

QUESTIONS AND ANSWERS

March 8, 2024

Q98. It appears that page 37 of the 2024-2025 QAP establishes a minimum and maximum amount of per unit operating expenses which are acceptable to ADOH. Further, this section states that applicants proposing an operating budget that is more than \$100 per unit per year higher or lower than this standard must submit a waiver request to ADOH. Can you please confirm if this requirement applies to 9% LIHTC applications?

9% LIHTC projects are typically must smaller due to the applicable annual credit cap. As such – it seems that a per unit operating expense standard for a 9% LIHTC development would be different than non-competitive 4% LIHTC developments.

A98. Yes, this applies to 9% LIHTC projects.

Q99. If an Applicant chooses to submit two workbooks, one with 9% LIHTC only and one with 9% and state tax credits, may the two workbooks show different assumptions on the Uses tab?

A99. Please see Question and Answer #79. Your sources and uses must balance in your underwriting workbooks.

Q100. Given the requirement that a state credit request must be 50% of the federal 9% request, may an Applicant request a smaller amount of Federal credits than allowed such that the project is not over-sourced?

A100. The state tax credit requirements are determined by A.R.S. §43-1163. The federal credits requested is project specific.

Q101. On the Final UW Spreadsheet, Cash Flow tab, the debt service for both hard and soft debt extends for all 30 years even if such debt has a shorter term as indicated on the Sources tab. As the Cash Flow tab is hardwired and does not allow for Applicants to modify, this results in incorrect cash flow and DCR calculations. How would ADOH like Applicants to address this, i.e. should we attach a spreadsheet with the corrected amounts, will ADOH modify internally, should we send the workbook to be corrected?

A101. The Department has updated the Underwriting Workbook on the website to allow Developer's to enter their Hard Debt Payments and Soft Debt Payments on the Cash Flow tab. The Funding Source(s) debt payment(s) must match the funding source documentation in Tab D.

Q102. Follow Up Question to Question 79: The answer to Question 79 "infers" and/or potentially directly states that a project must be financially feasible with 9% tax credits only. i.e. sources + uses must match. Is that correct?

A102. Project Sources and Uses must match.

Q103. Follow Up Question to Question 79: If 9% LIHTC is financially feasible - why even offer GAP financing?

A103. The 9% LIHTC award must be feasible as a standalone award with all sources and uses accounted for in order to direct our finite federal low income housing tax credits to a project.

Q104. Follow Up Question to Question 79: May an applicant submit a 9% LIHTC-only workbook that shows a gap to be filled by an ADOH source (i.e. state tax credits or SHTF), with the related GAP financing workbook attached? Or must the 9% only workbook be feasible using only non-ADOH sources?

A104. There is no guarantee an awarded 9% LIHTC project will receive a State Tax Credit or State Housing Trust Fund award. We cannot award 9% LIHTC projects that are not fully sourced.

Q105. In Section 2.1 (a) of the FY2024 SHTF and NHTF NOFA Funds, it states that "Funds will be provided to Applicants in the 2024 9% LIHTC round seeking ADOH gap financing that are successfully awarded in the 2024 9% LIHTC round in the following order: a. Up to \$4,000,000 in ADOH gap financing to projects providing a minimum of 15% of the project's units to permanent supportive housing (PSH). If you do not score high enough in the 2024 9% LIHTC round to be awarded tax credits, then you will not be awarded SHTF. In the event one or more projects submit for this, the highest scoring project under the 2024-2025 QAP will be awarded first and then in descending order of score.

Will you please clarify if the project must provide a minimum of 15% of the project's affordable units to PSH, or if the project must provide 15% of the project's total units (assuming there are workforce or market rate units) to PSH.

A105. 15% of the projects total units.

Q106. In Section 2.2 of the FY2024 SHTF and NHTF NOFA, it states that: "Applicant must submit one (1) electronic copy of a complete 9% LIHTC Application pursuant to the applicable QAP with all exhibits and forms via the ADOH Portal, along with an ADOH Gap Financing Application form". On the ADOH Gap Financing Application Workbook, there is directive to insert the Gap Financing Application behind Form 3.

Is the Department's intent for the Applicant to submit one complete 9% LIHTC Application without the Gap Financing Application, and a second complete 9% LIHTC Application with the

Gap Financing Application Workbook included in the Application Workbook behind Form 3 of that submission?

A106. If you are submitting a gap financing application workbook, please include it in Tab A of your application in pdf form. The intent is to receive only one complete LIHTC application workbook, however more than one underwriting workbook would be required (please see question and answer #79). You may also include the gap financing application in excel format with your application submittal.

Q107. I'm hoping to follow-up on Question and Answer 55: The Coordinating Plan does not seem to address commitments for points to lease 15% of units to households with TBRA. For points, if a project elects to lease 15% of units to households with TBRA, for how long must those units be properly marketed and held vacant, before being leased to the general public?

A107. Please see the Department's Compliance Manual located on our website.

Q108. For a New 2024 9% LIHTC Project application also applying for SHTF through the FY2024 NOFA for SHTF and NHTF, can you confirm that applicants should submit (2) underwriting models: one with SHTF as a source and one without SHTF as a source? What if the project does not work without SHTFs?

A108. If the project is not fully sourced in the 9% LIHTC only workbook, and the project does not receive an award of SHTF then the project would not be awarded 9% LIHTCs.

