



## *Clarifications to the 2014 Qualified Allocation Plan*

Clarifications Posted February 27, 2014

**Note:** ADOH has received information that certain cells in the forms are locked. We will go through the forms and re-post them Friday, February 28, 2014 so they are available to everyone. In the meantime, you may email forms with locked cells to Jeanne Redondo before 1 pm on Friday, and we will unlock cells as needed on a case by case basis.

1. On tab P3, under subheading 10. Project Characteristics, there is the following section:

Number of units at 50% AMGI


Number of units at 40% AMGI

My question is, should this form tie out to Form 22, which is unit targeting for the purpose of points, or should it tie out to the actual targeting of the units in the project?

For example, say a project has 30 units at 30%. For the purpose of Form 22, it is necessary to reflect some of those 30% units as 40% units and some as 50% units in order to show that you are maximizing scoring. Should the above section be filled out similarly to Form 22, or should I not allocate the 30% units to the 40% and 50% AMGI and reflect the actual targeted unit mix?

*The income targeting information on Tab P3 should match Form 22.*

2. This clarification is a revision of Question #13 posted on February 21, 2014. Please clarify what documentation is required to receive points under Tab 24 Local Government Contribution.

*Section 2.7(I) of the QAP states that Projects in which the Local Government is providing new funding towards the development budget in an amount equal to or greater than 1% or 2% of the Total Construction Cost shall receive 5 or 10 points respectively. Section 2.9(X) further clarifies that:*

*“Points will be awarded for Projects in which the Local Government is providing a contribution towards the development budget in an amount equal to or greater than 1% of the Total Construction Cost in a jurisdiction with a population of less than 550,000 or if the Project is a HOPE VI or Rental Assistance Demonstration (RAD) transaction, a copy of the approval letter from HUD must be included. The Local Government contribution by a city, town or county, or an agency, department or*

similar sub-unit thereof, shall be in the form of a committed cash contribution, HOME contribution, CDBG contribution, loan, donation of land, or waiver of fees. A “loan” must be a cash flow loan or deferred.”

This clarification provides ADOH’s interpretation of “committed” in the above paragraph for scoring purposes. In order to be “committed”, the local government ~~shall~~ ordinarily would provide the following documents evidencing a commitment for purposes of the Local Government Contribution scoring category, all of which should indicate the amount and source (i.e., 2014 HOME funds) of the contribution, and which may be contingent upon an allocation of tax credits:

Donation of Land: Contract or award letter from the unit of local government with jurisdiction and ownership of the land contingent upon LIHTC award and a resolution from the unit of local government body that authorizes the donation.

Cash Contribution or Non-Federal Cash Flow or Deferred Loan: Contract or award letter from the unit of local government contingent upon LIHTC award and a resolution from the unit of local government that authorizes the contribution or cash flow or deferred loan.

HOME or CDBG Contribution: Contract or award letter from the unit of local government contingent upon LIHTC award and/or a resolution from the unit of local government that authorizes the contribution of HOME or CDBG. The award letter may also be contingent upon adherence to statutory requirements under the regulations that are applicable to the source of funding being provided.

Fee Waivers: Letter from the unit of local government with jurisdiction to waive fees and the resolution from the unit of local government that authorizes the fee waivers.

3. We have an additional question regarding Form 8-3. How many holdings are required to be listed on this form if financial statements demonstrate high liquidity and net worth? I ask this question because we have over 40 real estate holdings, held under dozens of ownership entities and managed by several property management companies. To complete this form at the level of detail required could literally take days as this information is not readily available. Thus, if we could provide a sampling of REO and/or demonstrate financial capability via financial statements, we would strongly prefer to do so.

Form 8-3 is part of the Financial Statements as defined on page 8 of the QAP. Financial Statements are required for the Developer (and Co-Developer as applicable) and their affiliated entities under Tab 8, and may be applicable under Tabs 7 and 11. The properties listed on Forms 8-1 and 8-2 are limited to affordable housing projects. Form 8-3 is for all real estate that is owned by the Developer (or Co-Developer), and their affiliated entities, regardless of location, and may also include other real estate that is not affordable housing.

4. For Sec 2.9 Tab 9 B. Project Readiness, Mixed rehab/new construction: Does reconstruction/changing the floor plan and sq footage constitute new construction or must this be additional units. For example, we are doing a substantial conversion of 2 2 bedroom units into 1 one bedroom unit and 2 two bedroom units for twenty units and will be expanding 10 other units from 2 beds into 3 beds and handicapped accessible. Thus, the units will be newly constructed (all walls moved, changed sq footage, complete reconstruction of interior space) but the total number of units at the project will remain the same. This reconstruction will apply to 50% of the total units.

*Section 2.9(I)(D)(a) states "Only projects meeting the requirements under Section 2.7(B) with at least 50% of the total Units built as new construction will be considered for Project Readiness Points." The units must be new, in addition to the units that are already in place. A complete reconstruction of interior space does not qualify as new construction.*

5. For Sec 2.9V Targeting Low Income Levels: I have a question about rounding. Does 39.65% constitute 40%? It rounds up on Form 22 but just wanted to confirm. When we take the number of units targeted at 50% divided by total units, it does not yield a straight percentage and so if 39.65% does not constitute 40% we will need to add an additional unit.

*Section 2.7(H) on page 32 is clear that you may not round up*

6. Does the first bullet point preclude an Applicant/Owner LLC participating in the Non-Profit Set-Aside from having any other members (for-profit or non-profit) other than the Investor Member and the Managing Member, whereby Managing Member is controlled and owned 100% by a qualified Non-Profit?

*Yes. The definition of a Non-Profit Project was changed in the QAP this year after input in early September from non-profits that have participated in the LIHTC program. It was available in redline format showing the changes in time for public comment at both focus groups and the QAP hearing.*

*The definition states:*

*"Non-Profit Project" means Projects in which a qualified Non-Profit Organization is the Developer. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its affiliate. The Non-Profit Organization must comply with I.R.C. § 42(h)(5)(C).*

*The set-aside on page 24 states:*

*10% of the State's annual credit is Set-Aside for "Non-Profit Projects" as defined in this Plan. Only Non-Profit Projects that meet all of the threshold requirements in Section 2.9(G) will be eligible for an Allocation of Non-Profit Set-Aside credits. If a Non-Profit Project qualifies for an Allocation in another Set-Aside, as stated in this Section 2.6, it will also contribute to satisfying the 10% of the State's annual credit requirement for the Non-Profit Set-Aside.*

Section 2.9(G)/Tab 7 states:

*Projects competing in the Non-Profit Set-Aside must provide the information and materials described in this section. The Applicant must complete and execute Form 7, certifying that the Non-Profit Organization is the Developer. The Managing Member or General Partner of the ownership entity that will be receiving the credits and operating the development through the Compliance Period and Extended Use Period must be the Developer or its affiliate. Applicant must be a qualified non-profit organization as defined under I.R.C. § 42(h)(5)(C). The Non-Profit Organization cannot be formed by one or more individuals of for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside. Applicant must provide information on the owners, directors, officers, and any Person with a Controlling Interest in itself, its general partner and the owners of the general partner.*

7. Under Occupancy preferences for Housing for Older Persons Projects, does a project earn the 2 points for monthly nutrition/financial literacy classes if the classes are offered at a site "contiguous and accessible" but not directly "on-site"? The other services in this scoring criteria (blood pressure, health promotion, etc) explicitly state they're earned if "contiguous and accessible" too. I didn't know if ADOH's inclusion of just "on-site" for nutrition classes was an oversight or intentional.

*The QAP states that the monthly nutrition/financial literacy classes must be on-site.*

8. Under the Prescriptive Path items in the Sustainable Development categories:  
Would the project qualify for the 4 High efficiency HVAC points if the HVAC system is certified by the manufacturer as operating at a SEER 16 level?

