

# REVISED 2018 Q&A Posting #8

May 23, 2018

## QAP Scoring - 3 Desirable/Undesirable Activities

1. Per the 2018 QAP and Tabs Checklist, photographic evidence of desirables and undesirables are not required. However, there is a column on the Desirable/Undesirable Certification dedicated to whether photos are included. Does DCA intend for us to include photos of the desirables/undesirables in the application, or should we just select "No" in the "Photos included" column of the certification?

➤ DCA Response: For this QAP section, photos are not required to be submitted for Desirables already in existence. However, should an Applicant claim points for a Desirable that is under construction at the time of Application, a photo must be submitted to evidence that the structure is above ground. On the Desirables/Undesirable Certification Form, N/A can be entered for claimed Desirables under the photo column that are already in existence. The Desirable/Undesirable Certification Form requires the photo to be submitted for Desirables under construction at time of application and is required as part of Minimum Documentation for this Scoring section.

## QAP Scoring – 5 Sustainable Developments

1. In the Scoring Section V. Sustainable Developments Subsection D. High Performance Building Design the QAP states that "One (1) additional point will be awarded to projects in the Rural or Flexible Pool that obtain a sustainable certification under A or B above and also demonstrate that their building design will meet one of the following criteria." The required minimum documentation per the QAP is to provide "1) Preliminary energy report showing the design will meet criteria, 2) When using an approved HERS Rating software, submit ENERGY STAR v3 Home Report. Draft Report without print permissions enabled is acceptable, and 3) When performing a whole building model, submit a signed letter from the qualified energy modeler stating that the project, as designed, demonstrates a 10% improvement over the baseline building and that the baseline building complies with the mandatory provisions of ASHRAE 90.1 2010 (with errata) and ENERGY STAR Multifamily Simulation Guidelines."

We are working on a new construction application and at this stage of the development the plans and specifications have not been completed to the required level for the energy report to be completed. We are asking for DCA to clarify if it would be acceptable to provide a letter of intent from the applicant and project architect to certify that the project will be designed to achieve and meet one of the listed criteria with the minimum documentation requested per the QAP to be included in the Commencement Submission.

➤ DCA Response: A letter of intent and/or a project architect certification is not sufficient to meet the requirement for a preliminary energy model.

## **QAP Scoring – 5 Sustainable Developments**

### V. Sustainable Developments D. High Performance Building Design:

Please clarify is DCA looking for both individual HERs rating analysis and whole building modeling? Or does the qualified energy rater have a choice as to what route to pursue?

If both are required, then in a multiple building project, gardens, townhomes, or cottages are multiple buildings required to be modeled?

➤ **DCA Response:** One of the three options can be selected: Option 1 (the HERS Ratings), Option 2 (Whole Building Energy Modeling), or Option 3 (demonstrated reduction in energy consumption greater or equal to 30%, documented by a RESNET approved HERS Rating software or ENERGY STAR compliant whole building energy model). The HERS analysis should take into account all unit types and configurations across the property to assess compliance with the 15% target. A HERS Rating does not need to be completed for every single unit, but a clear methodology must be established for selecting the "worst case" units. RESNET can provide this guidance and the methodology should be submitted to DCA. When completing Whole Building Energy Modeling for properties with multiple buildings, a worst case building should be picked for modeling.

## **QAP Scoring - 6 Enriched Property Services**

Two-Part question:

Part 1: For Education Outcomes, are the items below still required if the applicant has partnered with a third party that will operate the program for no additional costs to the property?

Part 2: If costs are associated with the program, would the criteria of the 2nd bullet point below be met if the applicant included an Education Outcome reserve account in the development budget and reduced the Developer Fee accordingly?

- Budget for cost of operating program on an annual basis.
- Provide for a period of three (3) years a description of the source of funds that will be used to operate program, including commitments for operating subsidy.

➤ **Question Part 1 DCA Response:** No, in this instance, a budget would not be applicable or necessary. Provide a statement/certification from the third party provider that there are no annual costs for providing the program.

➤ **Question Part 2 DCA Response:** It is the responsibility of the applicant to fully explain any alternate documents. Per the QAP Scoring Appendix II, 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 for scoring categories can be provided after Application Submission. In the event the Applicant submits an alternate document to the minimum document, a thorough explanation of the usefulness of this alternate document should be entered into the appropriate scoring justification section.

## **QAP Scoring - 9 Community Transformation**

### **1. IX. Community Transformation Part B) Community Quarterback Board**

This section lays out requirements for who comprises the CQB. Under 2c it requires a “Transportation Services Representative” to be on the board.

- Question – Can this individual be the head of a County Senior Center that provides public transportation for elderly individuals in the community? I am unclear as to whether or not this type of individual would qualify as a “public official”.

