2017 Clarifications

Pursuant to Section 1.1(C) at the top of page 24 of the QAP, the deadline to submit questions for the final issuance of clarifications was 12:00 pm Mountain Standard (Phoenix) time on February 17, 2017. This is the final issuance of clarifications. We look forward to receiving your Applications before 4:00 pm Mountain Standard (Phoenix) time on Tuesday, March 1, 2017.

Week ending February 17, 2017

In the 2017 Clarifications for the week ending January 27, 2017, the Department addressed a question about capitalizing the entire 15-year supportive service cost. The Department's response was that under certain circumstances when loan requirements or regulations do not permit the cost of supportive services as an operating expense the LIHTC applicant should request a waiver from the ADOH. The Federal Home Loan Bank announced during its webinar last week to AHP applicants, that the Bank would no longer allow the cost for support services as an operating expense due to Bank regulations. The Bank will, however, allow service costs to be capitalized in the development budget if the cost relates to services for a special needs population, such as payroll for case management.

Since the FHLB AHP program regulations do not allow for support services as an operating expense, but certain costs can be capitalized in the development budget, will the ADOH accept a waiver request to capitalize payroll cost for case management in a Supportive Housing Project?

AHP Application Financial Workbooks

Rental Projects

- **Sources and Uses of Funds Worksheet:** Capitalized social service reserves are an allowable development cost but cannot be paid for by AHP subsidies or conventional financing.
- **15-Year Operating Pro Forma Worksheet:** ~~Social services are an allowable operating expense that may be shown above the line.~~ Effective immediately, this change has been rescinded for the 2017 competition, and social services are not allowable as an operating expense on the operating pro forma.

ADOH considers waivers on a case-by-case basis in accordance with Section 2.9(A)(5) of the QAP.

The second sentence in your question is inconsistent with the January 27th clarification. To reiterate, in the January 27th clarifications ADOH stated "Section 7.1(C)(2)(c) indicates that "Costs for Supportive Services will be considered an additional Operating Expense.' A waiver may be requested when USDA or HUD-insured loan requirements do not permit supportive services to be paid ***from cash flow*** *[emphasis added]." ADOH has confirmed that the Federal Home Loan Bank of San Francisco continues to allow supportive services to be paid from below-the-line cash flow. The allowance to pay supportive services as an above-the-line operating expense was a new provision in 2017, which was rescinded after Bank regulators required it to be prohibited.*

Section 7.1(C)(2)(c) anticipates that Supportive Services will be paid from below-the-line cash flow. ADOH has permitted the cost of the supportive services to be taken into account when applying the requirement to maximize the primary debt, when the lender includes the cost of these services when sizing its loan.

I know in previous years we have had resumes requested for team members such as property manager, attorney, architect, etc. I was reviewing the QAP and didn't see it noted that those were required but I wanted to confirm with you directly. Do we need to include resumes for anyone other than the developer/co-developer?

If you read a bit further down in Section 2.9(F)(2)(g) of the QAP on page 56 it states: "Applicant must demonstrate the Development Team's prior, successful housing experience and engage the services of housing professionals, such as architects, appraisers, attorneys, accountants, contractors and property managers with demonstrable tax credit and housing experience. Applicant may demonstrate the housing professional's experience through firm resumes." Resumes for each of these housing professionals must be included in the Application.

On the form 13, if you are only doing the HERS path should you only check the HERS box even though it has a prescriptive path element for the remaining 9 points, or check both boxes?

Applicants who follow the Performance Based Path for scoring under Tab 14 should check both the HERS Box and the Prescriptive Path boxes.

Can an employee unit be one of the 3-bedroom units that make up the 30% of 3-bedrooms required for Households with Children?

*Section 2.7(F) of the QAP states: "Five (5) points are available to Projects in which thirty (30%) of the **total Units** [emphasis added] are offered on a preferential basis to households with children and are three (3) or four (4) bedroom Units," and Section 2.9(Q)(1)(a) refers to "thirty percent (30%) of **all Units** [emphasis added]." Employee units are part of the total unit mix on Form 3 and the "total units" at the bottom of Form 18, and thus would be included in the calculation.*

Does Exhibit I need to be completed and submitted with the LIHTC Application? Is so, behind which Tab?

