

2009 DCA Qualified Allocation Plan General Questions and Answers Posting #5

1. It has been our assumption for this year, that like previous years, DCA HOME funds are available for projects sponsored by CHDOs and/or not in PJs. This has allowed CHDOs to use DCA HOME funds in PJs, when needed by a project. On pg 36 of 57 on QAP Core, it states that one of the criteria for evaluating HOME funds applications is "Projects located in a "PJ" are not eligible for DCA HOME funds."

Could you please confirm if DCA HOME funds are available to be applied for by CHDOs for a project in a PJ?

Response: Section 9.2 of the Core QAP (Selection Criteria for Consent) states that projects located in a PJ (Participating Jurisdiction) are not eligible for DCA HOME funds. Therefore, Applicants that are developing projects located in a PJ can not obtain DCA HOME funds for project development. All HOME loan consent requests for projects located in a PJ will be denied.

2. Can you clarify for me regarding the Tier 1 Developer? It states successful ownership and development of no less than either 400 Georgia affordable housing units located in a minimum of four projects or 600 affordable housing units located in a minimum of six projects. Does this mean all units must be in Georgia or affordable housing experience in general?

Response: The requirement for "400 Georgia affordable housing units located in a minimum of four projects" refers to units/projects located exclusively in Georgia. The requirement for "600 affordable housing units located in a minimum of six projects" refers to units/projects located in any state. In other words, if you have successfully developed and own 400 or more affordable units in at least 4 projects located in the State of Georgia, you qualify under this criteria. You can also qualify under this criteria if you have successfully developed and own 600 or more affordable units in at least 6 projects in multiple states, some of which could be in Georgia.

3. I read the QAP and I understand it to say that effective 01/01/09, a Performance Workbook must be completed for each Owner/Developer and Manager, however just below that it says entities and/or principals that were deemed experienced for 2008 **do not** have to complete a new PW if there are no changes. Then below that it says the owner and/or entity must resubmit all of the documentation required pursuant to this section and obtain a new decision as to whether they meet DCA's experience and capacity requirements.

So does this mean that all entities/principals/owner/developer/manager must submit new information for experience to be put on the new Experience list?

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Response: If you were deemed experienced in 2008 and there are no changes, then a new experience determination does not need to be submitted. However, if you are interested in Tier One, you must complete the required Tier One documentation. If you were not deemed experienced in 2008 and have not completed the new performance workbook then you do need to complete the workbook and obtain a new determination.

4. Regarding the points for desirables and undesirables, can you obtain more than ten points for desirables and then subtract the total points for undesirables? For instance, if I had a site that had 13 desirables and 3 undesirables, would I be able to claim a net of 10 points under this point category, or would I only be allowed to claim 7?

Response: You can only claim a maximum of 10 points for desirables. Undesirables will be deducted from this maximum of 10 points.

5. Will you be posting the Tier One Liquidity Calculation & Certification form? Is this form required for 4% deals?

Response: The Tier One Liquidity Calculation & Certification form is part of the Performance Workbook that can be found posted on the DCA web site.

The Tier One concept applies only to 9% tax credit projects. The only benefit in obtaining Tier One designation is the right to claim 3 points for one 2009 9% application. Since 4% applications are not competitive and are not scored the Tier One designation is not relevant to those applications. The Tier One designation is given to an entity, not a project or projects.

6. I have a question about the new requirement that the Site Plan **must** be to scale. That will incur significant expense, because the way I read this requirement, it is requiring a survey. Additionally, Section II.A.4.a. of the Environmental Manual requires the Site Plan to show facilities and streets within 50 feet of the Site. Many existing boundary surveys do not show past the boundary line. What is DCA looking to accomplish with this information? Can it be an approximate scale?

Response: It is not DCA's intent to require a survey. However, the site plan must be a reasonable representation of the scale of existing site conditions and adjacent facilities and streets. DCA uses the Site Plan to aid in review of both the Phase I Environmental Site Assessment and in the DCA site visit. It should show the physical location of the property, adjacent land uses, and geographical features that are discussed in the ESA. The information provided by the environmental professional is integral to the conceptual site plan prepared by the architect. The boundaries of any geographical features such as floodplains, wetlands,

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and state waters must be discernable in relation to the project development boundaries.

7. Are there any guidelines or minimum criteria to meet the minimum requires of item 5a on Exhibit A to Appendix I? Would you accept vinyl siding, wood doors, plumbing fixtures, hot water heaters, etc?