Q109. What is the Department's definition of "Surplus Cash Flow" as referenced in the FY2024 NOFA for SHTF and NHTF, page 14?

A109. "Surplus Cash Flow" means the sum of gross rent revenues (less rental taxes and tenant security deposits) and other income received by Recipient from the operation of the Project, less (a) annual accrued debt service for the Senior Lender and (b) actual operating expenses, which shall be expressly limited to: payroll; utilities; general administrative expenses of software, telephone, travel, office supplies, bank service charges, Department training and compliance fees; repairs and maintenance; real estate taxes and property insurance; Recipient's accounting and tax preparation and filing fees; Property Management Fees; Recipient's annual state filing or registry fees; tenant-related legal fees; and replacement of and/or operating reserves ("Reserves") not to exceed the sum of \$350 per unit per year with an annual increase of up to 3% over the fiscal year immediately preceding the applicable accounting period; deferred Developer Fee; Investor Fee. Supportive Services Costs are excluded from the calculation of Surplus Cash Flow. No payment or disbursement shall be made to the Recipient or any of its members from revenue generated from the Project, including disbursements from the Reserves. Surplus Cash Flow shall be calculated based on the Recipient's audited Financial Statement for the fiscal year-end immediately preceding the Payment Due Date.

QUESTIONS AND ANSWERS

February 26, 2024

Q48. (IV)(A)(4) "The Applicant or a consultant must have been listed in an awarded application form as a developer or as a consultant (may be a joint venture) for at least one (1) LIHTC property" (QAP page 15).

- If the Applicant is a single purpose entity, may this requirement be satisfied by an affiliated entity of the Applicant having the same ownership as the Applicant, if the Applicant's past awarded LIHTC properties have listed as the developer said affiliated entity?

A48. The affiliated entity would then need to be the Applicant or a consultant on the project. Please note Section II.A. requires if the application receives an award, the Applicant must become a managing member or general partner of the ownership entity (may be through a single purpose pass-through entity).

Q49. (V)(D)(1) "ADOH will award up to 25 points to Applicants or consultants who have placed the following number of LIHTC or federally subsidized low income housing projects in service" (QAP page 23).

- If the Applicant is a single purpose entity, will this scoring criterion be satisfied by an affiliated entity of the Applicant having the same ownership as the Applicant, if said affiliated entity of the Applicant placed LIHTC projects in service?

A49. If experience is derived from an affiliated entity, then that affiliated entity should be listed as the Applicant. A secondary contact can be listed on the application.

Q50. (IV)(C)(4) "Applications must include documentation that: all necessary utilities are currently available or connections are possible" (QAP page 19).

- For which utilities must this documentation be provided?

A50. Necessary utilities include sewer, water, gas and electricity.

Q51. (IV)(D)(2) "SECTION 811 PARTICIPATION: ADOH will award 30 points based on the Applicant committing to accept a contract for HUD 811 rental assistance for the subject application for at least ten percent (10%) of the proposed units. The HUD 811 contract will be between the ownership entity and ADOH. The Applicant must have authority to bind the

ownership entities and would agree to accept assistance for up to twenty percent (20%) of the units” (QAP page 23).

- In the QAP signed by the Governor, there is no mention that Section 811 Participation for points is limited to non-age restricted properties. However, Application Form 1 (Non-Tribal NC Self-Score) states that Section 811 is “not eligible for senior properties.” Which document controls? And, could senior housing serving persons with ages 55+ in no fewer than 80% of total project units (see bottom of QAP page 28) allocate 811 subsidy within the remaining 20% of project units not subject to age restriction?

A51. The Supportive Housing scoring category provides three options for applicants. Applicants with 100% senior housing projects are not eligible to opt into the Section 811 program. However, there remains two other options for applicants seeking points under this category.

Q52. (IV)(D)(2) “SECTION 811 PARTICIPATION: ADOH will award 30 points based on the Applicant committing to accept a contract for HUD 811 rental assistance for the subject application for at least ten percent (10%) of the proposed units. The HUD 811 contract will be between the ownership entity and ADOH. The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to twenty percent (20%) of the units” (QAP page 23).

- For points, must a HUD 811 contract be secured at the time of application, or must an Applicant simply commit to entering a HUD 811 contract with ADOH at the time of application?

A52. ADOH does not have 811 Rental Assistance available for the 2024 9% LIHTC round. If you are able to obtain 811 assistance from another jurisdiction then you will have evidence of commitment from the applicable jurisdiction to submit for points.

Q53. (IV)(D)(2) “SECTION 811 PARTICIPATION: ADOH will award 30 points based on the Applicant committing to accept a contract for HUD 811 rental assistance for the subject application for at least ten percent (10%) of the proposed units. The HUD 811 contract will be between the ownership entity and ADOH. The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to twenty percent (20%) of the units” (QAP page 23).

- If a project contains 12 or more 811 assisted units, then Davis-Bacon wage rates will apply to the entire project, which is cost prohibited in some markets. Does ADOH take this into consideration when allocating “up to twenty percent of the units”?

A53. Please be aware of Question and Answer 5 above. Developers and Applicants must

determine what works for their projects including their ability to support Davis Bacon wage rates.

