

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

1. Regarding the Request for Determination of Project Team Qualifications, are audited financial statements required for: (i) the developer, (ii) the general partner/managing member, and/or (iii) the individuals making up the developer and general partner/managing member?

Page 1 of the instructions seem to indicate that audited financial statements are required but Question 1 on Part V gives the applicant the option of selecting Yes, No or N/A when asked if the Project Team has attached audited financial statements. Is it an option to submit audited financial statements or is it required? What are the consequences if audited financial statements are not submitted?

We have a CPA prepared Review of the financial statements of the principal and guarantor. We would like to know if this would suffice or whether an audit is needed.

Response: Financial statements for the entity that is common to both the General Partner and the Developer should be provided. The financial statements will be a factor in determining whether the entity has the capacity to be deemed qualified. Applicants should ensure that these statements are provided for the real entities involved in the transaction and not single purpose entities formed to limit liability.

2. Does DCA have any problems with a developer pre-funding replacement reserves if a lender is requiring it?

Response: The lender must state specifically in its preliminary commitment specific reserve requirements. DCA will review those terms and determine whether they are reasonable. Replacement reserves are not generally funded until the project is complete.

3. Per the Instructions for Submitting a Request for Determination of Project Team – Under Required Documents # 2 – it asks for the Last year of audited financial statements for each member of the project team should be submitted.

It is not customary in the industry to prepare audited financial statements for the GP entities, development entities or management company entities.

What would be required if an entity has not been audited in the past?

Response: DCA has made a change to required documents for the performance workbook. Financial statements do not have to be audited. However, DCA does reserve the right to request additional information if it cannot determine from the information submitted that the requesting entity has the financial capacity to be deemed qualified.

4. My question relates to properly completing the Rehabilitation Work Scope document. Can someone clarify if the builder profit, general requirements and builder overhead are to be listed on this form? If so, where are they to be listed? It seems like they should come on

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

separate lines after the Total (Structures & Land Improvements), but that is not clear. Please advise.

Response: The "2011 Rehabilitation Work Scope" form is for calculating the rehabilitation costs associated with the total "Land Improvements" (on-site improvements) and the total "Structures" (including rehabilitation of non-residential buildings). The costs associated with Contractor Services (General Requirements, Overhead and Profit) are NOT to be included when completing this form (see "Notes On Completing This Form located at the form header).

The file can be found at the following link.

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/downloads/2011QAPDocs/Manual/2011%20OAH%20Manual/Application%20Process%20to%20Construction%20Completion/B.%20Architectural/Forms/PNA%20Forms/11RehabilitationWorkScope.xls>

5. RE: Scoring, XVII. Leveraging Resources
A. Grants / Loans

Are there any guidelines for "Long term Ground leases for nominal consideration and no other land costs"?

Response: Please refer to Appendix I VII Site Control which indicates that a "binding long term ground lease or option" must have a term of 45 years. It must not include upfront fees or annual expenses representative of market lease payments. DCA may look beyond the terms of the lease to determine that land costs have been shifted to other budget categories and find that the project is not eligible for this point especially if there is an identity of interest between the lessor and the lessee.

6. RE: Scoring, XVII. Leveraging Resources
C. Off Site Improvement, Amenity and Facility Investment

A local foundation or government is considering our request for a \$1,000,000 commitment of resources in offsite improvements and amenities to comply with this section of the QAP. Subject to confirmation from the Market Studies, we intend to submit two (2) applications in 2011 -- one Family and one HFOP. Can the commitment letter from the government, trust or foundation be included in both of our applications?

Response: No, the applicant must select one project which will benefit from the investment in order for points to be awarded.

7. In order to receive the points for Phased Developments, the first phase of a project must have commenced construction by the application deadline. Before commencing construction on the first phase, DCA reviews the plans, specs and other documents and provides the owner with comments and possibly revisions to the plans. So that we can incorporate all comments from DCA's plan review into the final plans sent to the city in time to get a permit to achieve DCA's definition of "commence construction", could you clarify procedurally how we should

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

provide you with the information? The Architectural Submittal Form tells us when certain documents are due to DCA, however, the deadlines for these documents do not necessarily contemplate that the owner is submitting a 2011 application and would need DCA's sign-off on the plans much sooner than an owner who is not submitting a 2011 application. What is the best way to proceed so that our plans get reviewed, comments are generated so that the criteria for these points can be met?

