

2010 DCA Qualified Allocation Plan
General Questions & Answers
Posting #9
June 30, 2010

1. What is DCA's view of debt free community? We are in the fortunate position (because of potential boost eligibility) to present a project with no debt other than some deferred Developer Fee. This has created extra interest in our Syndicators part. They are much more interested (ensuring sale of credits) in the Georgia Market when it's a debt free deal. However, we feel that our rents should be lower to add value to our tenants, and we would not want anyone to think we were unjustly enriched. In addition this adds sustainability to the community.

Response: Please refer to QAP Section 7. Policies 1. under Debt Coverage Ratio- "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 Expense (including reserve for replacement). A ratio of 1.05 shall be the minimum required to be considered feasible by DCA in Years 1-15."

2. If DCA determines that the proposed rents are at or near market rate rents of comparable properties, that you may deduct points. How much lower than market rate may the proposed rents be (percentage basis), so that points are not deducted? Does it make a difference if the proposed community that will be presented to DCA will be done with no debt?

Response: DCA does not have a percentage basis for making this determination. It will look at each market and make the determination as to whether the rents are below market.

3. DCA states in the (Market Advantage Score) that you reserve the right to determine that the low occupancy rate of a project is not the result of market conditions but rather the result of poor property management or deferral of maintenance.

Response: Yes, Market Advantage Scoring Bullet #3 states: "DCA reserves the right to determine that the low occupancy rate of a project is not the result of market conditions, but rather the result of poor property management or deferral of physical maintenance."

4. Our proposed rents are significantly less than the DCA funded project in our primary market area. Would our project be denied on Threshold as "cannibalizing" the other DCA funded projects, both by virtue of lower rents and the condition of the other properties?

Response: Pages 1 & 2 of the market study manual outline when a project would fail threshold for market based on existing developments in the market area. In addition, please review pages 43 & 44 of QAP Core and pages 10 - 12 of Threshold.

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5. If there are more than two DCA funded projects in the primary market area which have occupancy rates of less than 90 percent and which compete for the same tenant base as the proposed project and our proposed rents do deeper targeting and are significantly less than other funded DCA projects in our primary market area would you deduct points for competing for the same tenant base?

Response: DCA does not pre score fact situations. If there are more than two DCA funded projects in the primary market area which have occupancy rates of less than 90 percent and which compete for the same tenant base as the proposed project, DCA may determine that the project would not receive full market advantage points.

6. Other market requirements reference “comparable properties” and “comparable DCA properties”. Is a project comparable solely because it is also a 9% tax credit property? If not what other completing factors do you believe should be used deciding which communities are “comparable (DCA) properties”?

Response: Competitive units are defined as those units that are of similar size and configuration and provide alternative housing to a similar tenant population, at rent levels comparative to those proposed for the subject development. A project is not comparable just because it is a 9% tax credit project

7. The QAP states that applicants may request up to a 130% basis boost for projects that meet certain criteria outlined by DCA. If an applicant feels that it meets the criteria for the boost, can you please explain the process for requesting this basis boost? Specifically, when is the deadline to request this and what documentation would DCA like in order to evaluate this request? If the deadline to apply is prior to notifications about HOME loan consents, if a HOME loan applicant (who met the criteria to be considered for a basis boost had not assumed a boost) is denied a HOME consent, could this applicant subsequently request a basis boost?

Response: The deadline to apply for the state designated basis boost is July 22, 2010 when the application is due. An applicant who applies for such basis boost for the 2010 round will need to include documentation in the application explaining why the basis boost is needed and which eligibility criteria (see pp. 14-15, 2010 QAP Core) the application meets for such basis boost. Only the projects that meet DCA’s underwriting and other criteria will be approved for any state designated basis boost. In case the state designated basis boost is not approved by DCA as requested, the applicant will have until the earlier of 3 weeks after DCA’s notification of the DCA decision or October 13, 2010 to submit 1) an explanation on how the funding gap will be bridged; 2) a revised Sources of Funds along with a

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preliminary commitment (including any additional project based rental assistance and/or operating subsidy, if applicable) for any applicable additional financing to bridge the funding gap; 3) revised operating proforma; 4) any other documentation, if applicable. In general, no change in the development budget, operating expenses, proposed rents or other income in the original application will be allowed except when the applicant obtains a governmental fee waiver, project based rental assistance, or operating subsidy that is not reflected in the original application.

