

State of Georgia 2014 Qualified Allocation Plan

**2014 STATE OF GEORGIA
CORE QUALIFIED ALLOCATION PLAN
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* **Not Applicable to Bond Financed Projects**

State of Georgia 2014 Qualified Allocation Plan

**STATE OF GEORGIA
2014 QUALIFIED ALLOCATION PLAN
FOR
FEDERAL LOW INCOME HOUSING TAX CREDITS
STATE HOUSING TAX CREDITS
HOME INVESTMENT PARTNERSHIP PROGRAM FUNDS

CORE PLAN**

SECTION 1. PURPOSE

The Georgia Housing and Finance Authority (GHFA) is authorized to allocate and issue low income housing credits under Section 42 of the Internal Revenue Code of 1986, as amended, and to take all other actions and impose all other conditions which are required by federal law or which in the determination of DCA are necessary or convenient to ensure the complete, effective, efficient and lawful allocation of and utilization of the low income housing credit program (O.C.G.A. 50-26-89(a)). As required by §42(m)(1) of the Code, GHFA approved this 2014 Qualified Allocation Plan (QAP) after extensive public consultation including two public hearings and a thirty day public comment period. The final 2014 QAP has been approved by the Board of Directors of GHFA and the Governor of Georgia.

The purpose of the 2014 Qualified Allocation Plan (Plan) is to set forth:

- Legislative and program requirements for the Georgia housing credit program.
- Federal and State resources that will be awarded under the QAP.
- Selection criteria which will be used to determine housing priorities of GHFA which are appropriate to local conditions.
- Process for evaluating funding requests and awarding of resources.

SECTION 2. DEFINITIONS

The following definitions shall apply for the purposes of this Plan:

“4% Credits” means Federal Credit available to Bond Financed Projects which meet the requirements of this Plan.

“9% Credits” means Federal Credit allocated on a competitive basis under the provisions of this Plan.

“Adjacent” means either immediately contiguous to, across the street from, or diagonally opposite across an intersection.

“AMI” means Area Median Income as defined by HUD.

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“Applicant” means the legal entities designated as the General Partner of the Ownership Entity and the legal entities designated as the

“Application” means the complete and entire set of required and requested documents, in paper and electronic form, submitted by an Applicant to DCA under this Plan.

“Application Submission” means the date and time, as stipulated in the Core Plan, by which the Application must be submitted to DCA in order to be eligible for funding under this Plan.

“ARRA” means the American Recovery and Reinvestment Act of 2009.

“Bond Financed Projects” means affordable housing developments financed with tax-exempt bonds and therefore eligible for 4% Federal Credit.

“Capital Improvements” mean substantial improvements to the real estate, for items such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings. Capital Improvements do not include replacement of individual appliances or minor repairs.

“CHDO” means a Community Housing Development Organization, as defined in the 2013 HOME regulations at 24 CFR Part 92. CHDO “Owner”, “Developer”, and “Sponsor” are specifically defined therein.

“CHDO Predevelopment Loan Program” means the DCA program designed to make loans exclusively to CHDOs for predevelopment activities involving the preparation of Applications for loans through the HOME Rental Housing Loan Program.

“Code” means Internal Revenue Code, primarily Section 42.

“Competitive Scoring” means the process described in this Plan by which DCA ranks the Applications received. The ranked outcome of the Competitive Scoring process will be a significant factor in DCA’s determination of Applications selected for funding.

“Compliance Period” means the fifteen (15) year period during which a project must operate in accordance with the Credit requirements to avoid Federal Credit recapture. The Compliance Period commences with the first taxable year of the Federal Credit period.

“Consultant” means a third party entity that provides consulting services to Project Participants. An entity acting in the capacity of Owner, Developer or General Contractor or which provides technical assistance to the Owner, Developer or General Contractor is considered a Consultant. Consultants include, but are not limited to, construction management consultants, interior design consultants, relocation specialists, tax credit application consultants, tenant certification consultants, HOPE VI consultants, etc. All consulting fees are considered part of the calculation of the maximum allowable Developer fee for each project. DCA will allow a limited exception and not include Consultants retained for the purpose of obtaining green building certifications provided

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the fee is no more than \$20,000.

“Conversion” means the Conversion of a loan from a construction loan to a permanent loan.

“Credits” means the State Credit and the Federal Credit together.

“DCA” means the Georgia Department of Community Affairs, an executive government agency in the State of Georgia. By state law, DCA administers the programs of the Georgia Housing Finance Authority.

“Developer” means the legal entity designated as the Developer in the Application as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the Developer entity. Any entity or individual that receives all or part of the Developer Fee must be designated as a developer. Material Participation is required for all developers and for all entities that receive any portion of the Developer Fee.

“Elderly” means a person at least 62 years of age.

“Elderly Housing” means housing intended for and only occupied by Elderly persons including a family in which all members are Elderly. All household members must be Elderly (no children, and no disabled persons under the age of 62).

“Exchange” means the Tax Credit Exchange Provisions of the American Recovery and Reinvestment Act.

“Extended Use Period” means the period commencing with the first day in the Compliance Period and ending on the date which is fifteen years after the close of the Compliance Period.

“Federal Credit” means the Low Income Housing Tax Credit established by the federal government for the purpose of encouraging the development of affordable housing and governed by the Code.

“Federal Deposit Insurance Corporation (FDIC) / Affordable Housing Disposition Program (AHDP)” means the program that the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) required the Resolution Trust Corporation (FDIC) to develop for selling residential properties to provide affordable housing opportunities. In response to this provision, FDIC established the AHDP, or herein referred to as the Affordable Housing Program (AHP).

“Federal Financial Institutions Examination Council (FFIEC)” means the interagency body established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA) empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the

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Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) and to make recommendations to promote uniformity in the supervision of financial institutions. The FFIEC website can be found at www.ffiec.gov.

“**FMR**” means the Fair Market Rents issued by HUD.

“**General Partner**” means the Partner or collective of partners, which has general liability for the partnership during construction, lease up, and operation of the project. In addition, unless the context shall clearly indicate to the contrary, if the entity in question is a limited liability company, the term “General Partner” shall also mean the managing member or other party with management responsibility for the limited liability company.

“**GHFA**” means the Georgia Housing and Finance Authority, a public corporation created by the Georgia General Assembly and designated by the Governor as the State Allocating Agency for Federal and State Low Income Housing Tax Credits and the state-level grantee for federal HOME funds.

“**Guarantor Fee**” means a fee paid by an Owner/Developer to an entity or individual that will provide construction completion guarantees to the project equity investor for an agreed upon price.

“**HOME**” means the HOME Investment Partnership Program.

“**HOME Loans**” means the HOME Rental Housing Loan Program loans.

“**HOME Regulations**” means the regulations at 24 CFR Part 92 governing the HOME Rental Housing Loan Program, promulgated by HUD, including any subsequent amendments to such regulations.

“**HOME Rental Housing Loan Program**” means the program that is designed to provide below market, favorable term financing for affordable rental housing. In Georgia, this program is intended to serve those individuals who have incomes at or below 60% AMI.

“**Housing and Economic Recovery Act of 2008 (HERA)**” means the Act signed into law by President Bush on July 30, 2008 that covers a range of housing issues.

“**Housing for Older Persons**” means housing intended and operated for occupancy by persons 55 years of age or older (“Older Persons”). According to Georgia law, such housing must also have significant facilities and service serving the Older Persons population even though the requirement has been eliminated from the federal definition of an elderly project. At least 80% of the total occupied units in such a housing project must be occupied by at least one Older Person.

Up to 20% of the units may be occupied by others, including the landlord’s employees, the surviving spouses or children of residents who were Older Persons when they died, and caregivers. Owner must adhere to policies and procedures which demonstrate an intent by an owner to provide housing for individuals who are 55 years of age or older.

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DCA will monitor the required facilities and services during the applicable Compliance Period or the Period of Affordability whichever is longer.

“**HTF**” means the Housing Trust Fund for the Homeless established by O.C.G.A. § 8-3-300.

“**HUD**” means the U.S. Department of Housing and Urban Development.

“**Identity of Interest**” means a situation in which a Project Participant has a direct or indirect interest in the ownership of an entity which contracts with a Project Participant to provide land, goods or services for the project or where there is a financial, familial, or business relationship that permits less than arm’s length transactions.

“**Integrated Housing**” means housing developments where 10%-20% of units are designated to serve individuals with special needs.

“**IRS**” means the Internal Revenue Service, a division of the U.S. Department of Treasury.

“**Letter of Determination**” means a notice issued by GHFA to the issuer of tax exempt bonds for a specific project, which states that the project is eligible for 4% low income housing tax credits without receiving an allocation of credits from the state housing credit ceiling because the project satisfies the requirements of this Plan; and sets forth conditions which must be met by the development before GHFA will issue the IRS Form(s) 8609 to the Owner.

“**Local Government**” means the controlling elected governing body of the local jurisdiction (as defined in its Charter) in which the property is located at the time of Application (e.g., city council if within the city limits, or county commission if in an unincorporated area).

“**LURA**” means the Land Use Restriction Agreement that is a recorded agreement between GHFA and the Owner for a HOME funded project. The LURA is binding upon the Owner and its successors in interest, and that encumbers the project with respect to this Plan and the requirements of the HOME program.

“**LURC**” means the Declaration of Land Use Restrictive Covenant for Low-Income Housing Tax Credits that is a recorded agreement between GHFA and the Owner. The LURC is binding upon the Owner and its successors in interest, and that encumbers the project with respect to this Plan and the requirements of Section 42 of the Code.

“**Material Participation**” means involvement in the development and operation of the project on a basis which is regular, continuous and substantial as defined in Code Section 42 and 469(h) of the regulations promulgated hereunder.

“**Municipality**” means any incorporated city or town in the state.

“**Neighborhood Stabilization Program**” or “**(NSP)**” means HUD’s Neighborhood

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Stabilization Program enacted to provide emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. NSP provides grants to every state and certain local communities to purchase foreclosed or abandoned residential properties and to rehabilitate, resell, or redevelop these properties in order to stabilize neighborhoods and stem the decline of neighborhood values.

“Non-Metro Median Income Limits” means the higher of the current non-metro median income of (as defined in section 530 of the Housing Act of 1949) or the area median income to calculate incomes and rents of projects located in designated rural areas, as defined by Department of Agriculture and as outlined in HERA. At this time, HUD has not authorized the use of these non-metro income limits for HOME properties.

“O.C.G.A.” means the Official Code of Georgia Annotated.

“Operating Cost” means the costs associated with operating a multifamily development once the project is placed in service.

“Owner” means the single purpose legal entity holding title to the project as well as all persons, affiliates of such persons, corporations, partnerships, joint ventures, associations, or other entities that have a direct or indirect ownership interest in the ownership entity. The Owner is also the Applicant.

“Period of Affordability” means the time during which HOME Loan financed units must remain affordable to eligible households, as defined by HOME program regulations and this Plan. The Period of Affordability shall commence upon completion of the project and shall run for the period required under HOME regulations or the term of the HOME Loan, whichever is greater. Completion shall be defined as set forth in the HUD regulations for the HOME program.

“Permanent Debt Financing” means long-term debt with a minimum maturity period of 10 years.

“Person” means an individual, corporation, partnership, joint venture, Limited Liability Company, association, trust or any other business entity.

“Phased Development” means one tax credit project that will be developed in several adjacent phases with different allocations of Credits under common planning documents. The common planning document(s) may include parks, green space and shared amenities between the different phases. Each phase of the property should have common ownership entities. In order to be considered a “Phased Development”, the Applicant must have site control in place for all phases at the time the initial phase was commenced.

“PJ” means a Participating Jurisdiction, which is an agency of State or Local Government that administers the HOME Program in its jurisdiction. GHFA is the PJ for the non-entitlement areas of the State of Georgia. The local PJs include the cities of Albany, Atlanta, Macon, and Savannah; Clayton, DeKalb, and Gwinnett Counties; the

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consolidated governmental units of Athens-Clarke County, Augusta-Richmond County, and Columbus-Muscogee County; the counties and cities comprising the Georgia Urban County Consortium (Cobb, Marietta, Cherokee, Canton) and the Fulton County Consortium (Fulton, Roswell).

“Plan” means this 2014 Qualified Allocation Plan.

“Project Participants” mean the Owner, Developer, Management Company, Consultants and Syndicator for a project for which an Application is submitted.

“Project Team” means the General Partner and Developer, and the principal(s) thereof for a proposed tax credit project.

“PHA” means a local public housing authority.

“Related Parties” means a relative (including but not limited to grandfather, grandmother, father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, or half sister) of any principal or any entity that shares common principals, executive directors, board members or officers.

“Rent Standards” means the most recent AMI FMR as issued by HUD and UA as described in the Plan.

“Reservation of Funds” means the securing of funding for a particular project proposal based on the understanding that the project will fully satisfy program and Plan requirements.

“Rural” means those areas designated by USDA as being Rural or those counties that appear on Exhibit A of Appendix II. A list of USDA Rural areas can be accessed on the USDA website at <http://eligibility.sc.egov.usda.gov/>

“Scoring Criteria” means the criteria detailed in Appendix II by which points are assigned for the purpose of Competitive Scoring.

“State” means the State of Georgia.

“State Credit” means the Housing Tax Credit established by the Georgia General Assembly, as set forth in O.C.G.A. §48-7-29 and §33-1-18.

“Subsidy Layering Review” means the DCA evaluation of projects using DCA program funds in combination with other governmental assistance to ensure that no more than the necessary amount of DCA program funds is invested in any one project to provide affordable housing. For HOME funds, the subsidy layering review will be conducted in accordance with the requirements set forth in the US Department of Housing and Urban Development CPD Notice 98-01 guidelines required by 24 CFR §92.250(b).

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“TCAP” means the Tax Credit Assistance Program under the American Recovery and Reinvestment Act of 2009.

“Total Development Cost” means the sum of all anticipated or actual allowable development costs that are necessary to complete the proposed project.

“UA” means the utility allowances used during the compliance period and during the period of affordability as described in the Plan.

“USDA” means the United States Department of Agriculture.

SECTION 3. AVAILABLE RESOURCES

A. 9% Federal Credit. The annual Federal Credit dollar amount allocated to the State of Georgia is determined by the Internal Revenue Service and based on Georgia’s population and indexed for cost-of living adjustments. The amount of Federal Credit available for the 2014 funding cycle will be comprised of the State’s 2014 Federal Credit ceiling (per capita credit, unused credit, returned credit, and any national pool credit) available to the State less any Federal Credits forward committed. DCA may forward commit credits to 2014 Applications. DCA estimates that approximately \$20 million of federal credits will be available in the 2014 round.

B. State Credit. The annual State Credit dollar amount will equal that of the Federal Credit. The State Credit will be automatically allocated on a dollar-for-dollar basis with the Federal Credit (for both 9% and 4% Federal Credit) and will be available for the same time period discussed above.

This State Credit will be administered under the same rules and regulations prescribed for the Federal Credit supplemented by any rules, policies, or regulations established by the Georgia Department of Revenue and/or the Office of Insurance and Safety Fire Commissioner. DCA will underwrite the combined Credit allocations to ensure that no development proposal is over-subsidized.

C. HOME Multifamily Program. HUD annually allocates HOME funds to state and larger local governments. The Federal Fiscal Year (FFY2014) HOME allocation is expected to be available to the State on July 1, 2014, following approval of the Annual Action Plan for FFY2014 Consolidated Funds (Annual Action Plan). DCA estimates that it will have approximately ten (10) million dollars in HOME funds to award projects that are submitting an Application for tax credits in the 2014 competitive round. However, DCA may commit HOME Multifamily funds outside of the competitive round to projects which innovatively address a strategic program goal. DCA will update the estimate of HOME funds available for the competitive round upon receipt of additional information.

SECTION 4. QAP SELECTION REQUIREMENTS

A. Minimum Requirements. Section 42 provides that each state Allocation Plan must

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meet certain minimal requirements. The selection criteria must include:

1. Project location
2. Housing needs characteristics
3. Project characteristics, including whether the project involves the use of existing housing as part of a community revitalization plan
4. Project intended for eventual tenant ownership
5. Tenant populations with special housing needs
6. Sponsor characteristics
7. Tenant populations of individuals with children
8. Public housing waiting lists
9. Energy efficiency
10. Historic nature of the project

B. Statutory Preferences. States must give preference in selection to those projects that:

1. Serve the lowest income tenants
2. Serve qualified tenants for the longest period
3. Are located in Qualified Census Tracts, the development of which contributes to a concerted community revitalization plan

C. Credit Award Requirements. The Qualified Allocation Plan sets out the priorities and selection criteria for the competitive round. In order to be selected for an award of credits:

1. The submitted Application must show that it meets all Program requirements as well as the policies and requirements contained in the Core Qualified Allocation Plan.
2. The submitted Application must meet all of the requirements set forth in Appendix I (Threshold). Projects that do not meet all Threshold requirements at the time of Application Submission will not be considered for an Award.
3. The projects are scored and selected for funding in accordance with the provisions of the 2014 Qualified Allocation Plan.

In the event DCA allocates credits not in accordance with the established priorities and selection criteria of the QAP, a written explanation, available for general public review, is required by Section 42.

SECTION 5. DISCRETION

In the process of administering the Low Income Housing Tax Credit Program, DCA will make decisions and interpretations regarding project applications and the 2014 Qualified Allocation Plan. Unless otherwise stated, DCA is entitled to the full discretion allowed by law in making all such decisions and interpretations.

Such discretion shall include, but is not limited to, the right to allocate and issue low-income housing credits under Section 42 of the Internal Revenue Code of 1986, as amended, and to take all other actions and impose all other conditions which are required

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by federal law or which in the opinion of the authority are necessary or convenient to ensure the complete, effective, efficient, and lawful allocation of and utilization of the low-income housing credit program and to determine the reasonableness of developmental and operational costs of the program as required by Regulation 1.42-17. Such conditions may include barring applicants from participation in the tax credit program as set forth in statutes and in the QAP and imposing more stringent conditions for receipt of the credit than are required by Section 42 of the Internal Revenue Code.

DCA may require additional explanation, documents or information pertaining to any portion of an Application even if the Qualified Allocation Plan does not specifically require such production of such information, explanation or documents.

SECTION 6. AFFORDABLE RENTAL HOUSING NEEDS

The State's Annual Action Plan for Consolidated Funds identifies the proposed distribution method, geographic allocation, and guidelines for meeting federal requirements for all HOME funded programs of the State. The HOME Program regulations require that each PJ distribute its HOME resources in accordance with the priorities and objectives outlined in its most current approved Annual Action Plan for Consolidated Funds prepared in accordance with established HUD regulations (24 CFR Part 91). The Annual Action Plan incorporates the Plan as the established policy and procedures for the State's review and evaluation of Applications for the HOME Rental Housing Loan Program.

SECTION 7. SET ASIDES

The estimated amount of Federal Credit available includes the following set aside:

Non-profit Set Aside - 10% of the available 9% Credits are set aside for non-profit-sponsored Applications pursuant to the Code. Qualified non-profit organizations must Materially Participate in the development and operation of a project within the meaning of Section 469(h) of the Code and meet all requirements set forth in Code Section 42(h)(5).

SECTION 8. COMPETITIVE POOLS

In order to ensure the availability of housing tax credit resources to Georgia communities representing a wide range of contexts and local housing needs, competitive 9% credits in the 2014 funding round are available in the Rural Pool and the Flexible Pool as described below. The Applicant for 9% Credits must request consideration under only one pool for a proposed project, and each Application will be evaluated according to the Scoring Criteria established under either the Rural Pool or the Flexible Pool. Applicants proposing a site in a Rural area may elect to be considered in the Flexible Pool **instead of** the Rural Pool, but not both.

A. Rural Pool - 35% of the available 9% Credits (approximately Seven Million Dollars)
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will be awarded to Applications proposing sites in Rural areas. If slightly less than 35% of available credits have been awarded to Applications in the Rural Pool after initial review, DCA will select the next highest scoring Application in the pool to ensure that no less than 35% of 9% Credits are awarded to Applications serving Rural areas. In order to be eligible for funds in the Rural Pool, Applicants will need to designate that they are applying for the Rural Pool funds in the submitted Application. Applicants in the Rural Pool will be competitively ranked against other members of the pool in the selection process.

B. Flexible Pool - all 9% Credits remaining after the Rural Pool has been filled will be awarded to Applications seeking consideration under the Flexible Pool. In order to be eligible for funds in the Flexible Pool, Applicants will need to designate that they are applying for the Flexible Pool funds in the submitted Application. Applicants in the Flexible pool will be competitively ranked against other members of the pool in the selection process. A proposed project in a Rural area may elect to apply for the Flexible pool. However, any project considered in the Flexible pool is not eligible to claim points designed for Rural Pool Applicants.

SECTION 9. STATE DESIGNATED BASIS BOOST*

HERA authorizes state allocating agencies to designate certain areas not located in a QCT or DDA for up to a 30% basis boost. Projects may receive an allocation of credit based upon 130% of the eligible basis for new construction or substantial rehabilitation. Only projects that conclusively show that the boost is needed and that the project meets all of DCA's underwriting and other criteria are eligible for the boost. The minimum request for the state designated basis boost is 10% and any state basis boost request should be made on a full percentage point. DCA will evaluate the need for any state designated basis boost at Application Submission and again at final project allocation application.

Projects in the following categories are eligible to apply for the boost:

- A. Multifamily Rural projects without DCA HOME as a source (Projects located in HUD MSAs will be closely scrutinized to determine if boost is needed);
- B. Historic Rehab projects qualifying for historic rehab credits with an equity commitment for such credits;
- C. Multifamily projects within areas that qualify for at least 3 points under Stable Communities (projects which appear to have a primary purpose of subsidizing an ownership transfer do not qualify);
- D. Extraordinary circumstances which further the policies of this QAP. Extraordinary shall be defined as what is not expected or usual for the development of an affordable multifamily tax credit property. Low rents, high utility costs and proximity to QCT are not considered to be extraordinary circumstances.

All requests for State Designated Basis Boost must indicate which category (or categories) of eligibility that the Application falls under and any support documentation

* Not applicable to bond financed projects

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must be included in the Application. Requests made in category D above (extraordinary circumstances) must be made at the time of the pre-application or after selection of an Application.

DCA will generally require that any project receiving a State Designated Basis Boost defer 1% of the total Developer Fee for every 1% in State Designated Basis Boost granted to the project. This deferred developer fee requirement does not apply if the project receives a new loan or grant from an independent non-related party in the amount of at least 30% of the total Developer Fee. Assumption of an existing loan is not considered a new loan for this purpose. Projects which contain USDA 515 funding may request that DCA waive the matching deferred developer fee.

Please note that a project located in a QCT or DDA is eligible to receive a 30% basis boost for new construction and/or rehabilitation and it is not subject to the State Designated Basis Boost provision.

SECTION 10. TAX CREDIT ADMINISTRATION

A. Land Use Restrictive Covenant. The Owner must execute and record GHFA's prescribed form of the LURC prior to final allocation as required under Section 42(h)(6) of the Code. The LURC shall reflect all representations made in the original Application and any changes made to the original Application that have been approved in writing by GHFA. The LURC will be drafted after GHFA's receipt of the certification of the 10% test, and must be recorded upon its execution. All construction and/or permanent financing for the project must be subordinated to that portion of the recorded LURC that sets forth the requirements of Section 42 (h)(6)(E)(ii) of the Code. The LURC will be for the term of the compliance period and, as applicable, the extended use period.

IRS Revenue Ruling 2004-83 provides that Section 42(h)(6)(B)(i) requires that an extended low income housing commitment must include a prohibition during the extended use period against (1) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low income unit (no cause-eviction protection) and (2) any increase in the gross rent with respect to the unit not otherwise permitted under Section 42.

B. Carryover Allocations. To qualify for 9% Credits, a building generally must be placed in service during the year in which it receives an allocation. An exception is provided in the case where the Owner has expended more than ten percent (10%) of the reasonably expected basis in the building (the "Ten Percent Test") no later than twelve (12) months after the Carryover Allocation. No project can receive more than one Carryover Allocation of 2014 Credits. For projects located in major disaster areas, extensions may be allowed pursuant to Revenue Procedure 2007-64.

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SECTION 11. 4% FEDERAL CREDIT – BOND FINANCED PROJECTS

An Application for Credits for Bond Financed Projects must satisfy all applicable requirements set forth in Appendix I, Threshold Criteria, of the Plan and all applicable requirements set forth in the Plan. Proposed bond financed projects that are financed by HUD or USDA and include a commitment for at least 15-year project based rental assistance for the majority of project units from HUD or USDA may request waivers of certain QAP requirements in accordance with written confirmation from the federal agency that the conditions requiring a waiver of QAP requirements have been approved. Third party reports that have been finalized, and accepted by the federal agency may be provided with a letter from the third party analyst providing DCA the ability to rely on such reports and the reports are generally in compliance with DCA requirements. Documented acceptance of the conclusions related thereto, directly from the federal agency will generally be accepted by DCA. Incomplete Applications (as determined solely by DCA) will not be accepted and will be returned in their entirety to the Applicant.

An Application for Credits for Bond Financed Projects must contain an appraisal commissioned by the Lender or by a DCA approved appraiser with an effective date of not more than 6 months earlier than the date of the Application, regardless of whether there is an identity of interest between the buyer and the seller.

DCA shall be the sole entity responsible for making such a determination and must issue its opinion as to the project's 4% Credit eligibility prior to bond closing. The project must comply with the Plan in effect at the time of Application Submission.

In making Application to DCA for a Letter of Determination, an Owner must complete the standard Application, as well as provide all supporting documentation necessary to meet all applicable requirements and pay the appropriate application fee and other applicable fees.

After issuance of the Letter of Determination, significant changes in the financing structure, syndicator or scope of work must be approved in writing by DCA.

DCA reserves the right to determine whether an Applicant or development entity has sufficient capacity to successfully complete the proposed project. DCA requires all bond applicants to submit those documents set out in the capacity determination in determining whether capacity exists. DCA will terminate its review of the proposed application if it determines that insufficient capacity exists.

Incomplete Bond applications will be returned to the proposed applicants. DCA will not hold bond applications that are being restructured or modified. A new application fee will be required to resubmit such a project.

The Application must be submitted at least 75 days before bond closing. DCA will provide its Letter of Determination within 75 days of the receipt of a **complete** Application. All waiver requests must be submitted 30 days prior to Application

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Submission.

For all 4% bond projects that propose rehabilitation, a work scope/plan review conference is required prior to issuing the Letter of Determination. Owners of projects receiving a Letter of Determination for Bond Financed Projects in 2014 must:

1. Close the bond financing within 180 days of the issuance of the Letter of Determination;
2. Have any significant change in the financing structure or scope of work set out in the Application approved by DCA before the start of construction;
3. Complete all construction activity by December 31, 2016;
4. Complete and submit the "DCA Placed in Service" form at the time the first building is placed in service; and
5. Apply for Final Allocation and request for issuance of IRS form(s) 8609 by September 15, 2017.

IRS form(s) 8609 for a project will be issued only once for the entire project as proposed in the Application. Form(s) 8609 will not be issued as buildings are placed in service.

DCA will not issue a favorable Letter of Determination or Form(s) IRS-8609 when an Applicant exhibits a continual pattern of noncompliance, or when the Applicant demonstrates an inability or an unwillingness to resolve noncompliance matters in a timely manner as determined by DCA.

The Owner must execute and record GHFA's prescribed form of the LURC at or prior to bond closing. The LURC shall reflect all representations made in the original Application and any changes made to the original Application that has been approved in writing by GHFA. The LURC must be recorded upon its execution. All construction and/or permanent financing for the project must be subordinated to that portion of the recorded LURC that sets forth the requirements of Section 42(h)(6)(E)(ii) of the Code.

Owners of projects receiving a Letter of Determination from DCA must notify DCA Compliance in writing within 30 days after the first building placed-in-service date by completing the "DCA Placed In Service Form." Failure to do so will be considered non-compliance and also may delay the issuance of IRS Form 8609.

SECTION 12. FINANCING RESOURCES – HOME LOANS*

Applicants that will utilize DCA HOME funds as a funding source in a competitive tax credit Application must obtain DCA's consent during the pre-application process. Applicants for DCA HOME funds must designate whether the Application will compete in the Rural Pool or Flexible Pool at the time of pre-application. **Any application that is submitted in the 2014 competitive funding round with DCA HOME funds as a funding source that did not obtain the required consent will be deemed to have failed Threshold under the project feasibility criteria.**

* Not applicable to bond financed projects

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A. Eligibility. Except for Projects submitted by a CHDO, projects located in another “PJ” are not eligible for DCA HOME funds. Applications receiving a basis boost (state designated, QCT, or DDA) are not eligible to receive DCA HOME funds.

