

Questions and Answers as of October 24, 2008 for 2009 Second Amended QAP

Question: The QAP indicates that the compliance fees are \$19 per unit, submitted annually. The Application includes a line in Section 13.07 for compliance fees. This seems to suggest that the compliance fees are to be paid up front. Are we supposed to include compliance fees as a one-time up-front cost in the development budget or as a recurring annual cost in the operating budget? Or, do we have a choice?

Answer: The first year of compliance fees are includable in the development cost. For the remaining years, the compliance fees are to be listed in the operating budget on the project Proforma. List these in the Other (specify) line under the Operating Expenses category of the Proforma. The compliance fees will escalate annually.

Question: Under Location Category 3, you can score points for local government contributions. The QAP says the scoring is calculated based on the total dollars provided by local government divided by the Total Project Costs. However, Appendix P (Page 4) prompts you to list Hard Construction Costs, which is a defined term and which is not the same as Total Project Costs. How do you want us to proceed in this scoring category? Should we ignore Hard Construction Costs and just list Total Project Costs?

Answer: Complete Exhibit 5S and IFA will do the calculation. The calculation will be based on the 2009 Second Amended QAP language which is Total Project Costs. As of October 24, 2008, Appendix P has been corrected and posted on the IFA website.

Question: We just spoke with the city of xxx and they indicated that they would not be prepared to submit a letter of support and preference for the project (Exhibit 17S) by October 31st. The city staffer is going to send all developers a letter that will outline the city's process for reviewing the IFA letter. Once we receive city's letter, we will be happy to forward it to you and/or include it in our application. Is that acceptable?

Answer: In IFA's guidance to the cities, we told them that although the applications would be submitted on October 31, that we would accept letters of support from them until November 30, 2008 knowing that the city council would likely have to meet in order to produce a letter of support and preference. If the city does not produce a letter by that date for a project, that developer would be notified that they need to select an alternative category and be prepared to submit the information to support that category in short order.

Question: I do not see Appendix P listed on the items to be submitted with the Threshold Application. How can I show IFA what categories we are seeking points?

Answer: IFA uses the information in Appendix O to determine the score of a project. Although we do not require Appendix P to be submitted with your application, several people have asked if they could to indicate the areas that they are seeking points. If you wish to submit Appendix P, place a tab and the document behind all of the exhibits in

your application notebook. We will also accept Appendix L and M if you wish to submit them. Use the same process as described for Appendix P.

Question: Under Section 15.01 of the Application there are drop down boxes for the type of loan. What abbreviations should we use for Type of Loan for Section 15.02?

Answer: Use the following abbreviations to describe Type of Loan:

- B – Bond Financing
- CDBG – Community Development Block Grant
- CONV – Conventional Financing
- FED – Federal Financing/Guarantee
- HOME – HOME
- LG – Local Government
- OE – Owner Equity
- P – Private
- TEB – Tax-Exempt Bond Financing
- Other (must describe)

Question: Can you provide the most recent number of approved FEMA applicants by county?

Answer: A list of counties and approved applicants, as of October 21, 2008, are provided below:

County	# of FEMA approved individual assistance applicants
Black Hawk	4295
Benton	549
Bremer	1242
Butler	1439
Cerro Gordo	1748
Delaware	351
Des Moines	317
Dubuque	386
Floyd	538
Hancock	395
Hardin	401
Johnson	1519
Linn	8994
Louisa	608
Marshall	464
Montgomery	369
Muscatine	398
Page	383
Polk	4335

Pottawattamie	454
Scott	692
Union	671
Wapello	525
Warren	454
Webster	355
Winneshiek	509

Question: I assume that if we're providing an exercise room for the first phase of project that we cannot count it for the second phase of a project, even though both phases have access to the amenities of the other phase. Is that correct?

Answer: Yes. Amenities provided in Phase 1 do not count as points for the Phase 2 application.

Question: If we submit a project for 96 units in two sites (it becomes a scattered site) can we implement it in phases? One investor wants to know if the can build one building and then when lease up is acceptable, we can start on the second. If this is acceptable, can we delay our reservation fee until we begin with the second site?