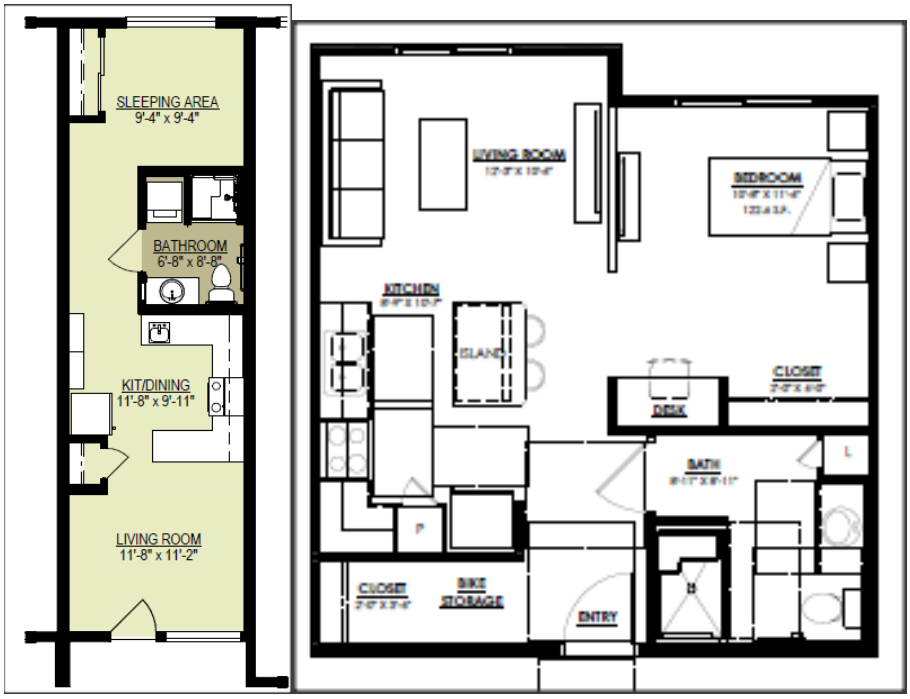
Exhibit I is required with the Equity Closing submittal at Section 2.11(H) unless otherwise requested during ADOH's underwriting of the Application as a threshold letter item.

Week ending February 10, 2017

RE: SMI HTF Project Section 2.9(Z)/Tab 26, under Permanent Supportive Housing Set-Aside for the Seriously Mentally Ill Housing Trust Fund Project.

The above referenced section in the 2017 QAP states that "Each of the Units set aside for this population (SMI HTF) shall be a one (1) bedroom Unit." Since this Set-Aside for SMI HTF is for individuals only, then efficiency units should qualify as they provide the same amenities of kitchen facilities, bathroom, and living/sleeping areas. Please confirm that within this SMI HTF Set-Aside, the units can be either one (1) bedroom Units, or efficiency Units.

While the QAP is specific that a one (1) bedroom Unit is required for the SMI HTF Project, ADOH will consider waivers of the one (1) bedroom configuration when both of the following standards are met: 1) each Unit assisted by SMI Rental Assistance must be at least 470 net square feet, and 2) the sleeping area must be screened by a wall. Here are two examples of acceptable configurations. The one on the left is preferred, as it provides a more private sleeping area.



If you have a scattered site do require a Form 14 for each site or since the sites are now all one project do you just require one?

Only one Form 14 should be submitted for a Scattered Site Project.

Please clarify that if a box is check, the System Component chosen only applies to the work being done. For example, if Roofing is checked and one site does not need a new roof, the roofing requirements only apply to the roofing work being done? Second example: HVAC-If all the HVAC units were replaced at one site but the second site is in desperate need, the new units at the first site are not required to be replaced?

The System Components on Form 14 each require a particular standard that must be met and included in the scope of work for the entire Project in order to receive points. If the replacement of

certain components that were recently replaced is not cost efficient, you may want to consider the Performance Path, which has more flexibility regarding the means used in each building to meet the HERS score. ADOH offers the following for the two examples you cite:

Roofs: The Thermal Performance Roof option requires that the U/R value of the roof/ceiling insulation be improved by fifteen percent (15%) over the 2012 or later IECC® requirements for the climate zone ***or*** *install sprayfoam insulation at the roof deck that meets the 2012 or later IECC® requirements for the climate zone. If the seller replaced a roof recently, and that roof does not meet the standard, then sprayfoam insulation would have to be installed so that it the U/R value of the roof/ceiling insulation meets the standard.*

HVAC: High Efficiency HVAC requires the Applicant to "install a very high efficiency HVAC system with a minimum SEER rating of sixteen (16) in all Units." In this case, if the HVAC units that are not in need of replacement do not have a SEER rating of sixteen (16), then the Project would not be awarded the points.

We are trying to determine possible ways to fit the minimum 2 hour weekday headways criteria of "Frequent Bus Transit" with populations under 25,000. My questions are as follows:

1. The transit schedule shows routes that are specified as pick ups and drop offs. I am assuming that the headway would be measured from one pick up to the next pick up at the same location. In other words I am asking, Does the headway go from the pick up to the drop off interval, or the pick up and pick up interval?
2. Also, in regards to the above. Does the headway have to be from the same stop, or can it be from a different stop nearby. For example, the bus picks up at stop X at 10, and then picks up at stop Y at 12, and then picks up again at stop X at 2, and so on. That would be a 2 hour headway if the nearby stop Y can count, but it is a 4 hour headway if it has to be the same stop.