B. HOME Loan Limits. The maximum HOME loan amount is \$2.5 million and the minimum HOME loan amount is \$1 million.

C. Failure to Use 2014 DCA HOME Funds. Applications/Projects that receive consent to utilize HOME funds as a funding source are required to utilize the requested funds if the project is selected for an award of tax credits. Failure to utilize HOME funds may result in the withdrawal of the tax credit award or a finding which may impact future compliance scoring.

D. CHDO Set aside. Fifteen percent (15%) of the State’s HOME allocation will be set aside for projects owned by non-profits that have been pre-qualified by DCA as CHDOs.

The final 2013 HOME Rule contains new requirements for awarding HOME funds to CHDO Applicants. All provisions in the 2013 HOME Rule should be reviewed in detail by the Applicant contemplating the use of HOME funds.

E. HOME Underwriting Policies. DCA’s policies for underwriting HOME loans are set out in Exhibit A of Appendix I (Threshold).

F. Selection Criteria for Consent. In the event DCA receives requests for HOME Consents that exceed available HOME funds, Consents shall be issued based on the following selection criteria:

1. Projects in Rural areas electing to compete in the Rural Pool.
2. CHDO Projects
3. Projects that are proposed to have no debt other than DCA HOME unless the lender is willing to subordinate to the statutory period of affordability
4. Project Teams that are determined by DCA to be Qualified without Conditions
5. Successful HOME Loan or other successful HUD experience of Owner and Developer (experience must include minimum 20% Owner/Developer interest)
6. Compliance History

Generally, each Applicant will receive only one HOME consent. Applicants that appear to be requesting HOME funds for point purposes and do not show a clear need will not receive a consent. Applications that do not fully utilize available credits in order to show a need for the HOME loan will not be considered for a consent.

G. Final HOME Award. DCA will issue a HOME preliminary reservation at the conclusion of the 2014 multifamily competitive funding round. Final commitments will be issued after a project is underwritten and is approved by DCA’s project loan committee.

H. Projects

1. Scattered Sites

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- a) *Eligibility of Scattered Sites.* All Applications proposing scattered sites must meet the following requirements:
- All of the residential units are income and rent restricted as set forth in Section 42 of the Code;
 - All buildings in the project must be under the ownership of one entity;
 - All buildings in the project must be developed under one plan of financing and considered a single project by all funding sources;
 - All units in the scattered site Application must be managed by one management entity;
 - The scattered sites must be appraised, if applicable, as a single proposed development; and
 - Each site within the proposed project must meet all applicable Threshold and Scoring criteria. DCA may consider Architectural Standards and /or Amenities Waiver requests which are submitted according to Exhibit A of the Core.
- b) *Legal Opinion.* Applications must include a legal opinion on scattered site to support the project's development.
- c) *Additional Eligibility Requirements by Building Type*

Multifamily Scattered Site Eligibility. Scattered-site projects involving multifamily properties will be eligible to apply if they have no more than six (6) non-contiguous parcels within a ½ mile radius and a minimum of four (4) residential units per parcel, except for parcels on which the community center is located.

2. ***Detached Single-Family Rental Housing.*** Detached single family housing proposals will be eligible for funding if they satisfy the following requirements:
- a) The Application must include in its operating budget the costs associated with the continuous upkeep of each rental house, including ground maintenance, at the project Owner's expense. These costs must be supported by a detailed maintenance plan.
 - b) The Application must have a detailed Replacement Reserve analysis and plan.
 - c) The house designs must reflect architectural diversity through the use of different elevations and styles.
 - d) Landscaping must be appropriate for detached, single family housing.
 - e) Public water and sewer must be available at the proposed development site at the time of Application.

SECTION 13. SUBMISSION REQUIREMENTS AND AWARD LIMITATIONS

A. Pre-Determinations

1. ***DCA HOME Consent.*** Applicants that will utilize DCA HOME funds as a funding source in a 2014 competitive application must obtain DCA's consent during the pre-application process. Applicants must submit all required documentation for DCA review

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and approval (see Exhibit A for DCA Pre-Application Deadlines and Fee Schedule).

2. *Pre-determinations and Waivers*

- a) Architectural Standards waiver * (See exception below)
- b) Site Analysis Packet or Feasibility Study for Sustainable Communities
- c) Payment and performance bond waivers
- d) Operating expenses waiver
- e) State basis boost – extraordinary circumstances only
- f) Tax credit award limitation waiver
- g) Project team Qualification Determination

*Architectural Standard waivers should be submitted at the Pre-Application stage only if the request is for a change that deviates more than 10% from DCA standards. Requests for a waiver that deviates 10% or less from DCA's architectural standards should be submitted in the full Application.

B. Application Submission Requirements.

1. *Date and Time of Application Submission*

- a) *9% Applications.* DCA will conduct one Competitive Application cycle for 9% Credit and HOME Loan funding resources during 2014. Applications must be delivered by the deadline to:

Georgia Department of Community Affairs
Housing Finance and Development Division
60 Executive Park South, N.E.
Atlanta, Georgia 30329-2231

The complete Application is due at DCA by 4:00 PM on June 5, 2014. DCA will not accept any Applications after this date and after this time. At 4:00 PM, the Application Submission process will be closed and irrespective of any extenuating circumstances, no Applications or portions thereof will be accepted. The use of a third party or common carrier to deliver the Application does not relieve the Applicant of its responsibility for meeting the Application Submission deadline. Consequently, there will be no exceptions to this deadline. In addition, no assemblage, packaging, or other form of Application preparation will be permitted at any time on DCA premises.

- b) *4% Applications.* 4% Tax Credit Applications for Bond Financed Projects can be submitted throughout the year subsequent to Bond Allocation, but no later than seventy five (75) days prior to bond closing date, and are subject to applicable criteria set out in the Core Plan, Threshold Criteria, Core Application Instructions, Core Application and Application Manual. All waiver requests must be submitted no later than 30 days prior to the 4% Tax Credit Application submittal.

2. *Application Submission Package.* A complete Application package must include all required documentation and all applicable Application fees. In the event the electronic version of the Core Application does not conform to the original print out of the Core Application, the electronic version of the Core Application shall be deemed the correct

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Application.

Applicants must submit complete Applications according to the directions and format prescribed in the 2014 Core Application Instructions and the 2014 Application Manual. No additional documentation will be accepted after the Application Submission deadline described in this Section unless specifically requested by DCA as part of the clarification review.

Applicants for 9% Credits and/or HOME funding will be required to self-score their Applications and fully explain their rationale in support of the scoring decision for each criterion. Applicants' self-scores must be done in strict accordance with the provisions of the Plan and the Application Manual.

C. Maximum Number of Applications.* DCA will assign sequential project numbers to all Applications in the order they are received, and prior to any form of Application review. Applicants will be permitted to submit a maximum of four (4) Applications for funding resources under the Plan. This limitation applies to Ownership interests of all proposed Project Participants except for Syndicators. Ownership interests of all Project Participants in the proposed Applications will be reviewed. If it is determined that a Project Participant has proposed Ownership interest in more than four (4) Applications, DCA will only evaluate the first four (4) Applications submitted to DCA. Any other Applications which include the same Project Participant will be considered ineligible and will not be evaluated.

D. Award Limitations*

1. Project Limitations. DCA will not award more than \$1,000,000 of credits to any project in the competitive round. DCA may consider a waiver of these requirements for projects that show extraordinary need. In no event will such waiver exceed \$1,200,000. Such a waiver must be obtained in the pre-determination process.

2. Maximum Ownership/Development Interests. Applicants will be limited to direct or indirect Ownership/Development interest in a maximum of two (2) selected projects in which the combined total Federal Credit from the 2014 competitive funding round cannot exceed one million eight hundred thousand dollars (\$1,800,000) and/or total HOME funding cannot exceed twenty five percent (25%) of the total HOME Loan resources available. This limitation applies to direct or indirect Ownership/Development interests of all proposed Project Participants, except Syndicators. Once an applicant has been awarded projects that meet the above limits, all of that Applicant's lower scoring projects will be deemed ineligible. For non-profit applicants, DCA will look at Executive Directors and common threads of effective control as well as whether different non-profit entities have met DCA Qualification requirements through the same individuals or entities.

3. Adjustment of Maximum Number of Projects Allowed. In the event an

* Not applicable to bond financed projects.

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Owner/Developer fails to meet deadlines on projects, has a significant number of projects under development but not completed or is experiencing a financial issue with regard to an existing project, DCA may elect to reduce the number of projects that can be awarded under the project cap. This determination can be made up to the announcement of awards.

SECTION 14. POST AWARD DEADLINES

A. Construction Documents. For 9% deals, including those utilizing DCA HOME funds, a boundary survey, topographic survey, and geotechnical soils boring report must be submitted to DCA for review and approval no later than **60 days after announcement of awards**. Additional Construction Documents will need to be submitted according to Post Award Deadlines and Fees Schedule that will be posted by DCA at a later date.

For 4% deals, Construction Documents as fully outlined in the Architectural Manual must be submitted to DCA for review and approval at time of Application.

For HOME deals, please comply with the deadlines in the HOME Commitment Letter.

B. Tax Credit only Projects Construction Loan Closing. For tax credit only projects, construction financing and equity closing must occur no later than August 31, 2015. The construction loan documents along with the limited partnership agreement must be submitted to DCA within 10 days of the closing deadline.

C. Tax Credit only Projects Commencement of Construction/Rehabilitation.* Owners of projects receiving 9% Tax Credits for new construction or rehabilitation in the 2014 round must commence construction or rehabilitation no later than **September 30, 2015**. Failure to commence construction as scheduled may cause an automatic recapture of the Credits. DCA will closely monitor construction start dates.

D. Tax Credit and HOME Projects Commencement of Construction/Rehabilitation.* Projects receiving HOME Loans must not make any choice limiting actions prior to DCA's issuance of the environmental release nor prior to the HOME Loan closing. However, all projects receiving a HOME loan award in 2014 must have satisfied all conditions necessary to commence construction within nine (9) months of the date of the initial HOME commitment. Exceptions may be granted by DCA in accordance with HUD regulations, but must be requested and justified prior to the submission of HOME due diligence documentation. DCA will closely monitor construction start dates. Failure to comply with this policy may result in cancellation of the HOME Loan Commitment or other penalties.

E. HOME Loan Closing.* All projects receiving a HOME Loan award in 2014 must close their HOME Loans on or before **July 15, 2015**. Applicants unable to close within that time period may have their commitment for HOME funds withdrawn.

* Not applicable to bond financed projects

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F. Completion of Work Scope. Owners of projects receiving Credits or Letters of Determination in accordance with this QAP for the new construction and/or rehabilitation of an existing property must perform 100% of the DCA approved work scope no later than December 31, 2016. Certificates of Occupancy for the residential buildings must be issued by the local jurisdiction before end of business December 31, 2016. Temporary Certificates of Occupancy that prohibit occupancy will not be accepted to meet this requirement. DCA will inspect projects requesting IRS Form(s) 8609 to ensure that all work has been completed prior to issuing Form(s) 8609. If a lesser percentage is completed, DCA reserves the right to recapture all Credits allocated or disallow any credits. DCA may approve modifications to the proposed work scope upon written request.

G. Placement-In-Service. Owners of projects receiving Credits or Letter of Determination in accordance with this QAP must place all buildings in the project in service by December 31, 2016. DCA may pre-approve in writing, on a case by case basis, limited extension requests for 4% credit projects or projects receiving credits from the 2015 credit ceiling.

H. Final Allocation Application Deadline. Owners of projects receiving Credits or a Letter of Determination in accordance with this QAP must apply for Final Allocation and request for issuance of IRS form(s) 8609 by February 15, 2017 for 9% credit projects, and September 15, 2017 for 4% credit (tax exempt bond) projects. IRS form(s) 8609 for a project will be issued only once for the entire project as proposed in the Application. Form(s) 8609 will not be issued as buildings are placed in service. Extensions may be approved by DCA on a case-by case basis. Before the final allocation is submitted, the final HOME draw must be dispersed and required Contractor cost certifications submitted.

SECTION 15. PROJECT RECONFIGURATION/APPLICATION MODIFICATION

Applicants will not be allowed to make any changes to the Application after Application Submission to DCA and prior to the announcement of awards. DCA may allow Applicants to correct deficiencies in the Application if DCA does not approve a sufficient number of Applications to use all the Credit authority available in an Application cycle *and* it receives Applications that are acceptable except for minor deficiencies that the Applicant can address within a reasonable period of time (generally not to exceed 10 business days).

Subsequent to awards, Applicants will generally not be allowed to make any changes to the Application. However, once a project is selected for funding, if Applicants believe extenuating circumstances warrant a change, and the change would not significantly alter the project's original concept or score, a written request for such a change will be considered by DCA. The request must be submitted on the Request for Post Award Project Concept Amendment Form and accompanied by the appropriate fee. This provision applies to any changes proposed after Application award, and if an award is made, throughout the project's Compliance Period or Period of Affordability, whichever is longer. Applicants' written requests must clearly establish the importance of the change, and why it is necessary to ensure the project's long-term financial feasibility and

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economic viability. Examples of substantial changes that must be documented and submitted for approval include but are not limited to: changes in the number of tax credit units, market units, unit mix, amenities, unit count, legal descriptions, and direct or indirect transfers of the general partner's or Developer's interest. Projects receiving DCA HOME funds in the 2014 competitive tax credit round must submit any proposed change requests by February 28, 2015.

Failure to abide by this provision will adversely affect the Applicant's eligibility to receive future DCA funding.

SECTION 16. FEES AND DEADLINES

The fees indicated in this Section will be charged based on the legal status of the Applicants. All fees must be paid by certified funds made payable to the Georgia Housing and Finance Authority.

A. Compliance Monitoring Fees. When DCA is required to monitor projects for compliance with tenant income and/or rent limitations of more than one program e.g., Credits and FDIC, the applicable monitoring fees for each program will be charged. All compliance monitoring fees, including credit compliance fees must be paid within eighteen (18) months of issuance of the carryover allocation document, but no later than the placed in service date or December 31, 2016, whichever is earliest. Failure to do so may adversely affect the Applicant's ability to compete in future funding rounds.

B. Non-Compliant Properties. Projects having instances of noncompliance that require additional review and follow-up will be assessed with additional compliance fees based on staff time and travel expense.

C. Fees and Deadlines can be found in Exhibit "A" to this core (DCA Deadlines and Fees)

SECTION 17. EVALUATION OF COMPETITIVE APPLICATIONS

A. Completeness Review. Applications received by DCA will be reviewed for completeness, including but not limited to:

1. organization of the hard copy and electronic Application submission;
2. inclusion of all required Application forms;
3. inclusion of Environmental Phase I;
4. inclusion of Market Study;
5. submission of all required supporting documents; and
6. Completed Electronic Core Application

Any project which is deemed substantially incomplete will be returned to the Applicant and not subject to further review.

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B. Threshold Review

Complete Applications will be reviewed to determine if the project meets the requirements set forth in Appendix I (Threshold). Projects that fail to meet any applicable Threshold requirements at the time of Application Submission will not be considered for an Award. Applicants that submit an Application that fails to meet Appendix I requirements will be notified in writing (by email) of the specific requirement(s) that the Application did not meet. If an Applicant believes the requirement(s) was (were) met, the Applicant must respond in writing within 5 calendar days from the date of the DCA's preliminary Threshold failure notification letter. The response must provide a clear and specific explanation of why the Applicant believes DCA's initial determination was incorrect. DCA will review the response and make a final determination of whether the submitted Application meets all Threshold requirements. Applications that fail to meet required Threshold requirement(s) may not be scored.

Threshold Deficiencies. If an Application contains Appendix I deficiencies which are administrative in nature such as a missing or incomplete document, or need clarification of information submitted in the Application, then DCA may request correction or clarification for such deficiencies. Such a request is referred to as the "clarification request". DCA will provide this request in the form of an email to the Applicant. This clarification period will only be utilized for minor inconsistencies or to help DCA understand the overall project concept. It cannot be used to modify a submitted application or provide documents or reports that were not in existence prior to Application Submission day.

Applicants receiving a clarification request may supply missing or incomplete information and may clarify any inconsistencies related to the specific items identified by DCA in the clarification request. The clarification period will begin on the date of the clarification request and shall end on the date specified in the clarification request unless otherwise noted. The clarification request shall specify the means and methods by which missing items may be supplied, incomplete items completed and inconsistencies clarified. It is the Applicant's responsibility to ensure that submitted materials are addressed properly to the specified DCA Housing Finance and Development Division address (electronic or physical).

Applicants may not submit additional items for the purpose of increasing or further supporting their score. **Any documentation that is provided during the clarification review period that is also applicable to a related scoring item will be reviewed only for Appendix I clarifications and will not be utilized during the scoring review process for the Application.**

C. Scoring*

Complete Applications that meet applicable Threshold requirements will be scored. Applicants in each pool will be ranked in descending order by total DCA point score as set forth in Appendix II. (Applicants' self scores are advisory and are not considered in

* Not applicable to bond financed projects

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the final scoring process.)

DCA will provide the preliminary results of the Competitive Scoring of each Application to the Applicant. Applicants will be given a forty-eight (48) hour period to provide comments to DCA regarding the preliminary scoring of a submitted Application. Applicants may not submit additional items for the purposes of curing scoring deficiencies, justifying self-scores or increasing their scores. Comments must be limited to the Applicants' opinions regarding DCA's scoring determinations.

DCA will review all comments that are received during the comment period prior to assigning each project its final score.

D. Selection

1. Competitive Application Selection*

Generally, Applications with the highest DCA score and favorable market studies will be allocated resources provided that only one Application is submitted in the market area and provided all set asides have been met. DCA will not fund two projects in the same locality with the exception that a new construction and occupied rehab may be selected. In some cases, DCA may select a family and a senior project provided the projects are not located in close proximity to each other and there is a significant showing of demand. DCA will not select more than one phase of a planned multi-phase development.

If more than one project receives a competitive score in the same market area, DCA will select the higher scoring Application unless the lower scoring Application has been selected to receive DCA HOME funds. Applications that do not score high enough to receive an award will be placed on a waiting list. If additional funding becomes available the next highest-scoring Application on the list will be selected for an award.

2. Tie-Breaker*

In the event one or more projects have the same score, but DCA has insufficient resources to fund all of the projects having that score, the following priorities will be utilized to evaluate projects:

- (a) Projects that use least amount of DCA resources per unit
- (b) First selected project for the Project Team in this round to help ensure more equitable distribution of resources among Applicants
- (c) PHA sponsored projects that utilize Replacement Factor Funds and reduce public housing waiting lists
- (e) Family Projects
- (f) Projects with DCA HOME funds

Tiebreaking criteria are not listed in any particular order. Applications will be comparatively ranked according to how well they meet the above criteria.

* Not applicable to bond financed projects

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3. *Special Allocation Considerations**

DCA may allocate Credits, up to the first day of the allocation round, based on the prior year's allocation plan with all applicable terms and conditions to projects that received an allocation in the prior year.

4. *Final Notification**

DCA will provide the final results of the Competitive Scoring process to all Applicants as soon as possible after the process has been completed. A separate letter will notify those Applicants whose projects are selected for awards. Also, if a DCA HOME Loan is proposed and the project is selected for a tax credit award, DCA will issue to the Applicant/borrower a preliminary loan commitment letter. This commitment letter - while not fully guaranteeing that the HOME Loan will be forthcoming - will set forth all the conditions that, if met, will result in a HOME Loan.

5. *Appeal Process*

The following are the Administrative Rules for reconsideration of DCA's Threshold Failures and scoring decisions in the 2014 Qualified Allocation Plan:

Applicants that submitted an Application requesting an award of Federal Low Income Housing Tax Credits may request that DCA reconsider a Threshold failure or a scoring decision that resulted in the non selection of a proposed project. Applicants cannot appeal a scoring decision that did not result in the non selection of a project.

The Request for Reconsideration must be made in writing and submitted within fourteen calendar days from the date on the Notice of Final Threshold Failure or notification of a Project's final score. Requests should be submitted to the attention of the Director of the Office of Housing Finance. The request must contain a detailed written statement which supports the Applicant's assertion that the Threshold Failure or scoring decision was incorrect.

Upon receipt of Request for Reconsideration, DCA shall schedule a meeting with the Reconsideration Review Committee and the Applicant. The Applicant will be informed of the date, time and location of that meeting. The Applicant may choose to be represented by legal counsel or others, at its own expense. At that meeting, the Applicant shall have an opportunity to present evidence and testimony to the Reconsideration Review Committee to support the claim that the Threshold Failure or scoring decision was not correct. Only documentation that meets the requirements of the QAP will be considered by the Reconsideration Review Committee. Documents that the Applicant did not submit with the Application will not be considered. Documents that were not submitted as part of a Threshold clarification will not be considered. The burden of proof shall be on the Applicant to prove that the decision that resulted in the non selection of the project was incorrect and that the Application met all QAP requirements, program requirements, and statutory requirements.

Upon completion of its review, the Reconsideration Committee will issue a decision. The Applicant will be notified by a Decision Letter stating whether the Threshold failure or scoring decision was affirmed or reversed and any additional findings.

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If the Applicant seeks further review of its Request for Reconsideration, the Applicant may (within seven calendar days of the date on the Decision Letter denying the Applicant's Request for Reconsideration) submit a request for an Appeal Review to the Deputy Commissioner for Housing. The Appeal Review shall consist of an additional review of previously submitted documentation by the Appeal Review Committee. The Applicant may also request a meeting with the Appeal Review Committee.

The Appeal Review meeting shall be recorded and available for transcription upon Applicant's request.

The decision of the Appeal Review Committee shall be considered the final decision of DCA and not subject to further internal review.

SECTION 18. GEORGIA OPEN RECORDS ACT

All Applications are subject to disclosure under the Georgia Open Records Act (GORA). Applicants must agree in the Application to hold harmless DCA and GHFA for any and all losses associated with disclosures in accordance with GORA.

SECTION 19. MONITORING AND COMPLIANCE

The following are the procedures that GHFA will follow in monitoring for non compliance with the provisions of this section and in notifying the Internal Revenue Service of such non compliance and in monitoring for non compliance with habitability standards through regular site visits.

The Applicant's compliance responsibilities begin with the award of the HOME funds and/or the Credit and will continue through the end of the Compliance Period/Extended Use Period, the Period of Affordability, or the term of the loan, whichever is longer.

Applicants are advised that DCA is required to monitor projects for compliance with the requirements of IRC Section 42, the HOME regulations at 24 CFR Part 92, the representations set forth in the Application, the requirements stated in this Plan, the requirements set forth in the respective program manuals and as represented in all restrictive documents. Although DCA is responsible for monitoring the Owners' compliance with these rules, regulations, and restrictions, this responsibility does not make DCA liable for an Owners' noncompliance.

A. Credit Compliance Monitoring Procedures (Tax Credit and Tax Exempt Bond/ Tax Credit Properties)

Section 1.42-5(a) of U.S. Treasury Regulations requires that each Plan include a procedure that the housing credit agency (DCA) will follow in monitoring for noncompliance with the provisions of Section 42 and in notifying the Internal Revenue

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Service of any noncompliance of which DCA becomes aware. The procedure for monitoring contained in the Plan must contain procedures consistent with the Regulations that address the following areas: record keeping and record retention; certification and review; on-site inspection; and notification as to noncompliance. This section is included in the Plan to comply with the mandate of the Regulations. DCA reserves the right to make such alteration or amendment to its monitoring procedures as may be required. Specific procedures that Owners must follow to remain in compliance with Program requirements are outlined in Credit Certification Training Materials and in the IRS-issued "Guide for Preparing Form 8823" revised in October 2012. Changes and updates to these materials can be found on the Compliance Section of the DCA web site www.tinyurl.com/dcacompliance.

B. Section 8 Rental Assistance. No project may deny a unit to applicants possessing a Section 8 Rental Assistance certificate or voucher unless those applicants fail to meet the minimum requirements for all leaseholders. Federal statutes prohibit discrimination against Section 8 certificate and voucher holders. The number of Section 8 tenants residing at a property cannot be limited under the IRS program regulations at any property receiving DCA Tax Credits and/or HOME funding. DCA will closely monitor whether the tenant application process is structured to avoid such discrimination or whether any actions are taken to discourage Section 8 Rental Assistance certificate or voucher holders from applying. Likewise, all lease provisions must be compatible and not in conflict with Section 8 leases.

C. Property and Record Compliance. Please refer to The Guide for Completing 8823 Low Income Housing Agencies Report of Noncompliance or Building Disposition revised in October 2012.

D. Review. DCA will review the certifications submitted to determine whether or not the Owner has complied with the requirements of Section 42.

Annually, DCA will inspect at least thirty-three percent (33%) of affordable developments to which it has made an allocation under Section 42. In each development selected for review, DCA will review the low-income tenant certifications, the documentation the Owner has received to support that certification, the rent record for no fewer than twenty percent (20%) of the low-income units located in each such development. Records relating tenant income, supporting documentation and rent records will be selected at random by DCA's monitoring officer at the time the review is held. In addition, DCA Compliance Officers (or contractor or agent) will conduct a physical inspection of each low-income unit that receives a record review. The purpose of this inspection will be to determine whether or not the units meet Uniform Physical Condition Standards as defined by the Department of Housing and Urban Development.

DCA will conduct a physical inspection of approximately ten percent (10%) of the units at each project and will review approximately ten percent (10%) of the tenant files each year at properties that have received DCA HOME funds. Additional federal requirements will also be reviewed on an annual basis.

E. Record Keeping and Record Retention

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1. Owners awarded HOME Loans must keep records for each assisted building as stipulated in the final HOME regulations.
2. Owners allocated Credit must keep records for each building as stipulated in Section 42 of the IRS Code, according to regulation 1.42.5(b).
3. Owners receiving HOME Loans and Credit must follow the most stringent requirements of the two programs.

F. Inspection Record Retention Provision (Tax Credit and Tax-Exempt Bond Tax Credit Properties).

The Owner of a Credit property is required to retain all original local health, safety, or building code violation reports or notices that were issued by the State or local government unit for DCA's inspection. After DCA reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected, the Owner may dispose of these reports or notices.

G. Compliance Standards

1. Assessment of Noncompliance

Principals of projects awarded Credit or HOME in previous cycles must remain materially in compliance with Credit and HOME program requirements (if applicable) to remain eligible to compete for future Credit awards or HOME Loans. Material noncompliance status exists when a party exhibits a continual pattern of noncompliance, or when a party demonstrates an inability or an unwillingness to resolve noncompliance matter in a timely manner. DCA will determine those parties ineligible to participate due to noncompliance status.

2. Cure Period Standards

DCA will notify the Owner in writing of any possible findings of noncompliance. Each item of noncompliance will have an assigned cure period. The cure periods will typically range from thirty (30) days to a maximum of ninety days (90) days. Examples of noncompliance matters and typical cure periods are as follows:

<u>Noncompliance Items</u>	<u>Typical Cure Periods</u>
<i>Health and Safety</i>	
Any issue	24-72 hours
<i>Administrative Noncompliance</i>	
Incomplete or incorrect tenant income certifications	30 days
Affidavits not notarized	30 days
Failure to report on a quarterly or annual basis	30 days
<i>Project Wide Noncompliance</i>	
Incorrect utility allowance	60 days
Violations of the 40/50 Rule	60 days
Rent overages	60 days

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Incurable Instances of Noncompliance
Submission of fraudulent information to DCA No Cure

For additional guidance regarding noncompliance and appropriate cures please refer to the 8823 Guide.

H. Monitoring Fees. DCA charges a monitoring fee for all Tax Credit developments containing five (5) or more low-income units. Credit recipients will be required to pay the entire fee covering the 15-year Compliance Period as indicated in Exhibit A of the Core Plan (DCA Fees and Deadlines). Additional fees may be charged to properties that require additional follow-up due to non-compliance findings. \$55 per unit plus travel expenses will be assessed for reinspections.

I. Compliance Monitoring Responsibilities

1. DCA may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor. This option, if chosen, does not relieve DCA of its obligation to notify HUD or the IRS of noncompliance instances.
2. Applicants must inform DCA of all conditions or extenuating circumstances at each project that may impact compliance monitoring duties. Any questions regarding compliance with the Credit or HOME programs should be addressed in writing and faxed to DCA's Compliance Monitoring Section at (404) 327-6849.

