2013 QAP COMMENTS and DSHA RESPONSE

DSHA would like to thank all our partners for their feedback and comments to the 2013 Qualified Allocation Plan (QAP). DSHA has summarized the comments and feedback by category.

Needs and Priorities

- DSHA has been moving the tax credit process toward better targeting of populations in need (ELI, people with disabilities) and toward wiser siting of projects (sensitivity to transportation, growth zones, and areas of opportunity). These changes are very welcome and much appreciated. It demonstrates a real and successful effort to make the best use of limited rental housing development subsidy.

DSHA Response: DSHA will continue to research and provide analysis to reach our optimal housing goals. DSHA is preparing for the next Needs Assessment analysis and will look forward to our stakeholders' support and cooperation in developing the report.

- On page 9 a "detailed survey on the physical condition of sites" was referenced. Please provide an actual copy of the survey form used and the actual survey results for all sites surveyed. Additionally, an explanation of the scoring methodology used would be helpful in understanding DSHA's physical condition priorities.

DSHA Response: The survey was conducted in 2009. The survey was not intended as a capital needs assessment of each site; rather, DSHA was interested in obtaining an overall picture of the financial and physical health of each site. DSHA used our Minimum Construction Standard definitions and Rehabilitation Standards Checklist for the data request. A copy of the form used is available upon request to DSHA. In addition, summary charts of the physical status of particular site features are also available. However, as part of our collaboration with owners and managers, DSHA agreed that individual site data would be kept confidential and only used for data collection purposes.

- Though there is a lengthy discussion, complete with data tables of at risk, disabled and elderly households, there is no discussion, nor actual tabulations of the renter market as a whole in the State. For example, the "Cost burdened Households by AMI" and the "Elderly Renter Households by AMI" provide the actual populations of those sub groups in a data table, but if you wanted to know the total renters in each county, that data appears nowhere in the assessment. This data is important to get some sense of relevancy when discussing the sub groups. Please provide a section on the renter population generally.

DSHA Response: DSHA has revised this section of the QAP accordingly.

- In the last paragraph in the At-risk Households section, the QAP states "approximately 25,000 households are on waiting lists for public housing, Housing Choice Vouchers and privately owned subsidized housing." This is surely a gross overstatement as the average renter searching for affordable housing applies to the waiting lists of multiple properties and for Section 8 vouchers. The QAP goes on to say "While there may be some duplication among these lists" This statement does not adequately consider the likelihood that 25,000 renters could be four times the actual number if every prospective renter applied to 4 different lists. This statistic is not reliable and should not be used unless a more accurate number can be derived.

DSHA Response: DSHA has revised this section of the QAP accordingly. While there is certainly some duplication, the presence of over 7,500 unique households on DSHA's public housing waiting list alone suggests that duplication is likely not as extensive as suggested.

- The Needs Section further posits that the 25,000 renters on waiting lists referred to "is a direct indicator of the need for rental assistance in the state". One would argue that the presence of renters on waiting lists, whatever the total, would be an indicator of the need for rental assistance OR other methods of providing affordable housing to lower income people. Income targeting (without the use of rental assistance) can be used to provide housing affordable to lower income people. DSHA should not assume that rental assistance is the only way to serve lower income persons.

DSHA Response: DSHA has revised this section accordingly. "Rental assistance" was intended to mean both subsidies and general affordable rental housing – assistance with affordability to include subsidy or restricted rents. In addition, waiting list data are only one source of measurement to gauge need, but not necessarily demand, particularly for new construction. DSHA is preparing for the next Needs Assessment analysis and will look forward to our stakeholders' support and cooperation in developing this area of the report.

Definitions

Special Populations

- DSHA had been considering a 5% mandatory set-aside within new developments for people with disabilities. We cannot find that in the final plan. We think that this initial concept should follow through within the QAP. It would help to increase inventory, as well as geographic choice for a population which, according to the Community and Choice study, is only going to be increasing dramatically. It will also greatly help planning for the housing needs of this population.

