

2016 DCA Qualified Allocation Plan
General Questions & Answers
Posting #11
May 24, 2016

DCA Manual - HOME

1.Regarding 20_13: Partnership Agreement or letter from Syndicator certifying role and interest of the Certified Entity and/or Principal for each Successful Tax Credit Project listed for Project Team Experience

Can we submit the Partnership's Operating agreement rather than the Partnership Agreement as the Operating Agreement actually has the breakdown of the ownership structure.

Response: Yes the Operating Agreement can satisfy the documentation request. The documentation provided should verify the percentage interest of GP Entity and/or Development Entity listed on the Experience Summary tab of the Performance, Experience and Compliance History Summary Workbook.

DCA Manual - Relocation

1. Our proposed project will be built with 1, 2, & 3 bedroom units. There is one house on the site that is a two-bedroom with 7 occupants. These occupants are not on a current lease and are considered month-to-month by the owner. In the manual it says for permanent displacement we must pay moving costs (moving, hook-ups, etc.) and then the rent differential for the term of their lease. How should this be handled within our plan and budget when the residents are month-to-month?

Also, should we assume the residents can prove US Residency for the purposes of relocation budget and plan? When filling out the data form they did not check the box regarding certification of US Residency.

Response: DCA advises the applicant to work with a qualified relocation specialist to determine the proper treatment regarding both the residency status issue and any potential displacement moving costs needing to be covered. DCA would expect the application to appropriately reflect the entire expected costs of the relocation after discussion with a consultation specialist.

Electronic Core Application - 2 Development Team

1. Understanding that the management company will have to be approved by DCA prior to the first building's placed in service date, and that projects have been selected for funding in the past with the General Contractor listed as "TBD - Based on competitive bid", will DCA allow applications to list the management agent as "To Be Determined at a later date"?

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This will allow the development team to select the best management company for the project, based on all market factors in play at the time of construction and the beginning of lease-up. The management team will be required to adhere to all DCA requirements and all scoring and threshold elections in the application

Response: Yes, the management company can be 'TBD' prior to the date that the first building will be placed in service. The management company fee must be included in the projected expenses at a reasonable market rate.

QAP Threshold - 1 Project Feasibility, Viability Analysis, and Conformance with Plan

1. For USDA-RD 538 loans, it was noted that the Notice of Funds Available Selection Letter and the related lender commitment are appropriate documentation of Commitments under threshold. Is the applicant permitted to provide an "Up to" amount within these letters if it exceeds the amount assumed in the Core application, or does the loan amount in the NOFA letter, commitment letter and Core application need to tie out exactly?

Response: Commitment letters can show an "up to" amount. However, DCA will consider any discrepancies between the "up to" amount, commitment letter and CORE application in its feasibility review. Approved and unused potential resources could impact the financial feasibility of the proposed Application and underwriting of the necessary tax credit allocation.

2. DCA is requesting documentation or an explanation on the calculation of impact fees. After reviewing the Threshold Criteria, Page 3 of 59, this is in reference to Reasonableness of Operating Costs. Please provide additional clarification on the Impact Fee calculation DCA is requesting and if this is related to impact fees that are included in the building permit fees charged by the local municipality.

Response: Applicants are encouraged but not required to provide supporting documentation on how estimates of impact fees are calculated if they are available from the local municipality. If impact fees are not broken out as a separate line item but are included in building permit fees the Applicant can note this when providing the documentation.

QAP Threshold - 2 Cost Limits

1. I am reaching out regarding if it is necessary to include an elevator in a 3-story family apartment building. It is clear that if it is a senior deal we must include an elevator, however it is unclear if it is necessary for a family deal or if "elevator" is simply the term

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used for 3-story total project cost limits. Please advise.

Response: Elevators are not required for family projects. Cost limits are based on the building design type (elevator, walk-up, row house, detached/semi-detached). "Elevator" is the building type for 2-Story and 3+Story. See Threshold page 10 of 59 and 2016 Electronic Core Instructions page 24 of 29.

QAP Threshold - 4 Required Services

1. In Appendix I - Threshold Criteria, Section IV Required Services. A. Family/Senior Properties, it states "Each month every Family Property must include at least two (2) services from at least two (2) of the following categories. Please clarify, does this mean 2 services from 2 different categories for a total of 4 different services; or, does it mean 1 service from 2 different categories for a total of 2 services.

Response: For Threshold Criteria, Section IV Required Services, family properties will complete a total of 2 services per month and senior deals will complete a total of 4 services per month.

