

**Questions and Answers**  
**March 11, 2003**

1. The compliance scores are not transferring over to the application form row 404. What is the Max possible score on the application 195-205?

A. The problem with the compliance scores transferring over will be corrected in the Final Application Core Revision # 1 which will be released April 1, 2004.

The total score is 205. The 195 was based on applicant's claiming points for Very Low Income and Very Very Low Income or project based rental assistance, which is a maximum of 12 points in either case. However, based on scenarios presented a deal could be structured in a manner which would allow applicants to claim points for Very Low and Very, Very Low and Project based rental assistance which increased the maximum points possible to 205.

2. We are planning to submit an application for this round for a project that is in the city limits of Atlanta. The 1<sup>st</sup> deadline for applying for real estate tax abatement from the City is January 30. We had not identified this site, and therefore, were unable to apply for a tax abatement from the City at that time. The next City application deadline for tax abatement is June 30, which is after our tax credit application is due.

If we apply for tax abatement and our project is awarded after our tax credit application has been submitted, how does the state handle this type of situation? We are applying for HOME funds. If we received tax abatement, our requirement for HOME funds may be reduced.

But in this instance, we do not want to jeopardize our scoring with the state tax credit award process. This gets a little convoluted because our application will be scored on our HOME funds request. If this were evaluated disregarding timing, the points received for the tax abatement would most likely offset any points lost from a smaller HOME request.

Should we or should we not apply for a tax abatement from City? If we do and receive an award, how will this be handled?

A. The first question as to whether the proposed entity should apply for tax abatement is a business decision and not a decision that DCA would offer advice on. If you submit an application which claims points for government financial support, the tax abatement from the City must be under serious consideration at the time of Application. (See QAP Appendix II, 6B). If the funding has not been awarded at the time of Application Submission, documentation that the project is under final consideration must be submitted with the Application. The Applicant must notify DCA as to whether the funding or in this instance, the abatement was approved on or before July 28, 2004. Points will not be awarded unless the funding/abatement is actually awarded by this date. Therefore with respect to your timing issue, you will need to determine whether the

abatement will be approved by July 28. In your question, you state that the points received for the tax abatement would most likely offset the points lost from a smaller HOME request. If an analysis of points subsequent to award results in the points received for the tax abatement not offsetting points received from a smaller HOME request, the award could be rescinded.

3. Under section 7A-5 (Project Characteristics-Neighborhood Redevelopment), what documentation is needed to submit as evidence of redevelopment activities? Also, can those redevelopment activities be occurring now, or would those activities need to have been previously completed the last 12 months.

A. Activities can be ongoing, but construction or services must have been completed, commenced or have been ongoing within the last twelve months. Appropriate documentation for a construction redevelopment activity may include building permits, newspaper articles, evidence of expenditures, (photos should also be included). Appropriate documentation to evidence services should also be provided by the service provider on the appropriate letterhead of the provider.

4. A Walmart is being built in the same town that one of our projects is in and will be completed in February of 2005, can this count towards the one point an application receives for two redevelopment activities?

A. Construction of the Walmart would have had to commence or be ongoing within the last twelve months (see question above) and would have to be located in the defined community area. In an urban area the defined community area will be considered to be 2 miles or less from the project and in a rural area 5 miles or less from the project.

5. Our site is located adjacent to a large parcel that is currently being redeveloped. The site will contain a Target, Kroger, Barnes and Noble, as well as other smaller stores. Because these stores are actually being built at this time and will open before our senior development, we would like to include them as desirable sites in the neighborhood. Does DCA agree?

A. Yes as long as construction has commenced.

6. Can additional monies above per unit limitations be spent on market rate units as long as that amount is not calculated in the basis for determining the tax credit amount? For example can garages be made available for market rate units only?

A. No.

7. If a project is new construction and we are attempting to replicate historical design and to use all brick construction would that qualify for a cost waiver?

A. Elderly, mixed income, Housing for Older persons, historic tax credits and energy star projects are eligible for cost waivers. The information that you have provided does not

give us enough information to determine if you are eligible in the above categories. Replicating historical design does not lead us to believe that the property is eligible for historic tax credits.