*No, the QAP states "install a very high efficiency HVAC system with a minimum SEER rating of 16." A claim that a system operates at a SEER level is not equivalent to a SEER level rating.*

9. Under the Prescriptive Path items in the Sustainable Development categories:  
We are hoping for a bit of clarification on the 1.5 "site, design, engineer and wire the development to accommodate installation of solar PV in the future" points. For a single family development, does this mean that each unit is individually wired and prepping of the conduit is complete for each unit? Essentially all that would remain would be installing solar panels on each individual roof and connecting them to the wiring.

*Yes, all that should remain is installation of the solar panels and connecting them to wiring that was installed during development of the project.*

10. Is Form 20 applicable if the project is just setting aside units for households with children and not providing any of the onsite or contiguous/accessible services?

*Form 20 is not required for Households with Children Projects without any supportive services.*

11. I'd like to confirm that a TOD project with 4 stories (not 1 to 3 stories per the definition of suburban) qualifies as an "Urban Project" even if it does not have structured parking since structured parking is only "typically" included.

*An "Urban Project" is a multi-story Location Efficient Multi-Family Housing Project, typically with Structured Parking. "Location Efficient" mean a Project that is located in a high density urban area close to transportation, employment, education, shopping and services. ADOH will evaluate each project on a case-by-case basis to determine whether the project meets both tests.*

12. Are carports included in the Total Project Square footage or Construction Gross Area? I read the definition and I can't tell. I was hoping they were as they are a significant construction cost and are a tremendous amenity in the Phoenix heat.

*The Total Project Square Footage does not include carports. It is the square footage of the buildings on the property. However, the Maximum Allowable Eligible Basis for Construction Costs in Section 7.2(A)(2) of the QAP do take the cost of carports into consideration, as the costs are based upon several years of past LIHTC projects.*

13. For Forms 8,8-1,8-2,8-3 : Must a developer list ALL projects owned or developed or just a sufficient amount to support the point scoring requested in Sec 7A Developer Experience; ie. if a Developer is seeking 10 points in this category, is it sufficient to list only 6 projects or must we list all projects completed?

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14. For Tab 8, Pt5. May a developer insert financial statements of key developer principals instead of the development entity itself?

*Section 2.9(H)(5) states that "Developers must have the financial capacity to successfully complete and operate the proposed Project. Applicant must include evidence of financial capacity and solvency in the form of Financial Statements of the Developer for the prior two full calendar years." The Developer is "the Person identified in Form 3 and Tab 8/Form 8 as the Developer for the Project, who must be listed in any agreement regarding the development fee as the Person receiving a majority of the Developer Fee, is responsible for preparing the Project for residential use as a LIHTC Project and is responsible for ensuring that a material portion of all phases of the development process are accomplished." "Person" means an individual, partnership, corporation, trust or other entity.*

15. Can you provide further an example of and/or further clarification as to what you expect in the Compliance Monitoring Plan noted in Tab 8, Pt11?

*Section 2.9(H)(10) requires a Compliance Monitoring Plan that describes how the Project will meet the requirements of I.R.C. § 42, the requirements of other applicable housing programs, and state and local requirements. You may request specific examples of prior submittals through ADOH's public records request process which may be found at the following link on our website:*

<http://www.azhousing.gov/ShowPage.aspx?ID=422&CID=10>

16. If 10 applications are submitted in the Supportive Housing set-aside and 1 wins and the 9 others drop to the general pool but still score high enough to win, do all of those remaining applications have to restrict their units to the 30% AMI that they proposed in the application even if they don't win in the set –aside?

*Yes, the applicant is expected to comply with the representations made in the application. Section 2.5(I)(4) would preclude the Applicant from competing in future LIHTC rounds if they "fail to fulfill one of the representations contained in the application for tax credits."*

17. We have an additional question regarding Form 8-3. How many holdings are required to be listed on this form if financial statements demonstrate high liquidity and net worth? I ask this question because we have over 40 real estate holdings, held under dozens of ownership entities and managed by several property management companies. To complete this form at the level of detail required could literally take days as this information is not readily available. Thus, if we could provide a sampling of REO and/or demonstrate financial capability via financial statements, we would strongly prefer to do so.

*Form 8-3 is part of the Financial Statements as defined on page 8 of the QAP. Financial Statements are required for the Developer (and Co-Developer as applicable) and their affiliated entities under Tab 8, and may be applicable under Tabs 7 and 11. The properties listed on Forms 8-1 and 8-2 are limited to affordable housing projects. Form 8-3 is for all real estate that is owned by the Developer (or Co-Developer), and their affiliated entities, regardless of location, and may also include other real estate that is not affordable housing.*

18. For Sec 2.9 Tab 9 B. Project Readiness, Mixed rehab/new construction: Does reconstruction/changing the floor plan and sq footage constitute new construction or must this be additional units. For example, we are doing a substantial conversion of 2 2 bedroom units into 1 one bedroom unit and 2 two bedroom units for twenty units and will be expanding 10 other units from 2 beds into 3 beds and handicapped accessible. Thus, the units will be newly constructed (all walls moved, changed sq footage, complete reconstruction of interior space) but the total number of units at the project will remain the same. This reconstruction will apply to 50% of the total units.

*Section 2.9(I)(D)(a) states “Only projects meeting the requirements under Section 2.7(B) with at least 50% of the total Units built as new construction will be considered for Project Readiness Points.” The units must be new, in addition to the units that are already in place. A complete reconstruction of interior space does not qualify as new construction.*

19. I just noticed a discrepancy in the points for the services on a Housing for Older Persons project. The QAP states that the nutrition classes are 2 points and the transportation is 4 points, but the Form 2 gives 3 points to each service.

Does the QAP govern in this instance?

*Yes, the QAP governs when there is a discrepancy between a form and the QAP.*

20. We have an additional question regarding Form 8-3. How many holdings are required to be listed on this form if financial statements demonstrate high liquidity and net worth?

*Form 8-3 is part of the Financial Statements as defined on page 8 of the QAP. Financial Statements are required for the Developer (and Co-Developer as applicable) and their affiliated entities under Tab 8, and may be applicable under Tabs 7 and 11. The properties listed on Forms 8-1 and 8-2 are limited to affordable housing projects. Form 8-3 is for all real estate that is owned by the Developer (or Co-Developer), and their affiliated entities, regardless of location, and may also include other real estate that is not affordable housing.*

21. For Sec 2.9 Tab 9 B. Project Readiness, Mixed rehab/new construction: Does reconstruction/changing the floor plan and sq footage constitute new construction or must this be additional units. For example, we are doing a substantial conversion of 2 2 bedroom units into 1 one bedroom unit and 2 two bedroom units for twenty units and will be expanding 10 other units from 2 beds into 3 beds and handicapped accessible. Thus, the units will be newly constructed (all walls moved, changed sq footage, complete reconstruction of interior space) but the total number of units at the project will remain the same. This reconstruction will apply to 50% of the total units.

*Section 2.9(I)(D)(a) states “Only projects meeting the requirements under Section 2.7(B) with at least 50% of the total Units built as new construction will be considered for Project Readiness Points.” The units must be new, in addition to the units that are already in place. A complete reconstruction of interior space does not qualify as new construction.*

22. For Sec 2.9V Targeting Low Income Levels: I have a question about rounding. Does 39.65% constitute 40%?

*Section 2.7(H) on page 32 is clear that you may not round up.*

23. Does ABC Organization’s experience qualify us for the non-profit set aside? As you know, we have the following experience....

*If you meet the definition of Non-Profit Project, and have the capacity to meet the requirements under Tab 7 and your financials are strong enough to meet the requirements of an investor, including the ability to provide the requisite guarantees, you would qualify for the Non-Profit Set-Aside.*

24. May I include AHP funds as a source if the Project has not yet received an award?

*Yes, you may include anticipated AHP funds in your sources and uses, but you should have a back-up plan to fill the gap in the event your project does not receive an award.*

25. Can the nonprofit supportive services provider be affiliated with the developer if the developer is a for-profit entity?

