

2008 DCA Qualified Allocation Plan General Questions and Answers Posting #1

1. In Appendix I, page 7 of the '08 QAP, I came across the threshold criteria to be used in the feasibility section of the market study. The language states that capture rates must be 30% or less for one and two bedroom units and 40% or less for three bedroom units (the subject development is to have one, two, and three bedroom floor plans). Further in the page the language states that the capture rate for each bedroom type should not exceed 70%. This is where my confusion comes in. Are the maximum capture rates for each individual unit type 30% or 70%? Or is it the total capture rate for the entire property that has to be below 30% or 70%? The two statements just seem a bit contradictory to me, unless I'm just reading them the wrong way.

To further exasperate the issue, I have the project broken down into 50%, 60%, and Market-Rate segments for each unit type. In the case of my two bedroom units, my capture rate has been calculated as approximately 47% under the 60% AMI group while all other income and units types are below the 30% capture rate mark.

Response: The market feasibility analysis for each project will include the following capture rates:

- a) Market Capture Rates for units by bedroom size in Urban Areas**
- b) Market Capture Rates for units by bedroom size for Rural Areas**
- c) Overall Market Capture Rates**
- d) Market Capture rates for each AMI market segment**

The Market Capture Rates for units by bedroom size will provide the capture rates with maximum capture rates of 30% for 1 bedrooms to 50% for four or more bedroom units. The Market Capture Rates for each AMI segment (includes 1bedroom – 4+bedroom units in the segment) shall not exceed 70% for each AMI segment.

2. My question concerns defining the subject site as “rural” or “urban”. I did see that Monroe County is listed in Exhibit B, Appendix II as qualifying as a rural county. I just wanted to make sure I can consider the County a rural area and that I'm not reading too much it.

Response: Monroe County is listed on Exhibit B of Appendix II of the QAP and meets the DCA definition of a Rural County for purposes of scoring, operating cost limits and the rural set aside.

3. If a property sets aside 5% of its units for special needs tenants and requests DCA Project Based Rental Assistance does that trigger the requirement for the HOME/HUD Questionnaire in the environmental study?

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Response: Yes, there is no exemption from the environmental requirements when units are set-aside for special needs tenants.

4. We are unsure if we will submit a package in Georgia this year. I do want to at least get our companies on the experience entities list at a minimum. Can we do this as part of the pre-application submission process and not turn in any other information? If we do move forward with a tax credit deal, can the pre-application be submitted in pieces or should the entire pre-application be submitted together?

Response: To have your companies placed on the experience list, you will need to complete the appropriate sections of the OAH Performance Workbook that address the relevant areas of experience (Owner, Developer and/or Manager). While you are not required to submit a request for Compliance scoring at the same time you request an experience determination, DCA prefers that you submit the Performance Workbook in its entirety instead of piecemeal. If you do decide to only submit a request for an experience determination, you will need to be sure that you update your workbook and submit it with your application.

5. How do we get a marketing firm approved if it is not on DCA's pre-approved marketing analysts list?

Response: Market Analyst must submit the requirements set forth in the annual RFP for Market Analysts. DCA posted this RFP in January 2008 and has selected the Market Study Analyst for the 2008 calendar year.

6. Under the 2008 QAP Core Plan, Page 25 of 45 Eligible Projects listed are:

1. Scattered Sites
2. Detached Single Family
3. Targeted Population
4. Phased Developments
5. Bond Financed

Can you please confirm that construction of attached townhomes (rental units) WOULD qualify for tax credits?

Response: Yes.

7. Can you please help me to understand "rural" in the application process? I am confused about USDA Rural Area, Rural Set-aside, participating jurisdiction for HOME Funds and scoring for Rural points inter-relate. I'm hoping answering the following question will clear this up for me. Specifically, I'm trying to determine if a subject site in

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Fulton County would qualify for home funds, rural points and possibly the rural set-aside.

As it relates to Section 8-Financing Resources Home Loans, page 13 of 45:

Can you confirm if a specific property address in Fulton County is listed as “eligible” according to the USDA website i.e. considered “rural”, it would be eligible for Home loans even though it is in Fulton County and Fulton is considered a participating jurisdiction?

Response: The eligibility test is essentially three steps,

- 1. Only projects located in an area designated as rural by either USDA or which is set forth on Exhibit B of Appendix II are eligible for DCA HOME funds.**
- 2. In addition, even if the project is located in a rural area, if it is also part of a participating jurisdiction it may not seek DCA HOME funds. The HOME program is implemented through State and local governments called participating jurisdictions or "PJs". Participating jurisdictions may be States or units of general local government, including consortiums. Georgia PJ's include Columbus, Muscogee, Macon, DeKalb, Albany, Fulton County Consortium, Gwinnett, Augusta and Clayton County. Projects are eligible for DCA HOME funds if they are not within the boundaries of a participating jurisdiction which also has the ability to allocate HOME funds. If your proposed project is located in one of these counties, you will need to check to see if it is within the jurisdictional boundaries of the allocating entity. If it is, the project is not eligible for HOME funds under the QAP unless, it also is a DCA CHDO and eligible for the DCA CHDO set aside.**
- 3. Projects that have a tenancy base of more than 51% special needs tenants are not eligible for an award of HOME funds under the QAP.**

(Section 8, Core Plan page 13 of 44).

If your project is located in an area set out on Exhibit B of Appendix II of the QAP or is designated by USDA as rural, it is considered rural for purposes of scoring, operating cost limits and the rural set aside.

