

2013 DCA Qualified Allocation Plan
General Questions & Answers
Posting #3
April 10, 2013

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

1. Q&A Post 2 - Question 2- The following question was posed and DCA answered:

Rents - "Applicants are encouraged to underwrite projects at less than maximum tax credit rents. However, applicants that underwrite at less than maximum tax credit rents will be required to use the reduced rent level at project completion."

Question: If an applicant underwrites rents conservatively (at less than maximum tax credit rents) at application submission and a "post construction" market analysis indicates the project can support higher rents, is DCA requiring the applicant to utilize the rents included in the application (often times determined 2 years prior to lease up)? If this is DCA's expectation, can rents be increased when the lease is renewed?

Response: The 2013 QAP requires that the reduced rent level be used at project completion. Applicants that propose rents well below limits will be subject to additional scrutiny to ensure that the proposed financial structure is justified. DCA encourages applicants to apply sound underwriting principles to ensure project financial feasibility and long-term viability. However, DCA is required to allocate the least amount of the tax credits for project feasibility and long term viability. Therefore, while DCA encourages deeper income and rent targeting, DCA will discourage any artificially low rents that result in more tax credits for the project.

Will DCA provide latitude to allow rents to increase given the needs of the property upon property lease up and stabilization, or is there a formal approval process? This question is being asked of LIHTC only developments, not projects with HOME funds.

Response: Yes, owners of tax credit only properties may respond within program guidelines to unforeseen economic challenges upon lease up and stabilization without a formal approval process. However, applicants should be cognizant of the fact that DCA's subsidy layering review at cost certification may find that the project is oversubsidized.

DCA Manual - Market Study

1. I want to make sure that I understand the approved Market Study Analyst list. According to the posted approved list, there are 16 Market Analyst companies that DCA feels is qualified to conduct market studies for the 2013 round. Out of these 16 approved companies, only 3 approved analysts are from Georgia. Georgia has literally dozens of highly skilled and qualified market analysts that conduct high quality market studies for conventional apartment developments in Georgia. These analysts conduct absorption

2013 DCA Qualified Allocation Plan
General Questions & Answers
Posting #3
April 10, 2013

rates and demand analysis trends for the most sophisticated and best lenders and equity providers in Georgia and the country.

The question through all this is whether an applicant can choose a recognized market study analyst in the industry that is not on the approved market study analyst list?

Response: No, Applicants must use a market analyst from the approved list (Appendix I.V pg. 11 of 52). DCA issues a Request for Qualifications that is published on our website, with notification of the request published in at least 3 newspapers around the state, and an email 'blast' that reaches over 1,000 stakeholders, including professionals from several disciplines. All approved market analysts are respondents that met DCA's requirements, as listed in the published RFQ.