

**2011/2012 Per Capita Funding Round
Frequently Asked Questions
As of 8/4/2011**

The Louisiana Housing Finance Agency is publishing these “Frequently Asked Questions” for the 2011/2012 Per Capita Tax Credits funding round on its website. This information can be found under the “What’s New and Hot Links” or “Department News/ Tax Credit”.

NOTE: Please note that the questions below are only minimally edited and are in the same or nearly the same form as submitted to the Agency with no corrections of spelling, grammar, etc. Responses to the FAQs are provided as a courtesy to our developers and meant to provide clarification with regard to the 2011/2012 per capita funding round processes, procedures and the relevant QAP. The responses below are not meant to subordinate or substitute any of the directives or requirements of the QAP.

- 1. Awarding 2011 credits to the higher scoring applications and 2012 credits to the lower scoring applications: If a developer submits 2 or more applications requesting credits from a specific pool in excess of the \$1,000,000 per developer and/or project limitation, how will the LHFA determine the credit award for such a developer?**

A developer submitting two or more project applications for credits from a single pool will receive not more than \$1,000,000 of credits from the 2011 credit ceiling and not more than \$1,000,000 from the 2012 credit ceiling in accordance with the \$1,000,000 per project limit as stated in the QAP. If the aggregate combined amount of credits requested by a Developer for two projects scoring higher than any other project application requesting credits from a single pool does not exceed the \$1,000,000 per project and/or per developer limit for the 2011 credit ceiling, each project may be awarded credits from the 2011 housing credit ceiling. If there are insufficient credits from the 2011 housing credit ceiling to fund the second project of a developer when the combined request for such two projects is \$1,000,000 or less, the second project will receive a credit award from the 2012 housing credit ceiling. If there are insufficient credits in a designated pool from either the 2011 or 2012 credit ceiling to fund a project that would otherwise receive an award of credits because the project is the highest ranking project for either the 2011 or 2012 housing credit ceiling, the remaining credits in the designated pool will be transferred to the general pool and awarded to the highest ranked projects competing for credits in the general pool.

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2. Please clarify whether 24hr On-site Security is defined as a physical person being a "watchguard" or will 24hr surveillance cameras throughout the project satisfy the requirement for the points in the Selection Criteria?

24-hr Security means a "Security Person" providing on-site security.

3. Developer Experience - The QAP states to include a resume' detailing a GP/owner's experience in the tax credit industry but the QAP does not state what experience is deemed "acceptable". Take myself for instance, I do not own and have not participated as an owner in any LIHTC project in the past but I have been in the LIHTC industry for over 10 years. 5 years on the auditing/tax preparation side and over 5 years on the consulting/development side. Would I be considered as having adequate experience as required by the QAP?

There is no current requirement in the QAP for a resume to be included in the application regarding Developer Experience. There is no minimum experience requirement for participation in this current round. The QAP requests that all prior experience by owners and principles be disclosed.

4. I am working on resubmitting a tax credit application that was unfunded from the last round. In that round the project was awarded Home Funds, but not tax credits. The Home Fund commitment is still in place. Does that Home Fund commitment qualify the development to take the "Governmental Support" points in the selection criteria section of the upcoming application?

If the HOME Funds are from a local participating jurisdiction (not the LHFA) and the commitment remains in place at time of application and through the development of the project, the project may qualify for points under "Governmental Support."

5. My question is on page 4 of the QAP on development limits. It says "rural projects are limited to \$750,000" My understanding of that is if I put a project in the rural POOL I'm limited to \$750,000 but if I have a project that is in a rural area but I put it in the statewide pool my limit is 1,000,000. Is that correct?

Correct – the \$ 750, 000 limit is a per project limit for those projects participating in the "Rural Pool"

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6. I had one question about the CNA. On page 38 it says the CNA is done to Fannie Mae Physical Needs Assessment guidelines. Following those guidelines the engineer makes an observation about hazardous materials. They do not test for them. Could you ask Ms. Willman for a clarification. Is the Fannie Mae requirement of an observation acceptable or does the QAP ask for actual testing? That testing is done by an environmental person and is separate from the CNA done by the engineer.

Please see below the verbiage from the QAP regarding CNA requirements:

(v) either identifies the presence of environmental hazards, such as asbestos, lead paint and mold on the property or contains an Exhibit A Phase I Environmental.

No project will be awarded credits if hazardous materials are identified at the project site and no mitigation plan is submitted and funded as part of the LIHTC application. According to the language of the QAP, the project's engineer conducts the CNA. If in the course of his work he "identifies" the presence of hazardous material, a mitigation plan is expected to be submitted.

7. Can a project evidencing a written commitment from a source to provide rental subsidy for 3 months for 5% of the project's units, set aside for persons with disabilities; qualify for points under selection criteria "VI. A. Leverage for Disability Funding"?

Assuming that the disability funding would be similar to the PSH unit piggyback service funding with CDBG Funds, if the subsidy ended, the services would no longer be provided. Therefore, a minimum one year requirement is essential to cover the initial one-year lease term for the tenant with disabilities. The developer would need to submit in its application the documentation evidencing such a commitment and the terms of that commitment.