8. Would aforementioned site be eligible for the rural points in Section XIV, assuming project is 75 units or less?

Response: If your project is located in an area designated rural by USDA and /or listed on Exhibit B it would be considered Rural and eligible for rural scoring categories provided it meets all specific category requirements.

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9. Assuming we submit 4 apps for ourselves as Owner, does the QAP in fact limit us to acting as developer (but NOT owner) to just 2 additional apps?

Response: Yes. A General Partner who has met the Ownership Tax Credit Cap, in your case/question, four projects, may partner or consult with inexperienced unrelated entities for purposes of the inexperienced meeting DCA experience requirements by serving as a Developer in a project in which they have no Ownership interest. This interested is limited to two (2) additional projects. Therefore, under any circumstances, the maximum number of applications that can be submitted is six-- four applications may be submitted for purposes of meeting the General Ownership credit cap and two additional applications may be submitted under the Maximum Ownership Interest exception.

10. Assuming we submit less than the max apps as owner, can we then act as developer on additional apps over 2 (exempt- if we only submit 3 apps as Owner, can we then act as Developer ONLY on 3 apps)?

Response: No. A General Partner who has not met the Ownership Tax Credit Cap by submitting less than the maximum number of Owner application allowed, in your case/example, three applications, may partner or consult with inexperienced unrelated entities for purposes of the inexperienced meeting DCA experience requirements by serving as a Developer in a project in which they have no Ownership interest. This interested is limited to two (2) additional projects. Therefore, under any circumstances, the maximum number of applications that can be submitted is six-- four applications may be submitted for purposes of meeting the General Ownership credit cap and two additional applications may be submitted under the Maximum Ownership Interest exception.

11. What documentation is needed to satisfy the National Historic Designation piece of the QAP for scoring purposes? Previously the project did not have to be designated, but needed to have applied for the designation.

Response: There was no change in the scoring section related to points for national historic designations. You must have your designation before you can claim points. There was a significant change in project feasibility which says you have to have your historical designation in place at the time of application submission to utilize historic tax credits in your application. In addition, documentation evidencing or indicating that an application for Federal Historic Tax Credits has been or will be submitted should also be included in the application.

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12. If we are the builder and developer or owner for a deal and we are planning to use the USDA 538 program for our financing and not HOME funds, are we required to have a Payment and Performance Bond or Letter of Credit in place?

Response: The payment and performance bond requirement is a HOME requirement only. The lender will determine if a bond is also needed.

13. Any word on the determination of whether a metro Atlanta deal is eligible to apply for HOME at all, even though they wouldn't be eligible for the government financial assistance points?

Response: It is not. Eligible projects are projects located outside the legal boundaries of a PJ, or eligible for the DCA CHDO set a side. (Section 8, Core Plan page 13 of 44).

14. If two parcels of vacant land are contiguous but separated by a street that is public right of way, are the sites considered scattered or contiguous?

Response: It depends. Two parcels separated by a public road where you can walk straight across the street to get from one parcel to the other would not constitute a scattered site. However, depending on how many parcels you have, where they are located on each side of the road and how the site is configured may affect the definition of a scattered site. DCA would recommend that you seek the professional advice of an attorney or tax credit professional if you are not clear whether a site is scattered under the IRS definition. You should include their opinion as well as a detailed map that will ensure that we understand your concept of the site. You can refer to the following IRS Code provisions in making this decision:

Treasury regulation Section 1.103.9(b)(4)(ii) and proposed Treasury Regulation Section 1.103-8(b)(4)(ii) (regulations which set requirements under which interest on bonds to finance certain exempt facilities is not includable in gross income) provide that proximate buildings or structures that have similarly constructed units are treated as part of the same project if they are owned for Federal tax purposes by the same person and they are financed pursuant to a common plan. The building structures are proximate if they are located on a single tract of land. The term "tract" means any parcel or parcels of land that either are contiguous or are contiguous except for the interposition of a road, street, stream or similar property. Parcels are contiguous if their boundaries meet at one or more points. Section 42(g) of the Internal Revenue Code relating to tax credits provides how the term "qualified low income housing project" will be defined for purposes of this section of the Code. Section 42(g)(7) provides that Buildings which would (but for their lack of proximity) be treated as a project for purposes of the Code

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shall be so treated if all of the dwelling units in each of the buildings are rent restricted.

15. If we are going to apply to the USDA for the USDA 538 Loan Guarantee, do we need to follow the DCA HOME / HUD Site and Neighborhood Standards?

Response: No.

16. The 2007 Utility Allowances for the Southern Region shows the multi-family utility allowances being more than the single family utility allowances. Will you please confirm this is correct? The info is from the following link. <http://www.dca.state.ga.us/housing/HousingDevelopment/programs/utility.asp>, then click on 2007 DCA Utility allowances.

Response: Yes, the 2007 DCA Utility Allowances for the Southern Region multi-family allowances are more than the allowances listed for single family.

17. Under section 16 of the threshold criteria (Accessibility Standards), "at least 5% of all units (but no fewer than one unit) must be equipped for the mobility disabled...." When calculating 5%, should we round up or down? For example, 5% of a 72 unit development is 3.6. Should we have 3 or 4 units constructed for the mobility disabled?

Response: When calculated the 5% of all units that must be equipped for mobility disability, Applicants should round up to determine the number of units required per the 2008 QAP Threshold Section 16. For example, 5% of a 72 unit development would require the Applicant to equip 4 units for mobility disability.

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