

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

1. Q&A #5, Question #7 indicates that a determination regarding a development's status as being in a City or unincorporated portion of a County will be made based the location of the tax credit buildings. Specifically, the answer states that "If all of the tax credit buildings are within the city limits, the project will be considered to be in the city; if all of the tax credit buildings are located beyond the city limits, then the project will be considered to be in the county." If some tax credit buildings are in the City and some in the County, can this development receive points for Community Initiative Areas by virtue of having tax credit units in the city that is on DCA's list, and also receive points for being having tax credit units in the unincorporated portion of a county that has not received a DCA award in the past 4 funding cycles?

Response: For scoring purposes, the location of the majority of the units will decide whether the project is in the city or county. The Applicant should provide sufficient documentation for DCA to make this determination. For scoring purposes each project will be considered either to be in the city or in the county, but not both.

2. Exterior Building Materials - Stucco – Page 28 of the Threshold section of the QAP states that an option for Major Building Component Materials and Upgrades is "Fiber cement siding, hard stucco and/or wood siding installed on all exterior wall surfaces not already required to be brick." However, page 11 of the Architectural Manual states that "hard-coat stucco may be used in some instances, but must be approved by DCA." The QAP does not indicate that special approval is needed to use stucco, but the Architectural Manual seems to indicate that this is the case. May stucco be used without special approval by DCA?

Response: The Threshold section merely suggests that hard-coat stucco may be used, DCA will review the architect's plans and specifications to ensure that the proposed stucco application meets DCA's "Building Exterior Standards" and is installed in accordance with code compliant installation. Therefore approval by DCA is required.

3. Brick or Stone – On page 27 of the QAP, under the first option under Exterior Wall Finishes, there is a requirement that "Exterior wall faces must have an excess of 40% brick or stone on each of the total wall surfaces." In this case, brick and stone are treated as equal and interchangeable materials. However, in subsequent references to this threshold requirement, the QAP only mentions brick, not "brick or stone" as in the page 27 threshold requirement. Can you confirm that both brick and stone meet any QAP requirement for "brick", and as such are interchangeable for the purpose of meeting QAP requirements?

Response: Brick and Stone are interchangeable.

4. Closets – If square footage of a closet in a unit is equal to the square footage that results from the dimensions required in the Architectural Manual, can the dimensions be modified without a waiver? The required dimensions for some closets don't account for or allow for walk-in closets.

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

Response: The dimensions can be altered so long as the minimum square footage is met. The closet/storage sizes are given to serve as the minimum requirements to accommodate the over all minimum unit size requirements. DCA does not prohibit the use of walk-in closets as long as the budget does not exceed the per unit cost limitation. To accommodate livability and market considerations, whenever possible, closet and storage spaces should be larger than the minimum sizes required.

5. Survey – An application will propose a development on a portion of an existing tract of land. There is a boundary survey for the larger existing tract, but not for the smaller portion of said tract on which the development will be constructed. The QAP states that “DCA does not require an ALTA Survey for purposes of developing the conceptual site development plan. DCA may require a boundary survey if the precise location of the subject project is in question.” The boundary of the proposed development site follows the boundary of the existing, larger tract except for the portion of the site furthest from the road frontage. This “back” boundary has been estimated, and will be finalized upon the completion of the survey. The estimated boundary gives sufficient information to determine the location of the site in question. However, if DCA determines that a survey is necessary, how much time is an applicant given to have a survey completed?

Response: Please see page 23 of 41 in Appendix I. Should DCA determine the need for a survey at application, sufficient time will be allotted for the survey to be prepared and submitted.

6. Management Company – Page 34 of the Threshold section of the QAP discusses the management company’s experience. Does the management company have to submit anything to DCA above and beyond the submission for Pre-Determination of Project Team Qualifications in order to get a determination regarding this Threshold requirement? If so, what other documentation must be submitted, and must it be submitted prior to the application submission? Is there any ability to get a waiver for the requirement that the management company have an office in GA or a contiguous state? The management company in question manages approximately 30 developments and has offices in both Texas and Mississippi.