- In order to encourage general occupancy LIHTC developments to incorporate special needs units in their plans it would be beneficial to reduce the point scoring requirement for 50% of a given development to be special needs units to 20% or 25% of the total units in a development. This is beneficial in a number of ways. Developers will be more willing to make a commitment to special needs housing if the threshold is reduced to a more manageable amount of special needs units. Secondly, it is of greater benefit to the special needs households that they are integrated into general occupancy developments. By reducing the concentration of special needs households in any one development, these populations will be removed from institutional settings and become further integrated into the community. Furthermore, in the current federal funding environment, there is less long term rental subsidy that would allow for highly concentrated, extremely low income communities to remain financial feasible. In order to create housing opportunities for special needs populations, it will be necessary to find alternative means of financing these units.

DSHA Response: DSHA will be considering making a larger threshold requirement for special populations in the 2014 QAP. DSHA did not feel that all of the necessary resources and connectivity for owners for supportive services were in place for a successful transition. DSHA is keeping the homeless set aside while we work diligently with our stakeholders to make sure that the appropriate resources and services are available to sponsors over the next year.

Elderly Housing

- In the definitions section, under “Elderly Development”, the QAP requires that any new construction elderly development must have at least 50% of its units subsidized (with rental assistance). The type of “subsidy” this definition requires is nearly non-existent in today’s affordable housing finance world. Short of HUD 202, USDA 515 RA or the new Section 811 disabilities demo, there are no other programs that offer the type of subsidy being required here. Section 202 funding for Delaware has amounted to a negligible number of units in recent years. USDA Section 515 RA, if it’s even allocated (the USDA RHS National Office opted not to fund the program in FY2012) is very limited and when awarded is often awarded to less than 50% of the units in the project. The Section 811 demo program is new and at this point, it’s unknown if Delaware will receive a substantial amount of subsidy.

- This elderly prohibition is based on the theory that there is no other way to serve lower income seniors than with rental assistance. Income targeting techniques are used in most state QAP’s to achieve just this effect. The draft of this QAP has the “Balanced Income Targeting” section which awards up to 15 of the possible 20 points to developments that target lower income households. This tiered approach to incomes and units rents allows a development without rental assistance to make units available to the lower income bands. However, in the Elderly Development definition, DSHA is going against its own priority which places “emphasis on targeting units at lower income and/or poverty levels” by preventing developers from using income targeting and tiered rents to fill this most in need subgroup.

- This prohibition effectively states that there is no market for any elderly housing in the State that isn’t for elderly households above 50% AMI. DSHA’s own needs assessment quantifies more than 2,400 households across the State that fall into the 50% to 80% AMI band. Assuming that band is split evenly among 10% increments, the 50% to 60% band has more than 800 households that go completely un-served due to this restriction.

- This requirement says that DSHA does not trust the quality of the market study being completed with each application. Rental markets vary greatly by location. We commission market studies (per DSHA requirements and specifications) to determine the local market demand for a given property proposal. If a market analysis determines there is a market for elderly housing, why would DSHA summarily dismiss it? That would say DSHA does not trust market analyses. In that case, why does DSHA require market analyses at all?

- One of the conditions for qualifying for new construction for the elderly of requiring 50% of the units to have a rental subsidy is a requirement that will be most likely impossible to meet with no known subsidies available.

DSHA Response: Elderly needs are particularly concentrated among ELI households in Delaware – households which generally need deeper subsidies. Extremely low income affordability could also meet some of those needs. However, a priority for family properties continues in the state of Delaware, since needs are greater for family households. Elderly applicants are free to apply at family sites with appropriately sized units. Family developments are also more difficult to develop, and less likely to be met by the general market. While DSHA will continue to strive for developments targeting elderly with at least 50% subsidy for new units, this area will be more fully explored as part of the upcoming statewide housing needs assessment.