Please note if a project is located in a QCT or DDA, the basis boost does not need DCA's approval.

8. The Market Study portion of the Scoring Criteria requires that the applicant complete a self scoring worksheet for the Market Advantage Score. The recently released Market Advantage Score summary indicates that the (25) point Market Advantage Score has been revised to a different scoring methodology. Is the applicant completed self score no longer a requirement?

Response: The Market Completeness self score form will be posted on the web site in the 2010 Core Application, Core Instructions, Manuals and Forms folder. Each applicant is to complete the form and include it with their application. There is no self score for the Market Advantage.

9. Our planned 2010 LIHTC project includes rehabbing some buildings on the site while tearing down and rebuilding others. Given DCA's requirement that "total hard cost of any rehabilitation project must not exceed 90% of the as-completed unrestricted appraised value of the property," must the appraiser try to value only the selected buildings on the site to determine if the value of the scope of work on the rehab of these selected buildings is excessive per these DCA guidelines?

Response: DCA will evaluate the project value (including land value) as a whole. However, as a function of the feasibility and scoring process, the proposed cost of rehab versus the estimated cost to rebuild those buildings in question may require justification.

10. DCA's appraisal manual says that:

The all commissioned appraisal reports shall include the following values:

- As Is Market Value (must include a separate value for land if the As Is Value reflects an improved property)
- Prospective Market Value Upon Completion and As Stabilized (Restricted Rents)
- Prospective Market Value Upon Completion and As Stabilized (Unrestricted Rents)
- Prospective Market Value at Loan Maturity

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- Valuation of Tax Credits (including federal, state and historic, as applicable)
- Favorable Financing
- Investment Value, if applicable
- Analysis of Ground Lease, if applicable

Is this full scope of work only required for HOME-funded projects or for LIHTC projects that require an appraisal for any reason? For non-HOME projects, can the scope of work of the appraisal include only the items on this list that are relevant to our particular project (e.g. only do a as-is market value for identity-of-interest sales transactions)?

Response: Please refer to Appendix I 5. A. 2. Selected Projects. This states that for tax credit only projects, DCA requires that the appraisal support the purchase price as well as the value of the property upon completion.

11. Can you publish what you consider to be the reasonable market range equity prices? The syndicators I have spoken with are giving me lower prices than what I have heard DCA officials mentioning as market range.

Response: DCA does not have any current plan to publish what's considered to be the reasonable market range equity prices in order to avoid artificially influencing the equity pricing. For the purposes of the 2010 application review, in general, DCA will underwrite the applications based on the equity prices provided in the preliminary commitment letters included in the applications. DCA will take into consideration of the real estate and sponsor characteristics in determining whether the equity prices are reasonable and within the market range. DCA encourages 2010 applicants to contact multiple syndicators to get a good feel for where the equity pricing stands, among other things.

12. On page 21 of the 2010 QAP, it states that, "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 cost of Land. "What is confusing me is the paragraph on the same page that reads, "The developer fee will be calculated using the allowable total development cost limited by the DCA Base Unit Cost Limits. The Developer Fee for Applications for Additional Credits (in the year the project is placed in service), shall be limited to the original approved Developer Fee. "Does this only apply if there is an Identity of Interest between the Developer and General Contractor? As we do not have an identity of interest between the developer and general contractor, should we use the methodology listed in the first paragraph?

Response: If you do not apply for any additional credit (i.e. you do not submit a 2010 application for a project that received any credits from 2008 or 2009 funding round), and if there is no identity of interest between the developer and general contractor, for new construction, the Developer fee will be limited to 15% x (Lesser

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of Total Development Costs or the allowable total development cost limited by the DCA Base Unit Cost Limits - budgeted Developer Fee - demolition cost - land cost).

If you received a carryover allocation during 2008 round (or 2009 round if your project will be placed in service in 2010) and you apply for additional credits for such a project during the 2010 funding round, the maximum developer fee in your 2010 application will be limited to the developer fee as approved in your 2008 (2009) application, whether there is any identity of interest between the developer and general contractor.

13. In my reading of the QAP, it is unclear if a special needs project needs to receive a "Tenancy Characteristic Waiver Approval." Is this required for special needs projects? If so, what must be submitted for DCA to review this waiver request?