Response: Applicants are required to meet the criteria set forth in the respective QAP under which the phase it is seeking funding. Tax credit only projects must have commenced construction no later than the date set forth under the funding round the project was awarded. All projects awarded in 2010 must adhere to the Architectural submittal dates as stipulated in the "Design & Construction Transmittal" form. The submission dates do not prohibit an applicant from providing his documentation earlier than the dates posted. DCA will make every effort to process information as we receive it within the time frame allowed. Requests for extensions, failure to meet deadlines and failure to respond to additional requests for information or clarifications may delay this approval.

8. On page 5 of 18 re: the Summary Table / Demographic Data: the same dates from last year exist:

2010 and 2012.....should they be adjusted to 2011 and 2013 or 2011 and 2014?

On page 8 of 18 re: Community Demographic Data: the same market entry date of 2013 is noted.....should that be increased to 2014?

My take on both is that 2014 would be the first full year of tenancy for a LIHTC project awarded in late 2011. The fall back year would be to keep it at 2013, owing to the fact that it is very likely that certificate of occupancy's would be granted in mid to late 2013 for those deals awarded in 2011.

The 2011 Manual still does not require a checklist as an appendix to the study. In my opinion, the Manual pretty much states that the market study should conform to the specificity of the manual requirements, so a check list is really not needed.

Response: The Summary Table / Demographic Data should be adjusted to reflect 2011 and 2013.

The market entry date for all project is assumed to be no later than 12/31/2013.

The 2011 Manual does not require a checklist. The Market Study Manual and QAP state that the Market Study must conform to the manual requirements.

9. A. Compliance with DCA Web-Based MITAS System Requirements 3 Points
Applications which have an Owner and Developer that are determined to be in compliance with DCA web based MITAS Property Management system requirements as of 2/1/2011 will

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

receive three points. DCA reserves the right to deny the points under this category if it determines the data entry into the MITAS system is materially inaccurate.

Would we be eligible to receive those 3 points given that we did not have a property to list at the time of the deadline? The way this reads it is unclear if only owners & developers without previous deals that were leased up before the deadline are eligible for these points.

Response: Please refer to DCA's response to General Q&A 14, Posting #1 published on April 8.

10. In the April 8 Q & A, question 14 an answer was given that applicants with no Georgia LIHTC would automatically be given the three MITAS points because they would be considered to be in compliance with the MITAS system. This seems to be an answer that is not well thought out in that it is not consistent with other DCA published information, gives unfair advantage to applicants who have never participated in the Georgia programs not to mention it being blatantly unfair to applicants, some who may lose points and the award of projects to competition by out of state developers who have no prior Georgia track record and who are just given 3 points for doing nothing. We are now seeing record numbers of out of state applicants with no prior history in Georgia primarily because of the availability of Georgia Tax Credits. At a time when the very existence of the Georgia Tax Credits is on the line, it cannot possibly promote a good reason to retain the credit if priority is given to out of state developers with no prior Georgia experience and who will likely hire mostly out of state workers. I would demonstrate the inconsistencies in the Question 14 answer as compared with other DCA material are very evident in the November 9, 2010 memorandum from DCA on the MITAS system. The second paragraph says "because congressional mandate requires reporting the ethnic data, participation in the MITAS Database is mandatory". Developers who have no experience in Georgia can't possibly be mandated to participate because they are not eligible to participate in the MITAS system. Further, in the next to last paragraph the memorandum says "Owners and managers will not receive the application points unless they submit reports as directed". Developers from out of state who have not participated in Georgia cannot submit the reports and based on that sentence alone, taken literally, could not receive the application points because they have submitted no reports (no reports, no points). I know one small Georgia management company that kept count of the number of hours spent on the input for the MITAS system and they actually spent in excess of 350 man hours. The chance that errors occurred and that a developer will be determined out of compliance is great so there are no doubt developers with Georgia projects are at risk of losing points. Not so with developers with no Georgia experience if the answer to question 14 holds. If participation in the Georgia MITAS system was mandated by the Housing and Economic Recovery Act (which is a nationwide Act, not just Georgia), then how can it be that points are earned and awarded when it is not known that these applicants (with no Georgia experience) have complied with HERA. Three points could easily be awarded to applicants who may have a poor record of compliance with HERA requirements. I believe the answer to question 14 should be reversed, especially at this critical juncture in the life of the Georgia Tax Credit program. And as a matter of policy I believe that developers with no prior Georgia Tax