Answer: Construction must begin within 18 months and the project must be placed in service within 24 months. The reservation fee is due upon approval by the IFA board. You may certainly submit a phased project but, as you have described, not as a scattered site.

Question: We submitted a pre-application for market study, but now with the changes to the QAP, we want to make some changes to the application. How should we proceed? Should we have the market study analyst start to make the changes to our study?

Answer: Exhibit 8T (Market Study Change Information) is required for everyone who submitted a Pre-Application. If you are making changes to your project, you will need to provide that information on this form. IFA will forward it to your assigned market study provider and they will update your market study accordingly. ***Do not contact the market study provider directly for this.*** The market study provider will determine the fee for the updated market study and will bill you directly.

Question: We did not submit a pre-application for market study. How do we order a market study now?

Answer: You are required to submit Exhibit 9T (Market Study Application with attachments), and the applicable market study fee with your Application.

Question: If I had a market study prepared in 2007 for a proposed project that was submitted for the 2008 Competitive LIHTC Round, can this market study just be updated?

Answer: If you did not submit a Pre-Application by 9-3-08, and you are requesting an updated market study rather than a new market study:

- You must provide Exhibit 9T (Market Study Application with attachments) with your Application. (You do not need to provide the market study fee.) ***Do not contact the market study provider directly.***
- You must provide a letter with the exhibit requesting an updated market study. The letter must include the date the last market study was prepared and the name of the market study provider. ***The market study provider must be one of IFA's current market study providers. If the market study was prepared by a market study provider that is not a current provider, an updated market study is not an option as a new market study will be required.***
- The market study provider will determine whether an updated or a new market study is warranted. If an updated study is allowed, the market study provider will determine the fee and bill the Applicant directly for it. If a new market study is needed, IFA will contact the Applicant requesting the applicable fee.

Questions and Answers as of September 23, 2008 (answers still apply to 2009 Second Amended QAP)

Question: Our unit mix is exclusively units that would have income restrictions of 30%, 40%, and 50%. Example: There are 5 one-bedroom units with a 30% rent restriction and a 30% income restriction. I'm underwriting a "street rent" of \$235, plus the utility allowance of \$64, yielding a total of \$299, or under the \$301 maximum LIHTC rent. First, that household would need to be at or below 30% income. Second, because of a rental assistance contract with Rural Development, that resident would pay 30% of their income for rent, up to a maximum of \$235 (to stay within the maximum LIHTC rent, adjusted for the utility allowance), and the project-based rental assistance would pay the difference between what the resident pays and the actual \$585 basic rent. If the resident pays \$100, the rental assistance would pay \$485. For these 5 one-bedroom units, the resident would have a 30% income and would pay no more than the 30% LIHTC rent, adjusted for the utility allowance. All of the other units are structured similarly. If all of the units have "street rents" that are below the FMR, adjusted for the utility allowance, and all of the units have income restrictions where the tenants wouldn't pay more than the FMR, adjusted for the utility allowance, then would we also receive 20 points under "Resident Profile Category 5"?

Answer: You are not eligible for this category unless the actual rents (subsidy + rent charged to tenant) are at or below HUD Fair Market Rent for the life of the project. Based on the rent amounts that you show above, you are NOT eligible for this scoring category.

Question: I was wondering whether a project based Section 8 project was able to claim the points for Rent Reasonableness if all the tenants designated as tax credit low income tenants are paying below the fair market rent for the county of residence? The project based rent may be higher than the fair market rents.

QAP Part A, Section 6 Resident Profile:

Category 5. Rent Reasonableness 20 points

Rents for one hundred percent (100%) of the Low-Income Units are set at or below one hundred percent (100%) of fair market rent for the county of residence, as established annually by HUD.

Answer: You are not eligible for this category unless the actual rents (subsidy + rent charged to tenant) are at or below HUD Fair Market Rent for the life of the project. Points for this category are not awarded based on the amount that the tenant pays.

