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## Spring 2019 Competitive Funding Round FAQs

**As of April 9, 2019**

### **NEW**

**Question:** Are there any particular requirements for the market study for a 9% LIHTC project seeking "twinning" consideration?

**Answer:** As outlined in Section 3.12 of the Guide, the market study for a 9% LIHTC project must include "competitive properties that may come on line at the same time as the subject property". Since the 4% LIHTC project associated with the 9% LIHTC project will be coming on line at the same time, the market study must include the 4% LIHTC project in its analysis.

**Question:** Can I receive a waiver for the Energy Star certification requirements in Section 3.13.3 if my project is a gut rehabilitation project?

**Answer:** Waivers may be requested for gut rehabilitation projects for the following elements of the Energy Star Certification:

- The requirement for installing slab insulation may be waived for projects with slab on grade foundations; and
- The requirement for continuous exterior insulation may be waived where exterior framed walls are concealed by existing brick veneer.

All other requirements of the Energy Star program shall remain in force. If a waiver is granted, upon project completion, the energy consultant must provide a letter and energy modeling reports to the owner for submission to DHCD attesting that, with the exception of the waived items, the project has fulfilled all requirements of the Energy Star Certified Homes v3.1 program, both prescriptive and performance-based.

**Question:** The visitability language in Section 3.13.3 requires projects to meet visitability standards for 25% of its units AND incorporate universal design features in its units and common areas. Does it mean 25% for both visitability and universal design or 25% visitability and 100% universal design?

**Answer:** All new construction projects must meet both the visitability standards and incorporate universal design features for 25% of the units.



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## As of March 26, 2019

### General

Question: What resources are available in the 2019 Competitive Funding Round?

Answer: LIHTCs and other resources available during the 2019 competitive round include:

- LIHTCs: (approximately) \$15 million, which represents about one year's allocation of 9% LIHTC for the State of Maryland. LIHTCs awarded in the 2019 competitive funding round will be forward-reserved from the 2020 and 2021 allocations.
- Rental Housing Financing Program (RHFPs): (approximately) \$15 million, which represents one fiscal year's appropriation from the State of the Maryland.

Housing Trust Fund (HTF) and HOME projects will be selected by the Department for funding consideration, subject to availability of funds.

### General: "Twinning"

Question: If I have a "twinning" project do I need to submit full applications for both the 4% and 9% projects?

Answer: The 9% LIHTC project needs to submit a full application. For the 4% LIHTC project, we require CDA Form 202 and architectural schematics. Also, we require a separate CDA Form 202 combining the 9% LIHTC and the 4% LIHTC projects. No other information is required at this time for the 4% LIHTC, although a full application for the 4% LIHTC project will be required at a later date in the event the 9% LIHTC project receives an award.

Remember, in order to be considered a "twinning" project in the Spring 2019 Competitive Funding Round, projects must have a common plan of development, include a minimum of 150 units, and demonstrate a need for at least \$5 million in MBP financing.

Question: When does the MBP/4% LIHTC project application need to be submitted?

Answer: If the 9% LIHTC project receives an award, DHCD staff will coordinate with the sponsoring entity to establish a timetable for submission of a full application for the 4% LIHTC project.

Question: Are the points for Developer Financial Capacity calculated from just the 9% LIHTC project for the combined 9% LIHTC and MBP/4% LIHTC projects?

Answer: Financial Capacity scoring for the 9% LIHTC project will be based on an analysis of the financial statements of the sponsor in relation to the costs of the 9% LIHTC project only.

Question: Do the 9% LIHTC and MBP/4% LIHTC projects need to be separate buildings?



Answer: No, the projects do not need to be separate buildings, but separate buildings are allowed. If the projects are both in one building, “checker boarding” of units within the building will not be permitted. You have the option of a horizontal or vertical split. For example, in a horizontal split you might have the 9% LIHTC units on the east side of the building and the MBP/4% LIHTC units in the west side with a firewall separating the two. In a vertical split you might have the 9% LIHTC units on the first 3 floors and the MBP/4% LIHTC on the 4-6<sup>th</sup> floors with separate elevators. Any common areas should have cross-use agreements and the two projects should look and run the same.

### **Submission Requirement: Electronic MIS Submission Timing**

Question: When do I need to enter data on my project into the Multifamily Information System (MIS), DHCD's online application?

Answer: Applicants should work to complete entry of their projects in MIS by May 8, 2019. That said, DHCD will continue to accept entry into MIS up through May 22, 2019.

### **Threshold/Competitive Scoring: §3.4 and §4.4.4 Tenant Services**

Comment: Do I have to achieve CORES designation to get full points?

Answer: No, you have two options to earn full points in this category – the “Classic” path and the “Certification” path; at the moment the CORES certification is the only DHCD-approved certification that will be accepted for points in this category.

