2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #7
June 1, 2011

1. Will DCA award the bonus desirable points to a project in a rural area that has a Family Dollar or Dollar General and a Grocery Store in the same shopping complex?

   Response: No. DCA does not consider those stores to be National Big Box stores. Please refer to the 2011 QAP page 6 of 28 for examples of stores that meet that criteria.

2. The final application due on June 23rd requires a copy of the performance workbook to be included. Is it required that we also submit all audit letters as exhibits with this as well as we did with the initial Pre-Application, or is it preferred that we only submit a copy of the printed DCA provided workbook?

   Response: If an initial Pre-Application Performance Workbook was submitted only a copy of the printed DCA workbook must be submitted in the final application. Audit letters that were previously included in the preapplication do not need to be resubmitted in the final Application.

3. Under Selection Item VIII Stable Communities / Redevelopment / Revitalization, may a development qualify for 4 points under Stable Communities for being in a census tract that has less than 10% below Poverty level, etc., and also receive points for being in an area with a Statutory Redevelopment Plan (Item VIII. B. 2.), for a total of 6 points?

   Response: No. Applicants may choose points in <u>either</u> Category A <u>or</u> Category B.

4. In the Summary Table under Targeted Income-Qualified Renter Household Demand, there is no line accounting for Secondary market demand adjustment (allowed up to 15% if supported) - leakage. If leakage is applied in the demand analysis, the number for the Net Income-Qualified Renter HH's on the Summary Table will not match the demand analysis. We can either have the numbers not match or add a line. There is a line for the in the Demand and Net Demand table.

   Response: If leakage (secondary market demand) is to be accounted for and applied to the "Targeted Income Qualified Renter Household Demand Analysis" please add a line so that the demand analysis will match the number for the Income-Qualified Renter Households on the summary table. However, secondary market adjustments (leakage) will be closely securitized. The Targeted Income Qualified Renter demand analysis should not solely rely on secondary market demand to thus have a significant number of Targeted Income Qualified Renter Households for the project to be feasible under the current guidelines.

5. The DCA Accessibility Manual requires a "Qualified Consultant" to monitor the project for accessibility compliance. Can this "Qualified Consultant" be the architect of record for the development?

Response: No. A third party accessibility consultant (separate from the architect of record) is required to monitor the project accessibility compliance. Because accessibility requirements may differ depending on the funding sources of a particular project as well as the type of construction contemplated for a project, identifying the correct standards can be difficult. Failure to comply with applicable accessibility, adaptive design and construction requirements of the accessibility laws may result in loss of tax credits and/or the loss of HUD program loan funds. Therefore, a separate consultant is required.

6. In posting #5, Q&A #32, provides that Group D applied to "All States/some specific to GA"… Could you be specific as to which apply only to GA? The list includes:

    - Foreclosure of a project loan, including but not limited to a HOME loan, or State Housing Trust Fund Loan
    - Foreclosure or default on bonds at a property that has DCA Tax Credit or HOME funding
    - Failure to meet placed in service date which results in the recapture of credits
    - Project Bankruptcy
    - Failure to file a LURC for a Tax Credit Project within time prescribed by Section 42(h)(6)(j)
    - Project is no longer in Compliance nor participating in Program
    - Submission of fraudulent documents to DCA
    - Debarred or suspended from participation in similar Federal or State programs in last six years
    - Fair Housing Act violations
    - General Partners/Developers, principal, or managing member who from January 1, 2002 through April 1, 2011 have been removed, debarred, or asked to voluntarily withdraw from a LIHTC partnership

    Also, to clarify, if the first bullet point above is "foreclosure of a project loan, including but not limited to a HOME loan, or State Housing Trust Fund Loan…" applies to non-GA projects, would the foreclosure or deed in lieu of foreclosure of a conventional first mortgage on an out of state 9% HC project be included or is it limited to State housing agency loans like HOME or housing finance funds loans?

    Response: None of the instances listed above are specific only to GA. Every incident must be disclosed along with an explanation of that instance.
    All foreclosures or deeds in lieu of foreclosure must be disclosed.

7. Part II of the Performance Questionnaire seems to require a principal to complete the questionnaire if the principal has experience apart from the General Partner or Developer entity. Does the individual principal sign the form at page 2 or just the authorized signatories

of the general partner entity, the developer entity and the partner (assuming the principal is not an officer but an owner of the general partner and developer)?

Response: If the individual is completing the form as a principal, then that individual should sign. If the form is being completed for an established entity, then the authorized signatory should sign on behalf of the entity.

8. 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: The Responses do not conflict. A proposed application that is submitted with a small non profit as the 100 percent general partner must first be qualified as part of the project team. It is unlikely that this type of ownership structure would be successful unless the non profit had a very strong financial balance sheet, liquidity and strong tax credit experience. Most of these structures will require the proposed developer to have an indirect interest in the general partnership through guarantees, sharing of developer fee and other incidents of ownership. It is also very unlikely that such a proposed structure would be able to meet the requirement of the non profit set aside that the non profit materially participate in the project development if it receives no developer fee directly or indirectly and absorbs the risk of the transaction. DCA responses are indicative of its clear intent to discourage participants from structuring their project with a 100% non profit general partner and a separate development entity for the sole purpose of obtaining points.