Question: On Appendix L -- IFA Required Threshold and Set-Aside Exhibit Checklist. Exhibit 15T is an executed copy of the Consultant Agreement. Is this the agreement for the energy consultant?

Answer: No. There is no requirement to provide a copy of the agreement with the energy consultant. Exhibit 15T is the agreement for the development consultant listed on Line 6.12 of the 2009 LIHTC Threshold Application.

Question: We are going through our self-scoring and have a question under Category 1 Market Appeal and Category 4 Construction/Unit Characteristics of Building Characteristics. These categories have a range of points for Health and Wellness Program On-Site, Exterior Construction: Aesthetics and Exterior Construction: Durability. Is there any guidance on what a project needs to do in these categories to get the max points particularly because this project is a rehab project too and this may somewhat limit what we can do?

Answer: Exhibit 6S provides guidance on market appeal characteristics, and Exhibit 9S provides guidance on construction/unit characteristics. Both categories provide an array of choices for some categories such as Health and Wellness Program On-Site, Exterior Construction: Aesthetics, and Exterior Construction: Durability. IFA would encourage you to visit with your architect about the cost and viability of any characteristics that you select in either category.

IFA has received comments from developers that some point categories favor projects that are being rehabilitated while others favor new construction. It is IFA's intent that a project's score should reflect those characteristics that are best suited to the long term viability of the project.

Question: To score points under "Building Characteristics Category 6", is it acceptable for the building permit to have contingencies? For example, could there be a contingency that the building permit is revoked if the project isn't awarded LIHTCs on March 4th (or some other date, if a delay occurs)?

Answer: The building permit must demonstrate that the developer can begin construction immediately following the date of the tax credit reservation.

Question: I have a question regarding the QAP Section 8.8 – Changes in General Partner, Majority Shareholder or Managing Member:

We are anticipating we will submit our application with a co-managing member. However, we are uncertain whether the “co” will be in the final structure. One managing member will stay the same but this “co” may drop out. It is my understanding that as long as we notify IFA and there aren’t any issues with the remaining managing member that this would be an allowable change, is that right?

Answer: There are two issues of concern with this proposal. First of all, IFA would be wary of this type of arrangement because of the limit on the tax credit cap for a single developer. We would ask the question, “Is this developer seeking to get around the tax credit cap by initially listing a co-developer?” Secondly, IFA has to approve any change in the general partner, majority shareholder, or managing member prior to the change being made. We are unlikely to allow such a change to any of these parties prior to the issuance of Form 8609, with the exception of changes made to complete the syndication of the tax credits. The reason that we do not allow a substitution or removal of the General Partner or Co-General Partner (or the equivalent) is that IFA is evaluating the application based on the ownership as proposed. We expect this same ownership to stay with the project until Form 8609 is issued.

Question: For Threshold Items 4T and 5T, does IFA want the actual entities to be set-up now OR can these be the temporary ownership entity (applicant – xxxx Management, Inc.) as per the offer before assignment?

Answer: See the 2009 QAP, Section 5, Threshold Requirements. “5.2, Legal Ownership Entity. The Ownership Entity must be formed prior to submission of the Threshold Application. For the purposes of the Application, the Applicant is the Ownership Entity.”

Question: Exhibit 1SA – does this form need to be filled out if we’re going in under general – support services housing? There isn’t a box to select general set-aside.

Answer: For the tabs marked 1SA through 5SA in the threshold application 3-ring binder, place a sheet that says “not applicable” behind each tab.

Question: The Appendix M I’m a little confused by also. It says “If meets threshold, check “Yes”. However the “Requirement” than says Yes/No/N/A and it seems like you are supposed to answer yes or no to “New Developer in Iowa?”, etc. but if we’re NOT a new developer it seems like we should say “no” but per the item “If meets threshold, check “Yes”” I then thought we would check Yes if we’re NOT a new developer. Can you clarify this? Hope this makes sense.