Response: A Tenancy Characteristic Waiver Approval is not required if the project is seek funding under the Special Needs Set-Aside through the DCA Office of Special Housing. For any other tenancy characteristics, pre-approval is required. Documentation should include a letter stating the basis of the request and all supporting documentation.

14. On the Application Tabs Checklist under Tab 9 – Market Study - there is listed “Applicant Self-Score form for Market”. Is DCA going to provide a specific form for applicants to complete for this requirement? There does not appear to be a form provided with the Market Study manual.

Response: The Market Completeness self score form will be posted on DCA’s web site in the 2010 Core Application, Core Instructions, Manuals and Forms folder. Each applicant is to complete the form and include it with their application as notated on the tab check list for Market Feasibility, applicant self score.

15. BACKGROUND - We are working with Earth Craft Communities on a sustainability certification for our master planned project and have an executed Memorandum of Participation and draft score sheet, which will be submitted with our application. The Earth Craft Communities program requires all buildings meet the Earth Craft Multifamily building sustainability certification standards. I understand that points are awarded for only one category - either sustainable community or sustainable building - even though we will be doing both.

QUESTION - Do we need to submit the Earth Craft Multifamily building certification draft score sheet although we are not attempting get the points for sustainable building?

Response: You do not need to provide a copy of the EarthCraft Multifamily Building draft score sheet if you are not seeking points under the sustainable buildings category.

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However, as you stated, you do need to submit a copy of the EarthCraft Communities draft score sheet if you are seeking points under the sustainable communities category.

16. I could not locate a "Release for Credit History". Last year we prepared and signed a letter giving authorization. Shall we do the same this year?

Response: It has recently been posted to the website under 2010 application documents, E. HOME- forms and manuals.

17. The Public Notice of Changes to the 2010 Funding Schedule indicates that *DCA will publish guidance on credit pricing no later than June 1st, 2010...*

Do you have any update on this timeline? We are trying to make sure our credit pricing is in line with DCA's expectations.

Response: No. DCA published the Equity Price Guidance for 2010 Applications in the Office of Affordable Housing 2010 Funding Round Update #44 on June 1, 2010. Please see the update for the details.

18. We have an existing apartment complex with exterior noise levels at 71 decibels. Interior noise levels are below the DCA/HUD requirements. For scoring purposes, does this still count as an Undesirable Site Characteristic and result in a (1) point deduction under the Site Characteristics Category?

Response: As the QAP states, noise (regardless of mitigation) that is 70 decibels or more at the time of Application Submission is an Undesirable Site Characteristic.

19. For project scoring purposes, under A. Stable Communities, do you need to meet all of the following criteria in order to score (3) points in this category:

- Less than 10% below the Poverty Level
- Designated Middle or Upper Income Level
- Less than 25% of housing units are rental occupied
- Tracts not designated as distress or underserved
- Market study must demonstrate need for affordable housing

Response: Yes, all criteria must be met to qualify for the 3 points.

20. For scoring purposes, under Section VI. Market Advantage Item B. Previous Projects, does DCA take into consideration the type of projects (new construction, preservation, historic rehab, adaptive re-use) that have been awarded funding within the boundaries of the a Local Government when awarding points to projects under this section? Or is it

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purely based on where 9%, 4% and/or HOME resources have been allocated during the past (4) funding cycles?

Response: For Scoring, DCA only considers if any 9% credit, 4% credit and/or HOME project was constructed in the prior 4 years. No consideration is given to the type of property developed.

21. The 2010 QAP provides for the calculation of total development cost (and developers fees) limited by the DCA Base Unit Cost Limits (page 21 of 56 of the CORE). It further stipulates however that TDC may exceed this limit with justification.

Our question is, will LIHTC tax credits be provided to cover the cost above the Base Unit Cost Limit or with the tax credits be held at the Base Unit Cost Limit regardless of actual TDC.

In other words, regardless of the justifiable total development costs, are LIHTC tax credits capped by the DCA Base Unit Cost Limit amount?

Response: DCA believes that the Unit Cost Limitations (pp 6-7 of 46, 2010 QAP) are reasonable and adequate to develop an LIHTC project in the State of Georgia. As a result, allocation of DCA resources, including LIHTC, will be based on these limits, i.e. the housing credits are not to be provided to cover any cost above the DCA cost limits. An applicant can exceed the per unit cost limits but will not receive credits or developer fee on the additional cost.

