when preparing the development budget. In determining whether an Applicant's estimate of construction costs is reasonable, DCA will review internal data from similar projects as well as estimating tools. DCA may request a breakdown of the hard construction cost line items in the event it determines that the proposed costs do not appear to be reasonable and consistent with the scope of work for the project. DCA reserves the right to obtain a review of costs from a qualified outside source.

**C.** Applications must also reasonably estimate operating expenses for the specific project. If insufficient documentation of the basis of real estate taxes is provided by the Applicant, DCA will utilize tax millage rates, construction costs and operating income to determine if real estate taxes are reasonably estimated. Applicants are encouraged to provide documentation support for their estimates of taxes and property insurance for the proposed project. Projects that do not provide a reasonable estimate of operating costs will be determined to be infeasible. Annual operating expenses which differ significantly from average costs for the project area will require clear documentation of the basis for the deviation.

**D.** Applicants must use DCA's Underwriting Policies assumptions and abide by the 2011 Plan, Appendices, Instructions and the Manual. Rent Standards derived from the most recent AMI, FMR, and applicable underwriting utility allowance must be used to determine project rents and rent restrictions. DCA will determine if the application has been submitted in compliance with all application

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instructions, tab checklist requirements, and QAP requirements for support documentation, necessary to make a full and complete assessment of the proposed project.

**E.** DCA may request applicants to clarify issues related to project feasibility during its Threshold Review. In response to such clarification requests, the Applicant can only submit documents that were in existence prior to Application Submission day with the exception of final commitments for government sources under consideration at the time of Application submission. Please note that DCA requires that Applications must be complete when submitted. Applicants cannot submit updated applications or new documents after that time. Applications that contain a significant number of missing or incomplete documents will be returned to the Applicant and be deemed a threshold failure.

**F.** Total development cost may be decreased or increased during DCA's review if it is determined that line items are not reasonable or do not accurately reflect the supporting documents. Development budget adjustments during threshold review must be covered by deferred developer fee and not by new financing sources. Applicants may not request that one line item be reduced in order to increase or add an additional line item during the threshold clarification period. Credits will be adjusted accordingly for each adjustment.

**G.** Projects that have a ten year commitment for PBRA will be underwritten utilizing Section 8 rents. However, projects with a commitment for PBRA that is less than ten years will be underwritten at the maximum tax credit rents and/or HOME rents, as applicable.

**H.** DCA may require documentation not specifically included in the minimum documentation requirements established in the Plan to verify the reasonableness of development and operating assumptions. DCA is under no duty to clarify or correct Application errors.

**I. Commitments.** Original preliminary commitments for all financing must be submitted with the Application including but not limited to the following:

• Construction financing	• Operating subsidy agreements
• Non-DCA permanent financing	• Deferred Developer Fee
• Equity bridge loans, if applicable	• Limited partner (Tax Credit) equity
• Project Based Rental Assistance Agreements	

- HUD letters by an authorized official from the Multifamily Housing Division stating that the application is under serious consideration and Lender Preliminary Commitments for HUD assisted projects under 221 (d)(3) or 221

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(d)(4) program may be submitted with the Application but final MAP Invitations must be submitted by **July 29, 2011**.

- USDA Notice to Proceed with Application Processing and Lender Preliminary Commitment are required for loans to be guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program.
- Any grants or other forms of assistance utilized during the construction period, or utilized as permanent financing must be documented.
- Applications that include cost associated with Pre-development Financing must provide copies of the loan documents (Note, Loan Agreement, Guarantees, Security Documents) if the loan has closed, or an original commitment from the proposed lender.
- Developer or general partner equity (financial statements to substantiate such equity must be included if such contribution exceeds or is in addition to the developer fee).
- Federal Home Loan AHP financing commitment from either the Federal Home Loan Bank to the non-profit entity or to the ownership entity is required. If the commitment is to the non-profit entity, then the non-profit should provide a preliminary commitment to the Ownership entity.
- Projects proposing the utilization of Historic Tax Credits must provide documentation of the National Historic designation for the subject project on or before **August 17, 2011**.

In the case of USDA, FHLB-AHP, or HUD loans which are under final consideration at the time of Application, but are not awarded funding, the Applicant may secure alternate financing provided revised Application documents are submitted to DCA on or before **August 17, 2011**. Failure to provide the required documentation for USDA, FHLB-AHP, HUD alternative financing and/or the National Historic designation as stated above may deem the application insufficient and the application may be subject to Threshold failure.

The preliminary commitments must disclose, at minimum, the following:

- The purpose of the loan and use of proceeds,
- The property address,
- The loan amount,
- The interest rate applicable to the construction period. If the construction period rate is floating, the rate index, spread and the frequency of adjustment must be clearly identified
- The interest rate applicable to the permanent period. If the interest rate is to be fixed at the time of funding, the rate index and credit spread must be clearly identified and the indicative rate as of the date of the preliminary commitment must be provided
- All “add-ons” to the base interest rate, including but not limited to MIP, USDA annual guarantee fee, servicing fees, Ginnie Mae guarantee fees, trustee fees, issuer fees, must be clearly identified in the commitment letter
- The general and specific terms and conditions of the loan

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- The amortization period and term of the loan
- All reserves by the lender/syndicator including, but not limited to, replacement reserve, operating deficit reserve, HUD required program reserves and USDA required program reserves
- In the case of a preliminary commitment from a tax credit syndicator to provide equity: the amount of the asset management fee, and whether or not the asset management fee will be increased annually; if increased, the rate of increase and the priority of payment of the Asset Management Fee
- All financing and related conditions and fees, including but not limited to, loan origination fees, loan placement fees, mortgage insurance premiums (in case of HUD insured loans) and annual guarantee fees (in case of USDA 538 guaranteed loans)
- In the case of loans to be guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program, the lender must specify if the annual USDA guarantee fee will be paid out of the Lenders principal and interest payments.
- Applicants that propose financing structures with government programs loans are responsible for correctly reflecting the terms of the loan

**J. Assumption of Existing Debt.** The supporting documentation must disclose, at minimum, the following:

- A letter signed by an officer of the lender whose debt is being assumed which certifies, as of May 31, 2011, (1) the original principal balance of the loan, (2) the current outstanding principal balance of the loan, (3) the current accrued and unpaid interest (4) the current effective interest rate applicable to the loan, (5) the original date of the loan (6) the maturity date of the loan, (7) annual debt service (8) the amortization period applicable to the original loan, (9) that the loan is not currently in default, or if there exists an event of default, or an event that with the passage of time will constitute an event of default, all of the factual data pertinent to said default or said potential default and (10) that the loan has, or has not, been modified (if said loan has been modified and/or restructured in any way, copies of said modification/restructure documents must be provided), (11) the type and current balances of any outstanding reserve accounts.
- A copy of the original Promissory Note and any amendments and/or modification to said Promissory Note
- A copy of the original Loan Agreement and any amendments and/or modification to said Loan Agreement
- A copy of the original Mortgage, Deed to Secure Debt, Deed of Trust or such other security instrument providing security for the loan, and any amendments and/or modification to said security instruments

**K. Deferred Developer Fee.** Any owner's equity shown in the Application, excluding the general partner's contribution required by the Limited Partnership

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Agreement will be included as a source of funding in the calculation of Credit. This policy will apply at application, carryover, and final allocation. A developer should either take the deferred Developer Fee in the form of a note, or incorporate the deferred Developer Fee into the limited partnership agreement along with a detailed repayment schedule and specific terms. Deferred Developer fee must be payable within fifteen years from available cash flow. The deferred portion cannot exceed 50% of the total amount of Developer Fee at initial application.

DCA will accept either method as long as the terms of the deferred Developer Fee meets the requirements as set forth in the Plan. For purposes of calculating the project's annual debt service coverage ratio, the deferred Developers Fee will not be included as debt service.

For purposes of calculation DCA will consider the terms and conditions contained in the debt and equity commitments in determining the project's debt service coverage and its ability to pay the deferred Developer's Fee within 15 years.

For Scattered Site Projects, all units must be developed under one master plan of financing and considered as a single project by all funding sources. The requirements of this threshold category are applicable to the project as a whole.

### **L. Gross Rent Restrictions**

**Tax Credit (only) Rents.** For low-income units receiving Credits, the gross rents may not exceed 30% of 60% of the effective AMI table for the appropriate bedroom size. Applicants should assume 1.5 persons per bedroom.

**HOME Rents with Tax Credits.** For low-income units receiving HOME funds and tax credits, the gross rents may not exceed 30% of 50% of the effective AMI for at least twenty percent (20%) of the low income units, with the balance of low income units not exceeding 30% of the 60% AMI. It is important to note that *all* low income units are limited to HUD's Fair Market Rent for the appropriate bedroom size should it be less than the applicable rent at the proposed AMI. Applicants should assume 1.5 persons per bedroom. For HOME Loans, rents must be affordable at initial lease-up and must remain affordable over the term of the HOME Loan.

