

2016 Clarifications

Reminder: Pursuant to Section 1.1(C) of the QAP, the deadline to submit questions for the final issuance of clarifications was 12:00 pm Mountain Standard (Phoenix) time on February 19, 2016. This is the final issuance of clarifications. We look forward to receiving your Applications before 4:00 pm Mountain Standard (Phoenix) time on Tuesday, March 1, 2016.

Week Ending February 19, 2016:

For Acquisition/Rehab Projects we understand the Appraisal must include separate values for the land and the buildings and for each type of Project it is to be limited to the lowest of the original purchase price or the appraisal either submitted with the application or the construction lender’s appraisal prior to equity closing. For application purposes, if the “as is” appraisal comes in say at 3,200,000 for building and 500,000 for land for a total of 3,700,000 and the agreed to purchase price with the existing owner is say 3,500,000, can the allocation of the purchase price be split to say 3,150,000 for the building and \$350,000 to the land for a total of \$3,500,000 (noting the building is being sold for less than appraisal amount)?

No, the ratio between the appraised value of the land and the building must be maintained. Here is the proper calculation. It would be appropriate to round down the price of the building by \$.03 and round up the price of the land by \$.03.

	Building	Land	Total
Appraised Value:	3,200,000.00	500,000.00	3,700,000.00
Percentage of Appraised Value:	86.486486%	13.513514%	100%
Total Purchase Price	3,500,000.00	3,500,000.00	
x Percentage of Appraised Value:	86.486486%	13.513514%	100%
= Allowable Split of Purchase Price:	3,027,027.03	472,972.97	3,500,000.00

I need a quick clarification from you on maximum Allowable Eligible Basis for Total Construction costs. It is my understanding that the Cost per SF calculation includes the gross area of the building, regardless of the use. A developer is telling me that he has a commercial space in the building which is not part of eligible basis because it serves more than the residents of the building, that it should be excluded from the square footage calculations for the cost cap.

Section 7.2(A)(2)(a) on page 121 provides the maximum allowable Eligible Basis for Total Construction Cost. (This is not to be confused with the per square foot construction cost limits to be eligible for ADOH Gap Financing, which is found in Section 7.1(D) beginning on page 117 of the QAP.)

The cost limits in Section 7.2(A)(2)(a) are applicable to the Eligible Basis. If the space is included in the Eligible Basis for the building, it is included in the limit on the Total Construction Cost per square foot.

Common area includable in Eligible basis such as Common Area Facilities, Community Facilities, and to the extent allowable under Section 42(d)(4)(C)(iii) – Community Services Facilities are all included in Eligible Basis and are included in the cost limit. Commercial facilities which are not eligible for Tax Credits are not included in this calculation.

The cost limits in Section 7.1(D) are applicable if the Applicant is requesting ADOH Gap Financing. The calculation is based upon Total Construction Costs on line 55 (on Form 3 pages 8-11 in column 1). As indicated in the clarification dated February 5, 2016 - Applicants are instructed to include the cost of commercial space in column 1 of Form 3 pages 8 – 11. In these instances, ADOH will manually calculate whether the Applicant has qualified for ADOH Gap Financing, as the Form 3 is not designed to include commercial space. Be advised that ADOH Gap Financing is not eligible to be used for any portion of commercial space.

Is a title report required as back-up to the Purchase Contract as evidence as to whom the proper entity is that controls the land?

Yes, Section 2.9(I)(B)(1) on page 59 applies to all Applications except those located on Tribal Land. It requires a "Title Commitment" or "Title Report" if Applicant already owns the property, for the property dated within sixty (60) days of the date of the Application by a title insurer licensed in Arizona.

In section 2.9(I)A.3.a., the QAP states "The total Economic Life shall be forty-five (45) years based upon Marshall and Swift life expectancy estimates for a low cost house." Marshall and Swift states that low-quality **frame** homes have a 45-year life expectancy and low-quality **masonry** homes have a 50-year life expectancy. We are assisting a client with the acquisition and rehabilitation of masonry buildings and wanted to confirm that ADOH will accept the appraiser's use of Marshall & Swift's 50-year life expectancy as the proper methodology.

The Applicant should submit a waiver request along with documentation substantiating the use of the 50-year life expectancy for ADOH's consideration during the review of the Application.

We're still trying to understand exactly which documents need to be submitted as "originals (not copies)" (QAP Section 2.4) and which documents can be submitted with electronic signatures. The question: Is an electronic signature with the "/s/" (permitted in Section 2.5(D)) considered by ADOH as an original document (as required under Section 2.4)?

Yes, an original document with an electronic signature is considered to be an original document under Section 2.4 of the QAP. For example, the person preparing the Application completes an ADOH form and sends it electronically to Joe Smith (the authorized signatory) to type "/s/Joe Smith", and Joe Smith, as authorized signatory sends it back electronically to the person packaging the Application to print it out for inclusion in the hard copy of the Application.

Since we fall under Section 2(a) in Tab 14 Section 2; do we only need to get a letter stating that our utility allowances are up to date?