You are correct in your assumption that the headway would be measured from one pick up to the next pick at the same location. Section 2.9(O) describes a "headway" as "the time interval between two (2) buses traveling in the same direction on the same route." For example, for a Project located in a municipality or Census Designated Place with a population under 25,000, the transit schedule should provide evidence that a bus stops to pick up and drop off passengers at the bus stop claimed for points every two hours between 9:00 a.m. and 3:00 p.m., and service must be for at least six hours on weekdays. (For example, 8:00 a.m. to 2:00 p.m. or 10:00 am to 4:00 p.m. Monday through Friday) While more than one bus stop may be claimed for points if there are multiple routes, the headways are measured from the same stop, not from different stops nearby.

We have another QAP clarification question to submit related to the definition of Contiguous & Accessible. A tribal developer built a community center as part of a prior LIHTC project (completed in 2012). It is within 0.5 mile straight line radius of the proposed project's six parcels which will contain 24

rehab units. Would services offered at this existing community structure count as being offered contiguous and accessible to this proposed rehab project?

Alternatively, if the tribal developer built a new community center across the street from the parcel with 14 single family rehab units (the majority), would this structure also be considered "on-site" or "contiguous and accessible"?

The definition of "Contiguous and Accessible" means on an adjoining parcel that shares at least one (1) boundary line, which can be easily entered from the Project." Thus, a structure across the street from a Project is not "on-site" or "contiguous and accessible".

The definition goes on to state: "For multi-phased subdivision Projects on Tribal Land, "Contiguous and Accessible" means within one-half (½) mile straight-line distance from the Project." Evidence would need to be provided that the Phase contemplated in the Project is part of the multi-phased subdivision Project with the community center.

Finally, the definition concludes: "For Projects that meet the Scattered Site definition for which there are at least fifteen (15) non-contiguous single family parcels on Tribal Land within a fifteen (15) mile radius, "Contiguous and Accessible" means centrally located between all Tribal single family parcels in the Project, so that each and every parcel in the Project is within five miles of the Supportive Service, which may be accomplished by providing the services at more than one location." Thus, all of the services claimed for points at Tab 17 must be provided at each "service center" location and may not be located separately. Further, all "service center" locations must be centrally located between all Tribal single-family parcels in the Project.

If the single-family parcels are ten miles apart, it is permissible to have the distance to the "service center" be up to five miles from the furthest single-family parcel. If the "service center" location that is centrally located between the single-family parcels is more than five miles from each single-family parcel in the Scattered Site Project, then each additional "service center" must have all services provided so that each and every single-family parcel in the Scattered Site Project is within the five-mile distance from a "service center".

If a senior 55+ project is being proposed including 1 and 2 bedroom units, can the entire renter population in that age group be used as the appropriate "Number of Renter Households age 55+ in current year"? I believe the confusion extends from the capture rate section which gives guidance for income assumptions to assume a one-person household only.

Yes, the Market Analyst should use the entire renter population in that age group as the appropriate "Number of Renter Households age 55+ in current year".

Week ending February 3, 2017

Updates to Forms:

Form 6-1 Cell D8 with the Project Name field has been unlocked.

Questions for Clarification:

What do we do if we have an older tax credit project and it does not have a sufficient numbers of BIN's for the number of buildings that we will be rehabbing?

ADOH will assign the additional BIN's needed for the Project, if awarded.

We are seeking confirmation on (1) the scattered site definition and (2) that the proposed location of before/after school, computer training, job training, and financial literacy services provided to a Households with Children Project on Tribal Land is "Contiguous and Accessible" and therefore eligible for points under Tab 17. The project will have one multifamily parcel and at least 15 single family parcels on Tribal Land - all within 0.25 mile of each other. Not all of the single-family parcels are contiguous to each other. The proposed supportive service locations are all within 1 mile of the project site.

Can ADOH confirm that (1) this described project meets the scattered site definition for Tribal projects and (2) that the proposed supportive service locations would be considered "contiguous and accessible" for a scattered site Tribal project?

ADOH does not pre-score Applications. Therefore, it is not possible to "confirm" that a specific project meets certain definitions. However, ADOH notes the following sections of the QAP:

1. *The 2017 QAP does consider Projects that "Consist of no more than six (6) non-contiguous multi-family parcels in any area of the State **and/or** at least fifteen non-contiguous single family parcels on Tribal Land within a fifteen (15) mile radius of each other" to be a Scattered Site Project.*
2. *In addition, the Scattered Site definition states that "Rental Units and services claimed for points at Tab 17 **must exist upon each multi-family parcel** (unless the parcels are within a one-fourth (¼) mile walking distance of one another)…"*

   Therefore, when a Scattered Site Project has a multifamily parcel, it is possible to locate the services on another parcel in the Scattered Site Project that is no more than ¼-mile walking distance from the multifamily parcel.