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Additional Questions added as of 6/28/2011

8. Please explain QAP Section I, F, 2 regarding 30% Basis Bump Up Determination on Case by Case basis.

A blast was sent out to the development community on June 21, 2011 detailing the requirements. The revised due date that was transmitted on June 27, 2011 is July 8th at 4:30 pm CT.

9. Please give guidance regarding QAP Section I, C, 1. and G on Developer Credit Limits and Separate Allocations for 2011 and 2012 Credits. Specifically, given that both 2011 and 2012 credits will be awarded through a single application process, if we submit 2 applications that collectively put us over the Developer Limit, will one of the Projects automatically be designated as receiving 2012 credits so as to avoid exceeding the Developer Limit for a single credit year?

See response to #1 above.

10. Selection Criteria Section II, B on Accessible Project: A requirement is listed that the applicant must show “Evidence of Project Based Subsidy for Handicapped Housholds.” Can this requirement be waived if the Project can show in the Operating Proforma that the Non-Set-Aside units support the increased affordability of the Disabled Households without a Project Based Subsidy?

No, applicants must provide evidence based on the QAP’s definition (see below) of Project Based Subsidy found in the glossary:

***PROJECT BASED SUBSIDY:** Projects receiving operating subsidies based upon either (i) Section 8 project based assistance contract, (ii) rental assistance from RD or (iii) other operating subsidies in connection with housing supported under the Stewart McKinsey Act and (iv) Project Rental Assistance (PRACs), (v) Annual Contribution Contract (ACC) subsidies or other such operating subsidies in connection with a Federal or State operated program.*

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11. Selection Criteria Section III, C&D on DDA & RD Target Area:

- a. If the Project is not located in a formally listed QCT/DDA but yet is determined by the Agency to be eligible for the Case-By-Case basis bump-up determination, will it receive the 2 points awarded in Section III, C, (i)?

No, points associated with the QCT/DDA designation will only be given to those projects located in a QCT/DDA as determined by HUD.

- b. Section III, C (ii) for Difficult to Develop Area and Section III D for the RD Target Area, both are awarded points based on submission of a copy of a Final Concerted Community Revitalization Plan. Please confirm that:

- 1) This is envisioned as being one and the same document,

Yes. (see response above)

- 2) Points will be awarded in both categories provided that to be awarded points for being in a RD Target Area, the RD Office certifies in writing that the Project is in a priority area for financing under the 515 housing program as contemplated by the RD Target Area definition.

Yes. See definition for RD Target Area as follows:

RD TARGET AREA: An area designated in writing by Rural Development of the U.S. Department of Agriculture as a priority area for financing housing under the 515 housing program.

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Additional Questions Added as of 7/7/2011

12. If an applicant applies for both tax credits and HOME funds and scores high enough to receive a tax credit allocation but all available HOME funds have been allocated - will the applicant be awarded the tax credits with an opportunity to substitute the HOME source?

The project would have to be feasible and viable without the HOME funds by increasing deferred developer fees in an amount equal to the gap created without HOME Funds. With the exception of the HOME Funds that are being requested in the competitive process, the LIHTC Application will be reviewed and underwritten on the basis of funds for which a written commitment is included in the LIHTC Application. The underwriting of a project competing for HOME Funds will assume that the HOME Funds are the final “gap” filler that will be set up as a soft loan to be repaid from 50% of Surplus Cash. If an increased Deferred Developer Fee is not sufficient to cover the gap in the event that the HOME Funds are not awarded to the project, the project may not be feasible and viable

13. In the selection criteria for the 2011/2012 QAP points are offered for Rural Target Areas (RD). The QAP defines RD Target Areas as an area designated in writing by Rural Development of the US Department of Agriculture as a priority area for financing housing under the 515 housing program.

- a. Are these points available to proposed projects that are located in one of their target areas (as shown on their website) even if 515 funds are not granted to the project?

No.

- b. If so, it says “designated in writing” – would a print out from their website showing the location is eligible suffice or would you have to have a letter from RD?

A Letter from RD is required for the points

14. Also, it appears the community must have a revitalization plan to be eligible for these points, is that correct?

No. However, the letter from RD as stated above is required per the QAP. (See below)

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RD TARGET AREA: An area designated in writing by Rural Development of the U.S. Department of Agriculture as a priority area for financing housing under the 515 housing program.

15. Traditionally I have submitted examples of the home plans and specifications with the application. We have always had to find a place for them in the application. Is it necessary to submit plans and specs with the application?

Plans and specs are not required for submission of the application; however, plans and specs will be required if the project is requesting points under the “Superior Design”, criteria. (See link below for further reference)

http://www.lhfa.state.la.us/downloads/tax_credits/LHFA_SuperiorDesign_ScoreSheet_2011_2012_Template_27Jun11.pdf

16. If a project elects to compete in the rural pool but is not awarded in that pool, will it then be transferred to the statewide pool to compete?

See response #1

17. Will the new format of the electronic application contain the security code?

Yes, due to certifications contained within the application, it is necessary for the Agency and its underwriters to have a measurement to verify the integrity of the information.

18. Can LHFA HOME grant (soft second) funds previously awarded by LHFA for Phase I of a rehab or new construction development be used as leverage or match in a Tax Credit Application by a Sponsor wishing to expand the scope of the originally HOME funded project to (a) include more units and/or (b) qualitatively improve the development (e.g. community space, amenities, Superior Design)?

No.