Response: If the information submitted in the Performance Workbook was complete at Pre-Application, additional submissions are not required. (Please see Q&A #5, Question #43) There is no waiver in place at this time regarding not having a regional office in GA or a contiguous state. Additional questions regarding this requirement should be directed to Nan Maddux in the DCA Compliance Department.

7. Selection Item XX. Compliance / Performance – For this item, the QAP states that “Property Management Companies must submit a DCA Compliance History form for each project.” If this form was submitted prior to application submission (submitted on May 12, 2011 as part of the Pre-Determination of Project Team Qualifications), must it be submitted again in the application? Also, where can the DCA Compliance Certification be found?

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

Response: A copy of the Performance Workbook that was submitted at Pre-application must be included in the appropriate tab (see Q&A 5, Question #43) of the Final Application submission. A listing of qualified GA management companies (based on pre-application submissions) will be posted on the DCA website prior to Application Submission. This list will served as a DCA Compliance Certification.

8. In the Architectural Manual, minimum dimensions for “Broom Closet/Pantry” are given; however I do not see a requirement that broom closets or pantries are required in the units. Are pantries required? Or rather are the dimensions simply provided as a guideline to be used when an owner elects to include pantries?

Response: In accordance with the 2011 Architectural manual, all closets and defined storage areas are “in addition to the minimum room sizes” and are not included in the room area computations, yes “Broom Close/Pantry” is required.

9. Please fully clarify what Pre-Application documents need to be included in the final application if the Project Team received Pre-Approval per the request submitted May 12th and there are no changes to the Project Team structure. Performance Workbook, Audit letters, financial statements, etc?

Response: A copy of the Pre-Application Performance Workbook that was submitted must be included in the appropriate tab (Q&A #5, Question #43) of the 2011 Final Application, as well as a letter from DCA indicating the level of Qualification Determination, copies of approved waivers (if applicable), and certification that there have been no organizational changes since the pre-application. If there are document requirements as a result of the pre-application, they must also be included.

10. Are we supposed to submit copies of the performance workbook with our applications even if we submitted the workbook at pre-application?

Response: A copy of the Pre-Application Performance Workbook that was submitted must be included in the appropriate tab (Q&A #5, Question #43) of the 2011 Final Application. Please see #9 above.

11. We are considering demolishing a portion of an expiring tax credit property and rebuilding all new structures on the existing foundation slabs. Is a Physical Needs Assessment of the existing buildings required?

Response: If a portion of the building(s) remains a PNA will have to be submitted with the application.

12. One of the entities within the ownership structure of the proposed developer entity is an entity that is fully formed and organized in a state other than Georgia. Must this entity apply for a

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

certificate of authority for foreign corporation, and include that certificate in the application for tax credits?

Response: DCA is assuming that the foreign corporation you refer to in your question is an entity whose originating corporation registration was initiated in another state. Georgia laws indicate that a foreign corporation may not transact business in this state until it obtains a certificate of authority from the Secretary of State. DCA does not need the certificate of authority at application, but may need to obtain the certificate if the project is awarded credits. Please consult your attorney for details.

13. We are working on a QAP application to submit and understand that our management company would need a regional office in your state or a contiguous state. I have searched your web site and cannot find any instructions or requirements that might be necessary to set up a regional office.

Response: The regional office located in GA or a contiguous state should be set up according to accepted industry standards and it should be staffed accordingly. The office must provide the appropriate oversight and staffing to ensure that the GA property is successful. Please see page 34 of 41 of Appendix I of the QAP.

