

QUESTIONS AND ANSWERS

Application Workshop and December

December 13, 2021 – December 31, 2021

Please note questions are copied as written.

Q1. The Arizona revised Statute section 42 11133 is the former Senate bill 1300 allows for Property tax exemption where a non-profit is a General partner on the On the section of the application that talks about property tax exemptions it requires support for the exemption however you can't apply for an exemption under this section of Arizona Revised Statute until the project is actually built so I don't know how but I guess I was asking you is what kind of documentation or can you include the property tax exemption in the underwriting under that circumstance?

A1. *Yes, if applicants intend to participate in the tax exemption, they would select this option on Form 7 and include the exemption in their underwriting workbook.*

Q2. How are joint ventures classified when it relates to the non-profit property tax exemption?

A2. *Please contact Darren Rasmussen at drasmussen@azdor.gov to receive guidance on questions related to property tax exemptions. You will also need to reach out to the applicable county assessor to obtain county specific guidance.*

Q3. So this question is in regards to, say the project closed in 2020 - 2021 with that provision is that project, when ADOH completes its 8609 or placed in service underwriting does the project need to prove out that prior 110 ratio of placed in service.

A3. *Projects are subject to the requirements listed within the adopted QAP of the tax credit allocation year. Please reference the applicable QAP to determine the required underwriting assumptions. If you have further questions related to an existing project you may reach out the ADOH rental team for more information or clarification.*

Q4. I remember in Prior years say your preliminary submission your first submission your first submission for 4% project your developer fee showed \$500,000 if then you later down the road you know it was a second submission after ADOH feedback in cost increase and you're looking at a developer fee of \$700,000 we were beholden to that first you're almost maxed out at that initial development is that something that will still apply?

A4. This will no longer apply, the 2022-2023 QAP Section VI(A)(8)(page 32) states that the developer fee will be locked in at 8609 for 4% Low Income Housing Tax Credit (LIHTC) projects.

Q5. Could you please describe how this new Range process is going to work for the equity pricing for 9% credit because if we don't have a fixed Equity price that we used to use you know based on a syndicator LOI how is that going to now work in terms of a range in terms of trying to determine you know our final sources and uses could you explain that process a bit?

A5. ADOH will conduct a survey of federal and state LIHTC equity providers to determine appropriate pricing assumptions and will announce the results no later than two months prior to the application deadline. The results will be a range (minimum-maximum) and may vary based on property type, size, and/or geography. Applicants will submit their application using an equity price within the ADOH determined range. Once the survey is complete and the results are posted on ADOH's website, applicants will work with their preferred syndicator to determine their project specific LOI and will incorporate their project specific LOI into their application materials.

Q6. If a tab is not applicable should they put a blank page or N/A, how should they address it?

A6. If a tab is not applicable Applicants may choose to list the tab as Not Applicable or to insert a page identifying the tab as Not Applicable.

Q7. For those who are seeking out other forms of rental assistance not necessarily HAP contacts or vouchers, how do they evidence that when they submit because they will not know if they are successful or not.

A7. Other forms of rental assistance must be documented through a letter of commitment from the awarding agency. Please see 2022-2023 Qualified Allocation Plan (QAP) Section VI(A)(5)(page 31) to view the requirements for letters of commitment.

Q8. Would you need an RFP from the tribe if the housing authority is submitting the application.

A8. To qualify for points under the Local Government RFP section applicants must submit documentation demonstrating the project was selected by a local government using a request for proposal/qualification process.

Q9. What are the requirements for compliance training ----if we have done training thru Zeiffert, does this satisfy the requirement?

A9. Per page, 34 of the 2022-2023 QAP an individual with responsibility for the project must attend ADOH Compliance Training at a minimum of every five (5) years. Compliance training means a two (2) day certification class designed to support an exam taught by authorized providers on operating and managing Projects in conformance with the requirements of I.R.C. § 42, Reg. 1.42-5, the QAP and the LURA.

Q10. Who needs to attend the training - --is a compliance workshop certificate required for the developer and mgmt. agent?