22. Tab 35 of the Tabs Checklists lists two letters as possible items needed in the Application Binder, a "Letter from elected official in the DCA format" and also a "Letter executed by Official Representative." According to the 2010 QAP "If the Local Government is governed by only one elected official (as specified in its Charter), a letter from the elected official outlining all the information required in the governing body resolution will be accepted in lieu of a resolution." If we have a Resolution of Support from our Local Government, and Evidence of Adoption of Resolution (minutes from the council meeting where the resolution was adopted) are either of the two letters listed in Tab 35 of the Tabs Checklist? The QAP leads one to believe there is no letter is needed if the applicant has a Resolution of Support since the letter is "in lieu of a resolution," but with two letter options listed on the Tabs Checklist it seems like there is another letter needed?

Response: The "Letter executed by Official Representative" is unnecessary in the example provided.

23. Can you clarify what locational criteria must be met for a large number of detached single-family homes on non-contiguous parcels to qualify as a single project for

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consideration under a single LIHTC application? What about single parcels with 2 or 3 units, either side-by-side townhomes or duplex/triplex configurations within a single large detached home?

Response: 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 and submits a waiver within the deadlines for pre-application submittals.

24. For scattered site projects, what items are you looking to see in a legal opinion? What's the general intent of this document?

Response: A legal opinion is required for any project involving scattered site developments. The legal opinion should address the proposed site plan and the site plan must be included as part of the opinion. The legal opinion must also address whether all applicable requirements as specified on page 35 of the 2010 QAP Core under the Scattered Site section. The legal opinion is required in the determination of whether a proposed development meets the scattered site requirements and thus eligible for low-income housing tax credits.

25. For scattered site projects, the QAP states in B1: "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."

Regarding the half-mile radius test, are you looking to cap projects at no more than six non-contiguous parcels (i.e. only "6 or less" non-contiguous parcels all within a half-mile circle drawn on a map will be acceptable), or are you instead trying to limit density, such that a project of 10 non-contiguous parcels would qualify because no grouping of 6 or more parcels can fit into a half-mile circle drawn to scale on a map and moved around to test which parcels group together? Please clarify.

Response: The intent of the cap on scattered site projects at no more than six non-contiguous parcels within a ½ mile radius is to minimize the complexity of underwriting, financing, and administering the project in the tight timeframes of the tax credit program.

26. Regarding the minimum of four residential units per parcel in scattered site projects, can that number be achieved through an average of all units divided by the number of parcels, or some middle ground therein? Or can a project be a hybrid combination of scattered site and detached single-family?

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Response: No, the number of units per parcel in scattered site projects cannot be an average, middle ground, or hybrid combination unless the project has a NSP commitment and submits a waiver within the deadlines for pre-application submittals.

27. Is there a limit to the number of non-contiguous parcels that can be wrapped into one application as a detached single-family homes project or a scattered site project?

Response: The limit to the number of non-contiguous parcels that can be wrapped into one application as a scattered site project is six unless the project has a NSP commitment and submits a waiver within the deadlines for pre-application submittals.

28. Is your definition of a "contiguous parcel" one where two parcels under the same project umbrella have at least a minimum level (one foot?) of shared site boundary line?

Response: Contiguous means sharing an edge or boundary and its determination is at the sole discretion of DCA.

29. Are there different scoring criteria used for scattered site and/or detached single family home projects? In general, how are these types of projects treated differently from "normal" LIHTC projects?

Response: There are no specific points added or deducted in relation to scattered sites or detached single family home projects, however, there are specific criteria related to scattered sites throughout the QAP Threshold and Scoring appendices.

30. Can you please clarify on the Compliance Scoring if the Multi-State Release form & Uniform Release Form is required to request a Compliance & Performance Score or if this is information that DCA will ask for at a later date? The instructions state Upon Request so I want to make sure.

Response: The Multi-State Release Form and Uniform Release Form is documentation that DCA may request of an applicant at a later date.

31. If you are acquiring an existing non-LIHTC multi-family development and you plan on demolishing the units to build a new construction LIHTC development, are you required to obtain an appraisal?

Response: Please refer to Appendix I 5. A. 2. Selected Projects. This states that for tax credit only projects, DCA requires that the appraisal on or before closing that supports the purchase price as well as the value of the property upon completion. If there is an identity of interest between the seller and buyer of the development, and appraisal is required to be provided at Application (A.1.)