

**DRAFT State of Georgia Qualified Allocation Plan**

**STATE OF GEORGIA  
~~2011~~2012 QUALIFIED ALLOCATION PLAN  
FOR  
FEDERAL LOW INCOME HOUSING TAX CREDITS  
STATE HOUSING TAX CREDITS  
HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS  
CORE PLAN**

**Section~~SECTION~~ 1. PURPOSE**

The purpose of the ~~2011~~2012 Qualified Allocation Plan (Plan) is to set forth:

- The legislative requirements for distributing affordable housing financing resources,
- A description of federal and state resources available from DCA for financing affordable rental housing,
- The priorities established by DCA for the types of affordable rental housing,
- The process for evaluating funding requests and awarding of these resources, and
- Program requirements and processes

**SECTION~~Section~~ 2. DEFINITIONS**

The following definitions shall apply for the purposes of this Plan:

**“4% Credits”** means Federal Credit available to Tax Exempt Bond Financed Projects which meet the requirements of this Plan.

**“9% Credits”** means Federal Credit allocated on a competitive basis under the provisions of this Plan.

**“ADA”** means Atlanta Development Authority.

**“Adjacent”** means either immediately contiguous to, across the street from, or diagonally opposite across an intersection.

**“-AMI”** means Area Median Income as defined by HUD.

**“Applicant”** means any Person that submits an Application to DCA requesting an allocation pursuant to the Plan and any affiliate of such Person. The Applicant shall always include the Owner.

**“Application”** means the complete and entire set of required and requested documents, in paper and electronic form, submitted by an Applicant to DCA under this Plan.

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**“Application Submission”** means the date and time, as stipulated in the Core Plan, by which the Application must be submitted to DCA in order to be eligible for funding under this Plan.

**“ARRA”** means the American Recovery and Reinvestment Act of ~~2009~~2010~~2009~~.

**“Bond Financed Projects”** means affordable housing developments financed with tax-exempt bonds and therefore eligible for 4% Federal Credit.

**“Capital Improvements”** mean substantial improvements to the real estate, for items such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs.

**“CHDO”** means a Community Housing Development Organization, as defined in the HOME regulations at 24 CFR Part 92.

**“CHDO Predevelopment Loan Program”** means the DCA program designed to make loans exclusively to CHDOs for predevelopment activities involving the preparation of Applications for loans through the HOME Rental Housing Loan Program.

**“Code”** means Internal Revenue Code, primarily Section 42.

**“Competitive Scoring”** means the process described in this Plan by which DCA ranks the Applications received. The ranked outcome of the Competitive Scoring process will be a significant factor in DCA’s determination of Applications selected for funding. DCA may choose not to score Applications that fail to meet any applicable Threshold requirement(s) or Applications that are deemed substantially incomplete by DCA.

**“Compliance Period”** means the fifteen (15) year period during which a project must operate in accordance with the Credit requirements to avoid Federal Credit recapture. The Compliance Period commences with the first taxable year of the Federal Credit period.

**“Consultant”** means a third party entity that provides consulting services to ~~p~~Project ~~p~~Participants. An entity acting in the capacity of Owner, Developer or General Contractor or which provides technical assistance to the Owner, Developer or General Contractor is considered a Consultant. Consultants include, but are not limited to, construction management consultants, interior design consultants, relocation specialists, tax credit application consultants, tenant certification consultants, and HOPE VI ~~C~~Consultants, etc. All consulting fees are considered part of the calculation of the maximum allowable Developer fee for each project. DCA will allow a limited exception and not include Consultants retained for the purpose of obtaining green building certifications provided the fee is no more than \$20,000.

**“Conversion”** means the ~~e~~Conversion of a Loan from a construction loan to a permanent loan.

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“**Credits**” means the State Credit and the Federal Credit together.

“**DCA**” means the Georgia Department of Community Affairs, an executive government agency in the State of Georgia. By state law, DCA administers the programs of the Georgia Housing Finance Authority.

“**Developer**” means the legal entity designated as the Developer in the Application as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the Developer entity. Any entity or individual that receives all or part of the **Developer Fee** must be designated as a **developer**. Material Participation is required for all **developers** and for all entities that receive any portion of the **Developer Fee**.

“**Elderly**” means a person at least 62 years of age.

“**Elderly Housing**” means housing intended for and only occupied by Elderly persons including a family in which all members are Elderly. All household members must be Elderly (no children, and no disabled persons under the age of 62).

“**Exchange**” means the Tax Credit Exchange Provisions of American Recovery and Reinvestment Act.

“**Extended Use Period**” means the period commencing with the first day in the Compliance Period and ending on the date which is fifteen years after the close of the Compliance Period.

“**Federal Credit**” means the Low Income Housing Tax Credit established by the federal government for the purpose of encouraging the development of affordable housing and governed by the Code.

“**Federal Deposit Insurance Corporation (FDIC) / Affordable Housing Disposition Program (AHDP)**” means the program that the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) required the Resolution Trust Corporation (FDIC) to develop for selling residential properties to provide affordable housing opportunities. In response to this provision, FDIC established the AHDP, or herein referred to as the Affordable Housing Program (AHP).

“**Federal Financial Institutions Examination Council (FFIEC)**” means the interagency body established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA) empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) and to make recommendations to promote uniformity in the supervision of financial institutions. The FFIEC website can be found at [www.ffiec.gov](http://www.ffiec.gov).

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“**FMR**” means the Fair Market Rents issued by HUD.

“**General Partner**” means the Partner or collective of partners, which has general liability for the partnership during construction, lease up, and operation of the project. In addition, unless the context shall clearly indicate to the contrary, if the entity in question is a limited liability company, the term “General Partner” shall also mean the managing member or other party with management responsibility for the limited liability company.

“**GHFA**” means the Georgia Housing and Finance Authority, a public corporation created by the Georgia General Assembly and designated by the Governor as the State Allocating Agency for Federal and State Low Income Housing Tax Credits and the state-level grantee for federal HOME funds.

“**Guarantor Fee**” means a fee paid by an Owner/Developer to an entity or individual that will provide construction completion guarantees to the project equity investor for an agreed upon price.

“**HOME**” means the HOME Investment Partnership Program.

“**HOME Loans**” means the HOME Rental Housing Loan Program loans.

“**HOME Regulations**” means the regulations at 24 CFR Part 92 governing the HOME Rental Housing Loan Program, promulgated by HUD, including any subsequent amendments to such regulations.

“**HOME Rental Housing Loan Program**” means the program that is designed to provide below market, favorable term financing for affordable rental housing. In Georgia, this program is intended to serve those individuals who have incomes ~~up to~~ at or below 60% AMI.

“**Housing and Economic Recovery Act of ~~200820092008~~ (HERA)**” means the Act signed into law by President Bush on July 30, ~~200820092008~~ that covers a range of housing issues.

“**Housing for Older Persons**” means housing intended and operated for occupancy by persons 55 years of age or older (“Older Persons”). According to Georgia law, such housing must also have significant facilities and service serving the Older Persons population even though the requirement has been eliminated from the federal definition of an elderly project. At least 80% of the total occupied units in such a housing project must be occupied by at least one Older Person.

Up to 20% of the units may be occupied by others, including the landlord’s employees, the surviving spouses or children of residents who were Older Persons when they died, and caregivers. Owner must adhere to policies and procedures which demonstrate an intent by an owner to provide housing for individuals who are 55 years of age or older. DCA will monitor the required facilities and services during the applicable Compliance Period or the Period of Affordability whichever is longer.

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“**HTF**” means the Housing Trust Fund for the Homeless established by O.C.G.A. § 8-3-300.

“**HUD**” means the U.S. Department of Housing and Urban Development.

“**Identity of Interest**” means a situation in which a Project Participant has a direct or indirect interest in the ownership of an entity which contracts with a Project Participant to provide land, goods or services for the project.

“**IRS**” means the Internal Revenue Service, a division of the U.S. Department of Treasury.

“**Letter of Determination**” means a notice issued by GHFA to the issuer of tax exempt bonds for a specific project, which states that the project is eligible for 4% low income housing tax credits without receiving an allocation of credits from the State Housing Credit Ceiling because the project satisfies the requirements of this Plan; and sets forth conditions which must be met by the development before GHFA will issue the IRS Form(s) 8609 to the Owner.

“**Local Government**” means the controlling elected governing body of the local jurisdiction (as defined in its Charter) in which the property is located at the time of Application (e.g., city council if within the city limits, or county commission if in an unincorporated area).

“**LURA**” means the Land Use Restriction Agreement that is a recorded agreement between GHFA and the Owner for a HOME funded project. The LURA is binding upon the Owner and its successors in interest, and that encumbers the project with respect to this Plan and the requirements of the HOME program.

“**LURC**” means the Declaration of Land Use Restrictive Covenant for Low-Income Housing Tax Credits that is a recorded agreement between GHFA and the Owner. The LURC is binding upon the Owner and its successors in interest, and that encumbers the project with respect to this Plan and the requirements of Section 42 of the Code.

“**Manual**” means the Application Manual published by DCA for Applications submitted under the 2014-2012 Qualified Allocation Plan.

“**Material Participation**” means involvement in the development and operation of the project on a basis which is regular, continuous and substantial as defined in Code Section 42 and 469(h) of the regulations promulgated hereunder.

“**Municipality**” means any incorporated city or town in the state.

“**Neighborhood Stabilization Program**” or “**(NSP)**” means HUD’s Neighborhood Stabilization Program enacted to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise

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become sources of abandonment and blight within their communities. NSP provides grants to every state and certain local communities to purchase foreclosed or abandoned residential properties and to rehabilitate, resell, or redevelop these properties in order to stabilize neighborhoods and stem the decline of neighborhood values.

**“Non-Metro Median Income Limits”** means the applicant can use the higher of the non-metro median income of **\$51,600** (as defined in section 530 of the Housing Act of 1949) or the area median income to calculate incomes and rents of projects located in rural areas, as defined by Department of Agriculture and as outlined in HERA. At this time, HUD has not authorized the use of these non-metro income limits for HOME properties. These limits will also apply to HOME properties if HUD issues guidance allowing that change.

**“O.C.G.A.”** means the Official Code of Georgia Annotated.

**“Operating Cost”** means the costs associated with operating a multifamily development once the project is placed in service.

**“Owner”** means the single purpose legal entity holding title to the project as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect Ownership interest in the Ownership entity. The Owner is also the Applicant.

**“Period of Affordability”** means the time during which HOME Loan financed units must remain affordable to eligible households, as defined by HOME program regulations and this Plan. The Period of Affordability shall commence upon completion of the project and shall run for the period required under HOME regulations or the term of the HOME Loan, whichever is greater. Completion shall be defined as set forth in the HUD regulations for the HOME program.

**“Person”** means an individual, corporation, partnership, joint venture, Limited Liability Company, association, trust or any other business entity.

**“Phased Development”** means one Tax Credit project that will be developed in several adjacent phases with different allocations of Credits under common planning documents. The common planning document(s) may include parks, green space and shared amenities between the different phases. Each phase of the property should have common ownership entities. In order to be considered a “Phased Development”, there must be some form of site control in place at the time the initial phase was commenced.

**“-PJ”** means a Participating Jurisdiction, which is an agency of State or Local Government that administers the HOME Program in its jurisdiction. GHFA is the PJ for the non-entitlement areas of the State of Georgia. The local PJs include the cities of Albany, Atlanta, Macon, and Savannah; Clayton, DeKalb, and Gwinnett Counties; the consolidated governmental units of Athens-Clarke County, Augusta-Richmond County,

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and Columbus-Muscogee County; the counties and cities comprising the Georgia Urban County Consortium (Cobb, Marietta, Cherokee, Canton) and the Fulton County Consortium (Fulton, Roswell).

“**Plan**” means this ~~2011~~2012 Qualified Allocation Plan.

“**Project Participants**” mean the Owner, Developer, Management Company, Consultants and Syndicator for a project for which an Application is submitted.

“**Project Team**” means the Owner and Developer for a proposed tax credit project.

“**PHA**” means a local public housing authority.

“**Related Parties**” means a relative (including but not limited to grandfather, grandmother, father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, or half sister) of any principal or any entity that shares common principals, executive directors, board members or officers.

“**Rent Standards**” means the most recent AMI FMR as issued by HUD and UA as described in the Plan.

“**Reservation of Funds**” means the securing of funding for a particular project proposal based on the understanding that the project will fully satisfy program and Plan requirements.

“**Rural**” For scoring purposes and determination of the minimum operating cost per the QAP, means those areas designated by USDA as being Rural ~~or those counties that appear on Exhibit B of Appendix II.~~ A list of USDA Rural areas can be accessed on the USDA website at <http://eligibility.sc.egov.usda.gov/>–

~~“**Rural Income and Rent Limits**” means the U. S. Dept of Housing and Urban Development FY ~~2011~~2012 Income Limits Area Definitions and Fair Market Rent tables. These lists can be accessed on the HUD website at <http://www.huduser.org/datasets/pdrdatas.html>.~~

“**Scoring Criteria**” means the criteria detailed in Appendix II by which points are assigned for the purpose of Competitive Scoring.

“**State**” means the State of Georgia.

“**State Credit**” means the Housing Tax Credit established by the Georgia General Assembly, as set forth in O.C.G.A. §48-7-29 and §33-1-18.

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“**Subsidy Layering Review**” means the DCA evaluation of projects using DCA program funds in combination with other governmental assistance to ensure that no more than the necessary amount of DCA program funds is invested in any one project to provide affordable housing. For HOME funds, the subsidy layering review will be conducted in accordance with the requirements set forth in the US Department of Housing and Urban Development CPD Notice 98-01 guidelines required by 24 CFR §92.250(b).

“**TCAP**” means the Tax Credit Assistance Program under ~~the~~ the American Recovery and Reinvestment Act of ~~2009~~2010~~2009~~.

“**Total Development Cost**” means the sum of all anticipated or actual allowable development costs that are necessary to complete the proposed project.

“**UA**” means the utility allowances used during the compliance period and during the period of affordability as described in the Plan.

“**URFA**” means the Urban Residential Finance Authority.

“**USDA**” means the United States Department of Agriculture.

**SECTION Section 3. LEGISLATIVE REQUIREMENTS**

**Federal Credit.** O.C.G.A. Sec. 50-26-8(a) gives GHFA certain powers and authority. As the agency administering the programs of GHFA, DCA is authorized to:

“... allocate and issue low income housing credit under Section 42 of the Internal Revenue Code of 1986, as amended, and to take all other actions and impose all other conditions which are required by federal law or which in the opinion of the agency are necessary or convenient to ensure the complete, effective, efficient and lawful allocation of and utilization of the low income housing credit program. Such conditions may include barring Applicants from participation in the tax credit program due to abuses of the tax credit program and imposing more stringent conditions for receipt of the credit than are required by Section 42 of the Internal Revenue Code...”

**A. -Section 42 of the Code mandates that:**

1. Each state adopt an annual plan for Federal Credit allocation;
2. The Plan applies to projects awarded Federal Credit from the state’s annual allocation, and projects financed by tax-exempt bonds and eligible for Federal Credit outside of the annual Federal Credit allocations;
3. Draft versions of the Plan are made available for public comment;  
—After consideration of those comments, amendments are made to the Plan; and
- 4.

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~~5.~~ ~~\_\_\_\_\_~~ ~~5.~~ The final Plan be approved by the GHFA Board and transmitted to the Governor for final review and approval.