14. Per Threshold XVI – Relocation and Displacement of Tenants (page 38 of 41), requires that *if the Applicant anticipates displacing tenants, the Applicant must include in the Application a detailed displacement plan, which sets forth the specifics of the displacement, including a projected budget, and an explanation of efforts planned by the Applicant to mitigate the impact of the displacement” Any displacement of tenants will be subject to DCA’s prior written approval.”*

If you have an existing HUD/PHA project that has a percentage of senior and handicap disabled (with no age restrictions) and you plan on submitting the project to receive tax credits to complete a substantial rehabilitation of the project, but you will need to relocate a certain percentage of non-elderly units to another location until the rehabilitation is completed. What designation would you use for the project as we prepare to submit our tax credit application? Can the project be classified as a HFOP with handicap disabled units with no age restrictions? Can the project receive tax credits if you have handicap disabled units that are not 55 and older? Also, if we displace tenants during construction, are we required to receive DCA’s written approval and when does this happen?

Response: You will use the HUD designation as this is a HUD project. In addition, please note that an HFOP designation allows a certain percentage of tenants younger than 55. During the evaluation of applications, DCA will undertake a comprehensive review of the proposed Project’s Relocation plan to determine if displacement can occur. Applicant’s relocation plan should include an explanation of efforts planned to mitigate the impact of the resident’s displacement.

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

15. Where can I find the DCA notice regarding guidance on Federal and State credit prices for use in estimating equity contributions? Also, the general instructions indicate that we are to use the applicable credit percentage published for May 2011 for 9% applications. I thought the 9% floor was still in place through 2013?

Response: As stated in a previously published Q&A, DCA will not publish any guidance on Federal and State credit pricing for the 2011 round. Yes, for new construction and rehab, the 9% credit is still in effect for any LIHTC buildings placed in service by Dec. 31, 2013; for acquisition, please use May 2011 credit percentage for the Application.

16. For projects that are required to adhere to Section 3, are the expenses associated with compliance allowed as a soft cost line item in the development budget? If so, will these costs reduce the amount allowed to be paid to the developer?

Response: At the present time Section 3 compliance expenses are not an eligible line item in the development budget.

17. We are contemplating building three and four bedroom single family homes. A preliminary analysis of the market area shows that one and two bedroom units have high vacancy rates whereas the three and four bedroom units have very low vacancy rates. In determining the market scoring section, will our product type be compared against just the three and four bedroom units in the market area in analyzing demand, market advantage, absorption and vacancy rate thresholds requirements? Or will all of the bedroom sizes in the market area be used to analyze demand, market advantage, absorption and vacancy rate threshold requirements?

Response: The demand for the project would be based on the bedroom and product type (Family / Senior) being proposed. Since you are proposing to build 3 and 4 bedroom single family properties, your Income and Demand calculation would have to include both apartment and rental houses in the market area, as well as housing stock left vacant due to foreclosures.

18. In Q & A #5, Question 34 DCA answered that if the non-profit GP has a 100% interest in the project, then the NP should also receive 100% of the developer fee. DCA's answer to this question is in conflict with Appendix I, page 36 of 41. Here it states that "if the non-profit is also a developer of the project, the nonprofit must receive a percentage of the Developer Fee greater than or equal to its percentage of its ownership interest". It seems clear that if the non-profit is NOT the developer in the project, then this rule does not apply. Also DCA refers back to Q & A #1, Question #19, which we believe supports what is stated in Appendix 1.

Response: You are correct, if the 100% non profit general partner has no direct or indirect interest in the developer entity, then the non profit general partner should not receive any developer fee.

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

19. We submit this general question related to the 2011 9% Tax Credit application round. At the Design and Construction workshop hosted by DCA earlier this Spring, there was a discussion about what should be included in the furniture, fixtures, and equipment (FFE) line item in a project's development budget. Specifically, there was debate about what should be included in this FFE line item versus the accessory building/common amenities construction line item. For instance, there was debate about which line item should include site amenities such as picnic tables and BBQ grills. Could DCA please provide specific guidance on what should be included in the FFE line item versus the accessory building line item?

Secondly, at this workshop, there was a discussion about potential minimum or maximum requirements or rules of thumb for the FFE budget on a per unit basis and/or on a total project basis. Could DCA please provide clarity as to any minimum or maximum criteria that DCA will apply in its review of a project's FFE budget?