*In order to receive Point under Section 2.7 (G) Enhanced Supportive Services, the supportive services must be provided by a Non-Profit Organization as defined in the QAP. In accordance with the TAB 21 of the QAP, "ADOH will determine if the Non-Profit Organization is qualified, in its reasonable judgment, to offer the supportive services." In making that determination, ADOH will look to the experience of the Non-Profit on its own merits, rather than the qualifications of the sponsoring entity.*

26. Tab 25 of the 2014 QAP states that a letter from the local government and Capital Needs Assessment under the scoring category Acquisition/Demolition and new Construction of a Blighted Structure in order to "provide evidence and documentation to satisfactorily substantiate to ADOH that the property has outlived its economic usefulness as follows" (p. 58). If a project currently sits on top of a brownfield site that is scheduled for remediation and demolition in 2014, may a report from the XYZ outlining their reasons for remediation and plan for doing so be submitted in lieu of a CNA and letter from the local government determining blight? Please provide clarification in whether the information we are proposing from XYZ would meet both 1) threshold requirements and 2) scoring requirements.

*While ADOH could consider a waiver of the specific requirements you are requesting, not submitting a CNA would preclude your project from earning points under Section 2.7(J) of the QAP. (The requirements for a waiver are outlined under Section 2.9(A)(5) of the 2014 QAP.) The QAP states that "ADOH will not consider waiver requests with respect to any scoring category stated in this Section 2.7." Section 2.9 on page 34 states that "Applications not containing the threshold of information for any point category will be disqualified from that point category." Section 2.9(Y) on page 55 is explicit that "A Capital Needs Assessment ("CNA") is required under each of the scoring categories within this Section." Therefore, the requirements on page 58 (Section 2.9(Y)(3)(a) and (b) must be met in order to award points in Section 2.7(J).*

27. Regarding the \$4,000 per unit allowed for is architecture and engineering, is that \$4,000 for architecture and \$4,000 for engineering or \$4,000 for both combined? Also is architect supervision included in the allowable \$4,000?

*Yes, this is an amount for architecture, engineering and supervision combined. The QAP Section 7.1(4)(f) on page 78 states: "Architectural and engineering fees, including design and inspection*

*costs that can be included in Eligible Basis shall be limited to \$6,500 per Unit for new construction or acquisition/demolition/new construction projects, and \$4,000 per Unit for acquisition/rehabilitation projects."*

28. As part of our PHA Plan process we have posted a notice on our website indicating the change in our PHA plan with the intention of converting ## HCV to PBV in support to support homeless veterans with agency sponsored services that are otherwise not participating in the HUD-VASH program and that the proposal selection will be in accordance with 24 CFR 983.51. This notice includes notice of availability of vouchers, the Annual Housing Plan defining the process for project-basing vouchers, and the targeted population. If the determination from headquarters is that we cannot use the LIHTC award as the selection criteria we will issue an RFP written to coincide with the LIHTC set-aside criteria. Would submission of this notice along with the PHA Plan be satisfactory?

*Section 2.9(S)(1)(c) of the QAP on page 52 requires at least "a letter from the Local Government stating 1) availability of vouchers, 2) Annual Housing Plan defining process for project-basing vouchers, and 3) targeted population."*

29. Will ADOH be accepting Saturday delivery of hard copy applications?

*Nobody is in the office on Saturday to accept applications.*

30. One of our clients is seeking clarification on whether ADOH will allow them to spec the closets out such that they are an open concept design without doors.

Our design team noted that there are no building code requirements for closet doors, and our asset management team confirmed that the UPCS standards state that missing closet doors are only an inspectable item if the frame and hardware was present and the door is not. This would not be the case if the closets were designed to be doorless.

*Uniform Physical Condition Standards (UPCS) are required at LIHTC properties. Our Compliance Department has concurred with your asset management team that UPCS does not require closet doors if there is no framing or hardware that would indicate a door should be in place. The 2014 Mandatory Design Standards do not specify that closets must have doors.*

31. One of the items the 2014 QAP requires 30 days prior to equity closing is a 15-year pro forma signed by the senior lender (or the syndicator/investor if the Project is 100% funded by equity) that exclusively reflects the following language verbatim: "We acknowledge that this pro forma financial statement substantially matches the assumptions used in our underwriting."

The 15-year pro forma required to be included in Tab 11 under Threshold – Financial Ability to Proceed- does not state the pro forma due at application must be signed by the senior lender. Can you please confirm that the 15-year pro forma required to be included in Tab 11

with the initial application does not have to be signed by the senior lender at time of the application?

*The lender does not need to sign the pro-forma at the time of Application.*

32. We do not intend to apply for any Federal funding on our project (no HOME, CDBG, etc.), and are currently applying to HUD for a pass through request of the Section 8 contract to another property while we rebuild our LIHTC development, therefore we believe that the URA language is not applicable in the GIN to residents. Do we need to include the GINs in our application?

*If you believe that the Uniform Relocation Act does not apply to your project, you would need to include evidence of that in your application. If you are incorrect, and lack of proper GINs removes the Section 8 contract from your application, it would be subject to re-scoring, and a potential loss of an allocation.*

33. If the developer has a REO schedule already, can we submit our REO schedule if it includes the required information rather than transferring all the information to the Form 8-3?

*If it is possible to adequately represent the information in Form 8-3 using the Form 8-3, Applicants should transfer the information to the form. Applicants may request a waiver from using the Form 8-3 to provide the required information if it is not possible to provide all of the information required in Form 8-3 within the context of the form itself, (for example if the project has multiple sources of hard debt, the form only allows for one source). Section 2.9(A)(5) explains the requirements for a waiver.*

34. What do the LH, HH and RA stand for in the drop down box on page P4 of Form 3?

*LH is Low HOME*

*HH is High HOME*

*RA is Rental Assistance*

35. In the past I had made a handwritten note on the High vs. Low that the Low was the 50% and the High was the 60%. If all of my HOME units are underwritten at 50% AMI Rents, should I mark all my HOME units as LH?

*The final determination regarding how many HOME units and whether they are Low HOME or High HOME is determined during ADOH underwriting, so yes.*

36. Does a federal RAD or HOPE VI award qualifies as a local government contribution?

*Having HOPE VI or RAD only qualifies a community for points under Section 2.7(I) on page 33. A minimum of 1% contribution towards the development budget from a local government is required in order receive points under this category.*

37. I am working on a market study in a small jurisdiction and am having some trouble locating data for some of the items in the market study demand guide. Do you have a recommendation as to where I could find certain items? Just wondering how you prefer I handle these situations where data is unavailable for smaller communities.

*ADOH puts the responsibility on the Applicant to obtain the necessary data to prepare the market study. We do not have a list of sources for the data you are requesting.*

38. Does the attached letter meet the requirements for Project Readiness Points for site plan approval?

*The 2014 QAP states "In order to receive points for Project Readiness, Design review must have been completed and Project must have received final site plan approval (wherein no further site design review is required and the next step is to develop and submit engineering and construction documents for review and approval) or equivalent approval from the Local Government. Applicant must attach documentation in evidence of the Local Government's final site plan approval."*

*Where a City does not issue a final site plan approval until building permits are issued, the City should specify the provisions in parentheses above to ensure that ADOH understands that the City's process has met these requirements.*

39. We are applying for gap financing also so do we need to send 1 check for \$6,500 or 2 separate checks?

*Two separate checks.*

#### **The following 15 Clarifications were posted February 21, 2014**

1. I am seeking further clarification regarding potential off-site common areas where social services can be provided for our residents. For the potential rehab project I'm working on would it be acceptable to offer the social services at off-site locations between 0.15 and 0.75 miles away, provided there is a safe walking route without any unsafe barriers such as highways, railroad tracks, etc.?

*Services are only eligible for points under Section 2.7 (F) if they are provided on site or Contiguous and Accessible to the Project. Contiguous and Accessible to the Project means that they must be provided at a location that is on an adjoining parcel that shares one boundary line, which can be easily entered from the Project. The one exception is a Child Care Center which may be located within one mile of the Project.*

2. Additionally, I had several questions regarding the regulations from the 2014 QAP for the required items to be submitted to ADOH at "Equity Closing" 30 days prior to the equity closing. Specifically, I am unclear on how we are able to provide final documents for all sources of financing prior to the actual closing. The construction loan will be closed concurrently with the equity closing. Will a commitment letter and draft DOT

suffice? Also, the regulations request a fully executed investor agreement – I assume a draft would be acceptable as we won't have a fully executed A&R LPA until closing has actually occurred. Finally, the building permits won't be available until after equity closing as the proceeds will be used to obtain the permits.