**B. Allocation Plan Requirements**

Each state Allocation Plan must meet certain minimal requirements. The selection criteria must include:

- ~~project~~ Project location
- ~~housing~~ Housing needs characteristics
- ~~project~~ Project characteristics, including whether the project involves the use of existing housing as part of a community revitalization plan
- ~~p~~ Projects intended ~~intended~~ intended for eventual tenant ownership
- ~~tenant~~ Tenant populations with special housing needs
- ~~sponsor~~ Sponsor characteristics
- ~~tenant~~ Tenant populations of individuals with children
- ~~public~~ Public housing waiting lists
- ~~energy~~ Energy efficiency
- ~~historic~~ Historic characteristics

States must give preference among selected projects to those:

- ~~S~~ those serving the lowest income tenants,
- ~~S~~ those serving qualified tenants for the longest period
- ~~projects~~ Located in Qualified Census Tracts, the development of which contributes to a concerted community revitalization plan

States may include such other criteria as they deem appropriate, and except for the specified preference items, there are no requirements as to the relative weight of the various factors. Additional LIHTC responsibilities of the Authority include:

- Assurance that the amount of tax credits allocated does not exceed the amount “necessary for the financial feasibility of the project and its viability as a qualified low income housing project throughout the credit period.”
- Evaluation of all projects for consistency with the Allocation Plan and for credit need, including projects using tax exempt bond financing.
- Execution of an agreement for “an extended low income housing commitment” for every project. This agreement must be recorded as a restrictive covenant binding on all successor owners, and must allow low income individuals the right to enforce the commitment in state court.
- Monitoring of compliance with the provisions of Section 42 and notifying the Internal Revenue Service of any noncompliance.

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**C. State Credit.** DCA also administers Georgia's housing tax credit. The State Credit is applied in conjunction with the Federal Credit on a dollar-for-dollar matching basis. For each dollar of Federal Credit allocated, an equal amount of State Credit will be automatically allocated by DCA. This State Credit will be administered under the same rules and regulations prescribed for the Federal Credit supplemented by any rules, policies, or regulations established by the Georgia Department of Revenue and/or the Office of Insurance and Safety Fire Commissioner. DCA will underwrite the combined Credit allocations to ensure that no development proposal is over-subsidized.

**SECTION Section 4. AFFORDABLE RENTAL HOUSING NEEDS**

The State's Annual Action Plan for FFY~~2014~~2012 Consolidated Funds identifies the proposed distribution method, geographic allocation, and guidelines for meeting federal requirements for all HOME funded programs of the State. The HOME Program regulations require that each PJ distribute its HOME resources in accordance with the priorities and objectives outlined in its most current approved Annual Action Plan for Consolidated Funds prepared in accordance with established HUD regulations (24 CFR Part 91). The Annual Action Plan incorporates the Plan as the established policy and procedures for the State's review and evaluation of Applications for the HOME Rental Housing Loan Program.

**SECTION Section 5. FINANCING RESOURCES – CREDITS**

**A. 9% Federal Credit.** The annual Federal Credit dollar amount allocated to the State of Georgia is determined by the Internal Revenue Service and based on Georgia's population and indexed for cost-of living adjustments. The amount of Federal Credit available for the ~~2014~~2012 funding cycle will be comprised of the State's ~~2014~~2012 Federal Credit ceiling (per capita credit, unused credit, returned credit, and any national pool credit) available to the State less any Federal Credits forward committed. DCA reserves the right to forward commit ~~2012~~2013 credits to ~~2014~~2012 Applications if it deems it necessary and appropriate to meet policy objectives.

Allocation of Credits will be made through the ~~P~~process as defined in the Qualified Allocation Plan - Core, Appendix I and Appendix II. All Applications for Credits must be submitted to DCA in accordance with the policies and timelines set forth in the Plan.

**B. Set-AsideSet Asides.**~~The~~The estimated amount of Federal Credit available includes the following set asides (Selected projects may count for more than one set aside):

**1. NonprofitNon-profit Set-asideSet Aside** - 10% of the available 9% Credits are ~~set-asideset aside~~ for ~~nonprofitnon-profit~~-sponsored Applications pursuant to the Code. Qualified ~~nonprofitnon-profit~~ organizations must ~~m~~Materially ~~p~~Participate in the project within the meaning of Section 469(h) of the Code and meet all requirements set forth in Code Section 42(h)(5).

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**2. Rural ~~Set-aside~~Set Aside** - 30% of the available 9% Credits are ~~set-aside~~set aside for Applications proposing affordable housing developments in Rural areas.

**3. Preservation Set Aside** - ~~\$1.8 million~~30% of the available 9% eCredits will ~~bear~~be ~~set-aside~~set aside for the ~~preservation of affordable housing projects~~Applications which propose to preserve existing affordable housing. Only those preservation projects which are selected for funding under this set aside are eligible for an award of 9% eCredits. While it is DCA's intention to fully fund this set aside, DCA may, at its discretion, determine that low scoring projects do not sufficiently meet DCA's overall goals to be selected for an allocation. ~~The following existing affordable housing projects are eligible for inclusion in this set aside:~~

- ~~An existing tax credit property which is has met or will meet the 15 year compliance period by December 31 of the year of allocation.~~

- ~~Projects under development by a local public housing authority using replacement housing factor (RHF) funds or a loan secured by the assets and or capital funds of the PHA as the primary source of financing.~~

- ~~Existing U.S. Department of Agriculture, Rural Development (RD) projects with Section 515 financing and project based rental assistance for at least fifty percent (50%) of the units.~~

- ~~Projects that have a Project Based Section 8 contract but are eligible to opt out of that contract with a one year notice to tenants. To be eligible to opt out, the Contract must be out of its original term and in a renewal period of five years or less.~~

- ~~Existing HUD Section 236 projects. The Interest Reduction Payment (IRP) must be decoupled from the Section 236 agreement if housing credits are awarded (exceptions may be permitted on a case-by-case basis). The affordability requirements indicated in the Section 236 agreement must also be maintained for the property.~~

- ~~Any other affordable non public housing project that has existing funding from HUD is severely deteriorated and has been designated by HUD as a preservation project that is in danger of losing its affordability.~~

**~~If this set aside is not met through the selection of the highest scoring projects, DCA may select a lower scoring project to satisfy the set aside. The following factors will be used to select projects that will be considered for the set aside.~~**

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~~• Projects that do not have significant outstanding or uncured major noncompliance issues. Projects~~

~~• Projects not functionally obsolete. Projects~~

~~• Projects that have an average physical occupancy of at least 80% for the six month period prior to Application submission. Projects~~

~~• Projects that have a letter from the local government identifying the preservation of the project as a priority. Projects~~

~~• Projects where rehabilitation will not cause a significant increase in rents (10% or more increase). Projects~~

~~• Projects that serve the lowest income tenants will be given priority. Projects~~

~~DCA may determine, in its sole discretion, that a project meeting one or more of the following conditions are not eligible for the set aside:~~

~~• Projects that are in substantially good condition and do not need immediate recapitalization. Projects~~

~~• Projects where the physical condition of the property is the result of the willful deferral of maintenance by the Owner. Projects~~

~~Further, while it is DCA's intention to fully fund this set aside, DCA may at its discretion, determine that low scoring projects do not sufficiently meet DCA's overall goals to be selected for an allocation.~~

**4. Special Needs** - Up to \$950,000 will be set aside for DCA Permanent Supportive Housing Program ("Supportive Housing") projects. In order to be considered for this set aside, the applicant will need to provide a commitment from the Permanent Supportive Housing Program which includes a determination that the project meets the QAP Appendix I requirements. This commitment and a full tax credit application must be submitted on or before September 1, 2011-2012 in order to be considered for the set aside. DCA's Permanent Supportive Housing Program will provide its own deadlines for submission of applications for a commitment.

**5. Supplemental ~~Set-Aside~~ Set Aside** - \$1 million of available credits will be set aside to assist DCA projects funded prior to 2001 which have a DCA HOME Loan, State Housing Trust Fund ~~loan or other loan, other~~ DCA ~~resources~~ resources or which DCA has determined have a significant detrimental effect on the program or the community if they failed. These ~~projects that must~~ projects must have physical issues which cannot be remedied through normal workout processes and which pose a threat to the continued affordability of the project.

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In order to be eligible for the ~~Set-Aside~~Set Aside, DCA must designate the property as a “troubled” property which has significant physical issues which cannot be remedied through normal workout processes and which has priority to apply for this set aside.

DCA will use the following factors to determine whether a property should receive priority for this set aside:

- There is a strong public policy reason for intervening in the closure of a property. The State will rely heavily on local government’s recommendations in making this determination.
- Whether the current tenants can be relocated into safe, decent affordable housing in that area.
- Whether the property represents affordable housing that is difficult to replace and is in a neighborhood with a strong need for the property.
- Whether the closure of the property will destabilize the local neighborhood.
- Whether there is a risk of loss of funds or program reputation if the property closes.
- Whether there are other resources available to leverage an allocation of eCredits.
- Whether the risk to the portfolio or investment of either the State or local government is significant
- Whether an initial review determines that the property is not functionally obsolete.
- Whether the property can be operated as safe and decent affordable housing.
- Housing that is deteriorated or poses a threat to the safety of the neighborhood may not be appropriate to be preserved.

In order to be considered for an allocation of eCredits under this ~~Set-Aside~~set aside, the applicant must submit a complete Core Application including all documentation sufficient to meet core requirements and Appendix I criteria of the ~~2011~~2012 QAP.

Additional requirements for the set aside:

- No dDeveloper fFee may be earned by the Owner of a troubled property that is seeking relief under this set aside. DCA may allow ddeveloper overhead to be included in the budget. The project will be subject to typical developer fee caps if the previous owner is not part of the new ownership or developer entity.
- The existing DCA HOME lLoan cannot be forgiven, but DCA may modify its repayment or forbear on payments during the rehabilitation.
- If the property is to be renovated, the sales price of the property cannot be greater than the current “as is” market value of the property as supported by an appraisal report dated not more than 90 days from the date of Application submission.
- If the property is to be demolished and rebuilt, the sales price of the property cannot be greater than the current “as vacant” market value of the land as supported by an appraisal report dated not more than 90 days from the date of Application sSubmission.

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- ~~Please note that a~~All DCA ~~R~~elocation policies are applicable to ~~this~~e Application. Therefore, while federal relocation may not be applicable, the relocation of the tenants must be part of the Application-~~s~~ Submission.
- Any recapture costs associated with property must be paid outside the development budget.
- Unused reserve accounts may be transferred to the development budget.
- If the rehabilitation requires demolition prior to the expiration of the extended use period, the ~~a~~Applicant will also need to provide a legal opinion regarding the effect that demolition has on the existing LURC. Please note that the new development must have at least the same number of low income units built on the same project site as what is included in the existing LURC.

DCA reserves the right to deny any request for allocations under this set aside as not meeting DCA policy objectives.

The allocation of ~~e~~Credits under this set aside will not be made in the competitive round. Projects that will receive funding will be selected by DCA as part of its asset management of DCA resources or as part of its post selection underwriting review. Only projects identified by DCA as “troubled” and a DCA priority will be requested to submit an ~~a~~Application for ~~e~~Credits. DCA will determine Application requirements as part of its asset management review.

Any amounts remaining in this set aside at the announcement of ~~2011~~2012 awards will be utilized in the general pool for ~~2011~~2012 projects.

~~6. CHOICE Neighborhoods/HOPE VI set aside - Up to \$1.7 million of federal credits will be set-aside~~set aside for HOPE VI initiatives that meet one or more of the following criteria:

~~The proposed project is a phase or component of a PHA-sponsored Community Building Initiative which is part of a PHA-sponsored HOPE VI revitalization initiative. The Initiative must:~~

- ~~Provide affordable units for an extended period of 30 years or more;~~
- ~~Be part of a mixed income phased community with a significant market component;~~
- ~~Facilitate the deconcentration of poverty; and~~
- ~~Provide for community improvements or amenities, which may include but are not limited to new or improved public infrastructure, sustainability, green space, improved transportation, quality of life enhancements, or other improvements benefiting the community~~

**Documentation:**

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~~(A) A copy of the Grant Assistance Award (form HUD-1044) which identifies the PHA receiving the grant and the amount of the grant, and additional documentation reflecting the time limits for use of the HOPE VI funds.;~~

~~(B) A letter from the Executive Director of the identified PHA certifying that:~~

- ~~• the development proposed in the Initial Application is identified in the PHA's HUD approved HOPE VI application or Revitalization Plan;~~
- ~~• the housing units are an essential element of that Plan; and~~
- ~~• the Tax Credits for the development proposed in the Initial Application are an essential component of the financing plan for the PHA's HOPE VI Program~~

~~(C) A copy of the HUD approved Revitalization Plan.~~

~~Projects that have not previously had a phase funded are advised to meet with DCA prior to Application Submission and obtain the requisite letter of support for the HOPE VI Application at the time the project submits its HOPE VI application for funding.~~

~~DCA reserves the right to initiate additional selection criteria if it receives more than one request for an initial letter of support.~~

**C. Carryover Allocations.** To qualify for 9% Credits, a building generally must be placed in service during the year in which it receives an allocation. An exception is provided in the case where the Owner has expended more than ten percent (10%) of the reasonably expected basis in the building (the "Ten Percent Test") no later than twelve (12) months after the Carryover Allocation. No project can receive more than one Carryover Allocation of ~~2011~~2012 Credits.

**D. State Designated Basis Boost\***. HERA authorizes state allocating agencies to designate certain areas not located in a QCT or DDA for up to a 30% basis boost. Projects may receive an allocation of credit based upon 130% of the eligible basis for new construction or substantial rehabilitation.

Projects in the following categories are eligible for the ~~s~~Sate ~~d~~Designated ~~b~~Basis ~~b~~Boost:

- ~~• Preservation projects that will pay off an existing DCA HOME ~~l~~Loan; Rural projects without DCA HOME as a source (Projects located in HUD MSAs will be closely scrutinized to determine if the boost is needed);~~
- Historic Rehab projects qualifying for historic rehab credits with an equity commitment for such credits; ~~Projects eligible for the Special Needs set aside~~
- Projects with high land costs in areas that qualifyies for the maximum points ~~(4 ~~tbd~~ points)~~ under Stable Communities (projects with an identity of interest between the buyer and seller of the property or projects which appear in DCA's determination to have a primary purpose of subsidizing an ownership transfer do not qualify);
- ~~• Extraordinary financial circumstances which require the boost to ensure the continued feasibility of a project previously approved by DCA and not yet placed in service.~~

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- ~~Other~~ Extraordinary circumstances which further the policies of this QAP as determined by DCA

All projects will need to show that the boost is needed and that the project meets all of DCA's underwriting and other criteria. DCA will generally require that any project receiving a sState dDesignated bBasis bBoost defer 1.5% of the total dDeveloper fFee for every 1% in Ststate dDesignated bBasis bBoost granted to the project. This deferred ddeveloper ffee requirement does not apply if the project receives a new loan ~~debt~~ or grant from an independent non-related party in the amount of at least 30~~15~~% of the total dDeveloper fFee – any assumption of an existing loan is not considered a new loan for this purpose. Any requests for sState dDesignated bBasis bBoost must indicate which category (or categories) of eligibility that the aApplication falls under and any support documentation must be included in the Application. The minimum request for the sState dDesignated bBasis bBoost is 10% and any state basis boost request should be made on a full percentage point. DCA will evaluate the need for any sState dDesignated bBasis bBoost at the time of the application/underwriting and final project allocation application.