Response: Equipment and site furnishings such as benches, playground equipment, picnic tables and BBQ grills that are "fixed -in place" would be considered a Land Improvement and would typically be categorized as a Site Improvement in the DCA Schedule of Values form (hard cost). All furnishings associated with Accessory Structures (non-residential buildings) such as the community building would be considered FF&E (soft cost) and should be included in the FF&E line item on the 2011 Core Application.

FF&E costs are generally project specific and will be evaluated for reasonableness based on the unit configuration, building type and tenancy among other factors. DCA does not have a specified range.

20. What documentation exactly is required for the points under Part XIV. Tax Credit Experience on Page 20 of 28 in the 2011 QAP - Scoring? The QAP states that experienced entities need to provide a "Letter from closing attorney evidencing final closing of equity and construction has occurred and the date". Our question is what does this letter need to state and who does it need to be from? Does the letter need to come from the attorney that actually participated in the equity closing of each project (and in the case the experienced entity used a different attorney for each project, a letter from both attorneys would be required)? Can the documentation be in the form of a letter from an attorney who was not necessarily involved in each closing, stating his opinion on when each closing occurred based on his review of each projects closing documents? Will DCA post a form that the attorney can fill out or provide the attorney with the required language?

Response: The letter must be written by the closing attorney who participated in the equity closing of the referenced project. It should include the project name and number, the date of closing, and list the entities involved in the closing. DCA will not post a template for this letter. Sufficient documentation must be included in the Application for DCA to determine that the project has closed all of its financing and can proceed with construction.

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

21. In Appendix II, Scoring, XII Preservation - points are awarded for various types of rehab. Under "B", Preservation of Affordable Projects, the language appears to be very specific to expiring "Tax Credit Properties". Are any points available for a rehab that is simply an older multifamily property that has been privately owned by an individual for 30 years and has never received tax credits? It is also not Historic, a USDA property, or a HUD property.

I understand the project would be eligible for rehab but it appears that this property would not qualify for any points in this section?

In an expiring Tax Credit property, along with re-hab of the existing units, can additional "new" units be added to an existing property and the property still be eligible for points under Preservation of Affordable Projects?? If so, is there a limit to the number of additional new units that can be added to the existing number of units and it still remain a Preservation project?

Response: No, an existing multifamily property that did not receive tax credits or DCA HOME funds, has not received historic designation, and has not received high-priority designation from HUD or USDA is not eligible for preservation points. The addition of new units does not disqualify a project from receiving Preservation points. However, DCA will evaluate the reasonableness of the proposal at its sole discretion.

22. Under Section 20 on Part VIII – Threshold Criteria in the Core Application, questions B. and D. both reference a Uniform Release. Can you please clarify what this document is and whether 5 fully executed copies are required to be submitted?

Response: The Uniform Release Form is the same form as “Authorization for Release of Information Form/Multi-state Release Form”. If an applicant submitted the 2011 Performance Workbook, copies of these forms sent by the applicant to all appropriate states should have been included in the Performance Workbook.

A copy of the Performance Workbook submitted at Pre-application must be included in the appropriate tab (Q&A #5, Question #43) of the Final Application. Please note that if these forms were included at Pre-application in the 2011 Performance Workbook there is no need to submit the additional 5 forms.

23. HUD just released the 2011 income limits this week. Will DCA require applicants to utilize the 2011 income limits in the 2011 applications?

Response: Yes, Applicants are required to use the most current income and utility limits available. DCA will post our rent tables for tax credit only projects in the near future. DCA has already posted the 2011 utility schedule. HUD has not yet issued its Fair Market Rents for HOME projects for 2011. Therefore, 2010 FMRs, if FMR are applicable, should be used in the application. However, DCA may update those rents,

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

where applicable, to the 2011 level once they are published. Due to the timing of HUD's release, this will not be considered a financial adjustments assuming the rents were appropriate at the time the application was compiled. Market studies that were prepared with 2010 rents can be submitted, however, DCA may request the analyst to update information if it appears that the project may be selected for funding.

