



GOVERNMENT OF PUERTO RICO
Puerto Rico Housing Finance Authority

NOFA APPLICATION PROCESS - We encourage applicants to review the information contained in the QAP and any other applicable rule before submitting. Any request for clarification or supplemental information regarding the application requirements or process must be directed to 2020Lihtc.cdbgd-comments@afv.pr.gov. The Authority reserves the right not to consider any matter related to revision or modification of threshold requirements or ranking criteria that were subject to previous public consultation. An Addenda containing clarifications or supplemental information will be notified to all registered applicants and posted in the Authority's websites: www.afv.pr.gov.

Q&A

Reference	Questions	Answers
	Please provide the amount of LIHTC available for 9% and 4% in this round. Is it possible that PRHFA might consider awarding 9% credits of future years in this round?	9%=\$0.00 / 4%= No Cap We do not plan to make forward commitments during the 2020-cycle
1 5.1.1.8.	This paragraph should be modified to combine net worth shall be the greater of \$3,000,000 or 15% of total Development costs in consonance with information stated in Section IV.2 P.41.	The \$1MM on 5.1.1.8 is the minimum requirement for all participants; the \$3MM (Section IV.2) is the minimum for scoring purposes.
2 IV. 2. Financial Strength	Our suggestion is that combined current liquid assets shall be equivalent to the greater of \$2,000,000 or 5% of total Development costs. In our experience, during the development and construction process a lot of contingencies will occur (we call these "Gremlins"), therefore a company with a strong financial net worth is in an advantaged position to be able to continue without stopping the works and resolve such contingencies..	We stand by our current definition.
3 We suggest that the points be raised to 6 points distributed as follow:	Combine liquid assets in excess of 5% of total development costs..... 3 points Combine liquid assets equal to 5% of total development costs 2 points Combine Net worth in excess of 15% of total development costs 3 points Combine Net worth equal to 15% of total development costs..... 2 points	We stand by our current criteria and corresponding points.
4 Item 5.2.2.1 Intermediary costs	We suggest that the amount of intermediary costs be increased from 5% to 7%. The professional fees have increased during the past years. The implementation of Green Building Standards and FHA, ADA and UFAs and professional experts and certifications are very beneficial to the projects in order to comply with the Government requirements but also increase the professional costs. These are new costs in the applications such as: 5.6.21, 5.6.30, 5.1.6.16.7-1, 5.1.6.17, 5.16.18.2, 5.1.6.30.9.	We stand by the current estimate.
5 Item 5.1.6.18 Accessibility requirements:	In terms of ADA-FHA considerations, and the PRHA-DOJ agreement; how will PRHFA be evaluating rehabilitation projects built before 1950 located in Old San Juan, a historical zone in which the building architectural style is Spanish Colonial and could not be made fully accessible units under 2010 ADA Standards? What are the provisions that will be considered, in order to not disqualify this type of project that serves low income families in this important historical zone community and very much needs rehabilitation in order to preserve it?	The project evaluation would be based on the compliance with the requirements. However, please refer to the Second Amendment to Programmatic Agreement (PA) for additional details, please refer to the CDBG-DR Website (https://www.cdbgd-pr.gov/en/lihtc/).
