

## 2014 Multifamily Finance Application Questions and Answers

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**Following are questions received by KHC for the  
2014 funding round and KHC's responses:**

	QUESTION	ANSWER
1.	I have applied in a previous funding round, but cannot remember my password for the online application system. Can you retrieve the password for me?	<i>KHC cannot retrieve your password. However, if you know your user ID, you may request KHC to reset the password so that you can create a new one. If you cannot remember the user ID or password, you will have to create a new account.</i>
2.	What points under Section B: Project Design, 6-C would a currently vacant property that was once intended to be used as a halfway house (single-room occupancy), but never used for that purpose qualify for? The current intent is to rehab the current structure and construct another building on the same property. The project would consist of both rehab and new construction.	<i>Since the project is new construction and the rehabilitation of a vacant structure, the points you would be eligible for under Project Design 6-C would depend on the number of units created in the vacant structure. If the number of units created in the vacant structure, after the rehabilitation, was more than 50 percent of the total number of rehab and new construction units combined, ten points would be awarded. If it were less than 50 percent, only five points would be awarded.</i>
3.	In Section B: Project Design, 6-C does a property have to be <b>both</b> vacant and foreclosed or bank-owned?	<i>A property does not have to be both vacant and foreclosed or bank-owned.  To be considered for points in this category the property must be vacant <b>or</b> foreclosed <b>or</b> bank-owned.</i>
4.	In regard to "vacant property," does that also include vacant land, or must it be an existing structure?	<i>To be eligible for points, the property in question must be a vacant structure that is being converted into affordable rental housing.</i>
5.	If there are two <u>separate</u> RD projects in the same county, can they be combined and submitted as one scattered site project in this application round?	<i>Yes, the two RD projects could be combined and submitted under one application. Before doing this, you should contact RD for their approval to combine the two projects into one project.</i>
6.	Please clarify when a consultant and/or application preparer and the management company would be included as part of the development team when calculating the credit cap.  Can a member of the development team as defined by the QAP put in more than two applications per pool?	<i>If you will receive less than 25 percent of the developer fee as a consultant and/or application preparer and/or management company, you will not be limited to two applications per pool and the credit cap will not apply.</i>

7.	<p><b>Scenario: the developer applies beginning of August to FHLB and uses a soft letter from the FHLB in the September application to KHC.</b></p> <p><b>The Funding Commitments section of the score sheet says “KHC will accept evidence of an application for non-KHC funds along with a written guarantee from the developer that if they are not awarded the funds for which they applied, the developer will contribute the amount of funds for this ....” On the next page (Leveraged Funds), it says: “Non-KHC resources include all sources of funding in the proposal except LIHTC equity or deferred developer fee.” The two sections are somewhat connected.</b></p>	<p><i>You can get full points for your application to FHLB funds only if you either provide a guarantee, or if you were awarded the funds from the FHLB prior to December (if so, you will need to send to KHC a copy of your award letter). If you are not awarded, you would still get the points through your guarantee. If no guarantee is provided and you did not receive an award, the associated points will not be given, and the project will have an unfunded gap. If you provide the guarantee, you will also need to provide evidence that there are sufficient funds available to cover the guarantee.</i></p>
8.	<p><b>Results will be announced by the FHLB in November before KHC announces its funding decisions. If the developer is successful with the FHLB application and assuming the other funding commitments were solid, would the developer get the full 20 points in Funding Commitments, or would they only get 15 because at time of application to KHC, the FHLB letter was only a soft letter?</b></p>	<p><i>If you submitted a guarantee for the amount of funds you have applied for, or if you provide proof of the FHLB award to KHC by December 1, 2013, you would receive full points, as long as your other commitments are firm.</i></p>
9.	<p><b>What happens if the FHLB application is not approved? In the Funding Commitments section, we may be able to protect our points by offering a written guarantee from the developer to come up with the money. But if we use a commitment of developer funds to backstop a soft FHLB letter would that constitute “deferred developer fee” and lose all 20 points in the leveraging section?</b></p>	<p><i>The commitment from the developer to provide a guarantee (most likely in the form of a developer cash flow note or cash contribution) would not count against you in the leveraging section. A permanent cash injection in the form of developer fee would count as leverage.</i></p>
10.	<p><b>KHC is underwriting Housing Credit projects at the applicable credit factor in effect the month prior to application submission. Does this apply to both 9 percent and 4 percent credits?</b></p>	<p><i>No, KHC will only underwrite 9 percent credits at the floating rate. Acquisition credits (4 percent) will be underwritten at 4 percent since the gap between the actual floating rate and the 4 percent rate is minimal.</i></p>