Q54. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- o Besides a commitment by the Applicant to fulfill this scoring criterion, is any other documentation required for points at the time of application?

A54. No, the selection will be made in the Application Workbook on the Self Score sheet.

Q55. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- o Are the precise requirements for how long units with this 15% commitment be held vacant for a tenant with TBRA established in pages 4 and 5 of the sample Coordinating Plan (see excerpt pasted below)? If not, for how long must units with this 15% commitment be held vacant for a tenant with TBRA – assuming proper and sufficient marketing and use referrals from the local PHA waitlist, Housing Choice Voucher administrator, and other agency waitlists – before being leased to the general public?
 - *“For a period of 90 days from the date of the first certificate of occupancy, establish a preferential leasing opportunity for the **XX** units specified in this Coordinating Plan for the targeted population.*
 - *In the event a vacancy occurs at the property and not all **XX** Targeted units are filled with referred persons, notify **Insert Local Lead Agency** and hold the unit open for a period no less than 10 days from the date **Insert Local Lead Agency** is made aware of the vacancy. If no eligible applicant is referred within 10 days, the unit may be rented to any eligible applicant. This process is repeated until **XX** Targeted units are occupied by referred persons.”*

A55. The Coordinating Plan is a sample plan made available by the Department for Developers or Applicants to use. Please be sure to incorporate any applicable provisions from the ADOH

LIHTC Compliance Manual and other program requirements as you finalize you plan.

Q56. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- o In the Application Workbook Checklist, under Tab K, what are the precise quantitative requirements for the "proof of operating reserve structure for tenant based rental assistance?"

A56. The quantitative amount of the operating reserve structure is project specific and determined by the Developer. The Department will assess for reasonable.

Q57. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- o For points, for how many years must this commitment be made?

A57. Applicants electing to opt into the Supportive Housing by setting aside 15% of the proposed units, within the subject application, to households with tenant based rental assistance will be required to set aside the full 15% for the intended population through the extended use period.

Q58. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- o For projects committing to this scoring criterion, must a specific "Supportive Housing Population Served" (e.g. Persons with Disabilities, Persons Experiencing Homelessness, etc.) be selected on Form 3, or can the TBRA units be reserved for any tenant possessing TBRA?

A58. The TBRA selection would be for 15% of the units. It may or may not overlap with other intended populations to be served. All tenant populations to be served should be selected on the Form 3.

Q59. (IV)(D)(2) "TENANT BASED RENTAL ASSISTANCE PARTICIPATION: ADOH will award 30 points based on the Applicant committing to lease at least fifteen percent (15%) of the proposed units, within the subject application, to households with tenant based rental assistance. Referrals may be made from Housing Authorities or agencies administering rental assistance (HCV or other Federal or State rental assistance programs). The Applicant must have authority to bind the ownership entities and would agree to accept assistance for up to fifteen percent (15%) of the units" (QAP page 23-24).

- If TBRA is selected, should any box under "Rental Assistance" be checked on Form 7 – Taxes and Rental Assistance?

A59. Please complete the Rental Assistance portion by checking the "Other" box and typing in TBRA. Since the units themselves are not receiving rental assistance, you can leave the portions applicable to rental assistance on the units blank.

Q60. (IV)(D)(2) "The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on- site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing" (QAP page 24).

- Does this section of the QAP apply to projects committing to TBRA per section (IV)(D)(2)?

A60. No, that is applicable to the "Rental Assistance" subsection of Supportive Housing.

Q61. (IV)(D)(2) "The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on- site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing" (QAP page 24).

- Does ADOH specify any hard requirements for these supportive services, such as, staff hours committed per month, proportion of on-site to off-site programming, transportation to off-site programming, etc.? Also, is this supportive services requirement only intended for the units described in this section (IV) (D) (2), or are the supportive services to be provided to all project units?

A61. The targeting will be pursuant to a plan approved by ADOH before commencing lease-up. There are not any hard one size fits all requirements, as it is dependent on the project and intended population to be served.

Q62. (IV)(D)(2) "The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on-site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing" (QAP page 24).

- For projects committing to TBRA, must this supportive services plan be included in the LURA, per Form 5, or does that section of Form 5 apply to only projects with project-based subsidy?

A62. The TBRA commitment does not require a supportive services plan. The TBRA commitment of 15% of the units will be listed in the LURA. Any supportive services listed on the Form 5 will be included in the LURA.

Q63. (IV)(D)(6) "Applicants may request that ADOH approve another form of support prior to application deadline. The request must include relevant documentation" (QAP page 27).

- Will ADOH accept a full or substantial waiver of impact fees for points in this category?

A63. The Department will accept requests to approve another form of support until March 15, 2024 for the 2024 9% LIHTC Application round. The Department will respond by March 22, 2024. The Department will award other forms of support 5 points.

Q64. (IV)(D)(8) "Senior developments that commit to at least three of the following will receive 20 points: ... regular transportation or on-site bus stop..." (QAP page 28).

- If a development is immediately adjacent to (i.e. immediately next to, with a sidewalk connecting, and on the same side of the street as) a "Bus or Transit Stop" meeting the scoring criterion established in Section (IV) (D) (3) (4) on QAP page 25, will said "Bus or Transit Stop" also count as an amenity for points in Section (IV) (D) (8) "Senior Housing With Services?"