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

Credit experience should never be give a point advantage over developers who have devoted a career to improving Georgia Housing but the answer given in question 14 does just that. The question is: Will you please reverse the answer to question 14?

Response: DCA will not reverse its previous answer. The data reporting is statutory for every tax credit developer. There is no point disadvantage for Georgia developers that meet the statutory and program requirements.

11. The per project allocation cap is \$950,000 in credits. Am I correct in assuming that the 950k cap includes any bump in basis from DDA status?

Response: Yes, the per project credit allocation cap of \$950,000 includes any basis boost (QCT, DDA, or state designation, if any).

12. We are reviewing a potential acquisition/rehab applicant that involves a particular property that has too many units for its acreage and we have determined that for the property to be viable going forward the overall unit numbers should be reduced (both for the purposes of reducing the overall number and to increase unit square footage). In that regard, does DCA have any specific guidelines on how many units can be removed from a particular property and still qualify as an acq/rehab preservation candidate? (We are still working on different scenarios but we are not talking about a 50% reduction but we may need to consider reducing unit numbers by 30% or so, especially to stay within the cap.)

Response: We are unable to answer the question as the information provided is insufficient for DCA to make a determination.

13. A related question to #11 above, although the property is currently struggling in terms of occupancy, if we did substantially reduce unit numbers it could potentially result in permanent relocation of some current residents. The QAP indicates this is disfavored for obvious reasons but is permitted in certain circumstances. Are there any specific factors that DCA would consider in reviewing a proposal that would involve some permanent relocation? For instance, it is my understanding that nearby LIHTC properties have soft occupancies also so there would be some alternatives available and an overall reduction in unit numbers should benefit all DCA properties in the immediate area.

Response: DCA will review the impact of any proposed displacement and relocation on the tenants of a proposed project and on the community in determining whether displacement can occur. The relocation plan must include details of available comparable replacement dwellings in the immediate vicinity of the project. However, applicants are encouraged to plan the rehabilitation in stages in order to minimize tenant displacement.

<http://www.dca.ga.gov/housing/HousingDevelopment/programs/downloads/2011QAPDocs/Manual/2011%200AH%20Manual/Application%20Process%20to%20Construction%20Completion/D.%20Federal%20Compliance%20and%20Relocation/Manual/2011%20Relocation%20Displacement%20Manual%20L.pdf>

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

14. Is the Phase I required to be completed at the time of the HOME Consent Request?

Response: No, the Phase I Report is required to be submitted with the tax credit application.

15. According to page 40 of 58 of the final 2011 Core QAP, the limitation on the amount of credits to be awarded to an Applicant is described as follows:

Maximum Ownership Interests. Applicants will be limited to direct or indirect Ownership interest in projects in which the combined total Federal Credit from the 2011 competitive funding round cannot exceed one million seven hundred thousand dollars (\$1,700,000)... This limitation applies to direct or indirect Ownership interests of all proposed Project Participants...

In the Q&A #1, DCA responded in question #26:

“If a development team prepares an application for another developer during a competitive round (i.e. the development team and the other developer should be competitors during the competitive round), it is presumed that there will be financial interest in the project beyond earning a consulting fee for the sole purpose of putting together a tax credit application. As such, the development team will be subject to the credit cap per project participant.”