19. Can the use of those funds be used as "Governmental Support under Criterion III G?

No, See response #4 for further.

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20. In last year's QAP the Developer Experience threshold included the development of public housing. That experience seems to be omitted from the current QAP. If an applicant/developer is a PHA or its PHA controlled affiliate, will public housing development satisfy the developer experience requirement?

This current QAP does not have a development experience requirement.

21. If we were to choose to use solar panels in our efforts to go "green" on the upcoming application round and can provide documentation showing that using solar panels will reduce the electricity requirement for a house by xx%, could we then reduce the utility allowance by the same xx%?

A certified report from an independent third party would have to be submitted for agency review as verification of the proposed utility allowances subject to review and approval by the Compliance Department in accordance with applicable Treasury Regulations for determining utility allowances.

22. In what section of the electronic application do we evidence III.G. Government Support?

Please be advised that the current Version 2.5 has been added to the Agency's website to provide for support documents previously unaddressed. The Checklist has been revised to include "Section 24 (u) Other Selection Criteria Items Not Specified" to address the items such as stated above. See the link below for more FAQ responses to questions regarding the electronic application.

http://www.lhfa.state.la.us/downloads/tax_credits/OnlineApplicationFAQa_sof7511.pdf

23. Appendix 44 on the Checklist states "evidence of Network Neighborhood, On-site utilities, Transportation and Education facilities". We can find no threshold requirement for a Network Neighborhood. Is a Network Neighborhood required? This was not applicable last year.

No.

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- 24. Under Selection Criteria III B for Increased Unit Affordability, we are committing a percentage of units to serve PSH Households. A PSH Household is a member of an Eligible Target Population. As such, are we required to have a determination letter from DSS as described in the definition of Eligible Target Population?**

No, but there must be evidence provided showing how the project will secure referrals of PSH tenants and evidence of the supportive services as defined in the QAP for PSH tenants will be required as well.

- 25. What will be acceptable evidence of electrical, water, and sewer lines to an existing property?**

A certification form the project's Architect or Engineer current availability at the site or how the infrastructure will put in place.

- 26. What will be acceptable evidence of transportation services to the site and what distance from the site will be acceptable?**

See below language from the current QAP:

***TRANSPORTATION:** Evidence that reasonable transportation services are currently proximate to the site, or if such transportation services are not, a narrative statement of how tenants will access commercial, educational, recreational and other services upon completion of project.*

The certification to the above threshold with supportive documentation that concurs with the certification (i.e., maps showing bus routes and stops and proximity to the development). If services are not available, a narrative provide as stated above must be submitted.

- 27. Does the on-site property manager need to be LIHTC compliance certified prior to the application?**

No.

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28. Am I correct in concluding that in the Selection Criteria, page 4, II C., Special Needs Households, that there are no points available here for a project that is restricted for the elderly?? It does state "other than elderly" and there is no category below that relates specifically to elderly.

You are correct. The 2011/2012 QAP does not provide points for projects designated as an "Elderly Project"

29. It is unclear if the "other than elderly" means that "elderly" are not considered here as Special Needs Households, or if this statement means only that an elderly project does not require the applicant to provide Supportive Services. However, as stated above, since no selection under Special Needs lists "elderly", it appears there are NO points available for an elderly project ??

In the Glossary, Elderly Households are still listed as part of the "Special Needs Households" definition. See response #27.

30. In the 2011-2011 QAP final on page 5 of 72 under section F. Other Funding Sources the HOME Investment Partnership Program is listed.

Have the \$3,000,000 in HOME funds already been allocated to projects who applied in February? Or are there still HOME funds available, and if so, do we apply for them through the LIHTC application or separately?

The \$3,000,000 of HOME funds are available during this current funding round and would be applied for through the current LIHTC application.

31. Under section III. PRIORITY DEVELOPMENT AREAS AND OTHER PREFERENCES (All That Apply)

Part E. Other Governmental Priority *listed below*

- (i) **Enterprise Community or Renewal Community**

Is this for a State or Federal Enterprise Community?

Federal designation. For more information please refer to the link below.

<http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/1a/>

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32. Is it necessary to have a letter from the mayor when submitting a tax credit application as indicated in the QAP?

The referenced requirement was a Selection Criteria Item (III.G.iv. Local Governmental Support) from the 2010 Funding Round. This item is not included in the 2011/2012 Funding Round.

33. Question #9 of the FAQ released 7/7/11 asks for more guidance regarding developer credit limits and the separate allocations of 2011 and 2012 credits. LHFA's answer is to refer to #1 of the FAQ. If I am reading this right, this means that if a developer submits two applications, each of which asks for \$750,000 in credits and those two applications score at the very top of the ranking that only one would be awarded because both being awarded from the 2011 credit ceiling would put them over the credit/developer cap (assuming those at the top of the ranking will be awarded from the 2011 credit ceiling and those that score lower will be awarded from the 2012 credit ceiling); however if their second application scored much lower than the first so that it would be awarded through the 2012 credit ceiling then they would receive both awards because they are no longer exceeding the credit/developer cap for the given year?