A64. The points for IV(D)(8) list as an option "regular transportation or on-site bus stop." Adjacent is not onsite, therefore would not be considered one of the three commitments to receive points in this section.

Q65. (IV)(D)(8) "Senior developments that commit to at least three of the following will receive 20 points: ... structured recreational or educational programs" (QAP page 28).

- Does ADOH specify any hard requirements for these structured recreational or educational programs, such as, staff hours committed per month, proportion of on-site to off-site programming, transportation to off-site programming, etc.?

A65. The Department will require the structured recreational and education programs be provided to the Department with your 8609 application submittal. There is not any specific

requirements, as it is up to the project team to determine how to serve their intended populations.

Q66. (IV)(D)(8) "Senior developments that commit to at least three of the following will receive 20 points: ... structured recreational or educational programs" (QAP page 28).

- Can the entity that provides supportive services under Section (IV) (D) (2) also provide the structured recreational or educational programs noted here?

A66. Yes.

Q67. Where precisely can the ADOH Gap Financing Application form be located, for New 2024 9% LIHTC Projects applying for SHTF?

A67. The document is titled "2024-2025 GAP Application Workbook" and is listed with our other 2024-2025 Application Materials on our website here: https://housing.az.gov/documents-links/forms/rental-development-lihtc?tid_2=846

Q68. (V)(D)(2) "RENTAL ASSISTANCE: ADOH will award points using the following matrix to projects committed to targeting units for special populations such as: persons with disabilities, veterans, persons experiencing homelessness, victims of domestic violence and youth exiting foster care using one of the listed forms of rental assistance..." (QAP page 24).

- Must one single target population be selected for specified units, or may specified units be reserved for any one of a group of selected target populations?

A68. More than one target population may be selected and listed in the Supportive Services Plan and will be selected on the Form 3. The targeting will be pursuant to a plan approved by ADOH before commencing lease-up.

Q69. (V)(D)(2) "The project must adopt a supportive services plan before starting lease-up. Supportive services must be tenant-centered and flexible with a focus on housing retention, including the following as appropriate: individual person-centered planning, emergency on-call coverage, group and individual programming, on- site case management and life skills services, collaborative treatment with area providers, on-site property management and client support staffing" (QAP page 24).

- To which of the following three scoring criterion does the above QAP passage, the sample Coordinating Plan, and the Supportive Services (included in LURA) section of Form 5 apply: Section 811 Participation, TBRA Participation, and/or Rental Assistance?

A69. The above QAP passage is specific to "Rental Assistance." The Coordinating Plan is a sample plan to provide an example for Applicants and Developers. It may be used but it is not required. The Form 5 Supportive Services applies to those selecting Rental Assistance. Your selection of Supportive Housing will be a part of the LURA for the project.

Q70. I have multiple questions about a project we are applying for in this upcoming round located in Glendale. My first question concerns the Employment Center on page 25 of the QAP. In the paragraph it refers to a letter. Would an email suffice as a replacement for the letter as long as it contains the company logo, address, and signature? (See Attached Email)

A70. The Department will not opine on the email provided with this question as we will not answer any project specific questions because we are in our procurement period before our application round. However, the Department will allow an email to be provided in lieu of a letter if a letter cannot be obtained and the company logo, address, signature, and contact information of the person who sent the email are provided.

Q71. I have another question regarding the 5 points given to applications within a Community Revitalization Plan. Is there an example of an eligible Community Revitalization Plan that you are aware of to give us some direction? Our project is located in the Glendale Centerline Overlay District; I have attached some of the language defining this district. Would this be appropriate to qualify for those 5 points?

A71. The Department will not opine on the email provided with this question as we will not answer any project specific questions because we are in our procurement period before our application round. The QAP lists the CRP Criteria which must be met to receive points.

Q72. I have another question concerning rental assistance on page 24 of the QAP in the 9% LIHTC New Construction. In order to qualify for the 30 points for 30% of units or more, does ADOH only require units to be set aside for victims of domestic violence, for example? As long as supportive services are put in place. Or does ADOH also require a subsidy to go along with these set-aside units?

A72. One of the listed forms of rental assistance as stated in the Rental Assistance section of the QAP must be used with those units.

Q73. Does the CNA have to be completed by an Architect or Engineer? The person I've worked with in the past has 19 years of experience providing CNAs to state and government agencies, included USDA which I need for the 515 loan transfers, but is not an engineer or architect. Here's his website: <https://capitalrec.com/> If we do need a qualified architect or engineer, do you have any approved firms that meet the qualifications?

A73. A "qualified professional" is a licensed professional architect or engineer, who can substantiate a minimum of five (5) years' experience providing CNA reports in accordance with ADOH standards, and who performs the assessment and supplies ADOH with their professional opinion of the property's current overall physical condition. The preparer must insert application form from the Low-Income Housing Tax Credit Application in the front of the CNA certifying that it meets these requirements. CNAs must conform to each of the requirements in Section XI(P) of the Exhibit A Design Standards. We do not have a list of architects or engineers.

Q74. Is there a format you wish for the CNA to adhere to, or would the format required for USDA suffice?

A74. CNAs must conform to each of the requirements in Section XI(P) of the Exhibit A.