3. *The definition of Scattered Site goes on to explain, "Services claimed for points at Tab 17 must exist at location(s) that are **centrally located between all Tribal single family parcels in the Project**, so that each and every parcel in the Project is within five miles of the*

service. ***All services claimed for points must be provided at each service location*** *in order to receive points for that service."*

Thus, all of the services claimed for points at Tab 17 must be provided at each "service center" location and may not be located separately. Further, all "service center" locations must be centrally located between all Tribal single-family parcels in the Project.

If the single-family parcels are ten miles apart, it is permissible to have the distance to the "service center" be up to five miles from the furthest single-family parcel. If the "service center" location that is centrally located between the single-family parcels is more than five miles from each single-family parcel in the Scattered Site Project, then each additional "service center" must have all services provided so that each and every single-family parcel in the Scattered Site Project is within the five-mile distance from a "service center".

On QAP page 38, Section 2.7(C) says that Projects located within Tribal Land are eligible for up to 17.5 points with existing facilities (including Schools rated "B" or better) that are located within a 5-mile straight line radius of the Site.

On QAP page 65, Section 2.9(K) says that applicants seeking points as a Household with Children project must provide evidence of an elementary, junior high, high school, K-12, charter school or alternative school rated "B" or better by the Arizona Department of Education. In lieu of a school within the applicable one (1) or two (2) mile distance, ADOH will award points for a school if the Project is located within an existing school boundary line for the school rated "B" or better by the Arizona Department of Education. However, schools without school boundary lines must be within the applicable one (1) or two (2) mile distance to qualify for points.

I believe the five (5) mile distance was erroneously left out of Section 2.9(K). Can you please confirm that Projects located within Tribal land are eligible for points for Schools rated "B" or better by the Arizona Department of Education if the school is within a 5-mile straight-line radius of the project site?

While Section 2.9(K)(2)(c) does not specify the 5-mile distance applicable to Tribal Projects in Section 2.7(C), Section 2.9(K)(2) states that the aerial map for each of the following Facilities claimed for points must demonstrate that it is "located within the applicable straight-line distance stated in Section 2.7(C) of this Plan." Therefore, Projects should refer to Section 2.7(C) for the applicable distance for this scoring category.

The 3rd party reports required for 4% application that I've seen in the QAP are the Market Demand Study, Phase I Environmental Site Assessment and a Capital Needs Analysis. Can you please confirm there is no requirement for an ALTA Survey or any other reports?

Applicants should refer to the 2017 QAP for a complete list of documents that are required in the 4% Application. Section 3.1 of the 2017 QAP states "Applications submitted under this Section 3 must

include all non-scoring Application exhibits under Section 2.9, and all documents requested under Sections 2.10 and 2.11 of this Plan." You may refer to the Point Scoring Summary on page 36 for a list of points, but Applicants must read each Tab in Section 2.9 to ensure that all documents required for threshold are included in the Application.

Given that the 4% applications are accepted on a rolling basis – it's OK to submit it after the March 1st date for the 9% applications as well correct? Would doing this just slow down the turnaround time?

Applicants should submit a complete 4% Application as soon as possible after receiving Bond Volume Cap, but at least 30 days prior to closing on the bonds in order to avoid extension fees on the bonds.

Regarding the Building Acquisition List on Form 3 – for "Date Building Place in Service by Current Owner" – is this asking for the anticipated PIS date or the prior PIS date from 16 years ago?

The Building Acquisition Information (Item 10 on Tab 3 of Form 3) requests the "Date Building Placed in Service by Current Owner". This is the date that the Seller placed the building in service.

Are Forms 2-Self Score Sheet, Form 8-Planning & Zoning Verification, and Form 11-Servic Enriched Location Facilities required for the 4% application? Broad question – since many of these tabs seem to deal specifically with the 9% application, do you have some sort of guide for what is specifically required for only 9% but not the 4% application?

The 2017 QAP and its accompanying Forms and Exhibits are the guide for what requirements Applicants must meet; there is no separate guide for what is specifically required for only 9% but not the 4% Application. Section 3.1 of the 2017 QAP states "Applications submitted under this Section 3 must include all non-scoring Application exhibits under Section 2.9, and all documents requested under Sections 2.10 and 2.11 of this Plan." You may refer to the Point Scoring Summary on page 36 for a list of points, but Applicants must read each Tab in Section 2.9 to ensure that all documents required for threshold are included in the Application.