Applicants who meet the requirements under Section 2.9(N)(2)(a) are required to submit the following documents with the Application: "copies of the USDA/HUD approved utility allowance with a letter from the issuing authority dated no sooner than sixty (60) calendar days prior to the Deadline Date to submit the Application, confirming the date of the most recent utility allowance."

On Form 3 page 1 bottom "Demographics" it appears the % Units does not calculate as a percentage is the decimal answer OK?

Yes.

Please clarify that IRS Forms 8821 are no longer required to be submitted with LIHTC application? QAP Section 2.9 C. 4. "ADOH reserves the right to require the submittal of IRS Form 8821..."

Section 2.9(C)(4) states that ADOH "has the right to require the submittal of IRS Form 8821." If ADOH requires IRS Form 8821, the Applicant will receive a request in a threshold letter. It is not required to be submitted with the Application.

Pages 61-62 of the 2016 QAP read:

"b. At Application, Projects located in a one hundred (100) year flood plain and/or which are subject to a historic review process must submit a draft 24 CFR Part 58 Environmental Review that concludes that the Project is ready to publish a FONSI (finding of no significant impact)."

Please define historic review process. Every project that receives federal funding requires a Section 106 review. That review requires a determination if the project is an undertaking (has Federal involvement) and if the activity may affect historic properties. Does that review meet your definition of historic review process that would require the submission of the Part 58 Environmental Review at application?

Yes, the Section 106 review meets the requirement on pages 61-62. QAP Section 2.9(Y)(3)(a) on page 90 further states that the Applicant must submit "[l]etters from the Certifying Local Government and State Historic Preservation Office (SHPO) indicating No Adverse Effect or that the Adverse Effect is mitigated, as required by Section 106 of the National Historic Preservation Act." This clarifies that the Section 106 review is the historic review process required on pages 61-62. In addition, the requirement to submit a draft Part 58 Environmental Review at Application is only required for Projects that include federal funds in the capital stack and which are located in a one hundred (100) year flood plain and/or are subject to a historic review process. Projects that are located in a one hundred (100) year flood plain and/or are historic, and which do not include federal funds in the capital stack, are not required to submit the Part 58 Environmental Review.

may submit the form as is without re-typing, and then ADOH will request a clean copy during threshold review.

Week Ending February 12, 2016:

A corrected Form 3 has been posted that addresses the following issues:

Page 4, Cell A:61 has been unlocked to allow Applicants to enter an additional utility type, if the list on the form does not match the list in the Project's utility allowance.

Pages 8-11 Line 71, the term "Market Study" has been deleted from Cell C:83. This cell is for Applicants to add an additional professional fee or other indirect construction cost that is not already on lines 58 through 70. "Market Study" is already included on Line 64.

Pages 8-11 Line 80, Cell G:92 and H:92 have been merged to conform with the formatting of the remainder of the column.

These changes were all done for the convenience of the Applicant. Applications that are submitted with the original version of the Form 3 will be accepted. It is not necessary to use the Form 3 that is posted with the February 12, 2016 clarifications.

Some of the Forms 20A-20M are not explicitly restricted at the top to certain occupancy preferences. Does this mean that Applicants may claim points for them under any of the occupancy preferences?

No, Applicants should refer to Section 2.7(F) on pages 43 – 48 of the QAP to determine which Supportive Services are eligible for points for each occupancy preference. As a courtesy, ADOH has added the eligible occupancy preferences at the top of each Form 20A-20M and re-posted them on its website. These changes were done for the convenience of the Applicant. Applications that are submitted with the previous version of the Forms 20 and 20A-20M will be accepted. It is not necessary to use the Forms 20 and 20A-20M that are posted with the February 12, 2016 clarifications.

We understand that the city-participation loan has to be a "Cash-Flow Only" loan. We have done many of these types of loans over the years and our investors always want to see them bear interest. I assume that is okay with the ADOH but just wanted to confirm that with you. Can you please confirm.

Yes, Section 2.9(X) of the QAP on page states that a Local Government contribution that is a "loan" must be a cash flow loan or deferred for the duration of the fifteen (15) year Compliance Period. It does not prohibit a reasonable rate of interest (i.e. not higher than a competitive market rate) to avoid eligible basis issues.

How will ADOH address the existing LURA that is recorded on a property that was placed in service before 2001 with regards to changes proposed in the tax credit application due 3/1? For example, Attachment II section (h)(i) states the property committed to 20% of the units be restricted to Special Needs populations. Noting we will be electing Occupancy Preferences of Households with Children not targeting Special Population Projects. Also, this proposed rehab would include restructure of the AMI and AMRI so as to maximize the current scoring for Targeting Low Income Rent Levels, not the structure in place at the time the original project was funded. Would a new LURA come out and replace the existing LURA or would ADOH prepare some sort of amendment/addendum to address matters like this?

ADOH does not terminate the existing LURA, but rather amends and re-states it with the current LURA provisions, including the occupancy preferences and income targeting. However, Applicants should not plan to displace existing tenants, and bear in mind the rights that they have under IRC Section 42(h)(6)(B)(ii).