Q75. The 2022/2023 QAP for threshold experience reads the same way as the 2024/2025 threshold experience. In the 2023 Q&A there was a question about whether experience follows the developer from one firm to another, as long as the developer himself was named as a principal on the application. The answer states that if the developer can sufficiently prove their experience, it will be accepted.

A75. Correct, if the applicant can provide supporting documentation demonstrating participation at application through project completion, the experience will be included.

Q76. Can you please define "pre-leasing activities" as it relates to documentation for points for subsequent phase?

A76. Pre-leasing activities can include but are not limited to marketing, digital presence of the development including a website or social media posts, a completed unit available for showings, deposits by potential tenants for completed units or reservations for completed units by another means, etc. Documentation of these activities can be screenshots, printouts, flyers, photography, evidence of lists of showings, etc. Please make sure it is clear in the application what the preleasing activity is and what the supporting documentation is to receive points.

Q77. The scoring tab on the application workbook does not have an "Other- 5 points" option even though the Q & A states that applicants are eligible for those points subject to ADOH approval in addition to the 10 pts for Local Gap Financing. Will the Department be updating that page of the application workbook?

A77. The Department has updated the application workbook to include the "Other" item under Local Gap Financing for 5 points.

The Department will accept requests to approve another form of support until March 15, 2024 for the 2024 9% LIHTC Application round. The Department will respond by March 22, 2024.

Q78. In a two-phase project where both phases are pursuing LEED, is it possible to submit both phases together for LEED certification (thereby reducing certification costs/efforts) or does ADOH want separate LEED certifications for each phase? This essentially comes down to a timing issue as the LEED certification would not be issued until the second phase is complete.

A78. The Department will require separate LEED certifications for each phase.

Q79. How does the Department want applicants to handle secondary workbooks if they are applying for the \$2M in GAP financing from ADOH or a source such as FHLB? Is there a max on

the number of secondary workbooks?

A79. Please submit one workbook that is requesting LIHTC only and must be fully sourced at the time of application (sources and uses must balance).

Please submit as many additional workbooks as necessary if you are applying for state tax credits and/or state housing trust funds to show us how the project sources would change if awarded one or more of these other sources as applicable (i.e. LIHTC only workbook, LIHTC + SHTF workbook, LIHTC + STC workbook, LIHTC + SHTF + STC workbook).

Applications must include executed commitment letters for all funding sources, other than ADOH loans and LIHTC equity. The commitment letters must comply with QAP Section VI(B)(5).

If you have applied to the FHLB or another entity who announces awards after the Department's application round, please submit a letter with your application stating what source you have applied for, include the amount and any terms if known, and when the anticipated award announcement will take place. If awarded in the 9% LIHTC round, you will be able to notify the Department during a technical review of any changes, provide an updated workbook, and commitment letter at that time.

Q80. Are the Developer Fees tiered or based on overall unit counts?

A80. Developer Fees are based on the total unit count of the project. Please see Section VI(B)(8) Developer Fees in the Qualified Allocation Plan.

Q81. For the equity pricing, can I provide a LOI if it is outside the range?

A81. Yes, the Department will accept equity pricing outside of the range provided if you have a **signed** investor LOI specific to your project.

Q82. On page 24 of the QAP, I am unable to find any guidelines as to the operating reserve for tenant based rental assistance. Could you elaborate?

A82. Please see Question and Answer #56 above.

Q83. As further clarification to Questions 10-12 on 2/8/24, a) if an Applicant commits to accepting a contract for up to 20% of units, b) designates 10% of units as both 30% AMI and for persons with disabilities, and c) demonstrates that the project is economically viable per the underwriting standards of the QAP without receipt of rental assistance, can the project be eligible for the 30 points in this category without having a signed commitment from an applicable jurisdiction at the time of application?

A83. No. If you are able to obtain 811 assistance from another jurisdiction then you will have evidence of commitment from the applicable jurisdiction to submit for points.

Q84. On Form 1, the Section 811 says both commits to accepting a contract for" at least 10%" of the proposed units and be willing to accept assistance for "up to 20%" of units. So must the applicant commit to 10% or 20% of its units for the purposes of AMI% targeting and hard set asides for persons with disabilities.

A84. ADOH does not have 811 Rental Assistance available for the 2024 9% LIHTC round. If you are able to obtain 811 assistance from another jurisdiction then you will have evidence of commitment from the applicable jurisdiction to submit for points.

The commitment would be for a minimum of 10% of the units and a maximum of 20% of the units. The commitment would be in that range.

Q85. Further, can ADOH define "applicable jurisdiction" as we were not able to find a definition of same on either ADOH's or HUDs website.

A85. A commitment from another jurisdiction (not ADOH) must be provided at the time of application to receive points. The "applicable jurisdiction" would be the jurisdiction making the 811 commitment to the project.

Q86. Can we submit a waiver for the square foot maximums in the Design Standards?

A86. Yes, a waiver request may be submitted. This does not guarantee Department approval.

Q87. The QAP states that new construction projects must have a HERS rating of 65 or better. As it is not listed on the checklist, we would like to confirm that a HERS report is not required for the application.

A87. The HERS rating is not required for application. The Department will require the HERS report at 8609.

Q88. The QAP states that a project must ask for a minimum of \$500,000 state credits and that the STC request must be 50% of the federal request. If the project does not need the full 50% of the federal credits requested to meet its funding needs to be economically viable, may we request at least \$500,000 but less than the 50% of federal credits with an explanation.