Each of the Pools identified in the current QAP reflects a combined total of 2011 and 2012 credits. Funding for multiple projects in a single pool submitted by a single developer would depend upon the total in that particular pool and the aggregate total requested and the scores of each respective application ranked for either 2011 credits or 2012 credits. See Question #1, particularly the following response in connection with two projects with the highest score from the same developer:

If there are insufficient credits from the 2011 housing credit ceiling to fund the second project of a developer when the combined request for such two projects is \$1,000,000 or less, the second project will receive a credit award from the 2012 housing credit ceiling.

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Additional Questions Added as of 7/15/2011

34. In Selection Criteria, IV. Location Characteristics, A. Neighborhood Features, the QAP states, "Points will be awarded for the following services located within the specified distance off the site." Please clarify the definition of "site" when the applying project is to be scattered site and how points will be awarded. What proof will be required?

Criteria IV. A. "Neighborhood Features" have been made a part of the market analyst's review and determination. Staff will assign points based on the report received from the analyst for a given project. Developers will receive a copy of the Market Study for their review and any responses during the challenge period.

35. For a scattered site project, is one letter of proof required per property or is there a way to have one for the entire project? Specifically relating to Appendix 44 "Evidence of network neighborhood, on-site utilities, transportation and education" and Appendix 47 Energy Efficiency Requirements, etc.

The project's Architect or Engineer should provide a single letter relative to the entire project that details the projects compliance with the requirements of Appendices 44 and 47 including pertinent documentation (i.e., maps, charts, etc.) as support.

36. Would there be a potential of conflict of interest if a qualified development team member conducts the energy modeling of homes included in our scattered site project?

See Response to FAQ #20: which requires an independent third party to complete the report.

37. The QAP states as a Project Threshold Requirement, 4. Environmental Review, all projects involving use of existing structures must submit an Environmental Restrictions Checklist with a mitigation plan while the online application submittal list states in parenthesis it's only required with HOME funding. Please clarify the requirements for the Environmental Checklist.

The QAP is the governing document for any applicable funding round. Therefore, the Environmental Review Checklist must be included with all projects involving the use of existing structures.

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38. Could you please clarify on Appendix 5, Appraisal, whether appraisals are a requirement and if so, per project or per property for scattered sites. And is there is any differentiation between vacant properties or rehabs?

Appraisals are required if a project is comprised of existing property. See below the definition from the current QAP as it relates to the requirements for appraisals.

Vacant Units – See QAP definition below:

Rehabilitation of an existing property has to do with the scope of work being done to satisfy the parameters of the QAP. (See relevant glossary entries below)

Appraisals: For rehabilitation projects an Appraisal must be submitted establishing the fair market value of any existing property when the purchase price of such property exceeds \$500,000 or the Acquisition Costs of buildings are included in Eligible Basis.

***VACANT UNIT:** A housing unit which is certified by the Developer/Owner and the local jurisdiction to have not been occupied for a period of at least 90 days and which is reasonably expected to remain vacant for an indefinite duration because the unit is substandard.*

MIMIMUM REHABILITATION EXPENDITURE REQUIREMENTS:

The minimum rehabilitation expenditure during a twenty-four (24) month period required to qualify as a new building or to qualify an existing building for acquisition credits has been increased to the greater of (i) twenty percent (20.0%) of the adjusted basis of a building or (ii) \$6,000 if the qualified basis attributed to such rehabilitation expenditures when divided by the number of low-income units in the building is \$6,000 or more.

***SUBSTANTIAL REHABILITATION or CONVERSION:** Any rehabilitation in which Hard Costs equal or exceed \$20,000 per unit.*

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39. I have a 2009 appraisal as evidence of the value of the property, I am assuming this can still be used since it does not state a specify date in the QAP. Please confirm...

If the Taxpayer is claiming acquisition credits in the application, a recent appraisal is required. The agency will accept an appraisal dated not earlier than 6 months prior to application submission.

40. On the selection criteria, under the TARGETED PROJECT TYPE, SECTION D. ABONDED PROJECT, it states the following:

Submit letter from local government you that all units (residential or non-residential) in the Project are substandard and have been vacant for at least six months.

Additionally, the definition of an Abandoned project in the QAP, states:
ABANDONED PROJECT: A project in which 100% of the housing units are Abandoned Units.

These two interpretations are conflicting with one another. However, it appears that a non-residential building can qualify for this project type? If so, then please confirm...

The QAP correctly defines Abandoned Project in its glossary, however for the purposes of selection criteria points, the QAP allowed non-residential units to qualify as part of the agency's goal to mitigate blighted and abandoned property that may be converted to residential use in conformity to the LIHTC program guidelines.

41. The QAP requires that a Capital Needs Assessment be performed by "an engineer or architect". Can you tell me how you define "engineer" and if you have any specific licensure requirements for either engineers or architects?

The QAP states: **CAPITAL NEEDS ASSESSMENT:** An inspection report of an existing building or project by an architect or engineer conducted in accordance with Fannie Mae's Capital Needs Assessment Guidance to the Property Evaluation

**Please refer to HUD's
Office of Affordable Housing Preservation Appendix I: Physical
Condition Assessment Statement of Work
and FANNIE MAE's**

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**PHYSICAL NEEDS ASSESSMENT GUIDANCE TO THE
PROPERTY EVALUATOR.**

- 42. HOME requires an environmental review report before construction (the full ERR as opposed to just the environmental assessment checklist).**

Would we need the full ERR to be considered eligible for HOME funding or could we produce an environmental assessment checklist (the one found in the LIHTC application) and wait to produce a full ERR until we know if we are awarded HOME funding?