Answer: First of all, Appendix M is for your use only and does not need to be submitted to IFA as an exhibit. The Developer should answer “Yes” if they are a developer new to Iowa. If you are not a developer new to Iowa, mark “No.” If the answer is Yes, then the Applicant shall have met with the LIHTC manager prior to submission of the Threshold Application, which will be confirmed internally with the LIHTC manager.

Question: Also, per the “New Developer in Iowa”, we have submitted 4% applications in Iowa but not 9%. Does this mean if we’re going under the 9% credit that we would be considered a “New Developer in Iowa”?

Answer: You are not a new developer in Iowa if you have submitted an application for 4% or 9% credits to IFA in previous credit rounds.

Question: How is the percentage calculated for Scoring category Resident Profile, Category 1: Serves Lowest Income Residents?

Answer: # of units at or below 40% AMGI ÷ total number of units in project for which rent is charged (rent-restricted + market rate) = % of units

Question: How is the percentage calculated for Scoring category Resident Profile, Category 2: Mixed Income Incentive?

Answer: # of units for which rent is charged that are market rate ÷ total number of units in project for which rent is charged (rent-restricted + market rate) = % of units. On-site staff units for which market rate rent is charged must be subtracted from the total # of market rate units.

Question: How is the percentage calculated for Scoring category Building Characteristics Category 3: Projects that are Subsidized Project-Based Rental Assistance Projects?

Answer: # of units covered by a project-based rental assistance contract ÷ total number of units in project for which rent is charged (rent-restricted + market rate) ≥ 50%

Question: Would IFA like Appendix M to be completed and submitted or is it for our own information?

Answer: Appendix M and N are for the Applicant’s information only and do not need to be submitted with the application as an exhibit. If you wish to submit either, place a tab and the document behind all of the exhibits in your application notebook.

Question: Section 5 of Exhibit 1S and Appendix G indicate "No minimum annual contribution has been established for the supportive services line item on the proforma." However, Section 4.7.4 says we must budget for \$150 per Tax Credit unit annually. What would IFA like?

Answer: IFA requires at least a \$150 contribution per LIHTC unit annually if the Applicant elects to submit Exhibit 1S for points consideration for Section 6, Resident Profile, Category 4.

Question: Appendix 1, Part J discusses Capital Needs Assessments. If the third-party to complete the report is proposed to be a member of the Development Team, IFA is supposed to approve that entity after the allocation of LIHTCs. "Building Characteristics Category 6" offers 15 points if a Capital Needs Assessment is submitted with the application for LIHTCs -- a timeframe that conflicts with IFA's timeline for approving a third-party who's a member of the Development Team. Is IFA available to approve such third-party candidates before the LIHTC application due date?

Answer: Submit the resume and qualifications of the development team member, who is an independent third party, that you are proposing to complete the capital needs assessment. IFA will respond as quickly as possible.

Questions and Answers as of September 16, 2008

Question: I plan to set aside a minimum of 25% of my proposed project's units for Special Needs. However, is it possible to have that 25% (example, 16 units) represented by not just one special need category? For example, I would prefer to have a commitment letter from multiple service providers that cover as many of the special needs as possible listed in the QAP. So the 16 units in aggregate are filled by special needs residents (example ... 4 domestic violence, 6 frail elderly, 6 chemical dependence, etc

Answer: While you could select more than one population, you must reserve units for the specific population, have a comprehensive service plan specific to each population, budget for each population, establish a marketing plan for each population, etc. For each population that you checked, you would need to meet all of the requirements of this section for each checked box. This particular scoring category is an all or nothing proposition - either 30 points or 0 points will be awarded. Therefore, if you leave out even one item for any of the selected targeted groups, you would not receive any points. This seems like a substantial risk to IFA staff and very difficult to successfully receive points with this approach.

Question: When is site control required by?

Answer: Site control is a requirement for the Threshold application. Please see the 2009 Second Amended QAP, Appendix 1 - Threshold Requirements for Building, Construction, Site and Rehabilitation. Section A of this Appendix 1 describes requirements for site control.