11.	<p>If the FHLB application is not funded and the developer guarantee is activated, please confirm whether KHC will allow the developer to come up with the money wherever they can, such as a subsequent FHLB commitment from Cincinnati or elsewhere.</p>	<p><i>KHC would not prohibit developers from seeking additional resources to bring to the deal after it is awarded funding. However, the score sheet under Financial Design – Leverage Funds, at the bottom of the category does have a restriction requiring a contribution to the project from any member of the development team to be in writing, guaranteed by the contributor, and cannot be reduced after the conditional commitment of KHC’s resources have been awarded. This requirement was intended to keep the associated leveraged points from being changed after KHC awards a project.</i></p> <p><i>If you were able to provide an alternative affordable housing resource that would replace a contribution from a development team member and the leveraged funds scoring would not change, KHC would allow it.</i></p> <p><i>KHC imposed deadlines will still apply.</i></p>
12.	<p>The QAP limits applicants to submitting no more than two projects per pool. Does this apply to the overall pool levels (Nonprofit, Urban, Rural, or Community Impact) or at the sub-pool level (new construction/ rehab)?</p>	<p><i>This applies to the overall pool levels. For example, a developer can only submit two separate applications within the Urban pool; one can be for new construction and one for rehabilitation.</i></p>
13.	<p>Are we required to submit a PCNA for adaptive reuse or rehab projects that do not utilize any KHC financing other than Housing Credits?</p>	<p><i>All rehabilitation projects consisting of 12 or more units and total KHC funding of \$250,000 or more will be required to submit a PCNA as an attachment to the application. All applications requesting Housing Credits for rehabilitation and adaptive reuse will be required to submit a PCNA, regardless of project size.</i></p>
14.	<p>Are we allowed to submit plans from an architect who is not licensed in the state of Kentucky?</p>	<p><i>At <b>Application</b>, the plans submitted do not have to be from an architect licensed in Kentucky, but the <b>final plans must</b> be stamped by an architect licensed in the state of Kentucky.</i></p>
15.	<p>Please clarify the amount of HOME available to projects also requesting Housing Credits.</p>	<p><i>The maximum amount of HOME and AHTF that can be requested by a project also requesting Housing Credits is the \$35,000 per unit or \$500,000 of HOME and AHTF combined, whichever is less. Furthermore, the maximum allocation of AHTF per project cannot exceed \$300,000.</i></p>