Dwelling unit rents must conform to the LIHTC and/or the HOME regulation's gross rent (contract rent and tenant UA) restrictions. Tenant UA must conform to the requirements set forth in the Plan and the Manual. In the event Credit, HOME, or other funds are requested, the most restrictive gross rents will govern. For Scattered Site projects, all units must meet the gross rent restrictions.

**M. Unit Cost Limitations.** The per unit cost limits are intended to reflect a cap on the maximum costs which would be approved as reasonable and necessary

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to develop a project in the State of Georgia for purposes of determining tax credit allocations and developer fees. Projects that have estimated costs below these cost limits may still be determined to have costs that are not reasonable.

The maximum allowable developer fee will be calculated based on the allowable total development cost utilizing the Base Per Unit Cost Limits. The maximum amount of tax credits allocated to a project will be calculated using these limits. DCA will not accept any requests for unit cost limit waivers at the pre-application or Application.

For new construction and acquisition/rehabilitation projects, the Base Per Unit Cost Limit for both Tax Credit and HOME funding must not exceed the following:

<u>Unit Type</u>	<u>Cost Limit</u>
Efficiency	\$110,481
1 Bedroom	\$126,647
2 Bedroom	\$154,003
3 Bedroom	\$199,229
4 Bedroom +	\$218,693

For Brownfield projects, the unit cost limit is the following:

<u>Unit Type</u>	<u>Cost Limit</u>
Efficiency	\$132,577
1 Bedroom	\$151,976
2 Bedroom	\$184,804
3 Bedroom	\$239,075
4 Bedroom +	\$262,432

For Historic Rehabilitation projects that qualify for scoring point(s) under Historic Designations, the unit cost limit is the following:

<u>Unit Type</u>	<u>Cost Limit</u>
Efficiency	\$121,529
1 Bedroom	\$139,312
2 Bedroom	\$169,403
3 Bedroom	\$219,152
4 Bedroom +	\$240,562

The increased limits for historic rehabilitation projects will only be applicable to that portion of the project that qualifies as a historic development.

The total development cost for the project at the time of the Application cannot exceed the DCA per unit cost limitations unless the Applicant obtains funding from a foundation or other not-for-profit charitable organization in the amount

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equal to or greater than the development cost that exceeds DCA's unit cost limitations, in which case a funding commitment letter from such foundation or charitable organization must be included in the Application and such funds must be included as part of the project sources of funds in the Application and final cost certification if applicable. In calculating the maximum of credits which can be allocated to the project, DCA will not include these funds in the gap calculation.

For Scattered Site projects, all units must meet the per unit cost limitation requirements.

**N. Operating Utility Allowance (UA).** Applicants must establish utility allowances for the property prior to placing the first building in service through the compliance period or through the period of affordability. In Georgia, the following methods may be used:

1. USDA-Assisted Buildings. If a building receives assistance from the USDA (formerly called the Farmer's Home Administration, or FmHA), the USDA-prescribed utility allowance applies to all rent-restricted units in the building. The USDA-approved allowance applies even if the building is assisted by any other program or agency. Examples of USDA assistance include assistance provided under the USDA Section 515 rural rental loan program and USDA rental assistance. Projects funded with USDA 538 loan guarantee must use the DCA Utility allowance.
2. Buildings with USDA-Assisted Tenants. If any resident of a building receives USDA rental assistance, the USDA-approved utility allowance applies to all rent-restricted units in the building. This is even the case if residents of some units receive rental assistance from the U.S. Department of Housing and Urban Development (HUD).
3. HUD-Regulated Buildings. If neither a building nor any resident in the building receives USDA assistance, and HUD annually reviews the rents and utility allowances for the property (such as for Section 8 and Section 236 projects), the HUD-prescribed utility allowance is used. This rule doesn't apply to buildings that have only FHA-insured mortgages.
4. Other Buildings. If a building is neither an USDA-assisted nor HUD-regulated property, and no tenant in the building receives USDA rental assistance, there are two possible methods for establishing the utility allowance. These include:
  - A. The utility allowance established by the Public Housing Agency (PHA) that administers the Section 8 Program in the locality where the property is located. However, the electric allowances may be calculated as outlined in Section B below.

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### **B. HUD Utility Schedule Model, or**

Local Utility Provider Estimates/Estimates Based on Actual Usage, or

Energy Consumption and Analysis Model (licensed engineer or qualified professions providing this model must be approved by DCA prior to submission of the Model.

**Please note that for purposes of underwriting the 2011 Application, only method A above will be accepted for purposes of completing the Application pro forma.**

On July 29, 2008, the IRS issued amendments to the utility allowance regulations. This regulation does not include Internet, cable and phone service under the definition of "utility". On May 5, 2009, the IRS released Notice 2009-44 to clarify that utility costs paid by a tenant based on actual consumption in a sub-metered rent-restricted unit are treated as paid directly by the tenant for purposes of IRC 42(g)(2)(B)(ii), which requires that the rent for low income units include a utility allowance if the tenant pays the utilities. Additional guidance may also be found in the "8823 Guide".

## **II. TENANCY CHARACTERISTICS**

All Applicants must designate the proposed project as either a Family Project, or a Senior Project.

**A. Family Project.** A Family project is designed to foster development of housing for families and to encourage community activities from within the neighborhood.

**B. Senior Project.** A Senior project meets one of the following requirements:

- It is intended for, and solely occupied by, individuals 62 years of age or older; **or**
- It is intended and operated for occupancy by at least one individual 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older

**C. Other.** Projects that have funding from a program which has a different tenancy definition than those set forth above should contact DCA for instructions on this section.

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### **III. REQUIRED SERVICES**

All Family Projects must include at least one (1) basic ongoing service from the following categories and Senior Projects must include two (2) basic ongoing services from two different categories below:

- Social and recreational programs planned and overseen by the project manager (semi-monthly birthday parties/holiday dinners or parties/potluck dinners, movie nights, bingo, etc); or
- Semi-monthly classes conducted on site (example: arts and crafts, exercise, computer tutoring, gardening);
- Other services as approved by DCA.

Applicants must certify at Application Submission that they will designate the specific services and meet the additional policies related to services. These required services must be identified in the Threshold Criteria Tab on the Core Application Form.

#### **Additional Policies Related to Services**

A final, binding contract for all proposed services must be submitted to the DCA Compliance Manager before issuance of IRS form 8609.

- Services must be committed for the Compliance Period or the Period of Affordability, whichever is greater.
- Services may be provided at a charge sufficient to cover the cost of the supportive services only, but the services must be clearly optional to the tenants.
- A full-time activities manager will be allowed in the operating budgets for those properties that are 100 units or more in size.
- Temporary staffing during lease-up to handle activities set-up and sign-up will be considered on a case-by-case basis.
- Part-time (on a proportional basis) activity managers will be allowed in the operating budgets for smaller projects.
- Owners will be required to submit annual certifications and documentation regarding the ongoing provision of the supportive services.
- For very small rural projects, Applicants may request a waiver of service requirements if there is insufficient participation in a service.

### **IV. MARKET FEASIBILITY (MARKET STUDY)**

Applicants must submit a market study by a DCA approved analyst showing that there is adequate market demand for the project. The study must be prepared by

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a market analyst approved by DCA and clearly state that there is sufficient demand for the project and the project will stabilize within DCA requirements. The market study must be prepared in accordance with DCA guidelines and must be in the format required by the DCA Market Study Manual. Market studies must accurately reflect the rental structure and unit mix of the proposed project. It is applicant's responsibility to ensure that the market study accurately reflects the submitted application and meets all DCA requirements. The accuracy and outcomes of the Market study will be considered in the scoring of applications. While DCA will use the conclusions of the analyst in determining whether the project is marketable, DCA will not be bound by the opinion or conclusions reached by the market analyst. DCA will review the market study, rent rolls and project data of similar projects located in close proximity to the proposed project in determining whether the project will be able to achieve the desired lease up to be feasible.

DCA will also carefully analyze existing DCA projects located in close proximity to the proposed project to determine if selection of the project will have significant adverse financial impact on existing affordable housing inventory.

The following factors will generally be considered by DCA to be indicative of Market feasibility for HOME, 4% tax exempt Bond projects, and 9% Tax Credit projects.

- Market capture rates 30 percent or less for **all** 1 bedroom units, 30 percent or less for **all** 2 bedroom units, 40 percent or less for **all** 3 bedroom units and 50 percent or less for all 4 or more bedroom units in the project
- In Rural areas (as defined), market capture rates of 35 percent or less for **all** 1 bedroom units, 35 percent or less for **all** 2 bedroom units, 40 percent or less for **all** 3 bedroom units and 50 percent or less for all 4 or more bedroom units in the project
- The overall capture rate for **all** Tax Credit Units shall not exceed 30 percent for Urban Counties and 35 percent for Rural areas and the overall capture rate for **all** Market Rate Units shall not exceed 30% for Urban Counties and 35% for Rural areas
- Market capture rates for each AMI market segment type (i.e. 30%, 50%, 60% & market) for each **bedroom type** shall not exceed 70% for **all** bedroom types proposed in each segment
- An absorption period less than 24 months to reach stabilized occupancy
- Stabilized occupancy rate of 93% or above
- Unit mixes or target populations supported by the market
- No adverse impact to the occupancy and financial health of existing assisted rental housing properties in the market area. Assisted rental housing properties include those financed by Credits, USDA, HUD 202 or 811 (as appropriate), DCA or locally financed HOME properties, HTF, and HUD 221(d)(3) and 221 (d) (4) and other market rate FHA insured programs. DCA

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does not consider public housing properties in the adverse impact determination

- Competing proposed projects in the same geographic market area where, in part, location, unit mix, rent structure, market demand, and other factors favor one project compared to another;
- Units with project based rental assistance (PBRA)
- Ability of market rate units to lease at the projected rents
- All requirements as outlined in the Market Study Guide.

