



# 2013 Pre-Application Workshop

Housing Finance and Development Division



# Welcome !

- Purpose
- Introductions
- Housekeeping
- Brief Overview



# Pre-Application Process

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# Pre-Application Process

- All requests due March 15, 2013
- Submit to:  
Dept of Community Affairs  
Attention: Andria Williams
- Include appropriate fees to GHFA

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# Pre-Application Form and Instructions

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2013docs.asp>

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# Pre-Application Required for Each of the Following:

- Request for HOME Consent
- Qualification Determination
- State Basis Boost - Extraordinary Circumstances (only)
- Operating Expense Waiver
- Sustainable Communities or LEED-ND Points

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## Pre-Application Required for Each of the Following (cont'd):

- Amenities Pre-Approval
- Architectural Standards Waiver
- Noise Waiver
- Payment and Performance Bond Waiver
- Per Unit Cost Limitation Waiver *(for Significant Economic Barrier)*

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## Pre-Determination / Waiver Form

- Detailed instructions for hard copy and electronic copy - both are required
- Table of Contents provided
- Asterisks indicate there is a DCA form required - all forms found on website
- Fees noted with separate page to attach check
- Questions re: electronic copy- Stephen Barrett [stephen.barrett@dca.ga.gov](mailto:stephen.barrett@dca.ga.gov)

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## HOME Consent

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## DCA HOME Funding

### Core Plan - Section 11

- \$2.5 Million Maximum loan amount
- \$1.0 Million Minimum loan amount
- 15% of HOME set aside for DCA pre-qualified CHDOs
- CHDO must be Sole GP or Managing GP Owner
  - Proposed HOME Rule changes still under review

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## Finding HOME Manual and Forms on DCA Website

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/QAP2013docs.asp>

*Application Process to Construction Completion*

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## Required Document Submission

- 2013 Core Application Narrative and Tabs I-VII (only)
- Rural Designation
- CHDO Certification Documentation
- Organizational Chart
- Successful HOME Loan and Other HUD funded Project Experience Form

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## HOME- Facts to Remember (cont'd)



- All Low Income units are “HOME-assisted units”
- Five or more “HOME-assisted units”
  - At least 20% of the HOME assisted units must be occupied by very low income families ( < = 50% AMI)
  - Remaining HOME-assisted units must be occupied by families with incomes < = 60% AMI
- HOME-assisted (all low income) unit rents may not exceed HUD Fair Market Rent (FMR)

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## HOME – Facts to Remember (cont'd)



### Loan Terms

- Interest during construction: 0%
- Convert to perm within 24 mths
- Permanent interest rate: 1%
- Term: 15-35 yrs

*All final terms determined during underwriting*

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## HOME - Facts to Remember (cont'd)



### Loan Terms (cont'd)

#### Non-Fully Amortizing Loans

- Rural loans may request an irregular payment stream, but...
  - Interest and portion of principal must be paid annually (NO Negative Amortization)
  - DCR at least 1.25 for entire term (Rehabs) and 1.20 (New Construction)
- ½ of cash flow to reserve account
- Future Market Value must exceed outstanding loan balance at maturity

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## HOME Investment - Minimum Length of Affordability



- Rehab
  - Less than \$15,000 / HOME unit 5 Years
  - \$15,000 - \$40,000 / HOME unit 10 Years
  - More than \$40,000 / HOME unit 15 Years
- New Construction / HOME unit 20 Years

(DCA requires the period of affordability to coincide with the term of the HOME loan)

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## HOME – More Facts to Remember



### Most Frequent Errors

- Fair Market Rents not used when applicable
  - Appendix I Sec. I A. 5. c)
- Applying National Non-Metro rents
  - Appendix I Sec. I A. 5. a)
- Outdated or incorrect Utility Allowances
  - Appendix I Sec. I A. 5.