Tax Credit Allocation and Pools

- In the paragraph that establishes limits on the amount of credits that may be allocated to a single developer, the limit is applied to "consultants". If a consultant is not participating in financial guarantees, which by definition, they do not, why would DSHA apply a limit. Consultants typically consult on multiple transactions in multiple states just as market analysts, appraisers, architects and attorneys do. This restriction unfairly restricts free enterprise by limiting the amount of work a development consultant may undertake. Consultants Developments should be removed from the calculation of the 50% credit request limit.

DSHA Response: There are many times when Consultant Developers provide guarantees for non-profit applicants that they have joint ventured with, particularly for smaller non-profits who do not have capital. Consultant Developers are considered part of a development entity and in most cases share in a large portion of the Developer Fee; they are therefore, considered part of the development entity.

- The limit on any single development entity receiving more than 50% of the total annual credit allocation authority available during any allocation year does not advance the goals and intent of the policies outlined in the QAP. The highest ranking deals should be awarded regardless of their sponsor (as long as that sponsor has the wherewithal and standing to complete those deals in a timely manner). This will encourage developers to find the best development opportunities and will provide DSHA and its constituent populations with the highest quality developments.

DSHA Response: The 50% limit (for either the Development entity or per development) is based on the credit authority. DSHA's credit authority for 2013 will be approximately $2,525,000 making the 50% limit approximately $1,262,500. Development entities may still request credits for more than one project as long as the combined request does not exceed $1,262,500. However, the development rule will be $1,262,500 or the respective pool amount, whichever is less. DSHA does strive to provide allocation opportunities to all sponsors, including non-profits, and across the state as much as possible and be as equitable as possible to all stakeholders.

Per Unit Cost Limits

- In the Per Unit Cost Reduction section, DSHA establishes a point category that awards points based on the total cost of a project. This is a noble proposition, however, DSHA has oversimplified the process by creating only one cost standard based on unit size. There is one cost guideline for new construction and one for acq/rehab, however, the standard does not take into consideration unit size. A project consisting largely of one bedroom units and a project consisting largely of three bedroom projects are viewed equally. The one bedroom project will always have the advantage in this category. If you look at the 221(d)(3) limits that are being eliminated on the next page, you can see the large discrepancy in expected costs for each unit size. The 2011 221(d)(3) limit for a three bedroom units was 57.3% higher than that of a one bedroom unit. If DSHA wishes to implement a category rewarding cost savings, it must reward projects on an even basis and not build in advantages for one property type.

- The guideline does not distinguish between different geographic parts of the State. Does DSHA understands that construction and other development costs in the metropolitan areas of the State are higher than those of rural areas?

- Has any developer ever achieved points under the previous cost reduction category?

DSHA Response: As mentioned in the one comment above, DSHA recognized that construction costs due vary by geographic area, which is why we sought an alternative to the HUD 221(d)(3) limits that are based on costs in the Philadelphia metro area. In addition, the HUD limits did not breakdown development costs by type of project, location or size. DSHA wanted to balance the efficient use of scarce resources with the need to develop affordable rental housing that is durable, attractive, safe, energy efficient and sustainable.

Therefore, during 2012, DSHA examined development costs in Delaware. DSHA utilized cost certifications for general contractor and the mortgagor as a basis for replacement for the HUD limits.

We will be replacing the HUD limits with DSHA's cost limits based on the overall average that was calculated in our study for new construction projects and acquisition and rehabilitation projects. It is our hope that this cost limit is a more realistic way of looking at Delaware-specific costs. As the database develops, DSHA will be able to provide additional cost limits based on development area and additional criteria such as project size and geographical area of the state.

Additional Fair Housing and Americans With Disabilities Act (ADA) Units

- We recommend an addition and 1 point increase in the Additional Fair Housing ADA units category. Currently 10% fully accessible units are awarded 3 points; 15% are awarded 4 points and 20% are awarded 5 points. We recommend adding one more level and that is 25% fully accessible units and they be awarded 6 points. The obvious reason for this is to increase the stock of fully accessible housing in the State. With the projected increase in the aging population in Delaware, there is going to be corresponding increase in the people who have difficulty with or can no longer negotiate steps.