For existing occupied properties that are going to be rehabilitated, market analysts shall consider retention of current occupants in their demand calculations. Retention is measured by the number of tenants that are not rent burdened or over-income that are projected to reside at the property during and after the proposed renovations.

For Senior projects (Elderly and Housing for Older Persons), demand may include residents from outside the market area, converting from homeownership and seniors living with and/or supported by their children as documented by the market analyst. DCA reserves the right, in its sole and absolute discretion, to independently evaluate the demand for additional affordable rental housing in the geographic/market area. DCA's judgment will be the final determination. All requests for a DCA ordered market study for 4% tax credits submitted in May through September will need to have all pending 9% tax credit applications considered in demand calculations

For scattered site projects, the market study requirements must be met for the project as a whole.

### **V. APPRAISALS**

For all projects awarded HOME Loans, DCA will commission an appraisal prepared in accordance with DCA policies. DCA's determination is final with respect to the appraised value of the project.

Applicants will be charged a fee equal to the cost of the appraisal report. The fee will be due on the date specified in the HOME commitment letter. The commissioned appraisal reports shall include the "as is" value, "as built/as complete" (encumbered), "as built/ as complete " (unencumbered) values of the proposed subject property and, tax credit value. The "as is" value shall delineate the value of the land and building. The appraisal shall conform to USPAP standards. The appraisal will provide an estimate of the market value (unencumbered) of the property at loan maturity. The total hard cost of any project may not exceed 90% of the as completed unencumbered appraised value of the property. Upon completion of the commissioned appraisal, any project found not to meet this requirement will have their funding award revoked.

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**The DCA appraisal may be assignable to other lenders. In instances where the senior lender obtains the appraisal, DCA will accept such appraisal as long as DCA's guideline requirements are met and DCA is given the right to rely on the appraisal by the appraiser.**

### **A. Applicant Commissioned Appraisals**

1. *Identity of Interest.* DCA policy requires that the Applicant obtain an appraisal of the value of a property if there is an identity of interest between the buyer and the seller. This appraisal must be submitted with the Application. DCA will carefully scrutinize the sales price of land between related parties to ensure that the value has not been inflated. While the appraisal will be an indication of fair market value, DCA will consider tax values as well as actual sales price established as indicative of the value of a property. All property values shall associate a land value as well as a value for the improvements. The appraisal shall conform to USPAP standards.

Properties which have been in the control of the Applicant or a related party for a period of three (3) years or less will generally be valued at the acquisition cost at the time the related party obtained initial site control. Properties that have been rezoned, subdivided or modified will not be deemed to be of higher value based on the actions taken by the Owner/Applicant or any related party.

For Scattered Site Projects, an appraisal establishing "as-is" value will be required for each non-contiguous parcel where an identity of interest exist between the buyer and seller.

2. *Selected Projects.* DCA may require that all tax credit only projects selected for funding provide an appraisal commissioned by a lender or a DCA approved appraiser on or before closing. This appraisal must support the purchase price as well as the value of the property upon completion.

## **VI. ENVIRONMENTAL REQUIREMENTS**

**(Applicants should note that many of the environmental requirements from the QAP have been included in the Environmental Manual and are incorporated herein by reference.)**

### **A. General**

On-site and off-site specific environmental concerns identified in an environmental study are to be considered in the context of the criticality of the housing to be provided. DCA shall consider the public benefits of the housing and

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then weigh the benefits against the costs to mitigate the hazard, the potential health risks, and other financial and public policy implications. The project will not pass Threshold until all environmental matters are resolved in a manner satisfactory to DCA, in its sole and absolute discretion.

For Scattered Site Projects, the environmental requirements must be met for each noncontiguous parcel.

### **B. Environmental Study**

Applicants must include a Phase I and all required Phase II environmental studies in the Application. These studies must be prepared in accordance with the DCA 2011 Environmental Manual. The Applicant and the Qualified Environmental Professional must sign the environmental certification form and include it in the Application.

The Phase I Environmental Study must fully address all recommendations of the consulting environmental engineer. If a Phase II is recommended, all testing must be completed prior to Application Submission.

The Phase I (and Phase II when recommended by the Environmental Professional) Environmental Study must have been conducted within six (6) months of the Application Submission. If an Environmental Study was completed prior to this six-month period, a copy of this earlier Environmental Study (and any others that are available) must also be included in the Application along with a new Environmental Study.

In addition to compliance with the standards developed by the American Society for Testing and Materials' ("ASTM") and set forth in the "Standard Practice for Environmental Site Assessments, Phase I Site Assessment Process.", ASTM 1527-05, DCA requires the following non-scope items be investigated:

- a. Flood Plains/Floodways
- b. Wetlands
- c. State waters/streams/buffers & setbacks
- d. Lead based paint
- e. Asbestos containing materials
- f. Noise
- g. Water leaks , mold and lead in drinking water
- h. PCBs
- i. Radon
- j. Endangered species
- k. Historic designation

### **Additional Environmental Requirements for HOME/HUD funded Projects, including but not limited to PBRA**

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All developments utilizing HOME or HUD funds are required to assess the environmental effects of that activity in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and HUD regulations at 24 CFR Part 58. DCA requires applicants to conduct various activities required for the environmental review process at HOME application, including a Phase I Environmental Assessment (EA), as outlined in the Environmental Manual.

The Applicant, as outlined in the HOME/HUD Environmental Questionnaire, must complete additional requirements for HOME/HUD funded projects including, but not limited to, the Eight-Step process and HUD publication procedures. Evidences of the Eight Step process must be submitted either in the Application or no later than August 17, 2011.

- **Eight-Step Process:** Projects located within a flood hazard area or designated wetland are subject to Executive Order 11988 (Floodplain Management) and Executive Order 11990 (Protection of Wetlands) respectively. HUD's implementing regulations at 24 CFR Part 55 -- "Floodplain Management" prescribe measures for protecting floodplains, and when amended, for protecting wetlands. Under the provisions of these Executive Orders, HUD must avoid financial support for covered activities, unless it can demonstrate that there are no practicable alternatives outside the floodplain or wetland. Therefore, if jurisdictional wetlands will be filled or impacted and/or construction and landscaping activities will occupy or modify a floodplain/floodway, documentation that the Eight-Step process has been followed as mandated by 24 C.F.R. §55.20 for wetlands and floodplains must be provided as a part of the HOME and HUD Environmental Questionnaire. The decision making process for compliance with this part contains eight steps, including public notices and an examination of practicable alternatives. The steps to be followed in the decision making process are outlined in the 2011 Environmental Manual. **Applicants should note that the 8-step process must be commenced prior to Application and completed no later than September 15, 2011. The process also now has a new requirement regarding FEMA notification. Applicant is responsible for providing documentation to DCA upon completion of the process.**
  
- **HUD Environmental Clearance & Publication Requirements:** DCA, as the responsible entity (RE) referred to in 24 CFR §58.43, Environmental Review Procedures for Entities Assuming HUD Responsibilities, is responsible for undertaking environmental reviews for proposed HOME projects. In this capacity, DCA must ensure that the environmental review process is satisfied before certain HUD funds are committed to specific projects. Therefore, when initial awards of HOME funds are announced, DCA will publish notices of its intent to allocate HOME funds in local newspapers in the proposed project's areas. After comments, if any, have been received, HUD will review the comments to determine if there has being a finding. Once that process is complete and there has been no finding, DCA will seek HUD's approval of its

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commitment of HOME funds to the proposed project. In order to ensure that the environmental review process is not challenged, Owners and/or Developer of proposed projects must, once applications are submitted, refrain from undertaking activities that could have an adverse environmental impact prior to the receipt of an environmental clearance letter from DCA removing the stipulated conditions. Such activities include: acquiring, rehabilitating, converting, leasing, repairing, or constructing property. As a result, an Applicant can not commit or expend HUD or non-federal funds until the environmental review process has been completed.

For Scattered Site Projects, the environmental requirements must be met for each noncontiguous parcel.

### **VII. SITE CONTROL**

Site control must be in the form of (1) a warranty deed that conveys title to the subject property to the current General Partner or proposed LP or 2) a legally binding contract to purchase the proposed project site in the name of the General Partner or proposed LP (or which provides for an assignment to the General Partner or proposed LP), or (3) a binding long-term ground lease or an option for a binding long-term ground lease, with a minimum term of forty-five (45) years. For competitive applications, contracts must be executed prior to Application Submission deadline, must include a discernable contract price, must be signed by the purchaser and seller, must include a legal description of the property and must provide legal control of the site to the proposed General Partner or proposed LP at least through October 31, 2011. Site control must be in place through estimated bond closing date for a 4% tax credit project.