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## State Basis Boost for Extraordinary Circumstances

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## State Basis Boost for Extraordinary Circumstances



- See Core Section 8
- No Pre-Approval Required for the following:
  - Rural without DCA HOME
  - Historic Rehab Projects with historic credit commitment
  - Projects in areas that qualify for 3 points or 4 points for Stable Communities

## State Basis Boost for Extraordinary Circumstances (cont'd)



- “Extraordinary Circumstances that further the policies in the QAP” may be Pre-Approved
- Defer Developer Fee 1%:1% for each percentage of State Boost requested
  - Not applicable if the projects has a commitment for a new loan or grant from an independent non-related party equal to at least 30% of the total Developer Fee
  - Assumptions are not considered ‘new loans’; USDA 515 financing may be an exception

## Operating Expense Waiver Payment and Performance Bond Waiver



David Bartlett  
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## Operating Expense Waiver



- Standards found in Threshold Appendix I Exhibit A 1.
- Documentation from real estate taxing authority detailing its method of calculation and an estimate of real estate taxes for the project required
- Detailed operating statements for the most recent 12 months of stabilized operations (or two years of previous operations if a rehab)

## Operating Expense Waiver (cont'd)



- Rents must be at least 10% below lower of tax credit / HOME maximum or market
- Strong justification is required
- Standard Revenue, Vacancy, and Expense Trends still apply (see Threshold Appendix I Exhibit A 21.)

## Payment and Performance Bond Waiver



- See Threshold Appendix I Exhibit A 25.
- 100% Payment and Performance Bond (P&PB) required for all projects financed with DCA HOME funds
- When P&PB cannot be obtained due to an Identity of Interest between the Developer and the Contractor, a waiver may be requested.

## Payment and Performance Bond Waiver (cont'd)



- Alternatives to a P&PB are as follow:
  - 1) Owner provides construction completion guaranty and payment guarantee secured by a letter of credit\* with a value of at least 50% of the total construction cost\*\*

\* letter of credit must be from a federally-insured institution

\*\* including builder's profit and overhead

## Payment and Performance Bond Waiver (cont'd)



- Alternatives to a P&PB (cont'd)
    - 2) Owner secures construction loan w/private financing
- GHFA will disburse not more than \$10,000 per month during the construction period, then pay-off (or pay down\*) the construction loan after the construction cost certification has been approved.

\* tax credit equity must repay any remaining balance on the construction loan

# Questions?

# Break

Ten Minutes

## Environmental Review

Tarolyn Moore  
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## Public Benefit and Immigration Compliance



House Bill 2 – Public Benefit

*Applicants*

- Complete affidavit of citizenship
- Provide proof of citizenship
  - Driver's license
  - Passport
  - Military ID
  - Etc.

## Public Benefit and Immigration Compliance (cont'd)



### House Bill 87 – Immigration Compliance

#### Contractors

- Complete contractor affidavit
  - Ensure that employees are lawfully present in the US
  - Ensure that sub-contractors complete affidavit
  - Ensures that sub-contractors employees are lawfully present in the US

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## Environmental Review Publication and Relocation Notice



- Upon submittal of a Pre-application to DCA , HOME Applicants must submit a signed letter stating that they must refrain from undertaking activities that would have an adverse environmental impact.
- During the review process, Applicants may not commit or expend HUD or non-HUD funds.

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## Environmental Review Publication and Relocation Notice (cont'd)



- Completion of the environmental review process is mandatory before taking a physical action on a project site.
- After LIHTC award, 45 Day process will begin once all required documentation has been received.

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## Common Issues and Minor Changes



- Calculating the Acceptable Separation Distance  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/environment/asdcalculator](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/asdcalculator)
- Farmland Data Documentation  
<http://websoilsurvey.nrcs.usda.gov/app/WebSoilSurvey.aspx>
- Tribal Historic Preservation Office Consultation  
<http://egis.hud.gov/tadat/Tribal.aspx>
- Wetland and Floodplain Buffer

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# Relocation

Lynnette Watson

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## Relocation



- The obligation to pay relocation benefits accrues upon the submission of a Pre-application
- Pre-application applicants are reminded that issuing the required General Information Notice to all residents at the property can help demonstrate that any subsequent move (that occurs before the initiation of negotiation date) was voluntary by the tenant and not caused by the project.

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# Qualification Determination

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## Qualification Determination

### Overview

- For the evaluation of each project team, (General Partner and Developer or Principals) demonstrated ability to successfully own, develop and operate proposed tax credit properties.
- DCA may evaluate beyond the principals to those within the sphere of influence as defined by HUD.