J. Reasonable Accommodation

The Georgia Department of Community Affairs (DCA) is committed to ensuring that its policies and procedures do not deny individuals with disabilities the opportunity to participate in, benefit from, access to any of DCA's programs, services and activities, or otherwise discriminate against individuals living with disabilities,. Therefore, if an individual with a disability requires an accommodation such as a modification to a DCA policy, DCA will provide such accommodation unless doing so would result in a fundamental alteration in the nature of the program or an undue financial and administrative burden. In such a case, DCA will recommend another accommodation that would not result in a financial or administrative burden.

K. Housing Rights for Victims of Domestic Violence, Dating Violence, Sexual Assault, and Stalking.

An applicant for or tenant of housing assisted under a Low Income Tax Credit or HOME Loan Program (hereafter referred to as a "covered housing program") may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy. An incident of domestic violence, dating violence, sexual assault, or stalking shall not be considered a lease violation by the victim, nor shall it be considered good cause for an eviction.

If a tenant who is a victim requests an early lease termination, lease bifurcation from the abuser, or transfer to another unit because she/he is in danger, a covered housing program shall make every effort to comply with the request and shall not penalize the

State of Georgia Qualified Allocation Plan

tenant. Each owner/manager of a covered housing program shall have an emergency transfer policy for victims seeking safety, which incorporates reasonable confidentiality measures to ensure that the owner or manager does not disclose the location of the dwelling unit of a tenant to a person that commits an act of violence or stalking against the tenant. An owner, manager, or landlord may request documentation from a victim before these protections are triggered. Any one of the following shall be considered adequate documentation: an affidavit signed by the victim under penalty of perjury; an affidavit or letter signed by a domestic violence service provider, attorney, or medical/mental health professional who assisted the victim; or a court or administrative record. This submission shall be confidential.

SECTION 20. MODIFICATION OF THE PLAN

Without limiting the generality of DCA's power and authority to administer, operate, and manage the allocation of Credits and HOME Loans according to federal law, federal procedures, and the Plan, DCA shall make such determinations and decisions, publish administrative rules, require the use of such forms, establish such procedures, and otherwise administer, operate, and manage allocations of Credits and HOME Loans and funds in such respects as may be, in DCA's determination, necessary, desirable, or incident to its responsibilities as the administrator, operator, and manager of allocations of Credits and HOME Loans.

In accordance with NCSHA best underwriting practices, DCA reserves the right to allow developer fees of up to 20% for projects that DCA deems hard to develop or socially desirable developments, developments produced in difficult to develop areas or in accordance with policy changes necessitated by DCA.

The Governor recognizes and acknowledges that DCA will encounter situations which have not been foreseen or provided for in the Plan and expressly delegates to DCA the right to amend the Plan, after the public has had the opportunity to comment through the public hearing process, and to administer, operate, and manage allocations of Credits and HOME Loans in all situations and circumstances, both foreseen and unforeseen, including, without limiting the generality of the foregoing, the power and authority to control and establish procedures for controlling any misuse or abuses of the Credits or HOME Loan allocation system and the power and authority to resolve conflicts, inconsistencies, or ambiguities, if any, in the Plan or which may arise in administering, operating, or managing Credits or HOME Loan allocations pursuant to the Plan. The Governor further expressly delegates to DCA the authority to amend the Plan to ensure compliance with federal law and regulations as such federal law may be amended and as federal regulations are promulgated governing Credits and the HOME Loan Program. The Commissioner of DCA, acting as Executive Director of GHFA, is also granted the authority to make minor modifications to the Plan to clarify provisions and correct inconsistencies.

State of Georgia Qualified Allocation Plan
SECTION 21. MAILING LIST

DCA maintains an e-mail distribution list for those interested in receiving notifications of application cycles and other DCA Multifamily program activities. Visit DCA's website at:

www.dca.ga.gov/housing/HousingDevelopment/programs/OAH.asp

to be added to the e-mail list or you may submit a written request to

oahround2014@dca.ga.gov

State of Georgia Qualified Allocation Plan

EXHIBIT A

**DCA PRE-APPLICATION DEADLINES AND FEE SCHEDULE
For Profit, Non-profit, and For Profit/Non-profit Joint Ventures
*all checks should be made to the attention of OAH Billing Department**

	Fees	9% Deadline	4% Deadline
Architectural Standards & Design Options	\$1,500 per waiver	March 12, 2014	No later than 30 days prior to submittal of the LIHTC application
DCA HOME Consent Loan Pre-Application Application and Third Party Review Fees	\$1,000 For Profits \$500 Non-profits	March 12, 2014	N/A
Qualification Determination	\$1,000	March 12, 2014	No later than 30 days prior to submittal of the LIHTC application
Operating Expense Waiver	\$1,500 per waiver	March 12, 2014	No later than 30 days prior to submittal of the LIHTC application
Payment & Performance Bond Waiver	\$1,500 per waiver	March 12, 2014	N/A
Per Unit Cost Limitation Waiver Request or Credit Award Limit Waiver	\$1,500 per waiver	March 12, 2014	No later than 30 days prior to submittal of the LIHTC application
State-Basis Boost request under Section 8.D (“extraordinary circumstances”	NONE	March 12, 2014	N/A
Sustainable Communities Site Analysis Packet or Feasibility study	NONE	March 12, 2014	N/A

INCOMPLETE INFORMATION SUBMITTED WILL NOT BE REVIEWED

State of Georgia Qualified Allocation Plan

EXHIBIT A (continued)

**DCA APPLICATION AND PRE-AWARD DEADLINES & FEE SCHEDULE For
Profit, Non-profit, and For Profit/Non-profit Joint Ventures**

**Failure to meet deadlines below will be considered in Experience and Compliance
Reviews**

	Fees	9% Deadline	4% Deadline
2014 Bond/4% Credit Eligibility Opinion Letter	\$5,000 Resubmission fee of \$500 due to incomplete submissions	N/A	Pre-Application Submission no later than 75 days before bond closing (fee not required at application if submitted with pre- application)
2014 Credit Application Fee and Third Party Review Fees	\$6,500 For Profits \$6,500 For Profits/Non-profits Joint Venture \$5,500 Non-profits	Application Submission June 5, 2014	N/A
Notification of delayed Financing Awards (USDA 538 and HUD invitation letters)	NONE	7/10/14	N/A
Alternate Financing Deadline, if Notification deadline has not or will not be met	NONE	7/24/14	N/A
Evidence of 8 step process commencement	NONE	8/1/14	N/A
Evidence of 8 step process completion	NONE	8/29/14	N/A

9% Application Submission Deadline: 4:00 PM on June 5, 2014

State of Georgia Qualified Allocation Plan

EXHIBIT A (continued)

DCA POST AWARD DEADLINES AND FEE SCHEDULE

For Profit, Non-profit, and For Profit/Non-profit Joint Ventures

Failure to meet deadlines below will be considered in Experience and Compliance Review

	Fees	9% Deadline	4% Deadline
Appraisal Fee (HOME Loans Only)	Based on DCA cost	Upon invoicing by DCA during underwriting	N/A
Bond/4% Credit Processing Fee	8% of annual Federal Credit amount	N/A	Due within 30 calendar days of issuance of Letter of Determination
Certificates of Occupancy/ Placement –In-Service	NONE	Issued by local jurisdiction/all buildings placed in service before end of business December 31, 2016	Issued by local jurisdiction /all buildings placed in service before end of business December 31, 2016
Commencement of Construction/Rehabilitation (Projects w/Tax Credit and HOME)	NONE	Must satisfy all conditions necessary to commence construction within 9 months of date of the initial HOME commitment.	N/A
Commencement of Construction/Rehabilitation (Tax Credit Only Projects)	NONE	No later than September 30, 2015	No later than September 30, 2015
Completion of Work Scope	NONE	No later than December 31, 2016	No later than December 31, 2016
Construction Loan Closing (Tax Credit only Projects)	NONE	No later than August 31, 2015	No later than August 31, 2015
Final Allocation Application Amendments	\$1,500 per request	At time of request	At time of request
Credit Allocation Fee	8% of annual Federal Credit amount	At time Applicant execute the carryover allocation, except for Non-profit sole general partners who can submit at or before construction commencement deadline.	N/A
Credit Compliance Monitoring Fee (calculated on a per unit basis for all project units)	\$400 - USDA 515 Projects; \$400 - URFA Bond Projects; \$1,500 - Single family detached or duplexes; \$800 - Bond/4% Credit Projects; \$800 – Others	The earlier of 18 months from Issuance of carryover allocation, or the project placed in service date; Applicant will be assessed a late fee of \$25 per day for failing to meet deadline.	Due within 18 months of issuance of Letter of Determination or applicant will be assessed a late fee of \$25 per day
DCA Placed In Service Form	NONE	Within 30 days of the 1st building placed in service	Within 30 days of the 1st building placed in service
Boundary survey, topographic survey, and geotechnical report	NONE	No later than 60 days after announcement of awards (including projects with DCA HOME)	At the time of application
Construction Documents as fully outlined in the Architectural Manual	NONE	No later than May 1, 2015 (HOME projects may have more stringent deadlines)	At the time of application for new construction. For rehabilitation projects, upon DCA notification after review of the work scope.

EXHIBIT A (continued)

**DCA POST AWARD DEADLINES AND FEE SCHEDULE
For Profit, Non-profit, and For Profit/Non-profit Joint Ventures
Failure to meet deadlines below will be considered in Experience and Compliance Review**

	Fees	9% Deadline	4% Deadline
Environmental Review Costs	Based on Actual Costs incurred by DCA to retain consultants	Upon invoicing by DCA during underwriting	Upon invoicing by DCA during underwriting
Final Allocation Deadline	NONE	February 15, 2017	September 15, 2017
Final Inspection Fee (for all LIHTC properties, both 4% and 9%, excluding those projects involving HOME funds)	\$3,000 per project	Due within 30 days of final draw but no later than 30 days prior to the placed in service date or a late fee of \$25 per day will be assessed	Due within 30 days of final draw but no later than 30 days prior to the placed in service date or a late fee of \$25 per day will be assessed
Formal Firm Commitments for equity and non-DCA debt (HOME)	NONE	Must be submitted to DCA within 75 days of the carryover allocations	N/A
Front End Analysis (applicable to HOME loans only, when an Identity of Interest exists between the Developer or Owner and the general contractor)	\$2,700 per project	Due within 15 days of invoicing by DCA during underwriting	N/A
Georgia Housing Search	NONE	Applicant agrees that if Application is selected for funding the Applicant will accurately list all of its existing developments in the Georgia Housing Search within six months of selection	Applicant agrees that Application receives a Letter of Determination, then the applicant will list all of its existing developments in the Georgia Housing Search within six months of selection
HOME Loan Closing	NONE	On or before July 15, 2015	N/A
HOME Loan Conversion	NONE	No later than 24 months of the HOME construction loan closing	N/A
LURC Execution	NONE	Prior to submission of cost certification	At or prior to bond closing
Non-Compliant Re-inspection Fee	Minimum of \$65 per unit or file plus travel expenses	Due within 15 days of invoicing by DCA	Due within 15 days of invoicing by DCA
Project Application Amendments, Post Award Project Concept Amendments, Post Letter of Determination	\$1,500 per request	At time of submission of request for amendment	At time of submission of request for amendment

Note: All outstanding fees due to DCA must be paid in full prior to issuance of 8609's for all projects receiving an allocation of tax credits per this Plan.

Appendix I
Threshold Criteria*

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* Applies to bond financed projects

Appendix I Threshold Criteria

To be considered for an allocation of DCA resources, Applications must meet each of the Threshold requirements described below. Please note that DCA requires that Applications must be complete when submitted. Applicants cannot submit updated applications or new documents after Application Submission unless requested during the clarification process. Applications that contain a significant number of missing or incomplete documents will be returned to the Applicant and be deemed a threshold failure.

I. PROJECT FEASIBILITY, VIABILITY ANALYSIS AND CONFORMANCE WITH PLAN

Section 42 requires that the housing credit dollar amount allocated to a project not exceed the amount that DCA determines is necessary for the financial feasibility of the project and its viability as a qualified low income housing project through the credit period. In making this determination, DCA must consider:

- the sources and uses and the total financing planned for the project
- any proceeds or receipts expected to be generated by reason of tax benefits
- the percentage of housing credit dollar amount used for project costs other than the cost of intermediaries and
- the reasonableness of the development and operational costs of the project

The ownership entity for the proposed project must be structured as a single purpose entity and must be able to clearly show that the project is financially sustainable based on income from operations. The sources and uses must be verifiable and available at the time of Application. Owner contributions outside of deferred developer fee will not be considered an allowable source.

A. Feasibility Assumptions and Policies

Applicants must use DCA's Underwriting assumptions and if applicable, DCA HOME Underwriting assumptions in the Submitted Application pro forma. DCA's 2014 underwriting assumptions can be found in Exhibit A attached to this Appendix I.

In addition, the following policies will be utilized in determining whether a project is feasible:

1. Certifications. The Applicant must certify to DCA the full extent of all federal, state, and local subsidies that apply (or which the applicant expects to apply) to the project. The Applicant must also certify to the Agency all other sources of funds and all development costs for the project.

2. Income. Only rental income plus up to a maximum of 2% of gross potential rents (GPR) in ancillary income will be used in the cash flow analysis. Tax abatements and exemptions, interest credit payments, and other documented sources of commonly

Appendix I Threshold Criteria

accepted forms of expense off-sets will also be considered. However, income from commercial space, fees, charitable contributions or owner contributions will not be considered. Applicants must provide reasonable documentation of the source of the 2% of GPR that is utilized.

3. Reasonableness of Development and Construction Costs. In order to be eligible for selection, DCA must determine that proposed costs are reasonable based on an examination of all soft costs and hard costs listed in the application. DCA will thoroughly examine building construction, soft costs and land costs. It will also consider variations in costs due to project location, type of construction, and population served. Additionally, DCA will compare proposed project costs to other Applications submitted in the funding round, to certified cost data on existing Housing Credit developments in the State portfolio, as well as to the actual costs of other non-luxury multifamily housing located in the same geographic areas. Applications which do not demonstrate cost reasonableness will be ineligible for an allocation of credits.

DCA may request a breakdown of the hard construction cost line items in the event it determines that the proposed costs do not appear to be reasonable and consistent with the scope of work for the project. DCA reserves the right to obtain a review of costs from a qualified outside source. DCA will review land costs carefully to determine that there has been no unjust enrichment to any party and that the parties have not overpaid for proposed project site. During Application review, DCA may order an appraisal to determine the reasonableness of the contract price for land and/or buildings. DCA may require documentation not specifically included in the minimum documentation requirements to verify the reasonableness of development and operating costs.

4. Reasonableness of Operating Costs. Applications must also reasonably estimate operating expenses for a submitted project. If insufficient documentation of the basis of real estate taxes is provided by the Applicant, DCA will utilize tax millage rates, construction costs and operating income to determine if real estate taxes are reasonably estimated. Applicants are encouraged to provide supporting documentation for their estimates of impact fees, taxes and property insurance for the proposed project. Projects that do not provide a reasonable estimate of operating costs may be determined to be infeasible. Annual operating expenses which differ significantly from average costs for the project area will require clear documentation of the basis for the deviation.

5. Rents. Rent standards derived from the most recent AMI, FMR, and applicable underwriting utility allowance must be used to determine project rents and rent restrictions. Please note that for purposes of determining the maximum allowable rent limits, regardless whether a property is considered Rural, the applicable HUD program rent limits must be used. Applicants are encouraged to underwrite projects at reasonable and achievable tax credit rents for low-income units.

a) National Non-Metropolitan. Applicants cannot use the National Non-metropolitan Area Median Income Rents in their Submitted Applications. If selected, projects without

Appendix I Threshold Criteria

HOME funding which are located in qualified USDA designated rural areas may utilize National Non-metropolitan Area Median Income Rents, if applicable.

- b) Tax Credit (only). Gross rents may not exceed 30% of 60% of the effective AMI table for the appropriate bedroom size. Applicants should assume 1.5 persons per bedroom
- c) HOME Rents with Tax Credits. For layered projects, the maximum allowable rents must be determined based on the regulations of each program, and the most restrictive rent calculation of the programs must be utilized. For low-income units receiving HOME funds and Tax Credits, the gross rents may not exceed 30% of 50% of the effective AMI for at least twenty percent (20%) of the low income units. For HOME Loans, rents must be affordable at initial lease-up and must remain affordable over the term of the HOME Loan or the period of affordability, whichever is longer.

Dwelling unit rents must conform to the LIHTC and/or the HOME regulation's gross rent (contract rent and tenant UA) restrictions. Tenant UA must conform to the requirements set forth in the Plan and the Manual. In the event Credit, HOME, or other funds are requested, the most restrictive gross rents will govern.

For Scattered Site projects, all units must meet gross rent and utility allowance restrictions.

6. Operating Utility Allowance (UA)

Applications submitted under the 2014 QAP for Tax Credits only must use the PHA utility allowance set forth in section a) in their pro forma. Additionally, rents and Utility Allowances must be effective for the same year. Applicable rents and Utility Allowances in effect on May 15, 2014 must be utilized in the Application and market study.

On July 29, 2008, the IRS issued amendments to the utility allowance regulations. This regulation does not include Internet, cable and phone service under the definition of "utility". On May 5, 2009, the IRS released Notice 2009-44 to clarify that utility costs paid by a tenant based on actual consumption in a sub-metered rent-restricted unit are treated as paid directly by the tenant for purposes of IRC 42(g)(2)(B)(ii), which requires that the rent for low income units include a utility allowance if the tenant pays the utilities. Additional guidance may also be found in the "8823 Guide".

Applicants must establish utility allowances for the property prior to placing the first building in service through the compliance period or through the period of affordability. In Georgia, the following methods may be used:

- a) Tax Credit Buildings. The utility allowance established by the Public Housing Agency (PHA) that administers the Section 8 Program in the locality where the property is located, or HUD Utility Schedule Model, or Local Utility Provider Estimates/Estimates

Appendix I Threshold Criteria

Based on Actual Usage, or Energy Consumption and Analysis Model (licensed engineer or qualified professions providing this model must be approved by DCA prior to submission of the Model).

- b) Tax Credit & HOME Assisted Buildings. HUD Utility Schedule Model, or Local Utility Provider Estimates/Estimates Based on Actual Usage, or Energy Consumption and Analysis Model (licensed engineer or qualified professions providing this model must be approved by DCA prior to submission of the Model).
- c) USDA-Assisted Buildings. If a building receives assistance from the USDA (formerly called the Farmers Home Administration, or FmHA), the USDA-prescribed utility allowance applies to all rent-restricted units in the building. The USDA-approved allowance applies even if the building is assisted by any other program or agency. Examples of USDA assistance include assistance provided under the USDA Section 515 rural rental loan program and USDA rental assistance. Projects funded with USDA 538 loan guarantee must use the DCA Utility allowance.
- d) Buildings with USDA-Assisted Tenants. If any resident of a building receives USDA rental assistance, the USDA-approved utility allowance applies to all rent-restricted units in the building. This is even the case if residents of some units receive rental assistance from the U.S. Department of Housing and Urban Development (HUD).

HUD-Regulated Buildings. If neither a building nor any resident in the building receives USDA assistance, and HUD annually reviews the rents and utility allowances for the property (such as for Section 8 and Section 236 projects), the HUD-prescribed utility allowance is used. This rule doesn't apply to buildings that have only FHA- insured mortgages.

Minimum Documentation:

- Applicable PHA rent and Utility Allowance limits.

7. PBRA

Projects that have at least ten years remaining from the Application Submission deadline for PBRA will be underwritten utilizing Section 8 rents. Additionally, projects that have a renewal commitment assuring PBRA for at least 10 years from the Application Submission deadline will be underwritten utilizing Section 8 rents. However, projects with a commitment for PBRA that is less than ten years, for which a renewed contract is not possible, will be underwritten within the maximum tax credit rents and/or HOME rents, as applicable.

Minimum Documentation:

- PBRA agreement, including most recent rent and utility allowance adjustment

Appendix I Threshold Criteria

8. *Deferred Developer Fee.*

Any owner's equity shown in the Application, excluding the general partner's nominal contribution required by the Limited Partnership Agreement, will be included as a source of funding in the calculation of Credit. This policy will apply at application, carryover, and final allocation. A developer should either take the deferred Developer Fee in the form of a note, or incorporate the deferred Developer Fee into the limited partnership agreement along with a detailed repayment schedule and specific terms. Deferred Developer fee must be payable within fifteen years from available cash flow. The deferred portion cannot exceed 50% of the total amount of Developer Fee at initial application.

For purposes of calculating the project's annual debt service coverage ratio, the deferred Developer's Fee will not be included as debt service.

For purposes of calculation DCA will consider the terms and conditions contained in the debt and equity commitments in determining the project's debt service coverage and its ability to pay the deferred Developer's Fee within 15 years.

Minimum Documentation:

- Draft note for Deferred Developer Fee

9. *Commitments*

- a) Original preliminary commitments for all financing must be submitted with the Application including, but not limited to, the following:
 - i. Construction financing
 - ii. Non-DCA permanent financing
 - iii. Bridge loans, if applicable
 - iv. Project Based Rental Assistance Agreements
 - v. Operating subsidy agreements
 - vi. Deferred Developer Fee
 - vii. Limited partner (Tax Credit) equity
 - viii. HUD letters by an authorized official from the Multifamily Housing Division stating that the application is under serious consideration and Lender Preliminary Commitments for HUD assisted projects under 221 (d)(3) or 221 (d)(4) program may be submitted with the Application but final MAP Invitations must be submitted by the deadline noted on Exhibit A DCA Pre-application and Pre-Award Deadlines and Fee Schedule.
 - ix. USDA Notice to Proceed (or equivalent) with Application Processing and Lender Preliminary Commitment are required for loans to be guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program.
 - x. Any grants or other forms of assistance utilized during the construction period, or utilized as permanent financing must be documented.

Appendix I Threshold Criteria

- xi. Applications that include cost associated with Pre-development Financing must provide copies of the loan documents (Note, Loan Agreement, Guarantees, Security Documents) if the loan has closed, or an original commitment from the proposed lender.
 - xii. Federal Home Loan AHP financing commitment from either the Federal Home Loan Bank to the non-profit entity or to the ownership entity is required. If the commitment is to the non-profit entity, then the non-profit should provide a preliminary commitment to the Ownership entity.
 - xiii. Projects proposing the utilization of Historic Tax Credits must provide documentation of the National Historic designation for the subject project on or before the deadline noted on Exhibit A DCA Pre-application and Pre-Award Deadlines and Fee Schedule.
- b) In the case of public financing which is under final consideration at the time of Application, but is not awarded funding, the Applicant may secure alternate financing provided related Application documents are submitted to DCA on or before the date noted on Exhibit A DCA Pre-application and Pre-Award Deadlines and Fee Schedule. Failure to provide the required documentation for USDA, FHLB-AHP, HUD alternative financing and/or the National Historic designation as stated above may render the application insufficient and the application may be subject to Threshold failure.
- c) The preliminary commitments must disclose, at minimum, the following:
- i. The purpose of the loan and use of proceeds,
 - ii. The property address,
 - iii. The loan amount,
 - iv. The interest rate applicable to the construction period. If the construction period rate is floating, the rate index, spread and the frequency of adjustment must be clearly identified,
 - v. The interest rate applicable to the permanent period. If the interest rate is to be fixed at the time of funding, the rate index and credit spread must be clearly identified and the indicative rate as of the date of the preliminary commitment must be provided,
 - vi. All “add-ons” to the base interest rate, including but not limited to MIP, USDA annual guarantee fee, servicing fees, Ginnie Mae guarantee fees, trustee fees, issuer fees, must be clearly identified in the commitment letter,
 - vii. The general and specific terms and conditions of the loan,
 - viii. The amortization period and term of the loan,
 - ix. All reserves by the lender/syndicator including, but not limited to, replacement reserve, operating deficit reserve, HUD required program reserves and USDA required program reserves,
 - x. In the case of a preliminary commitment from a tax credit syndicator to provide equity: the amount of the asset management fee, and whether or not the asset management fee will be increased annually; if increased, the rate of increase and the priority of payment of the Asset Management Fee,

Appendix I Threshold Criteria

- xi. In the case of loans to be guaranteed under the USDA Section 538 Guaranteed Rural Rental Housing Program, the lender must specify if the annual USDA guarantee fee will be paid out of the Lenders principal and interest payments,
- xii. Applicants that propose financing structures with government programs loans are responsible for correctly reflecting the terms of the loan, and determining whether the funds were originally “federal funds”.

10. Assumption of Existing Debt.

The supporting documentation must disclose, at minimum, the following:

- a) A letter signed by an officer of the lender whose debt is being assumed which certifies, as of May 15, 2014:
 - i. the original principal balance of the loan
 - ii. the current outstanding principal balance of the loan
 - iii. the current accrued and unpaid interest
 - iv. the current effective interest rate applicable to the loan
 - v. the original date of the loan
 - vi. the maturity date of the loan
 - vii. annual debt service
 - viii. the amortization period applicable to the original loan
 - ix. that the loan is not currently in default, or if there exists an event of default, or an event that with the passage of time will constitute an event of default, all of the factual data pertinent to said default or said potential default and
 - x. that the loan has, or has not, been modified (if said loan has been modified and/or restructured in any way, copies of said modification/restructure documents must be provided)
 - xi. the type and current balances of any outstanding reserve accounts
- b) A copy of the original Promissory Note and any amendments and/or modification to said Promissory Note
- c) A copy of the original Loan Agreement and any amendments and/or modification to said Loan Agreement
- d) A copy of the original Mortgage, Deed to Secure Debt, Deed of Trust or such other security instrument providing security for the loan, and any amendments and/or modification to said security instruments

DCA requires that existing DCA HOME loans receiving 9% credits be paid in full.

For Scattered Site Projects, all units must be developed under one master plan of financing and considered as a single project by all funding sources. The requirements of this threshold category are applicable to the project as a whole.

B. DCA Analysis of Feasibility During the Competitive Round

Appendix I Threshold Criteria

DCA may request Applicants to clarify issues related to project feasibility during its Threshold Review. In response to such clarification requests, the Applicant can only submit documents that were in existence prior to Application Submission day with the exception of final commitments for government sources under consideration at the time of Application Submission. Any clarification information or documentation will not be utilized for purposes of scoring points.

1. Total development cost may be decreased or increased during DCA's review if it is determined that line items are not reasonable or do not accurately reflect the supporting documents. Development budget adjustments during threshold review must be covered by deferred developer fee and not by new financing sources. Applicants may not request that one line item be reduced in order to increase or add an additional line item during the threshold clarification period. Credits will be adjusted accordingly for each adjustment.

- a) DCA may make minor adjustments to a Core Application to ensure consistency with DCA requirements and supporting documents.
- b) Total development cost may be increased or decreased by DCA during DCA's review if it is determined that line items are not reasonable, do not accurately reflect information contained in supporting documents or as a result of the Applicant's response to a clarification request.
- c) Development costs may not be increased by the Applicant during DCA's review.
- d) Minor adjustments in the development budget made by DCA which result in increases in line items may be allowed with commensurate decrease of developer's fee (i.e. only the developer fee may be utilized to cover increases in line item of development costs).
- e) Credits may be adjusted downward as a result of financial adjustment(s).
- f) Credits will not be increased above the amount requested in the Application.

2. DCA will not make the following revisions during its analysis of feasibility:

- a) Unit count and bedroom type.
- b) Rent structure (rents may be adjusted upward or downward by DCA to meet applicable program requirements but the number of 50%/60%/market units will not be adjusted). If rents are adjusted by DCA, the relevant debt coverage ratio and feasibility analysis must meet DCA's requirements after the adjustment.
- c) Operating expenses proposed by the Applicant will not be decreased to make the project feasible.
- d) New financing sources cannot be added (with the exception of DDF to fund any financing gap). Minor clarification of submitted financing sources may be allowed but will be considered an adjustment.

Appendix I Threshold Criteria

II. COST LIMITS

Regardless of the reasonableness of proposed project costs, DCA has determined that it will not fund projects that have costs that exceed DCA cost limits except under the limited circumstances described below. The 2014 per unit limits are as follows:

<u>Unit Type</u>	New Construction and Acquisition/Rehabilitation Projects <u>Cost Limit</u>	Historic Rehabilitation Projects that qualify for scoring point(s) under Historic Designations <u>Cost Limit</u>
Efficiency	\$110,481	\$121,529
1 Bedroom	\$126,647	\$139,312
2 Bedroom	\$154,003	\$169,403
3+ Bedroom	\$199,229	\$219,152

Single family styled units must meet the cost limits for each unit. Projects that propose a combination of new construction and rehab cannot average the costs of the rehab and new construction. The increased limits for historic rehabilitation projects will only be applicable to that portion of the project that qualifies as a historic development.