- Follow Up Question - If this individual will not qualify, can the Executive Director of the Public Housing Authority (which also provides public transportation) qualify for this individual if the Public Housing Authority is a co-developer on the Application and is also the entity applying as a Community Based Developer?

➤ DCA Response: If a publicly funded and available transportation system does not serve the community, a representative from a non-governmental (nonprofit or private entity) providing transportation services to the low-income community may be used instead. It is the responsibility of the Applicant to provide sufficient documentation to verify that there is no publicly funded and available transportation system.

## **QAP Scoring - 9 Community Transformation**

1. IX. Community Transformation; A. Community-Based Developer; 1. Community Partnerships: This section states that the "length of the partnership should be at least two years." Does that mean two years prior to application submission, or a two-year commitment before/after tax credit application?

➤ DCA Response: "At least two years" refers to those two years prior to Application Submission.

## **QAP Scoring – 12 Phased Development/Previous Projects**

1. Is DCA using their own mapping software to measure previous project locations? Are the measurements from property line to property line, or center of site to center of site?

➤ DCA Response: DCA does not use its own mapping software to measure previous project locations; DCA will utilize Google Maps (right click on map and select "Measure Distance" feature). Measurements will be from the geo-coordinates provided in the Core Application to the nearest point of the previous project.

## **QAP Scoring – 15 Priority Point**

1. If a person serves as a consultant (and receives less than 5% of the developer fee and holds no direct or indirect interest) on an application that claims the priority point, can that same person also serve as an owner/developer on another application that is also claiming the priority point? In other words, under the scenario above, can both applications claim the priority point?

➤ DCA Response: Yes. Per the 2018 QAP Core Section 2. Definitions, “Project Team” means the General Partner, Developer, Consultant and the Principal(s) thereof for a proposed tax credit project. For purposes of project participant qualifications, consultants with less than five percent (5%) interest in the project are not considered members of the Project Team.

## **QAP Scoring - 17 Favorable Financing**

1. Regarding Question from Q&A 1 below:

"The pre-requisite for the loan is that it must be for a minimum of 10 years at or below AFR. Can the loan adjust to a percentage over AFR after the first 10 years and still meet the favorable financing requirements?"

DCA Response: Per Scoring Section Favorable Financing Pre-Requisite 4. "Loans must be for a minimum period of 10 years at or below AFR." The language intends to communicate that the loan must be for a minimum of ten years and the interest rate must be at or below AFR for the life of the loan.

The statement "for the life of the loan" is creating some confusion, whether DCA means below the AFR at closing for the duration of the loan or some kind of ongoing obligation to keep the interest rate below AFR at any given time during the life of the loan.

➤ DCA Response: In order to receive points for Favorable Financing, the loan's interest rate can remain at or below the ongoing Long Term Monthly AFR throughout the loan period or it can be a fixed rate loan at or below Long Term Monthly AFR on the closing date. The loan can be a floating rate loan.

## **QAP Threshold-1 Project Feasibility, Viability Analysis and Conformance with Plan**

1. For 2018 application purposes, if the applicant is using DCA’s utility allowance, do we use the utility allowance posted on DCA’s website as “2018 DCA Utility Allowance Schedule” ([https://dca.ga.gov/sites/default/files/2018uaschedhud\\_0.pdf](https://dca.ga.gov/sites/default/files/2018uaschedhud_0.pdf)) or the utility allowance posted on DCA’s website as “2017 DCA Utility Allowances (Condensed Version)” ([https://dca.ga.gov/sites/default/files/2017dcautilityallowances\\_0.pdf](https://dca.ga.gov/sites/default/files/2017dcautilityallowances_0.pdf))?

➤ DCA Response: Applicants should use the utility allowances in effect as of January 1, 2018. The 2018 DCA Utility Allowance Schedule is in effect as of January 1, 2018.

## **QAP Threshold-1 Project Feasibility, Viability Analysis and Conformance with Plan**

I. Project Feasibility, Viability Analysis and Conformance with the Plan: Under 01 02 02 of the Tabs Checklist, along with the HUD utility model, the checklist states that there must be "documentation of HUD's approval (HOME projects)." Exactly what documentation do we need to supply for this?

➤ DCA Response: Per the 2013 HOME Final Rule, new HOME-assisted rental developments are not eligible to use the utility allowance (UA) established by the local Public Housing Authority (PHA). PBRA contracts are often established using a UA established by the local PHA. HUD recognizes that this can be an issue, and may allow a HOME-assisted rental development with PBRA to use the UA established by the local PHA. If an applicant has a PBRA contract with its local PHA and is applying for tax credits with a consent for DCA HOME funds, the applicant should use the local PHA utility allowance. If selected to receive tax credits and a HOME award, a condition of funding will be to receive a waiver of HUD's utility allowance requirement.