A88. No, the state tax credit limits are determined by A.R.S. §43-1163.

Q89. Also, for Tenant Based Rental Assistance Participation when committing to 15% of units, does there need to be an agreement submitted to ADOH reflecting that referrals will be made, or does ADOH only require the ownership entities to agree to accepting up to 15% of units?

Also, in the same paragraph, it mentions Housing Authorities or agencies administering rental assistance. Would these agencies include A New Leaf or Family Housing Hub?

A89. The TBRA commitment will be made on the self-score checklist. TBRA commitment will later be documented in the LURA. The Department does not need an agreement submitted at time of application since the Department is not locking you into using only one source for referrals. Yes, if they are administering rental assistance (HCV, Federal or State programs).

Q90. We are working with a client who is looking for information as to the process for obtaining ADOH's blessing on a "community preference" (or a "residency preference") for an affordable housing LIHTC project that they will be developing.

Is there a marketing form we need to complete?

A90. The Department does not have a residency/community preference requirement. As such, there is no specific marketing form. Please see the QAP and our application forms for intended populations to be served in supportive housing. The Department recommends you consult with a fair housing specialist.

Q91. There are no AMI restrictions stated in the rental assistance scoring category of the QAP. Can you confirm that the units being set-aside as supportive housing units with rental assistance are also not required by ADOH to be set aside at deeper income restrictions?

A91. It is a nationally recognized principle that supportive housing units typically include individuals and families with incomes below 30% AMI. Therefore, supportive housing units should 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.

Q92. Are there any distance requirements for scattered site projects?

A92. There are not any specific distance requirements for scattered site projects. Please note: scoring criteria may have distance requirements in order to receive points.

Q93. In regards to the Energy Analysis of Existing Building Condition requirements outlined in item H. of Section XI. Rehabilitation Projects in Exhibit A: Do we need to provide the energy analysis with the Application if we are confident the rehab will surpass the minimum requirements outlined in the QAP, or can we wait until credits are awarded to order the pre-renovation analysis to confirm the energy efficiency upgrades? These reports can be expensive to run without certainty of credits. It was confirmed in a prior year QAP Q&A that the analysis could be postponed until credits are awarded, but I would like to clarify under current QAP guidelines.

A93. Applicants are not required to complete HERS testing prior to their application. Applicants must determine if a HERS test will be needed to fully identify their rehabilitation scope of work prior to application.

Q94. To receive points for local government financing for FHLB, do we simply provide a copy of our application since those awards don't come out until June? Does the Department require two underwriting workbooks in the event we don't get awarded AHP?

A94. The project will not receive points for local gap financing if the gap financing is not committed to the project at the time of application. All applications must be fully sourced at the time of application. Please see Question and Answer 79 above.

Q95. For a 9% tax credit application, what do we need to provide in order to prove that our project meets/commits to the energy efficiency certifications? Do we need to have an energy model completed? Or do we just need to state the certification the project is committing to?

A95. Please make the selection on your self-score sheet. The energy certification will be due with your 8609 submittal.

Q96. In the application underwriting spreadsheet, should property taxes be reported in the Op Ex tab or the Cash Flow tab?

A96. Please report on both the Operating Expenses Tab and the Cash Flow Tab.

Q97. "ADOH will award 5 points for projects with land owned by a unit of local government which proposes a land lease structure with the Applicant at the time of application. Land lease demonstrates no more than \$2,000 in cost line-items for land and buildings."

Does the \$2,000 refer to the lease amount as that would still be listed as a cost line item in the budget or does it refer to a purchase of land or down payment of the land on the Uses page. I don't think it is possible to lease acres of land for \$2,000 a year.

A97. The Land Lease is an ongoing operating expense and reported on the Operating Expenses Tab and Cash Flow Tab of the Underwriting Workbook. Land leases should not be included on the Uses Tab. ***This requirement refers to a maximum land lease payment of \$2,000 per month.***

****Please note Question and Answer 16 and 24 below have been updated.***

QUESTIONS AND ANSWERS

February 8, 2024

Q1. For properties seeking points for "Subsequent Phase", but are a scattered site project, what percentage of units must be within 0.25 miles of Phase 1?

A1. For scattered site projects, at least 25% of the units must be within 0.25 miles of the previous phase.

Q2. For applicants requesting that ADOH approve another form of support (Local Government Support) prior to the application deadline, when will ADOH respond if it qualifies and how many points will it count for?

A2. The Department will accept requests to approve another form of support until March 15, 2024 for the 2024 9% LIHTC Application round. The Department will respond by March 22, 2024. The Department will award other forms of support 5 points.

Q3. In the Below Market Loans and Local Support scoring category, can applicants obtain points for "local gap financing" and "other"?

A3. Yes, if there are two separate and distinct types of support. Subject to Department approval, please see Question and Answer 2 above.

Q4. Does the definition of nonprofit include a 501(c)(4)?

A4. The definition of nonprofit does not include 501(c)(4) applicants, but it does not preclude them from applying for tax credits. The Nonprofit definition applies to the nonprofit award adjustment (the portion of State ceiling set-aside for certain projects involving qualified nonprofit organizations). Please see the definition below.