The total development cost for the project at the time of the Application cannot exceed the DCA per unit cost limitations unless the Applicant obtains funding from a foundation or other unrelated not-for-profit charitable organization in the amount equal to or greater than the development cost that exceeds DCA's unit cost limitations. The funding commitment letter from such foundation or charitable organization must be included in the Application and such funds, which must be in the form of a grant or a cash flow loan, must be included as part of the project sources of funds in the Application and final cost certification. In calculating the maximum of credits which can be allocated to the project, DCA will not include these funds in the gap calculation.

In limited circumstances, DCA will consider cost waiver requests for projects involving a significant economic barrier not typically seen in Georgia tax credit projects. Such requests must be submitted by the Pre-Application deadline.

III. TENANCY CHARACTERISTICS

All Applicants must designate the proposed project as targeting one of the following tenancies:

A. Family Project. A Family project is designed to foster development of housing for families and to encourage community activities from within the neighborhood.

B. Senior Project. A Senior project meets one of the following requirements:

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1. ***Elderly***: Intended for, and solely occupied by, individuals 62 years of age or older; **or**
2. ***Housing for Older Persons***: Intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older.

C. Other. Projects that have funding from a program which has a different tenancy definition than those set forth above must contact DCA for instructions on this section no later than the Pre-Application deadline date. Projects that combine senior housing and special needs housing must meet all architectural requirements of senior housing.

IV. REQUIRED SERVICES

A. Categories. All Family Projects must include at least one (1) basic ongoing service from the following categories and Senior Projects must include two (2) basic ongoing services from two different categories below:

1. Social and recreational programs planned and overseen by the project manager (semi-monthly birthday parties/holiday dinners or parties/potluck dinners, movie nights, bingo, etc); or
2. Semi-monthly classes conducted on site (example: arts and crafts, exercise, computer tutoring, gardening);
3. Other services as approved by DCA.

Applications that will target populations with Special Needs must also provide a memorandum of agreement with a behavioral health agency, continuum of care or service provider to ensure the appropriate provision of supportive services.

Applicants must certify at Application Submission that they will designate the specific services and meet the additional policies related to services. These required services must be identified in the Threshold Criteria Tab on the Core Application Form.

B. Additional Policies Related to Services

A final, binding contract for all proposed services must be submitted to the DCA Compliance Manager before issuance of IRS form 8609.

1. Services must be committed for the Compliance Period or the Period of Affordability, whichever is greater.

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2. Services may be provided at a charge sufficient to cover the cost of the supportive services only, but the services must be clearly optional to the tenants.
3. A full-time activities manager will be allowed in the operating budgets for those properties that are 100 units or more in size.
4. Temporary staffing during lease-up to handle activities set-up and sign-up will be considered on a case-by-case basis.
5. Part-time (on a proportional basis) activity managers will be allowed in the operating budgets for smaller projects.
6. Owners will be required to submit annual certifications and documentation regarding the ongoing provision of the supportive services.
7. For very small rural projects, Applicants may request a waiver of service requirements if there is insufficient participation in a service.

V. MARKET FEASIBILITY (MARKET STUDY)

Applicants must submit a market study, completed no more than 6 months prior to the Application Submission date. While DCA will use the conclusions of the analyst in determining whether the project is marketable, DCA will not be bound by the opinion or conclusions reached by the market analyst. DCA will review the market study, rent rolls and project data of similar projects located in close proximity to the proposed project in determining whether the project will be able to achieve the desired lease up to be feasible. The study must be prepared by a market analyst approved by DCA and clearly state that there is sufficient demand for the project and the project will stabilize within DCA requirements.

The market study must be prepared in accordance with DCA guidelines and must be in the format required by the DCA Market Study Manual. It is the Applicant's responsibility to ensure that the market study accurately reflects the rental structure and unit mix of the proposed project, as reflected in the Application, and meets all DCA requirements.

DCA will also carefully analyze existing DCA projects located in close proximity to the proposed project to determine if selection of the project will have significant adverse financial impact on existing affordable housing inventory. Except in the limited circumstances detailed below, DCA will not select a proposed Application for funding if the proposed site is in close proximity to a project which received an award of credits (9% and 4%) between 2011 and 2013. DCA defines "close proximity" as the 10-mile radius around each recently financed Rural development or 2-mile radius around each recently financed non-Rural development.

DCA will consider exceptions including, but not limited to, the following:

- The Application proposes to serve a different tenancy (Senior vs. Family) than the tenancy served at the recently financed project.
- Applications proposing occupied rehabilitations
- Applications located in close proximity to recently financed occupied rehabilitations.

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- Documentation clearly demonstrating that the proposed project will not adversely affect the recently financed project, for example the availability of project rental assistance at one of the sites. Note that a strong market study does not warrant an exception.
- Phased developments.

The following factors will generally be considered by DCA to be indicative of Market feasibility for HOME, 4% tax exempt Bond projects, and 9% Tax Credit projects.

1. Market capture rates 30 percent or less for **all** 1 bedroom units, 30 percent or less for **all** 2 bedroom units, 40 percent or less for **all** 3 bedroom units and 50 percent or less for all 4 or more bedroom units in the project
2. In Rural areas (as defined), market capture rates of 35 percent or less for **all** 1 bedroom units, 35 percent or less for **all** 2 bedroom units, 40 percent or less for **all** 3 bedroom units and 50 percent or less for all 4 or more bedroom units in the project
3. The overall capture rate for **all** Tax Credit Units shall not exceed 30 percent for Urban Counties and 35 percent for Rural areas and the overall capture rate for **all** Market Rate Units shall not exceed 30% for Urban Counties and 35% for Rural areas
4. Market capture rates for each AMI market segment type (i.e. 30%, 50%, 60% & market) for each **bedroom type** shall not exceed 70% for **all** bedroom types proposed in each segment
5. An absorption period less than 24 months to reach stabilized occupancy
6. Stabilized occupancy rate of 93% or above
7. Unit mixes or target populations supported by the market
8. No adverse impact to the occupancy and financial health of existing assisted rental housing properties in the market area. Assisted rental housing properties include those financed by Credits, USDA, HUD 202 or 811 (as appropriate), DCA or locally financed HOME properties, HTF, and HUD 221(d)(3) and 221 (d) (4) and other market rate FHA insured programs. DCA does not consider public housing properties in the adverse impact determination
9. Strong overall market occupancy (greater than 90%)

For existing occupied properties that are going to be rehabilitated, market analysts shall consider retention of current occupants in their demand calculations. Retention is measured by the number of tenants that are not rent burdened or over-income that are projected to reside at the property during and after the proposed renovations.

For Senior projects, demand may include residents from outside the market area, converting from homeownership and seniors living with and/or supported by their children as documented by the market analyst. DCA, when necessary, may independently evaluate the demand for additional affordable rental housing in the geographic/market area.

DCA's judgment will be the final determination. All requests for a "DCA ordered" market study for 4% tax credits submitted in May through September will need to have all pending 9% tax credit applications considered in demand calculations.

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DCA may retain the services of its own market analyst to review the conclusions of the market study submitted by the applicant. For scattered site projects, the market study requirements must be met for the project as a whole.

VI. APPRAISALS

A. DCA Commissioned Appraisals

For all projects awarded HOME Loans, DCA will commission an appraisal prepared in accordance with DCA policies. DCA may also commission an appraisal for a tax credit only project in order to confirm that the proposed purchase price is reasonable.

HOME Applicants will be charged a fee equal to the cost of the appraisal report. The fee will be due on the date specified in the HOME commitment letter. The commissioned appraisal reports shall include the "as is" value, "as built/as complete" (encumbered), "as built/ as complete " (unencumbered) values of the proposed subject property and, tax credit value. The "as is" value shall delineate the value of the land and building. The appraisal shall conform to USPAP standards. The appraisal will provide an estimate of the unrestricted market value (unencumbered) of the property at loan maturity. The total hard cost of any project may not exceed 90% of the as completed unencumbered appraised value of the property. Upon completion of the commissioned appraisal, any project found not to meet this requirement will have their funding award revoked.

The DCA appraisal may be assignable to other lenders. In instances where the senior lender obtains the appraisal, DCA will accept such appraisal as long as DCA's guideline requirements are met and DCA is given the right to rely on the appraisal by the appraiser.

B. Applicant Commissioned Appraisals

The effective date of Applicant Commissioned Appraisals must be within 6 months of Application Submission.

- 1. *Identity of Interest.*** DCA policy requires that the Applicant obtain an appraisal of the value of a property if there is an identity of interest between the buyer and the seller. This appraisal must be submitted with the Application. DCA will carefully scrutinize the sales price of land between related parties to ensure that the value has not been inflated. While the appraisal will be an indication of fair market value, DCA will consider tax values as well as actual sales price established as indicative of the value of a property. All property values shall associate a land value as well as a value for the improvements. The appraisal shall conform to USPAP standards.

Properties which have been in the control of the Applicant or a related party for a period of three (3) years or less will generally be valued at the acquisition cost at the

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time the related party obtained initial site control. Properties that have been rezoned, subdivided or modified will not be deemed to be of higher value based on the actions taken by the Owner/ Applicant or any related party.

For Scattered Site Projects, an appraisal establishing “as-is” value will be required for each non-contiguous parcel where an identity of interest exist between the buyer and seller.

2. ***Selected Projects.*** DCA may also require that all tax credit only projects selected for funding provide an appraisal commissioned by a lender or a DCA approved appraiser on or before closing. This appraisal must support the purchase price as well as the value of the property upon completion.

VII. ENVIRONMENTAL REQUIREMENTS

Applicants should note that many of the environmental requirements from the QAP have been included in the Environmental Manual and are incorporated herein by reference.

A. General

On-site and off-site specific environmental concerns identified in an environmental study are to be considered in the context of the criticality of the housing to be provided. DCA shall consider the public benefits of the housing and then weigh the benefits against the costs to mitigate the hazard, the potential health risks, and other financial and public policy implications. The project will not pass Threshold until all environmental matters are resolved.

For Scattered Site Projects, the environmental requirements must be met for each noncontiguous parcel.

B. Environmental Study

Applicants must include a Phase I and all required Phase II environmental studies in the Application. These studies must be prepared in accordance with the DCA 2014 Environmental Manual. The Applicant and the Qualified Environmental Professional must sign the environmental certification form and include it in the Application.

The Phase I Environmental Study must fully address all recommendations of the Qualified Environmental Professional. If a Phase II is recommended, all testing must be completed prior to Application Submission.

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The Phase I (and Phase II when recommended by the Qualified Environmental Professional) Environmental Study must have been conducted within six (6) months of the Application Submission. If an Environmental Study was completed prior to this six-month period, a copy of this earlier Environmental Study (and any others that are available) must also be included in the Application along with a new Environmental Study.

1. *Additional Standards.* In addition to compliance with the standards developed by the American Society for Testing and Materials' ("ASTM") and set forth in the "Standard Practice for Environmental Site Assessments, Phase I Site Assessment Process", ASTM 1527-05, DCA requires the following non-scope items be investigated:

- a) Flood Plains/Floodways
- b) Wetlands
- c) State waters/streams/buffers & setbacks
- d) Lead based paint
- e) Asbestos containing materials
- f) Noise
- g) Water leaks, mold and lead in drinking water
- h) PCBs
- i) Radon
- j) Endangered species
- k) Historic designation
- l) Vapor intrusion screening

2. *Additional Environmental Requirements for HOME/HUD funded Projects, including but not limited to PBRA.* All developments utilizing HOME or HUD funds are required to assess the environmental effects of that activity in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and HUD regulations at 24 CFR Part 58. DCA requires applicants to conduct various activities required for the environmental review process, including a Phase I Environmental Assessment (EA), as outlined in the Environmental Manual.

The Applicant, as outlined in the HOME/HUD Environmental Questionnaire, must complete additional requirements for HOME/HUD funded projects including, but not limited to, the Eight-Step process and HUD publication procedures. If applicable, evidence of the commencement of the Eight Step process must be submitted no later than the date noted in Exhibit A DCA Pre-application Deadlines and Fee Schedule.

- a) *Eight-Step Process:*** Projects located within a flood hazard area or designated wetland are subject to Executive Order 11988 (Floodplain Management) and Executive Order 11990 (Protection of Wetlands) respectively. HUD's implementing regulations at 24 CFR Part 55 -- "Floodplain Management" prescribe measures for protecting floodplains, and when amended, for protecting wetlands. Under the provisions of these Executive Orders, HUD must avoid financial support for covered

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activities, unless it can demonstrate that there are no practicable alternatives outside the floodplain or wetland. Therefore, if jurisdictional wetlands will be filled or impacted, and/or construction and landscaping activities will occupy or modify a floodplain/floodway, then documentation that the Eight-Step process has been followed as mandated by 24 C.F.R. §55.20 for wetlands and floodplains must be provided as a part of the HOME and HUD Environmental Questionnaire. The decision making process for compliance with this part contains eight steps, including public notices and an examination of practicable alternatives. The steps to be followed in the decision making process are outlined in the 2014 Environmental Manual. **Applicants should note that the 8-step process must be commenced prior to Application and completed no later than the date noted in Exhibit A DCA Pre- application Deadlines and Fee Schedule. The process also now has a new requirement regarding FEMA notification. Applicant is responsible for providing documentation to DCA upon completion of the process.**

- b) HUD Environmental Clearance & Publication Requirements:** DCA, as the responsible entity (RE) referred to in 24 CFR §58.43, Environmental Review Procedures for Entities Assuming HUD Responsibilities, is responsible for undertaking environmental reviews for proposed DCA HOME projects. In this capacity, DCA must ensure that the environmental review process is satisfied before certain HUD funds are committed to specific projects. Therefore, when initial awards of HOME funds are announced, DCA will publish notices of its intent to allocate HOME funds in local newspapers in the proposed project's areas. After comments, if any, have been received, HUD will review the comments to determine if there has being a finding. Once that process is complete and there has been no finding, DCA will seek HUD's approval of its commitment of HOME funds to the proposed project. In order to ensure that the environmental review process is not challenged, Owners and/or Developer of proposed projects must, once applications are submitted, refrain from undertaking activities that could have an adverse environmental impact prior to the receipt of an environmental clearance letter from DCA removing the stipulated conditions. Such activities include: acquiring, rehabilitating, converting, leasing, repairing, or constructing property. As a result, an Applicant can not commit or expend HUD or non-federal funds until the environmental review process has been completed.

For Scattered Site Projects, the environmental requirements must be met for each noncontiguous parcel.

VIII. SITE CONTROL

Site control must be in the form of (1) a warranty deed that conveys title to the subject property to the current General Partner or proposed LP or 2) a legally binding contract to purchase the proposed project site in the name of the General Partner or proposed LP (or which provides for an assignment to the General Partner or proposed LP), or (3) a binding

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long-term ground lease or an option for a binding long-term ground lease, with a minimum term of forty-five (45) years. For competitive applications, contracts must be executed prior to Application Submission deadline, must include a discernible contract price, must be signed by the purchaser and seller, must include a legal description of the property and must provide legal control of the site to the proposed General Partner or proposed LP at least through November 30, 2014. Site control must be in place through estimated bond closing date for a 4% tax credit project.

In the event the contract provides the Applicant with the option to renew the contract for specific periods of time, with the initial period ending prior to November 30, 2014, the renewal option in such contract must be enforceable by the Applicant until November 30, 2014. A copy of a recorded warranty deed or a fully executed contract must be submitted with the Application.

An Applicant may also show site control if selected through a federal government RFP process and can document that there is a reasonable certainty that the final site control documents will be finalized within a reasonable time after award.

For Scattered Site Projects, evidence of site control is required for each non-contiguous parcel.

Minimum Documentation:

- Warranty Deed, legally binding Contract, legally binding, long-term Ground Lease or Option
- Legal description

IX. SITE ACCESS

All sites proposed for development must be legally accessible by paved roads. The Application must include the appropriate drawings, survey or other documentation that reflects such paved roads. If such paved roads are not in place at the time of the Application Submission, documentation evidencing a local commitment for funding and the timetable for completion of such paved road must be included in the Application. This restriction does not apply to private driveways accessing only the proposed project through property that is not part of a proposed site. However, if the use of such a private drive is proposed, site control of the private drive must be documented by proof of ownership or by a properly executed easement on the private drive, and the plans for paving the private drive, including associated development costs, must be adequately addressed in the Application.

For Scattered Site projects, each non-contiguous parcel must meet the above criteria.

Minimum Documentation:

- Drawings, survey or other documentation of legally accessible paved roads

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- Commitment for funding
- Proof of ownership and easements.

X. SITE ZONING

Zoning must be in place before the Application Submission deadline. Zoning of the development site must conform to the site development plan and must be confirmed, in writing, by the authorized Local Government official. The letter from the authorized Local Government official must be included in the Application. The letter must include the zoning and land use classification of the property and be accompanied by a clear explanation of the requirements (copy of the applicable sections of the zoning ordinance for the stated classification) and all conditions of these zoning and land use classifications. If the project is requesting HOME or HUD funds, the Local Government official must also comment on whether the project will include the development of prime or unique farmland (Please see the HOME and HUD Environmental Guidance for additional information). If the Local Government does not have or enforce a zoning ordinance, the Applicant must include a letter from a local government official to that effect.

The Applicant must provide documentation that demonstrates that the site layout conforms to any moratoriums, density, setbacks, or other imposed requirements of the Local Government. This documentation must be demonstrated on the Architectural Site Conceptual Development Plan either graphically or in written form.

It is the responsibility of the Applicant to ensure that all issues and questions surrounding the zoning and land use classification of a proposed site are clearly defined prior to Application Submission. Any unclear or unresolved issues of zoning and land use could result in Threshold failure of the Application.

For Scattered Site Projects, site zoning requirements must be met for each noncontiguous parcel.

Minimum Documentation:

- Written confirmation of zoning from local government official
- Explanation or copy of applicable zoning ordinance
- HOME funds: see HOME/HUD Environmental Guidance

XI. OPERATING UTILITIES

Required project operating utilities (gas and electric service), as applicable, must be available to the proposed development site as of the Application Submission. To be considered "available" for the purposes of this section, all easements necessary for the utility providers to extend utilities to the property, and commitments from the utility

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providers to extend utilities to the property must be secured at the time of Application submission. Evidence of such easements and commitments from the utility provider must be included in the Application.

The Application must include a letter from the appropriate utility company confirming the availability and capacity of operating utilities at the proposed development site. The letters must be on letterhead and bear signatures from the appropriate utility companies. Any charges for the off-site extension of utility services are not eligible for funding as project costs under the funding resources in the Plan. The requirements for Operating Utilities must be met for each non-contiguous parcel or each non-contiguous multifamily property.

Operating utilities cannot be contingent on annexation of the property, improvement of infrastructure or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the Application. Any unclear or unresolved issues regarding operating utilities may result in Threshold failure of the Application.

For Scattered Site Projects, a single letter will be accepted if it clearly demonstrates that each noncontiguous parcel has met operating utilities requirements.

Minimum Documentation:

- Letter from applicable utility authorities.

XII. PUBLIC WATER/SANITARY SEWER/STORM SEWER

Public water and sewer service must be available at the proposed development site as of the Application Submission. To be considered "available" for the purposes of this section, all easements necessary for the water and sewer authorities to extend the existing water and sewer services to the project and commitments from the water and sewer authorities to extend the existing water and sewer services to the property must be secured at the time of Application Submission. Evidence of the easements and commitments from the water and sewer authorities must be included in the Application. A commitment can be subject only to conditions within the control of the Applicant. Letter(s) from the local public water and sewer authorities must document the availability and capacity of the existing public water and sewer service to the site. These letters from the appropriate public water and sewer authorities must be on letterhead and be included in the Application. Any charges for the extension of off-site services are not eligible for funding as project costs under the funding resources in the Plan. Public water and/or sewer availability cannot be contingent on the construction of a water/sewer system, annexation of the property or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the Application. Any unclear or unresolved issues regarding the public water/sanitary sewer/storm sewer may result in threshold failure of the Application.

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For Scattered Site Projects, a single letter will be accepted if it clearly demonstrates that each noncontiguous parcel has met the Public Water/Sanitary Sewer/Storm Sewer requirements.

Minimum Documentation:

- Letter from applicable public water/sanitary sewer/storm sewer authority.

XIII. LOCAL GOVERNMENT SUPPORT AND COMMUNITY ENGAGEMENT

No proposed project shall be entitled to receive a tax credit allocation unless the Local Government and residents of the surrounding community are notified and provided with a reasonable opportunity to comment on the proposed project. DCA will consider the response of the local government in determining whether there is sufficient local government support to ensure the success of the proposed project. Local governments that oppose the funding of a project should provide the specific basis for the opposition. Local Government opposition that appears to be discriminatory or violate fair housing laws will not be grounds for failure of a project.

Minimum Documentation:

- Public Notice of meetings
- Evidence of public meetings and presentations regarding the proposed project to local government and residents of the surrounding community
- Resolutions of support or letters of support from local government officials (may be included but are not required)

DCA will give each local government an opportunity to comment on the project during the formal review process.

XIV. REQUIRED AMENITIES

A. Standard Site Amenities.

All properties must include the following on-site amenities:

1. A community room or building,
2. An exterior gathering area such as a gazebo or exterior covered porch located in a central area,
3. An on-site laundry (1 washer and 1 dryer per every 25 units) or washers and dryers installed and maintained in every unit.

All the above amenities, with the exception of the on-site laundry, must be available to the tenants at no additional charge.

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A Phased Tax Credit project with a previously funded phase generally should not share amenities.

B. Additional Site Amenities.

Properties that have 125 units or less must include at least two Additional Site Amenities. Properties with more than 125 units must include at least four Additional Site Amenities.

All amenities must meet the criteria set forth in the Architectural Manual.

Additional Amenity Pre-Approvals

Additional amenities not contained in the Architectural Manual must be approved by DCA during Pre-Application. Applicants should submit a request for approval of additional amenities in accordance with **Exhibit A DCA Pre-Application Deadlines and Fee Schedule**. Requests for approval of additional amenities must include a detailed description of the amenity and must include justification of the appropriateness of the option for the targeted population.

C. Unit Amenities.

All units must include the following:

1. HVAC systems
2. Energy Star refrigerators
3. Energy Star dishwashers (not required in senior USDA or HUD properties)
4. Stoves
5. Powder-based stovetop fire suppression canisters installed above the range cook top, or electronically controlled solid cover plates over stove top burners

D. Additional Requirements and Amenities for Senior and Special Needs Projects (Elderly and Housing for Older Persons)

1. Elevators must be installed for access to all units above the ground floor;
2. Buildings with more than two story construction must have interior furnished gathering areas in several locations in the lobbies and/or corridors;
3. 100% of the units must be accessible and adaptable, as defined by the Fair Housing Amendments Act of 1988.

Applicants must enter all selections in the Threshold Criteria tab on the Application Form.

For Scattered Site Projects, required amenities must be met for each noncontiguous parcel unless a waiver is granted by DCA.

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XV. REHABILITATION STANDARDS

A. Rehabilitation Construction Hard Costs

The Internal Revenue Code requires that all low-income units in a project receiving Credits remain rent-restricted and income-restricted for the 15-year Compliance Period and for 15 years after the close of the Compliance Period. Projects that propose rehabilitation must present a scope of work that will position the property to meet the entire extent of its statutory obligations. All work scopes will propose:

1. A minimum per unit hard cost budget of \$25,000, excluding the construction of new community buildings and community building additions.
2. The replacement of any component of the building or site with a Remaining Useful Life, according to Fannie Mae Expected Useful Life Table, of less than 15 years.
3. The replacement of existing exterior stairs, breezeways, and handrails that have no roof cover with covered vertical circulation.
4. Compliance with the Georgia State Minimum Standard Codes and Life Safety Code for new construction regarding stairs, handrails, guardrails, smoke detectors, fire alarms, and unit fire separation (attic draft stops, fire separation, rated party walls and floor/ceiling components, and caulking of all penetrations in the fire assemblies). Life Safety items that do not meet current codes will not be 'grandfathered' in.
5. Substantially the same scope of work in all units.
6. Compliance with the Architectural Manual upon completion of work.
7. Compliance with all current building codes upon completion of work.
8. Compliance with all DCA accessibility requirements upon completion of work. DCA does not distinguish between new construction and rehabilitation in its accessibility requirements.
9. Compliance with UPCS upon completion of work.

DCA will review the type of construction and associated hard construction costs. Applications for the rehabilitation of a substandard property will not be funded if, in the opinion of DCA, the rehabilitation will not result in improved, safe and decent long-term housing, the proposed rehabilitation does not meet DCA standards, or if new construction would be more appropriate.

DCA may grant an architectural waiver to projects that will not meet the above requirements only if there is an overriding public policy or historic preservation need and the physical needs assessment clearly documents that the existing property does not require a comprehensive rehabilitation. A certification from the architect and, where applicable, the appropriately licensed project engineer (civil, structural, mechanical, plumbing, electrical) must also be provided documenting that the proposed work scope is sufficient to ensure that the completed project will be viable and meet the DCA useful life requirements. DCA may require as a condition of the waiver, that the financial pro forma

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clearly provide for the full funding of the capital replacement reserve. The capital reserve replacement must clearly schedule all component/system replacements required according to the Fannie Mae Expected Useful Life Table.

B. Physical Needs Assessment

For rehabilitation projects, a Physical Needs Assessment (PNA), no more than 6 months old as of the date of the Application submission, and Capital Reserve Study completed by a DCA qualified consultant must be included in the Application, and prepared in accordance with instructions set forth in the Rehabilitation Guide in the Architectural Manual. Physical Needs Assessments are also required for adaptive reuse projects.

C. Rehabilitation Work Scope

DCA's Rehabilitation Work Scope form which requires a detailed construction budget with unit costs must be included in the same tab with the Physical Needs Assessment. DCA will not allow material changes in the scope of work after tax credit award. If awarded, final construction documents must be submitted to DCA in accordance with the timelines outlined in Exhibit A Post-Application and Post-Award Deadlines and Fee Schedule that confirm the scope of work submitted with the Application.

DCA must be able to determine that the work scope addresses:

1. all immediate needs identified in the PNA
2. all application threshold and scoring requirements
3. all applicable architectural and accessibility standards
4. all remediation issues identified in the Phase I Environmental Site Assessment

In the event DCA determines that the PNA or work scope fails to address a major structural, Building Code, health, safety, marketing, accessibility, storm water retention, crawl space moisture, or other building system issue the Application may fail this Threshold requirement.

For Scattered Site Projects, Physical Needs Assessment requirements must be met for each noncontiguous parcel.

Minimum Documentation:

- Physical Needs Assessment
- DCA Rehabilitation Work Scope form.

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XVI. SITE INFORMATION AND CONCEPTUAL SITE DEVELOPMENT PLAN

A Conceptual Site Development Plan must be included in the Application, and prepared in accordance with instructions set forth in the Architectural Manual. The Conceptual Site Development Plan must be at least 11"x17" and include the following:

- A. Easements to be defined and indicated on plan;
- B. Topographic contours at appropriate vertical intervals;
- C. Finish floor elevations of each building;
- D. Wetlands, floodplains, and state waters located with areas of disturbance calculated for the Wetlands including required buffer zones clearly delineated to reflect how they will impact the development of the site;
- E. Use of all adjacent properties clearly defined both graphically and in written form;
- F. Zoning setbacks and restrictions graphically indicated;
- G. Indication of all existing structures, tanks, slabs and any other improvements existing on the property;
- H. Indication of any other items, physical or otherwise that would affect the development of the subject property;
- I. Indication of the entrance access to the property and a layout of all buildings, roads, and parking areas defined all site development amenities; and,
- J. All site amenities indicated in the Scoring Criteria on the Application Form must be located on the site plan;
- K. All areas of tree and vegetation preservation must be defined.

DCA does not require an ALTA Survey for purposes of developing the conceptual site development plan. DCA may require a boundary survey if the precise location of the subject project is in question.

Waivers for variances from any architectural standard in the Architectural Manual must be submitted to DCA prior to the Application Submittal in accordance with Exhibit A DCA Pre-application and Pre-Award Deadlines and Fee Schedule.

For Scattered Site Projects, Site Information and Conceptual Site Development Plan requirements must be met for each noncontiguous parcel unless a waiver is granted by DCA.

Minimum Documentation:

- Conceptual Site Development Plan.

XVII. BUILDING SUSTAINABILITY

All completed properties must achieve a minimum standard for energy efficiency and sustainable building practices. At minimum, all units at all projects must comply with the

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following. (Historic properties may apply for an exemption when compliance means loss of historic character-defining features and finishes).