From the slide presentation at the 2016 Application Workshop. For Tab 13, I have a couple questions in regards to the Aerial Map showing the existing LIHTC/Subsidized Housing.

1. Does this need to be a Google Earth Map? Thought is it might not be legible to go out 5 miles and then try and shrink it to a letter size page from Google Earth.
2. Does the map need all LIHTC/Subsidized Housing or just what is relevant to the subject (ie. Family projects only if subject is a family project or senior only for a senior project?)
3. Does the label need just the name or does it need address and type? Thought is it might not be legible with everything in an urban area.

The map referred to in Section 2.9(M)(2)(a) does not have to be a Google Earth map, as the map does not include Facilities claimed for points (see 2.9(M)(2) first paragraph). However, it must include properties with any type of governmental assistance that provides affordable housing (including but not limited to the following types of assistance: LIHTC, Bond, Section 8, USDA-RD, HOME assisted, housing authority etc.) for all populations (i.e. Family, Senior, Special Populations, etc.). If there is insufficient room to label the name, address and type, a legend may be provided with this information in lieu of placing it directly on the map.

QAP says a "Scope of Work narrative..." is to be included in the cover letter, noting this term is capitalized. I did a word search in the QAP and did not find this defined. Can someone please clarify what items ADOH is wanting detailed in describing the Scope of Work?

The term "scope of work" is used in the QAP as it is commonly understood in the industry to refer to the scope of the construction/rehabilitation to be performed. As such ADOH is looking for a narrative that describes what is to be built/rehabilitated with sufficient detail that a person who is not familiar with your Project could read it and understand the work that is to be completed. It should

answer questions such as: Is the entire kitchen being replaced? Is this being done in every unit? If not, why not? What materials are being used in the new kitchen?

TAB 11 – page 63 states: Pro Forma and Operating Expenses. Include a fifteen (15) year pro forma. See Section 7.1 for assumptions relating to operating expenses that must be included in the pro forma. **Rehabilitation projects must submit three (3) years of historical operating financials, if available.** The pro forma submitted at Application does not need to be signed by lenders or syndicators, but it must be consistent with the Letters of Intent that are submitted with the application. Question-What does the QAP mean by “operating financials”?

ADOH is looking for Financial Statements for the Project. The term “Financial Statements” means a complete and accurate balance sheet, income statement, cash-flow statement, and accompanying notes prepared according to generally accepted accounting principles and reviewed or audited by a certified public accountant.

To clarify someone else’s question regarding underwriting and equity pricing – If our syndicator is saying they will be \$1 in Balance of State area will ADOH use the \$1 (vs. 95 cents)?

ADOH uses the higher of the syndicator’s pricing in the letter of interest or the pricing stated at the Application Workshop.

I was hoping you could please provide some detail as to how you derived at the pricing of \$1.00/tax credit for the 2016 application round. In particular, if you could elaborate on the following:

- Developer's financial capacity (net assets/worth), experience (probably something along the lines of the experience points in the QAP)
- Equity pay-in schedule
- Proposed tax credit delivery schedule
- Structure of Guarantees to be provided by the Developer/General Partner
- Relationship between syndicator & upper-tier investor or are you looking only at direct investment opportunities
- Relationship between construction/perm lenders and equity investor for the Project (i.e. Is the construction lender the direct/upper-tier investor)
- Method of Tax Accounting Method utilized by tax credit investor & tax accountant

ADOH recognizes that pricing is market driven and asks syndicators where they are seeing pricing today. As explained at the Application Workshop, ADOH uses the average of those responses to set a pricing floor for underwriting purposes. Applications that fall below that pricing should fully justify and explain the lower pricing in a waiver request. The explanation may include some or all of the factors you list in your question, among others.

Attached is a document we were provided for a will serve letter from Yuma. Will this work for a will serve letter? I think it does but it is a different format than I am used to. This is what the City was comfortable issuing.

ADOH can't review documents to be included in an Application prior to submission. ADOH will consider the documentation provided in the Application. Since this is a non-scoring item, ADOH may request further documentation if the will-serve letter provided in the Application is deemed insufficient.

On page 32 of the QAP (Section 2.4), it states "All documents in the Application and each later submittal (acceptance of Reservation, 10% Test, Equity, 8609, etc.) shall be originals (not copies) except where applicable law requires that the Applicant retain the original". On page 33 of the QAP (Section 2.4(D)), it states "All documents that require a signature must be signed by the Applicant's authorized representative. Electronic signatures are permitted if preceded by "/s/" or other indications than an electronic signature is intended." Can ADOH clarify when an original signature is required and when an electronic signature (with an "/s/") is allowed? Did ADOH intend for all ADOH forms to be originals, not necessarily all documents in the application? I wanted to check because there are certain documents that would definitely be challenging to get the originals (i.e. training certificates, Council resolutions from long ago, etc.).

Electronic signatures: Section 2.5(D) on page 32 of the QAP requires authorized signatures, which may be provided as an electronic signature if preceded by "/s/" or other indications that an electronic signature is intended.