Response: Item 5a on Exhibit A to Appendix I reads “Pre Construction: Posted and enforced job site waste management plan--recycle 75% of 3 materials; provide DCA with management plan with Step II documents.”

You can find further guidance on this item in the EarthCraft House Guidelines page 35 under the heading “recycle construction waste” available online at http://www.earthcrafthouse.com/documents/ech_tech-guidelines-complete.pdf. Typical materials for this option include: wood, shingles, drywall, cardboard, metal, plastics. Other materials may be considered but must be detailed in the plan that you submit (referenced in 5a). Please also reference the NAHB Research Center (www.nahbrc.org) publication entitled “Residential Construction Waste Management: A Builder's Field Guide.”

8. I have a few more questions. This time about the Tier 1 Real Estate Schedule:

- a) Please clarify the information required in the column called “GP % of Sale/Refi”.
- b) Please confirm that all lenders, not just the first mortgage holder, are required to be listed in the column “Permanent Lenders in Order of Priority”. If subordinate loans do not require hard payments, must they be listed?
- c) In the instructions it says that for properties with one full year of stabilized operations to use the most recent audited numbers, but unaudited numbers can be used for properties without an audit. Can unaudited numbers be used for properties that receive audited financial statements, but do not yet have the completed 2008 statement?
- d) Are completed/converted properties the only properties that are not required to list TDC and Hard Cost to Complete?

Response:

a) The “GP % of Sales/Refi” refers to the percent of sales proceeds and/or refinancing proceeds that the general partner will receive in the event the subject property is sold or refinanced. This is typically found in the Limited Partnership Agreement if the owner is a limited partnership or the Operating Agreement if the owner is an LLC.

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b) All lenders/debt should be disclosed. If there are multiple lenders, show the senior lender first and junior lenders on rows below the senior lender. All loans should be disclosed, even if soft debt paid out of cash flow and/or on an accrual basis. All mortgage debt encumbering a property must be disclosed. If an explanation is required for soft/cash flow/accrual debt you may attach an explanation and/or a copy of the note. When in doubt disclose in detail as DCA will have limited time for due diligence.

c) Yes. If the property has only one calendar year of stabilized operations and the audit report has not been completed, an unaudited financial statement will be accepted. However, if the audit report is close to completion and a preliminary copy is available, it should be submitted along with the unaudited. Obviously, DCA will place greater weight on audited financial information than on unaudited financial information.

d) Yes with the following caveats. If a project has been substantially completed and/or converted, but still has hard cost to be disbursed (punch list, holdbacks, etc) the unfunded cost should be disclosed. Also, if a completed and converted stabilized property is undergoing material rehabilitation to be funded out of a reserve for replacement, it should also be disclosed with explanation. DCA is basically looking to determine the total amount of undisbursed construction/rehab hard cost across your existing portfolio of projects and those expected to commence in the next 12 months.

9. DCA is accepting pre-applications this year for HOME Loan selection and approval to use the State Designated 30% Basis Boost. Per the 2009 QAP, the 30% basis boost will be considered if the project meets one of several criteria, one of which being "DCA HOME projects or small rural projects that can reduce debt to increase the ability to syndicate credits." What if a project needs to request pre-application approval for both an allocation of HOME Funds and the State Designated 30% Basis Boost? Will there be a chance to amend our pre-application submittal if one or the other is not granted, or will this be an "all or nothing" submission where both or neither would be granted?

Response: Yes an applicant may change an application submitted in the pre-application process that is denied the request. The purpose of the pre-application process is to allow an applicant the opportunity to apply in advance of the funding round, therefore, giving the applicant a competitive advantage in that the application may be changed in the event the application is denied in the pre-application process. With respect to the HOME consent request and the 30% Basis Boost, Applicants that are not awarded a HOME loan consent or the 30% Basis Boost will have the opportunity to restructure their Application and submit on or before the complete round deadline (May 21,2009 at 4:00PM).

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10. I recently attended a workshop put on by the Federal Home Loan Bank about the AHP program. Now that FHLB have gone to one offering per year, the AHP applications are not accepted until 2nd quarter and awards will not be announced until December. Therefore, the AHP timeline does not synch with the DCA tax credit award timeline. If an applicant obtains a commitment from a local government for \$500,000 in CDBG funds and submits that with the tax credit application, but then also submits an AHP application for \$500,000, could the AHP funds, if awarded, be substituted in place of the CDBG funds prior to closing the project? Both are worth 1 point. If the AHP funds are not awarded, the local government would still be committed to keeping the CDBG funds in the deal.