6 Ranking Point 11.6 Cost Containments:	The total development cost per unit established in the QAP for a substantial rehabilitation is \$165,000. This amount does not represent nor is close to the reasonable and feasible current costs. The last round of major rehabilitations done in Puerto Rico for public residentials, established the cost of building new vs rehabilitation to be around the same. Increase in current costs (materials) and scarcity of labor in the industry have considerably elevated this unit cost. In our latest rehabilitated deal, Alturas de Monte Verde which we just completed with a 9% Tax Credit deal and the deal closed in 2018, the per unit cost was \$222,000 and this was 2018 construction costs not 2020. Due to the present increase in material and labor, stated above and applying the current increases in costs, we suggest that PRHFA consider \$255,000 to \$260,000 as a fair current price per unit for the rehabilitation costs. We suggest that PRHFA evaluates its most recent rehabilitation development projects and revise such amount.	We stand by the current estimate.
7 When will the approved PRHFA providers list for third parties reports and certifications will be available?	When will the approved PRHFA providers list for third parties reports and certifications will be available?	These will be posted on the PRHFA web page: www.afv.pr.gov
8 Please provide the exhibits as well as the application mentioned in the document, so we can evaluate them and provide our comments.	Please provide the exhibits as well as the application mentioned in the document, so we can evaluate them and provide our comments.	Annexes and exhibits will be posted on the PRHFA web page: www.afv.pr.gov
9 When will the SHPO link to request technical assistance will be available?	When will the SHPO link to request technical assistance will be available?	For details regarding the SHPO Forms, please access the CDBG-DR Website (https://www.cdbgd-pr.gov/en/lihtc/). Forms must be submitted via-email to: LIHTC-CDBG@vivienda.pr.gov .
10 Please clarify the application due date and Initial Determination Letter date.	Please clarify the application due date and Initial Determination Letter date.	The updated schedule is:
11 5.1.4	<ul style="list-style-type: none"> Is the NOFA schedule to be release between 9/21-28 with complete application packages due by 12/15/2020 followed by Initial Determination Letter in early 2021 or; is the NOFA schedule to be release between 9/21-28 with complete application packages due by 10/30/2020 followed by Initial Determination Letter on or before 12/15/2020 ? 	24 Sept-2020: Publication of NOFA and LIHTC/CDBG-DR Application 30 Oct.-2020: Cycle closes (Final day to submit applications) 2-3 months: processing and evaluation of applications; after these the Initial Determination letters will be issued
12 5.1.6.14.	Calls out 50% contract value for P&P Bond but 5.1.6.15. callout 100%...Which is correct?	Noted and amended, it should read 100% on both sections
13 5.1.6.15.	Please confirm for the application purposes that the minimum architect drawings are those that are specifically listed: Site Plan, Building Elevations and Unit Floor Plans	All drawings must be submitted.
14 5.1.6.18.1.	P&P Bond amount called out at 100%...Conflicts with 50% requirement at 5.1.4.	Noted and amended, it should read 100% on both sections
15 5.1.6.18.2.	Please confirm accessible parking requirement related to 12% Accessible units (is it 1 accessible parking space per accessible unit?)	Please consult to all applicable provisions of federal, state and local laws, building codes, ordinances, rules and regulations.
16 5.1.6.22	States "Prior to commencing construction..." Please confirm when (timing) does the applicant need to provide the required elements.	Should be submitted at the moment of the application.
17 5.2.2.5	Please confirm that a HUD 2328 Cost Breakdown signed by the GC is acceptable format.	Form HUD-2328 is acceptable
18 5.4.1.2.3.2.	Please confirm when (at what point in the design process) does the Authority appoint an independent consultant to validate compliance with threshold requirements?	The proposed project design must be completed before applying.
19	With regard to "special population categories", can you please provide the Puerto Rico Public Policy or confirm the Elderly population is qualified as a "Special Population".	As per the PR State Housing Plan added as Exhibit FF; the elderly population is a qualified population