Original documents: The last paragraph of Section 2.4 on page 31 of the QAP requires originals (not copies) of documents, except where applicable law requires that the Applicant retain the original. All documents, regardless of whether they are originals or copies, must be clearly legible.

Examples of original documents that ADOH expects to be included in the Application include: cover letter, all ADOH Forms, CPA opinion, Legal opinion, Applicant generated documents such as the signature block in Tab 6, lists of board members in Tab 7, narratives in Tab 8, letters of interest from financing sources that were prepared for the Application, maps, letters from Local Government committing funds to the Project that were prepared for Tab 24, architectural drawings, and reports prepared for the Application.

Examples of documents that must be legible, high quality copies, but that ADOH would anticipate that others would retain the original include: training certificates and licenses, board resolutions, city council resolutions, articles of organization, bylaws, partnership agreements, operating agreements, purchase and sale agreements, and Financial Statements.

Week Ending February 5, 2016:

I would like to request a QAP Clarification concerning the Local Government Contribution Point scoring category. If a City is interested in donating land for the benefit of a Project, but, for Arizona Constitution Gift Clause purposes, it would prefer not to label the agreement a "Donation Agreement" and would prefer instead to label it a "Purchase and Sale Agreement" with the stated consideration to be given by

the Buyer equal to \$1.00 (plus all recording costs), will that prejudice the Applicant's ability to obtain Local Government Contribution Points?

The QAP defines "Donated Land" on page 11 as "land on which the Project will be built for which title is transferred to the Applicant and for which no consideration is provided, and for which no costs are included in Section 1 Acquisition Costs of the Development Budget on pages 8-11 of Form 3."

This question was posted prior, but has been moved to the top for clarification purposes. The response below supersedes the previous response directly above.

Response: The QAP defines "Donated Land" on page 11 as "land on which the Project will be built for which title is transferred to the Applicant and for which no consideration is provided, and for which no costs are included in Section 1 Acquisition Costs of the Development Budget on pages 8-11 of Form 3." However, the term Donated Land is only used in the QAP in reference to Appraisals in Section 2.9(I)(A)(1) on page 57 of the QAP.

Therefore, having a purchase price of \$1.00 plus all recording costs will not prejudice the Applicant's ability to obtain the Local Government Contribution. This is permitted, assuming that the appraised value of the land minus the \$1.00 is equal to or greater than the required amount of the Local Government Contribution in Section 2.9(I). An Appraisal will be required along with the Purchase and Sale Agreement (that is only contingent upon receiving the Tax Credits) to document the amount of the Local Government Contribution. The City should also provide a letter stating that it has reviewed and approved the Appraisal upon which the value of the donation is based.

Can a local government write-down the sales price of a property from its appraised value to count toward the Local Government Contribution points under Tab 24?

Yes, the sales price of a property may be reduced below its appraised value assuming that the appraised value of the land minus the sales price is equal to or greater than the required amount of the Local Government Contribution in Section 2.9(I). An Appraisal will be required along with the Purchase and Sale Agreement (that is only contingent upon receiving the Tax Credits) to document the amount of the Local Government Contribution. The City should also provide a letter stating that it has reviewed and approved the Appraisal upon which the value of the donation is based.

For the signature on the Applicant Certification-Indemnification I cannot use the correct signature block as the form will not allow me to type beyond the Title line. Is it ok to just put by the Managing Member on the Title line?

The name of the person executing the document should be placed on the "Printed Name" line. The title of the person signing and the name of the Managing Member entity can both be placed on the "Title" line. If

both will not fit, the Applicant may place the title of the person signing next to their name, and place the name of the entity on the "Title" line.

I have a question regarding Form 22 in the 2016 LIHTC Additional Forms. I do not believe the Balance of State category is calculating correctly. Even when 30%+ of the units are entered in 40% AMI category and 40%+ of the units entered in the 50% AMI category, the total does not equal 35 points. Is this an Excel error?

Yes. This correction only affects Projects in the Balance of State. Urban Applications are not affected. A corrected Form 22 has been posted to the website to be consistent with the QAP. These changes were done for the convenience of the Applicant. Applications that are submitted with the previous version of the Form 22 will be accepted. In the event that the original un-corrected version is submitted, ADOH will calculate the proper score and award the correct number of points, as appropriate.

The QAP states that 20 points are available for Occupancy Preferences, but Form 2 is only showing 15 points in this scoring category. I assume that the 20 points are available. Is this correct?

Yes, 20 points are available for Occupancy Preferences. A corrected Form 2 has been posted to the website to be consistent with the QAP. These changes were done for the convenience of the Applicant. Applications that are submitted with the previous version of the Form 2 will be accepted. It is not necessary to use the Form 2 that is posted with the February 5, 2016 clarifications.

We're looking at some 2016 projects in Arizona and I think we will be in the \$.95 – \$1.00 equity pricing range that ADOH is using in its underwriting for most of them (if not a little higher in certain CRA markets), but for certain projects that are looking for a lot of equity in during construction and have low loss ratios we may be below the .95 pricing floor for our application letter. I'm curious to know how ADOH will approach that situation in its underwriting?