In the event the contract provides the Applicant with the option to renew the contract for specific periods of time, with the initial period ending prior to October 31, 2011, the renewal option in such contract must be enforceable by the Applicant until October 31, 2011. A copy of a recorded warranty deed or a fully executed contract must be submitted with the Application. All Contracts evidencing site control must meet the specifications set forth in the Manual.

For Scattered Site Projects, evidence of site control is required for each non-contiguous parcel.

### **VIII. SITE ACCESS**

All sites proposed for development must be legally accessible by paved roads. The Application must include the appropriate drawings, survey or other documentation that reflects such paved roads. If such paved roads are not in place at the time of the Application Submission, documentation evidencing a

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

local commitment for funding and the timetable for completion of such paved road must be included in the Application. This restriction does not apply to private driveways accessing only the proposed project through property that is not part of a proposed site. However, if the use of such a private drive is proposed, site control of the private drive must be documented by proof of ownership or by a properly executed easement on the private drive, and the plans for paving the private drive, including associated development costs, must be adequately addressed in the Application.

For Scattered Site projects, each non-contiguous parcel must meet the above criteria.

### **IX. SITE ZONING**

Zoning must be in place on or before the Application Submission deadline. Zoning of the development site must conform to the site development plan and must be confirmed, in writing, by the authorized Local Government official. The letter from the authorized Local Government official must be included in the Application. The letter must include the zoning and land use classification of the property and be accompanied by a clear explanation of the requirements (copy of the applicable sections of the zoning ordinance for the stated classification) and all conditions of these zoning and land use classifications. If the project is requesting HOME or HUD funds, the Local Government official must also comment on whether the project will include the development of prime or unique farmland (Please see the HOME and HUD Environmental Guidance for additional information). If the Local Government does not have or enforce a zoning ordinance, the Applicant must include a letter from a local government official to that effect.

The Applicant must provide documentation that demonstrates that the site layout conforms to any moratoriums, density, setbacks, or other imposed requirements of the Local Government. This documentation must be demonstrated on the Architectural Site Conceptual Development Plan either graphically or in written form.

It is the responsibility of the Applicant to ensure that all issues and questions surrounding the zoning and land use classification of a proposed site are clearly defined prior to Application Submission. Any unclear or unresolved issues of zoning and land use could result in Threshold failure of the Application.

For Scattered Site Projects, site zoning requirements must be met for each noncontiguous parcel.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

### **X. OPERATING UTILITIES**

Required project operating utilities (gas and electric service), as applicable, must be available to the proposed development site as of the Application Submission. To be considered "available" for the purposes of this section, all easements necessary for the utility providers to extend utilities to the property, and commitments from the utility providers to extend utilities to the property must be secured at the time of Application submission. Evidence of such easements and commitments from the utility provider must be included in the Application.

The Application must include a letter from the appropriate utility company confirming the availability and capacity of operating utilities at the proposed development site. The letters must be on letterhead, bear signatures from the appropriate utility companies must be included in the Application. Any charges for the off-site extension of utility services are not eligible for funding as project costs under the funding resources in the Plan. The requirements for Operating Utilities must be met for each non-contiguous parcel or each non-contiguous multifamily property.

Operating utilities cannot be contingent on annexation of the property, improvement of infrastructure or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the Application. Any unclear or unresolved issues regarding operating utilities may result in Threshold failure of the Application.

For Scattered Site Projects, operating utilities requirements must be met for each noncontiguous parcel.

### **XI. PUBLIC WATER/SANITARY SEWER/STORM SEWER**

Public water and sewer service must be available at the proposed development site as of the Application Submission. To be considered "available" for the purposes of this section all easements necessary for the water and sewer authorities to extend the existing water and sewer services to the project, and commitments from the water and sewer authorities to extend the existing water and sewer services to the property must be secured at the time of Application Submission. Evidence of the easements and commitments from the water and sewer authorities must be included in the Application. A commitment can be subject only to conditions within the control of the Applicant. Letter(s) from the local public water and sewer authorities must document the availability and capacity of the existing public water and sewer service to the site. These letters from the appropriate public water and sewer authorities must be on letterhead and be included in the Application. Any charges for the extension of off-site services are not eligible for funding as project costs under the funding resources in the Plan. Public water and/or sewer availability cannot be contingent on the

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

construction of a water/sewer system, annexation of the property or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the Application. Any unclear or unresolved issues regarding the public water/sanitary sewer/storm sewer may result in threshold failure of the Application.

Applicants may request a waiver of these requirements for the development of single family detached units located in rural areas where no existing public water or sewer systems are available. Waivers will only be considered where each single family home is served by a separate system. No shared systems will be permitted and the waiver request must be accompanied by an engineering report confirming the availability of water and the percolation of the soil. The report must provide an opinion on the suitability of the location to make these options a viable alternative.

For Scattered Site Projects, Public Water/Sanitary Sewer/Storm Sewer requirements must be met for each noncontiguous parcel.

### **XII. LOCAL GOVERNMENT SUPPORT AND COMMUNITY ENGAGEMENT**

No proposed project shall be entitled to receive a tax credit allocation unless the local government and residents of the community are notified and provided with a reasonable opportunity to comment on the proposed project. Local government support and community participation in the decision process are important to the long term sustainability of a project. DCA will consider the response of the local government in determining whether there is sufficient local government support to ensure the success of the proposed project.

**Documentation should include evidence of public meetings and presentations regarding the proposed project to local government and residents of the community. Additional documentation such as resolutions of support or letters of support from local government officials may also be included but are not required. DCA will also give each local government an opportunity to comment on the project during the formal review process.**

### **XIII. REQUIRED AMENITIES**

#### **A. Standard Site Amenities**

All properties must include the following on-site amenities:

- A community room or building,
- An exterior gathering area such as a gazebo or exterior covered porch located in a central area,

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- An on-site laundry (1 washer and 1 dryer per every 25 units) or washers and dryers installed and maintained in every unit.

All the above amenities, with the exception of the on-site laundry, must be available to the tenants at no additional charge.

A Phased Tax Credit project with a previously funded phase generally should not share amenities. In limited circumstances, DCA may grant a waiver of this requirement.

### **B. Additional Site Amenities**

All properties must include at least two Additional Site Amenities for projects that have 125 units or less. Properties with more than 125 units must include at least four Additional Site Amenities.

A Phased Tax Credit project with a previously funded phase may be able to share some additional amenities. Applicants must contact DCA prior to Application Submission to determine the number of additional amenities that must be included in the new phase. DCA will consider the proximity and quality of the shared amenities in determining whether some amenities may be shared.

All amenities must meet the criteria set forth in the Amenities Guidebook which can be found on the DCA website under the architectural manual section.

#### *Additional Amenity Pre-Approvals*

Additional amenities not contained in the Amenities Guidebook must be approved by DCA prior to Application Submission. Applicants should submit a request for approval of additional amenities in accordance with Exhibit A to the Core Plan: Request for approval of additional amenities must include a detailed description of the amenity following the description format of the Amenities Guidebook and must include justification of the appropriateness of the option for the targeted population.

### **C. Unit Amenities**

All units must include the following:

- HVAC systems
- EnergyStar refrigerators
- EnergyStar dishwashers
- Stoves
- Powder-based stovetop fire suppression canisters installed above the range cook top, or electronically controlled solid cover plates over stove top burners

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

### **D. Additional Requirements and Amenities for Senior projects (Elderly and Housing for Older Persons)**

- Elevators must be installed for access to all units above the ground floor
- Buildings more than two story construction must have interior furnished gathering areas in several locations in the lobbies and/or corridors
- 100% of the units must be accessible and adaptable, as defined by the Fair Housing Amendments Act of 1988

Applicants must enter all selections in the Threshold Criteria tab on the Application Form.

For Scattered Site Projects, required amenities must be met for each noncontiguous parcel unless a waiver is granted by DCA.

## **XIV. REHABILITATION STANDARDS**

### **A. Rehabilitation Construction Hard Costs**

DCA will review the type of construction and associated hard construction costs. Applications for the rehabilitation of a substandard property will not be funded if, in the opinion of DCA, the rehabilitation will not result in improved, safe and decent long-term housing, the proposed rehabilitation does not meet DCA standards, or if new construction would be more appropriate.

The minimum review standards for rehabilitation projects are as follows:

- The expected life of the completed property must be fifteen years
- All construction must meet the requirements set forth in the Manual.
- Average per unit rehabilitation hard costs equal or exceed:
  - \$25,000 for properties 20 years old or less
  - \$30,000 for properties that exceed 20 years old
- The costs of community buildings and common area amenities are not included in these amounts.
- The total hard cost of any rehabilitation project must not exceed 90% of the as-completed unrestricted appraised value of the property. (DCA may commission or request an appraisal of a proposed property for purposes of determining whether this requirement has been met.)
- DCA may grant a waiver to projects that will not meet the above per unit average rehabilitation hard cost only if the physical needs assessment clearly documents that the existing property does not require a comprehensive rehabilitation. A certification from the architect must also be provided documenting that the proposed work scope is sufficient to ensure that the completed project will be viable and meet the DCA Useful Life Requirements.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

DCA may require as a condition of the waiver, that the financial pro forma clearly provide for the full funding of the capital replacement reserve.

