

2006 TAX CREDIT APPLICATION INSTRUCTIONS Q & A

Please read carefully the Final Version of the 2006 Tax Credit Application Instructions for changes incorporated since the latest Draft.

Questions and Answers from 10-17-05 training and written comments.

Are these the final documents? When will the final documents be posted?

Draft versions were presented at the training. The final versions are now available and can be accessed at our website, www.ohfa.org.

Application Form

Will one form be created that will suffice for application, carryover and final?

No. The applicable years for application, carryover, and final applications are usually different years. OHFA Staff has been discussing this issue, and this may be something Staff develops in the future.

Section II-Who or what is the applicant? Should it be the developer, general partner, ownership entity or something different?

Please refer to the definition of "Applicant" in the 2006 AHTC Rules. An explanation of who should be listed as the Applicant is at the top of page 8 of the Application form.

Section VII-Should different types of financing from one source, be listed separately in the box and down below?

Yes. Staff needs to see each type of financing listed separately.

If typing alters the number of pages, can the page numbers be changed?

Yes. As long as the pages are in the correct order, it is ok to alter the page numbering.

Section X-Are fees associated with Off-Site excluded from basis?

Yes. Any fees associated with Off-Site work must be excluded from basis.

Section X-Where are line items to be included in which the amount to be included in basis differs from the costs

On page 22, there are some other cost lines where the spreadsheet allows for a difference.

Page 27-Where is the General Partnership interest (usually .01 or .1) listed?

Page 27 has been revised to reflect the General Partners interest.

What if problems are encountered while trying to input information into the application form, including the Excel portions?

Contact one of the HDT Program Planners for assistance.

Application Instructions

Timely Application Submission

Why were these particular dates chosen?

Housing Development Team members have multiple programs to administer, and these dates were selected based upon anticipated workflow.

Can the due dates be modified to allow AHP announcement dates to be before OHFA's due dates?

The due date for Second Cycle applications has been extended to July 5, 2006, to accommodate applicants using AHP funds.

Tax Credits Available for Award

Can the policy regarding additional credits be modified in light of the Hurricane Katrina situation?

No. The AHTC Rules state that no additional credits will be awarded for new construction.

Review Report

Why was the 10 day minimum deadline eliminated? Can some guarantee of at least that amount of time be granted?

For the 2006 Rules, the 10 day language was removed. However, OHFA will not give Applicants less than 10 days, and may adjust to give more time to respond.

Construction Standards

What is an example of the "national energy standards and codes" and where or how can they be accessed? What is the purpose of including these? How will it impact costs?

The reference to "national energy standards and codes" has been eliminated.

Notice Requirements

(Regarding the requirement to publish in the newspaper with the "greatest public circulation") What kind of publications would meet this requirement? Would it be the local paper, Oklahoman, Tribal publication or some other paper with greater circulation? Are sales racks (not circulation) and online hits included in the calculation of circulation? How are circulations numbers obtained? What kind of documentation is needed? Should the documentation be included in the application?

The requirement to publish in the newspaper with the "greatest public circulation" has been removed. The applicant must still publish notice in a newspaper of general circulation in the

area where the development will be located. The purpose of the notice is to inform the general public in the primary market area.

Should the notice to elected officials be addressed to the current officeholder, or to a newly elected official if that official will be taking office soon?

Notice should be addressed to the official in office on the date the notices are mailed. This guidance has been added to the application instructions.

Nonprofit Owners

If an existing nonprofit creates a new nonprofit, can the existing nonprofit's documentation suffice? If the new nonprofit is created before the Board meeting, will a transfer fee be applicable to the transaction?

The parent nonprofit can submit all necessary documentation and that is what would be considered for the Application. A change would probably not be allowed until after reservation, and yes all applicable fees would be due.

Capacity and Prior Performance

Why was the Development Team definition expanded?

For 2006, in the Applicant/Owner Experience criterion, OHFA will be awarding points for members of the development team in addition to the experience of the applicant/owner. The definition includes team members whose experience could benefit the development.

Who is the taxpayer?

It is the owner. Taxpayer is the term the Code uses.

Whose organizational chart should be included with the application?