ADOH underwrites each Application in accordance with the pricing provided during the Application Workshop. (\$.95 for Balance of State and \$1.00 for Maricopa and Pima counties) Applications that fall below that pricing should fully justify and explain the lower pricing in a waiver request.

On page 56 of the final QAP Tab 8 at item #7 states "...Applicants must demonstrate the Development Team's prior, successful housing experience and engage the services of housing professionals, such as architects, appraisers, attorneys, accountants, contractors and property managers with demonstrable tax credit and housing experience." The question is, do we have to demonstrate this for our Market Study Analyst or, if they are on ADOH's "list" is that all we need to submit?

No. Market analysts include their qualifications and certifications in the market study as required in Section 2.2 and 2.3 of the Market Demand Study Guide. It is not necessary to include a separate resume for the market analyst in Tab 8.

Would you please clarify whether Exhibit N is required only when a project is selecting the Supportive Housing set-aside under Tab 19?

I wanted to confirm that the Exhibit N is not required for any service provider except those associated with a Supportive Housing Development. The first paragraph of Exhibit N states “all Applicants requesting consideration for resident services for Supportive Housing Development, Households with Children, and Older Persons and Veterans must submit this Supportive Service Plan”. Is this statement a holdover from last year’s Exhibit N?

Exhibit N is required at Tab 19 for Supportive Housing Developments only, as stated at QAP Section 2.9(S)(2)(d) on page 79. It is not required for any other Projects. A corrected Exhibit N has been posted to the ADOH website that is consistent with the QAP.

Is the Form 20 required for the Child Care Center? Or just the Form 20D? The QAP says the Form 20 is required for each service provider committing services in 2.9(T)(A)4) which includes Form 20A-L, but 2.9(T)B only lists the Form 20D.

The Child Care Center is not a service provider committing Supportive Services. Therefore, Form 20 does not need to be completed by the Child Care Center. Form 20D does need to be completed by the Child Care Center. Section 2.9(T)(1)(B) beginning on page 80 of the 2016 QAP also lists the three requirements to include in an Application that is claiming points for a Child Care Center.

Would you please confirm that a three story building containing Podium Parking with two floors of residential units is considered an Urban project for the use of construction cost caps?

Yes. An Urban Project is defined as a “three-plus-story Multi-Family Housing Project in an Urban Area, typically with Structured Parking.” If the Structured Parking is part of the three-story building, such Project would qualify as an Urban Project if all other requirements are met. The QAP does not require that the three stories be in addition to Structured Parking in the building.

If the Developer is also the sole General Partner (GP) in other entities that own real estate, is the definition of Controlling Interest saying that we have to provide all the data requested on Form 8-3 for these other entities, regardless of the Developer’s ownership percentage in the other entities?

For example, if a Developer owns a 1% or less GP interest in another entity that owns real estate. Must that the financial information of this other entity in which he only has 1% ownership be provided on Form 8-3?

Yes. QAP Section 2.9(H)(B)(5) states that Applicants must insert “a completed Form 8-3 for ... all real estate that is owned by the Developer (and Co-Developer, where applicable) or for entities in which the Developer (and Co-Developer, where applicable) have a Controlling Interest, regardless of location and whether the real estate is Affordable Housing.” If a Developer possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the ownership entity, regardless of the percentage held, then it has a Controlling Interest in that real estate and it must be listed. In general, if the Developer or any of its affiliates is a general partner of a limited partnership or managing member of a limited liability company, the real estate must be included on Form 8-3 regardless of the percentage of ownership.

How do we insert more Form 8-3 if needed? I was able to insert a workbook but couldn't copy the Form 8-3 that is in “other forms” over to the blank workbook.

ADOSH has added another tab labeled 8-3(2) to the Additional Forms. The additional sheet has enough space to add an additional 140 properties. Applicants with portfolios larger than what is provided may contact ADOSH to request that additional rows be added to Form 8-3.

We have a small retail component in our project. We have a breakdown of costs for that retail and would absolutely be excluding those from the tax credit basis and annotating the commercial costs in the “Budget Changed” column on the right. But my question is: Do you want to see the total budget for Residential + Commercial in the “Development Budget” column or just the Residential budget?

The Development Budget column should include both the commercial and residential portion of the Project.

Is there any way to use the 2015 forms 8-1 and 8-2 and just re-date them at the top?

No, the 2016 Application needs to be completed on the 2016 forms.

Related to the market studies, the instruction related to preparing maps including ‘subsidized’ properties within the PMA and a 5-mile radius, I typically use the term ‘subsidized’ to refer to HUD Section 8, USDA RD, city, housing authority, and other such properties that typically set rents at 30% of AMI, and I use the term ‘rent-restricted’; relative to LIHTC properties. For the maps mentioned, do you want the 1) HUD Section 8-, USDA RD-type properties, 2) LIHTC complexes, or 3) both on the map?