QAP Threshold - 7 Environmental Requirements

1. The tabs checklist includes the following documents under Environmental Requirements; HOME HUD Environmental Questionnaire, Established agreements with HUD regarding different standards of review, US Census Tract documentation, Certification for Contract, Loans, and Co-operative Agreements, Disclosure of Lobbying Activities, Applicant/Recipient Disclosure/Update Report, MBE/WBE Outreach Plan Guide Form, and HOME Site and Neighborhood Standards Certification. If your project does not have HOME funding but includes Project Based Rental Assistance from the local housing authority, which documents are required in the application submission?

Response: The documents listed are only required for applicants seeking Federal Funds (HOME) from DCA.

QAP Threshold - 16 Site Information And Conceptual Site Development Plan

1. Per the 2016 QAP section XVI. Site Information and Conceptual Site Development Plan, item #3, finished floor and building elevations of each building is now required. This is a change from the 2015 requirements as previously DCA only requested finished floor elevations of each building to be listed on the site development plan. Does DCA

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now also want finished building elevations as well? If so, in what section of the application should those be included?

Response: DCA is requiring finished floor elevations of each building to be shown on the conceptual site development plan. The building elevations of each building do not have to be included on the conceptual site development plan, but must be included with the application within folder "16SiteInfoDevPlan".

QAP Threshold - 17 Building Sustainability

1. QAP states there needs to be a signed MOU between applicant and Southface. There are instances where there is an existing MOU signed between Southface and landowners (Or affiliated entities to landowners) of existing ECC developments on undeveloped tracts that developers are proposing new developments on. The proposed developments' land are already within existing ECC Communities, which were targeted as future developments at the time the MOU was signed. Being a development done within an existing ECC community, tax credit applicants do not sign the MOUs with Southface. Is the MOU that is signed by the landowner (or affiliated entity to the landowner) that proves this tract is part of the existing ECC acceptable?

Response: The existing MOU with a landowner would be acceptable, so long as the Applicant's proposed development is clearly indicated as future development within the ECC community and the Applicant provides confirmation from Southface of the same. DCA notes that an MOU is not a requirement of Threshold Section – 17 Building Sustainability.

QAP Threshold - 20 Qualifications for Project Participants

1. DCA is requesting a copy of the "Real Estate properties disclosure, if applicable" in Tab 20. Is that the same thing as the Compliance History page from the performance workbook? If not, can you tell me what the Real Estate Properties Disclosure document is?

2. If a Project Team submitted a qualification determination and is deemed "qualified" by DCA during the 2016 pre-application cycle, what additional documents in Tab 20 and Tab 21 will be required if the exact same Project Team plans to submit an application for a separate development? Should the "Qualification Determination" received from DCA be provided in both applications? Or, only included in the application for which it was requested during the Pre-Application stage?

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3. We have submitted a pre-application. Is it necessary to re-submit any of the information from the pre-application (IRS forms, Compliance History, etc.) with the full application that will be submitted on June 9th? We do not anticipate any changes to the information.

Response: 1.) The real estate properties disclosure may be requested by DCA, it is not required- see Disclosures, Threshold page 32 of 59, C.2.

2.) Unless the qualification was conditions by, or subject to, the receipt of additional information, then no other information is required. The Qualification Determination must be included in the Application(s) for which it was requested.

As the characteristics of other proposed Applications may differ, the Applicant should submit a separate project information and narrative for any proposed site not submitted for Qualification Determination during pre-application.

3.) Unless the qualification was conditioned by, or subject to, the receipt of additional information, then no other information is required.

QAP Scoring - 4 Community Transportation Options

1. The 2016 checklist and QAP state that the following items are required:

-Map showing the location of the transit stop in relation to the proposed development site and clearly indicating off-site Paved Pedestrian Walkways used to access the transit stop.

-Photograph of the transit stop accompanied by description of the stop's location. If the development is located in a rural area with an "on-call" service the above items will not be available. Please specify what documents DCA would like to see under Section 28. Transportation for a rural "on-call" service.

Response: The following documentation items are required for on-call transit:

- Documentation and web address/URL (if available) from transit authority showing cost of service, relevant transit route, and schedule.*
- Documentation that clearly demonstrates how the public is made aware of the transit service and schedule (web address is sufficient documentation).*

QAP Scoring - 6 Sustainable Developments

1. Please confirm if an Earthcraft Site Analysis Packet is required to be submitted to DCA at application for Earthcraft Community Points. In Q & A #4, your response to a

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question concerning Community points mentioned the Site Analysis Packet as follows:

"please note the documents required at Application for Sustainable Communities require the applicant to invest resources into items such as the Earthcraft Site Analysis Packet much earlier than the application due date in order to have the required documentation completed on time."