- A. **Compliance with Georgia State Minimum Standard Energy Code (International Energy Conservation Code with Georgia State Supplements and Amendments) in effect at the time of permit issuance.** Proof of compliance must be submitted prior to release of 8609s.

- B. **Measured duct and building envelope leakage.** Verification by certified HERS rater of a HVAC system duct leakage rate and dwelling unit air infiltration rate that meets or exceeds the Energy Star Qualified Homes, Version 3 National Program Requirements for the appropriate project specific climate zone (the duct leakage rate for all climate zones in Georgia is < 4 cfm/100 square feet; dwelling unit air infiltration rate to outdoors for climate zone 2 is an ACH 50 of 6 and for climate zones 3 and 4 is an ACH 50 of 5). Verification testing must follow the Energy Star testing protocol. If the project is not seeking a green building certification, test reports verifying compliance must be submitted at either the LIHTC final certification or HOME Loan final construction draw, whichever comes first. Projects that plan to utilize Packaged Terminal Air Conditioners (PTAC's) or ductless mini-splits for all units are exempt from the duct leakage requirement.

- C. **Bathroom fans.** Comply with Energy Star specifications for sound level and minimum efficiency based on CFM size. Fans must be wired with a light and equipped with either a humidistat OR a timer that ensures that the fan operates for a minimum of 10 minutes once the light has been switched off.

- D. **Lighting.** Install fluorescent lights for at least 80% (by fixture count) of the required lighting. Required lighting includes kitchens, dining rooms, living/family rooms, bathrooms, hallways, stairways, entrances/foyers, bedrooms, garages, utility rooms and outdoor fixtures mounted on the building.

- E. **Plumbing fixtures.** In all units: shower heads <2.0 gpm, bathroom faucets < 1.5 gpm, kitchen faucets <2.0 gpm, toilets ≤ 1.28 gpf.

- F. **Low VOC wall and floor finishes.** Maximum VOC levels of 50 grams/liter for wall and 100 grams/liter for floor finishes.

- G. **Water heaters.** Comply with Energy Star Qualified Homes Version 3 National Program Requirements for Efficiency Factor.

- H. **Energy Star appliances** (refrigerators, dishwashers, washing machines) provided by owners in units and community laundries.

The final construction documents must clearly indicate all components of the building envelope and all materials and equipment that meet these requirements. Refer to the

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Architectural Manual for additional information on basic design, appliances, and equipment.

XVIII. ACCESSIBILITY STANDARDS

A. All projects funded under the Plan must meet the following accessibility standards at the time of project completion:

1. All projects that receive allocations or funding under the Plan must comply with all applicable Federal and State accessibility laws including but not limited to: The Fair Housing Amendments Act of 1988, Americans with Disabilities Act, Section 504 of the Rehabilitation Act of 1973, Georgia Fair Housing Law and Georgia Access Law as set forth in the 2014 Accessibility Manual. When two or more accessibility standards apply, the applicant is required to follow and apply both standards so that a maximum accessibility is obtained, and
2. All applicable DCA accessibility requirements detailed in the 2014 Architectural and Accessibility Manuals.

B. Regardless of whether a project anticipates using federal funds as a funding source, all proposed projects must include the following DCA requirements:

1. At least 5% of the total units (but no less than one unit) must be equipped for the mobility disabled, including wheelchair restricted residents. Roll-in showers must be incorporated into 40% of the mobility equipped units (but no fewer than one unit); and
2. At least an additional 2% of the total units (but no less than one unit) must be equipped for hearing and sight-impaired residents.
3. DCA does not distinguish between new construction and rehabilitation regarding accessibility requirements. This may include moving partitions to accommodate required clearances.

The same unit cannot be used to satisfy the 5% and 2% requirement.

C. Each project selected for allocation is required to retain a DCA qualified consultant to monitor the project for accessibility compliance.

The consultants must perform a pre-construction plan review and inspect the project at least 3 times during construction to monitor grading operations, framing, and final compliance. DCA must be copied on all reviews/reports. The qualified consultant shall not have an identity of interest with any entity on the Part II Development Team tab in the core application.

Any exemptions to the applicable federal, state and local accessibility laws must be supported by a legal opinion that supports such exemptions. In addition, DCA will review

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requests for exemptions from the DCA Accessibility Standards set forth in the Accessibility Standards section of the Application Manual.

For Scattered Site Projects, the 5% and 2% requirements are applicable to the project as a whole; however, distribution of the units must be across the non-contiguous parcels.

XIX. ARCHITECTURAL DESIGN & QUALITY STANDARDS

All applications must meet the Architectural Standards contained in the Architectural Manual for quality and longevity. The standards are intended to promote the integration of new construction/rehabilitation into the existing community and to promote sustainable design and the protection of resources. The marketability of the property and appearance of the site are important components in the final product.

A. *Constructed and Rehabilitation Construction Hard Costs*

DCA will review the type of construction and associated hard construction costs. Applications for the rehabilitation of a substandard property will not be funded if, in the opinion of DCA, the rehabilitation will not result in improved, safe and decent long-term housing, the proposed rehabilitation does not meet DCA standards, or if new construction would be more appropriate. A similar review of project financial feasibility and economic viability will be conducted for all Applications proposing new construction to ensure that each project's construction hard costs will produce high quality housing for the targeted tenant market.

B. *Standard Design Options for All Projects*

Projects must choose from the standard design options as detailed below and enter each selection in the Threshold Criteria tab of the Application.

1. Exterior Wall Finishes

Select and enter in the Threshold Criteria tab of the Application **one** category from this list:

- a) Exterior wall faces must have an excess of 40% brick or stone on each of the total wall surfaces. This is applicable to all sides of the buildings including the front wall face, each side's wall face and the rear wall face of the buildings. On all exterior walls the brick/stone must extend to all areas of grass, landscaping and other areas of soil or mulch.
- b) For the rehabilitation of buildings that are eligible for historic preservation credits, maintain and, if necessary, replace with matching materials, the existing or original

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exterior finish surfaces including the front wall face, rear wall face and both side wall faces.

- c) For the rehabilitation of buildings that do not have existing brick or stone in excess of 40% (and are not eligible for historic credits), replace and upgrade the existing exterior finish surfaces on all wall faces including the front wall face, rear wall face and both side wall faces with brick or a product that provides a 40 year warranty.
- d) For single family units, the total building envelope shall have 35% minimum brick coverage; remaining 65% must be fiber cement siding or other 40 year warranty product.

2. Major Building Component Materials and Upgrades

For all construction types major building component materials may be upgraded from the minimums as delineated in the Architectural Manual. Select **one** from the following list and enter in the Threshold Criteria tab of the Application:

- a) Fiber cement siding or other 30 year warranty product installed on all exterior wall surfaces not already required to be brick (Rehabilitation projects that do not propose adding 40% brick or maintaining existing 40% brick are not eligible for this option.)
- b) Upgraded roofing shingles, or roofing materials (warranty 30 years or greater) Consideration will be given to additional design options not listed above if proposed by the Applicant prior to the Application Submittal in accordance with Exhibit A DCA Pre- application and Pre-Award Deadlines and Fee Schedule. Proposals must include a detailed description of the design option and justification of the appropriateness of the option for the targeted population.

XX. QUALIFICATIONS FOR PROJECT TEAM (Performance)

A. Overview of Qualification Requirements

Each Project Team (general partner and developer, and the principal(s) thereof) must demonstrate the qualifications necessary to successfully own, develop and operate the proposed tax credit project (*management companies must be approved by DCA portfolio management prior to the placed in service date*). DCA will undertake a comprehensive review of the proposed Project Team to determine that it has the financial capacity, credit history, technical skill, and performance history to successfully own and develop a tax credit project that receives an allocation of credits under the 2014 Qualified Allocation Plan.

For purposes of this section, **Principal** shall generally be defined as an individual who has at least a direct ownership interest in the general partner or developer entity and who materially participates in the ownership, development and operation of the project through regular, continuous and substantial involvement. For purposes of a non-profit entity, DCA will consider the executive director as a principal.

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While DCA recognizes the importance of developing capacity in the development community, current economic conditions require that a Project Team demonstrates proven ability to develop a project concept and financing structure, complete a competitive application for tax credits, obtain financing and syndicator commitments quickly, close on the financing, negotiate and contract with general contractors for the construction or rehabilitation of the project, oversee construction, comply with tax credit program regulations, meet statutory deadlines and successfully lease up and operate the completed project.

For purposes of reviewing the qualifications of the proposed Project Team, DCA will review the proposed Project Team's experience and capacity to perform all of these functions. A Project Team will be determined to be Qualified, Qualified with Conditions, Ineligible to Participate, Qualified under a Probationary Designation, or Not Qualified.

DCA will look beyond the submitted documentation to determine the real parties involved in the owner and development organizational entities for each proposed project.

1. Full Disclosure

DCA requires full disclosure of all entities and individuals involved in a proposed tax credit development. The following are the rules of disclosures for this category.

- a) Each Project Team must include a statement in the Application concerning all criminal convictions, indictments, and pending criminal investigations of all members of the general partnership and development entities and must provide dates and details of each circumstance, unless otherwise prohibited by court order, statute or regulation. DCA may perform a full criminal, employment, and credit investigation of all Project Participants to verify credit and criminal history.
- b) DCA may require disclosure of all real estate loans for the Project Team through the submission of a complete and accurate real estate properties disclosure.
- c) Any relationship between individuals or entities of the Project Team that could constitute a conflict of interest or identity of interest between the parties must be disclosed.
- d) Complete organizational charts must be submitted for the Owner and Developer entity that clearly show all principals including individuals involved in the ownership and development of the project. Please note that no change to the project owner/developer structure can be made without the express written consent of DCA.
- e) **All** Development fee sharing arrangements must be disclosed. DCA considers all individuals or entities that receive a portion of the Development Fee to be part of the Developer structure.
- f) **All** guarantor agreements must be disclosed. DCA may determine that a Guarantor is actually a real party in interest to either the General Partner and/or Developer entities.

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- g) **All** consulting agreements - direct or indirect, paid or unpaid - shall be disclosed. DCA will review the amount of consulting fee to determine if a consultant is a real party in interest to either the General Partner and/or Developer entities.
- h) Any Project Team member that has withdrawn or been involuntarily removed from a HOME or Tax Credit project must disclose this information to DCA as part of its eligibility submission.
- i) All pending litigation must be disclosed.
- j) Significant non performance in a government or quasi government affordable housing program (including Fannie Mae, Freddie Mac, and Federal Home Loan Bank programs).
- k) Disclosure of any Project Team member's adverse credit history including, but not limited to, a default in the payment of any commercial or personal loan or personal bankruptcy

2. Eligibility of Project Team

In order to be eligible to receive tax credit resources under the 2014 QAP, the Project Team must meet the following minimum requirements:

- a) Receive a DCA qualification determination for the proposed Project.
- b) Current in all fees owed to DCA as of Application Submission date.
- c) Substantially compliant with DCA and Section 42 Program requirements and regulations. Project Team members that have experienced a Significant Adverse Event in the development and/or ownership of affordable multifamily programs may be deemed ineligible to participate. Section C below provides those events which are considered in the determination of eligibility.
- d) Financially solvent with the capacity to successfully complete the project, pay all costs associated with the development, and operate the property for the compliance period and extended use period. Any person (individual, corporation, partnership, association), or principal (officer, director, Owner, partner) that is bankrupt, insolvent or in danger of insolvency is ineligible to receive an allocation of credits under the QAP. DCA may request information including, but not limited to, credit reports, financial statements or other documentation relating to a participant's financial status. In making this determination, DCA will also review each Project Participant's portfolio and consider whether loans are in default, have a high percentage of payables, have high vacancy rates or other solvency issues that might impact the successful development and ownership of the proposed property.

3. Ineligibility Related to Significant Adverse Events

A proposed Project Team will be ineligible to participate in the 2014 competitive round if the entity, its principals, officers, directors or agents incurred a Significant Adverse Event. A list of Significant Adverse Events and the period of time that DCA will look back from Application Submission is set forth in the chart below.

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If DCA determines that an entity is ineligible to compete for DCA tax credit and HOME resources, the principals of that entity will also be considered ineligible

Significant Adverse Events Impacting Eligibility

Significant Adverse Event	Look Back Period (<i>From Application Submission Date</i>)
Financial Insolvency or Potential Insolvency of Project Team	Until insolvency is cured and all significant potential liabilities have been resolved
Debarment, proposed debarment, or suspension by a federal agency, state HFA or quasi governmental affordable housing program	Until debarment or suspension is terminated
Uncured Default in DCA HOME loan. (Formal default letter issued)	Until cured
Nonpayment of DCA Compliance Fee or DCA Tax Credit Allocation fee	Until Paid
Foreclosure of a loan which is secured by a tax credit property after the credit period ended	3 years
Foreclosure of a loan which is secured by a tax credit property before the credit period ended	5 years
Default in a DCA HOME loan which results in a DCA foreclosure and removal of the Owner and property retains affordability	5 years
Failure to meet the federal placed in service deadline for a project that has been awarded tax credits resulting in the loss or significant recapture of credits	5 years
The abandonment and/or closure of a tax credit or HOME funded property	8 years
DCA HOME loan default which results in the extinguishment of a DCA HOME loan security interest and resulting loss of affordability during period of affordability	10 Years
Project Team Bankruptcy, multiple Project Failures, determination of a pattern of willful noncompliance	10 Years
Submission of fraudulent information to DCA or any other government entity	10 years

4. Waiver Request

DCA will allow an entity or individual with a Significant Adverse Event to submit a request to waive an eligibility determination for the 2014 competitive round if the requestor has a recent history of strong performance in the Tax Credit Program and can demonstrate that the event is an isolated incident or unavoidable event not related to the actions or negligence of the requestor.

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This waiver request must be submitted during the Pre-Application Submission and will be considered only if the requestor can demonstrate the following minimum requirements:

- a) The entity or individual developed and currently owns and operates a minimum of ten (10) successful Tax Credit properties
- b) The requestor demonstrates a strong performance history and is in material compliance with program regulations in the operation of its affordable housing portfolio.
- c) The requestor expended significant resources and has documented its engagement in good faith efforts to remedy the adverse condition.

Project Team members that have received a waiver per previous QAP requirements may request that the waiver be renewed for purposes of competing in the 2014 competitive round.

The granting of a waiver does not affect the Project Team's compliance score.

Minimum Documents for Waiver Request:

- Narrative of basis for Request
- Documentation of successful Tax Credit development and ownership
- Documentation of resources expended, reports if available
- All documents related to adverse event
- Documentation of previous DCA waiver, if applicable.

5. Adverse Circumstances

In the event DCA determines that there are adverse circumstances which may affect the capacity or qualifications of the Project Team members as a result of their credit history or past involvement in affordable housing multifamily development, DCA may determine that a Project Team is not qualified or should be limited in the amount or type of funding received. Adverse circumstances do not necessarily require a determination of ineligibility, but may be indicative of a Project Team's capacity to own and develop the proposed property. DCA will look back three years in determining whether the Project Team has an adverse circumstance.

Examples of adverse circumstances. The following are some, but not all, adverse circumstances that may affect the ability of a team to qualify for funding.

- a) Affordable Housing properties that do not meet program physical standards or have uncured 8823s outstanding.
- b) Pattern of noncompliance, failure to correct identified issues in a timely manner, repeated physical findings, or failure to comply with findings.
- c) Removal as General Partner or Managing General Partner of one or more properties.

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- d) History of unpaid sub contractors during development of affordable housing properties.
- e) Significant unpaid receivables for one or more tax credit properties.
- f) Outstanding flags in HUD's 2530 National Participation system.
- g) Projects awarded tax credits in 2012 or earlier for which the construction financing or equity investment has not closed by the 2014 Application Submission deadline.
- h) Adverse credit history of the entity or principal.
- i) Mortgage default or arrearage of three months or more.

6. *Departure of Principal*

- a) A principal that resigns or leaves an existing entity may claim experience earned at that entity provided the entity has no adverse conditions at the time of the departure. The principal shall receive a compliance score based on the previous entity's performance for a period of three years following his departure.
- b) A principal that has left an entity and does not want to have a compliance score based on the previous entity's performance cannot use experience gained at that entity to meet qualification requirements.
- c) A principal that departs from an existing entity that has significant adverse conditions will also be deemed ineligible to participate for the same period of time as the entity.

B. *Overview of Qualification Categories*

After analysis of all submitted information, DCA will make a determination that a Project Team falls within one of the following categories. (In the event a Project Team undergoes a personnel change which results in the departure of key experienced staff, DCA may determine that previous projects owned and developed under the direct supervision of the departed staff will not be considered in this analysis.)

1. *Qualified without Conditions*

A Project Team that can conclusively demonstrate that they currently own and operate five (5) or more successful tax credit projects in or outside of Georgia in which they own a minimum 20% interest in the General Partner and Developer entities will be deemed Qualified without Conditions if DCA determines that no adverse conditions affect any of the team members. Only projects which have been completed (including permanent loan conversion) after January 1, 2005 and which are currently at least 90% occupied will be counted towards the requisite 5-project minimum. The Project Team must have been involved in each of the five projects from the initial allocation of credits.

2. *Qualified with Conditions*

A Project Team that cannot demonstrate that they meet the requirements to be deemed qualified without conditions (see above section) or has experienced a material change in

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their key staff, organization structure or financial status, may be deemed qualified but subject to one or more of the conditions as determined by DCA.

- a) Categories. Project teams that are deemed qualified to participate with conditions will generally fall within one of the following categories:
- i. The Project Team has successfully developed multiple tax credit projects in the past, but does not currently own or operate the requisite five projects.
 - ii. The Project Team successfully developed and owns the requisite five (5) tax credit projects, but does not have the required 20% interest in those projects.
 - iii. The Project team has demonstrated successful developer and ownership experience, but has one or more adverse circumstances that might but will not conclusively affect the ability of the Project Team to complete the proposed project.
 - iv. The Project Team has demonstrated successful developer and ownership experience, but has a material change in its key personnel or organization.

Entities that are determined to be “qualified with conditions” may have one or more conditions of funding included in the qualification determination.

- b) Conditions. The following are examples of some, but not all, conditions that may be imposed :
- i. Additional third party oversight of certain functions such as construction management or historic rehabilitation
 - ii. Front end analysis of proposed costs
 - iii. Evidence that projects not completed are proceeding as scheduled
 - iv. Reduced owner/developer caps
 - v. Limitations on size of proposed projects
 - vi. Limitations on ability to partner for purposes of meeting qualification requirements
 - vii. Additional reporting requirements during construction
 - viii. Consultant or Partnership Requirements

3. Ineligible due to Significant Adverse Events

A proposed Project Team may not be eligible to receive an award under this QAP as a result of significant adverse events.

4. Not Qualified

A Project Team may not be qualified to participate in the Tax Credit Round. That determination may be based on the proposed Project Team’s lack of capacity to successfully complete the proposed development due to the current condition or past performance of its portfolio of affordable housing projects. DCA may also consider projects in progress, prior performance in meeting construction commencement, projects with recaptured credits and completion deadlines, as well as the number of outstanding

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incomplete DCA-funded developments when determining qualifications and capacity. DCA may also determine that a proposed Project Team does not have sufficient credit history or financial strength to participate in the tax credit process.

C. Options for Not Qualified Entities

1. Partnering with a Qualified Entity

DCA generally encourages entities that have insufficient technical expertise and/or experience to partner with qualified entities to gain experience and capacity in the tax credit program.

2. Capacity Building for Industry Professionals (Probationary Participation)

An Applicant that has extensive experience in the tax credit industry but who does not have the requisite successful tax credit ownership and/or development experience may also be deemed qualified under a probationary designation with conditions. An Applicant seeking a probationary designation must show the following:

- a) Evidence of full time employment in the tax credit industry for a minimum period of five years
- b) Evidence of material participation in the successful development of at least two tax credit projects during that period. (Ownership interest is not required)
- c) No participation in adverse development
- d) Resumes
- e) Completed release to allow DCA to perform a personal credit check and a criminal background check
- f) Business Plan which outlines how the proposed Project Team will address different areas required for successful development of tax credit project.
- g) Evidence of sufficient liquidity to attract syndication either through the assets of the Project Team or through a guarantor may also be required.
- h) Narrative of proposed project and organizational structure

If an Applicant granted probationary designation by DCA determines that a partner would increase the chance of project success, DCA may, but is not required to, grant a waiver of project cap limitations for the proposed partner.

XXI. COMPLIANCE HISTORY SUMMARY

A. Documentation. The principal and entities of each General Partner and Developer must submit a complete and correct DCA Performance Workbook, as required in the electronic core application. Each Compliance History Summary (CHS) form must list all projects in which an entity or principal has participated in the ownership and development in the State of Georgia and in any other state. Compliance audit detail should be

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completed for only the last three years. All Compliance History documentation must be submitted even if an entity does not include its experience in the qualification determination.

B. Additional Documentation. In addition, the following documentation must be included in the application as detailed in the Performance Workbook:

1. Completed Compliance Questionnaire for each General Partner and Developer.
2. Organizational Chart
3. DCA Compliance history form executed by other State Housing Agencies pursuant to DCA instructions. In the event an Owner is unable to obtain documentation from another State Housing Agency, written documentation of the attempts should be submitted to DCA. DCA will contact the Agency directly to obtain the required information.
4. Documentation related to foreclosures, suspension or debarment by governmental or quasi governmental entity.

In the event an Applicant fails to provide correct and complete information, DCA may request additional clarification. Clarifications may be utilized to decrease an Applicant's Compliance History score, but will not be used to increase the score.

Note: Internal Revenue Service Form 8821 may be requested by DCA for any Project Participant listed on the Experience Summary or Organizational Chart at anytime during DCA's review of a Project Participant's compliance history.

Owners/Developers of Tax Exempt Bond projects must also complete these forms.

DCA will score each entity in accordance with the scoring requirements set forth in Appendix II. Entities that do not meet DCA minimum scoring requirements will be deemed to have not met this Threshold requirement.

XXII. ELIGIBILITY FOR CREDIT UNDER THE NON-PROFIT SET ASIDE*

To be eligible for Credit under the non-profit set aside:

- A. The organization must be a qualified non-profit, defined as a 501(c)(3) or 501(c)(4) organization, which is not affiliated with or controlled by a for-profit organization and has included the fostering of low income housing as one of its tax-exempt purposes.
- B. The qualified non-profit(s) must materially participate in the project as described in IRC Section 469(h).
- C. The qualified non-profit(s) must own at least 51% of the general partner's interest in the proposed project and be the managing general partner of the ownership entity.

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- D. For purposes of this set aside, the term “qualified non-profit” includes any corporation if 100 percent of the stock of such corporation is held by one or more qualified non-profit organizations at all times during the period such corporation is in existence.
- E. The non-profit must receive a percentage of the Developer Fee greater than or equal to its percentage of its ownership interest.
- F. A copy of the general partnership joint venture agreement that indicates the non-profit’s general partnership interest and Developer Fee amount must be included in the Application.

Non-profit organizations applying for Credit under the non-profit set aside must include in the Application an opinion of a third party attorney who specializes in tax law on the non-profit’s current federal tax exempt qualification status in accordance with the prescribed format contained in the Manual. If such an opinion has been previously obtained, this requirement may be satisfied by submitting the opinion with documentation demonstrating that the non-profit’s bylaws have not changed since the legal opinion was issued.

For Scattered Site projects, the eligibility for Non-profit Set aside requirements must be met by the project as a whole.

Minimum Documentation:

- IRS confirmation letter, or if newly formed, Bylaws;
- If joint venture, copy of Agreement confirming interest and Developer Fee

XXIII. ELIGIBILITY FOR HOME LOANS UNDER THE CHDO SET ASIDE

All non-profits that received an initial HOME consent as a CHDO and are being considered under the CHDO set aside are required to submit a copy of the State CHDO pre-qualification/renewal letter in the Application. The CHDO must meet the ownership requirements of the 2013 HOME Final Rule. All DCA communication with the ownership entity will be with the CHDO managing general partner.

For Scattered Site projects, the eligibility for HOME CHDO set aside requirements must be met by the project as a whole.

Minimum Documentation:

- CHDO designation from DCA for current year;
- List of key employees, resumes, contracts for any consultants or contractors

XXIV. ADDITIONAL HUD REQUIREMENTS*

Projects which list HUD funds (HOME, 221 D (3) or D (4), HOPE VI, etc) as a source of construction and/or permanent financing, including PBRA, must meet additional Site and Neighborhood Standards (24 CFR §92.202 and 24 CFR §983.6) and Environmental

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Requirements as mandated by the HOME regulations. These requirements must be met in accordance with instructions set forth in the HOME Manual and Environmental Manual. However, applicants who have established agreements with HUD regarding different standards of review for site and neighborhood must meet those established standards. A copy of all documents relating to the different standards of review must be included with the application.

For Scattered Site projects, each non-contiguous parcel must meet the additional HOME requirements.

Minimum Documentation:

- HOME Site and Neighborhood Standards Certification

XXV. REQUIRED LEGAL OPINIONS

- A. A legal opinion regarding the acquisition Credit eligibility is required for projects involving acquisition and rehabilitation. If the project previously received Credits, the legal opinion should include sufficient documentation for DCA to confirm that the compliance period has ended.
- B. A legal opinion regarding Credit eligibility is required for projects operated as assisted living facilities.
- C. Non-profit organizations applying for Credit under the non-profit set aside must include in the Application an opinion of a third party attorney who specializes in tax law on the non-profit's current federal tax exempt qualification status in accordance with the prescribed format contained in the Manual. If such an opinion has been previously obtained, this requirement may be satisfied by submitting the opinion with documentation demonstrating that the non-profit's bylaws have not changed since the legal opinion was issued.
- D. A legal opinion is required for those projects involving scattered site developments. The legal opinion should address the proposed site plan and must be included as part of the opinion.

For Scattered Site Projects, the non-contiguous parcel for which this criterion is applicable must meet the legal opinion requirements.

XXVI. RELOCATION AND DISPLACEMENT OF TENANTS

All projects, new construction and rehabilitation, must submit a DCA relocation survey which specifically addresses the development history and occupancy of the proposed project. **Failure to complete and submit the survey with the Application submission will result in a Threshold failure.**

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For all HOME Loan and Credits projects, the completed and executed tenant household data forms must be submitted with the Application for every unit in each building to be rehabilitated. The Applicant is responsible for the accuracy of the information on the data forms. Applications for HOME Loans that require relocation of existing tenants due to rehabilitation work will be accepted only with a relocation plan (including a sufficient budget) that in the opinion of DCA meets the requirements of the Uniform Relocation Act and any other applicable laws.

Funding sources other than the DCA HOME Loan must be used to finance the relocation costs. Applicants applying for Credits must disclose other funding sources (HOME, USDA 515, etc.) which may trigger URA or 104D requirements. When demolition of any structure occupied or vacant is involved it must be included as part of the relocation plan. For Credits projects, DCA will not allow permanent displacement of tenants, if avoidable. If the Applicant anticipates displacing tenants, the Applicant must include in the Application a detailed displacement plan, which sets forth the specifics of the displacement, including a projected budget, and an explanation of efforts planned by the Applicant to mitigate the impact of the displacement. Any displacement of tenants will be subject to DCA's prior written approval. In instances where tenants are temporarily relocated in areas with limited replacement housing the plan must give detailed phasing of the rehabilitation process, including projected start and end dates for each phase while detailing work to be performed on all units. Applicant must identify which units will require temporary relocation of more than 30 days and which units require relocation of less than 30 days.

If new projected rents create rent burden tenants, rents must remain affordable one year after cost certification submission.

Applicants must include all documentation required in the DCA Relocation Manual at the time of Application. All forms must be reflective of the current year version; previous years forms will not be accepted. DCA will review the development budget to insure that sufficient cost have been included for relocation expenditures.

In the event condemnation proceedings are pending against a proposed project, DCA's relocation policies are applicable to all tenants residing at the property at the time of application.

Properties that have HOPE VI or other master relocation plans must submit those plans with their Application.

Minimum Documentation:

- Relocation Survey;
- If HOME funded, all completed and executed tenant household data forms;
- Displacement Plan, if applicable and unavoidable;
- All documents required in DCA Relocation Manual.

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XXVII. AFFIRMATIVELY FURTHERING FAIR HOUSING

It is the policy of the Georgia Department of Community Affairs to administer the Low Income Housing Tax Credit Program affirmatively, as to achieve a condition in which individuals of similar income levels in the same housing market area have a like range of housing choices available to them regardless of their race, color, religion, sex, handicap, familial status or national origin. Each Applicant shall pursue affirmative fair housing marketing policies in soliciting tenants and outreaching to underserved populations and those least likely apply to reside in completed tax credit units.