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## Qualification Determination

### Criteria for Determination:

- Financial Capacity
- Credit History
- Technical Skill
- Performance History

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## Qualification Determination

### Demonstrated Abilities:

- Develop a project concept and financing structure
- Complete competitive application
- Obtain financing and syndicator commitments
- Close on financing
- Negotiate and contract with general contractors
- Meet statutory deadlines
- Successfully lease up and operate the completed project

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## Qualification Determination

### Full Disclosure of Proposed Project Team required

- Complete Organizational Charts that detail all principals down to the individual level of ownership
- All Guarantor agreements
- All Consulting agreements – direct or indirect, paid or unpaid
- Any (All) Project team members that have been withdrawn or involuntarily removed in last 36 months
- All pending litigation
- Significant non-performance in a government program
- Default in payment of any commercial or personal loan

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## Qualified **WITHOUT** Conditions Designation

- Five or more successful tax credit projects\* with 20% or more ownership interest and no adverse conditions for any team members

**OR**

- Two or more successful tax credit projects\* with 20% or more ownership interest and no adverse conditions for any team members

\*Projects must be completed and converted after January 1, 2005 and have a current 90% occupancy rate AND Project team must have been involved from initial allocation of credits.

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## Qualified **WITH** Conditions Designation



- Developed multiple tax credit projects; however, does not currently own or operate the requisite number of projects (2 – 5, depending on the category)
- Developed/Owns the requisite number of projects, but does not have the required 20% or more ownership interest
- Demonstrates successful developer/ownership experience, but has one or more adverse condition
- Demonstrates successful developer/ownership experience, but has had a material change in key personnel or organization

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## **NOT** Qualified Designation



### Lack of Capacity to complete proposed development

- Due to current condition or past performance
- Number of projects in progress
- Failure to meet construction commencement and other completion deadlines
- Recaptured credits
- Number of outstanding incomplete DCA-funded developments

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## Qualification Determination



### Options for Non-qualified Entities

- Partnering with a Qualified Without Conditions entity
  - If probationary designation is granted based on partnering, DCA may but is not required to grant a waiver of project cap limitations for proposed partner.

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## Qualification Determination



### Options for Non-qualified Entities

(cont'd)

- Capacity Building for Industry Professionals (Probationary Designation)
  - Full-time Employment in Tax Credit Industry – minimum of 5 years
  - Successful development of at least TWO Tax Credit projects -> Ownership Interest not required
  - No participation in adverse development
  - Completed resumes
  - Personal Credit/Criminal Background checks
  - Business Plan
  - Sufficient Liquidity
  - Narrative of proposed project and organizational structure

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## Qualification Determination



### Management Company's Experience

- Prior management experience in at least 4 Multifamily Tax Credit Projects of similar size
- Management experience with project that extends at least 2-years and include lease-up and stabilization
- Experience subsequent to January 1, 2002
- Management Experience met only through experience of Management Company or its principals
- Regional Office located in Georgia or one of its contiguous states

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## Compliance/Performance Review



- Compliance Score will **not** be issued at Pre-Application
- Past Performance evaluated in the following funding programs:
  - Low Income Housing Tax Credit (LIHTC), TCAP and Exchange
  - DCA HOME programs
  - FDIC/Affordable Housing Disposition Program (AHDP)
  - Housing Trust Fund (HTF)
  - Department of Agriculture with Tax Credits

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## Compliance Performance Review



### Required Documents

- Compliance History Summary (CHS) must be submitted for all Project Team members
  - CHS should be included in the workbook
  - All properties listed
  - All fields completed
- Conflicts in Instructions Form:
  - Only provide the completed form from each project participant for each state
    - DCA will request information from other states, as deemed necessary
    - Form should be included in the workbook
- Include all funding program reviews for 2008 through May 2013 on CHS

