

FREQUENTLY ASKED QUESTIONS (FAQ)
LOUISIANA HOUSING CORPORATION (LHC)
2018 QUALIFIED ALLOCATION PLAN (QAP)
As of May 18, 2018

1. Section V.(D).(2).(c.) Maximum Unit Development Cost

- Please confirm the appropriate calculation for Total Development Costs per Unit as per the 2018 QAP. Given the application of HUD 2017 TDC Limits to projects submitted under this QAP, will the 2018 QAP and/or underwriting application include a TDC calculator comparable to that of HUD TDC Calculation Worksheets as guided by Notice PIH 2011-38(HA)?

A: Yes, the underwriting application includes a TDC calculator comparable to HUD's calculation worksheets.

- As referenced in this Section, please confirm that the "Louisiana MSA Parish Inclusions for Cost Analysis" will be posted to LHC's website. Is it correct that this document will provide guidance on selecting the applicable cost limits for projects located in cities not specifically identified by the 2017 HUD TDC Limits?

A: Yes, the "Louisiana MSA Parish Inclusions for Cost Analysis" list has been posted on LHC's website, and can be found using the following link: http://www.lhc.la.gov/assets/Programs/Low_Income_Housing_Tax_Credit/2018-Funding-Round/Louisiana-MSA-Parish-Inclusions-for-Cost-Analysis-2018.pdf . The underwriting application automatically selects the MSA based on the parish selected.

2. Selection Criteria IV.(A)(ii.) Negative Neighborhood Features

- Please clarify when a determination of Negative Features is to occur within the QAP's Program Schedule. It appears that this determination will be made subsequent to the June 28th Application submittal at which point certain development and site control costs as well as QAP application and market study fees will have already been incurred.

A: Negative Neighborhood Features will be determined after June 28, 2018 but prior to the August 6th, 2018 Final Submission Deadline.

- Will the QAP establish criteria to clearly define the specific Negative Features? As defining most of the Negative Features can be open to a wide range of interpretation, anticipating a determination of the same is similarly subjective and unclear. This is of particular concern where the scale and/or intensity of use is not considered and the feature that may disqualify a project would not negatively affect the quality of life, health, safety or welfare of residents should the project have been built.

A: LHC will adhere to the requirements of the 2018 QAP. The Market studies will reflect decision of the market analyst on neighborhood features/location characteristics.

3. Section V – D.2.d Extraordinary Site Costs

- Please confirm that the total value of the Extraordinary Site costs will be excluded from the Total Development Cost Limit, as described in Section V.D.2.C. Maximum Unit Development Cost.

A: Yes. “Extraordinary site costs” are costs that are separate from the ordinary construction costs. These cost must be distinctive from the TDC. A waiver for exceeding TDC for extraordinary site costs must submitted with the application, along with evidence providing a justification as to why the additional costs qualify as extraordinary site costs. Such costs will be reviewed by LHC in accordance with industry standard cost indexes.

4. Selection Criteria and Evidentiary Materials

- Section I. Targeted Project Item E Preservation Priority states that these points are not applicable to new construction; however, the definition of Preservation Priority include a note that a Public Housing Agency Project is not required to be new construction. Confirm that PHA projects can be new construction and receive points in Preservation Priority.

A: Yes, PHA projects can be new construction and receive points in Preservation Priority if the units in the newly constructed development will be a one-for-one replacement of existing PHA units.

- Section II. Targeted Population Type Items A and B: Confirm that the max points allowed is 11 to include both Elderly (6 points) plus Special Needs (max of 5) set asides.

A: No. Under Targeted Population Type, only one selection is allowed for a maximum of 6 points.

5. Per the QAP the maximum unit development cost is based on the building design type, number of bedrooms and geographic location of the proposed property. Projects must use the applicable cost limits for properties located in the MSAs listed in the HUD 2017 Unit Total Development Cost Limits document.

- When will LHC clarify which MSA Cost limit should be used for Parishes outside the boundaries of an MSA?

A: The “Louisiana MSA Parish Inclusions for Cost Analysis” list has been posted on LHC’s website. The underwriting application automatically selects the MSA based on the selected parish.

6. In Section VII – Selection Criteria Item IV. Location Characteristics (iii) Negative neighborhood features it indicates that “New Construction Project must not be adjacent to or within ½ mile radius of any of the following incompatible uses listed with the except of Towns or Cities with a population of 15,000 or less.”
 - o Are the Negative Neighborhood features considered only for new construction projects, excluding Rehabilitation and Conversion projects?

A: Yes.

7. In the Selection Criteria, Item V. Project Characteristics, D. Project Amenities, the QAP explains that 2 points will be awarded by the selection of 3 items. Would LHC consider the development of a multi-use court which allows tenants to play both Basketball and Tennis as well as other sports and activities to be eligible to count as 2 separate project amenities? This would not only offer a better use of the space but also better control of project costs. Examples can be provided if needed.

A: For Project Amenities (2 points awarded per 3 items selected for a maximum 4 points allowed for this criteria Evidence submitted in support of the proposed amenities must show that each amenity is separate and distinct from the others.

8. Is proof of publication due at the June 28 or August 6 deadline? Given that many rural areas’ official journals publish only weekly, please consider allowing the public notice to be submitted at the later deadline.

A: Proof of publication is due by the June 28th, 2018 application submission deadline.

9. Many projects in low-rent markets are unable to stay above a 1.15x debt service coverage (DSC) ratio throughout the 15-year projection period using a 2% rate of escalation on income and a 3% rate of escalation on expenses unless they exceed a 1.4x DSC ratio in earlier years. Sizing debt to a 1.4x DSC in year one would cause these deals to go negative in later years, which is unacceptable to a tax credit investor regardless of any guarantees issued by the developer. In such a case, how would LHC like a project presented in order to meet this underwriting guideline?