Please note that a project located in a QCT or DDA is eligible to receive a 30% basis boost for new construction and/or rehabilitation and it is not subject to the State Designated Basis Boost provision.

**E. Economic Uncertainty.** The current economic volatility has resulted in significant legislative and policy changes in the administration of the Tax Credit Program. DCA expects this volatility to continue through the 2011~~2012~~ competitive round. ~~It is impossible to foresee or estimate the impact that economic and legislative changes may have in meeting the challenges of developing, owning and managing affordable tax credit housing program projects.~~ DCA reserves the right to make changes necessitated by economic volatility, HUD Program policy modifications and legislative changes that have a negative impact on our~~its~~ program and projects. These changes include but are not limited to forward commitment of funds, increasing projects caps to ensure continued viability, release of DCA restrictions, awarding of additional credits and modifications to underwriting criteria.

**F. Land Use Restrictive Covenant.** The Owner must execute and record GHFA's prescribed form of the LURC prior to final allocation as required under Section 42(h)(6) of the Code. The LURC shall reflect all representations made in the original Application and any changes made to the original Application that have been approved in writing by GHFA. The LURC will be drafted after GHFA's receipt of the certification of the 10% test, and must be recorded upon its execution. All construction and/or permanent financing for the project must be subordinated to that portion of the recorded LURC that sets forth the requirements of Section 42 (h)(6)(E)(ii) of the Code. The LURC will be for the term of the compliance period and, as applicable, the extended use period.

IRS Revenue Ruling 2004-83 provides that Section 42(h)(6)(B)(i) requires that an extended low income housing commitment must include a prohibition during the

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extended use period against (1) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low income unit (no cause-eviction protection) and (2) any increase in the gross rent with respect to the unit not otherwise permitted under Section 42.

**G. 4% Federal Credit – Bond Financed Projects.** Tax Exempt bond financed projects may ~~also~~ be eligible for 4% tax credits that are not subject to the state volume cap as described in Section 42 of the Code.

An Application for Credits for Bond Financed Projects must satisfy all applicable requirements set forth in Appendix I, Threshold Criteria, of the Plan and all applicable requirements set forth in the Plan. Incomplete ~~a~~Applications (as determined solely by DCA) will not be accepted and will be returned in their entirety to the ~~a~~Applicant.

An Application for Credits for Bond Financed Projects must contain an appraisal commissioned by the Lender or by a DCA approved appraiser, regardless of whether there is an identify of interest between the buyer and the seller.

DCA shall be the sole entity responsible for making such a determination and must issue its opinion as to the project's 4% Credit eligibility prior to ~~B~~bond closing. ~~The~~ project must comply with the Plan in effect at the time of Application ~~s~~Submission.

In making Application to DCA for a Letter of Determination, an Owner must complete the standard Application, as well as provide all supporting documentation necessary to meet all applicable requirements and pay the appropriate ~~A~~Application fee and other applicable fees.

After issuance of the Letter of Determination, significant changes in the financing structure, syndicator or scope of work must be approved in writing by DCA.

DCA reserves the right to determine whether an Applicant or development entity has sufficient capacity to successfully complete the proposed project.

DCA requires ~~that~~ all bond applicants to submit those documents set out in the capacity determination in determining whether capacity exists. DCA will terminate its review of the proposed ~~a~~application if it determines that insufficient capacity exists.

Incomplete Bond applications will be returned to the proposed ~~a~~applicants. DCA will not hold bond applications that are being restructured or modified. A new application fee will be required to resubmit such a project.

The Application must be submitted at least 75 days before bond closing. DCA will provide its Letter of Determination ~~opinion~~ within 75 days of the receipt of a **complete** Application.

All waiver requests must be submitted 30 days prior to Application ~~s~~Submission.

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Owners of projects receiving a Letter of Determination for Bond Financed Projects in ~~2011~~2012 must:

- Close the bond financing within 180 days of the issuance of the ~~L~~Letter of ~~d~~determination;
- ~~Have A~~Have Any significant change in the financing structure or scope of work set out in the ~~a~~application ~~must be~~ approved by DCA before the start of construction.
- Complete all construction activity by December 31, ~~2013~~2014,
- Complete and submit the “DCA Placed in Service” form at the time the first building is placed in service, and
- Apply for Final Allocation and request for issuance of IRS form(s) 8609 by September 15, ~~2014~~2015.

IRS form(s) 8609 for a project will be issued only once for the entire project as proposed in the Application. Form(s) 8609 will not be issued as buildings are placed in service. ~~DCA will provide its opinion within 75 days of the receipt of a~~ complete Application.

DCA will not issue a favorable Letter of Determination ~~opinion~~ or Form(s) IRS-8609 when an Applicant exhibits a continual pattern of noncompliance, or when the Applicant demonstrates an inability or an unwillingness to resolve noncompliance matters in a timely manner as determined by DCA.

The Owner must execute and record GHFA’s prescribed form of the LURC at or prior to ~~B~~Bond closing. The LURC shall reflect all representations made in the original Application and any changes made to the original Application that has been approved in writing by GHFA. The LURC must be recorded upon its execution. All construction and/or permanent financing for the project must be subordinated to that portion of the recorded LURC that sets forth the requirements of Section 42(h)(6)(E)(ii) of the Code.

Owners of projects receiving a Letter of Determination from DCA must notify DCA Compliance in writing within 30 days after the first building placed-in-service date by completing the “DCA Placed In Service Form.” Failure to do so will be considered non-compliance and also may delay the issuance of IRS Form 8609.

**H. State Credit.** The annual State Credit dollar amount will equal that of the Federal Credit. The State Credit will be automatically allocated on a dollar-for-dollar basis with the Federal Credit (for both 9% and 4% Federal Credit) and will be available for the same time period discussed above. The Federal and State Credit may be bifurcated and sold to separate investors.

**I. —Neighborhood Stabilization.**

As the ongoing housing crisis continues to have devastating effects on Georgia communities, DCA reserves the right to take special actions in response to this epidemic. These actions may include, but are not limited to, making a reservation of resources, releasing certain DCA restrictions on scattered site development, increasing project caps, and modifying underwriting criteria for an application that seeks to address

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the crisis by acquiring and rehabilitating properties in the state's most impacted neighborhoods.

To receive consideration, an application proposing the rehabilitation of single-family homes must target a defined neighborhood where at least 30% of the single-family housing stock is currently vacant. The project concept must propose to rehabilitate at least 20 single-family homes where no more than 50% of the homes are contiguous. Applicants must submit a request to receive consideration along with project information to DCA in the following order by the date provided in Exhibit A, DCA Pre-application Deadlines and Fee Schedule:

- Project Narrative that includes, at minimum, a description of the project team's mission, a definition of the neighborhood boundary, explanation of neighborhood's high need for stabilization, and aerial photograph which clearly identifies all vacant home sites and neighborhood institutions.
- Evidence that the targeted neighborhood is part of a larger community revitalization plan, along with evidence of local government financial support and/or financial support from private institutions or foundations.
- Proposed project team members with description of capacity for completing and operating a scattered site project
- Plan for acquiring site control for 100% of proposed sites by the date of application (Applicant may have 50% of sites under site control where the remaining 50% of sites are under the control of a local land bank)
- Detailed property management plan
- Detailed marketing plan
- Rehabilitation plan that includes general work scope, type and condition of property to be targeted, and identification of project-specific issues (ex. Historic Neighborhood designation)
- -Tenant ownership plan or property disposition plan
- Preliminary CORE application
- Other documentation and/or commitments as DCA deems necessary

**DCA at its sole discretion will determine whether the proposed project meets the state's goals for addressing the housing crisis.**

### **SECTION 6. FINANCING RESOURCES – HOME LOANS\***

Applicants that will utilize DCA HOME funds as a funding source in a competitive tax credit Application must obtain DCA's consent during the pre-application process. Any application that is submitted in the **2011-2012** competitive funding round with DCA HOME funds as a funding source that did not obtain the required consent will be deemed to have failed Threshold under the project feasibility criteria.

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**A. Resources Available.** HUD annually allocates HOME funds to state and larger local governments. The Federal Fiscal Year (FFY~~2014~~2012) HOME allocation is expected to be available to the State on **July 1, ~~2014~~2012**, following approval of the Annual Action Plan for FFY~~2014~~2012 Consolidated Funds (Annual Action Plan). In the event FFY ~~2014~~2012 HOME funding is not made available to the State, DCA will not be obligated to provide any HOME Loans to Applicants.

**B. Eligibility.** Except for Projects submitted by a CHDO or projects designated primarily for use by special needs tenants, projects located in a “PJ” are not eligible for DCA HOME funds.

**C. HOME Loan Limits.** The maximum HOME loan amount is \$~~2.5~~0 million and the minimum HOME loan amount is \$800,000. DCA reserves the right to increase or decrease the maximum HOME loan amount if it determines that additional or less HOME funds are available for distribution.

**D. Failure to Use ~~2014~~2012 DCA HOME Funds.** Applications/Projects that receive consent to utilize HOME funds as a funding source are required to utilize the requested funds if the project is selected for an award of tax credits. Failure to utilize HOME funds may result in the withdrawal of the tax credit award or a finding which may impact future compliance scoring.

**E. CHDO ~~Set aside~~Set aside.** Fifteen percent (15%) of the State’s HOME allocation will be set aside for projects owned by ~~nonprofit~~non-profit that have been pre-qualified by DCA as CHDOs.

CHDOs funded under this Plan must act as sole or joint Owners of newly constructed or rehabilitated rental housing for occupancy by low and very low-income households as set forth in the Plan, Manual, and the HOME regulations. The CHDO must be either the sole general partner of the ownership entity or the managing general partner of the ownership entity. The CHDO must also exercise effective control of the project. In the event the CHDO is a general partner with a for-profit or ~~nonprofit~~non-profit general partner, the CHDO must own at least 51% of the general partnership interest. The CHDO (or a wholly owned or controlled affiliate) must receive a percentage of the Developer Fee greater than or equal to the percentage of ownership interest. All DCA communication with the ownership entity will be with the CHDO managing general partner. A copy of the general partnership/joint venture agreement indicating the CHDO’s general partnership interest and its’ share (or the share of the wholly owned and controlled affiliate) of the Developer Fee must be included in the Application.

Organizations seeking funds under the CHDO ~~Set aside~~Set aside may apply for funding to cover pre-development expenses through DCA’s CHDO Pre-Development Loan program. Information on the Pre-Development Loan Program is available on DCA’s website.

**F. HOME Underwriting Policies.** DCA’s policies for underwriting HOME loans are set out in Section 7 of the Core.

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**G. Selection Criteria for Consent.** In the event DCA receives requests for HOME Consents that exceed available HOME funds, Consents shall be issued based on the following selection criteria:

- ~~CHDO Projects~~
- ~~Rural Projects~~
- ~~Special Needs Projects~~
- Projects that are proposed to have no debt other than DCA HOME
- Projects that can repay DCA HOME funds on a fully amortized schedule within the loan term.
- Project Teams that are determined by DCA to be Qualified without Conditions
- Successful Successful HOME Loan Experience of Applicants Owner and Developer in Georgia (projects in common will only be counted once; Owner or Developer must have had a 20% or greater interest in GP or Developer entity)
- ~~Number of successful currently operating tax credit projects in Georgia~~
- Recent Number of LIHTC project closings with syndicator equity since 1/1/08three year history closing syndicator financing
- Compliance History
- Site suitability
- ~~Rural Projects~~
- ~~Special Needs Projects~~
- Generally, each Applicant will receive only one HOME consent

Applicants that appear to be requesting HOME funds for point purposes and do not show a clear need will not receive a consent.

**H. Final HOME Award.** DCA will issue a HOME preliminary commitment at the conclusion of the ~~2011~~2012 multifamily competitive funding round. A sample of the commitment letter may be found on the DCA web site. Final commitments will be issued when the project completes DCA underwriting and is approved by its project loan committee.

## **SECTION 7. POLICIES**

Policies governing the administration of the Credits and HOME Loans are found throughout the Plan, the Manual, the Compliance Manual, and other documents published by IRS, HUD, and DCA. Included in this section of the Plan are policies to which DCA wishes to draw specific attention.

Additional policies related to the funding and underwriting of special needs projects may be posted by DCA at a later date.

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DCA reserves the right to formulate new policies to address operational issues that may arise during the course of the funding cycle.

**A. DCA Underwriting Policies**

- **Annual Operating Expenses.** Annual budgeted ~~O~~operating ~~C~~costs, excluding reserve contributions, must be no less than the following:

- (a) Four thousand and five hundred dollars (\$4,500) for units ~~to be located for projects~~ within the City of Atlanta,
- (b) Four thousand dollars (\$4,000) per unit for urban projects other than Atlanta,
- (c) Three thousand dollars (\$3,000) for non-MSA rural projects, and
- (d) Three thousand dollars (\$3,000) for projects that include 515 USDA loans as a funding source.

DCA reserves the right to determine the reasonableness of budgeted operating expenses for all projects.

- **Assumptions for Building/Land CostBasis.** For purposes of underwriting ~~acquisition Credits~~, the building/land cost basis must be limited to the lesser of the sales price or the appraised value of the building(s) and/or land. However, DCA reserves the right to determine the reasonableness of building/land costbasis for all projects. Previous sales price as well as valuations may be considered. This applies to both the building/land cost and building eligible basis.
- **Builder Cost Limitations.** Builder ~~P~~profit is limited to a maximum of 6% of the Contract Sum. Builder's Overhead is limited to a maximum of 2% of the Contract Sum and General Requirements is limited to a maximum of 6% of the Contract Sum (exclusive of Contractor Services). These limits apply to both development costs and eligible basis.

**General Requirements are defined as job overhead and covers project-specific overhead expenses. This typically includes:**

- (a) Supervision and job-site engineering;
- (b) On-site job office expenses directly related to the project;
- (c) Temporary buildings, tool sheds, shops, and toilets;
- (d) Temporary heat, water, light and power for construction;
- (e) Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental;
- (f) Construction equipment rental not included in trade item costs;
- (g) Clean-up and disposal of construction debris;
- (h) Medical and first aid supplies and temporary facilities;
- (i) Security guard wages and related costs, and theft and vandalism insurance.

**General Requirements do not include the following.**

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- (a) Payment and performance bonds, letter of credit fees, and fees associated with obtaining a construction loan in lieu of payment and performance bond or letter of credit;
- (b) Site and topographic surveys;
- (c) Subsurface exploration (test borings);
- (d) Soil tests, concrete tests, and other construction testing;
- (e) Fees for utility taps and connections;
- (f) Building permits and licenses;
- (g) General Contractor's cost certification audit fee (if required).

**These will be costs outside of the construction contract.**

- **Construction Contingency.** For new construction, the construction contingency is limited to the lesser of a maximum of 5% of the total construction hard costs or \$500,000. For rehabilitation, the construction contingency is limited to the lesser of 7% or \$500,000.

The construction contingency is meant to cover unforeseen circumstances encountered during construction. In the absence of unforeseen circumstances, a change order may be submitted for approval of the following:

- a. Amenities designed to enhance the quality of life of the residents
- b. Amenities that provide security such as lighting, fencing, and life safety monitoring systems
- c. Product upgrades that increase durability and decrease maintenance costs
- d. Product upgrades or scope additions that increase energy efficiency and decrease operational costs

DCA will not approve change orders requesting that contingency funds be used for luxury items including, but not limited to, crown moldings, granite countertops or decorative interior items.