All projects involving use of existing structures must submit an Environmental Restrictions Checklist, completed by a professional licensed to conduct environmental testing. If federal funds are provided as a source of financing (including but not limited to HOME or CDBG dollars), all applicable environmental requirements and Davis Bacon requirements will apply.

- 43. It is my understanding that Government grants are excluded from a project's per unit cost calculation. If the project will receive HOME funds from a local municipality in the form of a loan, does this qualify for the exclusion.**

Grants and Loans are treated differently under Section 42 and for purposes of the underwriting analysis. A loan of HOME Funds from a local municipality does not qualify for exclusion from a project's per unit cost calculation.

- 44. Am I to understand that for Superior Design, the agency will require Final Plans and specifications or do you require preliminary plans and outline specifications to clarify the design layout and the building features and materials to be used ? (Normally, we furnish a site design, typical floor plans, two typical elevations, and typical unit plans.)**

**No, preliminary plans are acceptable. See response to FAQ #14
Note: It is in the Developer's best interest to make all submissions for Superior Design consideration as detailed as possible.**

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ADDITIONAL QUESTIONS AS OF 7/22/11

- 45. Will a post rehab appraisal value be required to be calculated by an appraiser in the appraisal of a 9% substantial rehab deal?**

Yes, if the taxpayer is claiming acquisition credits. This information is used to evaluate the project's Loan-to-Value ratio and the calculation of the Loan and Debt Service Coverage. See definition from QAP below:

Appraisals: For rehabilitation projects an Appraisal must be submitted establishing the fair market value of any existing property when the purchase price of such property exceeds \$500,000 or the Acquisition Costs of buildings are included in Eligible Basis.

- 46. The Managing general partner of the ownership entity is a newly created entity that does not have developer experience on its own but the experience does exist through the parent/control company/individuals. Can and should the experience of the parent company be listed under the developer experience section?**

Yes, according to the QAP - II (F)(1):

All owners and principles must disclose all previous participation in the low income housing tax credit program. Additionally, owners and principles that have participated in an out of state tax credit allocation may be required to complete an Authorization for Release of Information form.

- 47. My specific question that I wanted to ask is in reference to the template found under Appendix # 27 which is the Purchase Option/Right of First Refusal that is to granted to the Agency. Is this document required for all 9% tax credit deals including substantial renovations?**

This is required only for Homeownership or Lease to Own Projects.

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48. (a) Is it mandatory to use the Sample Development Services agreement supplied by the Agency?

No, however it is preferable that the agency's Development Services Agreement template found on the LHFA website (see link below) be used. It may be modified to include the information contained in the Agency's sample form and the specifics of the individual application.

<http://www.lhfa.state.la.us/downloads/lihtc/htcApplicationListboxFiles/DeveloperServicesAgreement.pdf>

(b) If so/not, can it be amended to change and reallocate responsibilities, liabilities, etc?

See Response above.

49. Normal architectural fees for Rehab costs under \$5,000,000 is 10%; is this fee permitted and if not what is acceptable to the Agency for rehabilitation developments?

Architectural Fees (design and inspection) are normally not more than six percent (6%) of the construction costs. Historic rehab may require a higher fee. If an architect's fee (design and inspection) is expected to exceed six percent (6%), the Taxpayer should submit a special request to the Agency to approve the excess.

50. The QAP says the Agency is to order Market Studies, and the references to Appraisals falls under the category of "Market Study." Does this mean that the Agency will have the Appraisal performed as part of the Market Study? If not, since an Appraisal is expensive and time consuming, must an Appraisal be submitted with the Application rather than during the F & V review?

Developers are responsible for submitting appraisals simultaneously with the application.

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51. QAP:

Maximum Average TDC Per Unit by Development Type:

Non-elevated new construction/conversions have a per unit TDC limit of \$150,000 and elevated new construction/conversions have a per unit TDC limit of \$175,000. Are there definitions for non-elevated and elevated?

Elevated Structures are multi-level developments that incorporate the use of an elevator.

52. Selection Criteria:

Section I: Targeted Project Type:

Subsection B: Rehabilitation Project:

If the tax credit entity acquires land from the Public Housing Authority and an apartment complex is constructed from the ground up with hard costs that exceed \$20,000 per unit, would this project meet the definition of a Rehabilitation Project and be eligible for the 10 points? If so would the project still be considered a substantial rehabilitation project if the land was leased to the tax credit entity via a ground lease as opposed to an acquisition of the land?

New Construction on land purchased or ground leased from a Public Housing Authority will not meet the definition of a Rehabilitation Project even if there were previously existing buildings that have been demolished on the land that is purchased or leased. Substantial rehabilitation occurs only when there is an existing building that is being rehabilitated. The minimum rehab requirements of Section 42(e)(3) must be satisfied for all existing buildings. These minimum rehabilitation requirements also apply to rehabilitation expenditures with respect to any building that is not being acquired but for which the minimum rehab is treated as a new construction. Rehab treated as new construction must occur within any 24-month period and must be in an amount at least equal to the greater of \$6,000 per low-income unit or not less than 20% of the adjusted basis of the building being rehabilitated.