8. Which utility allowance chart should we use, the present 2003-2004 that will be released in a couple of months?

Use the 2003 for underwriting and once we post the 2004 they should be incorporated into your application.

9. Under A. Neighborhood Redevelopment (3), “One point for projects located in city limits of a community designated...” Question: Would the project have to be located in the Mainstreet or Better Hometown defined borders or would just being in the city limits of a city that having this designation qualify for the 1 point award?

Mainstreet or Better Hometown defined borders are cities.

10. We are proposing a 2.8 million HOME loan, non-amortizing in a rural county with a private financing source in the 2<sup>nd</sup> lien position. Can the private financing source in 2<sup>nd</sup> lien position have a 30 year amortization provided it meets all other qualifications of the QAP?

A. Yes.

11. We are proposing a tax credit only with a 30 year amortizing private financing with a 5.5% floating interest rate. We will show the 5.5% throughout the 30 year pro forma. Does this work to meet the 1.15 debt coverage ratio for every year during the 30 year extended affordability period?

Answer: While we don't believe the scenario provides enough information to answer your question please be advised that with a floating interest rate you should prepare your proforma based on the worst case scenario based on the terms of your commitment.

12. Under 2 Transportation Availability: Two points to projects “located in major transportation roadway.” What types of data could we provide to assist you in making this determination? Such as traffic counts, traffic study, etc....

A. Yes, this information would be useful and information such as maps that would locate areas of major retail, employment and commercial areas to further illustrate traffic patterns within a community may also be included.

13. Will points be granted for governmental financial assistance for construction and permanent financing in which a governmental entity acts as a conduit/intermediary for financing provided by a private source? For example, assume that a commercial bank makes a \$1,000,000 loan to a Development Authority on a non recourse basis at LIBOR plus 1.5%. The Development Authority will in turn lend the \$1,000,000 to the Applicant

on a recourse basis at Libor Plus 1.5%. Can the \$1,000,000 be considered government financial assistance?

A. No. A government entity that is acting only as a conduit or intermediary for a private source is not considered to be government financial assistance. The government entity must assume financial risk and must provide some benefit greater than what was received from the private source. In its financial analysis DCA will look at the substance of the transaction rather than the form of the transaction. Ultimately, DCA will be looking at the benefit that the government assistance provided to the entity. DCA will not award points to projects in which an Applicant has engineered private financing to merely flow through a government entity for purposes of obtaining points.

14. What if the private financing source bifurcated its loans in that it had more than one loan either to the government entity or to the Developer with different interest rates, how would DCA look at the government entity loan?

A. DCA will consider the weighted average of the interest rate on all loans to determine whether the project received any financial benefit from the government financial assistance.

15. Will points be granted for governmental financial assistance for construction and/or permanent financing in which a governmental entity issues taxable bonds, which will be credit enhanced by a letter of credit from a commercial bank and lends the bond proceeds to the Applicant at a fixed rate equal to the "all in" cost of the bonds? The "all in" cost is a rate inclusive of all interest and fees attributable to the financing, including, but not limited to, the coupon rate on the bonds, the cost of credit enhancement, trustee fees, rating agency fees, re-marketing agent fees and administration fees.

A: No. The governmental entity is not liable to repay the bonds, as the bonds are secured by the letter of credit issued by the commercial bank. DCA would consider the governmental entity only as a "conduit" for the commercial bank. The ultimate risk taker in the transaction is the private source of funds, which assumes the real estate risk of the underlying project and the credit risk of the principals of the Applicant. The governmental entity has no financial risk and the bank has not provided any benefit greater than what would have been received from the private source.

16. The DCA HOME loan permanent interest rate is locked at 1%. We are looking at requesting a 9% tax credit project with QCT, therefore, we need to use an AFR interest rate on the HOME loan, so we do not lose tax credit eligible basis. We are planning on using a 5% interest rate.

A. The cells relative to the HOME loan interest rate has been unlocked. Please note that the HOME loan interest rate must be at or above 1%. If your HOME loan rate is at or above AFR, the DCA policy regarding the 40/50 election is still applicable.