Also, the QAP Deadlines Schedule list the Site Analysis Packet as due June 9. Yet, your list of required items for Earthcraft Community points in the QAP, Tabs Checklist and Q & A posting 4 does not list the Site Analysis Packet as a requirement.

Response: The Earthcraft Site Analysis Packet is completed by Southface as confirmation that the applicant is eligible for the program. At Application Intake, applicants should have a Memorandum of Participation from Earthcraft Communities in hand that can be submitted as proof that the project is eligible for the program and that Southface has the information needed for the Site Analysis Packet. The Site Analysis packet does not need to be submitted by the applicant.

QAP Scoring - 9 Phased Development/Previous Projects

1. Last year we asked the following question:

There are some cities (local political jurisdictions) which are primarily urban but which extend into a rural county. If such a city had a deal funded between 2011-2014, in the urban portion of the county, according to our reading of Section IX, a new project would be eligible for 3 points so long as it is more than 1 mile away from the previously funded project.

However, sometimes that predominantly urban Local government stretches into a rural county. We read this restriction to say that the 1 mile rule applies in all cases where the previously funded application lies in an urban area regardless of whether the current application is in the flexible (located within city limits in a non-rural county) or rural pool (located within city limits but in the rural county).

To deny the points, because the new project is even further away, but across the county line, would be an unintended consequence of an otherwise thoughtful policy.

DCA's response was the following:

The radius measurement applies only to applications in the Flexible pool. In the Flexible pool, three (3) points will be awarded to an application that has had no 9% LIHTC properties in the last five (5) funding cycles (2010-2014), within a 1-mile radius of the

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proposed development. Applications in the rural pool do not use the 1-mile radius measurement, but instead use the Local Government boundary as the benchmark for points. In the Rural pool, three (3) points will be awarded to a proposed development if no other projects have been funded in the past five (5) funding cycles (2010- 2014) within the same local government boundary.

Section IX in scoring does not contain the word 'urban'. Rural (page 9 of 40 in Core) means those areas designated by USDA as being Rural or those counties that appear on Exhibit A of Appendix II [of the QAP]. A property must be located in a rural area to be in the rural pool. "Applicants proposing a site in a rural area may only be considered in the rural pool." (Page 15 of 40, Core) "Urban" areas within rural counties have no bearing on the criteria in IX.

In that the current iteration of the QAP has not substantively changed in this category, does this ruling still apply?

Response: Yes, this ruling still applies. DCA will measure a 1-mile radius from all Flexible Pool Applications and review if any DCA Housing Credit properties funded 2011-2015 are in the circle. DCA will review any Housing Credit developments funded 2011-2015 in the same political jurisdiction/locality of any Application in the Rural Pool.

QAP Scoring - 15 Leveraging

1. Section XV-A, Leveraging (Grants/Loan) states that the following categories are eligible for up to 4 points:

- I) Federal Government grant funds or loans.
- j) Conventional loans from FDIC-insured institutions, minimum 10% TDC (Flexible Pool only).

DCA has previously stated that USDA 538 loans qualify as a leveraging resource (posting 2 March 17, 2016). Do USDA loans qualify under category (I) Federal Government grant funds or loans, which would allow them to be used in rural areas (which is a requirement of the 538 program), or category (j) which is limited to the Flexible Pool ?

Response: 538 loans would be listed under (i) Federal Loans.

2. In Appendix II (Scoring) of the 2015 QAP, Section XV was Leveraging OF PUBLIC RESOURCES which were required to be "binding and unconditional" and "Resources must be utilized". It appears that Section XV of the 2016 QAP, Appendix II is now only leveraging of debt that including Loans that are at or below Bank Prime Loan Rates plus 200 basis points. To achieve points under this Section, must the Applicant's construction/loan commitment be "binding and unconditional" or will a preliminary

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commitment letter with a rate below the threshold be acceptable to achieve points based on the percentage of the loan to TDC? In other words, will it receive points if it needs to go to committee for final underwriting prior to closing as is standard? I believe the intent is to increase resources so that few tax credits are used and can be spread among more applications.