All of them should be included. QAP Section 2.9(M)(2)(a) beginning on page 64 of the QAP states that a map of “existing LIHTC or any other governmental subsidized housing developments within five (5) miles of the Project site” needs to be included on the map inserted at Tab 13. This map should include properties with any type of governmental assistance that provides affordable housing, including but not limited to the following types of assistance: LIHTC, Bond, Section 8, USDA-RD, HOME assisted, housing authority etc.

Week Ending January 29, 2016:

In reference to Exhibit N, Question #4, the form will not allow us to insert a response. The field does not appear to have a "gray box" to receive an answer. How do we insert our response?

A box for response to question #4 has been added to Exhibit N and posted to the ADOH website.

If a Project applies for AHP Funding on March 7th 2016, does the Applicant attach a full copy of the AHP application to his LIHTC Application?

Section 7.1(C)(7) on page 117 of the QAP states that the Project must submit the Federal Home Loan Bank Affordable Housing Program (AHP) application prior to ADOH's announcement of tax credit reservations. If the AHP application is completed prior March 1, 2016 and is pending an announcement of AHP awards, ADOH would prefer that it is included with the Application. If it is not included with the Application, it will be required prior to the date which ADOH announces the Tax Credit Reservations. Please do not include attachments that are already part of the Tax Credit Application, such as evidence of site control.

For presentation purposes on the 15 year pro forma, to arrive at DCR of no less than 1.20 that is required for the duration of the Compliance Period, I am currently showing the cost of Supportive Services (paid by the project), on a line by itself directly after all other Total Annual Operating Expenses (which includes Reserves) to produce the Net Operating Income After Reserves. I then use that number to determine DCR on the primary mortgage. Then below the DCR calculation I am showing payment on a 15-year **cash flow** loan (i.e., not showing as part of the DCR calculation as this debt is not a hard payment and is based on cash flow). I then show deferred developer fees being paid after the cash flow loan annual payment is paid. Is this okay?

Section 7.1(C)(3)(b) requires Applicants to maximize its lending sources by paying at least the maximum mortgage payment supportable by Project net operating income has described in the QAP. ADOH calculates the debt service coverage ratio (DSCR) without the cost of Supportive Services unless it is included in the Permanent Lender's Letter of Interest as a requirement in the Lender's calculation of allowable debt service. You are correct that cash flow loans should not be included in the calculation of the DSCR for the primary debt. The QAP includes the following priorities of payment in Section 7.1(C)(3)(e)-(i): primary debt, then secondary debt from unrelated parties with a hard payment (as is sometimes the case for USDA Rural Development Projects), then from cash flow in the following order: the cost of Supportive Services, the investor's reasonable asset management fee, Deferred Developer Fee, ADOH Gap Financing, Local Government financing, then other soft financing (including Seller Carryback loans, related party loans, incentive management fees, payment of adjustors, etc.). Some syndicators will not allow Deferred Developer Fees to be paid in front of payments of adjustors and their loans. In such cases, ADOH may be paid ahead of the Deferred Developer Fee.

We have a couple questions/clarifications as to the proper data/approach to use for the acquisition/rehab on and existing LIHTC property that has a LURA still in effect. We want to make sure we understand Section 7.1(C)(4)(a) (page 113) as required to be followed as noted on Tab 9, Appraisal Requirements (page 57).

Page 113 – states “...The building cost on Line 3 of Form 3 page eight (8) through eleven (11) will be limited to the “As-Is” market value assuming market rate rentals.” Noting- market rate is not capitalized as a defined term.

My gut feeling is this means assuming any restrictions with regards to income/rents that is currently on the property. I.e., don't assume it could go “market” but should be “As-Is”.

Can someone please confirm if any existing LURA requirements have to be applied?

Yes, as you have noted, page 113 states that the building cost is limited to the “As-Is” market value assuming market rate rentals. That means that the value is not permitted to be higher than this amount, but it could be lower. If an existing property has regulatory restrictions limiting the rents, which also limit the value of the property, those rents should be used – as that is the market condition under which the property is being purchased.

It appears ADOH no longer has a “checklist” form that is part of the application. Is that true or am I just overlooking it somewhere, noting it wasn't in the QAP workshop materials.

The 2016 Application does not include a “Checklist”. Applicants should refer to the QAP to ensure that all required documentation is included in the Application.

In the definitions it is stated to reference Line#55 from Form 3 (Development Budget) for “Total Construction Costs” and Line#48 for “Total Direct Construction Costs”. Within the Form 3 I downloaded these line items seem to correspond with Line#60 and Line#67. Am I looking at this correctly?

It is possible to see the column names and row numbers in the Form 3 by clicking on “View” and then “Headings.” However, the row numbers in the excel spreadsheet that you are referring to are not the line numbers referred to in the QAP. Column A that includes the line numbers was inadvertently hidden. A copy of Form 3 that un-hides the column A with the line numbers has been posted to ADOH's website. For reference here is that portion of the Form 3:

A		B		C		D		E		F		G		H	
1	Arizona Department of Housing		Arizona Department of Housing								Form 3				
2	2016		Low Income Housing Tax Credit Program								Pages 8-11				
3											Insert at Tab 3				
4			Project Name: _____								Date: _____				
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These changes were done for the convenience of the Applicant. Applications that are submitted with the original version of Form 3 will be accepted. It is not necessary to use the Form 3 that is posted with the January 27, 2016 clarifications.