The organizational chart of the ownership and general partnership entities should be included.

If an Applicant can be held accountable for someone or an entity here does it mean that same person or entity can be used for experience points?

If a team member is integrally involved in the development, that team member should be eligible for experience points and also accountable for performance. However, please carefully read the instructions for each section.

Is the Attachment #8 to include only tax credit properties or all properties, even if market and sold 15 years ago? If all properties, why? What is the relevance?

The applicant should include all properties that received funding from federal or State programs and that are now within their compliance or extended use periods, or were in compliance or extended use periods within the last seven years, regardless of continued involvement.

Could the signed certifications, Attachment #9s be only from those Development Team members for whom points are being claimed in the Applicant/Owner Experience section, rather than all?

Signed certifications must be from the Applicant/Owner, General Partner, Management Company, General Contractor, and any other Development Team Member(s) for whom the Applicant is claiming points in the Applicant/Owner Experience Criterion.

Financial Feasibility

Has any consideration been given to raising the minimum DCR to 1.20?

Staff considers the current rates to be the most reasonable for the broad scope of applications received. The rates given in Attachment #10 are minimums only.

Is there a ceiling for year 1 DCR?

No, but as with all financial presentations, Staff evaluates for overall financial feasibility.

Why is Year 15 information analyzed? How important is this to Staff?

This is one of “best practices” as recommended by the National Council of State Housing Agencies. The development must appear to be financially feasible throughout the compliance period.

What does “firm” commitment mean? What if the commitment is conditioned upon the lender’s “standard procedures?”

“Firm commitment” means that the commitment is contingent only upon the Tax Credit award and the lender’s standard procedures of due diligence.

Does the interest rate need to be locked at application?

The interest rate must be locked in at the time of application and/or have an interest rate ceiling. To ensure that the required debt service coverage ratio is met, Staff will underwrite the project at the rate specified in the commitment if it is locked. Otherwise, the project will be underwritten at ceiling rate.

Readiness to Proceed

Should the Costs and Uses include any closing fees in the Acquisition section?

Yes. The Costs and Uses should be a complete budget. If there is a difference between the purchase document and the Costs and Uses, the applicant must explain the difference.

What documentation is requested for land preparation and etc.?

Staff often sees costs detailed, preliminary site plans, preliminary floor plans-not any final construction drawings.

Public Housing Wait Lists

Is there a way to modify the documentation requirement to allow for some kind of self-certification for acceptance of Section 8 tenants? Could a suggested form be created? Could it be part of the request?

OHFA will accept a self-certification from the Owner/Applicant certifying that the Owner/Applicant will accept referrals from the local PHA.

Can the documentation be a letter or e-mail?

Yes.

Selection Criteria

Should owners advise their management companies and onsite management personnel of the commitments made in this section?

Yes. OHFA strongly encourages this. OHFA Compliance Staff will review the LURA and monitor compliance with all of the commitments made in the application.

Term of Affordability

(Regarding the requirement to waive the right to request a qualified contract after year 14 of the compliance period) Can this legally be waived at application, or any other time?

This is a common requirement in the QAPs of other states. It is OHFA's position that points should not be awarded to a development for agreeing to extend the required affordability period beyond 30 years when the development could ultimately "opt out" of the program after 15 years.

Should there be some sort of box to check on Attachment #11?

A blank has been added to Attachment #11.

Development Location

Why were the Empowerment Zone, Enterprise Community, Enterprise Zone and/or Champion Community designations removed?

During the process for establishing the 2006 Rules, they were eliminated. However, the Rules say "not limited to", so Empowerment Zone was reinstated as a location for which points will be awarded, in response to public comment on the issue.

Leverage

What about instances where an interest rate buy down is included like RD 538 or similar type programs?

These programs will be counted as leverage in the amount that the interest buy-down reduces the interest paid.

Why is HOME considered a Leverage source when for-profit developers are excluded from accessing OHFA's HOME program? Does this create an unfair advantage to nonprofits?

For-profit developers can partner with Community Housing Development Organizations and other non-profit entities in order to access the HOME funds.

Are funds from OHFA considered from "other entities and individuals"? If not, then why are they allowed to be counted as a Leverage source?