- **Debt Coverage Ratio (DCR).** As part of its financial feasibility analysis, DCA will require that projects with tangible debt meet, at a minimum, a 1.20 debt coverage ratio for each year of the compliance period for new construction and 1.25 for projects involving rehabilitation. For purposes of determining the debt coverage ratio, deferred Developer Fee will not be considered tangible debt. Amounts set aside in a reserve funded in one year may not be withdrawn and treated as a gross receipt in a subsequent year to satisfy the debt service coverage ratio in the subsequent year. Amounts received in one year that exceed the debt service coverage target for that year will not be credited to another year. For purposes of this test, each year will stand alone. The debt coverage ratio cannot drop below 1.20 (for new construction, 1.25 for rehabilitation) during the 15-year Compliance Period or DCA HOME Loan term (if applicable) whichever is longer. DCA will review each project carefully to determine whether a project is over subsidized and ~~to determine~~ whether the amount of HOME funds/and or credits is the best use of DCA resources. While DCA does not have a cap on the DCR, projects that have

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DCRs that exceed 1.50 for rural projects or 1.40 for urban projects may be subject to additional scrutiny to ensure they are not over subsidized. DCA does recognize that rural deals will typically have higher debt coverage at the beginning of the compliance period in order to remain feasible over the fifteen years. Documentation to support these higher debt coverage ratios should be provided.

No-debt deals are allowed but will be subject to additional scrutiny from DCA. Projects submitted with no debt will not have a DCR but will be required to cash flow without having an undue profit. This will be determined by a ratio of Effective Gross Income to Total Annual Expenses (including reserve for replacement). A ratio of 1.10 for new construction (1.15 for projects involving rehabilitation) shall be the minimum required to be considered feasible by DCA in Years 1-15.

- **Development Costs.** These are costs shown in the development budget and include, but are not limited to, the cost for land, on-site improvements, on-site development, construction cost, financing cost, professional fees, and mandatory reserve accounts. Development costs are limited to on-site development activities.

DCA will conduct a line by line review of development costs to determine the reasonableness of each estimate. Applicants are encouraged to utilize accurate estimating data in determining this budget and to provide supporting documentation when available.

DCA may require that development costs be reviewed by a third party consultant approved by DCA as a condition of funding.

- **Developer Fee.** ~~means the~~ The sum of the Developer's overhead and Developer's profit. Consulting Fees and Guarantor Fees are also considered part of the total Developer Fee calculation.
- **Developer Fee Limitation.** This limitation applies to both development costs and eligible basis at all stages (scoring, carryover and Final Allocation). DCA restricts the maximum Developer Fee as follows:
  - (a) For new construction projects, the Developer fee will be limited to 15% of Total Development Costs less the budgeted Developer Fee, any demolition cost and the underwritten cost of Land.
  - (b) For acquisition/rehabilitation projects that are eligible for acquisition credits, the Developer Fee on the acquisition portion will be limited to 15% of the Existing Structures acquisition cost (including Acquisition Legal Fees at the "4%" applicable credit percentage). The rehabilitation portion will be limited to 15% of Total Development Costs less the budgeted Developer Fee, the underwritten cost of Land, Acquisition Legal Fees and Existing Structures.
  - (c) For rehab projects that are not eligible for acquisition credits, the ~~d~~Developer ~~f~~Fee will be limited to 15% of Total Development Costs less the budgeted

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Developer Fee, the underwritten cost of Land, Acquisition Legal Fees and Existing Structures. However, if the Development Agreement specifically states that a portion of the ~~d~~Developer ~~f~~Fee is attributable to the building acquisition, then the ~~d~~Developer ~~f~~Fee will be limited to 15% of Total Development Costs less the budgeted Developer Fee and the underwritten cost of Land.

When an Identity of Interest exists between the Developer and the General Contractor, the maximum Developer Fee is restricted to 15% of the Total Development Cost less the underwritten cost of the Land, the budgeted Developer Fee, and the Builder Profit. If the Application budgets a Developer Fee of less than 15%, the percentage proposed will be substituted for 15% in determining the maximum Developer Fee.

The ~~d~~Developer ~~f~~Fee will be calculated using the allowable total development cost limited by the DCA Base Unit Cost Limits. The Developer Fee for Applications for ~~A~~Additional Credits (in the year the project is placed in service), shall be limited to the original approved Developer Fee.

Deferred Developer ~~f~~Fee must be payable within fifteen (15) years from available cash flow. The deferred portion cannot exceed 50% of the total amount of Developer Fee at initial application.

**Notwithstanding anything contained herein to the contrary, the Developer Fee will be limited to a maximum of \$1,800,000.**

• **Distribution Across Unit / Bedroom Sizes.**

(a) *Rent.* Projects with a multi-tiered rent structure must distribute the rents across unit sizes, unit types and buildings. These units need not be fixed, but may float in the same way high HOME rent and low HOME rent units may float within a project.

(b) *Accessibility.* To the maximum extent feasible, accessible units must be distributed across unit sizes, unit types and buildings so as not to limit choice.

• **General Contractor.** DCA must approve the ~~g~~General ~~e~~~~Contractor~~~~Contractor~~ prior to commencing work on any tax credit or HOME project.

Request for approval of a General Contract should include the following:

(a) A resume on the General Contractor's Construction Experience that demonstrates a history of having performed work of the scope and type required for the development (number of projects, number of units, location of projects, capacity of involvement);

(b) Three (3) letters of reference with contact information (name, address, email, phone and facsimile numbers);

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- (c) Affidavit that the Contractor is not on the U.S. Department of Housing and Urban Development (HUD) list of contractors debarred or not approvable for prior noncompliance with HUD or DCA requirements;
- (d) A statement as to whether the General Contractor has any lawsuits pending, have ever declared bankruptcy or has any pending unresolved claims;
- (e) A statement as to whether the General Contractor has been bonded within the last three (3) years; If bonded, amount and by what entity.
- (f) The General Contractor's Schedule of Work in Progress which details current projects under construction and estimated timeline for completion;
- (g) General Contractor's Estimate of Construction Time for the project;
- (h) Evidence of the ability to obtain payment and performance bonds each in the amount of 100% of the total construction contract. If an Identity of Interest exists and the contractor cannot obtain a payment and performance bond, a waiver of the requirement for payment and performance bonds may be granted. In the form of a letter of credit in the amount of 50% of construction costs (including overhead and profit) or the owner obtains private construction financing from a financial institution in the amount of the GHFA loan. (?Sentence needs to be complete)
- (i) A complete AIA A305 General Contractor Qualification statement;
- (j) A positive Dun & Bradstreet rReport (ordered by DCA. (The contractor will be invoiced for the fee); and
- (k) Evidence that the General Contractor carries Comprehensive General Liability and Worker's Compensation insurance in the amounts specified in the Construction Contract or the DCA Insurance Manual, whichever is the most restrictive.
- (l) A statement identifying all identities of interest with pProject pParticipants including subcontractors and vendors where the value of the work subcontracted or purchased is expected to exceed \$50,000.

**Requests should be submitted to DCA at least 60 days prior to the commencement of work.**

- **Identity of Interest.**

**Contractor.** If there is an Identity of Interest between any participant in the Ownership entity and the contractor or the Developer and the contractor, a third party front-end analysis of the construction costs will be commissioned by DCA during the DCA underwriting period. Additionally, industry standards for such Owner-provided construction services shall be used to determine reasonableness for the services. DCA will require that a contractor cost certification be submitted where there is an identity of interest between any pProject pParticipant and the gGeneral eContractor. The cost certification shall be prepared in accordance with the standards set forth for a HOME contractor cost certification.

**Subcontractor / Materialmen.** If there is an Identity of Interest between the Owners and any other provider of service, material, or supplies, such Owner-supplied provider of services, materials, or supplies must not exceed the amount

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ordinarily paid for the service, material, or supply. Identity of Interest between any Project Participant and any sub contractors must also be disclosed. Additional scrutiny will be given to sub contractor costs where there is an identity of interest.

**Lenders.** If there is an identity of interest between any Project Participant and construction/permanent lenders, such financial structure requires financing terms and conditions which are reasonable, customary and consistent with industry standards. The determination of whether or not such terms and conditions are reasonable and customary is at DCA's sole and absolute discretion.

**Land/Building Purchase.** For Applications where there is an Identity of Interest between the buyer and the seller for any site within the project, an appraisal no more than 6 months old and prepared by a certified appraiser must be submitted with the Application as a basis for the determination of the appropriate sales price. The appraisal must be prepared in accordance with DCA Appraisal Guide, meet USPAP standards, and must provide separate valuations for the land and existing buildings.

DCA will carefully scrutinize the sales price of land between related parties to ensure that the value has not been inflated. While the appraisal will be an indication of fair market value, DCA will consider tax values as well as actual sales price established as indicative of the value of a property. All property values shall associate a land value as well as a value for the improvements.

Properties which have been in the control of the Applicant or a related party for a period of three (3) years or less will generally be valued at the acquisition cost at the time the related party obtained initial site control. Properties that have been rezoned, subdivided or modified will not be deemed to be of higher value based on the actions taken by the Owner/ Applicant or any related party.

- **Inspections.** All costs incurred by DCA for DCA HOME property inspections will be the responsibility of the Borrower – including, but not limited to, Inspections at Draws and Final Draw and other inspections required if a property is improperly maintained.
- **Local Government Fees.** The development budget must include all **documented** water tap, sewer tap, impact and building permit fees. **(These local government fees cannot be part of General Requirements.)** Applicants that include fees that are not required by the local government at the time of application will be subject to a loss of points.
- **Management Fee.** The operating budget should specify a reasonable management fee. A management fee is required for all projects. DCA will review carefully the terms of the management agreement if the property is self managed or if there is a related party relationship between the Owner/Developer and the Management Company. DCA reserves the right to limit or adjust management fees which appear to be excessive or which appear to be inadequate.

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- **Operating Deficit Reserve.** All developments must budget for and fund an operating deficit reserve in an amount of no less than six times the secured monthly debt service to lenders plus no less than six months projected operating expenses. The funding of the operating deficit reserve must be completed at or before Conversion. The operating deficit reserve must be held for the Compliance Period. For underwriting purposes, DCA will generally use six months of operating expenses plus six months of debt service. However, DCA reserves the right to evaluate the reasonableness of the amount and may make appropriate adjustments.
- **Permanent Debt Financing.** Permanent debt financing shall have a minimum term of 10 years.
- **Preliminary Financing Commitment Letters-Interest Rates.** DCA will generally evaluate financial feasibility for all applications (other than those with an assumption of existing fixed rate debt and federal and state equity) using an interest rate specified in the preliminary commitment letter. If the interest rate is based upon a spread over an index rate, both the underlying index to be used and the spread should be identified in the preliminary commitment letter. Any other fees or premiums included in the “all-in” interest rate should also be clearly disclosed. DCA will utilize the applicable rate effective as of May 1, ~~2011~~2012. DCA reserves the right to evaluate the reasonableness of the interest rate and adjust it based on the market information available to DCA.

For noncompetitive projects, the effective date of the applicable rate will be the first business day of the full month preceding the Application ~~s~~Submission date. The Applicant must include documentation of the applicable index rate with the commitment letter. In the event that DCA determines that continued volatility in the market makes the interest rate expressed in the preliminary commitment submitted at Application Submission unreasonable, DCA may request that the proposed lender provide an updated interest rate during Application review.

~~Syndicator~~ Preliminary Equity Commitment Letter or Letters of Interest are required in as much detail as possible. ~~DCA will publish guidance as to the federal and state credit prices for use in estimating equity contributions for application submission purposes no later than March 26, 2011~~2012. At a minimum, such commitment should include the equity pricing, total capital contribution amount, estimated pay-in schedule, and any reserve requirement. DCA will use any reasonable equity pricing information provided in the equity commitment letter for underwriting. However, if the combined federal and state equity price is significantly higher or lower than the median price based on the applications received, DCA reserves the right to adjust the equity price, taking into consideration of the project characteristics.

- **Rehabilitation Hard Costs.** Average per unit rehabilitation hard costs must equal or exceed \$25,000 for properties 20 years old or less and the average per unit rehabilitation hard costs equal or exceed \$30,000 for properties that exceed 20 years old. The costs of the rehabilitation or new construction of community buildings and common area amenities are not included in these amounts.
- \* Not Applicable to Bond Financed Projects

- **Rent-Up Reserves.** A reasonable rent-up reserve (excluding marketing costs) is required for all projects based on the estimated projected lease up deficit. Absent information to the contrary, DCA will assume that three months of projected operating expenses constitutes a reasonable reserve. After lease-up, any funds remaining in this reserve will be transferred to the ODR or will be utilized to pay any deferred **d**Developer **f**Fee.
- **Replacement Reserve.** A Replacement Reserve based on a Replacement Plan, is required for all projects awarded funding under the Plan and must be included in the operating budget. Contributions must be made to the reserve account, starting at or before the conversion date of the construction loan to permanent loan and must be funded for the term of the loan in accordance with the Replacement Plan. The following **minimum** contributions must be used:
  1. Rehabilitation: \$350 per unit per year
  2. New Construction: \$250 per unit per year
  3. Single Family Units: \$420 per unit per year
  4. Historic Rehabilitation \$420 per unit per year

Replacement Reserve funds may be used only for Capital Improvements (substantial improvements to the real estate such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs) and must **not** be used for general maintenance expenses. Less restrictive provisions required by Lenders should be approved by DCA.

Replacement Reserves must escalate at a rate of 3% per year. If the Replacement Plan indicates that an amount greater than the minimum reserve outlined above is necessary, then this greater amount will be required and must be escalated at a rate of 3% per year. For Rehabilitation Projects, the physical needs assessment will also be reviewed in determining whether sufficient reserves have been established. DCA will, at its discretion, adjust the Replacement Reserve to reflect reasonable and customary capital and replacement expenditures, and reserves the right to continue to do so during the term of the DCA funding, if necessary.

- **Revenue, Vacancy, and Expense Trends.** Revenue should be trended at 2% per year, operating expenses at 3%. Vacancy and collection loss will be underwritten at the higher of 7% or a percentage that DCA determines is appropriate based on market and historical information for the proposed project area.
- **Soft Cost Contingency.** “Soft cost” or “total project” contingency, over and above the allowed construction contingency, will not be permitted as a budgeted line item.
- **State Tax Credit.** DCA will not allocate state tax credits to a project that shows a price less than the reasonable fair market price for credits. Applicants that indicate

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intent to purchase state tax credits for themselves will be required to provide additional information as to the use of the credit and the basis for the price.

- **Tax Credit Percentages.** During the competitive round, for the purpose of the application review, the Applicable Credit Percentage for the month preceding the Application sSubmission deadline should be utilized for acquisition credits and new construction credits; for and rehab credits, the Applicant can choose to use 9% credit or the Applicable Credit Percentage for the month preceding the aApplication sSubmission deadline. It's the aApplicant's responsibility to ensure that the rehab will be placed in service before December 31, 2013 if the aApplicant chooses to use 9% credit for purposes of underwriting. Rehab projects that elect to use the 9% credit percentage are not eligible for the State Designated Boost.
- ~~will use an applicable tax credit percentage of 9%; for acquisition credits, the Applicable Credit Percentage for the month of May 20112012 should be utilized.~~

For 4% eCredits (tax-exempt bond financing), the Applicable Credit Ppercentage for the month preceding the submission of the application for tax credits should be utilized for the Application.