On Form 3 pages 8-11 of the application it used to have 130% on the line item of DDA and QCT. It currently has 100% and during the training I recall you saying the entire state is still 130%. Do we just change that number to 130% in that line item or is there another process we should be doing?

ADOH applies the basis boost statewide to the extend needed for feasibility as permitted under I.R.C. §42(d)(5)(B)(v). Cell E149 on pages 8-11 of Form 3 may be changed by the Applicant from 100% to an amount up to 130% to provide the basis boost that is necessary for feasibility.

The project Phase I is 1,274 pages. This document will be inserted in a second binder, however, is it acceptable to insert this as a double sided document due to the size?

Section 2.4(3) on page 31 of the QAP states that the Phase I Report shall be submitted as follows:

Hard Copy: [The entire 1,274-page report is not required in a hard copy format.] Submit the body of the report or an executive summary thereof that includes the certification of the professional preparing the report, the site description, findings and conclusions. This typically totals approximately thirty pages or less.

Electronic Copy: The Phase I Report in its entirety including all records reviews and appendices.

We are intending to submit a project that qualifies for the Affordable Housing Preservation scoring criteria. We have noticed that some of the existing 1B & 2B units are (somewhat) less than 2016-Exhibit D standard of 650/800 net sf.

Also, some of the 2& 3B unit bedroom sizes are also less than 2016-Exhibit D standard of 120 net sf.

Since the original design standards allowed for what has been built, will you confirm that since the proposed project is a rehab of what is existing, that the unit mix will be acceptable 'as-is' without modification for our 2016 submittal?

On page 13, Exhibit D states "[t]he minimum square footages in Section IV Interior Design are only applicable to rehabilitation where the Applicant is changing the structure of the unit to change the number of bedrooms in the unit or otherwise change the exterior footprint of the unit." So, if you are not changing the number of bedrooms or the exterior footprint of the unit, "as-is" square footage of the unit and/or the bedroom size, as applicable, is acceptable for purposes of Exhibit D.

We are working on a project within a municipal jurisdiction that has agreed to waive certain development fees, as is allowed administratively by the existing City Ordinance. Section 2.9 X Tab 24, Local Government Contribution, requires "Letter from the unit of Local Government with jurisdiction to waive development fees and the resolution from the unit of Local Government that authorizes the development fee waivers."

Since this action is already allowed, no specific motion for this action is required and would be considered a waste of time and redundant by the administration. It's really no different from the issuance of a Building Permit which is an administrative act authorized by the City's ordinances. You wouldn't ask a city to pass a resolution each time it issues a Building Permit. This is the same thing. Is a citation from the City Ordinance evidencing the authority to waive the fees sufficient since no resolution is necessary?

*Applicants need to ensure that the documentation submitted with the Application evidences the Local Government Contribution. Section 2.9(X) on page 87 states "Committed Local Government contributions towards the Development Budget are expected to include the following documents for the type of contribution listed [which in the case of Development Fee Waivers included a resolution from the unit of Local Government...] **but alternative documents may be submitted for ADOH evaluation** [emphasis added]. Any documents submitted must evidence a commitment for scoring purposes under this Tab 24 and all of which must indicate the amount and sources ... of the contribution, and such commitment may only be contingent upon an allocation of 2016 Tax Credits." An ordinance that provides a development fee waiver by right for affordable housing is acceptable as long as it is clear that it applies to the Project and there is documented evidence from the municipality of the amount of the fee that would have been incurred by the Project without the waiver.*

The Sustainable Development section of Form 2 indicates that 3 points are available for water efficiency, but the QAP and Form 17 both indicate that only 2 points are available for water efficiency. Please clarify.

There are only two points available for water efficiency. A revised Form 2 is included in the 2016 LHTC Additional Forms that are posted to the ADOH website. These changes were made for the

convenience of the Applicant. Applications that include the original Form 2 will be accepted. However, ADOH will limit the total number of points for water efficiency to the two (2) points that are available in the QAP.

Week Ending January 22, 2016:

Can the City council authorize the City Manager to sign a letter, committing to fund the 1% of Construction costs for LIHTC project in February that is contingent on ADOH awarding the credits, then the city, once we know the project is awarded, pass a Resolution approving a loan agreement? Or do we have to approve a loan agreement now?

Section 2.7(I) states "Projects are eligible to receive five (5) points for a Local Government Contribution of new funding towards the Development Budget that is committed to the Project by the Local Government as of the Application Due Date in an amount based upon the population of the jurisdiction..." Please refer to page 87 of the 2016 QAP for a list of the documents that are expected based upon whether the contribution is a Donated Land, cash contribution, HOME/CDBG contribution, or waiver of fees. The funds must be committed through the process your jurisdiction requires for a true commitment of funds to the Project as of the Application Date that can only be contingent upon an allocation of 2016 Tax Credits. It may not be revoked for any other reason.

Is this [Application] Workshop also required for applicants of 4% LIHTC?