Funds from programs such as the HOME Program are not "funds from OHFA" but merely programs administered by OHFA.

What about instances where a unit of local government pays for public improvements with their CDBG funds, especially if there is a process to apply for those funds?

Off-site public improvements are ineligible sources of leverage, but may be eligible as community support.

Can deferred developer fees be considered Leverage?

No.

How is the ineligible source of "debt capital" reconciled to the Linked Deposit and Housing Trust Fund listed as eligible sources?

The intent of this wording was to refer to conventional mortgages. The wording has been changed in the final version of the application packet.

Community Support

Should the amounts listed here also be included in the Sources of Application pages 14 & 15? Why? Should the amounts listed here be included in the Costs and Uses of Application pages 19-22? Why? What if it is something saved (e.g., fee waiver) and no expenses actually incurred?

If the community support is monetary and an actual cost is paid, it should be included in the Sources on pages 14 and 15 and in the Costs and Uses. If it is for a situation where a cost or fee is waived, then it should not be included in either place.

How will these be verified at carryover/final?

As always, Staff will compare the carryover and final documentation with that of the original application.

Development Amenities

What do amenities have to do with affordable housing, especially since most raise construction costs? Also, if satisfying the local codes, then why are there additional requirements being added?

A number of other states have already incorporated similar criteria in their QAPs. OHFA believes that affordable housing can also be desirable housing. Tax-reform measures being currently considered contemplate the elimination of the Low Income Housing Tax Credit. In defense of the LIHTC, it can be demonstrated that it has produced housing that is not only

affordable, but also comparable in quality to market-rate housing. Most of the amenities listed add minimal additional cost, and some are energy-related, benefiting the tenants by holding down utility costs.

Why is the phrase “resident appropriate” included?

It was mistakenly added. Staff has removed that requirement.

What will be accepted if amenities are not limited to those in the Instructions?

The list provided in the final version of the Application Instructions is an exclusive list.

Is there too much leeway in the “use of higher quality building materials”?

That amenity has been removed from the final version.

Why not just require fans in 2-3 rooms without specifying which rooms?

“Ceiling fans in each bedroom and in the living room” is directly from the 2006 AHTC Rules.

Does the storage room have to be outside the unit? What about garages?

Yes, the storage has to be in addition to the regular square footage of the unit. Garages do not count as storage rooms.

How will a fitness center be determined “adequate” for the number of residents?

That amenity has been removed from the final version.

Is there too much leeway in the “use of energy efficient materials”?

That amenity has been removed from the final version.

Can kitchen pantries be added as an amenity?

No, although they may be considered for 2007.

Can either the number of amenities possible or the number of points be adjusted to avoid having to do them all to be competitive?

In the final version of the application packet, the number of amenities, the points for each amenity and the total number of points possible have all been reduced. That should make it possible for an application to remain competitive without doing all of them.

Will a letter from the architect that the amenities exceed the minimum suffice for documentation?

Yes, as long as the costs are in the budget.

Development Services

Why are points awarded for services, especially since Community Action Agencies (or other similar non-profits) provide them for residents of the area anyway?

OHFA believes it is important to encourage owners to facilitate these services for their tenants.

Why is the sentence about exceeding ADA and etc. included?

This was included in error, and has been removed from the final version.

What is the reason for an exclusive list? Can it be broadened? Can a system be implemented to just commit to provide services, but not specify a provider or programs?

OHFA has developed this exclusive list in order to limit points to only those services that are truly of value to the tenants. A different system may be considered for future applications.

Why would Meals on Wheels not be considered “resident appropriate” services, especially since the service is provided to more individuals than just elderly?

Meals on Wheels will be considered appropriate for any type of development.

Can safety and drug awareness programs be added to the list?

Safety and drug awareness programs were added to the list in response to public comment.

If a flyer is posted, is that sufficient documentation for a service?

No.

What kind of documentation is required for monitoring purposes?

Informational flyers and signs, sign-in sheets, copies of presentation materials, and photographs are examples of possible documentation.

What is the difference between large and small developments?

Large development means a Development with more than sixty units.

Applicant/Owner Experience

Who is the Applicant?