Any chance we can get a waiver on the CNA provider before we submit the application? Can I submit a waiver early or do I have to submit with the application and wait to hear if you approve it after submittal?

No. Section 2.9(A)(5) states: "Waiver requests must be submitted with the Application and shall be supported by a detailed narrative explanation sufficient to permit ADOH to determine that: 1) waiver of the requirement is consistent with I.R.C. § 42, its implementing regulations and IRS guidance; 2) waiver of the requirement accomplishes the purposes and objectives of this Plan; and 3) the waiver must not adversely affect the feasibility of the Project."

Week ending January 27, 2017

Can we capitalize the entire 15-year supportive service cost?

Section 7.1(C)(2)(c) indicates that "Costs for Supportive Services will be considered an additional Operating Expense." A waiver may be requested when USDA or HUD-insured loan requirements do not permit supportive services to be paid from cash flow. Applications where a waiver is approved to have supportive services paid from a capitalized reserve should complete Form 3, page 5 as described on those tabs of Form 3. The capitalized reserve should be identified in the cover letter and included on pages 8-11 of Form 3 on line 122 or 123 (Cells C&D134 and C&D135) In addition, an annual contribution should be calculated and added to Form 3, page 6 cell L63 ("Additional Monthly Income") to allow the anticipated portion of the capitalized reserve to flow into the cash flow as income. (If you check the "headings" box under "view", you can see the headings for worksheets to identify a specific cell.)

Can you please clarify what the last sentence on page 132 and top of page 133 means and give me an example? *"In ADOH's sole discretion, Applicants with USDA or HUD-insured loans may not be eligible for ADOH HOME funds unless guarantees or equivalent security are provided to ensure full collateralization of the ADOH Gap Financing for the entire period of affordability."*

In the event of a foreclosure on the USDA or HUD-insured loan and subsequent loss of affordability, ADOH would be required to repay HUD the entire principal amount of the HOME loan with non-federal funds. Therefore, ADOH requires a guarantee or equivalent security from the Developer or another Person with sufficient financial capacity to ensure that the investment of these funds is not lost for the people of Arizona. For example, the loan to value ratio on a refinanced RD property can be more than 100%, not allowing for a repayment of the ADOH subordinate debt in the event of a foreclosure. In addition, RD debt is often not forgivable in the event of a restructure.

Please confirm per the underwriting guidance on page 125, Project Pro forma/Cash Flow Analysis. ADOH expects Years 1-15 (Compliance Period) DCR at a minimum of 1.20 and for years 16-30 DCR at a minimum of 1.15.

*You are correct regarding the Compliance Period, however the Extended Use Period is more nuanced. In order to maximize primary debt, Section 7.1(C)(3)(b) requires that "**the annual debt service coverage ratio ("DSCR") shall be no less than one point two zero (1.20) for each year of operation during the Compliance Period and no more than one point one five (1.15) on the earlier of: the date the Extended Use Period expires or the year the loan matures."** Additionally, a Debt Service reserve is required under Section 7.1(C)(3)(j)(i) if "**ADOH's pro forma for the Project anticipates a debt coverage ratio of lower than one point one five (1.15) in any year prior to loan maturity on the primary debt**".*

Form 15A, if a Service Provider is committing Door to Door transportation for only 1 year, is OK for the Owner to find a replacement (with in the year approved by ADOH) or can the Owner take on the transportation service.

Yes, subject to ADOH approval of the replacement provider. Form 15A includes the provision: "If the Term of Commitment is less than fifteen (15) years, the Applicant commits to provide the services as described below for no less than fifteen (15) years, either through the Service Provider making the commitment on this form, or through another service provider that is acceptable to, and approved in advance by the Arizona Department of Housing."

I have a few questions on the maximum tax credit allocation. Does the $3,000,000 total to one developer apply only to 9% competitive credit or does it also include bond projects from the 4% pool? If a developer owns a fraction of a project, say 50%, does the project's entire allocation count toward the total or only 50% of the project's allocation?

Section 3.1 states "Applicants applying for Tax Credits pursuant to I.R.C. § 42(h)(4) are not subject to the Maximum Reservation Per Project," so the $3,000,000 total to one developer does not apply to the 4% Tax Credits with Tax-Exempt Bond Financing.

Regarding your second question, whether only a portion of the Maximum Reservation is applicable when a Developer only owns a fraction of a Project, the Project's entire allocation counts toward the total, not a fraction thereof. Section 2.2 of the QAP states "The Maximum Reservation per Project will be $1,750,000 of the State's annual credit authority and not more than a total of $3,000,000 total in Tax Credits and two (2) Projects in any [9%] Application Round for any Developer. For the purposes of the Maximum Reservation, the term "Developer" includes the Developer, Co-Developer or any Affiliate of a Developer or Co-Developer that is acting as a Developer or Co-Developer on a Project." Thus a Developer or Co-Developer may not exceed the Maximum Reservation or the limit of $3,000,000 total in Tax Credits by partnering with other Co-Developers.

