

2018 Q&A Posting #1

February 28, 2018

QAP Threshold-5 Market Feasibility (Market Study)

1. For our 2017 application, we used the 2016 HUD FMRs. For this year's application we notice that the 2018 HUD FMRs were published prior to January 1, 2018, but we're not sure of their effective date. Does DCA want us to use the 2017 or 2018 HUD FMRs?
 - The QAP and Market Study Manual do not specify, only that: "The market study must contain sufficient data and analysis to provide DCA with a clear understanding of the market data as presented, the analysis of that data and the conclusion(s) derived from such data and its relationship to the subject property" (Manual, pg 1). The 2018 FMRs were effective as of the start of the fiscal year (Oct 2017).

QAP Threshold-6 Appraisals

2. Will an appraisal be required when the land is bought from a government entity, which that government entity is also providing a grant/loan?
 - In Threshold, Section 1.3. Reasonableness of Development and Construction Costs, the QAP states that "DCA may order an appraisal to determine the reasonableness of the contract price for land and/or buildings." The scenario described is a case that DCA will order an appraisal during the application round to determine the reasonableness of the contract price.

QAP Threshold-Exhibit A: DCA Underwriting Policies

3. Per the new calculation for determining developer fee on page 52-54 of 64 within Threshold it states that "reserves" must be excluded from the Total Development Cost. Are these reserves only those that are prefunded at construction closing? Or, all reserves both those prefunded at construction closing and those that will be funded at perm conversion?
 - In Exhibit A to Appendix I, DCA Underwriting Policies Section 9. Developer Fee Limitation, The QAP states that "reserves funded at closing" are to be excluded from the Developer Fee Calculation. "Reserves funded at closing" pertains to those prefunded at construction closing and those that will be funded at permanent financing conversion.

QAP Scoring 9-Community Transformation

4. What does DCA expect Applicants seeking points under Scoring Section IX. Community Transformation to submit at Pre-App? What happens if an Applicant seeking points under Scoring Section IX. Community Transformation does not submit anything at Pre-App, or what they do submit at Pre-App does not meet DCA requirements?
 - At Pre-Application, Applicants must submit a map clearly identifying 1) the proposed site and 2) the Defined Neighborhood around the site to be eligible to receive points in this Scoring Section. If the Local Government in which the Applicant is proposing a site has adopted a Community Revitalization Plan (CRP), the Defined Neighborhood should align or fall within the Targeted Area of the CRP. The Applicant should locate the page within the CRP with a map of the CRP's Targeted Area. On this excerpted CRP page already displaying the CRP Target Area boundaries, the Applicant should also draw 1) the proposed site location and 2) the borders of the Defined Neighborhood. If the Local Government has not adopted a CRP, the Applicant should pull up a map of the proposed site, and on this map, draw 1) the proposed site location and 2) the borders of the Defined Neighborhood.

QAP Scoring-9 Community Transformation

5. In the 2018 QAP Community Transformation Section IX. C1, it states that, "At Pre-app, the Applicant must submit a map of the Defined Neighborhood surrounding the proposed site; (in relation to CRP Target Area, if applicable)". We were wondering if DCA could give some guidance on how to submit this information which is due March 8th. Will it be incorporated into the Performance Workbook or will an additional worksheet be released?
 - Applicants must submit the 2018 Pre-Application Submission Form & Checklist and include all documents as required by the 2018 QAP per the 2018 Pre-Application Submission Instructions.

QAP Scoring-9 Community Transformation

6. The eligibility criteria states that each project team may submit only one Application for scoring in section IX. Please confirm that a developer can submit multiple projects for community transformation as long as the "Project Team" is different. The project team must have a unique member that has over 5% ownership in the project to be considered a separate project team.
 - Scoring Section IX. Community Transformation states "Each Project Team may submit only one Application for Scoring Section IX. Community Transformation." The 2018 QAP defines "Project Team" as the General Partner, Developer, Consultant and the Principal(s) thereof for a proposed tax credit project. A developer may submit multiple projects for this section as long as the Project Team members are different.

QAP Scoring-10 Stable Communities

7. When accessing web address <http://georgia-dca-maps.arcgis.com/home/> provided in C. Georgia Department of Public Health Stable Communities you are asked to sign into Georgia Department of Community Affairs with a username and password. How do you receive or create a username and password or is this an error?
 - This problem has been resolved. The link should now be accessible and not require a username or password.