53. Section III: Priority Development Areas and Other Preferences:

Sub-Section G: Governmental Support:

Comment:

Governmental support is defined as support that reduces the project development costs by providing CDBG, HOME, or other governmental assistance/funding in the form of loans, grants, rental assistance, or a combination of other stated forms. Based on this

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definition, would the following forms of support fit this scenario and be includable in the calculation to determine the percentage of total project development cost reduction?

- (a) In general, Housing Authorities are State Chartered governmental entities. Is it LHFA's position that any support from a Public Housing Authority (PHA) that reduces the project development costs meets the definition of Government Support for purposes of determining the amount of points claimed on the application.

Only grants from a PHA reduce a project's development cost for cost limitation purposes. Loans are not grants. Operating subsidies are not sources of development funds that are taken into account for purposes of the cost limits. See II(G)(2)(c) of the QAP as follows:

Exclusion of Governmental Grants and Historic Credit Syndication Proceeds from Cost Limits. The costs of a development funded by a governmental grant or with the proceeds from syndicating historic credits will be excluded from total development costs for the purposes of establishing the Maximum Average TDC Per Unit and for purpose of calculating maximum qualified basis of a building or Project.

- (b) If the Public Housing Authority (PHA) lends the tax credit entity Replacement Housing Factor Funds, Capital Funds or any other Public Housing Funds, does that count as Government Support that reduces the total development cost? If yes, what documentation is required for the tax credit application?

No loan results in a reduction of costs for purpose of the cost limits.

- (c) If the PHA sells an apartment building to a tax credit entity and takes a portion or all of the sales proceeds and lends it back to the project via a seller's note, does the portion loaned back to the project count as government support that reduces the total development cost. If yes, what documentation is required for the tax credit application?

A PHA may not sell an existing apartment building in excess of appraised value; therefore, the maximum amount of cash that the PHA may receive is limited to the appraised value of building reduced by any debt assumed by the purchaser of the building. The cash received by the PHA may be granted back to the project; however, if the PHA note is a seller note taken back as part of the sales price of the building, the PHA/seller note does not qualify as government support that reduces the total development cost.

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(d) If the PHA leases the land that the project will be built or substantially rehabilitated below fair market value does the difference between fair market value and the amount leased count as government support that reduces the total development cost? If yes, what documentation is required for the tax credit application?

No.

(e) If the PHA leases the land to the project that results in the project's participation in a PILOT program or a reduction to taxes does this count as leverage used to reduce the total development cost? If yes, what documentation is required for the tax credit application?

No.

(f) If the PHA provides a Section 8 or project based rental subsidy to the project does that count as leverage that reduces the total development cost? If yes, how long should the contract be and what documentation is required for the tax credit application?

No.

54. Section VI:

Subsection A: Leverage for Disability Funding:

What type of documentation is needed to qualify for the points in this category? If we have an agreement with an agency to provide a rental subsidy or social service support to disabled residents, will this count as "leverage for disability funding" and qualify for the three points? If yes, what documentation is required for the tax credit application?

See response to FAQ # 7.

55. In regards to the points for "Abandoned Project" (Selection Criteria I-D) it states the following: "(For Acquisitions Only - ...)" Does this mean that these points are only available for "Acquisition/Rehabilitation projects in which the vacant buildings will be rehabilitated into new housing units, or can a new construction development qualify for the points if land is acquired with vacant buildings (non-residential) and/or mobile homes, that have been vacated for at least six months, on it that will be demolished and/or removed from the property and new buildings constructed?

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See response to FAQ #52 in connection with vacant land purchased or leased from a PHA on which newly constructed units do not constitute substantial rehabilitation, **Substantial rehabilitation occurs only when there is an existing building that is rehabilitated and for which the minimum rehab requirements of Section 42(e)(3) must be satisfied. Substantial rehabilitation occurs only when there is an existing building that is being rehabilitated. The minimum rehab requirements of Section 42(e)(3) must be satisfied for all existing buildings. These minimum rehabilitation requirements also apply to**

rehabilitation expenditures with respect to any building that is not being acquired but for which the minimum rehab is treated as a new construction. Rehab treated as new construction must occur within any 24-month period and must be in an amount at least equal to the greater of \$6,000 per low-income unit or not less than 20% of the adjusted basis of the building being rehabilitated.

56. In communities where the “Official Journal” is a daily paper, the requirements in the QAP are very clear, but, in many communities, mostly rural, the “Official Journal” is a weekly paper. These communities also have a larger “daily” paper with general circulation, thus leading to some confusion as to the number of times the notice has to be run in each paper. Thus, my question is as follows:

If the “Official Journal” of the municipality is a weekly paper and there is also a daily paper with general circulation in the city, town, township or municipality, does the notice have to be run 3 times in the official journal (1 time each week for 3 weeks) AND 3 times in the daily paper with general circulation (3 days in a row), or, as long as the notice is run in the “Official Journal” at least 1 time (if the “Official Journal” is a weekly paper) and run in the daily paper with general circulation 3 times, will the requirement be met?

If the local newspaper is the official journal of the local governing authority, the Public Notice is required only to be published in one periodical three (3) times – the official journal of the local governing authority. However if the local newspaper is different from the official journal of the local governing authority, publication is required three (3) times in each periodical – the local paper and the official journal. Please note sufficient time was built into the QAP to accommodate periodicals with weekly publications.