**B. Additional DCA Policies related to the funding of DCA HOME Loans**

- **Assumptions for Land Purchase.** Once a project has been funded and the appraisal received, the building cost assumed for acquisition of land and existing buildings will be limited to the lesser of the sales price or the appraised "as-is" value.
- **Contractor Change Orders.** All changes to the approved scope of work and/or construction contract must be approved by DCA in advance of proceeding with the work.
- **Contractor Construction Cost Certifications.** Certifications audited by an independent certified public accountant must be submitted with the request for final draw for all projects funded with DCA HOME. All certifications must be prepared in accordance with DCA requirements.
- **Construction Commencement.** All HOME projects must be able to commence construction within one year of commitment.
- **Construction Contingency.** Any unused balance in the construction contingency at the time of Conversion must be used to reduce the principal amount of the HOME Loan or the senior lender loan as appropriate, with the monthly principal and interest payments adjusted accordingly.
- **Construction Hard Cost Financing.** HOME Loan funds must be used to finance only construction hard costs, which include site development, unit/building construction, and Contractor Services which include General Requirements (inclusive

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of payment and performance bonds), Builders Overhead and Builder's Profit. Soft costs, acquisition costs and other project costs must be financed by other financing sources. (Not applicable to HOME CHDO Predevelopment Loans.)

- **Construction Loan Recourse.** All construction loans will be full recourse against the borrower and/or the principals of the Ownership entity until Conversion. DCA may require that one or more Principals of the Owner or Developer guarantee the completion of construction and payment of the HOME Loan until Conversion.
- **Conversion.** Projects receiving HOME Loans must be scheduled to convert within twenty four-months of the HOME construction loan closing. Extension of conversion deadlines must be approved by DCA.
- **Developer Fee Disbursement Limitations.** The amount of the Developer's overhead and Consultant's Fee (if applicable) that can be drawn before Conversion must not exceed 50% of the total Developer Fee requested less any portion being deferred. None of the Developer's profit will be disbursed until Conversion. These disbursement conditions will be reflected in the HOME Loan documents and in an agreement with any other funding source(s) that will be funding these line items.
- **Draws.** HOME Construction Loan proceeds will be disbursed on a draw basis during the construction period. The HOME loan documents will describe the policies and procedures for obtaining a draw.
- **Fixed or Floating Unit Designation.** When HOME assisted units are "fixed", those units are subject to specific HOME rent and occupancy requirements and will never change. When HOME assisted units are "floating", the units that are designated as 50% or 60% AMI units may change over time as long as the total number of those units in the project remains constant. If the Applicant fails to make such an election at the time of loan commitment, it will be deemed that the Applicant has elected to treat the HOME assisted units as "floating".
- **Guarantees.** Guarantees will be required by the Developer entity as well as the individual principals of that entity for the period from the loan closing until conversion.
- **HOME Units.** When DCA HOME funds are an approved source of financing for a project, each low income unit in the project is considered a "HOME assisted unit" unless this requirement is waived. Based on the statutory HOME requirements, twenty percent (20%) of the total low income residential units in the project must be limited to rent and income restrictions based on 50% of AMI. The balance of low income units will be limited to rent and income restrictions based on 60% AMI, however **all** low income units will be limited to HUD Fair Market Rents should they be less than the applicable rent based on the AMI and bedroom size.
- **Intercreditor Agreements.** When GHFA is not the only construction lender on a project, an intercreditor agreement shall be executed with the other lenders to ensure

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DCA's required involvement in all significant aspects of the administration of the construction loans.

At a minimum, the intercreditor agreement should contain at least the following essential elements:

1. A development cost budget approved by all lenders indicating the source(s) of funding for each line item;
  2. A process and timetable for reviewing and approving change orders to the construction contract;
  3. A process and timetable for reviewing and approving draw requests, including site inspection and documentation standards;
  4. A process and timetable for amending the approved development cost budget;
  5. Limitations on disbursements for Developer Fee (Owner's profit and risk) and Consultant fees; and,
  6. Other matters, such as priority of each lender's interest in the collateral for the loans.
- **Loan Documents.** Written agreements shall be entered into between GHFA and the borrower evidencing, securing, and setting forth all of the terms and conditions of the HOME Loan. The Project Owner will also be required to execute all other closing or loan documents DCA deems necessary or desirable to document the HOME Loan satisfactorily.
  - **Loan Terms.** The principal amount of the HOME construction loan and HOME permanent loan for a project will be the same. No interest will be charged during the construction loan period. The interest rate on the permanent loan will be no less than 1%.
  - However, at DCA's discretion, the interest rate on loans to finance projects located in areas designated as rural pursuant to the definitions in the QAP may be less than 1% in years 8 through 15 as required to ensure project feasibility. In no case may such interest rate fall below 0.50%. In years 16 through maturity, such interest rates shall not fall below 0.25%. DCA reserves the right to adjust this rate at its sole and absolute discretion during underwriting. Construction loan terms will be based upon the projected construction and lease-up schedule, as determined from the Application and DCA's underwriting. In general, permanent HOME Loans will be fully amortizing, with a maturity and amortization periods ranging from 15 to 35 years.
  - **Non-Fully Amortizing Loans.** Non-fully amortizing Balloon Loans are available for projects in Rural areas. In such cases the term will be set by DCA with monthly payment and interest payments determined by DCA's underwriting projections and a balloon payment due at maturity. In the case of non-fully amortizing HOME Loans, the outstanding interest and a portion of the principal must be paid every year.

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- **Excess Cash Flow Reserve.** For all permanent non-fully amortizing HOME Loans, in which the monthly installments of principal and interest are not sufficient to pay the HOME Loan in full over the loan term (a “non-amortizing HOME Loan”) the borrower will deposit one-half of the cash flow from the project (after payment of secured debt service and investor asset management fees) into an interest bearing reserve account. The holder of the reserve account and the terms under which it will be held must be approved by DCA in its sole discretion.

Funds held in the reserve account will be used only for principal reduction of the HOME Loan or Capital Improvements, but only if such use is approved by GHFA in advance. Funds in the reserve account (with the exception of those approved by GHFA for Capital Improvements) must remain in the reserve account until the HOME Loan is repaid.

- **Future Market Value.** In the case of a non-fully amortizing HOME Loan, DCA will require a projection from the appraiser of the future market value of the property at the maturity of the HOME Loan. This value will be used by DCA to determine the likelihood of retirement of the outstanding balance by refinance or resale of the property. The future market value of the property must be greater than the projected outstanding DCA HOME Loan balance at maturity in order for the HOME Loan to be considered financially feasible.
  - **Owner/Developer Financial and Credit Qualifications.** The financial status and capacity of the owner and/or developer as well as their current credit rating will be reviewed by DCA at the time of underwriting. The results of these analyses may indicate the requirement for additional guarantors and/or partners, reserve accounts, and/or repayment term adjustments.
  - **Operating Deficit Reserve.** The operating deficit reserve for HOME loans must be held by DCA or the senior lender and must remain in place for the term of the HOME Loan or the Period of Affordability, whichever is longer. With the exception of instances in which Fannie Mae is the sole senior lender, if DCA is a subordinate lender, but makes a HOME Loan in an amount greater than the senior lender, DCA must hold the reserves. All withdrawals from the operating deficit reserve must be requested in writing and approved in advance by DCA. Interest earned on the operating deficit reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions. If drawn upon, no further distribution to Owners will be authorized until such time as the operating deficit reserve is restored to full funding.
  - **Over-Income Tenant Restrictions.** When DCA HOME Loans are used, additional over-income restrictions shall apply. Upon re-certification of a previously eligible tenant, if it is determined that the tenant’s income exceeds 60% of AMI, then the tenant’s rent must be increased to the lesser of: 30% of the tenant’s adjusted annual income, HUD’s fair market rent limitations, or the maximum amount allowable by the Code, not to exceed limitations set by state or local laws (if any) or to be decreased under the established rent floor.
- \* Not Applicable to Bond Financed Projects

- **Owner-Contractor Agreements.** If the Owner is not also the general contractor, all developments financed in whole or in part with a HOME Loan for construction must use an AIA Standard Form Agreement between Owner and contractor, with Standard Form Terms and Conditions. The contract can either be stipulated sum or cost plus a fee with a maximum.
- **Partnership Agreements.** The partnership agreement and any amendments must be fully executed prior to the HOME Loan closing. The Partnership Agreement and any amendments must reflect the terms of the HOME Loan transaction on all material points. If the Owner is a limited liability company, an operating agreement in a form satisfactory to DCA must be fully executed before the HOME loan closing. After the HOME loan closing, the partnership agreement or the operating agreement (as the case may be) may not be further amended without GHFA's prior approval.
- **Payment and Performance Bonds.** A 100% payment and performance bond will be required for all developments funded with HOME Loans. The issuer of the bonds and the terms of the bonds must be satisfactory to DCA in its sole discretion.

When an Identity of Interest exists and the contractor cannot obtain a payment and performance bond, a waiver of the requirement for payment and performance bonds may be granted if a letter of credit or construction loan is utilized in lieu of the payment and performance bond.

A waiver will not be considered unless:

1. The Owner agrees to provide a construction completion guaranty and payment guarantee, secured by a letter of credit from a federally-insured institution with a value of at least 50% of the total construction cost, including profit and overhead; or
  2. The Owner agrees to secure a construction loan with private financing. GHFA will disburse funds during the construction period, in an amount not to exceed \$10,000 per construction draw.
- **Refinancing.** DCA HOME loans cannot be used to refinance or payoff an existing loan. Proceeds from permanent HOME loans can be used to pay off construction, bridge and predevelopment loans provided that the HOME assistance is part of the original financing package.
  - **RRepayment.** Repayment schedules will vary depending upon projected economics of the development, but are essentially determined by analyzing available projected cash flow of the project at Application Submission and again during HOME Underwriting. In the event, DCA determines that the project is experiencing feasibility problems related to increases in real estate taxes, increases in property insurance, increases in utility allowances or decreases in fair market rents, the repayment schedule may be modified by DCA.

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- **Replacement Reserve Withdrawals.** All withdrawals from the Replacement Reserve account must be approved by DCA in advance. The senior lender must maintain the Replacement Reserve account in an FDIC insured financial institution. Interest earned on the Replacement Reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions.
- **Retainage.** The loan agreement between the Project Owner and GHFA will provide that GHFA will retain 5% of the contract sum in HOME loan proceeds until the conditions of the final draw are met.

In addition, the contractor is required to show retainage on the AIA G702/703 as follows:

- If the project completion is between 0-50% of the general contractor's contract sum, the AIA G702/703 must show at least 10% retainage on the entire contract sum. No portion of the contract sum shall be exempt (Examples of items that are not exempt: stored materials, performance and payment bonds, insurance, general conditions). Adjustments will be made in the disbursement of HOME funds if the AIA G702/703 does not reflect 10% retainage.
- If the project completion is 50.1-100% of the general contractor's contract sum, the AIA G702/703 must show at least 5% retainage on the entire contract sum.

The construction contract must provide and the contractor must acknowledge that GHFA has the right to withhold such retainage and that the retainage will not be disbursed until full and final completion of the construction.

- **Rural Projects.** DCA recognizes that Rural projects may involve greater financial risk than non-Rural projects. While a sufficient economic base to support a proposed Rural project may exist at the time of Application, the loss of a predominant industry or employer, or other extenuating circumstances out of the control of the Applicant could result in a major economic impact on the project. To mitigate this increased financial risk, DCA will consider loan modifications during the course of the HOME Loan for projects which have suffered a demonstrated major economic impact as a result of the loss of a predominate industry or employer or other extenuating circumstances. The loan modification may be structured to allow the Owners to maintain Ownership and control of the property and to continue providing affordable housing to the extent it is needed in the community.

- **Stored Materials.** HOME funds will not be used to fund the cost of stored materials without the prior consent of DCA. Stored materials are considered to be materials that will not be incorporated into the construction within the subsequent thirty (30) days from the date of any draw request.
- **Subsidy Layering Review.** DCA will perform subsidy-layering analysis for HOME funded projects prior to the time of preliminary commitment for projects receiving tax credits from the state's low income housing tax credit allocation. In cases where the

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results of a DCA subsidy layering review indicated that there would be excess assistance, DCA will reduce the amount of the HOME loan to eliminate the excess. In addition, a subsidy layering review is also conducted during HOME loan underwriting prior to the closing of the HOME loan.

- **Subordination.** The decision whether to subordinate DCA’s regulatory agreement and/or lien position to a private lender’s security deed will be made only after DCA considers the individual circumstances of each HOME Loan. Factors that will be considered include, but are not limited to, the senior loan amount, DCA’s HOME Loan amount, debt coverage ratio, private lender’s interest rates, loan maturity, type of loan, etc. In no instance will DCA subordinate to a public entity’s loan.
- **Syndicator Asset Management Fee.** Syndicator asset management fees will be paid from the “after debt service” cash flow less the cash flow payments to DCA on the HOME permanent loans.
- **Tri Party Agreements.** A Tri Party Agreement will be required for all DCA HOME Loan transactions involving another permanent lender that is not financing construction costs. The Tri Party Agreement must clearly state, at a minimum, that the permanent lender has reviewed and approved the DCA HOME Loan documents, plans and specifications, development budget, tenant lease, environmental assessment, construction contract, title exception legal description, management agreement, partnership agreement, borrower’s certificate of limited partnership, survey, appraisal, form of subordination agreement, and items necessary to satisfy the permanent commitment regarding completion of construction of the improvements of the collateral property.

**SECTION 8. ELIGIBILITY**

- DCA reserves the right to perform a full criminal, employment, and credit investigation of all Project Participants.
- DCA reserves the right to formulate additional policies as needed related to the eligibility of individuals and entities to participate in DCA funding processes.
- In order to be eligible to participate, project participants must be current in all outstanding fees owed to DCA, including but not limited to Compliance Monitoring Fees and LIHTC allocation fees.

Proposed Project Participants may be ineligible to participate in the **20142012** competitive round and to receive funding under the Plan if the proposed Project Participant falls within any one of the following categories:

1. **Continuing Non-Compliance, Disqualification in DCA Programs.** Principals of projects awarded Credits or HOME Loans in previous award cycles must remain materially in compliance with all applicable requirements of the Credits and the HOME Loan programs to remain eligible to compete for future Credits or HOME

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Loans. Material non-compliance status exists when, in the judgment of DCA, an Applicant exhibits a continual pattern of non-compliance or when an Applicant demonstrates an inability or an unwillingness to resolve non-compliance matters in a timely manner.

2. **Failure to Commence and Complete Projects.** Project Participants must start and complete outstanding DCA HOME Loan or Credits projects in a timely manner and meet all material obligations under applicable loan documents and/or carryover allocations to remain eligible to compete for future Credits or HOME Loans. Project Participants must accurately complete and submit all forms required under Federal regulations in a timely manner including, but not limited to tenant data and Davis-Bacon documentation. Project Participants must remain qualified to participate in all DCA-administered programs to remain eligible to compete for future Credits or HOME Loans.
3. **Previous Conduct.** Project Participants may be disqualified from participation based on previous conduct. Examples of conduct which may result in disqualification include, but are not limited to, any Owner, Developer, Manager or principal of such entity ~~that entity~~ that has been debarred by HUD, subject to criminal conviction or found to have submitted fraudulent information to DCA or any other government entity.