A10. Per page, 34 of the 2022-2023 QAP an individual with responsibility for the project must attend ADOH Compliance Training at a minimum of every five (5) years. Compliance training means a two (2) day certification class designed to support an exam taught by authorized providers on operating and managing Projects in conformance with the requirements of I.R.C. § 42, Reg. 1.42-5, the QAP and the LURA.

Q11. Where will the question clarifications be posted?

A11. Clarifications will be posted on the following webpage: <https://housing.az.gov/documents-links/forms/rental-development-lihtc>.

Q12. Where can we see the Approved List? Market study?

A12. The Approved List will be posted on the following webpage: <https://housing.az.gov/documents-links/forms/rental-development-lihtc>.

Q13. If someone is not on the approved market study list can they apply or be added
Who should they contact?

A13. Yes, please contact Sheree Bouchee at sheree.bouchee@azhousing.gov.

Q14. How will real estate tax exemptions under ARS 42-11133 be supported on Tab 7?

A14. Please contact Darren Rasmussen at drasmussen@azdor.gov to receive guidance on questions related to property tax exemptions. You will also need to reach out to the applicable county assessor to obtain county specific guidance. As it relates to the LIHTC application process, applicants who intend to participate in the tax exemption must select this option on Form 7 and include the exemption in their underwriting.

Q15. Does that need to be notarized?

A15. Application forms that require notary will have a notary block on the form.

Q16. Do we need to include a separate 15-Year Pro Forma as in previous years. The new application includes a 15-Year Pro Forma. Thank you.

A16. Applicants will be required to submit the pro forma template included in our new underwriting spreadsheet. Applicants may download application forms from the following website: <https://housing.az.gov/documents-links/forms/rental-development-lihtc>

Q17. Are there specific requirements for the term letters?

A17. Please see 2022-2023 QAP Section VI(A)(5) (page 31) to view the requirements for letters of commitment.

Q18. Back to financial statements, if the applicant is a single purpose entity with no assets or liabilities, may fn statements of the principals be provided instead?

A18. Yes.

Q19. If the applicant elects to accept an 811 contract from ADOH, will there be any assurance that ADOH will actually refer tenants with 811 subsidy?

A19. ADOH will be releasing an 811 NOFA in January of 2022. If a project elects to participate in the 811 program referrals would depend on available resources.

Q20. Is there a way to get all of the driving directions in one map or do you need a separate page for each?

A20. Applicants will be required to submit separate driving directions for each location.

Q21. Back to PSH, do these units need to be set aside at 30%?

A21. Supportive housing units must be set aside as 30% AMI units. However, if supportive housing units also have rental assistance or projects based vouchers the rent maximums would align with the applicable payment standard.

Q22. Can you clarify whether 5 points are available for being in a QCT even if the site is not in a CRP area? It looks from the final draft that the requirement that a site be within both was eliminated, but the QCT points remain in the same section.

A22. Applicants can obtain points under the QCT even if the site is not in a qualifying CRP area.

Q23. If the local government provides impact fee waivers/subsidies, will that count for 5 points for other categories? Can that be clarified ASAP so that we know whether it will qualify?

A23. Yes, impact fee waivers/subsidies can qualify for other local government assistance. Applicants must submit documentation from the local jurisdiction demonstrating the amount of the waiver or subsidy.

Q24. Are the points available if the first phase is not yet complete?

A24. Yes, please reference 2022-2023 QAP Section (V)(D)(9) (page 21) for requirements regarding subsequent phase point allocation.

Q25. What are total points available?

A25. For 9% LIHTC applications there will be a maximum of 200 points. For STC with 4% LIHTC there will be a maximum of 120 points.

Q26. Can you elaborate on submitting two underwriting workbooks with one including STC and one without?

A26. Eligible applicants submitting under the 9% LIHTC round for STCs have the option to submit two underwriting workbooks: one including the STCs as a source and one without STCs as a source. This is not a requirement but an option for applicants interested in submitting both alternatives.

Q27. Does that apply only to primary debt service? or at least must-pay? How would rental assistance affect these ratios?

A27. The debt service coverage ratio (DSCR) applies to all hard/primary debt service. Rental assistance may effect your project's ratio. Applicants will be required to assess the impact of their financial model on the (DSCR).

Q28. What about a USDA rehab project where you are assuming debt and putting on new hard debt, I don't see the ability to put more than one hard (primary) debt?