DSHA Response: DSHA will take this into consideration for the 2014 QAP after more research and analysis on the need for additional fully accessible units and to study if there is a need to increase the scoring requirement.

- It seems that DSHA is requiring project owners who designate their properties as special needs to accept any Section 811 funding no matter if the owner wants or the property needs the subsidy. The QAP reads "the owner/developer may be required to comply with certain applicable program restrictions [referring to the Section 811 program]". Owners should only be forced to comply with the program restrictions if the owner wishes to participate in the program. Additionally, it's unclear how DSHA plans to compel an owner to "comply with certain applicable program restrictions" unless those restrictions are made part of the original loan documents as any subsequent modifications would require owner consent (and any other lenders' consent). This section should clarify that an owner need only comply with the restrictions if it wishes to participate in the Section 811 program.

DSHA Response: DSHA made the recommended change and clarification that an owner may be requested to comply if the owner would like to participate in the program.

Promoting Balanced Housing Opportunities

- DSHA awards points to projects based on their location in Areas of Opportunity, Impacted Severely Impacted status. We agree that the policy in general may accomplish good things when locating future development; however, it penalizes existing affordable housing communities. Many affordable projects (especially subsidized projects) are located in severely impacted areas. Part of the definition of Severely Impacted is areas that have more than 25% of its housing stock as "subsidized". Because DSHA is placing a priority on preservation projects in Impacted or Areas of Opportunity, it is leaving behind many projects which are the most need of renovation, those in areas with a large number of existing projects. These projects can't just be deleted. This priority effectively says that DSHA does not want to renovate these projects. DSHA must make preservation a priority in all areas.

- How are the points awarded in an Impacted and Severely Impacted location?

DSHA Response: DSHA's policy is based on our research and designed to promote a balanced housing approach for all DSHA's housing programs. For the LIHTC program, DSHA's goal is to try to balance housing investments and encourage the creation of affordable housing opportunities within the State of Delaware in areas that contain little or no affordable housing, but which may offer economic opportunity, proximity to the workplace, additional school choices, or supportive infrastructure for DSHA programs. Because these areas tend to be highly desirable, it is very difficult to develop affordable housing because of neighborhood opposition. As a result, DSHA believes it is important to provide a strongly incentive for a developer to pursue a proposal in these areas. DSHA has clarified that points will be awarded to new creation or preservation developments located in "areas of opportunity" areas, but projects in "impacted areas" will not receive points in this category. However, projects in 'impacted areas" may receive points in other categories such as Preservation. In addition, all preservation projects compete within the same set-aside.

Sites and Neighborhood – Protecting Environmental Resources

- In the Protecting Environmental Resources section, DSHA precludes any property within 1,000 feet of a railroad from receiving these two points. First, most of the towns and cities of Delaware have historically been served by the railroad. Indeed, many of these municipalities were born and developed around its train station. Almost every town/city in the Growth Area is served by a railroad. DSHA is discouraging development near the railroad, though, historically, this has been where people wanted to live. Second, modern rail networks in Delaware are much less frequently utilized reducing any perceived environmental (sound) hazards. This restriction is unnecessarily penalizing rural cities and towns that formed around the railroads for a perceived environmental threat though train traffic is at an all time low. This restriction must be removed.

DSHA Response: **It is important that DSHA uses its programs to ensure that all households served by DSHA have the same degree of protection from environmental and health hazards and the opportunity to live in a healthy environment. In addition to hazardous material that may be carried as freight, railroads are also known for noise pollution and as well ambient air quality.**

Development Amenities

- In the Development and Unit Amenities section, many amenities used in the past have been removed in the name of cost containment. On the surface, this seems fair. However, most preservation projects already contain amenities such as security systems and community centers. Since DSHA will not give points to amenities that already exist, preservation projects are severely impacted by reducing the amenities that can receive points here. We have always disagreed with DSHA on its stance that only new amenities get points in this category. Why is the fact an amenity is new important? Under this philosophy, an existing project that already has a community center, security system and ceiling fans gets 0 points for these amenities while another project that never had them gets three points. In the end, you have the exact same amenity package; however, the latter project gets more points under the QAP. That makes no sense. If DSHA is going to vastly reduce the types of new amenities a project may include, then it must give preservation projects credit for the amenities it already brings to the table.