## **QAP Threshold-1 Project Feasibility, Viability Analysis and Conformance with Plan**

1. XXIII. Eligibility for HOME Loans Under the CHDO Setaside: The tabs checklist specifies that we include CHDO pre-qualification from DCA. We have received a HOME Consent under the CHDO set aside, but have not received a CHDO pre-qualification. How do we know if we have meet the requirements for CHDO pre-qualification? Will we receive a letter from DCA to include in this section?

➤ DCA Response: The CHDO HOME Consent is used as the CHDO pre-qualification.

## **QAP Threshold-1 Project Feasibility, Viability Analysis and Conformance with Plan**

1. Can applications without HOME funding which are located in qualified USDA-designated rural areas utilize National Non-Metropolitan Area Median Income Rents? If not, will these projects be permitted to assume the National non-metro if selected?

➤ DCA Response: Section 3004 of the Housing and Economic Recovery Act specifies that any project for residential rural property located in a rural area (as defined in section 520 of the Housing Act of 1949) can use the maximum of the area median gross income of or the national non-metropolitan median income. Therefore, any development located in a USDA-designated rural area can utilize National Non-Metropolitan Area Median Income Rents.

## **QAP Threshold-1 Project Feasibility, Viability Analysis and Conformance with Plan (6. Rent and Utility Standards)**

The QAP states:

6. Rent and Utility Standards Required Program Rents and applicable utility allowances, in effect as of January 1, 2018, must be used in the Submitted Application. Rents must be supported by the market study.

If the project is still in the application phase (and therefore wouldn't have allowances on Jan. 1, 2018), is submission for credits not allowed because it missed a certain cutoff date? I ask because dating utility allowance reports with a January 1, 2018 (at this point) would require historical rate data....not what is currently available.

Would a client be able to submit an application for a project that is not yet under construction using current rate data, and have the reports dated in May?

➤ DCA Response: The utility allowances to be used as of January 1, 2018, pertain to developments that use DCA Utility Allowances and applicable PHA Utility Allowance calculations. For project specific utility allowance calculations, licensed engineers can use updated data to create the utility allowance calculation.

## **QAP Threshold-2 Cost Limits QAP Threshold -Exhibit A DCA Underwriting Policies**

1. In a mixed-use development which includes commercial space under common ownership with the housing project, do the construction costs for the commercial space count towards the Project Cost Limit defined in the QAP Threshold Section 2? Furthermore, do we submit one Core App which includes both residential and commercial costs or two separate Core Apps?

➤ DCA Response:

- If the commercial space and the residential components are owned by the same single purpose entity, the construction costs of the commercial space will count towards DCA Project Cost Limits. However, the cost of the commercial space would not be included in eligible basis. While a Cost Limit Waiver may have been requested, the waiver must have been submitted as a part of the pre-application process.

- If the commercial space is held by a separate single purpose entity, construction costs for the commercial space would not count towards the Project Cost Limits or be included in eligible basis.

- For any development with a commercial component the applicant must provide the following documents in the application: separate development and operating budgets for the commercial space, financial commitments, and a legal opinion of the ownership structures of the mixed-use development.

## **QAP Threshold - 18 Architectural Design & Quality Standards**

1. In Appendix I-Threshold, page 3, # 3. "Reasonableness of Costs" - Residential square footage must be measured from inside finished surfaces but must exclude walls, columns and projections. Patios and balconies are included. In the Architectural Manual, Building and Design Standards page 9 of 14 the architect must indicate square footage without deducting interior walls and patios and balconies cannot be included. Will the applicant/architect be required to

calculate unit square footage both ways? If so, where in the application can these different calculations be indicated?

➤ DCA Response: For the purpose of calculating residential square footage under Section 3, under reasonable costs parameters the applicant should use the residential square footage as defined in the description: "must be measured from inside finished surfaces but must exclude walls, columns and projections. Patios and balconies are included". This unit area information is input in the comment box for Threshold Section3.

## **QAP Threshold - 18 Architectural Design & Quality Standards**

1. In section V.B. Unit Sizes, the 2018 Architectural Standards states 3. "Do not include a patio, balcony, or breezeway areas." In Section I A 3. Reasonableness of Development and Construction Cost, of the 2018 QAP it states, "Applicants must measure and input Residential Square Footage in their core applications as the area of an individual unit that is available for the exclusive use of the tenant. Residential square footage must be measured from the inside finished surface of surrounding permanent walls, and excludes walls, columns, and projections enclosing the structural elements of the building within the unit. Exterior space including patios and balconies that are available for the exclusive use of tenants is also included in this calculation. Should the outside storage area and interior walls be included in the Residential square footage calculation?