*The final documents for all sources of financing for the Project and complete Syndication or investor agreement, including all exhibits that are required 30 days prior to equity closing must be in final form, and ready to execute at the closing. Upon closing you must submit copies of the executed documents.*

*The building permits are required prior to ADOH approval to move forward with the equity closing.*

3. Page 76 of the QAP 7.1(C)(4)(a) states "Rehabilitation projects may include a hard cost contingency of up to ten percent (10%) of the Total Direct Construction Costs line item". The Form 3 has a line item for 10% HC Contingency and one for 7% Hazardous Waste Contingency. Can rehabilitation take both contingencies? The QAP states that the Construction Contingency is 10% of the "Total Direct Construction Cost" but the Form 3 max calculation is based on the "Subtotal Direct Construction Cost" line item.

*When there is a specific provision in the QAP that is inconsistent with a form, ADOH uses the specific provision in the QAP to make a determination. Since page 76 of the QAP 7.1(C)(4)(a) states "projects may include a hard cost contingency of up to ten percent (10%) of the "Total Direct Construction Cost" line item", and the Form 3 labels line 52 as "TOTAL DIRECT CONSTRUCTION COSTS", you may include up to 10% of line 52 in your Development Budget for HC Contingency. Projects that include hazardous waste removal may also include a 7% Hazardous Waste Contingency. Since there is no specific provision in the QAP for Hazardous Waste Contingency, it shall be calculated from Line 48, as stated on p 7-10 of Form 3.*

4. What needs to be in the letter from the City regarding Final Site Plan Approval?

*The 2014 QAP states "In order to receive points for Project Readiness, Design review must have been completed and Project must have received final site plan approval (wherein no further site design review is required and the next step is to develop and submit engineering and construction documents for review and approval) or equivalent approval from the Local Government. Applicant must attach documentation in evidence of the Local Government's final site plan approval."*

*Where a City does not issue a final site plan approval until building permits are issued, the City should specify the provisions in parentheses above to ensure that ADOH understands that the City's process has met these requirements.*

5. We would like to confirm if a) tax abatement and b) local government financing of their impact/new construction/building permit fees over the 15 yr compliance period constitutes local government contribution per Section 2.9 L of the QAP. Although we

understand cash flow repayment of the loan, can you clarify what the QAP defines as a “deferred” loan.

What specific documentation is required for this point category? We did not see that referenced on page 55.

*The points associated with Section 2.7(I) on page 33, and 2.9(X) on page 55 are for providing new funding towards the development budget in the amounts specified. Section 2.9(X) further specifies that “a “loan” must be a cash flow loan or deferred.” A deferred loan is one that does not require any payments until after the 15 year period of affordability.*

*The form of commitment will vary, depending upon what is being committed. However, the evidence of the commitment should include documentation that the form of commitment was authorized by the local government body which approves funding, (subject to federal regulations that may impact the form of commitment).*

6. Is an ownership structure in which the non-profit is not the 100% owner of the General Partner/Managing Member eligible to compete in the non-profit set-aside?

*Only Non-Profit Projects (as defined on page 10 of the QAP) that meet all of the threshold requirements in Section 2.9(G) are eligible for the Non-Profit Set Aside. These include the following:*

- *The Non-Profit Organization must be the Developer.*
- *The Managing Member or General Partner of the Ownership Entity must be the Developer or its affiliate (i.e. single purpose entity 100% controlled by the non-profit)*
- *The Non-Profit Organization cannot be formed by one or more individuals of for-profit entities for the principal purpose of being included in the Non-Profit Set-Aside.*

*The project must meet each of the requirements in order to compete in the Non-Profit Set Aside. If the Non-Profit is a Co-Developer with a For Profit, or the Non-Profit is a Developer with a For-Profit Co-Developer, it does not qualify to compete in the Non-Profit Set Aside. However, you may submit an application and compete in any other Set Aside for which the project qualifies.*

7. May I please get clarification on the scope of work that is required for the CNA consultant as it relates to the Demo of an existing building and proving blight? Does our CNA just need to certify the blight section of the requirement? In the Section 2.9(Y)(3)(a)(i) it makes a reference to 2.9(X)(1)(e-g) for the CNA standards. Is this a misprint?

*Section 2.9(Y)(3)(a)(i) refers to 2.9(X)(1)(e-g) for the CNA standards. This is a misprint. Please refer to Section 2.9(Y)(1)(e-g) on pages 56 and 57 for the standards for a capital needs assessment.*

8. Can a project have a developer and two co-developers?

*Yes. The definition of "Co-Developer" on page 6 of the QAP allows for "two or more Developers of the same Project".*

9. Does acting as a "Consultant" earn an individual's points towards development experience on applications?

*Section 2.7(A) Developer Experience provides up to 10 points for Developers and Co-Developers who demonstrate that they have experience in the development of LIHTC or Federally Subsidized low income housing projects. It does not award points for a Consultant's development experience.*

10. I would like to clarify a distinction between documentation for scoring criteria vs threshold requirements and a section in the QAP that I am having a difficult time deciphering. Specifically, because we are a rehab and 50% of the units are not new construction, I understand that we are not eligible for the Project Readiness points. However, in the checklist and pg 40 of the QAP, it lists have a copy of Purchase Agreement and a title commitment are listed as required documentation.

To ask more simply, are a copy of the purchase contract and title commitment required even if you are not trying to secure Project Readiness points?

*Section 2.9(I)(B)(a) beginning on page 40 of the QAP specifies the documentation that is required to meet the threshold for site control. Among those requirements are a Title Commitment and binding commitment to transfer control or ownership. All projects must demonstrate site control in order to be eligible for a reservation of tax credits.*

11. If a property is located within a school district with at least one B-rated school, does it qualify for the 5 points under occupancy preferences? In other words, can the terms "boundary lines" and "district" to be interpreted as interchangeable?

*Boundary lines and district are not interchangeable. All public schools in Arizona, with the exception of charter schools, have boundary lines specific to that school. If a student lives within those boundaries, they are eligible to attend. If a student lives outside of those boundaries, they must submit an open enrollment form applying for admission. They are not automatically eligible for enrollment by right.*

12. The QAP requires that we should show our supportive services costs "below the line". However, the QAP also requires that we maximize our permanent financing utilizing ADOH's underwriting guidelines with a minimum Year 15 DSCR of 1.2. There is no maximum Year 15 DSCR. My question is this... if our Year 15 DSCR of 1.2 does not generate the cash flow necessary to cover the cost of supportive services (and on most supportive housing projects, I would imagine this would be the case), will the Department allow applicants to reduce the size of the permanent loan to free up additional cash flow for these services. For example, if we needed to decrease to the loan amount to where we ended up with a 1.5 DSCR at Year 15, is that acceptable?

Again, there is no maximum Year 15 DSCR, just a minimum. But in Section 7.1(B)(2), the Department reserves the right to “deny an application for a final allocation of tax credits if the applicant fails to maximize its primary debt”. The desire to sustainably fund supportive services and the desire to maximize perm debt are counteractive goals and there seems to be no clear direction in Section 7 of the QAP in terms of how to handle this when year 15 cash flow is too light to support service delivery costs with a 1.2 DCR.