DSHA Response: DSHA has had this category since 2002 and has required new amenities. All Preservation applications compete within the same set-aside and are mostly existing projects that have similar existing amenities. This scoring category is to provide new incentives for making an existing preservation project more competitive with similar projects or even market rate developments.

Energy Efficiency

- With the elimination of the energy scoring category, the QAP seems to be de-emphasizing the goal of increasing energy efficiency and promoting sustainable features. Are DSHA's energy standards consistent with the new codes, 2012 IECC, and local requirements that are more stringent?

DSHA Response: **DSHA continually reviews new codes and local requirements and adjusts all standards including energy with the most current code requirements. Several of DSHA's stakeholders provided DSHA with comment and data on the cost to exceed DSHA's minimum energy and green requirements. The increase in development costs did not produce additional energy savings. Therefore, in an effort with our review of development costs, DSHA eliminated this category. However, DSHA will continue to improve our minimum energy and green requirements as applicable.**

Access to Transit

- The requirements indicate that the accessible route to a bus stop cannot expect pedestrians to traverse unsuitable roadways other than local neighborhood streets. Is having an accessible route that crosses a main street at a signaled intersection a permitted route?

DSHA Response: The definition of a main street can differ by location and may or may not be suitable as an accessible route. When a consultation is made with the Delaware Transit Corporation, the accessible route that may cross a main street will be determined at that time.

Underwriting Criteria

Environmental Phase I/Environmental Assessment

- An Environmental Site Assessment and Environmental Audit is required at the time of application submission. These reports are advanced environmental reports that should only be conducted when applicants have been chosen for financing. These reports are costly, are onerous for developers to perform and DSHA to review and only add to the complexity of the application. Any potential findings in these reports can still be dealt with after funding decisions have been made. Developers, through deferred fees and guarantees are always at risk for these sorts of findings regardless.

DSHA Response: Environmental Phase I audits or Environmental Assessments have been an application requirement since 1990. The purpose of the Environmental is to analyze the building and land for environmental issues prior to application so that all parties involved in the transaction are aware of any potential issues prior to site control, sale, transfer, or closing. All costs involved in environmental clean-up or remediation should be included in development costs and all applicants should be aware of these issues and costs prior to application.

Equity Factor

- Development Guidelines D.1., "DSHA requires that a minimum of 90 cents on the dollar of net equity be raised and contributed to the development." Though in the last year or so, we have seen equity rates in the low nineties, this trend will not continue. Many in the industry believe pricing is headed down in 2013. Given that a net 90 cent price is closer to the mid 90's once DSHA makes its exclusions, this number is unachievable.

DSHA Response: In 2012, all projects were able to achieve over 90 cents net and most achieved 1 dollar gross. If market conditions change, DSHA has the right to adjust the equity factor as needed.

- Applicable rate – what applicable rate are we supposed to use? The QAP just mentions something about the 9% rate expiring at the end of 2013.

DSHA Response: We have made a clarification in the QAP attachments, stating that the HERA 9% applicable credit rate was set to expire on December 30, 2013 for projects that did not place in service by that date. However, recently passed "fiscal cliff" legislation extended the HERA 9% credit rate to allocations made before January 1, 2014. Once this legislation becomes law, DSHA will update its underwriting and allocation guidelines. Otherwise, DSHA will underwrite and allocate all credits based on the applicable rate issued by the Treasury Department one (1) month prior to the application deadline.

- We would like DSHA's application to reflect gross equity and not net equity. We take great effort to explain this definition to our prospective and current syndicators.

DSHA Response: DSHA will take into consideration for the 2014 QAP. The new web-based application and proforma does endeavor to make the distinction.