In the QAP, the Local Government Contribution scoring categories require evidence of the population of the "Local Government". According to the QAP, Local Government "means the governing body of the city, town, county or Tribal government having jurisdiction over the real property upon which the Project will be located". Similarly, the Transit Oriented Design scoring category requires evidence of the population for "municipalities and Census Designated Places". Tribal project on reservations are under the jurisdiction of a Tribal government, not the jurisdiction of a municipality. The Census Quick Facts link provided in the QAP only provides population information on cities and towns, not reservations. Will ADOH accept population data from the 2010 Census to substantiate the population in the Local Government Contribution and Transit Oriented Design categories for tribal projects?

Yes, as stated in last week's clarifications, the link listed in the QAP only works for cities and towns with a population of 5,000 or more. Smaller geographies are available using the following tool, but the data available is from 2010:

https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

ADOH will accept this 2010 data for smaller geographies.

I would like to understand why the Application Workshop certificate lists an individual's name when the company is paying for the registration as we are making application as a company?

The Application Workshop lists the name of the individual that attends the workshop. Section 2.5(B) of the 2017 QAP requires that the Developer, Co-Developer, or Consultant submit a certificate of attendance from the 2017 LIHTC Application Workshop. The terms Developer, Co-Developer and Consultant are defined in the QAP. The individual listed on Form 3 as the principal contact and Tab 6/Form 6 should be the individual that attends the Application Workshop. If not, an explanation regarding the role of the individual employee attending the workshop in preparing the Application and developing the Project must be included in Tab 1 with the certificate.

In past somewhere I know it was referenced the percentage fee the management company could charge based on the size of the project (number of units). For some reason I am not seeing this. Do you know where I can find this?

The 2017 QAP and LIHTC Compliance Handbook do not address the amount of the property management fee negotiated between the Property Management Company and the Owner. However, amounts deemed to be excessive in comparison to other Applications may be reduced for purposes of calculating the maximum primary debt under QAP Section 7.1(C)(3)(b).

Can a municipality utilize in-kind labor and equipment to conduct on site-grading and drainage work, as the "local government's contribution" to reduce the development budget? The work would be done onsite and is directly related to the development of the project. The value would be based on the standard rate for this type of work as established by Means Cost Data or current contractor charges for equivalent work, documented by actual expenditure's on City projects.

Section 2.9(T) of the QAP states "The Local Government contribution… shall be in the form of a committed cash contribution, HOME contribution, CDBG contribution, loan, donation of land, or waiver of fees." The in-kind labor and equipment proposed does not fit into any of the allowable categories listed in the 2017 QAP.

Can the waiver of design review fee's and permit fees be utilized to meet the "Local Government Contribution"?

Yes.

I was also trying to clarify what is covered under the definition of "development fees" as listed in Section 2.9(T)(2)(b) page 89 of the 2017 LIHTC QAP. Development Fees are traditionally impact fees which are usually difficult to waive because the City has to cover the shortfall with general funds.

Development fees referred to in Section 2.9(T)(2)(b) include any fees that a Local Government charges via its planning and development process to a Developer to review plans and specifications issue building permits, and inspect the building prior to certificate of occupancy. The fees must be fees that the Project would incur, if they were not waived. Examples include: site planning fees, site plan review fees, environmental plan review and permit fees, subdivision and property division plan review fees, sign fees, sign plan review fees, sign permit fees, civil engineering plan review fees, civil engineering permit fees, on-site improvement permit fees, right-of-way permits, civil engineering inspection fees, building safety plan review fees, building safety permit fees, building safety inspection fees, and impact fees.

Since the current Compliance Manual states "the compliance monitoring fees are determined by the Qualified Allocation Plan for the year the tax credits were awarded," can you clarify if one uses the current policy for this item vs. the year the credits were awarded?

The compliance monitoring fees are determined based upon the QAP of the most recent award of Tax Credits. So if an Applicant applies to re-syndicate a Project in 2017, the 2017 compliance fees will apply.

Weeks ending January 13 and 20, 2017:

Updates to Forms:

I have a question on the current Form 3. You mentioned at the training last Thursday that the contractor bond & insurance is not included in the maximum eligible basis calculation for construction costs (Tab 8-11 line #56 of the Form 3 states this explicitly as well). However, the calculations for box K9 and K10 on Tab 4 are picking up the cost of the contractor bond and including it in the maximum allowable per SF construction cost and construction eligible basis. Is this an oversight, or should I be including my contractor bond in the maximum eligible basis and the maximum allowable construction cost per SF?