QAP Scoring-15 Priority Point

8. Within the scoring section, page 37 of 46 states "Each Applicant will be limited to claiming the Priority point for one Application in which a Project Team member has a direct or indirect interest". Additionally, on page 6 of 46 of the Core it is stated that "'Interest - Direct or Indirect" refers to a person or entity having ownership, financial or controlling interest in another entity." If a Project Team member is a consultant without any ownership, financial or controlling interest in the partnership, the General Partner or the Developer entity, does this priority point limitation count against them? In other words, can two applicants using the same development consultant claim this point on their application?
- For the purposes of claiming a Priority Point in the 2018 QAP Scoring Section 15, the inclusion of a Development Consultant, with no ownership, financial or controlling interest in the partnership, the General Partner or the Developer entity, will not prevent an Applicant from claiming the Priority Point, provided the final executed Consultant Agreement expressly states that the Consultant has no legal ownership, financial or controlling interest in the partnership, the General Partner or the Developer entity of the Project which is claiming the Priority Point.

QAP Scoring-17 Favorable Financing

9. The pre-requisite for the loan is that it must be for a minimum of 10 years at or below AFR. Can the loan adjust to a percentage over AFR after the first 10 years and still meet the favorable financing requirements?
- Per Scoring Section XVII. Favorable Financing Pre-Requisite 4. "Loans must be for a minimum period of 10 years at or below AFR." The language intends to communicate that the loan must be for a minimum of ten years and the interest rate must be at or below AFR for the life of the loan.

QAP Scoring-17 Favorable Financing

10. The "Favorable Financing" section which can be found on pages 38-39 of the Scoring section of the 2018 QAP include the following requirements;

XVII. FAVORABLE FINANCING

Pre-Requisites:

4. Loans must be for a minimum period of 10 years at or below AFR. DCA may include any fees in the calculation of the overall interest rate. Commitment or award documentation must meet the terms and conditions as applicable specified in Appendix I, Threshold Criteria, Section I. (I) (Permanent financing, limited partnership equity, deferred developer fee and other financing Commitment).

A. Qualifying Sources for Favorable Financing.

11. Conventional bank, HUD, or USDA loan.

"Pass-through" funds, loans, or grants from conventional lenders will not be considered for points in any of the above categories.

Additionally, no Project Participant or affiliate may guarantee, fund, advance, or otherwise provide direct or indirect funding for the purpose of an Application claiming points in this category.

Any Applicant that engages in these actions will be subject to immediate disqualification from the scoring round.

QUESTION – Part 1 - Does DCA plan to define "conventional bank"? If so, does DCA plan to include in the definition of "conventional bank" that the bank must be a federally regulated and insured (FDIC or otherwise) bank and have an active state or federal bank charter?

QUESTION – Part 2 – It is highly unlikely if not impossible that a true conventional bank would issue a loan commitment for any conventional, HUD or USDA construction or permanent financing at or below AFR. The economics of such a loan would not make business sense for any conventional bank (and may be outside of the regulatory guidelines without “Pass-through” funds). As such, the only way to obtain such a loan would be to provide the conventional bank certain assurances or collateral against this loan outside of the transaction with the proposed development which could include but not limited to personal guarantees from members of the project team, collateralizing the financing of the proposed development through deposit accounts and/or providing some type of pass-through funds. Obviously DCA has contemplated these scenarios as they are expressly forbidden by the QAP and taking these actions would result in an applicant being disqualified from the scoring round.

However, it will be very difficult, if not impossible for DCA to discover these arrangements in the event they exist to ensure that the requirements of the QAP are being followed and the integrity of the 2018 funding round is not compromised.

- Conventional Loans will not receive points for Favorable Financing. Conventional Loans were addressed through the Administrative Amendment published on the DCA website on 2/22/2018.

Other

11. Is it possible for a project to compete/apply in the flexible pool if it is in the Atlanta MSA and in a county not listed Exhibit A to Appendix II, but is in a USDA eligible area?

- The 2018 QAP defines "Rural" as "those areas designated by USDA as being eligible Rural areas or those counties that appear on Exhibit A of Appendix II in the Scoring section. A list of USDA Rural areas can be accessed on the USDA website at [<http://eligibility.sc.egov.usda.gov/>]" (Core, p. 8 of 46). If a proposed development is not in a county listed in Appendix II Exhibit A, but is in an area designated by USDA as being eligible Rural areas, the Applicant must compete within the Rural Pool.