DCA will have the sole and absolute discretion to determine those parties ineligible to receive funding under the Plan due to non-compliance, default or disqualification status. If an entity is determined to be ineligible to compete for DCA tax credit and HOME resources, the principals of that entity will also be ineligible. A disqualification under this subsection will result in the individual or entity involved not being allowed to participate in the ~~2011~~2012 competitive cycle or the tax exempt bonds 4% tax credits and removing from consideration any application where they are identified.

4. **Federally Debarred & Suspended Entities.** Any person (individual, corporation, partnership, association), principal (officer, director, Owner, partner, key employee, or person who has critical influence), or agent for a Project Participant (including Consultant) that is under debarment, proposed debarment, or suspension by a federal agency is ineligible to participate in the ~~2011~~2012 Competitive Scoring process. Such Applications will be rejected. Each Project Participant and consultant must include in the Application a statement concerning all criminal convictions, indictments, and pending criminal investigations of all members of the general partnership and must provide dates and details of each circumstance, unless otherwise prohibited by court order, statute or regulation.
5. **Failure to Use Previously Awarded Credits.** DCA's policy is that projects awarded credits must be completed by the applicable Placed-In-Service date. An owner who cannot utilize awarded credits for any reason must still pay the credit allocation fee for the project. Provided the owner returns the credits and pays the applicable tax credit allocation fee in a timely manner, the project is eligible to be resubmitted in a future application round. If the resubmitted Application is approved,

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the Owner will pay a new credit allocation fee. The owner must inform DCA of its intent to return credits. DCA will then direct the owner on the proper timing and process for returning the credits.

In very limited circumstances, DCA will consider a forward exchange of credit if a delay in completion is due solely to circumstances beyond the control of the Owner/Developer. Examples of such delays include unforeseen sewer issues, delays due to HUD policy and procedures or for extraordinary delays in the issuance of local development or building permits. In the event DCA does approve a forward exchange, the placed in service date will be extended for only a period of six months. Failure to meet that extended placed in service date (six months) will be considered a major instance of non compliance and will be considered in DCA Compliance scoring.

6. **Financial Insolvency of Participant.** Any person (individual, corporation, partnership, association), principal (officer, director, Owner, partner) of a Project Participant (including Consultant) that is bankrupt, insolvent or in danger of insolvency is ineligible to receive an allocation of credits under the QAP. DCA may request information including but not limited to credit reports, financial statements or other documentation relating to a participant's financial status. In making this determination, DCA will also review each Participant's portfolio and consider whether projects are in default, have a high percentage of receivables or have other solvency issues.

## **B. Projects**

1. **Scattered Sites.** Scattered-site projects will be eligible to apply if they have no more than six (6) non-contiguous parcels within a ½ mile radius and a minimum of four (4) residential units per parcel, except for parcels on which the community center is located. DCA may approve scattered site projects with different parcels if the project has a NSP commitment. In reviewing these waivers, DCA will be looking at the Applicant's management plan for the project as well as whether there is a tenant ownership plan in place.

All Applications proposing scattered sites must meet the following requirements:

- All of the residential units are income and rent restricted as set forth in Section 42 of the Code;
- All buildings in the project must be under the ownership of one entity;
- All buildings in the project must be developed under one plan of financing and considered as a single project by all funding sources;
- All units in the scattered site Application must be managed by one management entity;
- The scattered sites must be appraised as a single proposed development, if applicable; and,
- Each site within the proposed project must meet all applicable Threshold and Scoring criteria.

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Applications should include a legal opinion on scattered site to support the project's development.

2. **Detached Single-Family Rental Housing.** Detached single family housing is generally not eligible for funding. Unique project concepts may seek a waiver of this requirement. ~~proposals will be eligible for funding if they satisfy the following requirements:~~

- ~~• The Application must include in its operating budget the costs associated with the continuous upkeep of each rental house, including ground maintenance, at the project Owner's expense. These costs must be supported by a detailed maintenance plan.~~
- ~~• The Application must have a detailed Replacement Reserve analysis and plan.~~
- ~~• The house designs must reflect architectural diversity through the use of different elevations and styles.~~
- ~~• Landscaping must be appropriate for detached, single family housing.~~

3. **Phased Developments.** Applications for each Phase must independently meet the criteria set forth in the respective QAP under which the Phase is seeking funding. The following criteria must also be met:

- Operations and operating costs must be separately managed for each phase;
- Community buildings and amenities located on one phase cannot be oversized to meet expected use by tenants of other phases (if the community building is claimed in eligible basis); and
- All amenities and services which are meeting Threshold criteria or Scoring criteria as listed in Appendix I and II of the QAP must be located in the Phase which is submitting the Application and cannot be used in previously awarded or future Applications for funding for other Phases.

4. **Bond Financed Developments.** DCA recognizes that bond financed projects that preserve affordable housing may have difficulty meeting some of DCA's policies, including but not limited to scattered site, project location, amenities and other threshold and administrative requirements because of the way they are structured. DCA may, at its sole discretion, grant waivers of its policies or formulate new, specific policies for preservation of existing affordable housing. DCA contemplates that such policies may include a program that preserves existing affordable housing through the issuance of DCA bonds or a program that preserves expiring tax credit properties.

## **SECTION 9. SUBMISSION REQUIREMENTS AND AWARD LIMITATIONS**

### **A. Pre-Determinations**

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1. **Pre determination of proposed Project Team Qualifications.** In order to receive a predetermination of an entity or individual's Qualifications for the ~~2011~~2012 round, Applicants must submit all required documentation for DCA review and approval prior to see Exhibit A DCA Pre-Application Deadlines and Fee Schedule~~April 1, 2011~~April 1, 2012.
2. **DCA HOME Consent.** Applicants that will utilize DCA HOME funds as a funding source in a ~~2011~~2012 competitive application must obtain DCA's consent during the pre-application process. Applicants must submit all required documentation for DCA review and approval prior to see Exhibit A DCA Pre-Application Deadlines and Fee Schedule~~April 1, 2011~~April 1, 2012.
3. **Other Pre-determinations.**
  - Architectural Standards Waiver
  - Amenities Waiver
  - Site Analysis Packet or Feasibility~~Feasibility~~ Study for Sustainable Communities

All other material must be submitted in the Application.

**B. Application Submission Requirements.**

**1. Date and Time of Application Submission.**

**9% Applications.** DCA will conduct one Competitive Application cycle for 9% Credit and HOME Loan funding resources during ~~2011~~2012. Applications must be delivered by the deadline to:

Georgia Department of Community Affairs  
Housing Finance Division/Office of Affordable Housing  
60 Executive Park South, N.E.  
Atlanta, Georgia 30329-2231

The complete Application is due at DCA by 4:00 PM on June ~~2307~~, ~~2011~~2012. DCA will not accept any applications after this date and after this time. At 4:00 PM, the Application Submission process will be closed and irrespective of any extenuating circumstances, no Applications or portions thereof will be accepted. The use of a third party or common carrier to deliver the Application does not relieve the Applicant of its responsibility for meeting the Application Submission deadline. Consequently, there will be no exceptions to this deadline. In addition, no assemblage, packaging, or other form of Application preparation will be permitted at any time on DCA premises.

**4% Applications.** 4% Tax Credit Applications for Bond Financed Projects can be submitted throughout the year subsequent to Bond Allocation, but no later than seventy five (75) days prior to bond closing date, and are subject to applicable criteria set out in the Core Plan, Threshold Criteria, Core Application Instructions,

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Core Application and Application Manual. All waiver requests must be submitted no later than 30 days prior to the 4% Tax Credit application submittal.

**2. Application Submission Package**

A complete Application package must include all required documentation and all applicable Application fees. In the event the electronic version of the Core Application does not conform to the original print out of the Core Application, the electronic version of the Core Application shall be deemed the correct Application.

Applicants must submit complete Applications according to the directions and format prescribed in the 20112012 Core Application Instructions and the 20112012 Application Manual. No additional documentation will be accepted after the Application Submission deadline described in this Section unless specifically requested by DCA as part of the clarification review.

Applicants for 9% Credits and/or HOME funding will be required to self-score their Applications and fully explain their rationale in support of the scoring decision for each criterion. Applicants' self-scores must be done in strict accordance with the provisions of the Plan and the Application Manual.

**C. Maximum Number of Applications.\***

DCA will assign sequential project numbers to all Applications in the order they are received, and prior to any form of Application review. Applicants will be permitted to submit a maximum of four (4) Applications for funding resources under the Plan. This limitation applies to Ownership interests of all proposed Project Participants except for Syndicators. Ownership interests of all Project Participants in the proposed Applications will be reviewed. If it is determined that a Project Participant has proposed Ownership interest in more than four (4) Applications, DCA will only evaluate the first four (4) project Applications submitted to DCA. Any other Applications which include the same Project Participant will be considered ineligible and will not be evaluated.

**D. Award Limitations\***

1. **Project Limitations.** DCA will not award more than \$950,000 of credits to any project in the competitive round. In extenuating circumstances, DCA may consider a waiver of these requirements for projects that have received significant federal funding with time sensitive deadlines for expenditures, which have expiring section 8 contracts or which are necessary to comply with the settlement order relating to housing of tenants with special needs. Such a waiver must be obtained prior to Application Submission.
2. **Maximum Ownership/Development Interests.** Applicants will be limited to direct or indirect Ownership/Development interest in projects in which the combined total

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Federal Credit from the ~~2014~~2012 competitive funding round cannot exceed one million seven hundred thousand dollars (\$1,700,000) and/or total HOME funding cannot exceed twenty five percent (25%) of the total HOME Loan resources available. This limitation applies to direct or indirect Ownership/Development interests of all proposed Project Participants, except Syndicators. Once an applicant has been awarded projects that meet the above limits, all of that Applicant's lower scoring projects will be deemed ineligible. For ~~nonprofit~~non-profit applicants, DCA will look at Executive Directors and common threads of effective control as well as whether different ~~nonprofit~~non-profit entities have met DCA Experience requirements through the same individuals or entities.

- 3. Adjustment of Maximum Number of Projects Allowed.** In the event an Owner/Developer fails to meet deadlines on projects, has a significant number of projects under development but not completed or experiencing a financial issue with regard to an existing project, DCA in its discretion, may elect to reduce the number of projects that can be awarded under the project cap.

**SECTION 10. POST AWARD DEADLINES**

~~Design Development~~Construction Documents. For 9% deals, a boundary survey, topographic survey, and geotechnical soils boring report must be submitted to DCA for review and approval no later than 60 days after announcement of awards. ~~Design Development-Additional Construction Documents~~ as fully outlined in the Architectural Submittal Instructions in the Manual must be submitted to DCA for review and approval no later than ~~February 1, 2012~~see Exhibit A DCA Post Award Deadlines and Fee Schedule. Applicants that fail to meet this deadline may have their credit allocations withdrawn by DCA.

For 4% deals, Design Development Documents as fully outlined in the Architectural ~~Submittal Instructions in the Manual~~ must be submitted to DCA for review and approval at time of application.

For HOME deals, please comply with the deadlines in the HOME Commitment Letter.

**Tax Credit only Projects Construction Loan Closing.** For tax credit only projects, construction financing and equity loan-closing must occur no later than August 31, ~~2012~~2013. The construction loan documents along with the limited partnership agreement must be submitted to DCA within 10 days of the closing deadline.

**Tax Credit only Projects Commencement of Construction/Rehabilitation\*.** Owners of projects receiving 9% Tax Credits for new construction or rehabilitation in the ~~2014~~2012 round must commence construction or rehabilitation no later than **September 30, 2012**2013. Failure to commence construction as scheduled may cause an automatic recapture of the Credits. DCA will closely monitor construction start dates.

\* Not Applicable to Bond Financed Projects

**Tax Credit and Home Projects Commencement of Construction/ Rehabilitation\*.**

Projects receiving HOME Loans must not begin construction prior to DCA's issuance of the environmental release nor prior to the HOME Loan closing. However, all projects receiving a HOME loan award in 20142012 must have satisfied all conditions necessary to commence construction within one (1) year of the date of the initial HOME commitment. Exceptions may be granted by DCA at its sole and absolute discretion in accordance with HUD regulations, but must be requested prior to the start of construction. DCA will closely monitor construction start dates. Failure to comply with this policy may result in cancellation of the HOME Loan Commitment or other penalties.

**HOME Loan Closing\*.** All projects receiving a HOME Loan award in 20142012 must close their HOME Loans on or before September–August 1, 20122013. Applicants unable to close within that time period may have their commitment for HOME funds withdrawn.

**Completion of Work Scope\*.** Owners of projects receiving Credits in the 20142012 round for the rehabilitation of an existing property must perform 100% of the work scope in accordance with the original physical needs assessment submitted with the Application no later than **December 31, 20132014**. Owners of properties receiving Credits for new construction in the 20142012 round must perform 100% of the work scope as set forth in the DCA approved construction drawings and specifications no later than **December 31, 20132014**. Certificates of Occupancy for the residential buildings must be issued by the local jurisdiction before end of business **December 31, 20132014**. Temporary Certificates of Occupancy that prohibit occupancy or condition occupancy will not be accepted to meet this requirement. DCA will inspect projects requesting IRS Form(s) 8609 to ensure that all work has been completed prior to issuing Form(s) 8609. If a lesser percentage is completed, DCA reserves the right to recapture all Credits allocated. At its sole and absolute discretion, DCA may approve modifications to the proposed work scope upon written request.

**Placement-In-Service\*.** Owners of projects receiving Credits in the 20142012 round must place all buildings in the project in service by **December 31, 20132014**.

**Compliance Monitoring Fee Payment Date.** All compliance monitoring fees must be paid within eighteen (18) months of issuance of the carryover allocation document, but no later than the placed in service date or **December 31, 20132014**, whichever is earliest. Failure to do so may adversely affect the Applicant's ability to compete in future funding rounds. In no case will the final Federal Credit allocation (IRS Form 8609) be issued before these fees are paid.

**Final Allocation Application Deadline.** Owners of projects receiving Credits or a Determination letter in accordance with this QAP must apply for Final Allocation and request for issuance of IRS form(s) 8609 by **February 15, 20142015** for 9% credit projects, and September 15, 20142015 for 4% credit (tax exempt bond) projects IRS form(s) 8609 for a project will be issued only once for the entire project as proposed in

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the Application. Form(s) 8609 will not be issued as buildings are placed in service. Extensions may be approved by DCA on a case-by case basis. Before the final allocation is submitted, the final HOME draw must be dispersed and required Contractor cost certifications submitted.

**SECTION 11. PROJECT RECONFIGURATION/APPLICATION MODIFICATION**

Applicants will not be allowed to make any changes to the Application after Application Submission to DCA and prior to the announcement of awards. DCA may allow Applicants to correct deficiencies in the Application if DCA does not approve a sufficient number of Applications to use all the Credits authority available in an Application cycle *and* it receives Applications that are acceptable except for minor deficiencies that the Applicant can address within a reasonable period of time (generally not to exceed 10 business days).