Legal Fees

- Does the $150,000 include DSHA's attorneys? Since legal services are required for the opinions required in applications and for agreements of sale, why are legal fees associated with the application not eligible for reimbursement?

DSHA Response: Yes, the $150,000 limit does include DSHA's legal of $58,000 and other minor expenses. This limit includes all fees, travel, expenses, incidentals and other costs <u>(i.e., searches, courier, binder preparation, copy costs, etc)</u> incurred by the firm or the counsel in connection with the Development work. Charges for travel, expenses, incidentals, and other costs must appropriately itemized and/or documented. This limit includes both construction and permanent closing costs.

Opinions for various requirements for the application are allowed as part of the limit. However, if the applicant does not receive an allocation and applies again in future cycles, those prior fees expenses are not allowed. DSHA has clarified this point in the underwriting definition.

- Development Guidelines G, DSHA has introduced a new section limiting legal fees. This fee restriction limits all legal fees in a deal to $150,000. This includes DSHA's legal fees which are paid for by the development. It goes on to require attorneys to detail and itemize their charges. This requirement is unnecessary, onerous and stymies efficiency. First, the most efficient structure for legal fees in an affordable housing deal is a fixed fee. It's good for the client (and DSHA) because we know exactly what our legal costs are going to be from the beginning. Going to an hourly setup, you don't know what your legal bill will be until well after closing leaving the budget tenuous for longer than desirable. The requirement to detail and itemize precludes us from lump sum legal contracts as most attorneys will only go to the extra (and inefficient) effort of tracking activities and hours.

DSHA Response: DSHA has revised the criteria to include itemization or documentation only for incidental charges and expenses.

- We will note that currently, DSHA's attorney charges $58,000, leaving only $92,000 for borrower counsel and other lender legal costs. Not to mention the incidentals we often see on our DSHA legal bills like breakfasts and lunches served at closings for all involved. In the case where a developer is carrying out DSHA's priorities in the points category, Leveraging of non DSHA Resources, and brings in outside funding sources, there is hardly anything remaining to pay other lender legal fees.

DSHA Response: DSHA's average legal costs over the last 8 years were $148,000. This included several stimulus projects and high cost developments. DSHA looked at the last two years of projects that have closed or are under construction and the average legal costs of those 8 projects was $130,000. The average of the legal included all legal representation and incidentals for all lenders that were part of the transaction.

- An area that needs to be clarified is what "other costs" means. There are other fees incurred by attorneys such as title searches, title insurance, recording costs and courier fees. We would assume that "other costs" would exclude these since they are deal specific and based on deal size, number of programs involved and the number of lenders involved. Please clarify.

DSHA Response: DSHA has clarified other costs in the threshold section. The legal fee limit does not include title and recording costs which is a separate line item and does not have a limit. Other costs include, but are not limited to courier fees, search fees, binder preparation, copying, etc.

Cost Certifications

- The $20,000 limit on cost certifications and accounting is unrealistic. These routinely run $25,000. Perhaps consider reducing the scope.

DSHA Response: DSHA based the limit on our cost study. However, DSHA has made the recommended change and has increased the limit to $25,000.

Furniture, Fixtures and Equipment

- The $600 limit on FF&E is not appropriate. What is the basis? Different projects require different levels of equipment. Please consider eliminating this limit.

DSHA Response: DSHA based the limit on our cost study. However, DSHA has made a change and has added language that allows for higher costs if the project warrants additional costs with DSHA prior approval.

Appraisals

- The reasoning provided for the new appraisal requirement is unfounded. Please provide a valid reason why this extreme measure must be undertaken. The new policy does not consider potential discrepancies between other lender or developers' independent appraisals and the DSHA appraisal, if such discrepancies arise. If this policy is to go forward, a process for dispute resolution must be identified.
- The cost of the appraisal is being borne by the project, however, DSHA has not disclosed what the cost will be. DSHA, when mandating a fee, should be required to identify that fee rather than leaving it as blank.
- This policy conflicts with new bank requirements that require them to order the appraisal and will waste money. Coordination with lenders is not that difficult.