24. This question is submitted as a followup to Answer No 8 to General Questions and Answers Posting No 7 dated 6/1/2011. Assume that the nonprofit is experienced with tax credit deals and has a strong balance sheet and is willing to provide all necessary guarantees itself. Assume that it owns 100% of the GP interest and that no for profit developer or other for profit entity or person is providing any guarantee to lenders or equity providers of the GP's obligations. Assume that the nonprofit is staffed up to serve all GP functions without outside help and that it definitely will materially participate in the Project. Assume further that the Developer is 100% owned and controlled by a for profit entity which contracts to pay 50% of the development fee to the non-profit to give it some incentive for undertaking the guaranty obligations, and that the non-profit has no control over the Developer organization whatsoever and is not providing any services to the developer. In that situation it is submitted that the nonprofit is not the Developer and the requirement that the nonprofit have the same percentage of the Developer as it has of the GP does not apply. Please confirm that this structure would qualify for the nonprofit set aside and also for the extra points for transactions with the general partnership interest owned 100% by a nonprofit.

Response: DCA does not score applications prior to Application submission. However, the guidance that DCA has provided is clear. DCA will look beyond the structure submitted in the Application to determine whether there is an indirect interest in a 100% non profit general partner with a different developer.

25. We turned in one performance workbook w/backup for one application. Between May 12 and now we have found another site but we still only want to turn in one application which will have the same ownership structure and the same development name. Will it be acceptable if we turned in the same performance workbook with just a new part 1 because the change is just in the site information and the narrative would change?

Response: DCA is not exactly what you are asking. A complete Performance Workbook reflecting the final site must be included in the application binder. However, that new performance workbook can be substantially the same as the previous workbook with new site information included.

26. With regards to the preservation points and the additional USDA High Priority Points, the QAP states the following:

“Each Applicant may claim six (6) points for one submitted Application and three (3) points for one additional Application. Projects receiving three points in this category may also be

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #8
June 15, 2011

eligible for the two points for USDA Properties or HUD Properties.”

This seems to indicate that the two points that may be awarded via high priority letters from USDA or HUD cannot be combined with the six points for preservation and can only be combined with the 3 point option for preservation. However, this seems to conflict with goal of awarding points to a development that receives the high priority designation from USDA or HUD. It is our understanding that the goal of the points, in part, is to allow USDA and HUD to assist DCA in development selection through the points process. This goal cannot be realized if the two points can only be combined with the three points.

For example, if I receive the USDA high priority letter and can only combine with the three points, I would have a total of **five points in this section**. However, if another developer (who did not receive the high priority designation) submits a preservation deal and utilizes the six point option, that developer would receive **six points in this section**. Therefore, if my development receives the high priority designation from USDA, my development will be at a point disadvantage to other possible preservation deals.

Please confirm whether or not the two points for USDA or HUD high priority designation can be combined with the six point option for preservation.

Response: The 2011 QAP states that HUD/USDA high-priority points may be combined only with an expiring tax credit property eligible for 3 points (p.18 of 28). Please submit this comment for consideration in the 2012 QAP.

27. Applicant is negotiating the purchase of an existing tax-credit project for the submission of LIHTC's in the OAH 2011 round. The project is currently secured with DCA HOME Funds in a subordinate position to the permanent mortgage. After a review of both values and the current debt structure on the property, it has been determined that the purchase price of the property would not be enough money to cover the balance of the existing HOME Funds. Would DCA consider a reduction of its debt on the sale (short sale) in order to accommodate the transaction or would DCA allow the HOME debt to be included in the acquisition basis? Additionally, would this strategy be permissible if we are not granted a financial hardship under the State's designated basis boost?

Response: Generally, No. However, information specific to the project in question is required for DCA to provide direction. DCA does not have the ability to change the statutory period of affordability. The Georgia Attorney General's office is required to be part of any loan modification.