16.	<p><b>The QAP says announcements will be made December 2013 – January 2014. With this in mind, how long should any contract or option submitted for site control extend out?</b></p>	<p><i>Purchase contracts or Options to Purchase should have an expiration date which extends at least through the end of January. If your project receives a funding award, both the Purchase Contract and Option to Purchase may need to be extended to ensure site control is maintained through the closing of the equity and/or loan(s). If requesting HOME funds, the option will need to be extended so that the Environmental Review can be completed. Land acquisition cannot occur until after the Environmental Review is complete.</i></p> <p><i>(See Chapter 1, page 33, item A3-15 of the Multifamily Guidelines).</i></p>
17.	<p><b>For Housing Credit applications that also request HOME funds, what will happen if the project scores high enough to be funded, and the available HOME funds have been exhausted, but there are still available credits to award?</b></p>	<p><i>If the developer submits a proposed back-up plan for the HOME funds, (example: proposing deferring a portion of their developer fee in place of the HOME funds) and the project is still financially feasible with that plan in place, KHC would allocate the credits to the project. If the project is not financially feasible without the HOME funds and a back-up plan was not presented, then the next financially feasible project in line would be funded instead.</i></p> <p><i><u>Please note:</u> If the deferred developer fee is submitted as the back-up plan, KHC would allow developers to find another funding source for the project in place of the deferred developer fee. KHC imposed deadlines will still apply.</i></p>
18.	<p><b>The Notice of Application for Funding has been submitted to the Legislative Office, within 30 days of application submission, and there is a change to the funding and/or unit number. Do you have to resubmit this form to the Legislative Office?</b></p>	<p><i>If there has been a drastic change to the project, KHC would require the developer to resubmit the form to the Legislative Office (which includes the local elected official – mayor, county judge, and the local state representative and state senator) and have it returned to KHC by application submission.</i></p>
19.	<p><b>Can a tax-exempt bond project count as experience, if it was developed in the past seven years and had over ten units?</b></p>	<p><i>Yes a tax-exempt bond project with KHC will count toward developer experience if it was placed-in-service within the past seven years and had ten units or more.</i></p>
20.	<p><b>With respect to the appraisal requirements for a Housing Credit-only project, with acquisition credit, there is a conflict pertaining to the QAP and the guidelines. Which is correct – does KHC require the appraisal to be performed by a KHC Approved Appraiser and follow the KHC appraisal requirements OR can the appraisal be from any certified appraiser?</b></p>	<p><i>KHC requires an appraisal that supports the building basis for purposes of determining the proper amount of Housing Credit reserved. The appraisal must at a minimum provide an “as is” market value of the building and a separate site value for the land. The appraisal does not have to meet KHC’s appraisal standards or to be from an approved appraiser.</i></p> <p><i><u>Please note:</u> Appraisals are due with Technical Submission, not at application.</i></p>

21.	<p><b>To receive the workforce investment plan points, do the three workers have to be full-time permanent with the construction company, or can they be full-time jobs created in the community?</b></p>	<p><i>The developer will be required to submit a workforce investment plan that has been approved by a Kentucky one-stop career center. If the approved plan reflects that the developer will hire <b>at least three</b> workers who have completed a workforce program, the developer would get the associated points.</i></p> <p><i>KHC will not allocate points for a lower number of persons hired.</i></p>
22.	<p><b>What would happen to a project if at application the firm commitments were awarded points and at tech sub the firm commitments changed to different entities?</b></p>	<p><i>A change that substantially alters the projects financial design from what was submitted at application will be reviewed and possibly require approval of the credit committee. KHC reserves the right to adjust the KHC resources awarded based on changes to the financial structure. If the developer is unable to fulfill the commitments provided, they will be subject to recapture of the Housing Credit and negative scoring implications will result.</i></p>
23.	<p><b>Please provide the definition as it relates to supportive housing? Is it 80% of households 55 and older or 100% of households at 62 and older?</b></p>	<p><i>To qualify as elderly supportive housing, all of the units designated as supportive housing (at least 50% or more of the total project units) must serve persons 62 years of age and older. This is consistent with HUD's definition of elderly in their 202 supportive housing program.</i></p>
24.	<p><b>On the score sheet pertaining to the workforce investment plan, does this plan have to be approved prior to the application submission date (9/3/13) or can it be approved during KHC's review period?</b></p>	<p><i>KHC will extend the deadline for receiving evidence that the workforce investment plan has been approved by the appropriate Kentucky one-stop career center until Monday, October 4, 2013. Developers must submit a copy of the workforce investment plan that is being submitted to the Kentucky one-stop career center for approval with their application. Additionally, the developer will be required to provide at application the appropriate contact information for the Kentucky one-stop career center to KHC. The Kentucky one-stop career center approvals submitted after September 3, 2013, must be sent to Andrew Hawes at <a href="mailto:ahawes@kyhousing.org">ahawes@kyhousing.org</a> on or before October 4, 2013, to be considered for scoring.</i></p>
25.	<p><b>The application for State Historic Tax Credits is not until April 2014. Because of the way the credits are awarded, there isn't any way to determine the amount of credit that will actually be awarded. Can we use an estimate of the amount of credit we will receive as a Source?</b></p>	<p><i>Because the amount of state historic credit is unknown, we recommend that you secure another source of funds to submit your project. If your project is selected for funding, you could then replace the funding source with whatever amount of state historic tax credit you receive. You would not show the historic credit funds on the application.</i></p>