Question: Are the uses and ownership of the parts of the building that were not part of the Tax Credit project part of the LURA?

Answer: No.

Question: Could those portions of the development that were not part of the original LIHTC application and project be sold off condo-style?

Answer: Yes

Question: Could the developer come in with a second application as a phase two of the project as a LIHTC project?

Answer: Yes, so long as the “second” part of the building was not included in the first application’s land description. This could be accomplished via the “condo-ing” of the building.

I have a couple questions on the “rent reasonableness” scoring category.

Question: I have a copy of HUD’s Fair Market Rents for xxxxx County. To score in this category for the 2009 LIHTC application should I be using the rents from HUD’s 2008 actual rents or their proposed 2009 rents?

Answer: Use the final 2009 FMR rents. They are now available.

Question: Do we need to include the utility allowance when comparing our LIHTC rents with the HUD rents?

Answer: Yes, the HUD Fair Market Rents are gross rents.

Question: Are there additional credits available for a project with a Community facility?

Answer: See QAP Section 7.2.1.

Question: Can you describe the order that the HOME funds will be awarded? My recollection is that in the past it went from the Service Enriched to the Assisted Living to the General set aside. With the modifications to the set asides, do you know how it will work this year? Is that described in the QAP somewhere?

Answer: Please contact IDED regarding any questions pertaining to HOME awards.

The order that LIHTC will be awarded this year are:

1. Nonprofit Set-Aside
2. General Pool – Disaster Relief Counties (See Appendix D for list)
3. General Pool

Question: I’m wondering about the application of this 30% increase in eligible basis for disaster relief counties on the 4% credit side as I didn’t see it addressed in Part B of the QAP. I thought this was just like the QCT adjustment and would apply to both 9% and 4% credits. Am I wrong in this analysis or did I just miss it in the QAP??

Answer: The 30% boost, as allowed by Housing and Economic Recovery Act of 2008, only applies to 9% LIHTC applicants that are awarded under the Disaster Relief Set-

Aside. IFA will not apply the boost to 4% bond projects in the 2009 Second Amended QAP.

I have the following questions about the ROSE program:

Question: Does an application under the ROSE program compete during the normal application process with all our application filed? Some states have a separate set-aside for the rent-to-own program a priority during the normal application process.

Answer: There is no set-aside for the ROSE program. Applicants can receive 20 points for a bona fide long-term Iowa ROSE program (Section 6, Resident Profile, Category 4).

Question: Do all of the limits and requirements for an apartment complex apply (examples--building materials, intercom system for the entry, security system, community room, replacement reserves, and developer fee)?

Answer: All of the threshold requirements, including Section 4. Underwriting apply to all LIHTC applications. The threshold requirements for building, construction site, and rehabilitation are provided in Appendix 1 to the 2009 First Amended Qualified Allocation Plan. There are no requirements for an intercom system for the entry, security system, or community room in the threshold requirements.

Question: Does the \$50 per month payment to an escrow offset a portion of the replacement reserve requirement?

Answer: No.

Question: What can the \$50 per month escrow be spent on “for the purpose of securing homeownership”?

Answer: The following list, which is not inclusive, describes uses of the funds: down payment assistance; closing costs assistance; hardship credit assistance to assist in paying off hardship debt such as emergency medical bills, for credit qualification purposes; home improvement assistance to make repairs in order to purchase another home; moving expenses; and other expenses related to homeownership, as may be approved by the Sponsor.

Question: Every time a resident moves out do we then spread the accumulated \$50 per month escrow to the rest of the units, or do the funds stay with a specific unit?

Answer: The accumulated funds that are not spent “for the purpose of securing homeownership” when a tenant moves out is spread among the rest of the tenants at the time of the move out.

Question: If a home is not purchased by the resident, does the option to purchase the home fall to IFA?

Answer: No.

Question: Are there designated or approved Housing Counselors?