Response: DCA will require the applicant to maintain the CDBG funds even if AHP funding is awarded at a later date, as the CDBG funds provide one of the most favorable financing a project could receive. The AHP funds, if awarded, can be used to replace other funding in the project. The Applicant will need to submit a revised pro forma showing all sources of funding and DCA will determine whether any modifications will need to be made to the resources allocated to the project.

11. We are interested in submitting a LIHTC development opportunity in 2009 for a site. I had an opportunity to review the QAP and noticed something relative to tiered developers? Was there a submission that we missed? Ohio has a capability submission where they rank the developer based upon experience, financials, etc.

**Response: Please refer to (1) the 2009 Qualified Allocation Plan , Appendix I, Section 19, (2) the Performance Workbook and (2) the Application Workshop Power Point presentation, all of which have been posted on the DSC web site.
(<http://www/housing/HousingDevelopment/programs/QAP2009docs.asp>).**

12. Master Planned Community is included in the listing of Waivers and Pre-Approvals that may be submitted prior to the Application found on page 36 of 57 of the QAP Core Plan. On page 15 of 26 of the Scoring Criteria, there is no mention of pre-approval being necessary to receive points under VII. A. Phased Developments. Neither Master Planned Communities nor Phased Projects are listed on the Pre-Approval/Waiver Submission Form. Can you confirm that it is not necessary to request Pre-Approval for Phased Projects and that the documentation, including a Master Plan, evidence of site control and the overall project concept are not required until Application Submission?

Response: Master Planned Communities may be submitted to DCA for preapproval but are not required to be preapproved. The documentation can be submitted in the Application. Please note that if you do not receive preapplication approval and insufficient information is provided in the

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application, you are not allowed to supplement and will not receive points. DCA recommends that you take advantage of preapprovals whenever possible in order to ensure that you receive all points that are applicable to your projects.

13. Regarding the Performance Workbook and completion of the Owner Performance Questionnaire. If there are more than two principals for the ownership entity, should each principal complete a questionnaire or is only one needed? If two questionnaires are needed, there is only one tab in the Workbook.

Response: Each principal should complete a questionnaire. The workbook can be customized, allowing you to create a second Owner Questionnaire within the workbook. Thus, all of the principals' information would be included in the electronic version of the workbook.

14. For Tier One, if the Applicant and each principal complete individual Performance Workbooks how should the electronic copies be labeled. The instructions indicate "2000-XXX – Project Name' Performance Workbook. How do you want the 3 workbooks labeled to identify them? In addition, we have multiple projects for which we will be using our Performance Workbook, how should the electronic labeling be formatted?

Response:

"2009-XXX – Project Name PW for <<Applicant/Principal Name>>"

One Pre-application binder should be submitted for each project for which *project specific waivers and project specific approvals* are being requested. When the binder(s) are submitted on or before April 16, 2009 the Applicant will be provided a Pre-application project number. This Pre-application number should be prominently displayed on the lower edge of the spine of the Application binder being submitted on or before May 21, 2009. If project specific waivers and approvals are contained in a Pre-application binder separate from that Pre-application binder containing the Performance Workbook for the associated team members, then the Application binder will require two Pre-application numbers to be prominently displayed on the lower edge the spine of the Application binder. All Pre-application project numbers that apply to a single project Application should be prominently displayed on the lower edge of the spine of the Application binder submitted in May.

15. If a wetlands or floodplain 8-step process was completed within the last one to two years and an evaluation is done to determine that no changes have occurred to either the wetlands/floodplain maps, site conditions, proposed

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building locations, etc, is it necessary to repeat the 8-step process for the 2009 application?

Yes.

16. The response to Question #6 in the QAP General Questions and Answers Posting #3 misses the procedural issues that the question was trying to raise regarding properties located within National Register of Historic Places ("NRHP") listed Historic Districts.

The response states that "The required documentation to receive three (3) points is the National Register of Historic Places (NRHS/NPS) listing for the project site." We are advised that buildings located within NRHP listed Historic Districts are not individually listed on the NRHP and are instead designated as being Contributing Resource to the Historic District and that being so designated is the equivalent to being listed on the NRHP. You will not find any individual buildings or sites located in an NRHP listed Historic District listed on the NRHP because procedurally buildings located within a Historic District are not individually listed.

