

Proposed Changes to the QAP for 2007

1. Under Section 3.A.Preliminary Reservation and Application Process; the proposal is to add language requiring that, with the letter of intent, the applicant send a copy of the letter of engagement with the market analyst.
2. Also under Section 3. A, the proposal is to change the annual credit amount available for 2007 from \$2.85 million per round to \$3.1 million. Because the IRS notification regarding population figures and per capita multiplier occurs after changes to the QAP, the proposal is to add language allowing more flexibility in adjusting the credit amount available.
3. Under Section 3.A.10. Equitable Distribution of Unit and Affordability Mix; the proposal is to add language that clarifies the tax code requirement that in order for additional charges for such items as covered parking to be excluded from the maximum rent allowed, the charges must be optional and the tenant must have a practical alternative. Washer/dryer rentals are another example. If there is a washer/dryer hook-up in the unit and the developer wants to rent washers and dryers and not count the charge in the maximum rent calculation, there has to be a laundry facility as a practical alternative.
4. Under Section 3.G. Determination of Tax Credit Amount; the proposal is to make an increase in the basis limits of 12%. References to the HUD 221(d)(4) mortgage limits will be eliminated as the basis of adjustments will be ongoing reviews of construction cost resource publications. The limits will be set for the year at the beginning of the year and not adjusted until the next year.

Consistent with the increase in the basis limits, the proposal is to increase the minimum rehabilitation expenditure. A 12% increase would change the minimum rehabilitation expenditure to \$7,400 (from \$6,600).

5. Under Section 3.I. Additional Federal Credits, the QAP reads:

Sponsors may apply for an increase in federal tax credit amounts in subsequent years if a development's eligible basis has increased. Regardless of the amount requested, additional credits may be awarded if (i) there are additional credits available, (ii) CHFA is satisfied that the additional amount is necessary for the financial feasibility and viability of the development, and (iii) the increased amount of credits does not exceed CHFA's basis limits for the year of allocation. Such applications will be subject to the same competitive application process described above in Section 3.A., unless the request is for \$100,000 or less in annual credit.

The proposal is to add the following language:

De minimus increases due to changes in the Applicable Percentage Rate (APR) do not require a formal request. Staff is authorized to grant de minimus increases based on changes to the APR from Preliminary Application to Carryover (where applicable) to Final Application.

6. Under Section 4.D. Minimum Pro Forma Underwriting Assumptions, the minimum Per Unit Per Annum Operating Expenses (PUPA) would increase from \$3,200 to \$3,600. This is reflective of upward trends in operating costs seen in the research of IREM data, as well as the tax credit portfolio.
7. For PAB deals, allow the 10 year rule for acquisition to be met within 3-6 months of application date.
8. Minor changes to the market study guide for clarification purposes.
9. The Office of Energy Management and Conservation (OEMC) is contracting with CHFA to provide incentives to developers that upgrade certain building components. The list of these measures will be added to the QAP. A worksheet will also be added to the application that enables the developer to determine the incentive amount based on the particular measures addressed. This section in the QAP will also include information about the Enterprise Foundation's Green Communities Program.