Response: DCA expects that the project will receive the amount of loan proceeds as stated in the CORE application and supported by the preliminary commitment offering. DCA will review any points awarded under Leveraging, ensuring that applicants who claimed points fulfill their commitments. At Final Allocation Application (8609 certification), the final allocation of tax credits will be underwritten to the amount of the loan proceeds used for leveraging points at Application.

3. We are working on the financing commitment for a project in Macon, GA. In the urban pool, leveraging points are available for loans from FDIC-insured institutions. For this point category, will DCA accept loans from a loan consortium in which all members are FDIC-insured institutions and all loan funds come from these FDIC-insured institutions, or does the loan need to be directly from the FDIC-insured institution?

Response: DCA will allow loans from a consortium of FDIC-insured institutions.

4. Does the 10 year term apply to the permanent period, or does the 10 years include the construction phase of the project?

Response: It refers to the permanent period.

5. For the conventional loans to qualify for points, are they allowed to float during construction so long as the estimated interest rate is currently below Prime + 2.00%?

Response: Rates may float for construction. DCA expects to see a commitment to provide construction financing at an index and spread no greater than Prime plus 200 basis points.

6. If we get a commitment for a conventional loan, and then after the allocation we determine that a FHA insured loan is a better opportunity for the project, would switching at that point violate the requirement that "resources must be utilized"?

Response: DCA expects that the project will receive the amount of loan proceeds as stated in the CORE application and supported by the preliminary commitment offering. DCA will review any points awarded under Leveraging, ensuring that applicants who claimed points fulfill their commitments. At Final Allocation Application (8609 certification), the final allocation of tax credits will be underwritten to the amount of the loan proceeds used for leveraging points at Application.

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7. Section XV. Leveraging Item B. Long Term Ground Lease states that “two (2) points will be awarded for projects receiving a long-term ground lease (no less than 45-year) for nominal consideration and no other land costs for the entire property.”

If a related party to the applicant has a piece of property under control via a purchase contract at the time of the application will an option to lease the property from the related party to the applicant be considered valid site control under threshold and will the lease with the related party qualify the applicant for 2 points under this section so long as the lease quality's under the requirements of Section XV (B)? In prior years this point's category was limited to qualifying leases from local public housing authorities or government entities but we want to make sure a developer owned entity can qualify for these points in the land costs will be paid for by the developer or other team member outside of the project costs.

Response: Yes, this structure could qualify for points. The purchase contract and lease would need to meet the requirements of Site Control and prove the lease is for nominal consideration.

8. Your requirements for loan leveraging points in the flexible pool allows a conventional loan, but must be for construction as well as permanent financing phases. Would the loan qualify for points if the construction loan was from a bank and the permanent loan was provided by the bank through Fannie Mae?

Response: Yes, DCA would consider that this combination of construction and permanent financing could qualify for points.

9. In Section (XV) (A) (1) (j) of the scoring section of the QAP, it states that points will be awarded for FDIC-insured conventional loans. We would like to confirm that this refers to banks such as Wells Fargo, Bank of America, etc. - provided all conditions included in the QAP are met.

Response: Yes, this includes large institutional banks such as Wells Fargo and Bank of America, etc.

10. Conventional or Federal Government insured loans with interest rates no greater than Bank prime loan, as posted on the Federal Reserve H. 15 Report on May 5, 2016, plus 200 basis points.

In the loan commitment letter is DCA looking for the interest rate at closing not to exceed 5.5% (Prime Rate + 200 basis points as of 5/5/16) essentially requiring a rate lock at application submission?

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Response: DCA expects that the project will receive the amount of loan proceeds as stated in the CORE application and supported by the preliminary commitment offering. DCA would expect to have the rate at closing to be no greater than 5.5%. DCA will review any points awarded under Leveraging, ensuring that applicants who claimed points fulfill their commitments. At Final Allocation Application (8609 certification), the final allocation of tax credits will be underwritten to the amount of the loan proceeds used for leveraging points at Application.

QAP Scoring - 17 Integrated Supportive Housing

1. Can a development for HFOP or Senior in the Rural Pool claim Two (2) points if they agree to accept Section 811 project based rental assistance or other DCA offered rental assistance and meet the 10% requirement of units for Persons with Disabilities? In other words, is this category limited to Family deals?

*Response: Scoring XVII Integrated Supportive Housing is not limited by DCA to Family deals. So long as the project agrees to accept Section 811 project based rental assistance **or other DCA offered rental assistance**, meets the 10% requirement of units for Persons with Disabilities and meets the definition of HFOP or Senior.*