Answer: No, but IFA would encourage the use of Housing Counselors who have obtained certification through the Iowa Home Ownership Education Program (IHOEP). For information about IHOEP certification, go to <http://www.ihoe.com/>

Question: Do the units have to include a full basement?

Answer: No.

Question: Are there any limits on the cost of the houses?

Answer: Limits on costs are established in Section 4.9. The maximum Tax Credit that will be awarded to any one project is \$3,000,000.

Question: Are there any restrictions on building components of the houses offsite? We are working with a contractor who will use component type walls built off site to develop the homes. The house will be stick built, but not entirely built on site.

Answer: IFA does not require all building components to be built on site. IFA does require that final plans and specifications must be submitted to IFA, and that those plans and specifications must be prepared by an engineer or architect licensed to do work in Iowa. The IFA construction analyst must be able to complete all construction inspections (for example, prior to sheet rock cover). However, that inspection can be completed at the factory. Please specify the location of the factory in the application.

Question: Are these points awarded for building more 3 bedroom units than 2 bedroom units?

Answer: No.

Question: Do all of the units have to be 100% handicapped accessible, or just a portion of the total number of units?

Answer: See Appendix 1, G. Minimum Development Characteristics, 18. Handicap Accessibility.

Question: Can the purchase price be adjusted if there are inadequate reserves to make all of the repairs at the end of the 15 year initial compliance period?

Answer: At the end of the 15 year Compliance Period, the Owner must provide IFA documentation illustrating how the purchase price is being determined.

Question: Can we use today's interest rate and utility costs to estimate what the mortgage payment might be 15 years from now, as we have no idea what the actual rate maybe, or the cost of utilities in 15 years?

Answer: At the end of the 15 year Compliance Period, the Owner must provide IFA documentation illustrating how the purchase price is being determined.

Question: Do the 2 bedroom and 3 bedroom rent limits apply to a single family house?

Answer: Yes.

Question: Are there additional points awarded for including an attached garage?

Answer: No.

Question: Just how far can we go to force residents to attend the required quarterly classes?

Answer: Tenants are required to sign the Participation Contract for Iowa Rose Program. Section E of that contract allows the Sponsor to specify what circumstances terminate or nullify the agreement. In addition, the Owner cannot violate the Uniform Residential Landlord and Tenant Law (Chapter 562A, the Code of Iowa).

These questions were submitted at the September 11, 2008 Developer Application Workshop:

Question: Does the funding commitment from the city or county need to be provided with the Threshold Application?

Answer: Exhibit 7T of the Threshold Application requires that a commitment letter must be provided for all sources listed on the Threshold Application, including a funding commitment from a city or a county.

In addition, the city or county may need to complete Exhibit 5S.

The amount listed in Exhibit 5S should be the same as the amount listed in Section 15. Sources of Funds in the Application. If it does not, provide reason for difference.

Question: Define what is required for "plans and specifications" for Exhibit 9B.

Answer: Preliminary plans and specifications required of LIHTC Applicants are:

Preliminary Plans:

A 1/8-inch scale preliminary foot print of each proposed building that contains the following:

- All rooms are to be clearly labeled as to their use (i.e. exercise room, computer learning center, manager's office, library, craft room, maintenance room, dining room, storage units, laundry room, etc.)
- Building units are to clearly show all living rooms, bedrooms, bathrooms, and kitchens, and the rooms need to be labeled as such
- Provide the square footage of each unit, and each room in the building
- Clearly show which units are handicapped accessible

Preliminary Specifications:

A description of the following systems with a maximum of 50 words explaining each system:

- Heating system
- Air conditioning system
- Plumbing system
- Sprinkler system
- Fire Alarm system
- Smoke detection
- Emergency lighting system
- Security system, if provided
- Heat recovery ventilation system, if provided

Question: Can the cost of a market study for an additional source of funding, performed for the current project application, be included in the allowable soft costs?

Answer: Yes. Submit a letter of explanation with the Threshold Application along with an invoice from the market study analyst that references the project by name and location. The invoice must be for a market study performed within the 9 months prior to the application deadline (February 1, 2008 or later).