Please refer to the definition of “Applicant” in the 2006 AHTC Rules.

What does “owning and successfully operating developments in the LIHTC Program” mean? Could the answer be included in the Instructions?

This means that 8609s have been issued for the development. Please see the guidance that has been added to the final version of the application instructions.

Can points be earned in the Applicant section and in combination with the other Development Team members? Why does it state “In lieu of”?

Yes. Any combination of points from either category for a maximum of 5 points may be earned. Staff has clarified the language in the final version of the application instructions.

Do all of the team members need to be used? Does documentation need to be provided on team members not used to score the maximum points?

No, not all team members need to be used, and documentation does not need to be provided on team members not used. Only those team members whose experience is used to score points need to provide documentation.

What happens if one of the development team members, upon whose experience points were awarded is replaced?

If Development Team members for whom points have been awarded are replaced, they must be replaced by someone who has the minimum experience necessary to qualify for points.

How does this scoring criterion help to demonstrate capacity? If certain Development Team members are only involved in the project in the beginning or for a short period of time (2 years), how does this build long term capacity?

The awarding of points for team members other than the owner/applicant was incorporated in order to allow new developers to enter the program, but only with experienced guidance.

Tenant Special Needs Populations

How is the 50% or less of the allowable tax credit rent calculated? Could the answer be included in the Instructions?

Designate the unit at 50% or 60% of AMI, subtract the utility allowance, divide by 2, equals the amount of rent charged to a Special Needs Tenant. Guidance has been added to the final version of the application instructions.

Can all Special Needs be included as designated targeted populations?

No. The targeted population cannot be the Special Needs list. Also, Elderly can only be 100%.

Is an employee unit excluded from the units to calculate the 5%?

NO. The employee unit must be factored into the calculation. The calculation is based on total residential units, and the employee unit is considered a residential unit.

Preservation of affordable housing units from pre-1990

Is 1990 too recent?

Developments that received an award of Tax Credits prior to 1990 are already finished with their compliance period and off the program.

Is there an OHFA restriction against acquisition of properties that have had a meth lab that has not been decontaminated?

This issue would be addressed in the Phase I Environmental Review. OHFA would evaluate whether all actions recommended in the Review have been addressed.

Negative Points

What is the purpose of adding this criterion?

To encourage Applicants to meet OHFA deadlines, encourage compliance, and be a detriment to those who are not performing as they should.

How will this be administered? Will Applicants have a chance to respond?

Yes, Applicants will have a chance to respond. Any negative points imposed will be part of the Review Report.

How far back would the items be counted against the current Application?

Staff will not consider anything prior to January 1, 2006 for 2006 applications.

Does “uncorrected 8823s” mean those after the cure period? Should it include some that are corrected, but Staff feels are more important issues?

“Uncorrected 8823s” has been removed from the list of items for which negative points will be given.

Would negative points be issued for all reports, or just progress reports?

All reports. The final version has been corrected to reflect that.

Could the Application error questions be eliminated?

They have been eliminated, in response to public comment.

What if construction deadlines are missed for reasons that are out of the owner’s control?

This has been removed from consideration for negative points.

Can the total number of negative points possible be capped at 5?

No. Staff believes the number of negative points possible is reasonable, considering the importance of this issue.

Tie Breaker/Eligible Basis per Unit

Could a lottery be implemented instead of Eligible Basis per unit, especially since costs may go up with provided amenities?

Staff will consider for the future, however the Rules for 2006 specify the current system for the tiebreaker.

Attachment #4

Who is Applicant?

Please refer to the definition of “Applicant” in the 2006 AHTC Rules.

Should the submission date, name of development, and Trustee consideration dates parallel the requirements listed in Threshold?

Yes. The final version has been corrected to reflect that.

Attachment #10

Why is 6 months of Operating Reserves required? How long is it required to be set-aside for this purpose?

This requirement is in the Rules. The amount of Reserves is in the Costs and Uses and is just part of the development costs. Therefore, there would be no time limit applicable.

Where and how should a developer guarantee be documented?

A developer guarantee should be documented by a signed certification, and it should be included in the financing section with other letters of commitment.