- All projects that propose rehabilitation must comply with building codes for new construction Life Safety Code regarding stairs, handrails, guardrails, smoke detectors, fire alarms, and unit fire separation (attic draft stops, fire separation, rated party walls and floor/ceiling components, and caulking of all penetrations in the fire assemblies). Life Safety items that do not meet current codes will not be 'grandfathered' in.
- DCA does not distinguish between new construction and rehabilitation regarding accessibility requirements. This may include moving partitions to accommodate required clearances.
- Upon completion of rehabilitation activities, the property will be in full compliance with the Uniform Physical Conditions Standards (UPCS). This may include significant investment in asphalt paving and concrete sidewalks.

### **B. Physical Needs Assessment**

For rehabilitation projects, a Physical Needs Assessment (PNA) completed by a DCA qualified consultant must be included in the Application, and prepared in accordance with instructions set forth in the Rehabilitation Guide in the Architectural Manual. Physical Needs Assessments are also required for adaptive reuse projects.

In the event DCA determines that the PNA does not address a major structural issue, Building Code, health, safety and/or marketing issues, DCA reserves the right to perform its own PNA and the Application may fail this Threshold requirement.

### **C. Work Scope and Budget**

A comprehensive work scope with budgeted construction costs including must be included in the same tab with the Physical Needs Assessment. DCA must be able to determine that the work scope addresses:

- all immediate needs identified in the PNA and
- all application threshold and scoring requirements
- all applicable architectural and accessibility standards
- all remediation issues identified in the Phase I Environmental Site Assessment
- This comprehensive work scope should be completed by the Owner/Applicant, Architect and Contractor. DCA must be able to determine that all major issues identified in the PNA and Environmental Reports are included in the work scope and construction budget.
- The work scope shall be presented in the format included in the Rehabilitation Guide which will include materials quantities and line item costs.
- Scope of work shall not include repairs on an "as needed" basis.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- The final construction documents outlining the scope of work must be submitted to DCA in accordance with the timelines outline in the Core section of the QAP.
- DCA will not allow material changes in the scope of work between selection and the commencement of construction.

In the event DCA determines that the work scope and budget fail to address a major structural issues, Building Code, health, safety and/or marketing issues, the Application may fail this Threshold requirement.

For Scattered Site Projects, Physical Needs Assessment requirements must be met for each noncontiguous parcel.

### **XV. SITE INFORMATION AND CONCEPTUAL SITE DEVELOPMENT PLAN**

A Conceptual Site Development Plan must be included in the Application, and prepared in accordance with instructions set forth in the Architectural Manual. The Conceptual Site Development Plan must include the following:

- Easements to be defined and indicated on plan;
- Wetlands, floodplains, and state waters located with areas of disturbance calculated for the Wetlands;
- Use of all adjacent properties clearly defined both graphically and in written form;
- Zoning setbacks and restrictions graphically indicated;
- Indication of all existing structures, tanks, slabs and any other improvements existing on the property;
- Indication of any other items, physical or otherwise that would affect the development of the subject property;
- Indication of the entrance access to the property and a layout of all buildings, roads, and parking areas defined all site development amenities; and,
- All site amenities indicated in the Scoring Criteria on the Application Form must be located on the site plan;
- All areas of tree and vegetation preservation must be defined.

DCA does not require an ALTA Survey for purposes of developing the conceptual site development plan. DCA may require a boundary survey if the precise location of the subject project is in question.

Waivers for variances from any architectural standard in the Architectural Manual must be submitted to DCA prior to the Application Submittal in accordance with Exhibit A to the Core Plan: DCA Pre-Application Deadlines and Fee Schedule.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

For Scattered Site Projects, Site Information and Conceptual Site Development Plan requirements must be met for each noncontiguous parcel.

### **XVI. BUILDING SUSTAINABILITY**

All completed properties must achieve a minimum standard for energy efficiency and sustainable building practices. At minimum, all units at all projects must comply with the following. (Historic properties may apply for an exemption when compliance means loss of historic character-defining features and finishes)

- HERS rating of 85 or less. Obtain verification by a certified HERS rater that the worst case unit has a pre-construction index of 85 or less. Written verification of compliant energy modeling must be provided with Step II design documents submittal. The HERS Index is a scoring system established by the Residential Energy Services Network (RESNET) in which energy modeling software compares a proposed home design to a home built to 2006 International Energy Conservation Code specifications. The lower a home's HERS Index, the more energy efficient it is in comparison to the code model.
- Measured duct and building envelope leakage. Verification by certified HERS rater of a HVAC system duct leakage rate and dwelling unit air infiltration rate that meets or exceeds the EnergyStar BOP (Builder Option Package) requirements for the appropriate project specific climate zone (the duct leakage rate for all climate zones in Georgia is < 4 cfm/100 square feet; dwelling unit air infiltration rate for climate zone 2 is an ACH 50 of 7 and for climate zones 3 and 4 is an ACH 50 of 6). Verification testing must follow the EnergyStar testing protocol. Test reports verifying compliance must be submitted at either the LIHTC final certification or HOME Loan final construction draw, whichever comes first. Projects that plan to utilize Packaged Terminal Air Conditioners (PTAC's) or mini-splits for all units are exempt from this requirement.
- Attic insulation R-38
- Wall insulation R-15
- Bathroom fans. Maximum allowable sound level of 2.0 sones, minimum 80 cfm, minimum efficiency level of 1.4 cfm/watt. Connect fans to the light switch or provide fans with motion sensor.
- Lighting. Install fluorescent lights for at least 80% (by fixture count) of the required indoor lighting
- Glazing. Install double-pane low-e windows and door glazing with U-Value <0.4, SHGC <0.4.
- Plumbing fixtures. In all units: shower heads <2.0 gpm, bathroom faucets < 2.0 gpm
- Community Laundry. All washers in community laundry are front-loading, EnergyStar rated
- Low VOC wall and floor finishes

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- Water heaters: Energy Factor .62 for gas or .93 for electric
- EnergyStar appliances (refrigerators, dishwashers, washing machines provided by owners in units)

The final construction documents must clearly indicate all components of the building envelope and all materials and equipment that meet these requirements. Refer to the Architectural Manual for additional information on basic design, appliances, and equipment

For 4% LIHTC Bond financed properties only, each project must also include additional sustainability items as outlined in the Exhibit A to Appendix I Building Sustainability Certification. The Building Sustainability Certification must be submitted with the Step II architectural documents submission detailing how the minimum standard will be achieved.

### **XVII. ACCESSIBILITY STANDARDS**

#### **A. All projects funded under the Plan must meet the following accessibility standards at the time of project completion:**

- All projects that receive allocations or funding under the Plan must comply with all applicable Federal and State accessibility laws including but not limited to: The Fair Housing Amendments Act of 1988, and Americans with Disabilities Act, Georgia Fair Housing Law and Georgia Access Law as set forth in the 2011 Accessibility Manual. All New Construction projects that receive allocations or funding under the Plan must comply with Section 504 of the Rehabilitation Act of 1973 When two or more accessibility standards apply, the applicant is required to follow and apply both standards so that a maximum accessibility is obtained, and
- All applicable DCA accessibility requirements detailed in the Architectural Standards of the 2011 Architectural and Accessibility Manuals.

#### **B. Regardless of whether a project anticipates using federal funds as a funding source, all proposed projects must include the following DCA requirements:**

- At least 5% of the total units (but no fewer than one unit) must be equipped for the mobility disabled, including wheelchair restricted residents. Roll-in showers must be incorporated into 2% of these units (but no fewer than one unit); and
- At least an additional 2% of the total units (but no fewer than one unit) must be equipped for hearing and sight-impaired residents.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- DCA does not distinguish between new construction and rehabilitation regarding accessibility requirements. This may include moving partitions to accommodate required clearances.

The same unit cannot be used to satisfy the 5% and 2% requirement.

**C. Each project selected for allocation is required to retain a DCA Qualified consultant to monitor the project for accessibility compliance.** The consultants must perform a pre-construction plan review and inspect the project at least 3 times during construction, presumably to monitor grading operations, framing, and final compliance. DCA must be copied on all reviews/reports.

Any exemptions to the applicable federal, state and local accessibility laws must be supported by a legal opinion that supports such exemptions. In addition, DCA will review requests for exemptions from the DCA Accessibility Standards set forth in the Accessibility Standards section of the Application Manual.

For Scattered Site Projects, the 5% and 2% requirements are applicable to the project as a whole; however, distribution of the units must be across the non-contiguous parcels.