A28. We will look into this and ensure the underwriting spreadsheet has options to include more than one hard primary debt source. ADOH has received feedback on the current underwriting spreadsheet and will be releasing a revised workbook in mid-January.

Q29. How does ADOH determine who will get approved operating cost waivers? What do you use as a comparison?

A29. ADOH reviews each waiver on its own merits while also taking into account precedent set for waivers with similar criteria and impact. ADOH may request supporting documentation from financing partners, if the demand is made by the partner.

Q30. Your analysis is 15 years yet your spread sheet goes through 30 what is the ramification of the 30 year?

A30. ADOH will test the DSCR ratio against the first 15 year tax credit compliance period. The additional 15 years is Arizona's extended use period and ADOH will review feasibility to ensure the project is sustainable through the extended use period.

Q31. Is the replacement reserve required to be capitalized on the Uses tab?

A31. The replacement reserve will be incorporated in the operating expenses section of the underwriting workbook. ADOH has received feedback on the current underwriting spreadsheet and will be releasing a revised workbook in mid-January.

Q32. Will you also provide equity pricing to use for the State Tax Credits?

A32. Yes, equity pricing will be provided for State Tax Credits.

Q33. Will NHTF be available to rehabs?

A33. ADOH's current NOFA provides NHTF for eligible projects. Please reference the existing NOFA for more information: <https://housing.az.gov/sites/default/files/documents/files/Rental-Housing-Development-NOFA-2021%20.pdf>

Q34. Does a project need to apply each year for this tax process? How about ARS Section 42-11133 Exemption?

A34. Please contact Darren Rasmussen at drasmussen@azdor.gov to receive guidance on questions related to property tax exemptions. You will also need to reach out to the applicable county assessor to obtain county specific guidance.

Q35. Can we get prop tax exempt from 42-111333 with STC funding?

A35. Please contact Darren Rasmussen at drasmussen@azdor.gov to receive guidance on questions related to property tax exemptions. You will also need to reach out to the applicable county assessor to obtain county specific guidance.

Q36. Where can we rewatch this recording?

A36. The Application Workshop can be watched by selected the applicable link listed on the following webpage: <https://housing.az.gov/documents-links/forms/rental-development-lihtc>.

Q37. In prior years, the QAP noted the average surplus cash flow to direct opex ratio is not to average greater than 10% for the 15-year compliance period, which I noted is not a provision in the 2022 QAP. For deals that closed in 2021 or 2020, does the project need to prove out this 1.10 ratio at “placed in service” when ADOH completes its additional underwriting?

A37. Projects are subject to the requirements listed within the adopted QAP of the tax credit allocation year.

Q38. Are 200 points necessary to have a chance at an award? If not, at what point do applications go to the tie breaker?

A38. To compete in the 9% round there is a minimum required score of 90 pts. The maximum points totals to 200 points under the 9% round, applicants are not required to score 200 pts to compete in the 9% rounds. Applicants will go to a tie breaker if they have the same score as another applicant within the same set-aside.

Q39. If an applicant for LIHTC under the current QAP receives an ARPA grant and excludes it from basis, will that qualify for 15 points as local gap support “from other sources from government agencies”?

A39. Yes, an ARPA grant (from a local jurisdiction) excluded from basis would qualify as other sources from government agencies. ADOH does not have any ARPA funds available at this time.

Q40. In Column G of the Units tab of the Underwriting Spreadsheet, the applicant is instructed to enter the "tenant paid rent (net rent)". For a unit with project-based subsidy, the net rent received by the owner will likely be very different from the rent paid directly by the tenant. It will also likely be higher than the maximum net rent in the absence of the subsidy. In prior years, this was addressed by a "market/subsidy adjustment" entry that accounted for the difference between the calculated gross rent (e.g., \$513 for a 40% 1-bedroom in Pima County using 2021 AMI) and the net rent received by the owner. Should the amount entered as "tenant paid rent (net rent)" in Column G be the amount of the rent including the subsidy, even though that may exceed the rent that would otherwise be permissible for a given income election?

A40. *Yes, for units with rental assistance or project based vouchers applicants would enter the payment standard amount in the tenant paid rent (net rent) column.*