Each project selected for an award of credits must prepare and submit an Affirmatively Furthering Fair Housing Marketing Plan outlining how the project will market units to underserved tenants including tenants with special needs. The Plan must be submitted prior to issuance of 8609s. At a minimum, Marketing Plans must include:

- A. Outreach efforts to each service provider, homeless shelter or local disability advocacy organization in the county in which the project is located.
- B. A strategy to affirmatively market to persons with disabilities and the homeless.
- C. A strategy to establish and maintain relationships between the management agent and community service providers.
- D. A referral and screening process that will be used to refer tenants to the projects, the screening criteria that will be used, and make reasonable accommodations to facilitate the admittance of persons with disabilities or the homeless into the project.
- E. Marketing of properties to underserved populations 2-4 months prior to occupancy
- F. Applications for affordable units shall be made available to public locations including at least one that has night hours.

The Applicant agrees to provide reasonable accommodation for these tenants in the Property Management's tenant application. The leasing criteria must clearly facilitate admission and inclusion of the targeted population tenants and must not violate federal or state fair housing laws.

XXVII. OPTIMAL UTILIZATION OF RESOURCES

DCA is required to take any actions necessary or convenient to ensure the complete, effective, efficient and lawful allocation and utilization of the low income housing credit program. It will not select projects that will result in a waste of DCA resources, have an inferior project design or site, or which result in the unjust enrichment of a Project Team member. DCA will also not select applications where a Project Team member has made conditional promises or financial commitments to a Local Government in order to obtain support. DCA may request additional documents or explanations in order to clarify or confirm information required for the appropriate analysis of the proposed property.

Appendix I Threshold Criteria

Examples of factors that will be considered include, but are not limited to:

- A. Property acquisition and rehabilitation cost versus the cost to demolish and build a similar property in the same market area
- B. Ratio of acquisition costs versus rehab hard costs
- C. Insufficient work scope for rehabs
- D. DCA resources allocated to develop each unit
- E. Effectiveness and aesthetics versus the cost of a mitigation plan
- F. Efficient and marketable use of the site, considering size and lay-out, to accommodate the number and type of units and amenities proposed
- G. Undue enrichment of any Project Participant or contractor particularly where there are identities of interest
- H. Impact on affordable housing stock
- I. Other uses proximate to the site
- J. Market information generated by or available to DCA
- K. Property is already affordable and not a priority for receipt of resources
- L. Transaction appears to be primarily driven by the transfer of the property
- M. Per unit costs not reasonable
- N. Excessive soft costs
- O. Oversized units
- P. Number of bedrooms high for proposed market
- Q. High acreage
- S. Other factors which are contrary to the policies and objectives of DCA.
- T. Applications that misrepresent sources of funds or attempt to conceal pertinent facts related to the proposed project

Exhibit A to Appendix I:

DCA UNDERWRITING POLICIES

1. **Annual Operating Expenses.** Annual budgeted operating expenses must be reasonable, excluding reserve contributions.

a) *Minimums.* Annual budgeted operating expenses must be no less than the following:

- i. Four thousand and five hundred dollars (\$4,500) per unit for projects within the City of Atlanta,
- ii. Four thousand dollars (\$4,000) per unit for projects located in a Metropolitan Statistical Area (MSA) other than the City of Atlanta,
- iii. Three thousand dollars (\$3,000) per unit for non-MSA Rural projects, and
- iv. Three thousand dollars (\$3,000) per unit for projects that include 515 USDA loans as a funding source.

b) *Waiver Requests.* Applicants will not be allowed to lower annual operating expenses after submission of an Application. Requests for a waiver of the minimum operating expense must be submitted at the Pre-Application deadline and will only be considered with the following minimum documentation:

- i. Documentation from the real estate taxing authority of its methodology for determining real estate taxes, and an estimate for the subject project.
- ii. For rehabs: detailed historic operating statements (must break out income, vacancy, other income, utilities, taxes, administration/payroll, maintenance and insurance) from the proposed rehab project for the most recent 2 years. Audited statements must be provided, if available.
- iii. For new construction: operating statements (must break out income, vacancy, other income, utilities, taxes, administration/payroll, maintenance and insurance) for at least two (2) other projects located in similar areas, with similar characteristics (Affordable, tenancy, building type) for the most recent 12 month period of stabilized operations. Please include the number of units.
- iv. If comparable projects are not available in the same tax district, an adjustment for real estate tax expense will be made.
- v. Rent projections must be at least 10% below the lower of market or tax credit maximum allowable limits.

Minimum Documentation:

- Approved operating expense waiver

2. **Assumptions for Building/Land Cost.** For purposes of underwriting, the building/land cost must be limited to the lesser of the sales price or the appraised value of the building(s) and/or land. Previous sales price as well as valuations may be considered. This applies to both the building/land cost and building eligible basis.

3. Builder Cost Limitations. Builder Profit is limited to a maximum of 6% of the Contract Sum. Builder Overhead is limited to a maximum of 2% of the Contract Sum. General Requirements is limited to a maximum of 6% of the Contract Sum (each are exclusive of Contractor Services). These limits apply to both development costs and eligible basis.

a) **General Requirements are defined as job overhead and cover project-specific overhead expenses. This typically includes:**

- i. Supervision and job-site engineering;
- ii. On-site job office expenses directly related to the project;
- iii. Temporary buildings, tool sheds, shops, and toilets;
- iv. Temporary heat, water, light and power for construction;
- v. Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental;
- vi. Construction equipment rental not included in trade item costs;
- vii. Clean-up and disposal of construction debris;
- viii. Medical and first aid supplies and temporary facilities;
- ix. General Liability and Builder's Risk Insurance.

b) **General Requirements do not include the following.**

- i. Payment and performance bonds, letter of credit fees, and fees associated with obtaining a construction loan in lieu of payment and performance bond or letter of credit;
- ii. Site and topographic surveys;
- iii. Subsurface exploration (test borings);
- iv. Soil tests, concrete tests, and other construction testing;
- v. Fees for utility taps and connections;
- vi. Building permits and licenses;
- vii. General Contractor's cost certification audit fee (if required).

These will be costs outside of the construction contract and allocated to Soft Costs.

4. Construction Contingency. For new construction, the construction contingency is limited to the lesser of a maximum of 5% of the total construction hard costs or \$500,000. For rehabilitation, the construction contingency is limited to the lesser of a maximum of 7% of the total construction hard costs or \$500,000.

The construction contingency is meant to cover unforeseen circumstances encountered during construction. In the absence of unforeseen circumstances, a change order may be submitted for approval of the following:

- a) Amenities designed to enhance the quality of life of the residents
- b) Amenities that provide security such as lighting, fencing, and life safety monitoring systems
- c) Product upgrades that increase durability and decrease maintenance costs
- d) Product upgrades or scope additions that increase energy efficiency and decrease operational costs

DCA will not approve change orders requesting that contingency funds be used for luxury items including, but not limited to, crown moldings, granite countertops or decorative interior items.

The Applicant may elect whether to include the construction contingency in eligible basis for the purpose of the credit calculation.

5. Debt Coverage Ratio (DCR). As part of its financial feasibility analysis, DCA will require that projects with tangible debt meet, at a minimum, a 1.20 debt coverage ratio for each year of the compliance period for new construction and 1.25 for projects involving rehabilitation. For purposes of determining the debt coverage ratio, deferred Developer Fee will not be considered tangible debt. Amounts set aside in a reserve funded in one year may not be withdrawn and treated as a gross receipt in a subsequent year to satisfy the debt service coverage ratio in the subsequent year. Amounts received in one year that exceed the debt service coverage target for that year will not be credited to another year. For purposes of this test, each year will stand alone. The debt coverage ratio cannot drop below 1.20 for new construction (1.25 for rehabilitation) during the 15-year Compliance Period, DCA HOME Loan term (if applicable) or Affordability Period, whichever is longer. DCA will review each project carefully to determine whether a project is over subsidized and whether the amount of HOME funds/and or credits is the best use of DCA resources. While DCA does not have a cap on the DCR, Rural projects that have DCRs that exceed 1.50, urban projects that have DCRs that exceed 1.40, or any project with significant net cash flow, may be subject to additional scrutiny to ensure they are not over subsidized. DCA does recognize that rural deals will typically have higher debt coverage at the beginning of the Compliance Period in order to remain feasible over the fifteen years. Documentation to support these higher debt coverage ratios should be provided. DCA may waive its minimum debt coverage ratio for USDA 515 projects that clearly demonstrate feasibility, or reduce it to match other government program funding requirements provided that confirmation from the agency of the required DCR is included in their funding commitment.

No-debt deals are allowed but will be subject to additional scrutiny from DCA. Projects submitted with no debt will not have a DCR but will be required to undergo a subsidy layering review. This will be determined by a ratio of Effective Gross Income to Total Annual Expenses (including reserve for replacement). A ratio of 1.10 for new construction (1.15 for projects involving rehabilitation) shall be the minimum required to be considered feasible by DCA in Years 1-15.

6. Development Costs. These are costs shown in the development budget and include, but are not limited to, the cost for land, on-site improvements, on-site development, construction cost, financing cost, professional fees, and mandatory reserve accounts. Development costs are limited to on-site development activities.

DCA will conduct a line by line review of development costs to determine the reasonableness of each estimate. Applicants are encouraged to utilize accurate estimating data in determining this budget and to provide supporting documentation when available. DCA may require that development costs be reviewed by a third party consultant approved by DCA as a condition of funding.

7. Developer Fee. The sum of the Developer's overhead and Developer's profit. Consulting fees and guarantor fees are also considered part of the total Developer Fee calculation.

8. Developer Fee Limitation. This limitation applies to both development costs and eligible basis at all stages (scoring, carryover and Final Allocation). DCA restricts the maximum Developer Fee as follows:

- a) For new construction projects, the Developer fee will be limited to 15% of Total Development Costs less the budgeted Developer Fee, any demolition cost and the underwritten cost of Land.
- b) For acquisition/rehabilitation projects that are eligible for acquisition credits, the Developer Fee on the acquisition portion will be limited to 15% of the Existing Structures acquisition cost (including Acquisition Legal Fees at the "4%" applicable credit percentage). The rehabilitation portion will be limited to 15% of Total Development Costs less the budgeted Developer Fee, the underwritten cost of Land, Acquisition Legal Fees and Existing Structures.
- c) For rehab projects that are not eligible for acquisition credits, the Developer Fee will be limited to 15% of Total Development Costs less the budgeted Developer Fee, the underwritten cost of Land, Acquisition Legal Fees and Existing Structures. However, if the Development Agreement specifically states that a portion of the Developer Fee is attributable to the building acquisition, then the Developer Fee will be limited to 15% of Total Development Costs less the budgeted Developer Fee, and the underwritten cost of Land.

When an Identity of Interest exists between the Developer and the General Contractor, the maximum Developer Fee is restricted to 15% of the Total Development Cost less the underwritten cost of the Land, the budgeted Developer Fee, and the Builder Profit. If the Application budgets a Developer Fee of less than 15%, the percentage proposed will be substituted for 15% in determining the maximum Developer Fee.

The Developer Fee will be calculated using the allowable total development cost limited by the DCA Base Unit Cost Limits. The Developer Fee for Applications for additional Credits (in the year the project is placed in service), shall be limited to the original approved Developer Fee.

Deferred Developer Fee must be payable within fifteen (15) years from available cash flow. The deferred portion cannot exceed 50% of the total amount of Developer Fee at initial application.

Notwithstanding anything contained herein to the contrary, the Developer Fee will be limited to a maximum of \$1,800,000. DCA may grant waivers of this cap for tax exempt bond applications.

9. *Distribution Across Unit / Bedroom Sizes.*

- a) *Rent.* Projects with a multi-tiered rent structure must distribute the rents across unit sizes, unit types and buildings. These units need not be fixed, but may float in the same way high HOME rent and low HOME rent units may float within a project.
- b) *Accessibility.* To the maximum extent feasible, accessible units must be distributed across unit sizes, unit types and buildings so as not to limit choice.

10. *General Contractor.* DCA must approve the General Contractor prior to commencing work on any HOME project. DCA may request to approve the General Contractor prior to commencing work on any tax credit only project if the capacity or qualifications of the Contractor to perform the work are in question.

Request for approval of a General Contractor shall include the following:

- a) A resume on the General Contractor's Construction Experience that demonstrates a history of having performed work of the scope and type required for the development (number of projects, number of units, location of projects, capacity of involvement);
- b) Three (3) letters of reference with contact information (name, address, email, phone and facsimile numbers);
- c) Affidavit that the Contractor is not on the U.S. Department of Housing and Urban Development (HUD) list of contractors debarred or not approvable for prior noncompliance with HUD or DCA requirements;
- d) A statement as to whether the General Contractor has any lawsuits pending, has ever declared bankruptcy or has any pending unresolved claims;
- e) A statement as to whether the General Contractor has been bonded within the last three (3) years; if bonded, include amount and by what entity.
- f) The General Contractor's Schedule of Work in Progress which details current projects under construction and estimated timeline for completion;
- g) General Contractor's Estimate of Construction Time for the project;

- h) Evidence of the extent to which the General Contractor is bondable.
- i) A complete AIA A305 General Contractor Qualification statement;
- j) A positive Dun & Bradstreet Report ordered by DCA. (The contractor will be invoiced for the fee); and
- k) Evidence that the General Contractor carries Comprehensive General Liability and Worker's Compensation insurance in the amounts specified in the Construction Contract or the DCA Insurance Manual, whichever is the most restrictive.
- l) A statement identifying all identities of interest with Project Participants and subcontractors/vendors where the value of the work subcontracted or purchased is expected to exceed \$50,000.

Requests should be submitted to DCA in accordance with Exhibit A DCA Post Award Deadlines and Fee Schedule.

11. *Identity of Interest.*

Contractor. If there is an Identity of Interest between any participant in the Ownership entity and the contractor or the Developer and the contractor, a third party front-end analysis of the construction costs must be conducted. For HOME projects, the third-party review will be commissioned by DCA during the DCA underwriting period. For tax credit only projects, the qualifications of the proposed third-party reviewer must be submitted to DCA and approved before the review is conducted. Additionally, industry standards for such Owner-provided construction services shall be used to determine reasonableness for the services. DCA will require that a contractor cost certification be submitted where there is an identity of interest between any Project Participant and the General Contractor. The cost certification shall be prepared in accordance with the standards set forth for a HOME contractor cost certification.

Subcontractor / Materialmen. Any Identity of Interest between any Project Participant or General Contractor and any subcontractors, other provider of service, materials, or supplies must be disclosed. Additional scrutiny will be given to subcontractor/materialmen costs where there is an identity of interest.

Lenders. If there is an identity of interest between any Project Participant and construction/permanent lenders, such financial structure requires financing terms and conditions which are reasonable, customary and consistent with industry standards.

Land/Building Purchase. For Applications where there is an Identity of Interest between the buyer and the seller for any site within the project, an appraisal no more than 6 months old and prepared by a certified appraiser must be submitted with the Application as a basis for the determination of the appropriate sales price. The appraisal must be prepared in accordance with DCA Appraisal Guide, meet USPAP standards, and must provide separate valuations for the land and existing buildings.

DCA will carefully scrutinize the sales price of land between related parties to ensure that the value has not been inflated. While the appraisal will be an indication of fair market value, DCA will consider tax values as well as actual sales price established as indicative of the value of a property. All property values shall associate a land value as well as a value for the improvements.

Properties which have been in the control of the Applicant or a related party for a period of three (3) years or less will generally be valued at the acquisition cost at the time the related party obtained initial site control. Properties that have been rezoned, subdivided or modified will not be deemed to be of higher value based on the actions taken by the Owner/ Applicant or any related party.

12. Inspections. All costs incurred by DCA for DCA HOME property inspections will be the responsibility of the Borrower – including, but not limited to, inspections at Draws and Final Draw and other inspections required if a property is improperly maintained.

13. Local Government Fees. The development budget must include all **documented** water tap, sewer tap, impact and building permit fees. **(These local government fees cannot be part of General Requirements.)** Applicants that include fees that are not required by the local government at the time of application will be subject to a loss of points.

14. Management Fee. The operating budget should specify a reasonable management fee. A management fee is required for all projects. DCA will review carefully the terms of the management agreement if the property is self managed or if there is a related party relationship between the Owner/Developer and the Management Company. DCA reserves the right to limit or adjust management fees which appear to be excessive or which appear to be inadequate

15. Operating Deficit Reserve. All developments must budget for and fund an operating deficit reserve in an amount of not less than six times the secured monthly debt service to lenders plus no less than six months projected operating expenses. The funding of the operating deficit reserve must be completed at or before Conversion. The operating deficit reserve must be held for the Compliance Period. For underwriting purposes, DCA will generally use six months of operating expenses plus six months of debt service. However, DCA reserves the right to evaluate the reasonableness of the proposed amount and may make appropriate adjustments.

16. Permanent Debt Financing. Permanent debt financing shall have a minimum term of 10 years.

17. Preliminary Financing Commitment Letters. DCA will generally evaluate financial feasibility for all applications (other than those with an assumption of existing fixed rate debt and federal and state equity) using an interest rate specified in the

preliminary commitment letter. If the interest rate is based upon a spread over an index rate, both the underlying index to be used and the spread should be identified in the preliminary commitment letter. Any other fees or premiums included in the “all-in” interest rate should also be clearly disclosed. DCA will utilize the applicable rate effective as of May 1, 2014. DCA reserves the right to evaluate the reasonableness of the interest rate and adjust it based on the market information available to DCA.

For noncompetitive projects, the effective date of the applicable rate will be the first business day of the full month preceding the Application Submission date. The Applicant must include documentation of the applicable index rate with the commitment letter. In the event that DCA determines that continued volatility in the market makes the interest rate expressed in the preliminary commitment submitted at Application Submission unreasonable, DCA may request that the proposed lender provide an updated interest rate during Application review.

Preliminary Equity Commitment Letter or Letters of Interest are required to contain as much detail as possible. At a minimum, each commitment should include the equity pricing, total capital contribution amount, estimated pay-in schedule, and any reserve requirement. DCA will use reasonable equity pricing information provided in the equity commitment letter for underwriting. However, if the combined federal and state equity price is significantly higher or lower than the median price based on the applications received, DCA reserves the right to adjust the equity price, taking into consideration project characteristics.

18. Rehabilitation Hard Costs. Average per unit rehabilitation hard costs must equal or exceed \$25,000. The costs of the rehabilitation or new construction of community buildings and common area amenities are not included in these amounts.

19. Rent-Up Reserves. A reasonable rent-up reserve (excluding marketing costs) is required for all projects based on the estimated projected lease up deficit. Absent information to the contrary, DCA will assume that three months of projected operating expenses constitutes a reasonable reserve. After lease-up, any funds remaining in this reserve will be transferred to the ODR or will be utilized to pay any deferred Developer Fee.

20. Replacement Reserve. A Replacement Reserve based on a Replacement Plan, is required for all projects awarded funding under the Plan and must be included in the operating budget. Contributions must be made to the reserve account, starting at or before the conversion date of the construction loan to permanent loan and must be funded for the longer of the term of the HOME loan, Period of Affordability or the Compliance Period in accordance with the Replacement Plan. The following **minimum** contributions must be used:

- | | |
|-----------------------|-------------------------|
| (a) Rehabilitation: | \$350 per unit per year |
| (b) New Construction: | \$250 per unit per year |

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- (c) Single Family Units/Duplexes: \$420 per unit per year
- (d) Historic Rehabilitation \$420 per unit per year

Replacement Reserve funds may be used only for Capital Improvements (substantial improvements to the real estate such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs) and must **not** be used for general maintenance expenses. Less restrictive provisions required by Lenders should be approved by DCA.

Replacement Reserves must escalate at a rate of 3% per year. If the Replacement Plan indicates that an amount greater than the minimum reserve outlined above is necessary, then this greater amount will be required and must be escalated at a rate of 3% per year. For Rehabilitation Projects, the physical needs assessment will also be reviewed in determining whether sufficient reserves have been established. DCA will adjust the Replacement Reserve to reflect reasonable and customary capital and replacement expenditures, and will continue to do so during the term of the DCA funding, if necessary.

21. Revenue, Vacancy, and Expense Trends. Revenue should be trended at 2% per year, operating expenses at 3%. Vacancy and collection loss will be underwritten at the higher of 7% or a percentage that DCA determines is appropriate based on market and historical information for the proposed project area.

22. Soft Cost Contingency. “Soft cost” or “total project” contingency, over and above the allowed construction contingency, will not be permitted as a budgeted line item.

23. State Tax Credit. DCA will not allocate state tax credits to a project that shows a price less than the reasonable fair market price for credits. Applicants that indicate intent to purchase state tax credits for themselves will be required to provide additional information as to the use of the credit and the basis for the price.

24. Tax Credit Percentages. During the competitive round, for the purpose of the application review, **the Applicable Credit Percentage for the month preceding the Application Submission deadline should be utilized.** DCA will issue further guidance in the event that a credit percentage floor is authorized.

For 4% Credits (tax-exempt bond financing), the Applicable Credit Percentage for the month preceding the submission of the application for tax credits should be utilized for the Application.

ADDITIONAL DCA POLICIES RELATED TO THE FUNDING OF DCA HOME LOANS

1. Assumptions for Land Purchase. Once a project has been selected and the appraisal received, the building cost assumed for acquisition of land and existing buildings will be limited to the lesser of the sales price or the appraised “as-is” value.

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2. **Contractor Change Orders.** All changes to the approved scope of work and/or construction contract must be approved by DCA in advance of proceeding with the work.
3. **Contractor Construction Cost Certifications.** Certifications audited by an independent certified public accountant must be submitted with the request for final draw for all projects funded with DCA HOME. All certifications must be prepared in accordance with DCA requirements.
4. **Construction Commencement.** All HOME projects must be able to commence construction within nine (9) months of commitment.
5. **Construction Contingency.** Any unused balance in the construction contingency at the time of Conversion must be used to reduce the principal amount of the HOME Loan or the senior lender loan as appropriate, with the monthly principal and interest payments adjusted accordingly.
6. **Construction Hard Cost Financing.** HOME Loan funds must be used to finance only construction hard costs, which include site development, unit/building construction, and Contractor Services which include General Requirements (exclusive of payment and performance bonds), Builders Overhead and Builder's Profit. Soft costs, acquisition costs and other project costs must be financed by other financing sources. (Not applicable to HOME CHDO Predevelopment Loans.)
7. **Construction Loan Recourse.** All construction loans will be full recourse against the borrower and/or the principals of the ownership entity until Conversion. DCA may require that one or more Principals of the Owner or Developer guarantee the completion of construction and payment of the HOME Loan until Conversion.
8. **Conversion.** Projects receiving HOME Loans must be scheduled to convert within twenty four-months of the HOME construction loan closing. Extension of conversion deadlines must be approved by DCA.
9. **Developer Fee Disbursement Limitations.** The maximum amount of the Developer's and Consultant's Fee (if applicable) that can be drawn before Conversion must not exceed the total Developer Fee requested less any portion being deferred times 50%. None of the Developer's profit will be disbursed until Conversion. These disbursement conditions will be reflected in the HOME Loan documents and in an agreement with any other funding source(s) that will be funding these line items.
10. **Draws.** HOME Construction Loan proceeds will be disbursed on a draw basis during the construction period. The HOME loan documents will describe the policies and procedures for obtaining a draw.
11. **Fixed or Floating Unit Designation.** When HOME assisted units are "fixed", those units are subject to specific HOME rent and occupancy requirements and will never

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change. When HOME assisted units are “floating”, the units that are designated as 50% or 60% AMI units may change over time as long as the total number of those units in the project remains constant. If the Applicant fails to make such an election at the time of loan commitment, it will be deemed that the Applicant has elected to treat the HOME assisted units as “floating”. This will be reflected in the closing documents

12. Guarantees. Guarantees will be required by the Developer entity as well as the individual principals of that entity for the period from the loan closing until conversion.

13. HOME Units. When DCA HOME funds are an approved source of financing for a project, each low income unit in the project is considered a “HOME assisted unit” unless this requirement is waived. Based on the statutory HOME requirements, twenty percent (20%) of the total low income residential units in the project must be limited to rent and income restrictions based on 50% of AMI. The balance of low income units will be limited to rent and income restrictions based on 60% AMI, however **all** low income units will be limited to HUD Fair Market Rents should they be less than the applicable rent based on the AMI and bedroom size.

14. Intercreditor Agreements. When GHFA is not the only construction lender on a project, an intercreditor agreement shall be executed with the other lenders to ensure DCA’s required involvement in all significant aspects of the administration of the construction loans. At a minimum, the intercreditor agreement should contain at least the following essential elements:

- a) A development cost budget approved by all lenders indicating the source(s) of funding for each line item;
- b) A process and timetable for reviewing and approving change orders to the construction contract;
- c) A process and timetable for reviewing and approving draw requests, including site inspection and documentation standards;
- d) A process and timetable for amending the approved development cost budget;
- e) Limitations on disbursements for Developer Fee (Owner’s profit and risk) and Consultant fees; and,
- f) Other matters, such as priority of each lender’s interest in the collateral for the loans.

15. Loan Documents. Written agreements shall be entered into between GHFA and the borrower evidencing, securing, and setting forth all of the terms and conditions of the HOME Loan. The Project Owner will also be required to execute all other closing or loan documents DCA deems necessary or desirable to document the HOME Loan satisfactorily.

16. Loan Terms. The principal amount of the HOME construction loan and HOME permanent loan for a project will be the same. No interest will be charged during the construction loan period. The interest rate on the permanent loan is generally no less than 1% for the full loan term.

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The interest rate on loans to finance projects located in areas designated as Rural pursuant to the definitions in the QAP may be less than 1% in years 8 through 15 **only** if required to ensure project feasibility. In no case may such interest rate fall below 0.50%. In years 16 through maturity, such interest rates shall not fall below 0.25%. DCA may adjust this rate during underwriting congruent with more detailed information. Construction loan terms will be based upon the projected construction and lease-up schedule, as determined from the Application and DCA's underwriting. In general, permanent HOME Loans will be fully amortizing, with maturity and amortization periods ranging from 15 to 35 years.

17. Non-Fully Amortizing Loans. Non-fully amortizing Balloon Loans are available for projects in Rural areas. In such cases the term will be set by DCA with monthly payment and interest payments determined by DCA's underwriting projections and a balloon payment due at maturity. In the case of non-fully amortizing HOME Loans, the outstanding interest and a portion of the principal must be paid every year (no negative amortization).

18. Excess Cash Flow Reserve. For all permanent non-fully amortizing HOME Loans, in which the monthly installments of principal and interest are not sufficient to pay the HOME Loan in full over the loan term (a "non-amortizing HOME Loan") the borrower will deposit one-half of the cash flow from the project (after payment of secured debt service and investor asset management fees) into an interest bearing reserve account. The holder of the reserve account and the terms under which it will be held must be approved by DCA.

Funds held in the reserve account will be used only for principal reduction of the HOME Loan or Capital Improvements, but only if such use is approved by GHFA in advance. Funds in the reserve account (with the exception of those approved by GHFA for Capital Improvements) must remain in the reserve account until the HOME Loan is repaid.

19. Future Market Value. In the case of a non-fully amortizing HOME Loan, DCA will require a projection from the appraiser of the future unrestricted market value of the property at the maturity of the HOME Loan, assuming it is no sooner than the expiration of the compliance period or Period of Affordability. This value will be used by DCA to determine the likelihood of retirement of the outstanding balance by refinance or resale of the property. The future market value of the property must be greater than the projected outstanding DCA HOME Loan balance at maturity in order for the HOME Loan to be considered financially feasible.

20. Owner/Developer Financial and Credit Qualifications. The financial status and capacity of the owner and/or developer as well as their current credit rating will be reviewed by DCA at the time of underwriting. The results of these analyses may indicate the requirement for additional guarantors and/or partners, reserve accounts, and/or repayment term adjustments. Additional review of capacity based on staffing may be required in accordance with the 2013 HOME Rule.