*LIHTC projects must demonstrate feasibility in order to meet the threshold for underwriting. Section 7.3(b) of the QAP states:*

*“ADOH will expect the Applicant to maximize its lending sources by paying at least the maximum mortgage payment supportable by Project net operating income as described hereafter. The amount of the primary loan shall be fully amortized for no less than 25 years, with a loan term of no less than the Compliance Period, written at a competitive market rate of interest, and the annual debt service coverage ratio (“DSCR”) shall be no less than 1.20 for each year of operation during the Compliance Period (the DSCR is the quotient obtained by dividing the annual net operating income by total annual debt service payments for the primary mortgage), or as modified by the debt service coverage and loan-to-value ratios established by the lender in the Commitment Letter or Letter of Interest/Intent, and approved by the ADOH. Tax Credits will be adjusted, if necessary, to assume financing requiring maximum mortgage payments or such other maximum mortgage payment as is approved by the ADOH. Mortgage terms (e.g., interest rate and amortization period) will be taken from the lender’s Commitment Letter or Letter of Interest or Intent.”*

*In addition, the project must be able to show at least a 1:1 coverage of all expenses needed to operate the project, including reasonable supportive services costs and to repay deferred developer fee within 15 years. It is possible that the DSCR in year 15 would be higher than 1.20 in order to be able to support the expenses associated with the supportive services at the property.*

**13. Please clarify what documentation is required to receive points under Tab 24 Local Government Contribution.**

*Section 2.7(I) of the QAP states that Projects in which the Local Government is providing new funding towards the development budget in an amount equal to or greater than 1% or 2% of the Total Construction Cost shall receive 5 or 10 points respectively. Section 2.9(X) further clarifies that:*

*“Points will be awarded for Projects in which the Local Government is providing a contribution towards the development budget in an amount equal to or greater than 1% of the Total Construction Cost in a jurisdiction with a population of less than 550,000 or if the Project is a HOPE VI or Rental Assistance Demonstration (RAD) transaction, a copy of the approval letter from HUD must be included. The Local Government contribution by a city, town or county, or an agency, department or similar sub-unit thereof, shall be in the form of a committed cash contribution, HOME contribution,*

~~CDBG contribution, loan, donation of land, or waiver of fees. A “loan” must be a cash flow loan or deferred.”~~

~~This clarification provides ADOH’s interpretation of “committed” in the above paragraph for scoring purposes. In order to be “committed”, the local government shall provide the following documents evidencing a commitment for purposes of the Local Government Contribution scoring category, all of which should indicate the amount and source (i.e., 2014 HOME funds) of the contribution, and which may be contingent upon an allocation of tax credits:~~

~~Donation of Land: Contract or award letter from the unit of local government with jurisdiction and ownership of the land contingent upon LIHTC award and a resolution from the unit of local government body that authorizes the donation.~~

~~Cash Contribution or Non Federal Cash Flow or Deferred Loan: Contract or award letter from the unit of local government contingent upon LIHTC award and a resolution from the unit of local government that authorizes the contribution or cash flow or deferred loan.~~

~~HOME or CDBG Contribution: Contract or award letter from the unit of local government contingent upon LIHTC award and a resolution from the unit of local government that authorizes the contribution of HOME or CDBG. The award letter may also be contingent upon adherence to statutory requirements under the regulations that are applicable to the source of funding being provided.~~

~~Fee Waivers: Letter from the unit of local government with jurisdiction to waive fees and the resolution from the unit of local government that authorizes the fee waivers.~~

14. Does Acq/Demo and New Construction of a Blighted Structure need a CNA?

*Not submitting a CNA would preclude your project from earning points under Section 2.7(J) of the QAP. Section 2.9(Y) on page 55 is explicit that “A Capital Needs Assessment (“CNA”) is required under each of the scoring categories within this Section.” The requirements on page 58 (Section 2.9(Y)(3)(a) and (b) must be met in order to award points in Section 2.7(J).*

15. The underwriting requirements in the QAP includes the following on Page 75:

“e. The proposed management company must submit a statement at time of application confirming that the Operating Expense projections are reasonable.”

Is this needed and if so, where should I put this certification?

*Section 7.1(c )(2)(e) on page 75 requires that the proposed management company submit a statement at time of application confirming that the Operating Expense projections are reasonable. The certification may be placed in Tab 11 with the pro forma.*

**The following 13 Clarifications were posted February 14, 2014**

1. My firm is a national firm with 400 employees in 30 states, and we have extensive experience doing HUD work (locally in AZ and nationally). Our staff consists of many engineers and architects, many of whom are P.E.'s and AIAs. However we do not have anyone that does have 5 or more years of experience doing ADOH work per se, and the requirements list that as one. Would we be able to get a conditional approval of certain select individuals from our team, based on their credentials and other experience?

*The requirement you reference is that the qualified professional must be able to "substantiate five years of experience providing CNA reports in accordance with ADOH standards". If you are able to certify that you can substantiate five years of experience providing Capital Needs Assessment reports that meet or exceed the standards outlined in Tab 25 of the 2014 QAP, along with the other certifications in Section 2.9(Y)(2)(e) on page 56 of the 2014 QAP, that is acceptable. The work does not have to be for projects that ADOH has funded.*

40. The Supportive Housing set-aside states that the "rents shall be designated at 30% of AMI and supported with Rental Assistance". My question is if a project receives rental assistance from Section 8, which allows rents to be set at 50% of AMI and residents only pay 30% of their income, is this acceptable under the Supportive Housing set-aside?

*In order to compete in the Supportive Housing Set Aside, the rents in Column B "Maximum Allowable TC Rent" on Tab P4 of Form 3 must be designated at 30% AMI rents. The remaining operating subsidy provided by the Project Based Voucher may be shown under Column C "Market/Subsidy Adjustments". You should include an explanation under Tab 19 – Supportive Housing Development.*

41. My management team is unsure as to where to note a veterans preference in the Affordable Fair Housing Marketing Plan. Where is ADOH expecting to see that?

*Item "4a" Residency Preference on page 2 of Form HUD-935.2A provides space to indicate a preference for veterans.*

42. Can you confirm if an official certification is necessary for the Construction Gross Area? It's referenced in the definitions but not in the application materials anywhere. If it is necessary, where should it be included?

*The calculation and certification of Construction Gross Area is submitted with the final 8609 package in accordance with Section 5.1(O) of the QAP on page 70. It is not required at application.*

43. As you know the investor has .99% ownership for the 15 year credit period and the GP has .01%. However the GP is 100% owned by the Non-profit who has first right of refusal. Is this the GP ownership percentage what you want reflected on the ownership percentage on Form 8?

*The Owner on Form 8 is the entity that will own the Project. You should list all owners, officers and affiliates of the Owner with Controlling Interest or percentages of equity with their respective percentages of ownership in the four lines below the City/State/Zip of the Ownership Entity. The GP should be listed, not the Non-Profit.*

*The Non-Profit entity that has a Controlling Interest in the GP should be listed in the four lines below the City/State/Zip of the General Partner or Managing Member information on Form 8.*

44. Form 8-1: Can the development experience of the Developer/Co-Developer include staff experience prior to the staff position held with the current organization?

*Yes. TAB 8, Section 2.9 (H) of the QAP outlines items which will be evaluated to determine eligibility for the Developer Experience points. TAB 8 provides guidance for the evaluation of both the Developer and the Development Team.*

45. In proving the square footage for a grocery store, does ADOH have a required method (i.e. architect verification)? Would a Property Report or Building Permit be sufficient in proving square footage? Lastly, the QAP states that, "the applicant must indicate the approximate square footage....for each facility.." [Section 2.9(M)], however the grocery store is the only amenity with a required square footage; does every single amenity need to have sq ft identified?