This response from DCA appears to be different than the policy stated in the “Maximum Ownership Interests” section of the QAP, which speaks to common threads of ownership, and does not address developer-only limits. Based on the QAP’s definition of Applicant and of Maximum Ownership Interests, please confirm that if the **Applicant is the owner** and if a developer entity has **no direct or indirect ownership interest** in a project, then that project will not count against that developer’s “Maximum Ownership Cap.”

Response: DCA is looking for qualified entities that are part of the general partnership and development entities. Applicants will not be allowed to exceed DCA cap requirements through the use of turnkey development entities or the contracting of owner/developer responsibilities to a consultant. DCA will review consulting and turnkey developer entities to determine whether there is an indirect ownership interest exhibited through assumption of risk, sharing of profits, guarantees, decision making and other ownership responsibilities. Entities that elect to submit a project with these types of structures and have met maximum caps, do so at their own risk.

16. According to page 3 of 58 of the final 2011 Core QAP, the definition of a “consultant” is as follows:

“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

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

consultants, interior design consultants, relocation specialists, tax credit application consultants, tenant certification consultants, HOPE VI Consultants etc...

Given the QAP definitions of Applicant and Maximum Ownership Interest referenced in the previous question, please confirm that "Consultants," as defined above, who are providing technical assistance to the owner, developer or general contractor and who have no direct or indirect ownership in the projects on which they consult, will not be limited to a tax credit allocation cap or a project cap on projects in which the Applicant is the owner.

Response: DCA will be strictly enforcing maximum ownership interests during the 2011 round. It may limit the ability of entities that have reached the project cap to participate as turnkey developers or consultants.

17. On page 20 of 28 of Appendix II, Competitive Scoring Criteria of the final 2011 QAP, it states the following:

"Two points will be awarded if the General Partner and Developer of the proposed project has been a project participant in two low income housing tax credit projects..."

In the Q&A #1, DCA responded in question #9:

"If the General Partner and the Developer are different, each must have two projects that satisfy the listed criteria."

Could you please confirm that if the General Partner and the Developer are each comprised of two firms (there are co-General Partners and co-Developers), that points will be awarded to projects that have at least one firm in the General Partner and at least one firm in the Developer that each have two projects that satisfy the listed criteria? Or do all co-General Partners and all co-Developers need to have two projects that satisfy the listed criteria?

Response: All co-general partners and all co-developers will need to meet the listed criteria.

18. Question: If a potential site has a stream and wetland area and the applicant applies for a permit from the U.S. Army Corps of Engineers are they still going to get a point reduction for construction within 100' of the wetland/stream area?

Response: Yes, one point will be deducted if any new construction activities that place impervious surfaces including paving, sidewalks, or buildings within 100 feet of any floodplain, wetlands, perennial stream, or intermittent stream.

19. In the instructions for Submitting a Request for Determination of Project Team Qualifications, the last year of audited financial statements are included on the list of required documents for each member of the Project Team. Neither our General Partner or Development entities have audited financial statements. What other method would satisfy the requirement? Would a certification of the accountant's compilation be acceptable?

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

Response: Please refer to General Questions & Answers (Questions #1 and #3) in this posting for guidance on financial disclosures.

20. Applicant is under contract to acquire an existing affordable project that presently has a HOME loan on it and Applicant wishes to assume the HOME debt. Applicant wishes to include the assumed HOME debt amount as a source and part of the eligible basis in the project. TAB 6 of the QAP requires that Applicant must submit an estoppel letter and copies of the original agreements from the Lender, however, the Lender here is DCA.
- How does Applicant obtain an estoppel and the needed documents from DCA to satisfy the requirements of TAB 6?
 - Does Applicant need DCA's HOME Loan Consent if this will be an assumption?
 - If Applicant needs DCA's Consent, do we fill out the DCA HOME Loan Consent Form and include the attachments?
 - Are there any other documents that we need to submit for the HOME Loan on May 12, 2011?