Form 3 - Cell F17 on Tab 4 has been corrected to exclude Cell D56 (contractor's bond and insurance) on Tab 8-11. The calculation in Cell K9 on Tab 4 includes Cell F17 on Tab 4.

Form 3 - Cell K10 on Tab 4 has been corrected to exclude Cells E56 and F56 (contractor's bond and insurance) on Tab 8-11.

Questions for Clarification:

I keep getting the error message below when I try to get the population count for the City of Phoenix. Do you know of another way that we should verify the population?

The link worked during the drafting of the QAP, but has since been removed by the webmaster. The following link was found by typing in www.census.gov and searching for "quick facts" and clicking on the first result:

http://www.census.gov/quickfacts/table/PST045216/00

It only works for cities and towns with a population of 5,000 or more. Smaller geographies are available using the following tool, but the data available is from 2010:

https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

One additional question I have regarding the contractor bond and insurance line item is if we are able to generate general requirements, profit and overhead off of the contractor bond line item? The formulas in Tab 8-11, cells C61 through C63 include it in the calculations, but I wanted to confirm that is the intent of the Department.

Yes, the maximum allowable general requirements, profit and overhead are limited to the percent of costs in the table found at Section 7.1(C)(4)(f) found on page 129 of the QAP. As stated in the 2017 QAP, "[t]hese limits are calculated as a percentage of line item "Subtotal Direct Construction Costs" (Cell D59 on Line 47 of Form 3 Pages 8 – 11)" which include contractor bond line item on Line 44 of Tab 8 – 11.

Can you clarify the Compliance Training definition in the QAP? "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. Approved Compliance Training providers are: ADOH, Zeffert and Associates, THEOPRO, Quadel, Elizabeth Moreland, National American Indian Housing Council ("NAIHC"), Novogradac, NCHM and Spectrum. ADOH programs must be specifically designated as a valid Compliance Training program that meets the requirements of the QAP." The last sentence is a bit confusing. In short we are wondering if the compliance training needs to be AZ specific or would training provided by THEOPRO that was a federal training be ok?

The training does not have to be specific to Arizona. It must be a two-day certification class designed to support an exam as described in the Compliance Training definition.

If we have a project to propose for the SMI set-aside and we include the soft funding that comes with that set-aside, but then do not get funded in that set-aside (and do not receive the soft $$), but the

project scores high enough to get funded in the general pool or gets funded in another set-aside without the SMI funding, what happens then?

Projects submitted under the SMI Set Aside must not rely on the $ 2 million to fill any gaps. The SMI Housing Trust Funds that are awarded to the selected Project will be used to replace tax credits that would have otherwise been generated by the Project, as the structure of these funds as a deferred forgivable loan will require a reduction in eligible basis. Therefore, projects submitted for the SMI Set Aside need to be financially viable (have all gaps filled) whether awarded under the SMI Set-Aside or the general pool.

Week ending January 6, 2017:

Updates to Forms:

Form 3 – ADOH unlocked the cell that allows the Applicant to indicate whether the Development Budget includes Davis Bacon wages on page 8-11 of Form 3.

Questions for Clarification:

Is the preliminary site approval in accordance with "Project Readiness" tab subjected to ONE YEAR VALIDITY like, for example, for the Appraisal or Market Study? In other words, if a project obtains the preliminary site approval from the City before March 1st 2017, is this approval still valid for a March 1st 2018 LIHTC Application?

The validity of any site plan approval is determined by the Local Government that issues the site plan approval. As long as the site plan approval is still valid without a re-submittal of the site plan, and the next step is to submit engineering and construction documents, as documented on Form 7, and the Project meets all requirements of Section 2.7(B) and 2.9(G), the Project would be eligible for the points in this scoring category.

Are proposed 2017 LIHTC projects located in a Colonia eligible for the 130% boost?

Projects located in a Colonia are only eligible for the 130% boost if the specific location is in an area identified in the 2017 QAP for the 130% boost. Section 7.2(A) limits the Projects eligible for the 130% boost to the following:

ADOH has elected to designate the following types of Projects as requiring an increase in credit of up to one hundred thirty percent (130%) as needed for feasibility, under I.R.C. § 42(d)(5)(B)(b):

- *Projects qualifying for participation in the Supportive Housing Set-Aside, by meeting all of the requirements in Section 2.9(P) of this Plan.*

- *Projects on Tribal Land.*
- *Urban Projects with Structured Parking that are located within ½ mile of a High Capacity Transit line.*

In addition, Section 7.2(A)(1)(a) states that an adjustment to Eligible Basis shall be made where the "Project qualifies under I.R.C. §42(d)(5)(B)(i)-(iv)" (QCT or DDA).