*Section 2.9(M)/Tab 13 of the QAP states "Facilities that are not clearly within the 1 mile and 2 mile straight radius line must have a majority of their facility square footage on or within the category radius line. For any facility on the radius line, Applicant must submit sufficient proof of facility square footage at this Tab or the facility will not be considered for points for the category" and "Applicant must indicate the approximate square footage and distance to the Project for each facility on either the 8.5x11 map or on an additional page submitted at this Tab." You do not need to provide the square footage of facilities that are not grocery stores and are well within the radius line. There is no required method to provide sufficient proof of the square footage, but it must be specific to the facility for which the Applicant is claiming points, and verifiable. You may refer to Slide 57 "Distance Calculation Example" from the Application Workshop for an example of a facility on the radius line that would qualify for points.*

46. After tax credits are received, is there a required period of time in which Construction has to start?

*No, the 2014 QAP does not include a deadline for the start of construction. Projects need to be placed in service by the deadlines established in Section 42 of the Internal Revenue Code.*

47. In terms of entitlement approvals, do the entitlements have to be approved beyond the 30-day appeal period?

*Please refer to Form 10 – Planning and Zoning Verification, which requires that the authorized agent of the jurisdiction certify that the current zoning status permits construction of the project. The local jurisdiction determines when it will make this certification.*

48. Please note that site control includes the PSA in the Final Draft of QAP Section 2.9.I. (Tab 9) but it is not included in points section for Project Readiness which references site control. Is this just an oversight?

*Section 2.9(I)(B)(a) of the QAP details the requirements to meet the threshold to submit an eligible application. All applications, regardless of whether they receive Project Readiness points, must comply with this section. You may refer to the first paragraph of Section 2.9(I)(B) and Section 2.7(B) for the requirements to earn points for Project Readiness.*

49. We are filling out our application and this is the first year we've used a consumption model for utility allowances. Below is the chart we need to fill in but we are unsure how to complete with the consumption model. How do we complete?

*If the breakdown of utilities provided by the HERS Rater or PHA does not match the Form 3 exactly, you may make the following substitutions to ensure that all of the costs are included:*

<b>Form 3 Categories (on p. 3 of Form 3):</b>	<b>HERS Rater Categories</b>
Heating	Heating
Air Conditioning	Cooling
Cooking	Lights and Appliances (Cooking and Lighting Combined)
Lighting	Photovoltaic, if applicable
Hot Water	Water Heating/Hot Water
Sewer	Service Charges
Water	Combine costs for Water and Sewer Here
Trash	Trash

*The Utility Allowance Schedule, along with any HERS Reports should be placed in Tab 14.*

50. The QAP definitions section states that "Rental Assistance" means a voucher, operating subsidy, or privately funded assistance. Section 2.9(Z)/Tab 26 goes on to state that the Rental Assistance must cover 90% of the units. There are 20 points available for this category. There is no minimum amount of assistance stated so presumably the points would be available to a project that had a commitment from a private source to fund 90% of the units with any amount of assistance. Therefore if there is a project with 100

units and 90 units have a privately funded commitment for rental assistance of, say \$100 per unit per year, then the points would be available. Please clarify the requirement and intent.

*Section 8 Project-Based Vouchers, Section 8 HAP Contracts, Public Housing, HUD 202 and HUD 811 Supportive Housing Programs for the Elderly and for People with Disabilities, Housing Opportunities for People with AIDS/HIV (HOPWA), McKinney-Vento permanent housing programs for the homeless, USDA Section 514/515 rental assistance, USDA Section 521 Rural Rental Assistance program, and privately and governmentally funded programs that provide the same level of assistance to a Project as the above listed programs are acceptable forms of Rental Assistance for Section 2.7(N).*

*In all of the programs listed in the above paragraph, the Rental Assistance provided to the Project provides the difference between the monthly rental rate and the tenant's contribution of 30% of their income (after certain deductions are taken out) to pay for rent and utilities combined. The programs usually require a minimum rent of \$25 - \$50 per month, even if this amount exceeds 30 percent of family income. This level of Rental Assistance for 90% of the Units is the minimum that is acceptable to receive points under Section 2.7(N) of the QAP.*

*Applicants submitting privately funded Rental Assistance must be able to substantiate a minimum of three years of providing assistance at the level in the above paragraph for other projects. The documentation for the privately funded Rental Assistance must indicate a verifiable source of funds already dedicated to the Project for this use for the duration of the Period of Affordability.*

**The following 12 Clarifications were posted on February 7, 2014:**

1. Who is supposed to complete the new Form 8-3? Is one to be submitted on behalf of the Developer and/or Co-Developer or Management Agent? I.e., what properties are to be listed on new form 8-3? Are they for Arizona projects currently managed by the management company that will be part of the application team or is the information supposed to be that of the Developer/Co-Developer?

*Form 8-3 is part of the Financial Statements as defined on page 8 of the QAP. Financial Statements are required for the Developer (and Co-Developer as applicable) and their affiliated entities under Tab 8, and may be applicable under Tabs 7 and 11. The properties listed on Forms 8-1 and 8-2 are limited to affordable housing projects. Form 8-3 is for all real estate that is owned by the Developer (or Co-Developer), and their affiliated entities, regardless of location, and may also include other real estate that is not affordable housing.*

2. Are we allowed to re-use a letter that was submitted in last year's round for the water/sewer will serve and the engineer lot coverage certification?

*Section 2.9(J) of the QAP states that “Applicant may provide a current utility bill from utility provider evidencing that services are presently available to the Project”, therefore it is implied that the status of the will-serve letters also need to address the current availability of water and sewer rather than the status prior to the 2013 Application Deadline.*

*The engineer’s letter should also be updated, certifying that the lot coverage has not changed.*

3. How can I tell how many HOME Assisted units that ADOH would require for a project?

*The Gap Financing Application includes a calculator that provides a rough calculation of the number of HOME units. ADOH refines this when we are ready to make an award, based upon all of the requirements.*

4. The definition of Blighted Structure indicates that 'yard deterioration' is one of the determining factors that would qualify a property to be considered blighted. The requirement to receive points under Tab 25 for Acq/Demolition and New Construction of a Blighted Structure is that the Blighted Structure cover at least 20% of the site (Sec 2.9 (Y)(3)(b)(iv)). Therefore, should landscaping, asphalt and other site improvements that are in deteriorated condition be included in the calculation of 20% site coverage?

*To qualify for points under Acquisition/Demo and New Construction of a Blighted Structure, Section 2.7(J) as further defined in TAP 25, The Blighted Structure must cover at least twenty percent (20%) of the site, and to evidence the site coverage, Applicant must provide a site plan with an engineer’s certification of a minimum 20% coverage of the site by the Blighted Structure. In the event that the proposed Project will cover multiple parcels, Applicant may aggregate all parcels to meet the Blighted Structure requirement of twenty percent (20%) site coverage.*

*The term Blighted Structure means “one or more structures that exhibit objectively determinable signs of yard and building deterioration due to deferred maintenance and/or damage and which constitutes a threat to human health, safety, and public welfare based on local building code violations.” While the definition includes yard deterioration as one of the determining factors that would qualify a property to be considered blighted, landscaping, asphalt and other site improvements (that are not buildings) do not qualify as structures.*

5. The checklist indicates the appraisal to go in tab 9 and tab 25, which one would you prefer, or do we need to save it in both places?

*Place the Appraisal in Tab 9.*

6. On Additional Forms the Tab 2 Scoring Sheet only has 62 and older for Occupancy Restrictions. Does this apply for Older Persons 55 and Older?

*Section 2.7(F) states that the five points are available to Housing for Older Persons Projects (as defined on page 9 in the Definitions). Therefore, Projects electing to house “at least one individual who is 55 or older in at least 80 percent of the occupied Units, and adheres to a policy or procedure that demonstrates intent to house individuals who are age 55 or older” are eligible for the points. ADOH has posted a revised Form 2 that corrects this.*

7. I just wanted to confirm the underwriting rate to be used in the upcoming round of 9% applications. I know that during the training in early January it was stated that a percentage of 7.5% should be used in all applications. As a result of the upward trend in the rate in the last few months and the 7.64% published rate for the month of February, is ADOH discussing any plans to increase the underwriting rate from 7.5% for the application submittals?