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- 21. *Operating Deficit Reserve.*** The operating deficit reserve for HOME loans must be held by DCA or the senior lender and must remain in place for the term of the HOME Loan or the Period of Affordability, whichever is longer. With the exception of instances in which Fannie Mae is the sole senior lender, if DCA is a subordinate lender, but makes a HOME Loan in an amount greater than the senior lender, DCA must hold the reserves. All withdrawals from the operating deficit reserve must be requested in writing and approved in advance by DCA. Interest earned on the operating deficit reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions. If drawn upon, no further distribution to Owners will be authorized until such time as the operating deficit reserve is restored to full funding.
- 22. *Over-Income Tenant Restrictions.*** When DCA HOME Loans are used, additional over-income restrictions shall apply. Upon re-certification of a previously eligible tenant, if it is determined that the tenant's income exceeds 60% of AMI, then the tenant's rent must be increased to the lesser of: 30% of the tenant's adjusted annual income, HUD's fair market rent limitations, or the maximum amount allowable by the Code, not to exceed limitations set by state or local laws (if any) or to be decreased under the established rent floor.
- 23. *Owner-Contractor Agreements.*** If the Owner is not also the General Contractor, all developments financed in whole or in part with a HOME Loan for construction must use an AIA Standard Form Agreement between Owner and contractor, with Standard Form Terms and Conditions. The contract can either be stipulated sum or cost plus a fee with a maximum.
- 24. *Partnership Agreements.*** The partnership agreement and any amendments must be fully executed prior to the HOME Loan closing. The Partnership Agreement and any amendments must reflect the terms of the HOME Loan transaction on all material points. If the Owner is a limited liability company, an operating agreement in a form satisfactory to DCA must be fully executed before the HOME loan closing. After the HOME loan closing, the partnership agreement or the operating agreement (as the case may be) may not be further amended without GHFA's prior approval.
- 25. *Payment and Performance Bonds.*** A 100% payment and performance bond will be required for all developments funded with HOME Loans. The issuer of the bonds and the terms of the bonds must be approved by DCA.

When an Identity of Interest exists and the contractor cannot obtain a payment and performance bond, a waiver of the requirement for payment and performance bonds may be granted if a letter of credit or construction loan is utilized in lieu of the payment and performance bond waiver must be submitted at pre-application.

A waiver will not be considered unless:

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- a) The Owner agrees to provide a construction completion guaranty and payment guarantee, secured by a letter of credit from a federally-insured institution with a value of at least 50% of the total construction cost, including profit and overhead; or
- b) The Owner agrees to secure a construction loan with private financing. GHFA will disburse funds during the construction period, in an amount not to exceed \$10,000 per construction draw.
- c) No more than 10 months can elapse between disbursements of HOME funds.

26. Refinancing. DCA HOME loans cannot be used to refinance or payoff an existing loan. Proceeds from permanent HOME loans can be used to pay off construction, bridge and predevelopment loans provided that the HOME assistance is part of the original financing package.

27. Repayment. Repayment schedules will vary depending upon projected economics of the development, but are essentially determined by analyzing available projected cash flow of the project at Application Submission and again during HOME Underwriting. In the event DCA determines that the project is experiencing feasibility problems related to increases in real estate taxes, increases in property insurance, increases in utility allowances or decreases in fair market rents, the repayment schedule may be modified by DCA.

28. Replacement Reserve Withdrawals. All withdrawals from the Replacement Reserve account must be approved by DCA in advance. The senior lender must maintain the Replacement Reserve account in an FDIC insured financial institution. Interest earned on the Replacement Reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions. Replacement Reserves are to be used only for capital expenditures and not to handle operating deficits.

29. Retainage. The loan agreement between the Project Owner and GHFA will provide that GHFA will retain the greater of 5% of the original GC contract amount until the conditions of the final draw are met.

In addition, the contractor is required to show retainage on the AIA G702/703 as follows:

- a) If the project completion is between 0-50% of the General Contractor's contract sum, the AIA G702/703 must show at least 10% retainage on the entire contract sum. No portion of the contract sum shall be exempt (Examples of items that are not exempt: stored materials, performance and payment bonds, insurance, general conditions). Adjustments will be made in the disbursement of HOME funds if the AIA G702/703 does not reflect 10% retainage.
- b) If the project completion is 50.1-100% of the General Contractor's contract sum, the AIA G702/703 must show at least 5% retainage on the entire contract sum.

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The construction contract must provide and the contractor must acknowledge that GHFA has the right to withhold such retainage and that the retainage will not be disbursed until full and final completion of the construction.

- 30. Rural Projects.** DCA recognizes that Rural projects may involve greater financial risk than non-Rural projects. While a sufficient economic base to support a proposed Rural project may exist at the time of Application, the loss of a predominant industry or employer, or other extenuating circumstances out of the control of the Applicant could result in a major economic impact on the project. To mitigate this increased financial risk, DCA will consider loan modifications during the course of the HOME Loan for projects which have suffered a demonstrated major economic impact as a result of the loss of a predominate industry or employer or other extenuating circumstances. The loan modification may be structured to allow the Owners to maintain Ownership and control of the property and to continue providing affordable housing to the extent it is needed in the community.
- 31. Stored Materials.** HOME funds will not be used to fund the cost of stored materials without the prior consent of DCA. Stored materials are considered to be materials that will not be incorporated into the construction within the subsequent thirty (30) days from the date of any draw request.
- 32. Subsidy Layering Review.** DCA will perform subsidy-layering analysis for HOME funded projects prior to the time of preliminary commitment for projects receiving tax credits from the state's low income housing tax credit allocation. In cases where the results of a DCA subsidy layering review indicated that there would be excess assistance, DCA will reduce the amount of the HOME loan to eliminate the excess. In addition, a subsidy layering review is also conducted during HOME loan underwriting prior to the closing of the HOME loan.
- 33. Subordination.** The decision whether to subordinate DCA's regulatory agreement and/or lien position to a private lender's security deed will be made only after DCA considers the individual circumstances of each HOME Loan. Factors that will be considered include, but are not limited to, the senior loan amount, DCA's HOME Loan amount, debt coverage ratio, private lender's interest rates, loan maturity, type of loan, etc. In no instance will DCA subordinate to a public entity's loan.
- 34. Syndicator Asset Management Fee.** Syndicator asset management fees will be paid from the "after debt service" cash flow less the cash flow payments to DCA on the HOME permanent loans.
- 35. Tri Party Agreements.** A Tri Party Agreement will be required for all DCA HOME Loan transactions involving another permanent lender that is not financing construction costs. The Tri Party Agreement must clearly state, at a minimum, that the permanent lender has reviewed and approved the DCA HOME Loan documents, plans and specifications, development budget, tenant lease, environmental assessment, construction contract, title exception legal description, management agreement, partnership agreement,

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borrower's certificate of limited partnership, survey, appraisal, form of subordination agreement, and items necessary to satisfy the permanent commitment regarding completion of construction of the improvements of the collateral property.

Appendix II
Competitive Scoring Criteria

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Appendix II Competitive Scoring Criteria

Documents: *Minimum* document requirements are listed after each point category. However, Applicants are required to submit all documents at Application Submission that are necessary for DCA to determine that the Application meets the criteria for points regardless of whether they are listed in the minimum document requirements. No additional documentation or explanations can be provided after Application Submission.

Applicants must use each comment section in the scoring workbook to fully explain the basis for points claimed in each category.

I. APPLICATION COMPLETENESS

10 Points

Each Application will be awarded an initial score of **ten (10) points** in this category. Point deductions to that score will be made for Application errors that do not result in a Threshold Failure.

A. Missing/Incomplete Documents/Organization

One (1) point will be deducted for each of the following:

1. Each missing or incomplete document.
2. Inconsistencies between the Application hard copy and the Application electronic file.
3. Submitted documents that are not accurate, legible or are incomplete.
4. Applications that are not organized as set out in the Tab checklist and the Application instructions.

B. Financial and Other Adjustments

DCA may correct minor errors in the Application or make minor adjustments (financial or otherwise) to the Application during review. The first adjustment will not result in a point deduction. **One (1) point** will be deducted for Applications requiring 2-4 adjustments. Each additional adjustment will result in a one (1) point deduction.

Points will be deducted for financial and other adjustments as follows:

1. Financial Adjustments made during Threshold Feasibility review.

Examples of financial adjustments include, but are not limited to:

- a) Incorrectly calculating developer fee
- b) Additions to line item development costs
- c) Application errors that result in a change in the allowable tax credits
- d) Failure to include DCA required reserves in the pro forma
- e) Incorrectly calculating rents and/or utility allowances

2. Documents that are submitted with the Application but are not accurately reflected in the structure of the project as submitted in the Application.

II. DEEPER TARGETING/RENT/INCOME RESTRICTIONS

Maximum 3 Points

A. Deeper Targeting through Rent Restrictions

3 Points

Applications that agree to set gross rents and income limits for at least 15% of the total residential units at or below 30% of 50% AMI shall be awarded **three (3) points** in this category. In order to qualify for these points, tenants must meet the required income restrictions for the property and the tenant portion of the rent must not exceed the 50% rent restriction.

Owners will be required to execute restrictive covenants stipulating the number of very low rent-restricted units to be rented to very-low income households for the term of the Compliance Period.

Percentage of deeper targeted units will be calculated based on the total residential units (common space employee units will not be included in the total residential units).

or

B. Deeper Targeting through new PBRA contracts

3 Points

Applications that have an award of new government-funded project based rental assistance for at least 15% of total residential units for a minimum of ten (10) years shall be awarded three points in this category. Projects selected to participate in the HUD Rental Assistance Demonstration or similar other HUD-approved conversion programs may be eligible for these points if above criteria are met.

Percentage of deeper targeted units will be calculated based on the total residential units (common space employee units will not be included in the total residential units).

Documentation:

- Commitment for PBRA executed by authorized regulatory agency.

III. DESIRABLE ACTIVITIES/UNDESIRABLE

Maximum 12 Points

A. Desirable Activities

Points will be awarded for each desirable activity/characteristic category that is near a proposed site. Applicants will be limited to receiving a maximum of 12 points. However, there is no limit on the number of desirable categories Applicants may submit for DCA's review. For Scattered Site Projects, the Applicant must measure the distances from the approximate center of the ½ mile radius in which the non-contiguous parcels are located.

In order to be eligible for desirable points, the following criteria must be met:

1. Only activities and/or characteristics which are located within a 2.0 mile walking/ driving distance from the proposed site will be considered.

2. Each desirable category may only be counted once.
3. Each building/entity will be assigned to only one desirable category.
4. Desirable activities/characteristics are eligible for points according to the following scale:

a) National big box general merchandise store, typically with a minimum of 50,000 square feet of floor space (e.g., Wal-Mart, Target, Costco, BJ's, Sam's Club)	2 pts
b) Hospital (not outpatient centers or emergency care facilities)	2 pts
c) Traditional town square which includes an operational anchor institution (e.g. county courthouse, city hall) and which serves as a hub for both commercial activity and community events	2 pts
d) Grocery stores (convenience stores not eligible)	2 pts
e) Elementary, middle, or high school	1 pt
f) Public Park/Public community garden	1 pt
g) Public library	1 pt
h) Fire Station or Police Station	1 pt
i) Retail/ Clothing/ Department store	1 pt
j) Restaurants	1 pt
k) Federally insured banking institutions (ATMs are not eligible for points in this category)	1 pt
l) Post Office	1 pt
m) Medical facility (i.e. clinic, physician/dental office)	1 pt
n) Pharmacy	1 pt
o) Church	1 pt
p) Day care services (must be licensed)	1 pt
q) Community or Recreational Center (i.e. YMCA, Boys & Girls Club, Senior Community or Multipurpose Facility)	1 pt
5. Desirable characteristics that are under construction may be eligible for points if the construction site is clearly active and the new structures are above ground at the time of Application Submission.

B. Undesirable/Inefficient Site Activities/Characteristics

In determining whether an undesirable activity/characteristic is near a proposed site, the Application must consider any undesirable activity/characteristic that is located within the radius of one quarter (1/4) mile of the proposed site. One (1) point will be deducted from the maximum twelve (12) Desirable points per activity/characteristic.

For Scattered Site Projects, the Applicant must evaluate the ¼ mile radius from each non-contiguous parcel separately.

1. Undesirable/Inefficient Site Activities/Characteristics may include but are not limited to the following:

- a) Inappropriate surrounding property uses (examples include but are not limited to junkyards, dumps, landfills, materials storage areas, commercial livestock

- operations, uses that generate odor, uses that generate excessive glare from lighting).
- b) Potential or existing environmental hazards such as chemical or heavy manufacturing activities, industrial development, facilities listed in Federal or State hazardous inventory databases, gas stations with a history of leaking underground storage tanks, auto repair stations and dry cleaners with a history of contaminant releases.
 - c) Abandoned houses or buildings that are unoccupied, unsecured buildings that depress an area's physical appearance, diminish living conditions and/or safety of the neighborhood and decrease the marketability of the proposed sites (abandoned will be determined by the following factors: broken windows, doors, unsecured, lack of maintenance, and/or evidence of loitering; unsecured means open or broken windows and doors). Additionally, deteriorated housing or buildings where extensive defects are evident from the exterior of the building and depress an area's physical appearance, diminish living conditions and/or safety of the neighborhood and decrease the marketability of the proposed site.
 - d) Extensive mitigation and translate to a less efficient use of resources (examples include extensive noise mitigation costs, steep grade changes that require extensive grading and/or retaining walls, extensive floodplain or wetland areas that render the existing soils unsuitable for required bearing capacity, inefficient use of land/excessive site acreage in relation to the number of units constructed).

DCA will review the undesirable activity or establishment's proximity to the property and the impact of the activity on the proposed project and its tenants in deducting the point. This list is not all inclusive.

2. Exceptions to Undesirable Deductions:

If the Applicant has knowledge at the time of Application that the conditions that make the property undesirable are temporary and that change or mitigation is imminent (i.e. demolition, rehabilitation, etc.), then sufficient evidence of the change must be submitted in the Application.

DCA will consider mitigation to be performed by a third party that will remove the undesirable condition imminent if it is scheduled to occur prior to September 1, 2014. Applicants will need to supplement their Application by providing evidence to DCA that the condition has been mitigated by September 1, 2014 (Applicants will not be notified prior to the deadline that this documentation should be submitted).

If the mitigation will be completed by the Applicant as opposed to a third party, the condition must be mitigated by the placed in service date for the project. Applicants must provide clear documentation that they have the site control and resources to complete the mitigation.

Documentation:

- Desirable/Undesirable Form

- A site map indicating the specific locations of each desirable and undesirable activity/characteristic. The map must contain a key stating the type of activities/characteristics identified and their addresses and must include the following:
 - Location of site including an indication of major access roads,
 - Indication of distances in 1/4 mile increments,
 - Indication of any major industrial or commercial development, and
 - All desirable and undesirable activities/characteristics.
- Photographs of the desirable and undesirable activities and characteristics. All photographs are to be either color originals or color copies. Black and white photographs will be considered Missing/Incomplete documents.
- Documentation from the owner of the site on which the undesirable condition exists or from a third party government source documenting how such change will occur and the time frame.
- Documentation that evidences the desirable activity/characteristic that will be located in sites under construction.

IV. COMMUNITY TRANSPORTATION OPTIONS

4 Points

Applications will be eligible for transportation points according to the criteria below. Note that on-call transportation services are not eligible for points in sections A-D. For Scattered Site Projects, each non-contiguous parcel must meet the above criteria.

A. Four (4) points will be awarded to Flexible Pool Applications proposing a site owned by the local transit agency which has been strategically targeted by the agency to create housing with on-site access to public transportation. The agency-owned site must rest along a transit line that follows a fixed route and fixed daily schedule available to the public every day of the week.

Documentation:

- Narrative submitted and signed by a representative of the transit agency describing the strategic planning process for the proposed site.
- Documentation demonstrating site control as well as the strategic plan for the proposed site.
- Map showing the location of the transit stop in relation to the proposed development site.
- Photograph of the transit stop accompanied by description of the stop's location.
- Documentation and web address (URL) from transit authority showing relevant transportation route and schedule.

OR

B. Three (3) points will be awarded to Flexible Pool applications that propose a site adjacent to an established public transportation stop along paved roads, sidewalks, established pedestrian walkways or bike trails. The stop must rest along a transit line that follows a fixed route and daily schedule serving the public no less than 5 days per week. DCA will define adjacent for this purpose as within 800 feet of an entrance to the site that is accessible to pedestrians and connected by sidewalks or established pedestrian walkways to the transportation stop.

OR

C. **Two (2) points** will be awarded to Flexible Pool applications that propose a site within 1/4 mile of an established public transportation stop along paved roads, sidewalks, established pedestrian walkways or bike trails. The stop must rest along a transit line that follows a fixed route and fixed daily schedule serving the public no less than 5 days per week.

OR

D. **One (1) point** will be awarded to Flexible Pool applications that propose a site within 1/2 mile of an established public transportation stop along paved roads, sidewalks, established pedestrian walkways or bike trails. The stop must rest along a transit line that follows a fixed route and fixed daily schedule serving the public no less than 5 days per week.

Documentation:

- Map showing the location of the transit stop in relation to the proposed development site.
- Photograph of the transit stop accompanied by description of the stop's location.
- Documentation and web address (URL) from transit authority showing relevant bus route and schedule. Applications that do not clearly demonstrate how the public is made aware of the transit service and schedule will not be eligible for points.

OR

E. **Two (2) points** will be awarded to Rural Pool Applications demonstrating that a publicly operated/sponsored and established transit service (including on-call or fixed-route service) will provide a reliable, available, and affordable transportation option on site to all residents of the development. The transit service must be available at least 5 days per week in order to qualify for the points.

Documentation:

- Map showing the location of the transit stop in relation to the proposed development site (not applicable if service is an on-call service).
- Photograph of the transit stop accompanied by description of the stop's location.
- Documentation from transit service showing the cost of service, availability, and route.
- Documentation demonstrating how the public is made aware of the transit service.

V. BROWNFIELD

2 Points

Two (2) points will be awarded if the proposed development is the redevelopment of a Brownfield site. The definition of a Brownfield site is one where the EPA, Georgia EPD or other environmental regulatory agency has defined the site as a Brownfield site and has determined the applicable guidelines for the cleanup required for residential uses.

Documentation:

- Evidence of designation as a Brownfield site;
- An opinion letter from an attorney, a PE, or a PG that the property appears to meet the requirements for issuance of an EPD No Further Action or Limitation of Liability letter. The opinion letter must also outline the steps and timeline for obtaining the EPD letter;
- Proposed scope of work for cleanup of a site (where applicable);
- Detailed budget for clean up (where applicable); and
- Timeline for clean up must also be submitted (where applicable).

(DCA will require a copy of the Letter of No Further Action prior to issuance of 8609s.)

VI. SUSTAINABLE DEVELOPMENTS

3 Points

Certification of the project’s compliance with a sustainable program that is utilized to claim points must be submitted at either the LIHTC final certification or HOME Loan final construction draw, whichever comes last. Failure to demonstrate a good faith effort to complete the certification may result in a finding of non-compliance and limited participation in further rounds. DCA will review proposed scoring sheets to determine that the Applicant has made a good faith effort to obtain the certification.

A. Sustainable Communities Certification

3 Points

Three (3) points will be awarded to projects in the Flexible Pool that seek certification in:

1. ***EarthCraft Communities program*** through the Southface Energy Institute and the Greater Atlanta Home Builder’s Association, *with the following stipulations:*

- a) Site Analysis Packet as defined in Earth Craft Communities Guidebook is submitted and reviewed by both DCA and Earth Craft Communities administrators at Pre-application.
- b) Projects may **not** seek points for certification under the “conservation” development form.
- c) Projects may **not** seek points for certification in the following categories unless it is clearly demonstrated in the Application that the cost of the technology justifies the commitment of resources:
 - i. District heating/cooling
 - ii. Renewable electric generation
 - iii. Alternative thermal production

Documentation:

- Copy of an executed EarthCraft Communities Memorandum of Participation for the development where the project is located.
- If Memorandum of Participation is not signed by the Applicant, then the Applicant must provide a narrative as to how the Memorandum is applicable to the project.
- Draft scoring worksheet for the development that includes the minimum score under the program to qualify for the designation and includes the comments from the EarthCraft

design review.

- Site Analysis Packet (Pre-application).

OR

2. Leadership in Energy and Environmental Design for Neighborhood Development (LEED-ND)

a) *Stipulations*: Points may be awarded under the following stipulations:

- i. Feasibility study prepared by a LEED APND that evaluates the feasibility of the proposed project meeting LEED ND criteria is submitted and reviewed by DCA at Pre-Application.
- ii. Project may **not** seek points for certification in the following categories unless it is clearly demonstrated in the application that the cost of the technology justifies the commitment of resources:
 - On site Renewable Energy Sources
 - District Heating and Cooling

Documentation:

- Draft scoring worksheet for the development that includes the minimum score under the program to qualify for the designation and master site plan for the development.
- Documentation of the project's registration in the LEED database.
- Feasibility study prepared by a LEED AP ND that evaluates the feasibility of the proposed project meeting LEED ND criteria (Pre-application).

b) *Ineligible*. DCA reserves the right to deny points for the following:

- i. Projects that seek EarthCraft Communities or LEED ND designations through the projection of points in categories that require an excessive amount of DCA resources.
- ii. Projects that materially change the project concept between Pre-application and application submission.
- iii. Failure to accurately complete the draft scoring worksheet.

Developments certified under these programs successfully protect and enhance the overall health, natural environment, and quality of life of communities. The program rating systems integrate the principles of smart growth, new urbanism, and green building into a standard for neighborhood design. The programs provide independent, third-party verification that a development's location and design meet accepted high standards for an environmentally responsible, sustainable development.

OR

B. Sustainable Building Certification

2 Points

Two (2) points will be awarded to projects that commit to obtaining a sustainable building certification from one of the following entities:

1. Southface Energy Institute's and Greater Atlanta Home Builder's Association's

- EarthCraft House multifamily (or single family or renovation) certification program.
2. Enterprise Foundation's Green Communities certification program (following Enterprise Green Communities protocol under the guidance of an Enterprise Qualified TA provider).
 3. US Green Building Council's LEED for Homes certification program which includes single family detached and multi-family low and mid-rise structures.
 4. National Association of Home Builders Research Center's National Green Building Standard certification program, meeting Gold level or higher for single and multifamily buildings, new and renovation
 5. ENERGYSTAR Version 3 certification for new single and low rise multifamily buildings

Due to the various revision cycles for each of these programs, the project must comply with the version in effect at the time of the drawings are prepared for permit review. Regardless of program requirements, all projects must meet threshold requirements for Building Sustainability and engage in tenant and building manager education in compliance with the point requirements of the respective programs.

Documentation:

- Draft scoring sheet for the development that includes the minimum score under the program to qualify for the designation.
- Certificate of Participation in DCA's Green Building for Affordable Housing Training Course completed by a direct employee of the project owner dated 2012, 2013, or 2014. DCA may request an explanation of the participant's relationship to the owner.

VII. STABLE COMMUNITIES

4 Points

A. Flexible Pool Stable Communities

4 Points

1. **Four (4) points** will be awarded to projects in the Flexible Pool that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report (<http://www.ffiec.gov/census/>).
 - a) Less than **5%** below Poverty level (see Income)
 - b) Designated Middle or Upper Income level (see Demographics)

OR

2. **Three (3) points** will be awarded to projects in the Flexible Pool that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report (<http://www.ffiec.gov/census/>).
 - a) Less than **10%** below Poverty level (see Income)
 - b) Designated Middle or Upper Income level (see Demographics)

OR

3. **Two (2) points** will be awarded to projects in the Flexible Pool that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report (<http://www.ffiec.gov/census/>).
- Less than **15%** below Poverty level (see Income)
 - Designated Middle or Upper Income level (see Demographics)

Documentation:

- Each page of FFIEC census demonstrating project meets requirements.
- Map clearly showing the census tract of the proposed site.

B. Rural Pool Stable Communities

3 points

1. **Three (3) points** will be awarded to projects in the Rural Pool that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report (<http://www.ffiec.gov/census/>).
- Less than **15%** below Poverty level (see Income)
 - The Tract Median Family Income % is greater than 100% (see Demographics)

OR

2. **Two (2) points** will be awarded to projects in the Rural Pool that are located in a census tract that meets the following demographics according to the most recent FFIEC Census Report (<http://www.ffiec.gov/census/>).
- Less than **20%** below Poverty level (see Income)
 - The Tract Median Family Income % is greater than 100% (see Demographics)

Documentation:

- Each page of FFIEC census demonstrating project meets requirements.
- Map clearly showing the census tract of the proposed site.

VIII. COMMUNITY REVITALIZATION PLANS

3 Points

A. Adopted Revitalization Plans

2 Points

Two (2) points will be awarded to Applications proposing to develop housing that is in a Qualified Census Tract and that contributes to a concerted community revitalization plan for a specific neighborhood.

1. **Eligibility.** In order to qualify for these points, the community revitalization plan must meet the following:
- Be officially adopted by a Local Government
 - Must include public input and engagement
 - Be current, ongoing, and directly affect the proposed site.
 - Clearly delineate a target area that includes the proposed site.

- e) Call for the rehabilitation or production of affordable rental housing as a policy goal for the community
- f) Implementation measures along with specific time frames for the achievement of such policies and housing activities. The timeframes and implementation measures must be current and ongoing;
- g) The proposed development project must support at least one of the goals of the redevelopment or revitalization plan; and
- h) An assessment of the existing physical structures and infrastructure of the community.
- i) Discussion of resources that will be utilized to implement the plan.

2. *Ineligibility.* Applications are ineligible to receive points in this category if:

- a) The plan was formulated by a Project Team member and submitted to a local government for approval
- b) The plan is a short-term work plan
- c) The plan is a comprehensive plan, consolidated plan, municipal zoning plan or land use plan
- d) The plan is outdated and does not reflect the current neighborhood conditions (Plans that are more than four years old will be presumed outdated unless documentation regarding the continued viability of the plan is submitted with the Application).

Documentation

- DCA Neighborhood Redevelopment Certification
- Evidence of adoption and reauthorizations demonstrating the plan is active
- Map of area targeted by plan identifying location of project
- Website address where information regarding the plan can be located
- Documentation evidencing that the proposed site is located in a QCT
- Details regarding community input and public hearings held prior to the adoption of the plan
- A copy of the full revitalization plan

B. Designated Military Zones

1 Point

One (1) point will be available for an Application proposing a site located within the census tract of a DCA-designated Military Zone (MZ).

Documentation

- Evidence that census tract is eligible for AND has received designation as a Military Zone.

OR

C. HUD Choice Neighborhoods

2 Points

Two (two) points will be available to Application that has received a HUD Choice Neighborhood Implementation Grant.

Documentation

- The Application must include the Choice Neighborhood grant award as well as documentation that the proposed project is included in the targeted area.

IX. PHASED DEVELOPMENT / PREVIOUS PROJECTS

3 Points

A. Phased Developments

3 Points

Three (3) points will be awarded to Applications in the Flexible Pool if the proposed project is part of a Phased Development in which one or more phases received an allocation of 9% tax credits within the past 3 funding rounds and at least one phase has commenced construction per that allocation as of the 2014 Application Submission deadline. Documentation of the Master plan, site control and total project concept must be submitted in the application. Projects that DCA determines are adjacent (as opposed to being Phased Developments) are not eligible for points. DCA will look to the underlying project concept to determine whether the community was originally designed as one development with different phases. Only one phase of a project can receive points during a funding round. In determining whether a project is a phased development, DCA will require that site control over the total site be in place when the initial phase is closed.

Documentation:

- Master Plan with complete project concept showing all phases
- Documentation that site control was established for all phases when the initial phase is closed.

OR

B. Previous Projects

3 Points

1. Three (3) points will be awarded to an Application in the if the proposed development site is within a Local Government boundary which has not received an award of 9% Credits within the last five (5) DCA funding cycles OR is located in a non-Rural area outside of a 2-mile radius from such a funded project.

OR

2. Two (2) points will be awarded to an Application in the if the proposed development site is within a Local Government boundary which has not received an award of 9%

Credits within the last four (4) DCA funding cycles OR is located in a non-Rural area outside of a 2-mile radius from such a funded project.

X. MARKET CHARACTERISTICS

2 Points

Each Application will be awarded an initial score of **two (2) points** in this category. One (1) point will be deducted for each of the following conditions.

- A. There are more than two DCA funded projects in the primary market area which have physical occupancy rates of less than 90 percent and which compete for the same tenant base as the proposed project.
- B. There has been a significant change in economic conditions in the proposed market which could detrimentally affect the long term viability of the proposed project and the proposed tenant population. An example would be the loss of a major employer that would affect the proposed tenant population.
- C. The proposed market area appears to be overestimated, indicating that the demand for the project is weaker than projected.