Response: Applicants can obtain exact loan information by contacting the DCA Asset Management department for an Estoppel letter. DCA has in its possession all original loan documents and loan history so that information does not need to be included in the Application. It is not necessary to fill out a DCA HOME Consent Form to obtain permission to present an Application that includes the Assumption of a HOME loan as a financing source. However, you will need to provide such a request with your Performance Workbook by the May 12 deadline. Please note that DCA would not modify the existing HOME loan or payment set forth in the loan documents. DCA would also not subordinate to any new debt on the property. The following is also applicable to possible assumptions of existing DCA HOME loans.

New HOME funds cannot be approved for any project currently financed with HOME funds until the expiration for the period of affordability. Preliminary approval to use an existing HOME loan as a financing source in an application does not constitute a complete review of feasibility or in any way indicate that threshold requirements have been met, or that the project will receive an award of tax credits. Approval to assume an existing HOME loan does not qualify for points under Appendix II XVII Leveraging of Resources.

21. If Applicant is assuming HOME funds...

- Does "assumption" technically amount to an "award" of HOME Funds?
- Does the 90% cap on total hard cost of the project of the completed unencumbered appraised value apply when "assuming" HOME Funds? (p.12 QAP threshold)
- Does the 100% payment and performance Bond requirement apply in the "Assumption" of HOME Funds? (p.32 QAP Core)

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

Response: An assumption of an existing DCA HOME loan does not amount to an “award” of HOME funds. Preliminary approval of assumption of an existing DCA HOME loan does not qualify for points under Appendix II XVII Leveraging of Resources Once the HOME loan is assumed, all existing HOME terms and conditions (including repayment schedule) will continue. The assumption of an existing HOME loan is generally not subject to the requirements specifically associated with new HOME loan.

22. Our firm is currently looking to submit for the 2011 Round to become an approved management company. I wanted to ensure that we submitted the requested documentation so that there is not anything left out in the decision making process. As far as the performance workbook, the only tab that I see that references management is the Manager’s performance questionnaire. Is this the only form we are to submit along with our principals’ experience with Tax credit as mentioned on page 34 of 41 of the Qualified Allocation Plan Appendix I, C. "Management Company's Experience". Or do we need to submit any of the information included in required documents section of the performance workbook?

Please let me know what is needed so that we can ensure we comply with the required information.

Response: To become an approved management company you will need to complete the Manager’s performance questionnaire and complete all fields of the Compliance History Summary for all properties that your company has managed that had audits from 2006, 2007, 2008, 2009, 2010 through May 1, 2011.

23. In the QAP, page 23 of the Appendix I, Threshold Criteria, discusses conceptual site plans that will be included in applications. I understand it to be that we are providing a professional conceptual site plan, in accordance with the Architectural Manual.

Does this site plan require a local government approval? I don’t see anything in there but want to be sure prior to submitting the application.

Response: No. The site plan does not require local government approval at the application stage.

24. Tab 19 of the Application Check List requires submission of ‘conclusively demonstrative documentation of current ownership and operation of 5 or more successful LIHTC projects in which you own a minimum 20% interest in the General Partner and Development entities’.

Could you define what is acceptable documentation for this requirement?

Response: Please note that the Application Tabs Checklist (see #19) located in the Core Application has been modified and re-posted on DCA’s website. Applicants should refer solely to the Performance Workbook for instructions on the documentation required for Determination of Project Team Qualifications.

2011 DCA Qualified Allocation Plan
General Questions & Answers
Posting #2
April 22, 2011

25. Could you please clarify your response to question #20 in Q & A posting #1? Your response was “Non Metro areas are the same as Rural areas and must be located outside the Metropolitan Statistical Area (MSA)”.

Does this mean that if a city is considered Rural and in an MSA that it cannot receive rural points?

There are several cities that are in an MSA yet are considered Rural. Several cities are considered both USDA Rural and DCA Rural and are also located within the Atlanta MSA. Would this exclude a city from being eligible for town square, county courthouse or city hall bonus desirable points?

Response: If the Department of Agriculture Website determines that your project is rural and/or the county in which the county is located appears on Exhibit B to Appendix II of the 2011 QAP then the project is Rural and is eligible to receive the points associated with that designation. For purposes of this point category, non metro is synonymous with Rural.