The Classic path is essentially the same approach that DHCD has used to score Tenant Services in the past. We have intentionally added the Certification path as an alternative approach, and not as a replacement approach. Since the Certification path is a new undertaking, DHCD fully expects to work closely with awardees who receive points under this approach during the course of the underwriting and construction process to ensure it is successful. Keep in mind that Certification path is at the organizational level. To score full points you must certify in your application that you or a contracted service provider will achieve CORES designation by final closing. Once achieved, the CORES designation is valid for 5 years and applies to your entire portfolio.

Question: What happens if I certify that I will achieve CORES (or any comparable) designation by final closing and I am unable to do so?

Answer: As noted above, DHCD will work closely with awardees who receive points under the Certification path throughout the process up to final closing. In the event that Certification cannot be achieved despite the awardees best efforts, DHCD will work with the awardee to replace the Certification with a tenant services plan that meets the requirements of the Classic path prior to final closing.



### **Threshold: §3.5.2 Family Housing Developments – Units for Persons with Disabilities**

Question: If UFAS units in my project will receive project-based rental assistance from a local PHA and I am required to ensure the unit is occupied by residents referred by the local PHA, do I still have to send notice of availability to and accept referrals from the Maryland Department of Disabilities (MDOD) and the Maryland Department of Health (MDH)?

Answer: Under Section 3.5.2, UFAS units must be reserved for PWD households for a period of not less than sixty (60) calendar days both at initial lease-up and upon turnover. In addition to other marketing or referrals for the units, the Developer must agree to provide notice of unit availability to and accept referrals from MDOD and MDH. If the Developer received project-based rental assistance from a local PHA and is required to fill those units by referrals from the local PHA then those units would not be considered available to be filled by referrals from MDOD and MDH.

### **Competitive Scoring: §4.4.5 Policy Incentives**

Question: How are the Twinning points awarded?

Answer: Three (3) points will be awarded to the three (3) highest scoring “twinning” projects based on the scoring criteria in Chapter 4 of the Guide. Once all “twinning” projects are scored, then the points will be awarded to the three (3) projects that score the highest. For example, if Projects A scored 197, Project B scored 189, Project C scored 185, and Project D scored 192, then Projects A, B, and D would receive the “twinning” points regardless of whether or not their scores are above the cut-off line.

Comment: Does “raze and rebuild” qualify for Preservation points??

Answer: For the purpose of qualifying projects for scoring under this category, rehabilitation means repair of or alterations to an existing building, or buildings, where a majority of the structural elements of the original building or buildings, at a minimum, is incorporated into the finished project. In its discretion, the Department may award these points to a project that involves the demolition and replacement of an existing occupied housing project if rehabilitation of the existing building or buildings is infeasible or impractical. To receive points, the replacement project must comply with the Department’s policies concerning displacement and relocation of existing tenants and be consistent with the community revitalization plan. DHCD encourages sponsors of projects that involve such an approach to discuss the parameters of their project in advance of the application deadline.

### **Competitive Scoring: §4.4.3 Family Housing Percentage Calculation**

Question: For scoring purposes under Family Housing (Section 4.4.3 of the Guide), are the points for family housing units calculated as a percentage of the income-restricted units or as a percentage of the total units in the project?



Answer: Section 4.4.3 of the Guide makes no reference to income-restricted units. Accordingly, points are awarded for family units based on the percentage of family units in the overall project (income-restricted and market rate) with two bedrooms or more in accordance with the table included in Section 4.4.3.

### **Competitive Scoring: §4.5.1 Assumed Raise-Up Rate**

Question: What is the raise-up rate for Low Income Housing Tax Credits that the Department will use for scoring purposes in Section 4.5.1 Direct Leveraging?

Answer: The Department will use a raise-up rate of 94 cents.

### **Competitive Scoring: §4.5.3 Construction Cost Limits**

Question: Has the Department updated the Construction Cost limits outlined in Section 4.5.3 of the Guide?

Answer: The construction cost limits have been reviewed and were included in Multifamily Notice 19-03 released on February 22, 2019. They are also on our website at: <https://dhcd.maryland.gov/HousingDevelopment/Pages/ConstructionCostLimit.aspx>

The table below includes the current construction cost limits:

Type of Building	New Construction	Rehabilitation
Cottage, Single Family, Semi-detached Dwellings, and Townhomes	\$175	\$180
Garden Apartments	\$147	\$112
Non-elevator Stacked Units and Elevator Buildings with 4 stories or less	\$160	\$131
Elevator Buildings of 5 or more stories	\$175	\$136

Question: How many points will I lose if my project exceeds the cost limits? Can I request a waiver?

Answer: The Department will calculate the amount of exceedance and prorate the points to be deducted. Waiver requests may be granted for situations unique to the project in accordance with the requirements outlined in Section 5 of the Guide.



Question: If my project is a gut rehabilitation do I use the rehabilitation or new construction cost limits?

Answer: Gut rehabilitation projects should use the new construction cost limit.