DSHA Response: Appraisals have been a requirement of DSHA's underwriting since 1990. However, until now DSHA has allowed the first lender to order the appraisal. DSHA does not plan to change this process at the present time. However, DSHA will continue to evaluate this policy and explore alternatives. DSHA will engage our partners on the details and process for one appraisal that will meet all of the needs of each partner in the real estate transaction. DSHA may implement an appraisal policy where DSHA will commission the appraisal for the top ranked tax credit projects requesting HDF funding in the future.

Minimum Operating Expenses

- Minimum operating expenses are set at $5,900 per unit for subsidized properties. This minimum is $1,500 higher than the minimum for non subsidized properties. In the past, we have been forced to artificially inflate actual operating expenses to meet this minimum. This minimum is too high and does not encourage management companies to find ways to cut operating expenses. Please provide justification for these operating expense requirements.

DSHA Response: DSHA needs to assess the reasonableness of all development and operating costs in evaluating the financial feasibility of tax credit properties. Inaccurate projection of operating expenses at underwriting, for example, by failing to consider historic experience in trending forward expenses compared to income, is a significant cause of financial underperformance of multifamily rental properties. Comparing a property's projected operating costs against actual expenses of comparable properties is an effective way for DSHA to judge the adequacy of the property's operating budget.

DSHA has established and maintains a database of actual operating costs (MITAS). A database of actual operating costs of tax credit developments is a useful way to access and analyze comparative property operating cost data. The minimum operating costs threshold is based on actual tax credit projects in Delaware (non-subsidized and subsidized) that report monthly into DSHA's MITAS database as well as the audited operating costs. DSHA has found that subsidized projects tend to have larger operating costs than non-subsidized projects. DSHA reviewed the most recent audited operating cost data and has updated the threshold criteria based on actual data from the current portfolio under DSHA.

Bidding Protocol – General Contractor's Options

- Bidding Protocol – for Option 1, why would the GC be expected to need a lower percentage of general requirements? These are costs associated with running the construction. The percentages for general requirements for Option 1 and Option 2 should be the same.

DSHA Response: DSHA changed the requirement for mandatory bidding and provided an option for Developers who were also General Contractors to allow for less bidding requirements in return for savings (in general requirements and profit and overhead) as a way to balancing the approach of the development community and the cost savings to the development. Each Developer will have to decide which option is best for its application.

- General Requirements – the limits on different line items in the general requirements budget should be eliminated. This requires unnecessary paperwork, is over regulation and different contractors ability to effectively manage costs.

DSHA Response: DSHA will take into consideration for the 2014 QAP after more research and analysis.

DSHA's Minimum Construction Standards

- Flooring – why only VCT in entries, bathrooms dining areas and kitchen? What about other materials that work better? - Ceramic tile, vinyl plank etc…

DSHA Response: DSHA will allow other flooring recommendations with prior approval of DSHA.

HDF Supplement

- DSHA requires tax credit developments utilizing HDF funds to have 20% of its units reserved for residents at 50% AMI and 80% of its units reserved for residents at 60% AMI. That bullet goes on to say "developments targeting lower income tenant incomes, other than described above, must provide financing from other sources."

  DSHA Response: DSHA made the recommended change. DSHA has removed this area from the HDF supplement and will utilize the balanced income targeting category in the QAP for this section.

- On page 11 under Note 2, DSHA dictates that "equity raised from the syndication of Tax Credits may not be used to target lower income households in the development's financing structure". In essence, DSHA is only allowing its own funds (which DSHA consider TC equity to be its funds) to make 20% of a projects units affordable to lower income families, though DSHA's own needs assessment demonstrates a dire need for housing in these income bands.

DSHA Response: DSHA does allow equity to be used for targeting lower income households, if the applicant has chosen to provide an Extremely Low Income Reserve under the QAP. Other equity raised should be used for other project costs.

- DSHA, when a project can be made feasible, should allow a project to serve more than 20% of its units for lower income persons.

DSHA Response: DSHA made the recommended change.