### **XVIII. ARCHITECTURAL DESIGN & QUALITY STANDARDS**

All applications must meet the Architectural Standards contained in the Architectural Manual for quality and longevity. The standards are intended to promote the integration of new construction/rehabilitation into the existing community and to promote sustainable design and the protection of resources. The marketability of the property and appearance of the site are important components in the final product.

#### **A. Constructed and Rehabilitation Construction Hard Costs**

DCA will review the type of construction and associated hard construction costs. Applications for the rehabilitation of a substandard property will not be funded if, in the opinion of DCA, the rehabilitation will not result in improved, safe and decent long-term housing, the proposed rehabilitation does not meet DCA standards, or if new construction would be more appropriate. A similar review of project financial feasibility and economic viability will be conducted for all Applications proposing new construction to ensure that each project's construction hard costs will produce high quality housing for the targeted tenant market.

**The minimum review standards for rehabilitation projects are as follows:**

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## **Appendix I Threshold Criteria**

- The expected life of the completed property must exceed by five years the greater of the Compliance Period or the Period of Affordability; and
- All construction must meet the requirements set forth in the Manual.
- Rehabilitation projects will be considered for funding only if the average per unit rehabilitation hard costs equal or exceed \$25,000 for properties 20 years old or less and the average per unit rehabilitation hard costs equal or exceed \$30,000 for properties that exceed 20 years old.
- The total hard cost of any rehabilitation project must not exceed 90% of the as-completed unrestricted appraised value of the property.
- The costs of furniture, fixtures, construction of community buildings and common area amenities are not included in these amounts.
- DCA may grant a waiver to projects that will not meet the above per unit average rehabilitation hard cost only if the physical needs assessment clearly documents that the existing property does not require a comprehensive rehabilitation. A certification from the architect must also be provided documenting that the proposed work scope is sufficient to ensure that the completed project will be viable and meet the DCA Useful Life Requirements. DCA may require as a condition of the waiver, that the financial pro forma clearly provide for the full funding of the capital replacement reserve.

### **B. Standard Design Options for All Projects**

Projects must choose from the standard design options as detailed below and enter each selection in the Threshold Criteria tab of the Application.

#### *1. Exterior Wall Finishes*

Select and enter in the Threshold Criteria tab of the Application **one** category from this list:

- Exterior wall faces must have an excess of 40% brick or stone on each of the total wall surfaces. This is applicable to all sides of the buildings including the front wall face, each side's wall face and the rear wall face of the buildings. On all exterior walls the brick/stone must extend to all areas of grass, landscaping and other areas of soil or mulch.
- For the rehabilitation of buildings that are eligible for historic preservation credits, maintain and, if necessary, replace with matching materials, the existing or original exterior finish surfaces including the front wall face, rear wall face and both side wall faces.
- For the rehabilitation of buildings that do not have existing brick or stone in excess of 40% (and are not eligible for historic credits), replace and upgrade the existing exterior finish surfaces on all wall faces including the front wall face, rear wall face and both side wall faces with brick or a product that provides a 40 year warranty.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- For single story buildings, the total building envelope shall have 35% minimum brick coverage; remaining 65% must be fiber cement siding or stucco.

Additional materials with proven longevity may be approved by DCA prior to Application Submittal. Applicants should submit a request for approval in accordance with Exhibit A to the Core Plan:

### *2. Attractive Features*

Construction must exhibit attractive features that must be included on all sides and rear of all buildings. Select **two** of the following features and enter in the Threshold Criteria tab of the Application:

- The recreation of existing or missing known historic decorative elements on all sides of existing historic or non-designated buildings. (Note: The addition of conjectural decorative elements is not eligible for this option)
- The addition of decorative elements such as new shutters and ventilation elements for both new and non-historic existing construction.
- The addition of or the redesign of existing covered entries to all buildings and units for both new and existing construction.
- The addition of new or redesign of existing durable attractive stair and railing elements at stairs and porches/patios for both existing and new construction.

### *3. Major Building Component Materials and Upgrades*

For all construction types major building component materials may be upgraded from the minimums as delineated in the Architectural Manual. Select **one** from the following list and enter in the Threshold Criteria tab of the Application:

- Fiber cement siding, hard stucco and/or wood siding installed on all exterior wall surfaces not already required to be brick (Rehabilitation projects that do not propose adding 40% brick or maintaining existing 40% brick are not eligible for this option.)
- Upgraded roofing shingles, or roofing materials (warranty 25 years or greater)
- Interior package upgrade:
  - upgraded interior doors with lever hardware (Doors must have paneled facing with superior core construction)
  - upgraded interior cabinetry. (All wood construction. Exterior finishes may be wood or plastic laminate)
  - upgraded flooring materials, both carpet and other resilient flooring materials. (All flooring materials must be upgraded to qualify. The

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

installation or restoration of wood flooring with a high impact sealed finish would qualify)

### **4. Landscaping and Site Design Features**

Select **two** landscaping and site design features from the following list and enter in the Threshold Criteria tab of the Application:

- Site entry location(s) delineated with permanent, illuminated entry sign and decorative fence and seasonal plantings
- Freestanding shelters (not included in the amenities requirements), such as mail pickup areas and transportation stops
- Preservation of existing trees and vegetation covering at least 25% of the acreage of the site, and integration of these areas within the new landscaping layout. This must include existing major trees and areas of vegetation within the body of the property as well as that existing at the edges of the property to qualify for this option
- Where there are no existing trees or vegetation on the property that can be preserved, there must be substantial replanting of trees and integrated vegetation. The trees must be a minimum of two-inch (2") diameter and at a ratio of one tree for every 8 units. For properties where the density is greater than 20 units per acre, a ratio of one tree for every 16 units will be acceptable. The trees must be integrated with other areas of planting throughout the property.

Consideration will be given to additional design options not listed above if proposed by the Applicant prior to the Application Submittal in accordance with Exhibit A to the Core Plan: DCA Pre-Application Deadlines and Fee Schedule. Proposals must include a detailed description of the design option and justification of the appropriateness of the option for the targeted population.

## **XIX. QUALIFICATIONS FOR PROJECT PARTICIPANTS (Performance)**

### **A. Overview of Qualification Requirements**

Each Project Participant Team (general partner and developer, or their principal(s) thereof) must demonstrate the qualifications necessary to successfully own, develop and operate the proposed tax credit project. DCA will undertake a comprehensive review of the proposed Project Participant team as a whole to determine that it has the financial capacity, credit history, technical skill, and performance history to successfully own and develop a tax credit project that receives an allocation of credits under the 2011 Qualified Allocation Plan. While DCA recognizes the importance of developing capacity in the development community, current economic conditions require that Project Participant Team as a whole demonstrate proven ability to develop a project concept and financing

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structure, complete a competitive application for tax credits, obtain financing and syndicator commitments quickly, close on the financing, negotiate and contract with general contractors for the construction or rehabilitation of the project, oversee construction, comply with tax credit program regulations, meet statutory deadlines and successfully lease up and operate the completed project. For purposes of reviewing the qualifications of the proposed Project Participant Team, DCA will review the proposed project team's experience and capacity to perform all of these functions.

**Full Disclosure - DCA requires full disclosure of who is involved in a proposed tax credit development. The following are the rules of disclosures for this category.**

1. DCA requires complete disclosure of **all** entities and individuals in the Project Participant Team organizational structures.
2. DCA requires complete disclosure of all real estate and commercial loans for the project team through the submission of a complete and accurate real estate properties disclosure.
3. Any relationship between individuals or entities of the Project Participant Team that could constitute a conflict of interest or identity of interest between the parties must be disclosed.
4. Complete organizational charts must be submitted for the Owner and Developer entity that clearly show all principals down to individuals involved in the ownership and development of the project. Please note that no change to the project owner/developer structure can be made without the express consent of DCA.
5. **All** Development fee sharing arrangements must be disclosed. DCA considers all individuals or entities that receive a portion of the Development fee to be part of the Development structure.
6. **All** Guarantor agreements must be disclosed.
7. **All** consulting agreements - direct or indirect, paid or unpaid - shall be disclosed.
8. Any Project Participant Team member that has withdrawn or been involuntarily removed from a HOME or Tax Credit project in the last thirty-six months must disclose this information to DCA as part of its eligibility submission.
9. All pending litigation.
10. Significant non performance in a government program must be disclosed.
11. Any Project Participant Team member that has an adverse credit history including but not limited to a default in the payment of any commercial or personal loan must disclose that information.

**Principal** shall generally be defined as an individual who has at least a direct ownership interest in the general partner and developer entity and who materially participates in the ownership, development and operation of the project through

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regular, continuous and substantial involvement. For purposes of a non profit entity, DCA will consider the executive director as a principal.

In the event a Project Participant Team undergoes a personnel change which results in the departure of key experienced staff, DCA at its discretion, may determine that previous projects owned and developed under the direct supervision of the departed staff will not be considered in this analysis.

### *Adverse Conditions*

In the event that DCA determines that there are adverse conditions which may effect any of the Project Team members as a result of their credit history or past involvement in real estate development, DCA may determine that a Project Team is not qualified. For purposes of determining whether adverse conditions will affect the qualifications of a project team, DCA may look beyond the principals to those within the sphere of influence as that term is defined by HUD.