26 USC § 42(h)(5)(C): Qualified nonprofit organization: For purposes of this paragraph, the term "qualified nonprofit organization" means any organization if— (i) such organization is described in paragraph (3) or (4) of section 501(c) and is exempt from tax under section 501(a), (ii) such organization is determined by the State housing credit agency not to be affiliated with or controlled by a for-profit organization, and (iii) 1 of the exempt purposes of such organization includes the fostering of low-income housing.

Q5. On page 19, under state tax credits, it indicates that it is available for properties placed in service on or after June 30, 2022. Please confirm that I may apply for state tax credits for a project that had buildings placed in service during this time.

A5. Yes, if your project meets this requirement, you may apply.

Q6. Will you be required to waive the qualified contract if you are awarded state tax credits?

A6. Yes, any projects awarded under the 2024-2025 QAP including those for or with 9% LIHTCs, 4% LIHTCs and/or STCs waive their right to request a qualified contract under Section 42(h)(6)(E)(i) of IRC.

Q7. On 4% deals, will it be required to have 100% of the units at 50% AMI or the 60% required by bonds?

A7. This will be an Applicant's choice to determine unit mix for their project.

Q8. Will ADOH allow an increase of 30% in eligible basis for 4% projects?

A8. 4% LIHTC projects are eligible for a 30% basis boost if they are located in a QCT or DDA.

Q9. If you commit to Section 811, do you get the 30 points?

A9. Yes, if you provide the evidence of an 811 commitment from an applicable jurisdiction to the Department.

Q10. What does it take exactly to get 30 points for Section 811?

A10. Making a commitment and providing evidence of commitment from an applicable jurisdiction to the Department.

Q11. If the units are set aside for Section 811, will the rental assistance come? In other words, if the project is awarded and committed to Section 811 and sets aside the units, will the units also be awarded Rental Assistance by HUD via ADOH?

A11. ADOH does not have 811 Rental Assistance available for the 2024 9% LIHTC round. If you are able to obtain 811 assistance from another jurisdiction then you will have evidence of commitment from the applicable jurisdiction to submit for points.

Q12. Is there a separate application for Section 811 and separate application for rental assistance under Section 811 project?

A12. ADOH has exhausted 811 funds at this time. Section 811 subsidy is generally obtained outside of the LIHTC process.

Q13. Is a supportive services plan required for applicants who are choosing Section 811?

A13. The Department does not require a supportive services plan for LIHTC applicants. Please follow the applicable jurisdiction's requirements as appropriate.

Q14. Does waived fees by local governments count as 'Other' source from government agencies under Local Gap Financing?

A.14. Please see Question and Answer 2 above. Please submit to the Department for consideration.

Q15. If local city agrees to pay for a portion of infrastructure – does this count as other source from government agencies under Local Gap Financing?

A.15. Please see Question and Answer 2 above. Please submit to the Department for consideration.

Q16. Land Lease – "... Land lease demonstrates no more than \$2,000.00 in cost line-items for land and buildings...." \$2000 a year or a month – please provide clarification?

***A16.** *This requirement refers to a maximum land lease payment of \$2,000 per month.*

Q17. Subsequent Phase - What is the time limit between Phase 1 and Phase 2 for rural vs metro areas?

A17. There is no time limit between Phase 1 and Phase 2 in subsequent phases. Please note the requirements in the scoring category must be met to receive points.

Q18. Should the subsequent phase be managed and developed by the same management and development team as the original project?

A18. The subsequent phases do not have to be managed and developed by the same team(s), however the requirements in the scoring category must be met to receive points. The Department may require documentation that the land was paid for only once.

Q19. Does ADOH require EV ready parking spaces for 4% bond transactions?

A19. No, the Department does not require EV ready parking spaces, but will allow EV ready parking spaces. Please see the Exhibit A Mandatory Design Standards.

Q20. To be considered "current", within how many months of application must will-serve letters be dated?

A20. The Department will consider will-serve letters dated within six months of the application deadline to be current.

Q21. For Form 10 (Zoning), the form is set for a single multifamily development on a single lot. Are we allowed to edit these forms to adjust them to fit the nature of our project?

A21. The Department's forms are not to be edited. Please use more than one form if you have different zoning for different buildings.

Q22. May the 2010 ADA Standards for Accessible Design be used in lieu of UFAS1988 as the accessibility standard for AZ DOH LIHTC projects?

A22. Please refer to the Exhibit A Mandatory Design Guidelines. Where the Design Guidelines are silent, please use the applicable building codes.

Q23. What methodology does ADOH require to calculate utility allowance for a new construction project?

A23. Please see the Department's Compliance Manual, Section 2.4 Utility Allowance Determination and 3.11 Utility Allowance. The Compliance Manual is posted on our website.

ADOH Compliance Manual, Section 3.11 Utility Allowance: "Utility allowances must be determined according to program requirements set forth in IRS Regulations 1.42-10. In addition, Housing requires that verification of utility allowances used to calculate rents be obtained by owners/agents at least annually. Applicable documentation as follows must be readily available to on-site personnel and, upon request, to Housing."

Q24. Land lease demonstrates no more than \$2,000 in cost line-items for land and buildings." Does this mean the yearly land lease cannot be over \$2000 per year?