*Applications submitted for the 2014 LIHTC Round must underwrite at the floating applicable percentage of 7.5% for the 9% credit and 3.22% for the 4% credit in order to be advanced in the ADOH review process for a consideration of a tax credit reservation. Applications must comply and adhere to the underwriting parameters listed in Section 7 of the QAP based on this floating applicable percentage. Prior to issuance of reservations, ADOH will reserve credits to the project by underwriting using the highest of the following applicable percentages: 1) the applicable percentage published by the IRS in May 2014 for the month of June 2014, 2) 7.5% or 3.22% respectively as indicated above 3) an applicable credit percentage that has been enacted by Congress and signed by the President prior to June 1, 2014. Should a higher rate be applied subsequent to the initial 7.5% underwriting, ADOH will make adjustments to incorporate additional equity as needed on a case by case basis.*

*Following the issuance of Reservation letters ADOH will no longer consider the re-underwriting of applications, regardless of congressional action with respect to the LIHTC applicable percentage.*

8. Is Form 8-3 required at application? The explanation for Tab 8: Development Team in the QAP does not state to include it, but the slide on Tab 8 at the QAP training lists it. Also, please confirm that Form 8-2 is required at application even though it states "submit at equity closing" at the top, and that Form 8-4 is NOT required at application even though it contains the same "submit at equity closing" message as Form 8-2.

*The header on Form 8-2 included an error which has now been corrected and reposted. The QAP Section 2.9(H)(8) on page 39 clearly states that Form 8-2 is a required exhibit in Tab 8. Form 8-3 is included in the definition for Financial Statements, which are clearly required under Section 2.9(H)(5) on page 38. They are both due at Application.*

*Forms 8-4 and 8-5 are not required at Application. They are both due with the Equity Closing package.*

9. If a project is within the boundaries of the map attached above, does it qualify for the 5 community revitalization points? The QAP states we must provide supporting documentation from HUD and I want to make sure this map provided by the City of Phoenix meets your requirements. I could not locate this map from the website provided on page 59 of the QAP.

*To receive points under Section 2.7 (P) a local jurisdiction must have a HUD approved Neighborhood Revitalization Strategy Area (NRSA) pursuant to 24 CFR 91.215(g). The NRSA will be the result of a five year plan developed in accordance with CDP Notice 96-01 which contains a distinct neighborhood or geographic area targeted for revitalization. The City of Phoenix NRSA approved by HUD as part of its Consolidated Plan for the Period 2010-2015 is located within the boundaries of the map which may be downloaded from the following link:*

<http://phoenix.gov/nsd/programs/nsdmapgallery.html>

10. Will you please clarify what is meant by the following language on page 46 under the prescriptive sustainable development path: "To be awarded any Sustainable Development points under Section 2.7(D), specific sustainable product details, building methods/applications and/or systems are required to be listed on Form 17 at the time of the initial Application". In other words, is anything above and beyond checking the boxes on Form 17 required?

*Checking the appropriate boxes on Form 17 and the Architects Certification at the bottom of Form 17 are sufficient evidence to demonstrate sustainable product details, building methods/applications and/or systems for all sections of Form 17 except points for products fabricated in the state of Arizona or environmentally preferred products. In order to claim points for products fabricated in the state of Arizona or environmentally preferred products, the Application must include specifications or product cut sheets of each material listed on Form 17 in addition to checking the appropriate boxes on Form 17 and making the certification at the bottom of Form 17.*

11. May an applicant claim points under the prescriptive path and use a HERS rater solely for the utility allowance schedule?

*Yes. Applicants may elect to obtain the points for Sustainable Development using any of the options outlined in Tab 17.*

12. May an applicant use a HERS Rating to obtain Sustainable Development points under the Performance Based Path if there is no residential data to determine a HERS rating baseline?

*A baseline index of 100 may be used if a HERS rating baseline may not be determined for an existing building. Alternatively the applicant could pursue either the LEED for Homes Gold Certification Path or the Prescriptive Path to earn points in the Sustainable Development scoring category when there is no residential data to determine the actual HERS Index for the existing building*

**The following 32 clarifications were posted on January 29, 2014:**

1. Does a project in which the local government requires that a portion of the building be rehabilitated, but the remainder is demolished, and all of the housing units will be newly constructed qualify as Acquisition/Demo and New Construction?

*If the Blighted Structure(s) cover at least 20% of the site and the Local Government Building Division determines that the building(s) meet the QAPs definition of a Blighted Structure, and all of the rental units are new construction, you may qualify for points under the Acquisition/Demolition and New Construction of a Blighted Structure.*

2. The QAP has a tab dedicated to Eventual Tenant Ownership. Is this a scoring item?

*No. There are no points associated with Eventual Tenant Ownership.*

3. Do the first 8 sections of Exhibit D apply to renovation projects or do only sections 11 – 13 apply?

*Section XI provides all of the elements that must be addressed in the proposed scope of work, and Sections I – VIII indicate that standards that each of those items must meet. For example, Section XI(D) states that you must “Upgrade site and exterior dwelling lighting, landscaping/fencing and installed finish material must withstand extended weathering (minimum 10 year performance) in the Project’s location.” Assuming that the current landscaping is not pristine, and landscaping is identified as an item to be upgraded in the scope of work, you would need to follow all of the requirements in Section III(E) Section V(B) and V(C), and if irrigation is a part of the landscaping, follow Section IX(N).*

4. Are Applications which do not provide a Certificate of Attendance from the Application Workshop held on January 9, 2014 ineligible to apply for 4% tax credits with tax exempt bond financing?

*Since it is possible that 4% projects are not even in the conceptual stage at the time of the Application Workshop held in January, ADOH encourages, but does not require, attendance for projects submitted under Section 3 of the QAP 4% Tax Credits with Tax-Exempt Bond Financing.*

5. Does proximity to an electric relay station impact a request to the State Housing Fund?

*Applications for State Housing Funds always include the possibility that the source of funding will be ADOH’s federal HOME funds, which require a HUD Format Environmental Review in accordance with 24 CFR 50 and 24 CFR 58. Your environmental consultant would be able to provide guidance regarding how this would impact the FONSI (Finding of No Significant Impact).*

6. What are the terms of ADOH’s gap financing?

*The terms of ADOH’s gap financing loans are determined on a case by case basis. In general, ADOH requires payments wherever its underwriting determines that the project has cash flow available for repayment.*

7. What sources of soft funds are available for 4% Tax Credit Projects with Tax-Exempt Bond financing?

*When funds are available for this purpose, ADOH provides gap financing for 4% projects from the State Housing Fund. ADOH will make a determination regarding availability upon completion of the 9% LIHTC allocations.*

8. Is a proposed project in a rural county that is not eligible for USDA funding be classified as Rural, Suburban, or Urban under Section 7.2(A)(2)(b) of the QAP?

*A Rural Project is defined as a project located in a Rural Area, (which is an area outside of Maricopa County and Pima County or on Tribal Land.) Therefore, you should use the Rural cost bracket for projects outside Maricopa and Pima counties.*

9. Are the distance requirements in Tabs 13 and 18 interpreted literally, or may an Applicant request a waiver if the Project is slightly beyond the distance required in the QAP?

*ADOH does interpret the distances literally, and measures to the foot. Waivers are not available for scoring items.*

10. Has the IRS updated the amount of rehabilitation expenditures that are required?

*Yes. Revenue Procedure 13-35 states "For calendar 2014, the per low-income unit qualified basis amount under § 42(e)(3)(A)(ii)(II) is \$6,500."*

11. May Applicant's include AHP as a source of financing if an award has not yet been made?

*Yes. AHP is the only source that may be submitted as part of the Application prior to receiving an award. Applicants will be required to find a source of funding to replace the AHP funds, if the project does not receive an award.*

12. Can we measure the radius map from the boundary line of the subject property rather than from the center of the subject property?

*ADOH calculates the distances for Tabs 13, 18, and 20 from the edge of the property line that is closest to the applicable facility/bus stop/high capacity transit station ("facility"). For a facility that isn't clearly within the applicable distance radius circle, the Application should include documentation supporting the distance calculation to the facility from the edge of the property line that is closest to the facility.*

13. Is it correct that there are 5 points available for a "B" rated school under both Tab 13 & Tab 20? Is there a difference in the two point categories?