The following are some, but not all adverse conditions that may affect the ability of a team to qualify for funding.

- Affordable Housing properties that have significant physical conditions or uncured Level 3 UPCS violations or life safety issues
- Outstanding flags in HUD's national 2530 National Participation
- Projects awarded tax credits in 2009 or earlier (with or without ARRA funding) for which the construction financing or equity investment has not closed;
- Adverse Credit history including bankruptcy, foreclosure or litigation.
- Mortgage default or arrearage of three months or more within the last five years on any multifamily housing project.
- Ineligible to participate in any government funding program.
- Project Failure or closure

### *Examples of Conditions*

- Additional third party oversight of certain functions such as construction management.
- Front end analysis of proposed costs.
- Evidence that projects not completed are proceeding as scheduled.
- Reduced owner/developer caps
- Limitations on size of proposed projects.
- Limitations on ability to partner for purposes of meeting qualification requirements.
- Consultant or Partnership Requirements.
- Additional Documentation

### *Overview of Qualification Categories*

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

After analysis of all submitted information, DCA will make a determination that a project team falls within one of the following categories:

- a. Qualified without conditions
- b. Qualified with conditions
- c. Not Qualified

### **B. Qualification Categories**

#### *1. Qualified without Conditions*

- (a) A Project Team that can conclusively demonstrate that they currently own and operate 5 (five) or more successful tax credit projects in which they own a minimum 20% interest in the General Partner and Development entities will generally be deemed Qualified without Conditions if DCA determines that no adverse conditions affect any of the team members. Only projects which have been completed (including permanent loan conversion) and which are currently 90% occupied will be counted towards the requisite 5-project minimum. The Project Team must have been involved in each of the five projects from the initial allocation of credits.
- (b) A Project Team that can conclusively demonstrate that they currently own and operate 2 (two) or more successful tax credits projects in which they own a minimum 20% interest in the General Partner and Development entities may be deemed qualified without conditions if DCA determines that no adverse conditions affect any of the team members. In making this determination, DCA will consider recent project history that reflects the ability to close equity deals, interests of less than 20% in tax credit projects where the team member has issued personal guarantees, and recent successful development experience. Only projects which have been completed and which are currently 90% occupied will be considered.

#### *2. Qualified with Conditions*

- (a) A Project Team that can not demonstrate that they meet the requirements to be deemed qualified without conditions or has experienced a material change in their key staff, organization structure or financial status, may be deemed qualified but subject to one or more of the conditions as determined by DCA. Project Participant Teams that are deemed qualified to participate will generally fall within the following categories:
  - The Project Participant Team has successfully developed multiple tax credit projects in the past, but does not currently own or operate the requisite number of projects.
  - The Project Participant Team successfully developed and owns the requisite number of tax credit projects, but does not have the required 20% interest in those projects.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- The Project Participant Team can demonstrate successful developer and ownership experience, but has one or more adverse conditions that might but will not conclusively affect the ability of the Team to complete the proposed project.
  - The Project Participant Team has demonstrated successful developer and ownership experience, but has a material change in its key personnel or organization.
- (b) A Project Participant Team that has extensive experience in the tax credit industry but who does not have the requisite successful tax credit development experience may also be deemed qualified under a probationary designation with conditions. In order to be deemed qualified under a probationary designation, the following additional documentation must be submitted:
- Evidence of full time employment in the tax credit industry for a minimum period of five years.
  - Evidence of material participation in the successful development of at least two Tax Credit projects during that period. (Ownership interest is not required).
  - Complete resume
  - Completed release to allow DCA to perform a personal credit check and a criminal background check
  - Business Plan which outlines how the Project Team will address different areas required for successful development of tax credit project.

DCA reserves sole discretion to look at the totality of the experience of proposed teams in this category and determine whether a probationary designation will be granted.

- (c) A non profit entity or individual that has fostering of affordable housing as part of its mission in its organizational documents may also be allowed to participate if the following facts are found to exist
- The entity is a community based non profit engaged in the primary business of providing housing for low income residents or engaged in the primary business of providing housing and counseling to residents with special needs.
  - The entity has as its core mission the provision and development of affordable housing.
  - The entity has had real estate experience in a government affordable housing program.
  - The entity can provide evidence that it is financially secure and that it has financial support for multiple government sources, private foundations or charitable sources.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- The entity is supported by a qualified entity without conditions that is willing to act as a guarantor or partner. (In very limited circumstances, DCA at its discretion may waive the project cap for a qualified entity to partner with a non profit under this exception).
- The entity has not had any failed affordable multifamily housing projects or projects that are in material non compliance with any government program or regulations.

### *3. Not Qualified.*

DCA reserves the right to determine that, in its sole and absolute discretion, a Project Team is not qualified to participate in the Tax Credit Round. That determination may be based on the proposed **Project Participant Team's** lack of capacity to successfully complete the proposed development due to the current condition or past performance of its portfolio of affordable housing projects. DCA may also consider projects in progress, prior performance in meeting construction commencement, projects with recaptured credits and completion deadlines, as well as the number of outstanding incomplete DCA-funded developments when determining qualifications and capacity. DCA may also determine that a proposed Project Team does not have sufficient credit history or financial strength to participate in the tax credit process.

### **C. Management Company's Experience**

A proposed property management company can meet this Threshold criterion by demonstrating successful property management experience as follows.

1. The proposed property management company must demonstrate prior experience in the management of at least four (4) Tax Credit multifamily rental housing projects of similar size (number of dwelling units) to the proposed project.
2. To be considered, the management company's experience with a project must extend for at least two (2) years and include project lease up experience and stabilization (90% occupancy within one year of placed in service date).
3. Only property management experience that occurred subsequent to January 1, 2002 will be considered under this criterion.
4. This Management Experience requirement may be met only through the experience of the Management Company or through the experience of its principal(s).
5. Management companies must maintain a regional office located in GA or one of the contiguous states to GA.

## **XX. COMPLIANCE HISTORY SUMMARY**

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

The principal and entities of each General Partner, Developer, Management Company and Project consultant (used to meet DCA experience requirements) must submit a complete and correct DCA Performance Workbook, as required in the electronic core application. Each Compliance History Summary (CHS) form must list all projects in which an entity or principal has participated in the ownership, development or management in the State of Georgia and in any other state. Compliance audit detail should be completed for only the last three years. In addition, the following documentation must be included in the application as detailed in the Performance Workbook:

- Completed Compliance Questionnaire for each General Partner, Developer, Management Company and Project Consultant.
- Organizational Chart
- DCA Compliance history form executed by other State Housing Agencies pursuant to DCA instructions. In the event an Owner is unable to obtain documentation from another State Housing Agency, written documentation of the attempts should be submitted to DCA. DCA will contact the Agency directly to obtain the required information.

In the event an Applicant fails to provide correct and complete information, DCA may request additional clarification. Clarifications may be utilized to decrease an Applicant's Compliance History score, but will not be used to increase the score.

Note: Internal Revenue Service Form 8821 may be requested by DCA for any Project Participant listed on the Experience Summary or Organizational Chart at anytime during DCA's review of a Project Participant's compliance history.

Owners/Developers and Managers of Tax Exempt Bond projects must also complete these forms. DCA will score each entity in accordance with the scoring requirements set forth in Appendix II. Entities that do not meet DCA minimum scoring requirements will be deemed to have not met this Threshold requirement.

### **XXI. ELIGIBILITY FOR CREDIT UNDER THE NONPROFIT SET-ASIDE\***

To be eligible for Credit under the nonprofit set-aside:

- The organization must be a qualified nonprofit, defined as a 501(c)(3) or 501(c)(4) organization, which is not affiliated with or controlled by a for-profit organization and has included the fostering of low income housing as one of its tax-exempt purposes.
- The qualified nonprofit(s) must materially participate in the project as described in IRC Section 469(h).

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

- The qualified non profit(s) must own at least 51% of the general partner's interest in the proposed project and be the managing general partner of the ownership entity.
- For purposes of this set aside, the term "qualified non profit" includes any corporation if 100 percent of the stock of such corporation is held by one or more qualified non profit organizations at all times during the period such corporation is in existence.
- If the non-profit is also a developer of the project, the nonprofit must receive a percentage of the Developer Fee greater than or equal to its percentage of its ownership interest.
- A copy of the general partnership joint venture agreement that indicates the nonprofit's general partnership interest and Developer Fee amount must be included in the Application.

Nonprofit organizations applying for Credit under the nonprofit set-aside must include in the Application an opinion of a third party attorney who specializes in tax law on the non-profit's current federal tax exempt qualification status in accordance with the prescribed format contained in the Manual. If such an opinion has been previously obtained, this requirement may be satisfied by submitting the opinion with documentation demonstrating that the non-profit's bylaws have not changed since the legal opinion was issued.

For Scattered Site projects, the eligibility for Nonprofit Set-aside requirements must be met by the project as a whole.