Since it is possible that 4% projects are not even in the conceptual stage at the time of the Application Workshop held in January, ADOH encourages, but does not require, attendance for projects submitted under Section 3 of the QAP "4% Tax Credits with Tax-Exempt Bond Financing".

Are Developers required to attend the Compliance Workshop if their third party managers attend? Meaning, is it mandatory that Developers also attend once within a 5-year period before being able to apply, even if their managers have attended?

Section 2.5(C) states "Developer, Co-Developer or Consultant must attend Compliance Training as defined in this Plan at a minimum of every five (5) years." An employee or principal of the Developer, Co-Developer or development Consultant entity identified at the top of page 2 of Form 8 must attend the Compliance Training. An employee listed as the principal contact person on Form 3 may attend the training in lieu of an owner or principal of the Developer, Co-Developer or Consultant entity. Third party property management agents may not attend this training in lieu of their clients.

Will the light rail extension approved by proposition 400 along the I-10 to 79th avenue be included in the scoring under TOD points?

Section 2.9(R)(II)(a) beginning on page 77 of the 2016 QAP lists the High Capacity Transit Stations that are eligible for points in 2016. No other stations are eligible for points in the 2016 QAP.

Under D. SITE PLAN APPROVAL:

b. Applicant must attach Form 9 evidencing the local government's final site plan approval. In order to receive point for Project Readiness, DESIGN REVIEW, must have received final site plan approval...

When you go to form 9 (LOCAL GOVERNMENT SITE PLAN APPROVAL), it just talks about site plan approval nowhere on that form does it mention getting a sign off on Design Review approval.

Site Plan Approval and Design Review are two distinctively different process in most jurisdictions and half the jurisdictions in this state don't even have a formal design review submittal approval. I suspect you just meant a regular site plan approval but maybe I am wrong but can you clarify?

The 2016 QAP only requires Site Plan Approval, as evidenced by Form 9. The "Design review" mentioned at the beginning of "b" is referring to review of the site design, not the review of construction and engineering documents. Section 2.9(I)(D)(b) states the "Project must have received final site plan approval (wherein no further site design review is required and the next step is to develop and submit engineering and construction documents for review and approval) or equivalent approval from the Local Government or Tribe with jurisdiction over the land."

The market study guidelines require a map showing subsidized properties within the Primary market area. The QAP However, requires subsidized properties within a 5-mile radius for Tab 13, Service Enriched Location. See page 66, top of the page. I assume we go with the Market Study requirement. Please advise, thanks

Applicants will be required to meet all requirements in the QAP, including those in the Market Demand Study Guide. Since it is unlikely that a primary market area would be a five-mile radius circle, both maps will be required.

I would like to request a QAP Clarification concerning the Local Government Contribution Point scoring category. If a City is interested in donating land for the benefit of a Project, but, for Arizona Constitution Gift Clause purposes, it would prefer not to label the agreement a "Donation Agreement" and would prefer instead to label it a "Purchase and Sale Agreement" with the stated consideration to be given by the Buyer equal to \$1.00 (plus all recording costs), will that prejudice the Applicant's ability to obtain Local Government Contribution Points?

The QAP defines "Donated Land" on page 11 as "land on which the Project will be built for which title is transferred to the Applicant and for which no consideration is provided, and for which no costs are included in Section 1 Acquisition Costs of the Development Budget on pages 8-11 of Form 3."

My client intends to request for the “local contribution” an allocation of 5% of the Project construction costs from the \$ 1.9 M available from the 2004 GO Bonds award to the Pima County. Our Project, qualifies for an Application for these bonds from the Pima County but the date for this GO Bonds Application is February 26th 2016, just one working day before the LIHTC Application is due. So, it is IMPOSSIBLE to provide ADOH a commitment from the Pima County at the date (March 1st) of the LIHTC Application. How is ADOH addressing this situation?

Applications submitted without documentation of funding awards as stipulated in Section 2.9(K) from all sources except the Federal Home Loan Bank’s AHP program (as permitted by Section 7.1(C)(7)) and ADOH Gap Financing will be denied a Reservation of Tax Credits. Section 2.7(I) states “Projects are eligible to receive five (5) points for a Local Government Contribution of new funding towards the Development Budget that is committed to the Project by the Local Government as of the Application Due Date in an amount based upon the population of the jurisdiction...” In addition, Section 2.9(K) states that “Applicants must demonstrate that the Developer has funding sources necessary to complete the Project to such a point that the ADOH can properly issue the Form 8609.” And Section 7.1(B) states that ADOH may deny an Application for Tax Credits if “[s]ources of funds are insufficient to finance the total development costs of the Project.”

Is it permitted to fund an operating reserve to cover the difference between the rent received from tenants earning 30% AMI and below and the cost of operations?

Yes. Section 2.9(K)(3)(b) states “[i]f the pro forma reflects negative cash flow in any year, the Application must demonstrate the funding and utilization of an operating deficit escrow account or describe the source of the operating deficit funds. A commitment from the entity funding the operating deficit reserve/escrow must be included with the other funding source documents.”