Procedurally for a NRHP listed Historic District, the boundaries of the Historic District are identified and listed on the NRHP and individual structures are designated as Contributing Resources to the significance of the Historic District. This is the equivalent to being on the NRHP and should earn the three points. Please explain DCA's rationale for awarding three points to buildings on the NRHP but not to a Contributing Resource located within a NRHP listed Historic District. As per the QAP, regardless of the nature of the label used to identify a historically significant resource, the renovation of the structure must be completed in compliance with the requirements of SHPO to successfully complete the project in compliance with the DCA approved tax credit allocation.

Response: After evaluating this again, DCA is in agreement with your approach. The three points will be awarded if the materials mentioned above are included in the application.

17. If you have a development entity and a general partner entity that have a common individual principal, and you will submit for experience but also want to apply for the Tier One Entity, which entity or principal do you submit under? I am asking because the QAP states that the Tier One designation requires that the Entity (or its principal) meet the following: Successful ownership and development of 400 units in 4 projects or 600 units in 6 projects. Does this mean because the principal has both the ownership and development through them, that the principal will qualify?

Response: If the individual principal is a 100% owner of both the development entity and the general partner, and the individual principal

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has met the “successfully developed and owned” requirement through these entities or other entities, the individual principal would be the logical Tier One Applicant. If the individual principal is not the 100% owner of both the development entity and the general partner, the other owners must also receive Tier One designation due to the requirement that a Tier One entity, or entities, must own 100% of the development entity and the general partner. If a single individual, or a group of individuals, wholly own a development company which in turn will be, or will own, 100% of the development entity and general partner for a specific project, and the development company meets the requisite tests for Tier One designation, the development company might be the Tier One Applicant; however, all of the individuals must submit the Performance Workbook and submit the required Tier One information

18. For a HOME loan, what interest rate should be used if a project is located in a QCT in a rural area?

Response: HERA virtually redefined the definition of federal subsidy as it relates interest rates. Thus Section 7.2 of the QAP (Policies) specifically Loan Terms indicates the HOME loan terms. A rural project located in a QCT may utilize the interest rate prescribed in this section. For reference the interest rate on loans to finance projects located in areas designated as Rural pursuant to the definition defined in the QAP should be no less than 1% in years 1 through 7 and can be less than 1% in years 8 through maturity (in no case may the interest rate fall below .50%). In years 16 through maturity the interest rate may not fall below .25%. The construction period interest rate is 0%. Please note that DCA reserves the right to adjust interest rate based on the economics of the transaction.

19. Housing for seniors (62+) is exempt from the HUD requirements regarding lead-based paint. Does DCA also honor that exemption on buildings built before 1978, that house only seniors? Or would a Lead-Based Paint Inspection be required with the Phase I ESA?

Response: Lead-based paint inspections are required on all properties built before 1978, regardless of tenancy.

20. I am considering two projects in the same market area with the same tenancy in the upcoming round. There is a very strong market demand in the area. There is also a long waiting list at the one existing senior project in the area. The QAP seems to discourage submitting two projects in the same market. Is this an absolute bar?

Response: No. The QAP in the market study section states that DCA will “generally” not select such projects. However, this is not an absolute bar. DCA will look at these projects very closely to determine whether there will

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be any negative impacts on existing projects or on the lease up of each project if two are allocated. A very strong market study along with a more detailed analysis of any existing affordable housing in the area will be helpful in this area. If there are other extenuating reasons why both projects can be selected with no adverse market impact, DCA would also encourage you to submit that information. DCA may also determine that multiple projects in the same market area does not constitute a good allocation of resources over differing geographic areas for policy reasons. If this is a phased project, only one of the phases in the same round would be eligible for phased project points. While submitting two projects may put one at a disadvantage in terms of selection, it is not prohibited. DCA reserves the right to determine that the phases will not benefit the market or geographic distribution of resources.

21. DCA has established a minimum effective-gross-income-to-operating-cost ratio of 1.05 when analyzing the feasibility of non-debt deals. Has an upper limit been contemplated or established?

Response: No. DCA will closely scrutinize any non-debt deals to make sure that such projects/owners are not over-subsidized. Such analysis will be made on a case by case basis – we will examine, among other things, the ratio, cash flows and other benefits.