2018 Q&A Posting #5

April 13, 2018

QAP Scoring Section XVII. – Favorable Financing (Long Term Ground Lease)

1. If an applicant is planning to earn points by using a long-term ground lease, it appears a PHA/government entity must own the property. Is this correct? Does the PHA/government entity have to purchase the property or can it be donated? Please provide information regarding the responsibility/liability of a PHA/government entity with regard to the property for the life of the long-term ground lease, and beyond. What happens if future funding for renovations is not available, the applicant/operator no longer exists for whatever reason, etc.? Can you provide a sample long term lease agreement?

➢ DCA Response: Yes, this is correct, that a PHA/government entity must own the property. DCA is solely concerned with the contract between the Ground Lessor and Lessee. As mentioned in Threshold Section VIII. Site Control, the lease must be for a minimum term of 45 years. All Lessors are required to execute the required LURC. If an applicant entity is dissolved, the Lessor will be subjected to the LURC requirements, if applicable. In order to earn a point in the Favorable Financing Section, the lease must be for a nominal consideration, defined as no more than $100 per year. DCA cannot provide a sample long term lease agreement.

QAP Threshold Section I. - Project Feasibility, Viability Analysis, and Conformance with Plan (Rent and Utility Standards)

2. The 2017 QAP has specific requirements for the utility allowance source depending on the development financing structure (i.e. Tax Credit Buildings with no HOME, HUD-Regulated Buildings, etc.). The 2018 QAP only states that, "Required Program Rents and applicable utility allowances, in effect as of January 1, 2018, must be used in the Submitted Application." Can DCA please provide guidance on how to determine the "applicable" utility allowances? Can an Energy Consumption Model be used for both Tax Credit only deals as well as Tax Credit with HOME?

➢ DCA Response: HUD guidance (HOMEfires - Vol 13, No 2, from May 2016) states that Participating Jurisdictions are required to determine utility allowances for HOME-assisted rental units by using either the HUD Utility Schedule Model or a project-specific methodology. DCA has determined an energy consumption model can be used for a tax credit with HOME development and a tax credit only development. The model must be completed by a licensed engineer or a qualified professional that has previously been approved by DCA prior to the submission of the model and must take into account factors including unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The Energy Consumption Model utility allowance schedule shall include all utility types paid for by the tenants. The estimate must be calculated by an independent licensed engineer.

A development that has HOME and Project Based Vouchers must include evidence of an approved waiver from HUD to use the PHA Utility Allowance.

QAP Threshold Section V. - Market Feasibility (Market Study)

3. The 2018 QAP references using the rents that were effective as of 1/1/18, which I assume also means income limits. We know these will apply to all nine percent deals. Do four bedroom deals also need to use the 2017 rent and income limits? Can you please confirm that we should be using 2017 income limits for all deals submitted in 2018?

   - DCA Response: 9% applications must use all rent and income limits applicable as of 1/1/2018. Based upon DCA's review, for the 2018 Competitive Round, 2017 Rent and Income Limits will apply.

QAP Scoring Section XV. - Priority Point

4. Are applicants who are submitting only 1 application still eligible to claim the Priority Point?

   - DCA Response**:** DCA Response: Yes