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## Performance Review



### Point Deductions Possible Adverse Circumstances

- Program Administrative Non-compliance
- HOME Program Administrative Non-compliance
- DCA Program Administrative Non-compliance
- Tax Credit Non-compliance reported as uncured on IRS Form 8823
- Major property condition violations
- Pattern of minor property violations
- Project Failure
- Occupancy level of a project below 87%
- Major project failure/General Partner failures that occurred on or after January 1, 2005

\*Other examples of Point deductions can be found in Appendix II of the Competitive Scoring Section of the 2013 QAP  
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## Performance Review



### Possible Offsetting Conditions- Areas to Consider (cont'd):

- Point Additions  
If points have been deducted and Compliance Score is less than 10, these points may be added:
  - 1 point awarded for 5 successful Georgia projects
  - 2 points awarded for 8 successful Georgia projects
  - 3 points awarded for 10 successful Georgia projects
- Points to Remember:  
All Georgia Tax Credit and HOME projects funded from 1990 to 2011 must be complete in MITAS – DCA’s web-based property management system
  - Tenant Information
  - Contact Information

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# Architectural Pre-Approvals

**Michael Collins**  
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## Pre-approvals



- Optional Amenities Approval
- Sustainable Communities Site Analysis Packet or Feasibility Study

*Please refer to QAP-Core Exhibit A for fees and deadlines*

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## Pre-approvals



### Optional Amenities Approval

All amenities must meet the criteria set forth in the Architectural Manual.

- Pre-approval required if deviation from the amenities detailed in the Amenities Guidebook.
- Requests for approval must include a detailed description of the amenity and how it will benefit the resident population.

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## Sustainable Communities

Presented by: [Logo]

## Sustainable Development

- Sustainable Communities
  - Requires Pre-application Submission
    - EarthCraft Communities: Site Analysis Packet
    - LEED ND: Feasibility Study by LEED AP ND
- Sustainable Buildings
  - Requires Owner’s Certificate of Participation in Southface’s Green Building for Affordable Housing training course (2012 or 2013)

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## Sustainable Communities

- EarthCraft Communities Program Site Analysis Packet

Site Analysis Packet as defined by Earth Craft Communities Guidebook is submitted and reviewed by both DCA and Earth Communities administrators at Pre-application, or

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## Sustainable Communities (cont’d)

- Leadership in Energy and Environmental Design for Neighborhood Development (LEED-ND) Feasibility Study

Feasibility study prepared by a LEED APND that evaluated the feasibility of the proposed project meeting LEED ND criteria is submitted and reviewed by DCA at pre-application.

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## Sustainable Development

- Sustainable Buildings

Building certification from one of the following entities:

- EarthCraft House multifamily
- Enterprise Foundation’s Green Communities
- US Green Building Council’s LEED for Homes
- National Association of Home Builders Research Center’s National Green Building
- ENERGYSTAR Version 3 certification.

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# Architectural Waivers

**Michael Collins**  
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## Pre-Application Waivers



- Architectural Standards
- Noise
- Per Unit Cost Limit

Please refer to QAP-Core Exhibit A for fees and deadlines

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## Pre-Application Waivers



### • Rehabilitation Standards

May be taken into consideration if there is overriding public policy or historic preservation need

- PNA clearly documents that the existing property does not require a comprehensive rehabilitation.
- Certification from the architect and where applicable, the appropriately licensed project engineer.

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## Pre-Application Waivers



### • Architectural Design & Quality Standards

All applications must meet the Architectural Standards contained in the Architectural Manual for quality and longevity.

- Consideration will be given to additional design options not listed under the Threshold Standard Design Options.
- Proposals must include a detailed description of the design option.

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## Pre-Application Waivers



### • Noise Waiver

Exterior noise levels of 75 db are unacceptable

- The DCA and HUD Noise limitations must be met at 45 db for interior locations and 65 dB for exterior locations.
- The waiver process allows DCA to determine whether projects that do exceed 75 db qualify for an exception to the policy.

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## Pre-Application Waivers



### • Per Unit Cost Limits

DCA will not fund projects that have costs that exceed DCA cost limits unless a waiver is granted.

- DCA will consider requests to waive the limitations stated in the Threshold QAP on a case by case basis.
- DCA will consider cost waiver requests for projects involving significant economic barrier not typically seen in Georgia LIHTC projects.

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# Questions?