Subsequent to awards, applicants will generally not be allowed to make any changes to the Application. However, once a project is selected for funding, if Applicants believe extenuating circumstances warrant a change, and the change would not significantly alter the project's original concept, a written request for such a change will be considered by DCA. The request must be submitted on the Request for Post Award Project Concept Amendment Form and accompanied by the appropriate fee. This provision applies to any changes proposed after Application award, and if an award is made, throughout the project's Compliance Period or Period of Affordability, whichever is longer. Applicants' written requests must clearly establish the importance of the change, and why it is necessary to ensure the project's long-term financial feasibility and economic viability. Examples of substantial changes that must be documented and submitted for approval include but are not limited to: changes in the number of tax credit units, market units, unit mix, amenities, unit count, legal descriptions, and direct or indirect transfers of the general partner's or Developer's interest.

DCA will determine, in its sole and absolute discretion, whether or not a requested change will be authorized. Failure to abide by this provision will adversely affect the Applicant's eligibility to receive future DCA funding.

**SECTION 12. FEES AND DEADLINES**

The fees indicated in this Section will be charged based on the legal status of the Applicants. All fees must be paid by certified funds or money order made payable to the Georgia ~~Department of Community Affairs~~Housing and Finance Authority.

- **Compliance Monitoring Fees for Multiple Programs.** When DCA is required to monitor projects for compliance with tenant income and/or rent limitations of more

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than one program e.g., Credits and FDIC, the applicable monitoring fees for each program will be charged. Credits compliance fees must be paid no later than when the project is placed in service. Failure to do so may adversely affect the Applicant's ability to compete in future funding rounds.

- **Non-Compliant Properties.** Projects having instances of noncompliance that require additional review and follow-up will be assessed with additional compliance fees based on staff time and travel expense.
- **Late Fees.** Any late fees imposed by DCA will not be considered as a project cost for underwriting purposes.
- **Fees and Deadlines** can be found in Exhibit "A" to this core (DCA Deadlines and Fees)

### **SECTION 13. EVALUATION OF APPLICATIONS**

#### ***Stage I - Completeness Review***

Applications received by DCA will be reviewed for completeness, as set forth in the Manual, including but not limited to:

- organization of the Application;
- inclusion of all required Application forms;
- inclusion of Environmental Phase I
- inclusion of Market Study
- submission of all required supporting documents; and
- Completed Electronic Application
- Required Copies

Any project which is deemed substantially incomplete will be returned to the applicant and not subject to further review.

#### ***Stage II - Preliminary Scoring Review\****

Complete Applications will be allowed into the Preliminary Scoring process. Applicants will be ranked in descending order by total point score as set forth in Appendix II with the exception of the following:

- Missing documents, financial adjustment points.
- Market Points

DCA will provide the preliminary results of the Competitive Scoring process to all Applicants. DCA will provide the preliminary scores by facsimile or mail to the Applicant. Applicants will be given a forty-eight (48) hour comment period to provide comments to DCA regarding the preliminary scoring results. Applicants may not submit

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additional items for the purposes of curing scoring deficiencies, justifying self-scores or increasing their scores. Comments must be limited to the Applicants' opinions regarding DCA's scoring determinations.

DCA will review all comments that are received during the comment period. However, DCA is not obligated to give consideration to or revise its preliminary score based on comments received. Any decision DCA makes, and any action or inaction by DCA in administering the review of the comments shall be final and conclusive and shall not be subject to any review, whether judicial, administrative or otherwise, and shall not be covered by, subject to, or required to comply with or satisfy any provisions of Chapter 13 of Title 50 of the Official Code of Georgia Annotated, the "Georgia Administrative Procedure Act."

### **Stage III - Review**

Complete Applications with preliminary competitive scores will be reviewed to determine if the project meets the requirements set forth in Appendix I. The Applications that fail to meet Appendix I requirements will be notified in writing (by facsimile) of the specific requirement(s) that the Application did not meet. If an Applicant believes the requirement(s) was met, the Applicant must respond in writing within 5 calendar days from the date of the DCA notification letter. The response must provide a clear and specific explanation of why the Applicant believes DCA's initial determination was incorrect. DCA will review the response and if DCA decides that the initial determination was incorrect, the Application will be considered to have met the Appendix I requirement.

**Clarification Period.** If an Application contains Appendix I deficiencies which, in the determination of DCA, are administrative in nature, are caused by a missing or incomplete document, or need clarification of information submitted in the Application, then DCA may request correction or clarification for such deficiencies. Such request is referred to as the "clarification request". DCA will provide this request in the form of a facsimile or email to the Applicant. This clarification period will only be utilized for minor inconsistencies or to help DCA understand the overall project concept. It ~~can not~~cannot be used to modify a submitted application, provide documents or reports that were not in existence prior to Application Submission day.

Applicants receiving a clarification request may supply missing or incomplete information and may clarify any inconsistencies related to the specific items identified by DCA in the clarification request. The clarification period will begin on the date of the clarification request and shall end at 4:00 p.m. Eastern Time, on the date specified in the clarification request unless otherwise noted. The clarification request shall specify the means and methods by which missing items may be supplied, incomplete items completed and inconsistencies clarified. It is applicant's responsibility to ensure that submitted materials are addressed properly to the specified DCA OAH address (electronic or physical).

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Applicants may not submit additional items for the purpose of increasing their score. **Any documentation that is provided during the clarification review period that is also applicable to a related scoring item will be reviewed only for Appendix I clarifications and will not be utilized during the scoring review process for the Application.**

#### **Stage IV - Selection**

**Competitive Application Selection**\* Generally, the highest scoring Applications with favorable market studies will be allocated resources considering the following factors:

- DCA reserves the right to allocate resources to lower-ranked proposals to achieve a better mix of resource usage or a better geographical distribution of resources.
- If funding Credit-only Applications will deplete available Credits, then DCA may elect to fund lower scoring Applications that are requesting a combination of Credits and a HOME Loan to ensure efficient utilization of DCA resources
- If a geographic area of the state will receive an inequitable share of the available resources as determined by the Competitive Scoring process, DCA may choose to fund other proposals even though they have a lower relative ranking.
- Applications that do not score high enough to receive an award will be placed on a waiting list. If additional funding becomes available the next highest-scoring Application on the list will be eligible, subject to DCA's discretion.
- DCA will consider the amount of resources used and units produced in eliminating projects that do not appear to proposed projects that efficiently use credits. High Construction costs, luxury components, unfavorable financing terms that increase development costs, unusually large units and other unusual project structures may result in the elimination of a project.

#### **Non-Selection for Market Reasons**

DCA reserves the right to limit the number of projects in a certain geographical area to ensure faster lease up, increase the marketability of the project and increase the likelihood of syndication of projects. DCA recognizes the importance of giving selected projects the maximum chance of success in difficult economic times.

DCA reserves the right to not select a project in a particular market area in order to ensure the success of its existing and funded projects. The following selection criteria will be considered;

- DCA will analyze existing DCA projects located in close proximity to the proposed project to determine if selection of the project will have significant adverse financial impact on existing affordable housing inventory.
- DCA will generally not fund two projects in the same locality with the exception that a new construction and occupied rehab may be selected. In some cases, DCA may select a family and a senior project provided the projects are not located in close proximity to each other and there is a significant showing of demand. DCA will

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consider many factors in selecting the best project for a particular market if more than one project is proposed for a particular market and is above the line for selection. These factors will include but are not limited to score, location, sustainability, use of resources and credits per unit.

- In order to ensure that projects can achieve lease up quickly, DCA will not generally select a proposed Application for an allocation if a project awarded an initial allocation of credits between ~~2008~~2009 and ~~2010~~2011 is located in close proximity to the proposed site and serving the same population (Family and Senior). “Close proximity” shall be defined in rural areas as the local government jurisdiction or ten miles, whichever is greater. Close proximity shall be defined in urban areas as a two mile radius. (Phased projects are excluded).
- DCA will not generally fund more than one phase of a project in a round.

DCA review of the application will terminate if any of the following actions occur after the application has been submitted to DCA:

1. Site change
2. Change in ownership or development – a change in the parties involved in the ownership entity (e.g., addition of a new general partner/member or removal of an existing general partner/member) and/or a change in the development entity.

**Tie-Breaker\*** In the event one or more projects have the same score, but DCA has insufficient resources to fund all of the projects having that score, the following priorities will be utilized to evaluate projects:

- Projects that use least amount of DCA resources per unit
- Projects in which the Project Team is composed of entities with Georgia affordable housing experience
- Applicant’s commitment to Georgia Affordable Housing as evidenced by number of Georgia Tax Credit Projects and/or Units developed and placed in service with continuous successful operations ~~Majority Special Needs(?)~~
- Phased projects that have already had at least one phase selected for funding by DCA in a previous round
- HOPE VI and other PHA sponsored projects that utilize Replacement Factor Funds and reduce public housing waiting lists
- Projects that have demonstrated need by providing documentation that established tax credit projects in the same market area have a significant number of tenants on their waiting list
- Family Projects (move up?)
- Projects that incorporate a high degree of sustainable and energy efficiency characteristics
- Historic Projects

The selection decision will consider these priorities as well as other practical considerations such as the geographic location of projects already selected for funding, the experience of the developers of each project, the number of projects already

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awarded to a project, qualifications of the project team, ~~whether a tier one developer is identified on a project~~, applicant capacity, as well as the overriding policy considerations of funding. The selection of a project on the tiebreaker list is at DCA's discretion.

**DCA's Administrative Discretion**\* DCA reserves the right to allocate resources to lower ranked proposals to achieve a better mix of resource usage or a better geographical distribution of resources as described above, or for any other reason judged by DCA to be meritorious. Such actions will be made at DCA's sole and absolute discretion. Any decision DCA makes, and any action or inaction by DCA in administering, managing, and operating the system, shall be final and conclusive and shall not be subject to any review, whether judicial, administrative or otherwise, and shall not be covered by, subject to, or required to comply with or satisfy any provisions of Chapter 13 of Title 50 of the Official Code of Georgia Annotated, the "Georgia Administrative Procedure Act."

**Special Allocation Considerations**\* In its sole and absolute discretion, and where warranted by extenuating circumstances, DCA reserves the right to allocate Credits, up to the first day of the allocation round, based on the prior year's allocation plan with all applicable terms and conditions to projects that received an allocation in the prior year.

**Final Notification**\* DCA will provide the final results of the Competitive Scoring process to all Applicants as soon as possible after the process has been completed. A separate letter will notify those Applicants whose projects are selected for awards. Also, if a DCA HOME Loan is proposed, DCA will issue to the Applicant/borrower a preliminary loan commitment letter. This commitment letter - while not fully guaranteeing that the HOME Loan will be forthcoming - will set forth all the conditions that, if met, will result in a HOME Loan.

**SECTION 14. GEORGIA OPEN RECORDS ACT**

All Applications are subject to disclosure under the Georgia Open Records Act (GORA). Applicants must agree in the Application to hold harmless DCA and GHFA for any and all losses associated with disclosures in accordance with GORA.

Requests to examine records or request copies of DCA documentation should be made in writing to ensure accuracy and proper processing. DCA will provide a timely acknowledgement of the request, and will estimate the costs, if any, for the services requested. A party may also elect to review the documents at the DCA offices.

Under these circumstances, the party should forward to DCA a request to review specific documents and coordinate with DCA a time that is mutually agreeable. GORA allows the agency to charge a fee to cover the cost of a document custodian to access and review the requested records, to monitor the review process, and for the cost of copying requested documents.

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Applicants who have taken advantage of the Open Records process to gain insight into the manner in which particular criteria have been previously rated, are advised that DCA reserves the right to change the manner in which it interprets and applies the QAP on an annual basis.

## **SECTION 15. MONITORING AND COMPLIANCE**

The Applicant's compliance responsibilities begin with the award of the HOME funds and/or the Credit and will continue through the end of the Compliance Period, the Period of Affordability, or the term of the loan, whichever is longer.

Applicants are advised that DCA is required to monitor projects for compliance with the requirements of IRC Section 42, the HOME regulations at 24 CFR Part 92, the representations set forth in the Application, the requirements stated in this Plan, the requirements set forth in the respective program manuals and as represented in all restrictive documents. Although DCA is responsible for monitoring the Owners' compliance with these rules, regulations, and restrictions, this responsibility does not make DCA liable for an Owners' noncompliance.

### **Credit Compliance Monitoring Procedures (Tax Credit and Tax Exempt Bond/Tax Credit Properties)**

Section 1.42-5(a) of U.S. Treasury Regulations requires that each Plan include a procedure that the housing credit agency (DCA) will follow in monitoring for noncompliance with the provisions of Section 42 and in notifying the Internal Revenue Service of any noncompliance of which DCA becomes aware. The procedure for monitoring contained in the Plan must contain procedures consistent with the Regulations that address the following areas: record keeping and record retention; certification and review; on-site inspection; and notification as to noncompliance. This section is included in the Plan to comply with the mandate of the Regulations. DCA reserves the right to make such alteration or amendment to its monitoring procedures as may be required. Specific procedures that Owners must follow to remain in compliance with Program requirements are outlined in Credit Certification Training Materials and in the IRS issued "Guide for Preparing Form 8823" revised in October ~~2010~~2011. Changes and updates to these materials can be found on the Compliance Section of the DCA web site [www.tinyurl.com/dcacompliance](http://www.tinyurl.com/dcacompliance).

### **Required Training for Owners/Managers (Tax Credit, Tax Exempt Bond/Tax Credit and HOME Properties)**

The Owner/General Partner is required to successfully complete a compliance-training seminar provided by or sponsored by DCA. Limited partners are also strongly encouraged to attend these training seminars, but may elect to have property managers

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serve as the limited partner's representative. Seminars for HOME, Tax Credit and Advanced HOME/Tax Credit compliance are offered on a regular basis by DCA. Certification testing is required and certificates are awarded upon successful completion of the training. The Owner of a Tax Credit and or HOME property will be required to submit to DCA a copy of the Certificate of Successful Completion for the training prior to the beginning of lease-up or prior to placing the first building in service.

All onsite property managers for projects which receive an allocation must attend and successfully complete a DCA-certified compliance training course prior to the first building Placed-In-Service date of the project. All property managers must be certified by DCA or hold the National Compliance Certification. DCA may require onsite property managers and/or general partners of projects that have repetitive issues of noncompliance to attend additional compliance training as a condition of cure.

**Section 8 Rental Assistance.** No project may deny a unit to applicants possessing a Section 8 Rental Assistance certificate or voucher unless those applicants fail to meet the minimum requirements for all leaseholders. Federal statutes prohibit discrimination against Section 8 certificate and voucher holders. The number of Section 8 tenants residing at a property cannot be limited under the IRS program regulations at any property receiving DCA Tax Credits and/or HOME funding. DCA will closely monitor whether the tenant application process is structured to avoid such discrimination or whether any actions are taken to discourage Section 8 Rental Assistance certificate or voucher holders from applying. Likewise, all lease provisions must be compatible and not in conflict with Section 8 leases.

**Property and Record Compliance**

Please refer to The Guide for Completing 8823 Low Income Housing Agencies Report of Noncompliance or Building Disposition revised in October ~~2010~~2011.

**Review**

DCA will review the certifications submitted to determine whether or not the Owner has complied with the requirements of Section 42.

Annually, DCA will inspect at least thirty-three percent (33%) of affordable developments to which it has made an allocation under Section 42. In each development selected for review, DCA will review the low-income tenant certifications, the documentation the Owner has received to support that certification, the rent record for no fewer ~~thathan~~ twenty percent (20%) of the low-income units located in each such development. Records relating tenant income, supporting documentation and rent records will be selected at random by DCA's monitoring officer at the time the review is held. In addition, DCA Compliance Officers will conduct a physical inspection of each low-income unit that receives a record review. The purpose of this inspection will be to determine whether or not the units meet Uniform Physical Condition Standards as defined by the Department of Housing and Urban Development.