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Additional Questions as of 7/29/11

57. I have a question dealing with "A. Green Buildings" of the QAP: By the QAP, the definition of "Green Buildings" list only as references "LEED-NC Application Guide for Lodging" with a minimum of 26 points. I have in my notes from the Superior Design Session in June, a comment by one of the speakers indicating that if an applicant has selected to use "LEED For Homes" instead of "LEED V 2.1" that he or she would need to exceed the 45 point minimum of "LEED For Homes" in order to get credit in the "A. Green Buildings" section within the QAP. And, that everything over the 45 points would go to Superior Design. This makes a lot of sense in that this would require using only one LEED Reference Guide instead of two. Are my notes correct?

Yes, you are correct.

58. Page 15 of 72 of the 2011/2012 QAP requires that all energy efficiency components be clearly and individually listed. QAP's in the past have instructed which components must be energy star rated or energy efficient. Should the architect include the entire building envelope line item by line item to meet this requirement? If so that could take several pages.

The agency's goal to provide energy efficient units is part of its overall goal to provide safe, sanitary and affordable housing. The architect's letter should identify all energy efficient components as stated below. See referenced language from the QAP below:

Energy Efficiency: Projects are required to meet the Energy Star Version 3 (V3) minimum requirement. All of the energy efficiency components must be clearly and individually listed in an original stamped letter from either the architect or engineer of record. **The letter must state that the entire construction envelope meets or exceeds the 2006 International Energy Conservation Code.** Manufacturer's cut sheets must be submitted to document the energy efficiency of each component for which points are claimed.

59. I have a question as to the Neighborhood Features distance calculation of the Location Characteristics section of the Selection Criteria of the 2011/12 QAP. Is it correct that a rural development's distance is greater than that of an urban development, assuming that the development fits the USDA/LHFA definition of "rural". If so, what is the actual distance limits for the positive and negative points.

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Please respond upon receipt of this e mail and let me know if there is a difference and the distance if so.

No, the requirements are the same for both Rural and Urban developments.

60. Do we need a Phase I report for vacant land?

No, unless the project has or are applying for federal funds such as HOME, CDBG, etc.

61. The building we are thinking about developing has a bar/ restaurant on the first floor. Will we lose points in the Neighborhood Selection section for this business?

According to the QAP, the items listed under section IV. LOCATION CHARACTERISTICS (A.) *Neighborhood Features* - will be used by the agency and the assigned market study analyst, to evaluate positive and negative points assessed.

62. Can we use legal description of a large parcel of land that will later be subdivided, or do we have to have a legal description that only includes the proposed development? Do we need a survey?

The project's legal description must comply with the requirements of the QAP as stated under "G. Other Program Requirements". A Plat map should be provided evidencing the proposed subdivided lots. It is up to the architect/engineer's to determine if a survey is needed as it relates to the legal description.

63. If you are thinking about serving Permanent Supportive Housing households for the Increased Unit Affordability points, what % of AMI does LHFA want the rent to be at?

Income restricted to 30% or below AMI, Rent restricted to 30% of AMI and have to provide services and describe in the application.

64. Do we need to have a Capital Needs Assessment for a new construction project in order to come up with the Reserve Requirements?

No, but the application must evidence the required reserves as stated in the QAP.

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65. We are looking at undertaking a conversion project, office space to residential. Do we need to have detailed floor plans for all of the units to demonstrate the units satisfy the minimum bedroom and bathroom sizes as well as accessibility requirements?

No, detailed or final plans are not required, however the agency will rely upon the representations made in the application and certifications of the project's architect/engineer.

66. We are looking a developing a 40 unit new construction, scattered site project. Do we need to have square footage info and costs for each unit?

Yes

67. What housing authority should we use when there is a city housing authority and a parish housing authority?

See list the state's housing authorities on Louisiana Housing Council website. (Link Below)

<http://www.lanahro.org/docs/Louisiana%20Housing%20Authority%20Directory.pdf>

68. If a single project requests an allocation for \$1,050,000 and scores high enough to receive an allocation of credits, would LHFA award \$1,000,000 in 2011 credits and \$50,000 in 2012 credits?

See response to # 1 and #33 above.

69. Are projects that receive an allocation also eligible for 4% acquisition credits on their qualified acquisition basis, and if so, are these acquisition credits excluded in the maximum allocation amount?

Yes, 4% acquisition credits are allowed if the project is an Acquisition/Rehab in accordance with the regulations of section 42. Additionally, the acquisition credits as well as the 9% rehab credits would be awarded as a single aggregate allocation not to exceed the limits expressed in the QAP.

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70. Our project is on scattered sites. The majority are single-family homes but there are also some duplexes and 4-plexes. We would like to structure the single-family homes as lease to own units, but not the duplexes and 4-plexes. If we do this, can the project receive points for Lease To Own under Section II D of the Selection Criteria? Or must all units be structured as lease-to-own in order to receive the points?

All units must be lease-to-own to receive the points. Also, Please see the definition of “Scattered Site” in the QAP below:

SCATTERED SITE PROJECT: A project consisting of buildings containing housing units in which all such units are rent restricted provided that each building is located on a single lot which is subdivided by the local jurisdiction and for which an option to purchase separately may be executed and further provided that a single building may not contain more than two (2) housing units. Evidence of a Scattered Site Project must consist of a subdivision plot or proposed subdivision plot evidencing separate lots for each building. If a Scattered Site Project is located on non-contiguous land, no points will be awarded for Community Facilities.