***A24. Please see Question and Answer 16 above.**

Q25. Section V.D.7 of the final 2024-2025 QAP that involves awarding points for a Subsequent Phase. That section awards 10 point if the building proposed in the Application is a "second or third" phase. Can the Project be a 4th, 5th or even a 6th phase of an existing affordable housing project and still satisfy this scoring category (assuming all other parameters of that section are satisfied)?

A25. The scoring category is specifically refers to 2nd and 3rd phases. If a development can demonstrate later phases were contemplated at phase 1 and meet the other requirements of the scoring section, then they can be included.

Q26. Both 4% and 9% deals are required to waive their right to a Qualified Contract, is that correct? Also, is this enforced through the LURA only?

A26. Please see Question and Answer 6 above. The waiver of Qualified Contract will be enforced in the LURA.

Q27. Will there be a 2024 QAP training? I did see the LIHTC Compliance workshop sessions.

A27. The LIHTC Application Workshop was held on December 14, 2023 for the 2024 round.

Q28. In 2021 A single asset LLC unrelated to this applicant filed for a short term chapter 11 reorganization which was quickly completed within a year. Neither the applicant, the developer, any member or partner of the applicant or eventual ownership, myself or any one of my family members was a debtor in this matter.

A28. Please see our Disqualification section in the QAP (Section IV.5. Disqualification). The Department reserves the right to disqualify an application based on substantive evidence connecting a Principal to any of the following listed in that section of the QAP.

Q29. What level of readiness is required? Anything beyond proper zoning for the project?

A29. A complete application must be submitted including Section IV. Threshold.

Q30. Are there maximum AMI levels for supportive housing units?

A30. The LIHTC limits for AMI will be applicable and project dependent. Please note there is a Notice of Funding Available (NOFA) for 9% LIHTC applicants that has a Permanent Supportive Housing component. That NOFA has different AMI requirements than the QAP.

Q31. The QAP defines an employment center as: "a single university or college, single hospital, single governmental entity, or single private company that has at least 250 year-round, full-time employees in one location for Metro developments and at least 50 year-round, full-time employees in one location for Rural/Balance of State developments and at least 30 year-round, full-time employees in one location for developments on Tribal land. The project must provide a letter from the employer, a third-party employment agency, or the local body of government stating the number of year-round, full-time employees that work at the location. All employees must be at the same site to receive points."

Under the QAP, would a school district with at least 250 employees be counted as an employment center?

A31. The Department will consider a school district a single government entity with proper documentation submitted with the application meeting the criteria.

Q32. The QAP, for New Construction, talks about Applicant and Principal Experience. Under the Application Form 6.1. it says Developer Experience. Could you please clarify? Does the applicant

need to list experience, or a developer need to list experience or both?

A32. Please complete for the Applicant and the Developer. If there is a Developer and Co-Developer on the project, please provide for both.

Q33. If an applicant has a two phased project and builds a community building with a community room, office and maintenance in phase 1, do they need to build another one in phase 2? Or can they have a shared use agreement in place?

A33. The Department would allow a waiver request to be submitted and a Shared Access Agreement or MOU to occur between the two phases subject to Department approval.

Q43. Section E (2) Supportive Housing - The Supportive Housing Scoring category lists three options to claim the Supporting Housing points. Can you confirm that a Tribal project that accepts TBRA from its Tribally Designated Housing Entity (in the form of Tribal Housing Assistance Payments) would meet the scoring requirements of the TBRA Participation option?

A43. Project-Based Vouchers are assigned to a specific building and clients must reside in the building to receive assistance. The rental subsidy stays with the building. When the assisted tenant moves out, the rental assistance remains with the building for the next eligible occupant.

Households with Tenant-Based Vouchers can use their assistance at any home, apartment or other private market residence that meets household requirements, safety standards and rent reasonableness.

Tribal Housing Assistance Payment Agreements are project-based therefore they fall under the Rental Assistance category and not the Tenant Based Rental Assistance Participation category.

However, if a Tribe or Tribally Designated Housing Entity has a Tenant-Based Voucher Participation program then they would be eligible under Tenant Based Rental Assistance Participation.

Q44. Section E (2) Supportive Housing - Does the Tenant Based Rental Assistance Participation option require a coordination plan or supportive services plan?

A44. There are many types of TBRA programs; an example is the Section 8 Voucher Program. TBRA programs can have their own requirements. The Department does not require a coordination plan or supportive services plan.

Q45. Exhibit A, Section III(A) – Is a waiver for sidewalks required if the project site is not surrounded by connectable uses?

A45. Yes, a waiver request is required for all requests that do not meet the Department's Design Standards. Waiver requests are subject to Department approval and are not guaranteed to be granted.

Q46. Exhibit A, Section V(B) – Does a project need a licensed landscape architect? Or can a project with minimal xeriscaping follow the landscaping design standards without hiring a licensed landscape architect?

A46. The Department requires a complete landscape plan, designed by a licensed landscape architect for all projects.

Q47. If you applied for a LIHTC project under the 2022-2023 QAP, but are now applying under the 2024-2025 QAP for state tax credits, which QAP applies to your project?

A47. Your project is required to meet the requirements of the QAP it applies and is awarded under. Therefore, the LIHTC application would be awarded under the 2022-2023 QAP for LIHTC. Then if awarded STC it would be under the 2024-2025 QAP. The 2024-2025 QAP Threshold and Scoring requirements for the STC application would have to be met.