\* Not Applicable to Bond Financed Projects

DCA will conduct a physical inspection of approximately ten percent (10%) of the units at each project and will review approximately ten percent (10%) of the tenant files each year at properties that have received DCA HOME funds. Additional federal requirements will also be reviewed on an annual basis.

As necessary, DCA will review additional documentation to support representation in the Application for funding.

### **Record Keeping and Record Retention**

- A. Owners awarded HOME Loans must keep records for each assisted building as stipulated in the final HOME regulations.
- B. Owners allocated Credit must keep records for each building as stipulated in Section 42 of the IRS Code Section 1.42.5(b).
- C. Owners receiving HOME Loans and Credit must follow the most stringent requirements of the two programs.

### **Inspection Record Retention Provision (Tax Credit and Tax-Exempt Bond Tax Credit Properties)**

The Owner of a Credit property is required to retain all original local health, safety, or building code violation reports or notices that were issued by the State or local government unit for DCA's inspection. After DCA reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected, the Owner may dispose of these reports or notices.

### **Compliance Standards**

- A. Assessment of Noncompliance  
Principals of projects awarded Credit or HOME in previous cycles must remain materially in compliance with Credit and HOME program requirements (if applicable) to remain eligible to compete for future Credit awards or HOME Loans. Material noncompliance status exists when a party exhibits a continual pattern of noncompliance, or when a party demonstrates an inability or an unwillingness to resolve noncompliance matter in a timely manner. DCA will have sole and absolute discretion in determining those parties ineligible to participate in the OAH financing competition due to noncompliance status.
- B. Cure Period Standards  
DCA will notify the Owner in writing of any possible findings of noncompliance. Each item of noncompliance will have an assigned cure period. The cure periods will typically range from thirty (30) days to a maximum of ninety days (90) days. Examples of noncompliance matters and typical cure periods are as follows:

\* Not Applicable to Bond Financed Projects

**Noncompliance Items**

**Typical Cure Periods**

**Health and Safety**

Any issue 24-72 hours

**Administrative Noncompliance**

Incomplete or incorrect tenant income certifications 30 days

Affidavits not notarized 30 days

Failure to report on a quarterly or annual basis 30 days

**Project Wide Noncompliance**

Incorrect utility allowance 60 days

Violations of the 40/50 Rule 60 days

Rent overages 60 days

**Incurable Instances of Noncompliance**

Submission of fraudulent information to DCA No Cure

For additional guidance regarding noncompliance and appropriate cures please refer to the 8823 Guide.

**Monitoring Fees**

DCA charges a monitoring fee for all Tax Credit developments containing five (5) or more low-income units. Credit recipients will be required to pay the entire fee covering the 15-year Compliance Period as indicated in Exhibit A of the Core Plan (DCA Fees and Deadlines). Additional fees may be charged to properties that require additional follow-up due to non-compliance findings. \$50 per unit plus travel expenses will be assessed.

**Compliance Monitoring Responsibilities**

- A. DCA may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor. This option, if chosen, does not relieve DCA of its obligation to notify HUD or the IRS of noncompliance instances. DCA may also delegate some or all of its compliance monitoring responsibilities to another State agency. This delegation may include the responsibility of notifying the IRS of noncompliance.
- B. Applicants must inform DCA of all conditions or extenuating circumstances at each project that may impact compliance monitoring duties. Any questions regarding compliance with the Credit or HOME programs should be addressed in writing and faxed to DCA's Compliance Monitoring Section at (404) 327-6849.

\* Not Applicable to Bond Financed Projects

**SECTION 16. MODIFICATION OF THE PLAN**

Without limiting the generality of DCA's power and authority to administer, operate, and manage the allocation of Credits and HOME Loans according to federal law, federal procedures, and the Plan, DCA shall make such determinations and decisions, publish administrative rules, require the use of such forms, establish such procedures, and otherwise administer, operate, and manage allocations of Credits and HOME Loans and funds in such respects as may be, in DCA's determination, necessary, desirable, or incident to its responsibilities as the administrator, operator, and manager of allocations of Credits and HOME Loans.

In accordance with NCSHA best underwriting practices, DCA reserves the right to allow developer fees of up to 20% for projects that DCA deems hard to develop or socially desirable developments, developments produced in difficult to develop areas or in accordance with policy changes necessitated by DCA.

The Governor recognizes and acknowledges that DCA will encounter situations which have not been foreseen or provided for in the Plan and expressly delegates to DCA the power to amend the Plan, after the public has had the opportunity to comment through the public hearing process, and to administer, operate, and manage allocations of Credits and HOME Loans in all situations and circumstances, both foreseen and unforeseen, including, without limiting the generality of the foregoing, the power and authority to control and establish procedures for controlling any misuse or abuses of the Credits or HOME Loan allocation system and the power and authority to resolve conflicts, inconsistencies, or ambiguities, if any, in the Plan or which may arise in administering, operating, or managing Credits or HOME Loan allocations pursuant to the Plan. The Governor further expressly delegates to DCA the authority to amend the Plan to ensure compliance with federal law and regulations as such federal law may be amended and as federal regulations are promulgated governing Credits and the HOME Loan Program. The Commissioner of DCA is also granted the authority to make minor modifications to the Plan to clarify provisions and correct inconsistencies.

**SECTION 17. MAILING LIST**

DCA maintains an e-mail distribution list for those interested in receiving notifications of application cycles and other DCA Multifamily program activities. Visit DCA's website at:

[www.dca.ga.gov/housing/HousingDevelopment/programs/OAH.asp](http://www.dca.ga.gov/housing/HousingDevelopment/programs/OAH.asp)

to be added to the e-mail list or you may submit a written request to

[oahround20112012@dca.ga.gov](mailto:oahround20112012@dca.ga.gov).

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**EXHIBIT A**

**DCA PRE-APPLICATION DEADLINES AND FEE SCHEDULE  
For Profit, ~~Nonprofit~~Non-profit, and For Profit/~~Nonprofit~~Non-profit Joint Ventures**

	<b>Fees</b>	<b>9% Deadline</b>	<b>4% Deadline</b>
Amenities Pre-Approval	\$1,500 per waiver	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
Architectural Standards Waiver	\$1,500 per waiver	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
DCA HOME Consent Loan Pre-Application Application <u>and Third Party Review Fees</u>	\$1000 For Profits, \$1000 For Profits/ <del>Nonprofit</del> <u>Non-profits</u> Joint Venture, \$500 <del>Nonprofit</del> <u>Non-profits</u>	<del>May 12, 2011</del> <u>April 27, 2012</u>	N/A
Qualification Determination	NONE	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
Operating Expense Waiver	\$1,500 per waiver	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
Payment & Performance Bond Waiver	\$1,500 per waiver	<del>May 12, 2011</del> <u>April 27, 2012</u>	N/A
Probationary Participation	\$1,500 per waiver	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
Pre-determination of Qualification to Compete	NONE	<del>May 12, 2011</del> <u>April 27, 2012</u>	No later than 30 days prior to submittal of the LIHTC application
<u>Sustainable Communities Site Analysis Packet or Feasibility study</u>	<u>NONE</u>	<del>May 12, 2011</del> <u>April 27, 2012</u>	<u>N/A</u>

**INCOMPLETE INFORMATION SUBMITTED WILL NOT BE REVIEWED**

\* Not Applicable to Bond Financed Projects

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**EXHIBIT A (continued)**

**DCA APPLICATION AND PRE-AWARD DEADLINES & FEE SCHEDULE  
For Profit, ~~Nonprofit~~Non-profit, and For Profit/~~Nonprofit~~Non-profit Joint Ventures  
Failure to meet deadlines below will be considered in Experience and Compliance  
Reviews**

	<b>Fees</b>	<b>9% Deadline</b>	<b>4% Deadline</b>
<del>2014</del> <u>2012</u> Bond/4% Credit Eligibility Opinion Letter	\$4,500 Resubmission fee of \$500 due to incomplete submissions	N/A	Pre-Application Submission no later than <b>75 days before bond closing</b> (fee not required at application if submitted with pre- application)
<del>2014</del> <u>2012</u> Credit Application Fee and <u>Third Party Review Fees</u>	<del>\$4,000</del> <u>\$6,500</u> For Profits <del>\$4,000</del> <u>\$6,500</u> For Profits/ <del>Nonprofit</del> <u>Non-</u> <del>profits</del> Joint Venture <del>\$35,500</del> <u>00</u> <del>Nonprofit</del> <u>Non-</u> <del>profits</del>	Application Submission June <del>23</del> <u>7</u> , <del>2014</del> <u>2012</u>	N/A
Notification Due to DCA of Alternate Financing Awards	NONE	<del>7/29</del> <u>13/12</u> <del>4</del>	N/A
Alternate Financing Deadline	NONE	<del>7/8</del> <u>4/27</u> <del>2/12</del> <u>4</u>	N/A
Evidence of 8 step process commencement	<u>NONE</u>	<del>8/13</del> <u>12</u> <del>4</del>	<u>N/A</u>
Evidence of 8 step process completion	<u>NONE</u>	<del>8/31</del> <u>13</u> <del>4</del>	<u>N/A</u>

**9% Application Submission Deadline: 4:00 PM on June ~~23~~7, ~~2014~~2012**

\* Not Applicable to Bond Financed Projects



**DRAFT State of Georgia Qualified Allocation Plan**

**EXHIBIT A (continued)**

**DCA POST AWARD DEADLINES AND FEE SCHEDULE**

**For Profit, ~~Nonprofit~~Non-profit, and For Profit/~~Nonprofit~~Non-profit Joint Ventures  
Failure to meet deadlines below will be considered in Experience and Compliance Review**

	<b>Fees</b>	<b>9% Deadline</b>	<b>4% Deadline</b>
Appraisal Fee (HOME Loans Only)	Based on DCA cost	Upon invoicing by DCA during underwriting	N/A
Bond/4% Credit Processing Fee	<del>7</del> 8% of annual Federal Credit amount	N/A	Due within 30 calendar days of issuance of Letter of Determination
Certificates of Occupancy	NONE	Issued by local jurisdiction before end of business December 31, <del>2013</del> 2014	Issued by local jurisdiction before end of business December 31, <del>2013</del> 2014
Commencement of Construction/Rehabilitation (Projects w/Tax Credit and HOME)	NONE	Must satisfy all conditions necessary to commence construction within one year of date of the initial HOME commitment.	N/A
Commencement of Construction/Rehabilitation (Tax Credit Only Projects)	NONE	No later than September 30, <del>2012</del> 2013	No later than September 30, <del>2012</del> 2013
Completion of Work Scope	NONE	No later than December 31, <del>2013</del> 2014	No later than December 31, <del>2013</del> 2014
Construction Loan Closing (Tax Credit only Projects)	NONE	No later than August 31, <del>2012</del> 2013	No later than August 31, <del>2012</del> 2013
Cost Certification Amendments	\$1,500 per request	At time of request	At time of request
Credit Allocation Fee	<del>7</del> 8% of annual Federal Credit amount	At time of carryover allocation sent in except for <del>Non-Profit</del> Non-profit sole general partners who can submit at or before construction commencement deadline.	N/A
Credit Compliance Monitoring Fee (calculated on a per unit basis for all project units)	<del>\$150-400</del> - USDA 515 Projects <del>\$150-400</del> - URFA Bond Projects <del>\$700-800</del> - Bond/4% Credit Projects <del>\$700-800</del> -- Others <del>\$1,500 per Single family dwelling</del>	Within 18 months of Issuance of carryover allocation, but no later than the project placed in service date or applicant will be assessed a late fee of \$25 per day	Due within 18 months of issuance of Letter of Determination or applicant will be assessed a late fee of \$25 per day
DCA Placed In Service Form	NONE	Within 30 days of the 1st building placed in service	Within 30 days of the 1st building placed in service
Boundary survey, topographic survey, and geotechnical report	<del>NONE</del>	<del>No later than 60 days after announcement of awards</del>	<del>At the time of application</del>
<del>Construction Design Documents</del> Construction Documents as fully outlined in the Architectural Manual	NONE	<del>Must be submitted to DCA for review and approval no later than February-May 1, 2012</del> 2013 (HOME projects may have more stringent deadlines)	<del>Step II Design Development documents must be submitted</del> At the time of application.

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**DRAFT State of Georgia Qualified Allocation Plan**

**EXHIBIT A (continued)**

**DCA POST AWARD DEADLINES AND FEE SCHEDULE**

**For Profit, ~~Nonprofit~~Non-profit, and For Profit/~~Nonprofit~~Non-profit Joint Ventures  
Failure to meet deadlines below will be considered in Experience and Compliance Review**

	<b>Fees</b>	<b>9% Deadline</b>	<b>4% Deadline</b>
Environmental Review Costs	Based on Actual Costs incurred by DCA to retain consultants	Upon invoicing by DCA during underwriting	Upon invoicing by DCA during underwriting
Final Allocation Deadline	NONE	February 15, <del>2014</del> <u>2015</u>	September 15, <del>2014</del> <u>2015</u>
Final Inspection Fee (for all LIHTC properties, both 4% and 9%, excluding those projects involving HOME funds)	\$3,000 per project	Due within 30 days of final draw but no later than 30 days prior to the placed in service date or a late fee of \$25 per day will be assessed	Due within 30 days of final draw but no later than 30 days prior to the placed in service date or a late fee of \$25 per day will be assessed
Formal Firm Commitments for equity and non-DCA debt (HOME)	NONE	Must be submitted to DCA within 75 days of the carryover allocations	N/A
Front End Analysis (applicable when an Identity of Interest exists between the Developer or Owner and the general contractor)	\$2,700 per project	Due within 15 days of invoicing by DCA during underwriting (HOME Loans Only)	N/A
Georgia Housing Search	NONE	Applicant agrees that if Application is selected for funding, then the Applicant will list all of its existing developments in the Georgia Housing Search within six months of selection	Applicant agrees that Application receives a Letter of Determination, then the applicant will list all of its existing developments in the Georgia Housing Search within six months of selection
HOME Loan Closing	NONE	On or before <del>September 1</del> <u>August 1, 2012</u> <del>2013</del>	N/A
HOME Loan Conversion	NONE	Within 24 months of the HOME construction loan closing	N/A
LURC Execution	NONE	Prior to submission of cost certification	At or prior to bond closing
Non-Compliant Re-inspection Fee	Minimum of \$50 per unit or file plus travel expenses	Due within 15 days of invoicing by DCA	Due within 15 days of invoicing by DCA
Placement-In-Service	NONE	All buildings in the project must be placed in service by December 31, <del>2013</del> <u>2014</u>	All buildings in the project must be placed in service by December 31, <del>2013</del> <u>2014</u>
Project Application Amendments, Post Award Project Concept Amendments, Post Letter of Determination	\$1,500 per request	At time of submission of request for amendment	At time of submission of request for amendment

**Note: All outstanding fees due to DCA must be paid in full prior to issuance of 8609's for all projects receiving an allocation of tax credits per this Plan.**

**~~Note: All outstanding fees due to DCA must be paid in full prior to issuance of 8609's for all~~**

\* Not Applicable to Bond Financed Projects

**DRAFT State of Georgia Qualified Allocation Plan**

~~projects receiving an allocation of tax credits per this Plan.~~

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