71. What are the superior design requirements for existing homes in a scattered site project? (ie. floor plans, elevations, specifications, etc.) Is each rehabilitated home considered a model thus requiring a separate set of Superior Design requirements?

See responses to #15 and #44 above. For additional information regarding superior design, please follow the link below:

http://www.lhfa.state.la.us/downloads/tax_credits/LHFA_SuperiorDesignScoreSheet_2011_2012_Template_27Jun11.pdf

72. Are LHFA HOME funds that a project requests excluded from the average TDC threshold and maximum qualified basis calculations? Page 20 Section c of the QAP states that government grants are excluded from these calculations.

See response to #43 above.

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73. In the Project Threshold requirements regarding Base Flood Elevation documentation in levee protected areas for new construction & rehabs, are benchmarking documents sufficient for proving this? If not, please give example(s) of sufficient documentation.

A certification from the project's architect/engineer stating that the project will meet all local requirements of Base Flood Elevations or those established by FEMA.

74. We've been unable to confirm the Official Journal for the City of New Orleans. Can LHFA confirm that publishing 3 times in the Times Picayune will meet the requirement of both general circulation and official journal obligations per the QAP for Local Community Notification.

Yes.

75. Does Section C on page 20 of the QAP mean that any development costs funded by a governmental grant or historic credit proceeds should be excluded from qualified basis? If the applicant is requesting LHFA HOME funds, should the costs utilizing this funding be excluded from qualified basis? Or can they be included given that the applicant may receive an allocation of LIHTC but not receive an allocation of HOME funds?

See response to #43 above.

76. The definition of a Scattered Site Project includes "...and further provided that a single building may not contain more than two housing units." We are proposing a project on multiple sites that includes a mix of single-family units, duplexes, and 4-plexes. Are the 4-plexes allowable under the Scattered Site Project definition?

No, See response to #70 above.

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77. Under the Developer Experience appendix, should the applicant only include LIHTC developments? Can for-sale projects of similar scope be included?

Only experience involving LIHTC projects is required. See response to # 46 above for further.

78. If an applicant is successfully awarded HOME funds, will the funding be available to the project at construction closing, or at permanent?

HOME funds would be available for draw down provided the project meets all HOME regulatory requirements and receives the required environmental clearances with Notice to Proceed.

79. At what rate will HOME funds accrue interest? Will the pay back of HOME funds from 50% of Surplus Cash only occur at the end of 15 years (or 25/30/35 years), or at the end of each year over the 15 years?

HOME Funds will accrue interest at a rate not in excess of the lower of 4% per annum. The rate may be lower if the outstanding principal balance of the HOME Loan does not amortize below 75% of the lower of residual value of the project at the end of the term of the hard first mortgage or 40 years.

80. If we have a property that currently has a blighted structure on it that we plan to demolish and build new, can we treat it as a vacant property for the application or are we required to treat it as a rehab and do a Capital Needs Assessment, get an appraisal as well as all other rehabilitated property requirements?

It would be treated as New Construction (See response to #52 for further)

81. Regarding Question 52 above please clarify: We are submitting an application 72 public housing units and replace with 46 units on the same site. The new construction will occur within the 24 month period following demolition and will exceed \$6,000 per unit or not less than 20% of the adjusted basis of the building being rehabilitated. At the QAP workshop, I thought that such a project would qualify for the 10 points under I.B (i), Substantial Rehab. Further, a CNA was not needed, but the environmental statutory checklist will be required. If the property is donated to the new owner entity (which includes the PHA's non-profit as the sole member of the GP), it was my understanding that an appraisal was not necessary.

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Demolition and reconstruction may be treated differently by the Internal Revenue Code and by how the LHFA awards points for substantial rehabilitation. The Internal Revenue Code, however, generally requires “demolition” costs to be capitalized to land and generally does not treat demolition costs as rehabilitation that may be included in eligible basis of a building. If a building is demolished and reconstructed, the rehab requirements of 42(e)(3) are not applicable because other sections of the Internal Revenue Code require the retention of a percentage of existing external walls and existing structural framework in order for modifications of an existing building to not be treated as a demolition.

82. Regarding Question 53 above: Selection Criteria III G clearly states that rental assistance is an acceptable form of government support. Last year projects were awarded the points for government support by submitting a worksheet that showed the amount of project based rental assistance from the Local PHA (a unit of local government) over the 15-year compliance period. The total exceeded 7% of TDC. The FAQ response seems to contradict that. Our application plans to show the same evidence we submitted previously for the rental subsidy.

Such reduction may only be evidenced if such support (i) is not repayable as a loan but is available as a grant for development costs or (ii) is a forgivable loan for development costs with no repayment obligation other than for covenant defaults or (iii) is in the form of an operating subsidy, provided that such operating subsidy will be deemed Governmental Support only in an amount equal to the difference between any hard debt and the present value (at an eight percent (8.0%) discount) of such operating subsidy for the term of the subsidy agreement. The Agency’s underwriter recommended this formula to ensure that the rental assistance has direct effect on development costs.