<p>26.</p>	<p><b>On the Out-of-State Developer and Management Certifications, are you looking for a certain time frame for the projects to be awarded/placed-in-service, i.e., the past five years?</b></p>	<p><i>The certification should include all properties in which the developer owns or operates financed with the LIHTC program or which are being managed by the management company for all states (except KY).</i></p> <p><i>KHC will consider issues identified by the state HFA that have occurred within the most recent 3 years. KHC reserves the right to consider issues which have occurred prior to the 3 year look back period based on the severity of the issues identified. <b>(Score Sheet, A. Development Team)</b></i></p> <p><i>KHC will evaluate each state's response and may contact a state HFA, developer or management company directly to obtain additional information or clarification regarding its activities in another state.</i></p> <p><i>KHC may, at its sole discretion, reduce a development team's capacity score for poor performance in another state's multifamily programs. <b>(QAP, Page 16, Out-of-State Development Verification)</b></i></p> <p><i>KHC reserves the right to modify initial capacity team scores provided if KHC receives information after the issuance of the preliminary capacity score that would result in a lower score as determined by KHC at its sole discretion. Applicants will be given 1 week to review a modified capacity score and submit a written appeal. <b>(QAP, Page 18, Capacity Review Time Frame and Response Period 2014)</b></i></p> <p><i>If a response is not received from the HFA by the application submission date, KHC will notify the developer and contact the HFA by phone or email to obtain the requisite information on the properties identified for scoring purposes.</i></p>
<p>27.</p>	<p><b>How will the points for DCR be scored on RD projects? Are they required to meet the minimum DCR in year one and remain positive through year 15?</b></p>	<p><i>Projects with RD funds will be required to meet the minimum DCR for year one. If the year one DCR is met, but the project goes negative prior to year fifteen, because RD regularly reviews a project's operating budget and will adjust the operating subsidy, an explanation regarding how the negative cash flow will be addressed must be provided in order to receive points in this category.</i></p>

28.	<b>Because you are now requiring that notifications of application be sent to state officials as well as the highest elected local government official, do you want the notification to be sent to both the mayor and the judge executive?</b>	<i>You do not have to send the notification to <u>both</u> the mayor and judge executive. It only needs to be sent to the local official who would have jurisdiction over the area where the project is located. i.e., mayor if located in the city or judge executive if it's located in the county.</i>
29.	<b>In the scoring under No. 5, Preservation of Existing Affordable Housing and No. 6, Creation of Units in Underserved Counties or Conversion of Unit from Vacant, Foreclosed or Bank Owned Properties; if a project which did have housing credits and is past the initial 15 year compliance period and is also vacant, can points be received in 5a. and 6a. or in 5a. and 6c?</b>	<i>Projects will not be awarded points in both 5 and 6. The intent was to equitably distribute points between new construction and rehabilitation projects. In order to qualify for points in 5a, the project must be currently occupied and in service. Points will be awarded in 6a, 6b and 6c for new construction or adaptive reuse projects where <u>new</u> affordable housing units will be created.</i>
30.	<b>Scoring item No. 8d says that to receive points a workforce development plan that has been approved by a local workforce investment board resulting in the employment of at least 3 individuals. What documentation will you require if there is not a workforce investment board in the area the project will be located?</b>	<i>If approval from a workforce investment board cannot be obtained, KHC will accept either a letter of support from a local job training center or regional member organization that provides job training. The letter must state that they will refer qualified students to you for employment. Personnel may be provided on a rotating basis. An example of this would be internships. The training center must provide a letter certifying the number of trainees provided. This certification letter will be required at project completion.</i>
31.	<b>How will you score the leverage points if the project will consist of the both new construction and rehabilitation?</b>	<i>Leverage points will be awarded based on the predominant unit type of the project.</i>
32.	<b>As a new developer, if my project is funded, how long will I have to wait before I will be able to apply in subsequent funding rounds?</b>	<i>According to the QAP, the initial project must be placed-in-service before you can submit another housing credit application. This does not preclude you from submitting an application for a tax-exempt bond application.</i>
33.	<b>If I will be requesting HOME funds in my application, what guideform notices are required if a building is vacant?</b>	<i>The Guideform Notice Disclosure to Seller with Voluntary, Arm's Length Purchase Offer must be provided to the seller. If there are no current tenants, then notices to the tenants are not required. Please note that you will still need to have a relocation plan in place in the event an unknown tenant is discovered or unanticipated relocation is required.</i>