➤ DCA Response: For the purpose of calculating residential square footage under Architectural Manual Section V.B, 3, under unit size parameters the applicant should use the residential square footage as defined in the Architectural Manual Section V.B, 3, related to unit sizes description: "The unit net rentable area is measured from the inside face of each of the unit's perimeter walls. 1. Net area included air-conditioned space only. 2. Measure from the inside (paint) face of all unit perimeter walls. 3. Do not include any patio, balcony, or breezeway areas. 4. Do not include any outside storage closets. 5. Do not deduct any interior walls. 6. Include non-revenue units in total net rentable living area (Total Residential Unit Square Footage). This unit area information is input under Revenue and Expenses tab.

## **QAP Threshold - 19 Experience, Capacity and Performance Requirements for General Partner and Developer Entities**

1. Under section XIX of threshold - Qualification for Project Participants, it states, if applicable, a legal opinion supporting alternate organizational structure and effective control is required. Please define alternate organizational structure.

➤ DCA Response A Certifying Entity's effective control is generally demonstrated by an entity or principal that has a majority interest in the general partner and/or developer or is a managing member of a limited partnership or single purpose entity, or limited liability company. An alternate organizational structure is one where the Certifying Entity does have effective control but will not be the managing member or have a majority interest of the general partner and/or developer entity.

## **QAP Threshold - 19 Experience, Capacity and Performance Requirements for General Partner and Developer Entities**

### **QAP Threshold – 20 Compliance History Summary**

1. If the Project Team submitted a pre-application and was deemed "Qualified" by DCA and there have been no changes to the proposed team since pre-application submission does the applicant need to include any items in Section 19 and 20 aside from the Qualification Determination provided by DCA?

➤ DCA Response: If a Project Team received a Qualification Determination in the 2018 Pre-Application phase and there have been no changes to the project team or site, the Applicant must merely submit the signed qualification letter received with the Application under tab 19.

## **AP Threshold - 19 Experience, Capacity and Performance Requirements for General Partner and Developer Entities**

### **QAP Threshold – 20 Compliance History Summary**

1. DCA has stated in previous meetings that a Qualification Determination from pre-application noting the Project Team as "Qualified" can be used for multiple Applications so long as the Proposed Project Team has not changed from the Proposed Project Team that was submitted at the Pre-Application. Is this correct? Can a Project Team use the Qualification Determination Letter from the 2018 Pre-Application round noting the proposed Project Team as "Qualified" for a project not submitted at pre-application so long as the Project Team for the project to be submitted at the application date is identical to the Project Team deemed "Qualified" at pre-application?

➤ DCA Response: Generally, a "Qualified" qualification determination may be used for multiple sites or sites which were TBD at pre-application. However, DCA will relook at the Project Team's capacity at Application submission, taking into consideration any impactful changes from the size, complexity, or scope of the site submitted at pre-application that necessitate any change in its review of capacity and/or ultimate determination. It is the responsibility of the Applicant to ensure all necessary documentation is included in tab 19 to allow DCA to make a full determination of the Applicant's capacity to complete a project of the size, complexity or scope contemplated.

## **QAP Threshold - 19 Experience, Capacity and Performance Requirements for General Partner and Developer Entities**

## **QAP Threshold – 20 Compliance History Summary**

1. What documentation is required (in addition to the signed Qualification Determination Letter itself) to be included in tab 19 (XIX. Qualifications for Project Participants) and tab 20 (XX. Compliance History Summary) if the proposed Project Team received a Qualification Determination Letter from the 2018 Pre-Application round noting the proposed Project Team as “Qualified”?
  - DCA Response: If a Project Team received a Qualification Determination in the 2018 Pre-Application phase and there have been no changes to the project team or site, the Applicant must merely submit the signed qualification letter received with the Application under tab 19.

## **QAP Threshold - 19 Experience, Capacity and Performance Requirements for General Partner and Developer Entities**

### **QAP Threshold – 20 Compliance History Summary**

1. We received a Qualified Determination at the 2018 Pre-Application and no changes are being made to the Project Team, Site, or Structure. Most items required under Tab 19 were submitted in order to receive the Qualified Determination. Are we required to submit them again as part of our application?
  - DCA Response: If a Project Team received a Qualification Determination in the 2018 Pre-Application phase and there have been no changes to the project team or site, the Applicant must merely submit the signed qualification letter received with the Application under tab 19.

## **Other**

1. We are planning to submit 2 applications for the 2018 9% round. Should both of our applications be awarded due to scoring, but the request for credits slightly exceed \$1.7M in total, how does DCA manage the allocation of these credits? Will the request that exceeded \$1.7M result in a threshold failure for these applications or will DCA adjust the credits to no more than \$1.7M upon award?
  - DCA Response: DCA will not award more than \$1.7 million in tax credits to a single applicant. If an applicant scores high enough for two awards, but the combined request is greater than \$1.7 million, DCA will select only the higher scored application to receive funds.