### **XXII. ELIGIBILITY FOR HOME LOANS UNDER THE CHDO SET-ASIDE**

All nonprofits that received an initial HOME commitment as a CHDO and are being considered under the CHDO set aside are required to submit a copy of the State CHDO pre-qualification/renewal letter in the Application. The CHDO must be either the sole general partner of the ownership entity or the managing general partner of the ownership entity. The CHDO must also exercise effective control of the project. In the event the CHDO is a general partner with a for-profit or nonprofit general partner, the CHDO must own at least 51% of the general partnership interest. The CHDO (or a wholly owned or controlled affiliate) must receive a percentage of the Developer Fee greater than or equal to the percentage of ownership interest. All DCA communication with the ownership entity will be with the CHDO managing general partner. A copy of the general partnership/joint venture agreement indicating the CHDO's general partnership interest and its share (or the share of the wholly owned and controlled affiliate) of the Developer Fee must be included in the Application.

For Scattered Site projects, the eligibility for HOME CHDO set aside requirements must be met by the project as a whole.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

### **XXIII. ADDITIONAL HUD REQUIREMENTS\***

Projects which list HUD funds (HOME, 221 D(3) or D(4), HOPE VI, etc) as a source of construction and/or permanent financing, including PBRA, must meet additional Site and Neighborhood Standards (24 CFR §92.202 and 24 CFR §983.6) and Environmental Requirements as mandated by the HOME regulations. These requirements must be met in accordance with instructions set forth in the HOME Manual and Environmental Manual. However, applicants who have established agreements with HUD regarding different standards of review for site and neighborhood must meet those established standards. A copy of all documents relating to the different standards of review must be included with the application.

For Scattered Site projects, each non-contiguous parcel must meet the additional HOME requirements.

### **XXIV. REQUIRED LEGAL OPINIONS**

- A. A legal opinion regarding the acquisition Credit eligibility is required for projects involving acquisition and rehabilitation. If the project previously received Credits, the legal opinion should include sufficient documentation for DCA to confirm that the compliance period has ended.
- B. A legal opinion regarding Credit eligibility is required for projects operated as assisted living facilities.
- C. Nonprofit organizations applying for Credit under the nonprofit set-aside must include in the Application an opinion of a third party attorney who specializes in tax law on the non-profit's current federal tax exempt qualification status in accordance with the prescribed format contained in the Manual. If such an opinion has been previously obtained, this requirement may be satisfied by submitting the opinion with documentation demonstrating that the non-profit's bylaws have not changed since the legal opinion was issued.
- D. A legal opinion is required for those projects involving scattered site developments. The legal opinion should address the proposed site plan and must be included as part of the opinion.

For Scattered Site Projects, the non-contiguous parcel for which this criterion is applicable must meet the legal opinion requirements.

### **XXV. GEORGIA HOUSING SEARCH**

Applicants applying selected for funding under the Plan must list all available affordable Housing Units funded by DCA on the Georgia Housing Search website. Georgia Housing Search is a DCA sponsored database that assists

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Georgia residents in locating available affordable housing units. Each listing must be updated and remain “active” as required by the system. This data base is maintained under the direction of the Georgia Emergency Management Office and under the authorization of the Governor’s Office. The Georgia Disaster Relief Task Force also issuing Georgia Housing Search to facilitate the delivery and management of shelter and housing accommodation programs to support displaced citizens during a disaster. At this time, over 150,000 units are listed. This database should be utilized as a valuable tool for Managers in seeking tenants for low income housing tax credit properties. Georgia Housing search can be accessed through the following link:

<http://www.georgiahousingSearch.org>

### **XVI. RELOCATION AND DISPLACEMENT OF TENANTS**

All projects, new construction and rehabilitation, must submit a DCA relocation survey which specifically addresses the development history and occupancy of the proposed project. **Failure to complete the survey prior to Application Submission will result in a Threshold failure**

For all HOME Loan and Credits projects, the completed and executed tenant household data forms must be submitted with the Application for every unit in each building to be rehabilitated. The Applicant is responsible for the accuracy of the information on the data forms. Applications for HOME Loans that require relocation of existing tenants due to rehabilitation work will be accepted only with a relocation plan (including a sufficient budget) that in the opinion of DCA meets the requirements of the Uniform Relocation Act and any other applicable laws.

Funding sources other than the DCA HOME Loan must be used to finance the relocation costs. Applicants applying for Credits must disclose other funding sources (HOME, USDA 535, etc.) which may trigger URA or 104D requirements. When demolition of any structure occupied or vacant is involved it must be included as part of the relocation plan. For Credits projects, DCA will not allow permanent displacement of tenants, if avoidable. If the Applicant anticipates displacing tenants, the Applicant must include in the Application a detailed displacement plan, which sets forth the specifics of the displacement, including a projected budget, and an explanation of efforts planned by the Applicant to mitigate the impact of the displacement. Any displacement of tenants will be subject to DCA’s prior written approval. In instances where tenants are temporary relocated in areas with limited replacement housing the plan must give detail phasing of rehabilitation process. To include projected start and end dates for each phase while detailing work to be performed on all units. Identify which units will require temporary relocation more than 30 days and less than 30 days.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

If new projected rents create rent burden tenants, rents must remain affordable one year after cost certification submission.

Applicants must include all documentation required in the DCA Relocation Manual at the time of Application. All forms must be reflective of the current year version; previous years forms will not be accepted. DCA will review the development budget to insure that sufficient cost have been included for relocation expenditures.

In the event condemnation proceedings are pending against a proposed project, DCA's relocation policies are applicable to all tenants residing at the property at the time of application.

Properties that have HOPE VI or other master relocation plans must submit those plans with their Application.

### **XXVII. MARKETING TO POPULATIONS WITH DISABILITIES OR THE HOMELESS**

This section is designed to foster development of affordable housing units for tenants with disabilities or homeless populations. All projects selected for funding (**regardless of their tenancy**) must demonstrate a willingness to initiate marketing of units to these populations. Each project selected for an award of credits must prepare and submit a Marketing Plan outlining how the project will market units to tenants with special needs. The Plan must be submitted prior to issuance of 8609s. At a minimum, Marketing Plans must include:

- The Marketing plan must incorporate outreach efforts to each service provider, homeless shelter or local disability advocacy organization in the county in which the project is located. The Georgia Homeless Assistance Directory should be used as the central resource to identify such providers locally. The Directory may be accessed at <http://www.georgiaplanning.com/shelters/>.
- Affirmatively market to persons with disabilities and the homeless.
- Must establish and maintain relationships between the management agent and community service providers.
- Include a referral and screening process that will be used to refer tenants to the projects, the screening criteria that will be used, and make reasonable accommodations to facilitate the admittance of persons with disabilities or the homeless into the project.

The Applicant agrees to provide reasonable accommodation for these tenants in the Property Management's tenant application. The leasing criteria must clearly facilitate admission and inclusion of the Targeted Population tenants and must not violate federal or state fair housing laws.

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

Applicants also must agree to designate these populations as having priority for units with rental assistance if allowable under their rental assistance agreements.

Owners may apply preferences required by state or local law only if they are consistent with HUD and applicable civil rights requirements.

### **XXVIII. OPTIMAL UTILIZATION OF RESOURCES**

While DCA promotes a variety of projects that may include the re-use of contaminated land, in-fill, adaptive reuse, preservation of affordable housing and historic sites and will consider mitigation of certain factors inherent in their location, DCA is required to take any actions necessary or convenient to ensure the complete, effective, efficient and lawful allocation of and utilization of the low income housing credit program (2011 QAP, Core Plan, Section 3, Legislative Requirements). Therefore, in spite of a project's score under the Plan, DCA will review any project proposed for reasonableness of costs and of credits utilized to accomplish these objectives, which may include a review of the degree to which the use of resources are being directed specifically toward the program goals of providing safe, decent and affordable housing that is also viable physically, operationally and economically over time.

DCA will evaluate project characteristics, such as, but not limited to, the following to ensure that this mandate is met:

- Property acquisition and rehabilitation cost versus the cost to demolish and build a similar property in the same market area
- Ratio of acquisition costs versus rehab hard costs
- DCA resources allocated to develop each unit
- Effectiveness and aesthetics versus the cost of a mitigation plan
- Efficient and marketable use of the site, considering size and lay-out, to accommodate the number and type of units and amenities proposed
- Undue enrichment of any development team member or contractor particularly where there are identities of interest
- Impact on affordable housing stock
- Other uses proximate to the site
- Market information generated by or available to DCA
- Property is already affordable and not a priority for receipt of resources
- Transaction appears to be primarily driven by the transfer of the property
- Insufficient Rehabilitation proposed
- Per unit costs not reasonable
- Excessive soft costs
- Other factors which are contrary to the policies and objectives of DCA

\* Not Applicable to Bond Financed Projects

## **Appendix I Threshold Criteria**

If DCA determines that the utilization of resources in the proposed application is ineffective or inefficient, or that the applicant is unlikely to be able to develop the project as proposed, or if the project is unlikely to be successful, DCA may, at its sole and absolute discretion, deem the application to have failed threshold criteria.

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