Posted December 23, 2016

The Arizona Department of Housing ("ADOH") posted updated Forms to the website on December 22, 2016 as follows:

Form 3 –ADOH's suite address on the cover sheet was corrected.

Form 2 – Housing for Older Persons Project corrects the reference to Section 2.9T with a reference to 2.9Q; Targeting Low Income Levels corrects a reference to Form 22 with a reference to Form 18; Waiver of Qualified Contract corrects a reference to Form 27 with a reference to Form 23; Sustainable Development corrects references to Form 17 with references to Form 14.

Form 2-1 – the State Special Project Set-Aside was missing and was added

Form 15A – corrects a reference to Form 18 with a reference to Form 15A.

Questions for Clarification:

I would like to determine if an appraisal is needed in the following scenario. A non-profit corporation owns an existing property free and clear and is rehabbing the property. There is no purchase involved but they are transferring title to a limited partnership where the non-profit is the sole general partner in order to create an entity suitable for receiving low income tax credits. Is an appraisal needed as there are no acquisition credits being requested?

Section 2.9(G)(1)(b) for Projects involving Acquisition where there is Acquisition/Rehab or Adaptive Re-use states that "The Appraisal must include separate values for the land and the buildings." This implies that the value of the underlying land and/or the value of the building acquisition are included in the Development Budget. If the existing property, including both the land and the building, are being donated to the Project, with no consideration of the value of the land or building in the Development Budget, and with no consideration for a lease of the land and/or building during operations, then there is no need to provide an Appraisal.

I've been re-reading section 7.2.3 of the draft 2017 QAP and I'm wondering how the max eligible basis is going to be calculated. Is this Max before the 130% boost or is it after the fact?

Assuming that you mean Section 7.2(A)(3) "Maximum Allowable Eligible Basis for Total Development Cost" on page 138 of the 2017 QAP, it states the Total Maximum Allowable Eligible Basis for each Unit Type are then added together to derive the Maximum Allowable Eligible Basis for Total Development Cost in Cell E138 (9% Eligible Basis) plus Cell F138 (4% Eligible Basis) on Line 126 of p. 8-11 of Form 3. The 130% boost is not part of this calculation. The 130% boost is included on Line 137 (Cells E149 and F149) in the calculation of the Low Income Housing Tax Credits.

I noticed that ADOH revised the Form 3 (pages 8 – 11) to include "Contractor 's Bond and Insurance ". I believe that the cost of the Performance Bond required by the Construction Lender and the Investor and paid by the Developer belongs to Section IV "construction financing costs ". By switching the Performance Bond cost to Section II "Direct Construction Costs" ADOH increases the "Total Construction Costs" (line 55) UNNECESSARILY by adding sale tax (around 9%) and GC general requirements, builder's profit and overhead (12 to 15 %) to the cost of the Performance Bond. For instance, for a total GC Contract of 10 million dollars, the cost of the Performance Bond is around 1% or $ 100.000. By including the Performance Bond to line 55 ADOH is adding around $ 9.000 in sale tax plus $ 12 to $ 15.000 in GC General Requirements and Overhead and Profit for a total of 21 to $ 24.000. On the other hand, if the cost of the Performance Bond is included in Section IV (Construction Financing Costs), like it was until this year QAP, these extra costs (21 to $ 24.000) do not apply. I really believe that every unnecessary costs should be eliminated, particularly when the "high" LIHTC project costs per unit are under intense attention.

The cost of the Contractor's Bond & Insurance ("B&I") as itemized on Line 44 of the Development Budget on Form 3 pp. 8-11 is typically included in a General Contractor's contract with the Owner and is therefore included in the Direct Construction Costs Sub-Total. The cost of the B&I is not included in the definition of Total Construction Cost on page 21 of the 2017 QAP. That definition has been taken into account in the calculation of "Maximum Allowable Eligible Basis for Total Construction Cost" in Section 7.2(A)(2)(a) on page 137 of the 2017 QAP which states "80,000 x $122.75 = $9,820,000 total Eligible Basis in the nine percent (9%) Eligible Basis [Cell E67] *plus the four percent (4%) Eligible Basis [Cell F67] columns allowable on Line 55 Total Construction Cost of Form 3 Pages 8 through 11* ***minus Line 44 Contractor's Bond & Insurance*** *of Form 3 pages 8-11." General Requirements, Builder's Overhead, Builder's Profit, and Sales Tax are calculated based upon the terms of the construction contract. The 2017 QAP merely includes* ***maximum allowable*** *amounts for General Requirements, Builder's Overhead, Builder's Profit, HC Contingency and Hazardous Waste Contingency.*