The definition of DSC in the 2018 QAP specifically refers to “amortizing” debt. In past years DSC ratios in excess of 1.4 were acceptable if they were used to pay soft-debt service or pre-pay hard debt. Is that approach still acceptable? The following example is based on an actual preservation rehab project funded by LHC in 2016:

	Year 1	Year 2	...	Year 14	Year 15
Gross Income (2%)	\$ 639,852	\$ 652,649		\$ 827,717	\$ 844,271
Vacancy (7%)	\$ (44,790)	\$ (45,685)		\$ (57,940)	\$ (59,099)
Effective Net Income	\$ 595,062	\$ 606,964		\$ 769,777	\$ 785,172
Total Expenses (3%)	\$ 503,241	\$ 517,428		\$ 724,807	\$ 745,641
NOI	\$ 91,822	\$ 89,536		\$ 44,969	\$ 39,531
Annual Debt Payment at 1.15x in Year 15	\$ 34,375	\$ 34,375		\$ 34,375	\$ 34,375
	2.67x	2.60x		1.31x	1.15x
Annual Debt Payment at 1.4x in Year 1	\$ 65,587	\$ 65,587		\$ 65,587	\$ 65,587
	1.40x	1.37x		0.69x	0.60x

A: Each project will be evaluated for feasibility and viability using the underwriting criteria set forth in the QAP.

10. Is there a specific form for the Developer Certification of Sources and Uses?

A: There is no specific form, but a written statement certifying such must be provided.

11. Can you please provide a direct link to the referenced “Louisiana MSA Parish Inclusions for Cost Analysis”?

A: The “Louisiana MSA Parish Inclusions for Cost Analysis” list has been posted on LHC’s website. The underwriting application automatically selects the MSA based on the selected parish.

12. Under scoring criteria I.A. for De-concentration Projects, are the “Low Income Units in Project” only those units set aside at up to 60% AMI or do 80% AMI units (e.g., for CDBG) count toward this percentage?

A. Only units that are 60% AMI or below count as low income units in the project.

13. Please further clarify the process by which LHC will enforce scoring criteria V.G. on Project’s TDC.

A: The underwriting application uses the project’s MSA location, Building type, and Number of Bedrooms to determine the TDC per Unit limits. The actual TDC per unit will be divided by TDC per Unit limit to evaluate the scoring criteria.

14. For projects involving multiple, non-contiguous sites, some of which are in a QCT and some of which are not, how will the project's QCT status be determined for purposes of:
- o The 30% basis boost;
 - o Eligibility as a "Redevelopment Project"
 - o Eligibility for the "Governmental Priorities" Selection Criterion?

In other words, is it sufficient for a portion of the project to be in a QCT, or must all of the project be in a QCT? For purposes of the basis boost, we believe the basis associated with the building in the QCT should receive the boost; please confirm.

A: A scattered site project may qualify for 30% Basis Boost only if 100% of the sites that make up the project are located in a QCT. A scattered site project may be eligible as a redevelopment project only if 100% of the sites that make up the projects are located in a QCT and are part of a Concerted Community Revitalization Plan. A scattered site project may be eligible as governmental priorities only if the 100% of the projects is located in a QCT, or is located in one of the 8 parishes identified in the selection criteria.

15. Related to the previous question, when assessing eligibility for the "Neighborhood Features" points, will the market analyst award points based on proximity of ANY project sites? Or must ALL project sites be proximate to a particular Feature in order to receive points?

A: Points related to location characteristics are confirmed by the market analyst and based on the specific attributes of a project and industry standards. Generally, a mid-point of the site locations is established for determining distances in a scattered site/infill project or the location with the largest concentration of the units for a project consisting of multiple distant locations is used.

16. With regard to minimum unit square footages, if an existing property contains units with a variety of square footages, will the unit sizes be averaged to determine compliance with the minimums? Or must each unit satisfy the stated minimums?

A: Each unit must satisfy the stated minimums unless the project meets the criteria for a Waiver of Minimum Square Footage and Full Bathroom Requirements or a Reduction of Minimum Square Footage Per Unit as defined in the QAP.

17. The QAP requires all projects to construct all-masonry building exteriors, but also contains a provision that LHC may approve other materials. In an acquisition/rehab project involving historic buildings, some of which were constructed with wood clapboard siding, will LHC permit the wood siding to remain?

A: The application must comport with the requirements of the QAP as it relates to construction and design standards. Any request for a waiver must be submitted in writing at the time of application and include evidentiary support for the requested waiver.

18. Hello, I am new to Louisiana and would like to gain a better understanding of Project Diversity. By saying that the Percentage of Low Income Units in Project does not exceed: 60%/50%/40% of the total project units are you inferring that the rest of the units must be market rate? If so I do not think many underwriter's would be willing to touch a project with this kind of mix.

A: In order for a project to qualify for any of the criteria related to diversity, the project must not exceed the percentage of low-income units selected. The remainder of the units in the project cannot have the same income restrictions as the low income units.

19. Can you please clarify for me? I know that if we have a site within 1/2 mile of a prison, then the site is disallowed; however, how exactly is a prison defined? I have a site near a parish jail. Will that be considered or defined as a prison for the purposes of scoring neighborhood features?

A: For the purposes of the QAP, a prison a facility operated by the Louisiana Department of Public Safety & Corrections or the Federal Bureau of Prisons.