34.	<b>What documentation is required to certify that a structure is vacant? Is there specific wording that is required in the certification?</b>	<i>There is no specific wording required for the certification. The certification should be a statement from the current owner certifying they are the owner and that the property is currently vacant. The statement should identify the property address and how long it has been vacant. If the vacant property is city owned and is considered a blight on the neighborhood, a letter or statement to that affect would be beneficial.</i>
35.	<b>If the proposed project will be combining two separate housing credit projects into one larger project, how would the preservation of affordable housing points be scored?</b>	<i>In this scenario, the preservation of affordable housing points will be based on the property that has the least number of years past the 15 year compliance period.  Example:  Project A is 10 years past its initial 15-year affordability period and Project B is 4 years past its initial 15-year affordability period. Four points would be awarded.</i>
36.	<b>What per unit amount do I use if my project is <u>not</u> located in a QCT or DDA, but will need to request the 130% boost?</b>	<i>Because of limited availability of gap financing, if your project is not located in a QCT or DDA, you may still request the 130% boost. To do this, in the underwriting model, you will show the 130% high cost adjustment on the sources &amp; uses page and will also input the higher per unit amount in the housing credit per unit test section on the housing credit page.</i>
37.	<b>What documentation do you need to prove that a KY-based business employs individuals who pay KY state income tax?</b>	<i>It is assumed that employees of a KY-based business will pay KY state income tax, so there isn't any additional information needed other than proof a company is a KY-based business.</i>
38.	<b>KY-based businesses are required to make a meaningful contribution to the project to be able to qualify for points. What does KHC consider meaningful?</b>	<i>A meaningful contribution would be a contract of at least \$1,000 or more.</i>
39.	<b>To receive points in the KY-based business section of the scoring, are we required to have 5 KY-based businesses?</b>	<i>No, one point will be awarded for each KY-based business up to a total of 5 points.</i>
40.	<b>What number of hours and minimum pay would be required for the 3 persons hired through a workforce investment program in order to meet the requirements of this scoring component?</b>	<i>KHC did not define this. You will have to meet the hours and minimum pay the workforce investment program requires.</i>

41.	<b>What happens if an employee hired through the workforce investment is terminated for cause?</b>	<i>This is not defined by KHC. You will need to meet the requirement of the workforce investment program.</i>
42.	<b>If a workforce investment employee was hired prior to the announcement of the funding awards, would that employee count toward the required 3 workforce investment employees?</b>	<i>No, that employee would not count toward the required 3 employees. The qualifiers for these points are: 1. They are hired through a workforce investment program, and 2. They are hired for this funded project.</i>
43.	<b>What documentation will be required for a developer to submit as proof a project has met the workforce investment hired employees benchmark?</b>	<i>You will need to have a letter from the Workforce Investment Board affiliate who has recommended the employees who were hired. A copy of this letter will be required as part of the project completion documentation submission.</i>
44.	<b>Can you clarify what is meant by preference in the Notification to Public Housing Agency? Are project owners required to give preference to persons on the PHA's waiting list over the people who are on the property's waiting list?</b>	<i>It was not our intent that project vacancies should be offered to persons on a PHA's waiting list over persons on the property's existing waiting list. Therefore the requirement is only that you notify the PHA of project vacancies and will give priority to persons on the PHA's waiting list IF no qualifying person is on the property's existing waiting list, before advertising the vacancy to the general public.</i>
45.	<b>We have already mailed our Notification of Application for Funding forms to the appropriate local officials. What does KHC consider to be a "drastic change" that would require the forms to be re-sent?</b>	<i>A drastic change is considered an increase in development cost of 10% or a change in the overall size of a project, i.e. number of units, or a change in the scope or location of the project.</i>