WHEDA

Date: November 25, 2014

To: 2015 LIHTC Applicants

From: Commercial Lending Group

Re: Announcement Regarding the 2015 LIHTC Program

This memo provides updated guidance for applicants on the 2015 LIHTC Program regarding the 9% LIHTC percentage, WHEDA's HFA Basis boost policy and other frequently asked questions:

- The 2015 online application (LOLA) will be available December 1, 2014. Complete applications can be submitted to WHEDA between January 16th and 5PM (CST) January 30, 2015. A sample 2015 application can be found on WHEDA.com.

- Competitive Credit applicants should use the floating credit rate listed for January when preparing 2015 applications.

- WHEDA's 2015 HFA Basis Boost policy shall be:
  Section 9.a. of the 2015-2016 Qualified Allocation Plan (QAP) refers to an annual publication of WHEDA's HFA basis boost policy. For 2015 a Competitive Credit applicant may select a HFA basis boost of up to 30% of eligible basis for new construction or rehabilitation costs in order to make their project financially feasible.

- See attached for other frequently asked questions regarding the 2015 LIHTC program.

Questions may be directed to a WHEDA Commercial Lending Officer.

WHEDA
2015 LIHTC Program
Frequently Asked Questions
Revised January 2015

Q: What should applicants use for credit pricing assumptions in their 2015 applications?

A: Any value between 87 cents and 93 cents.

Q: What should applicants use for permanent loan terms/rate in their 2015 LIHTC application?

A: Use WHEDA's then-published Permanent Financing for 9% LIHTC Projects with 35-year term & amortization. However, an applicant may use other more aggressive terms (lower interest rate, longer amortization etc.) if a term-specific, executed financing commitment accompanies the application.

Q: What should applicants use for tax credit percentage rate(s)?

A: Both the 4% and 9% rates are floating, therefore applicants should use the published January 2015 rates.

Q: Scoring - Category 5, Serves Large Families: Will historical adaptive reuse projects be exempt from the ground floor private entrance requirement?

A: No. All new construction and adaptive reuse projects must meet this requirement to score points in Category 5.

Q: Scoring - Category 6, Serves Lowest-Income Residents: Can a development score more than 70 points without the 10 point bonus (10% or more 30% CMI units) in the "Serves Lowest-Income Residents" category?

A: No. The 10 point bonus is meant to be separate and distinct from the 70 point calculation. The only way to score more than 70 is by meeting the 10 point bonus criteria.

Q: Scoring - Category 6, Serves Lowest-Income Residents: If I score points in Category 7, Integrated Supportive Housing will you allow all of the units at the project covered by a voucher or rental subsidy as a 50% unit?

A: No. Only vouchers or rental subsidies on units that are targeted for a supportive housing will be counted as a 50% unit for the point calculation in Category 6.

Q: Scoring – Category 7, Integrated Supportive Housing: When should I work with WI DHS to get my Appendix S approved?

A: Please contact WI DHS as soon as possible, however; they will only review applications submitted between November 1, 2014 and January 15, 2015.

Q: Scoring – Category 15, Readiness to Proceed: What is meant by a conditional use permit, to what level do I need approval?

A: As stated in the scoring category, final plan & design approvals are not required for points to be awarded. If you are unclear if current zoning permits your proposed development, contact the local zoning department to explore their definition of “conditional use permit” as every municipality has a different definition or uses a different term. In summary WHEDA has to have a level of comfort that the current zoning in place will allow your specific multifamily use with the specific number of units to be built without additional approvals required (besides final plan & design approvals). You can also call any Commercial Loan Officer at WHEDA to obtain further clarification.

Q: Scoring - Category 17, Employment Centers and High Need Areas: Can an elderly project score points in this category?

A: Yes, all projects except those that apply in the Preservation Set-Aside are allowed to score points in this category.

Q: Scoring - General: Some categories refer to distances. How does WHEDA define the start point and measure the distance?