XI. EXTENDED AFFORDABILITY COMMITMENT

1 Point

A. Waiver of Qualified Contract Right

1 Point

One (1) point will be awarded to Owners willing to forgo the Qualified Contract "cancellation option" for at least five years after the close of the Compliance Period. The Code requires that all low-income units in a project receiving Credits remain rent-restricted and income-restricted for the Compliance Period and for 15 years after the close of the Compliance Period. However, owners have an option to request DCA's assistance in procuring a Qualified Contract for acquisition of the building(s) after the 14th year of the Compliance Period. If DCA is unable to present such a contract within a one-year period, the owner may terminate the extended use agreement.

OR

B. Tenant Ownership

1 Point

One (1) point will be awarded to Owners that commit to submit a plan for tenant ownership, acceptable to DCA, at the end of the 15-year Compliance Period. Only single family styled units are eligible for these points. In order to qualify for tenant ownership plan points, Applicants must agree to submit a viable homeownership strategy with the Application for residents who will inhabit the units. The strategy must outline the Applicant's exit strategy and calculation of the estimated affordable purchase price for the unit occupied by the tenant and pre-purchase homeownership counseling. All sites must be owned by the Applicant (long-term leases are unacceptable). Applicant must clearly show how the property will be managed during the compliance period and how the tenant's down payment will be managed.

Documentation

- Copy of strategy documents meeting the above requirements must be submitted with Application.

XII. NONPROFIT

3 Points

DCA will award **three (3) points** to three (3) Applications in which the Project Team includes a qualified Nonprofit as the managing general partner. Only projects applying and eligible for the nonprofit set aside are eligible for points in this category. A qualified Nonprofit may only request consideration for these points for one Application.

The desired outcome of this category is to award points to strong, innovative, mission-oriented nonprofit organizations proposing projects which target at-risk populations.

Nonprofit entities will be comparatively evaluated and ranked according to how well they meet each of the following criteria. The characteristics and results of Sponsoring entities or affiliated companies such as public housing authorities or parent company will not be included in the evaluation.

- A. Technical expertise in the tax credit program
- B. Operating sustainability of the organization.
- C. Management and governance of the Nonprofit.
- D. Community impact demonstrated by a record of funding and engaging in activities that have positively impacted communities in addition to housing tax credit development.
- E. Proposed project targets at-risk populations in an Integrated Housing setting with focused service commitments and rental assistance.

The scoring method for the comparative analysis is contained in the DCA Nonprofit Assessment Form. In the event of a tie, DCA will select the Applicants with the strongest technical expertise as a tiebreaker.

Documentation:

- DCA Nonprofit Assessment Form
- Copy of organization's publicly available federal Form 990 for 2011 and 2012
- Copy of 2011 and 2012 recent annual audits completed by an independent auditor for the non profit
- Focused Service commitments for the proposed projects
- Documentation of rental assistance for at risk populations

XIII. RURAL PRIORITY

3 Points

Applications in the Rural Pool proposing new construction projects consisting of eighty (80) or fewer total units are eligible for **three (3) points**. Each Applicant will be limited to claiming Rural Priority points for one project in which they have a direct interest. Failure by the Applicant to designate these points to only one qualified project, or to incorrectly designate these points, will result in no points being awarded.

XIV. DCA COMMUNITY INITIATIVES

1 Point

One (1) point will be awarded for projects that have a letter from an eligible DCA Georgia Initiative for Community Housing (GICH) community which clearly:

- A. Identifies the project as located within their political jurisdiction,
- B. Is indicative of the community's affordable housing goals,
- C. Identifies that the project meets one of the objectives of the Community, and
- D. Is executed by the official representative of the Community.

Each community may issue only one (1) letter for one project in this year's competitive round. If more than one letter is issued, no project in that community shall be awarded any points.

Documentation:

- Letter executed by Official Representative

For Scattered Site Projects, the above documentation is required from each local government for each non-contiguous site.

XV. LEVERAGING OF PUBLIC RESOURCES

Maximum 7 Points

To be eligible for points under section A or B below, the following criteria must be met:

1. Funding or assistance provided above must be binding and unconditional except as set forth in this section.
2. Resources must be utilized if the project is selected for funding by DCA.
3. Only loans that are for both construction and permanent financing phases will be considered for points in this section.
4. Loans must be for a minimum period of ten years and reflect interest rates at or below AFR.
5. Commitment or award documentation must meet the terms and conditions as applicable specified in Appendix I, Threshold Criteria, Section I. (I) (Permanent financing, limited partnership equity, deferred developer fee and other financing Commitment).

A. Grants/Loans

Maximum 4 Points

1. **Qualifying Sources.** New loans or new grants from the following sources that will provide new capital funding will qualify for points under this category:

- a) Community Development Block Grant (CDBG) program funds
- b) Federal Home Loan Bank Affordable Housing Program (AHP)
- c) HOME funds
- d) NSP funds
- e) Beltline Grant
- f) Housing Opportunity Bonds
- g) HUD 202 or 811 program funds
- h) Historic tax credit proceeds
- i) Replacement Housing Factor Funds
- j) Government Grant funds or loans with interest rates below AFR

2. **Point Scale.** New loans and/or new grants will qualify for points according to the following scale:

Flexible Pool	Amount at least 15% of Total Development Cost (TDC)	4 Points
	Amount at least 10% but less than 15% of TDC	3 Points
	Amount at least 5% but less than 10% of TDC	2 Points
	Amount at least 2% but less than 5% of TDC	1 Point
Rural Pool	Amount at least 10% of Total Development Cost (TDC)	4 Points
	Amount at least 5% but less than 10% of TDC	2 Points
	Amount at least 2% but less than 5% of TDC	1 Point

Documentation:

- Commitment letter for such new loan and/or grant

B. Local Government/Nonprofit Contribution 1 Point

One (1) point will be awarded for projects receiving a long-term ground lease (no less than 45-year) from a local public housing authority or government entity for nominal consideration and no other land costs

Documentation:

- A copy of the ground-lease agreement

C. Off Site Improvement, Amenity and Facility Investment 2 Points

An Applicant may earn points if an unrelated third party (foundation, trust, and/or government) investment of resources is provided that will result in off-site infrastructure improvements adjacent to the project site, and/or the development of parks, green space and shared amenities, recreational facilities and improvements adjacent to the

proposed project site that will serve the tenant base for the subject project. Points will be awarded according to the following scale:

Flexible Pool	Investment amount at least 10% of TDC	2 Points
	Investment amount at least 5% but less than 10% of TDC	1 Point
Rural Pool	Investment amount at least 5% of TDC	2 Points

The proposed improvements, amenities and/or facilities must be completed prior to the proposed placed in service date for the project. The development cost and source of funding associated with the development of the improvements, amenities and/or facilities must be mutually exclusive of the development cost and sources of funding for the subject property. The cost for the improvement must be paid in full by the unrelated third party. Examples of third party improvement, amenity, and facility investment of resources include, but are not limited to, the following:

1. Construction of off-site or on-site access road which is required for access to the property,
2. Development of parks, green space or walking trails on a master plan development site,
3. Development of YMCA, youth center, senior center, and/or
4. Construction of sidewalks or streetscape adjacent to the property.

Third party investments that are community wide in scope, part of the community local action plan or that will be developed regardless of the development of the proposed project will not be eligible for points in this section. Additionally, improvements that were completed prior to Application Submission are not eligible for points in this section.

Documentation:

- Commitment of funds;
- Detailed source of funds;
- Amount of investment;
- Timeline for completion;
- Description and location of improvements on site map;
- Narrative that includes benefit specific to the tenant base; and
- A copy of the Georgia DNR-HPD and NPS approved Part 1, Part 2 and the Georgia-approved Part A (if applicable) (in support of historic tax credits only)

XVI. SUPERIOR PROJECT CONCEPT AND DESIGN 3 Points

A. Innovative Project Concept and Design 3 Points

DCA may award **three (3) points** to up to one project that presents an innovative project concept/design that addresses complex problems faced in providing housing opportunities for at-risk populations in an Integrated Housing setting. The innovation

should result in innovative and replicable solutions not typically seen in Georgia tax credit projects. Examples of innovation might include collaborative partnerships that provide new funding sources for services and tenant assistance, mixed use income and mixed tenancy projects that address housing needs for special populations and promote community integration, interagency partnerships that combine funding sources to reduce development or operating costs, or strategic solutions that break down barriers for the populations served.

Applicants requesting these points will be comparatively ranked after analysis of the following factors:

1. Presentation of the project concept in the Application. DCA seeks well-defined, high quality and sound programs and will consider the extent to which the Applicant thoroughly describes the project and innovation plan.
2. Overall project strength, based on Project Feasibility analysis, Project Team qualifications, and management team experience.
3. Uniqueness of the innovation
4. Ability to replicate the innovation
5. Leveraged operating funding. Leveraged funding sources may include private capital, philanthropic and foundation funds, as well as local, state, and/or other federal funding, and may also include other operating assistance program funding, exclusive of sources used to finance capital development costs.
6. Measureable benefit to tenants resulting from the innovation.
7. Collaborative solutions proposed.

Documentation:

- Narrative of project concept and innovation
- Staffing and Organizational Plan (Identify roles and responsibilities of all relevant agencies and other organizations participating in the innovative concept)
- Description of how the measureable benefit for the innovation will be tracked
- Case studies, white papers or other analysis which support the innovative approach
- Commitments for operating subsidy
- Other documents that support the ranking factors

OR

B. Community-Driven Housing Strategies

3 Points

One (1) Flexible Pool Application AND one (1) Rural Pool Application will receive **three (3) points** for a proposed project that is part of a Local Government's holistic, place-based strategic initiative for improving a neighborhood. Applications will be comparatively evaluated and ranked according to how they meet each of the criteria listed below.

1. Local Government role in formulating the overall strategy with the input of community members.

2. Extent to which the proposed project catalyzes area improvement by addressing the neighborhood's housing need, as detailed in the strategic initiative.
3. Local Government engagement in the selection of the Project Team.
4. Local Government contribution towards improvement of the high priority area.
5. Incorporation of planning objectives set out in Transit Oriented Developments, Sustainable Communities, Livable Centers Initiative, or as part of participation in the Georgia Initiative for Community Housing (if the participating GICH community has completed the Freshman Year of the program).
6. Designation as the highest affordable housing priority by the Local Government.

Documentation:

- Narrative, written and signed by Local Government representative on appropriate letterhead, which outlines how the proposed Application satisfies criteria listed above. The narrative should be formatted numerically according to the listed criteria, must clearly identify any supporting documentation included, and should be no longer than 5 pages.
- Copy of strategic initiative along with authorizing documentation for implementation of the plan, if any.

XVII. INTEGRATED SUPPORTIVE HOUSING

3 Points

A. Integrated Supportive Housing/ Section 811 Rental Assistance

3 Points

Three (3) points will be awarded to an Application proposing a property that agrees to accept Section 811 project based rental assistance or other government rental assistance for up to 15% of the units for the purpose of providing integrated housing opportunities to a target population which includes individuals with mental illness, as defined in the Settlement Agreement between the State of Georgia and the Department of Justice (#1:10-CV-249-CAP) and to individuals eligible to participate in the Money Follows the Person program

DCA, in partnership with the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD) and the Georgia Department of Community Health, will provide rental assistance, as available through HUD's Section 811 Project Rental Assistance (PRA) program, to housing tax credit properties claiming these points which are identified as priority locations for the target population. It is the Applicant's responsibility to understand the requirements of the Section 811 PRA program, including the 30-year use restriction for all PRA units, before claiming these points.

In order to be eligible for these points, at least 15% of the total low-income units must be one bedroom units that are set at 50% AMI rent and income levels.

At the time of Application, DCA will require the owner and management company to demonstrate an intentional partnership through a Memorandum of Understanding with

a State or Local behavioral health agency responsible for community placements, Continuum of Care, or an appropriate service provider equipped to provide referrals and support services to the target population.

The MOU must include the following:

- i. The referral process that will be used to refer individuals in the target population and the willingness of all parties to negotiate reasonable accommodations to facilitate the admittance of persons with disabilities into the development.
- ii. A description of the experience of the service provider and its capacity to provide appropriate services to the target population for the duration of the Compliance Period.
- iii. A commitment to maintain relationships between the parties as well as a communications plan to notify the service provider of available units in order to satisfy the 15% commitment requirement.

Applicants are not required to provide project based rental assistance, reduce rents or provide onsite supportive services or a service coordinator. They will also not be required to displace existing residents. No participant will be required to violate the terms of any statute, program requirement, or regulation which is in place at any of their developments.

Documentation:

- MOU
- Evidence of service provider experience and capacity

OR

B. Target Population Preference

3 Points

Three (3) points will be awarded to an Application with a commitment of HUD Section 8 project-based rental assistance from a Public Housing Authority which has elected to offer a preference in their Housing Choice Voucher programs for persons with specific disabilities identified in the Settlement Agreement (#1:10-CV-249-CAP), i.e., people with severe, chronic developmental disabilities who currently live in institutions or are at serious risk of institutionalization; people with serious, persistent mental illness who reside in state hospitals, are at serious risk of institutionalization, or are chronically homeless due to their disabilities; and persons qualifying for participation in the Money Follows the Person program. The preference must be implemented at the proposed project site with a minimum of 15% of the total units targeting the Settlement population.

In order to be eligible for these points, the Application must include either the PHA Administrative Plan which allows for the preference or documentation demonstrating HUD's review and approval of the terms and structure of the proposed preference. Rental assistance must be provided for no less than 5 years from the Application

submission deadline date. The agency or project owner responsible for maintaining the waiting list for PBRA units must keep a separate waiting list for the target population.

Documentation:

- a) Commitment for PBRA executed by authorized regulatory agency.
- b) Administrative Plan or evidence of HUD review and approval of proposed preference.

XVIII. HISTORIC PRESERVATION

2 Points

A. Two (2) points will be awarded if the proposed development includes historic tax credit proceeds and is an adaptive reuse of a certified historic structure (either listed individually on the National Register, or as a contributing structure in a National Register Historic District), or is deemed via a Georgia DNR-HPD approved NPS Part 1-Evaluation of Significance to have a preliminary determination of listing on the National Register.

Adaptive reuse is defined as the change in use of a building. For purposes of this scoring section, the building or buildings being adaptively reused must constitute at least 50% of the residential units. Slabs, sheds, gazebos, trailers/mobile homes, pavilions, pump houses, barns, garages and single-family homes are not eligible for these points.

Documentation:

- Documentation on the previous use of the building.
- Documentation of whether or not the building is occupied.
- Narrative of how building will be reused.
- Copy of Georgia DNR-HPD and NPS approved Part 1 - Evaluation of Significance.
- Preliminary equity commitment for historic rehabilitation credit

OR

B. One (1) point will be awarded if property is a certified historic structure (either listed individually on the National Register, or as a contributing structure in a National Register Historic District), or is deemed via a Georgia DNR-HPD approved NPS Part 1-Evaluation of Significance to have a preliminary determination of listing on the National Register.

Documentation:

- Copy of Georgia DNR-HPD and NPS approved Part 1 - Evaluation of Significance.

(DCA encourages Applicants to see www.GeorgiaSHPO.org for further guidance on the requirements and associated timeframes for the development of projects with historic tax credits. DCA also encourages Applicants to seek the advice of a qualified attorney and/or tax professional before proceeding with any project of this nature.)

XIX. PRESERVATION PRIORITY POINTS**Maximum 5 Points**

DCA will award five (5) points to up to seven Applications that best meet DCA's preservation priority. The seven Applications accumulating the most preservation priority points according to the table below will each be awarded **five (5) points**. Tiebreakers will be determined by those Applications requesting the least amount of credits.

A.	<p>An Application proposing to pay the full balance of a DCA HOME loan.</p> <p>OR</p> <p>An Application that proposes to rehabilitate an existing tax credit property which has met or will meet the 15-year Compliance Period prior to the earlier of the date of acquisition by the new development owner or the end of the year of the carryover allocation. (Only properties that originally received an award of 9% credits and continue to be subject to extended use restrictions are eligible for points.)</p> <p>Documentation:</p> <ul style="list-style-type: none"> Forms 8609s showing first and last year of credit period. 	<p>6 Points OR 5 Points</p>
C.	<p>An Application that proposes to preserve an affordable housing property receiving project-based rental assistance or subsidies for 100% of the total residential units that is within three years of any permitted prepayment or subsidy contract expiration with a likely conversion to market rate housing or equivalent loss of low income use restrictions. The property must also have been designated by HUD as a High priority project. HUD may designate no more than two (2) projects as High Priority. (HUD may require that applicants seeking this priority designation for a project submit documentation no later than 60 days prior to Application Submission).</p> <p>OR</p> <p>An Application proposing to preserve a project with a commitment of government-awarded rental assistance or subsidies for at least 30% of residential units for a minimum of five (5) years. This percentage will be calculated based on the total residential units (common space employee units will not be included in the total residential units).</p> <p>Documentation:</p> <ul style="list-style-type: none"> Commitment for PBRA executed by authorized regulatory agency. Letter from authorized HUD representative designating project as a high priority (if applicable) 	<p>4 Points OR 2 Points</p>

D.	An Application that proposes to rehabilitate a project that has not been previously rehabilitated. Claiming this point constitutes an Applicant certification that this is true.	1 Point
E.	<p>An Application that has a documented average physical occupancy of at least 90% for the 6 months period prior to Application submission (December to May)</p> <p>OR</p> <p>An Application that a documented average physical occupancy of at least 80% for the 6 months period prior to Application submission (December to May).</p> <p>Documentation:</p> <ul style="list-style-type: none"> • Project rent roll for each month that clearly indicates each occupied <u>and</u> each vacant unit. 	<p>2 Points</p> <p>OR</p> <p>1 Point</p>
F.	<p>An Application that proposes to rehabilitate an existing tax credit property with a Compliance Period that began at least 20 years prior to the Application Submission deadline.</p> <p>OR</p> <p>An Application that proposes to rehabilitate an existing tax credit property with a Compliance Period that began at least 18 years prior to the application deadline.</p> <p>Documentation:</p> <ul style="list-style-type: none"> • Legal opinion, with supporting IRS documentation, verifying the number of years since the beginning of the project's Compliance Period. 	<p>3 Points</p> <p>OR</p> <p>1 Point</p>
G	An Application proposing rehabilitation, where the construction hard costs are at least 45% of the Total Development Costs.	2 Points

DCA may determine that projects are Ineligible for these points. Examples include, but are not limited to, the following:

1. Outstanding or uncured major non-compliance issues

2. Functional obsolescence
3. Development will cause a 10% increase or greater in rents
4. Property is in substantially good condition and does not need immediate recapitalization
5. Poor condition of the property is the result of the willful deferral of maintenance by the owner
6. Development will result in a loss of low-income units
7. Units are not at risk of losing affordability if converted to market units
8. Primary purpose is to subsidize an ownership transfer

XX. HIGH PERFORMING SCHOOL ZONES.

1 Point

One (1) point will be awarded to an Application proposing to develop a Family property which is located in the attendance zone of a high-performing elementary school. DCA will determine “high-performance schools” based on their performance on the most recently available CRCT exam data, available through the Georgia Department of Education’s Report Card. The exams evaluate students in five subject areas based on a “does not meet,” “meets,” or “exceeds” standards.

A high performance school, as defined by DCA, has a higher percentage of students that either “meet” or “exceed” standards, in each grade and in each subject area, than the state average for the corresponding grade and subject area. The Georgia Department of Education website displays these results in a “Report Card” for each grade of every school in Georgia. In order to qualify for these points, there must be CRCT data available for at least two (2) grade levels. An elementary school attendance zone does not include magnet schools or elementary schools with district-wide possibility of enrollment, unless that district has only one elementary school.

Documentation:

- Copies of the school’s most recent Georgia Department of Education Report Card results, showing the percentage of students that “does not meet,” “meets,” and “exceeds” standards for each grade level with CRCT data (<http://www.gadoe.org/Pages/Home.aspx>).
- Copies of the State’s average Report Card results, showing the percentage of students that “does not meet,” “meets,” and “exceeds” standards. Copies of the state CRCT results should only be submitted for grade levels offered at the elementary school.
- Documentation showing that property is within the attendance zone of the high-performing school.

XXI. WORKFORCE HOUSING NEED

2 Points

Points will be awarded to Applications proposing a site in an area with access to local jobs and where employees have significant commute distances based on U.S. Census

data. For the purpose of this category, Rural projects which are located within MSA boundaries must use the MSA threshold below, if applicable. In order to qualify for these points, a minimum number of jobs must exist within a 2-mile radius of the site, according to the following thresholds:

City of Atlanta	Atlanta MSA (Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale counties)	Other MSA	Rural Area
20,000	15,000	6,000	3,000

A. **Two (2) points** will be awarded to sites which meet the minimum jobs threshold AND where more than 60% of workers within a 2-mile radius travel over 10 miles to their place of work.

OR

B. **One (1) point** will be awarded to sites which meet the minimum jobs threshold AND where more than 50% of workers within a 2-mile radius travel over 10 miles to their place of work.

Documentation:

- Copy of report from the Census Bureau’s “OnTheMap” website demonstrating that the site meets requirements. To obtain this data:
 - Visit <http://onthemap.ces.census.gov/>
 - Enter the address of the site, or the address of the nearest address used in the Application, and click “Search”.
 - Click the “Selection” tab at the top of the page and click “Simple Ring” under “Add Buffer to Selection.” Enter “2” into the “Radius” box. Click “Confirm Selection.” Click “Perform an Analysis on Selection Area.”
 - Within the Analysis Settings box that will appear, choose “Work” under the first column, “Distance/Direction” under the second column, the most recent year under the third column, and “All Jobs” under the fourth column.
 - Click “Go” for results.

XXII. COMPLIANCE / PERFORMANCE

10 Points

Each Project Team for a proposed project will receive a compliance history score under this section for inclusion in their DCA Final Score. Each team member will be scored regardless of whether they have used previous experience in the Qualification Determination for the Project Team. For purposes of this section, Project Team will be defined as the General Partner entity and the Development entity and their Principals.

A. **Deductions for Non Compliance.** Each proposed project will start with compliance history score of ten (10) Compliance Points. Deductions shall be made

from that base Compliance Score for each instance of non compliance which exists for any of the defined project team:

1. Compliance score deductions are based on adverse compliance history of both the General Partnership entity and the Developer entity as well as each principal of the entity.
2. Negative compliance history of an entity cannot be negated by the resignation or removal of a Principal.
3. Point deductions will be made for each Project Team and its principals that were directly or indirectly involved in the general partnership and/or development entity of non performing projects.
4. If a principal withdraws from an entity with a negative compliance history, the negative compliance history must be claimed by the departing principal for three years following the date the principal legally left the company.

The following funding programs will be reviewed for purposes of calculating the score in this section: Low Income Housing Tax Credits (LIHTC), HOME, Tax Credit Assistance Program (TCAP), Exchange/Sec.1602, and NSP.

B. Calculation of Point Deductions

1. DCA Program Administrative Non-Compliance:

One (1) Point will be deducted for each instance of significant DCA Program Administration Non-Compliance that occurs in the previous twelve months or remains uncured from previous years. For purposes of this section, non compliance will include:

- a) Failure to submit completed cost certification for a tax credit project within 12 months of the required due date. (Points will be deducted for a period of 24 months following submission of the cost certification)
- b) Failure to convert a DCA HOME loan within 12 months of the required conversion date. (Points will be deducted until the HOME loan converts).
- c) Owner failed to provide Annual Owner Certifications or provided incomplete and/or inaccurate certifications,
- d) Failure to complete certification for Sustainable Buildings or Communities prior to issuance of 8609s for a project received funding from a previous round
- e) Repeated failure to comply with administrative requirements, such as failure to obtain DCA written preapproval of any change of ownership or property management
- f) Applications which have an owner or developer that has a property or properties determined to be out of compliance with DCA web-based MITAS Property Management system requirements
- g) Applications which have an owner or developer that is out of compliance with DCA's requirement to register properties in Georgia Housing Search.

2. Uncured Audit Findings

One (1) Point will be deducted for each project with an uncured outstanding 8823 which was documented during the previous audit.

3. General Partner Failure

One (1) Point will be deducted for each removal for cause as General or Managing Partner of a Tax Credit Property and for each Foreclosure of a loan which is secured by a tax credit property after the credit period ended that occurred in the last three years.

4. Federal Regulatory Non compliance

Two (2) Points will be deducted for each failure to comply with Federal regulatory requirements such as Relocation, Davis Bacon, Section 3 requirements or Fair Housing Requirements that occurred in the last three years.

5. Failure to Operate Property in accordance with DCA, Tax Credit, HOME, TCAP, NSP or Section 1602 program requirements.

Three (3) points will be deducted for a failure to operate and maintain an affordable housing property in accordance with program regulations and requirements. Projects which have the following conditions identified in any audit for the 12 month period prior to Application Submission shall have points deducted:

- a) 2% or more of units are “down” at a property. (Properties that have experienced a fire or natural disaster may petition for a waiver of this point deduction if the units have been down less than thirty days).
- b) Loss of utilities due to the nonpayment of utility bills more than once in a year
- c) Severe mold issues or water infiltration in any units that affect the health and safety of the tenants
- d) Failure to maintain reasonable standards for provision of heating or air conditioning
- e) Failure to maintain or operate amenities and services as set out in the tax credit Application
- f) Multiple building code violations for an affordable housing property
- g) Significant unpaid receivables for one or more tax credit properties
- h) Other deferred maintenance and physical issues that interfere with the ability of the tenant to live in safe, decent housing.
- i) Pattern of non compliance, failure to correct identified issues in a timely manner, repeated physical findings, failure to compliance findings.

6. Financial/Organizational Failure

Five (5) points will be deducted for each project that incurs a failure in its financial or organizational structure in the previous five years. Examples of failures include:

- a) Foreclosure which results in loss of affordability and recapture of credits
- b) Bankruptcy of Property

- c) Closure/Abandonment of Property
- d) Foreclosure of a DCA HOME loan
- e) Removal for Cause as General or Managing Partner from three or more properties
- f) Failure to meet the federal placed in service deadline for a project that has been awarded tax credits resulting in the loss or significant recapture of credits

C. Calculation of Point Additions

The following points may be added to the Owner/General Partner Compliance Score if the score after deductions is less than ten (10) points and documentation of successful development and current ownership is provided:

1. **One (1) point** will be added if the General Partner can demonstrate that he/she has successfully developed and currently owns ten (10) Tax Credit Properties .

OR

2. **Three (3) points** will be added if the General Partner can demonstrate that he/she has successfully developed and currently owns fifteen (15) Tax Credit Properties.

OR

3. **Four (4) points** will be added if the General Partner can demonstrate that he/she has successfully developed and currently owns twenty (20) Tax Credit Properties.

OR

4. **Five (5) Points** will be added if the General Partner can demonstrate that he/she has successfully developed and currently owns more than (20) Tax Credit Properties.

Minimum Required Documents for Point Additions: If properties are located outside of Georgia, Documentation from state HFA that documents the development and ownership of the required number of tax credit properties.

**Exhibit A to Appendix II
Rural Counties**

For Scoring purposes and for the Rural Set-Aside a project must be designated as rural according to the US Department of Agriculture.

OR

Appear on this list of Rural /Non-Metropolitan Counties:

Appling	Decatur	Lee	Sumter
Atkinson	Dodge	Lincoln	Talbot
Bacon	Dooly	Long	Taliaferro
Baker	Early	Lumpkin	Tattnall
Baldwin	Echols	Macon	Taylor
Banks	Effingham	Madison	Telfair
Ben Hill	Elbert	Marion	Terrell
Berrien	Emanuel	McDuffie	Thomas
Bleckley	Evans	McIntosh	Tift
Brantley	Fannin	Meriwether	Toombs
Brooks	Franklin	Miller	Towns
Bryan	Gilmer	Mitchell	Treutlen
Bulloch	Glascok	Monroe	Troup
Burke	Gordon	Montgomery	Turner
Butts	Grady	Morgan	Twiggs
Calhoun	Greene	Murray	Union
Camden	Habersham	Oconee	Upton
Candler	Hancock	Oglethorpe	Walker
Catoosa	Haralson	Peach	Ware
Charlton	Harris	Pierce	Warren
Chattahoochee	Hart	Polk	Washington
Chattooga	Irwin	Pulaski	Wayne
Clay	Jackson	Putnam	Webster
Clinch	Jeff Davis	Quitman	Wheeler
Coffee	Jefferson	Rabun	White
Colquitt	Jenkins	Randolph	Wilcox
Columbia	Johnson	Schley	Wilkes
Cook	Jones	Screven	Wilkinson
Crawford	Lamar	Seminole	Worth
Crisp	Lanier	Stephens	
Dade	Laurens	Stewart	