*Yes. Tab 13 is for a location within a specific distance of a "B" rated school. Tab 20 merely requires that the project site be within the school boundary lines of a "B" rated school. It is possible for a project to qualify for one or both point categories.*

14. Is the energy consumption model analysis required for Rehab projects where the utilities are owner paid?

*The QAP states that "Utility Allowances shall be based upon the energy consumption model..."If the Owner is paying all utilities and there is no utility allowance, the analysis is not required". In this situation, P3 of Form 3 should show that all utilities are being paid by the Owner.*

15. The font for Form 3 and all additional forms is red. Was that intentional? If we print it can we print it in black ink or are you looking for it to be red?

*The font is in red because it makes more legible copies than the blue color we previously used. It may be printed in black ink.*

16. You asked, "Even if a developer of a new project pays for all utilities, for their LIHTC application, they still need to demonstrate that they have met the minimum 20 points under QAP Section 2.7D, right? For existing property rehabs, they have to demonstrate a 15 HERS point improvement, even if they pay for utilities. In other words, developers have to use the consumption model for their application."

*While it would be extremely difficult to score high enough to receive an allocation without the 20 Sustainability Points under Section 2.7(D), the threshold for a developer to submit an application to ADOH for LIHTC does not require that they compete for Sustainability points. However, Exhibit D (Mandatory Design Standards) on page 12 for rehabilitation projects does require that developers perform an energy analysis of existing building condition and determine measures that will improve building performance by a minimum of 15 percent. The index to measure those improvements is not specified, and Exhibit D allows a participating contractor in the Arizona Home Performance with Energy Star Program to perform the analysis. Therefore, it is possible that an application could include an analysis using a different method to compute the energy savings.*

*Some, but not all, applicants for LIHTC request Gap Financing. A request for Gap Financing requires adherence to the 2012-2013 State Housing Fund Program Summary & Application Guide, which requires in Sections 1.9(M) and 310.(B)(5) that rental rehabilitation project applicants perform a HERS analysis and identify improvements to achieve a minimum 15% increase in energy efficiency.*

17. On page 5 of Form 3, the entry for supportive services cost is locked at \$10,000. Is that intended? If not, how do I unlock that? One other thing I noticed is that the entry for replacement reserve/unit in cell 031 on page 5 is locked. That may be moot, since the RR/unit is also calculated in AD31, but I thought I'd bring it to your attention.

*ADOH has corrected these errors in the Form 3 and re-posted it on our website. The RR/Unit in cell O31 should now automatically fill and flow to page 4. The supportive services cost cell is unlocked and blank for Applicants to enter their cost for these services.*

18. Tab 26 - Developer must show a commitment of Rental Based Assistance; in what form should we provide 'provisions for renewal'? If we were to provide a letter commitment for project based rental assistance would that be sufficient?

*Tab 26 states that "Projects claiming points for project based Rental Assistance must include documentation of Rental Assistance for at least 90% of the units, and commitments for continuing*

*rental payments. Documentation must include a description of the term of the commitment and provisions for renewal.” Since the Project must have the project based Rental Assistance at the time of Application, the documentation would typically be in the form of an executed contract, which would include the initial term, and language regarding the renewal of that contract. Award letters from federal agencies for funding that automatically include Rental Assistance would also be acceptable.*

19. For the Supportive Housing set aside, will an application catering to Chronically Homeless families be able to compete in this category?

*Yes. The Supportive Housing Set-Aside requires a preference for veterans in the Project’s Affirmative Fair Housing Marketing Plan. It does not require that units are set aside for veterans.*

20. Can I submit one application but compete in different scoring categories (i.e. General/Chronically Homeless) and if so, is there an additional application fee?

*Applicants may elect to compete in each Set-Aside for which the Project qualifies. There are no additional fees associated with this election.*

21. PSHP-secure entrance, on a town or single family home development this is impossible how will ADOH score this category in terms of the 'secure entrance'.

*Attached is a copy of the Corporation for Supportive Housing’s Recommendations for Designing High-Quality Permanent Supportive Housing that ADOH provides to Developers asking about the architecture of projects using the Housing First Model. The inclusion of architectural features that are conducive to the Housing First Model are one consideration that ADOH reviews when making a determinations regarding whether the Project qualifies to compete in the Supportive Housing Set Aside.*

22. Does ADOH consider all units in a Project, including the manager’s unit, when determining whether 90% of the units have Rental Assistance?

*Yes.*

23. How are the points allocated for the Section 2.9(M) Service Enriched Locations category in a Scattered Site Project? Does each individual site need to be within 2 miles of a given service?

*Section 2.9(M) of the QAP states, “In the event the Project is comprised of scattered sites, Applicant must demonstrate that the services are available and within the required distance to the site that contains the majority of the housing units.”*

24. For Sustainable Developments I am assuming we would need to make all improvements to all complexes.

*Yes, each building in the Project must meet the same standards.*

25. The 2 complexes in Florence are family projects and the one complex in Kearny is a senior complex. To receive the Occupancy Preference Points, would the two family complexes need to meet the family criteria and the senior complex to meet the senior criteria?

*Scattered Site Projects are one Project. The Project must meet all of the criteria of each scoring category for which the Application is claiming points.*

26. For Enhanced Supportive Services, can a single Services Coordinator cover all three complexes?

*A Scattered Site Project is one Project that operates as one Project.*

27. If we have a letter from RD stating that the projects will have additional units of RA above and beyond what they currently have, will the number of units stated in the letter count or do you utilize the existing number only?

*Scoring under Section 2.7(N) Project Based Rental Assistance is based upon Rental Assistance that is in place at the time of the Application.*

28. The Supportive Housing set-aside states that the “rents shall be designated at 30% of AMI and supported with Rental Assistance”. My question is if a project receives rental assistance from Section 8, which allows rents to be set at 50% of AMI and residents only pay 30% of their income, is this acceptable under the Supportive Housing set-aside?

*No, this is not acceptable under the QAP, which does not refer to the incomes at 30%, but rather the rents.*

29. What techniques does ADOH have to avoid trigger prevailing wages when providing Gap financing to an applicant that has City of Phoenix HOME funds? Can ADOH provide other than HOME funds to the project? Have you found other ways to avoid triggering prevailing wages?

*ADOH is not permitted to, and does not structure projects purposely to avoid triggering Labor Standards pursuant to HUD Handbook 1344.1. Applicants requesting Gap Financing should structure the Project assuming that HOME funds will be used.*

30. According to the 2014 Mandatory Design Standards, all projects must meet the minimum size requirements (Section IV).

*Section XI “Rehabilitation Projects” on page 11 of the 2014 Exhibit D states that applications “must propose a scope of work appropriate to the building(s), as reflected in the Capital Needs Assessment.” ADOH does not require that the footprint of existing buildings be changed to increase the size of the*

*unit where it is not considered appropriate to the building as reflected in the Capital Needs Assessment.*

31. Also need to confirm that we need to use the Energy Consumption Model for the UA's (Tab 14) and that if we are electing for LEED Gold then we don't need to do the HERS rating correct?

*Section 2.9(N) - Tab 14 of the 2014 QAP requires that the utility allowance is based upon the Energy Consumption Model unless a justified waiver is granted. In order to determine the appropriate utility allowance for each unit type, the Certified RESNET Home Energy Rater will perform an energy analysis. The confirmed rating and a report of the utility allowance estimate for each unit type will be required exhibits to be inserted in Tab 14. This is separate from Section 2.9(Q) - Tab 17 of the QAP where a LEED Gold rating will qualify for Sustainable Development points. In addition, if the Project includes rehabilitation, please refer to Item F on page 12 of Exhibit D – 2014 Mandatory Design Standards for information regarding the energy analysis required for rehabilitation projects.*

32. In addition, if we are utilizing City of Phoenix funds I'm assuming that we need to use their UA's for their units but want to know if you have confirmed that with the City yet.

*The City of Phoenix has not contacted ADOH to say which method they will use in meeting 24 CFR 92.252(d) for its HOME funds. Developers who are applying to the City of Phoenix for funding should confirm any requirements they may have in place. ADOH is requiring that Developers use the Energy Consumption Model to meet 24 CFR 92.252(d).*