A: Applicants may use any outside boundary of the site(s) as the starting point. The distance is measured “as the crow flies” - not driving or walking distance.

Q: Scoring - Employment Centers/High Need Areas. My application might have scattered sites. How do I score in this Employment Center or High Needs category?

A: At least 2/3 of the sites must meet the scoring criteria in order to qualify for points.

Q: Scoring - Employment Centers. Will WHEDA accept anything else (in lieu of actual letters from employers) to document proximity of jobs?

A: No. WHEDA will not accept anything other than an employer support letter, with all its required components.   If the employer is neutral to the project, or is not willing to support it with the required letter, no points will be awarded. [Note: points can be awarded if the project site is in one of the census tracts listed in Appendix R.]

Q: Can I apply as a <u>developer</u> with more than three <u>applications</u>?

A: Yes.   The limit is imposed on awards, not applications. An applicant would need to withdraw one application if their three applications all scored high enough. WHEDA will contact the applicant if this occurs.

Q: The QAP limits developers to only two awards, but allows a third award if the developer acts as a co-developer. Is it OK to be a developer on one application, and co-developer on two?

A: Yes

Q: Can I be a co-developer on three applications?

A: Yes.

Q: Can I be a co-developer on more than three applications?

A: No. WHEDA suggests co-developers refrain from participating in more than three applications. The Primary Applicant would need to withdraw an application (or drop the co-developer) if the co-developer participates in more than three applications that score high enough to qualify for an award.

Q: I am a large well established for-profit developer. Can I be the Developer under the Non-Profit Set-Aside, if I have a smaller not-for-profit co-developer?

A: No. Under Non-Profit Set-Aside, the QAP states: "*The non-profit must be named as the "Primary Applicant/Developer" and must be a "qualified nonprofit organization" as defined in Section 42".*

Q: Besides my own business considerations, what should I keep in mind regarding my decision to be the Primary Developer, the co-developer, or a consultant?

A: There are too many variables in this decision to be fully discussed here. But here are a few factors that are outlined in the 2013 QAP and the LIHTC application which might be helpful to applicants:

Primary Developer: Limited to two awards, except a third is allowed if acts as a co-developer. Developer scoring will done based on scores of the Primary Developer and the Co-Developer (if any). WHEDA will use the higher of the following: 1) The Primary Developer individually or 2) the average scores of the Primary Developer and Co-Developer.

Co-Developer: Three applications maximum. Developer scoring will done based on scores of the Primary Developer and the Co-Developer (if any). WHEDA will use the higher of the following: 1) The Primary Developer individually or 2) the average scores of the Primary Developer and Co-Developer.
A co-developer is expected to own an interest in the controlling entity (managing member or general partner) for the project, materially participate in the development of the project, and make financial guarantees to the investor. A Co-Developer must sign the application.

Consultant: There is no limitation on number of consulting roles. A strong and experienced consultant may help increase a Primary Developer's Development Team score, but typically only in the "Ability to Bring Strong Players together" sub-category. A consultant is typically not expected to provide guarantees nor own an interest in the controlling entity.   A consultant does not need to sign the application.

Q. In Category 12, Ownership Characteristics, what is WHEDA expectation in regards to the statement, "The Tax Exempt Organization must have at least 51% stake in all aspects of the development including but not limited to ownership."?

A. WHEDA expects that the Tax Exempt Organization will have at least 51% ownership of the Managing Member LLC and significantly participate in the project from the development stage throughout the 15 year compliance period. The MOU must reflect that the Tax Exempt Organization will have significant participation including but not limited to voting rights and cash flow. The MOU must also reflect 51% ownership of the general partner, but does not necessarily need to reflect the Tax Exempt Organization having 51% rights to cash flow, development fee, or other financial aspects of the project. However, WHEDA has the expectation that the Tax Exempt Organization will be appropriately compensated for their direct involvement or costs associated with the project.