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Reference	Questions	Answers
20 5.4.1.2.6.	Are the costs for Supportive Services eligible CDBG-DR costs. Can these costs be qualified as a grant for Operational Assistance?	No. Please refer to eligible costs section on the CDBG-DR Gap to LIHTC Program Guidelines ((https://www.cdbg-dr.pr.gov/en/lihtc/)).
21	<p>Fees</p> <ul style="list-style-type: none"> o Application related fees (\$100 application package) o Tax Credit Filing Fee (\$1,000), application fee (2%) of annual amount requested o Project with binding commitments processing fee .50% annual tax credit request o Please confirm due date for this fee o Tax-exempt obligations 4% credit: o Origination Fee 25 basis point debt issued (upfront) o Annual issuer fee 12.5 basis points tax-exempt obligations (in arrears) o Atypical transactions (under Authority discretion) double amount above. (50-25 basis points) o If the application does not qualify during this 2020 NOFA, can ALL of these fees be applied towards the 2021 9% NOFA ?. o Allocation Fees o 1% total ten year allocation o Please confirm due date for this fee. o Monitoring/Asset Management o \$100 per Unit project with LIHTC and Tax-exempt obligations each year thru the compliance period. o Please confirm these will be part of the Operating Expense budget. 	<p>There are no specific dates; it should be paid before the execution of the binding agreement</p> <p>The payment of these fees will happen if, and when, the tax exempt financing is formalized. If the application does not qualify during the 2020 NOFA the fees will not be required.</p> <p>There are no specific dates; as per section 11.2 ... "at the time of signing the agreement through certified or manager's check."</p> <p>Yes, these should be included in the operating budget.</p>
22	Sera posible que nos envíen copia de las presentaciones discutidas durante la vista?	The presentations will be posted in PRHFA web page: www.afv.pr.gov
23	Just finished listening to the Virtual Public Hearing of the CDBGDR funds. I listened very carefully to what was stated at the end of the public hearing and I am a bit confused. You mentioned that there will be a 5th amendment to the CDBGDR Action Plan which should be coming out possibly early this November. This amendment will incorporate the allocation of 300 million dollars of CDBGDR funds for the 4% LIHTC application. But you stated this amendment was subject to the receipt of 100 applications and if you only received 3 applications the entire 300 million would be allocated to other programs. Is this correct or did I misinterpret what you said? I am hoping you meant that the 300 million would be used to consider the 3 applicants and the remains funds not used would be allocated to augment other programs. Please advise.	The PR Department of Housing could request HUD additional funds, but they have to demonstrate that this program (CDBG-DR Gap to LIHTC) needs those funds. If the total CDBG-DR funds requested at the end of the cycle is less than the amount already assigned (\$300MM) then additional funding could not be justified, nor requested. The 100 applications was a random example, given by the PR Secretary of Housing, to illustrate how to request or justify to HUD the need of additional CDBG-DR funds.
24	p. 12, Sec. 5.1.6.16.1.1	introduces the concept of "substantially damaged" buildings and requires adoption of and certification by one of several green building standards but doesn't define what constitutes a "substantially damaged" building. Comment: Please define what constitutes a "substantially damaged" building.
25	p. 12, Sec. 5.1.6.16.1.2	requires submission of the compliance certification for the chosen green building standard and identification of the development team member in charge of implementing the chosen green building standard. Comment: Please identify which development team member should be tasked with "implementing" the green building standard and what qualifications, if any, that team member must provide.
26	p. 13, Sec. 5.1.6.16.1.3	Introduces the concept of "non-substantially damaged structures" but does not provide a definition. Comment: Please define what constitutes a non-substantially damaged" structure.
27	p. 14, Sec. 5.1.6.17	establishes the requirement to install broadband infrastructure for new construction or "substantial rehabilitation" projects but does not define the latter. It also provides for exceptions to the requirement that include, among others, the "structure of housing ... to be rehabilitated ... makes installation infeasible" but does gives no further definition how this exception is defined. Comment: Please define what constitutes a "substantial rehabilitation" project. Comment: Please describe how to prove "infeasibility" regarding the broadband infrastructure installation requirement as applied to a rehabilitation project
28	p. 21, Sec. 5.2.2.1	introduces the underwriting requirement labeled "Intermediary Costs," and limits said costs to not more than 5% of TDC. The "intermediary costs" are defined as: organizational costs, syndication fees, fees for architect, engineers, accounting, legal, environmental, and construction management. Comment: Please provide a "reasonability" evaluation criteria for Acquisition/Rehabilitation projects.

Q&A

Reference	Questions	Answers
29	Background: The 5% of TDC limitation is expected to be too low for a rehabilitation project. Rehabilitation projects typically have lower TDC's resulting from lower construction costs even while their professional fees and legal expenses remain relatively comparable to new construction projects. In fact, bond deals have unique developer legal fees related to the bond issuance. Comment: Please explain whether the following costs are considered "intermediary costs." Landscape Architect; Bank legal fees; Bank construction monitoring fees.	The three costs will be considered Intermediary costs
30 p. 41, Sec. IV.1	this scoring criterion defines relevant developer experience as that garnered on similar projects in Puerto Rico. Comment: Please include consideration for developer experience garnered on similar projects in the United States	We stand by our current criteria.
31	Favor déjenme saber si tendrán disponible la grabación de la teleconferencia de hoy y si la tendrán traducida en inglés en un escrito	1st part: the PRHFA webpage has a link with the recording of the public hearing - 2nd part: not at this moment
32 p. vii Foreword	Is there a nonprofit set-aside under CDBG-DR, similar to other CDBG and CDBG-DR programs?	The CDBG-DR Gap to LIHTC Program will not provide set-asides.
33 p. 2 Sec. 3.1	Define "vulnerable population" and "young family sectors"	Please refer to the Puerto Rico State Housing Plan.
34 p. 6 Sec. 5.1	Consider inserting "9%" in the first sentence before "Tax Credits, the 4% Tax Credits, and CDBG-DR funding...".	This cycle does not include 9% LIHTC
35 p. 7, Sec. 5.1.1.10	Municipal governments have limited their operations due to the COVID-19 pandemic. If a project is unable to obtain an unqualified endorsement signed by the Mayor or an authorized representative, what documentation will the PRHFA accept as a substitute?	This is a specific requirement of section 42; we will accept with submittal of the application evidence of your request of the municipal endorsement, but the final letter should be filed within 30 days of submitting the application.
36 p. 9, Sec. 5.1.6.3	Is the Notification of Approval for Construction Permit and/or evidence of the construction payment filing being valid to fulfill the construction permit submission requirement?	Yes, be advised that the final construction permit is required for closing.
37 p. 11, 12 Sec. 5.1.4; 5.1.6.15	Agency requires architect have a professional liability in the amount of no less than 10% of the estimated construction contract. Is this required at the time of submission of the application, or can architect provide current coverage and certify he will obtain fulfill the agency's requirement if the project is approved the funds? Fulfillment of this requirement, as disclosed, during an application process can be burdensome.	The professional liability will be required at grant closing; at the application stage a commitment to obtain the professional liability insurance from the designer will suffice.
38 p. 11,12,15 Sec.5.1.4; 5.1.6.15; 5.1.6.18.2	Section 5.1.4 states General Contractor payment, performance and surety bond should be for no less than 50% of value of the construction contract, however, Section 5.1.6.15 and 5.1.6.18.2 state 100%. Confirm the correct information. Also confirm a surety company Letter of Intent suffice this item. Fulfillment of this requirement, as disclosed, during an application process can be burdensome.	Noted and amended, it should read 100% on both sections
39 p. 23, Sec. 5.2.3.1.1	Are relocation expenses a CDBG-DR allowable expenditure?	Yes. Please refer to the CDBG-DR Gap to LIHTC Program Guidelines.
40 p. 25 Sec. 5.2.3.2	Define "contingency fees".	Construction Contingency.
41 p. 33 Sec. I.1	Urban Area - Please confirm if the FFIEC Census Report to be used is 2015 or the most recent?	Please refer the question to the agencies cited on this section.
42 p. 34 Sec. I.2.2	Targeted - Please consider extending amenities for special needs population, similar to desirable activities (criterion 1.2.1). Example: include under single headed households "Public or licensed elementary, middle or high school".	That criteria is under section I.2.1
43 p. 38 Sec. II.7	Construction Readiness - What is the applicable scoring if requesting Tax Credits and CDBG-DR?	Noted and amended, it should read LIHTC and/or CDBG-DR
44 p.39 Sec. III.2	Targeted Units - Please include homeless population, as criterion I.2.2 includes homeless population amenities. Clearly define "special population" and "vulnerable population" stated in Section 3.1.	Noted and added
45 p. 40 Sec. III.4	Term - There is a discrepancy between the description of the Criterion and the Scoring.	Amended; should read up to 6 points
46 p. 41 Sec. V.1	Funds Leveraging - There is a discrepancy between the description of the Criterion and the Scoring.	Amended; should read up to 5 points
47 p. 43 Sec. VI.1	Supporting Services - There is a discrepancy between the description of the Criterion and the Scoring.	Amended; should read up to 4 points
48 p. 52 Sec. 9	What are the tax-exempt financing terms and when will they be made available to the applicants?	<p>The tax exempt financing is one where the PRHFA serves as a conduit and the financial terms, such as the interests, maturity, collateral requirements, events of defaults and other terms typically included in a loan agreement with a developer will be the terms negotiated between the developer and the financial institution that purchases the direct exempt obligations to issued by the PRHFA. See Figure 1 for a visual representation of how the conduit transaction works. These terms need to be approved also by the PRHFA and the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) as the PRHFA's fiscal agent.</p> <p>In addition to those terms negotiated between the developer and the financial institution purchasing the tax exempt obligations described above, the debt financing must comply with certain requirements under Section 103 of the U.S. Internal Revenue Code of 1986, as amended (the "IRS Code") which include:</p>



Figure 1

Q&A

Reference	Questions	Answers
		<p>1. At least 95% of the proceeds from the tax exempt obligations must be used to pay for or reimburse so called "good costs." These are costs that are incurred after the project has been "induced" with a resolution from the PRHFA as the governmental issuing agency. Conversely, no more than 5% of the proceeds may be used for "bad costs," (costs incurred before the inducement) or non-residential costs (e.g., commercial space). Also, only up to 25% of the debt can be used to pay for acquisition costs, and the debt funding used for the cost of issuance of the obligations is limited to 2%.</p> <p>2. To qualify for an allocation of 4% Low-income Housing Tax Credits, 50% or more of the project's aggregate basis (depreciable costs plus land) must be funded by the tax exempt obligations during construction.</p> <p>3. The IRS Code establishes certain ongoing requirements that must be met subsequent to the issuance of the tax exempt obligations in order that interest on the tax exempt obligation be and remain excluded from gross income under Section 103 of the IRS Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the tax exempt obligation, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the tax exempt obligation to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The PRHFA and the developers will covenant to comply with certain applicable requirements of the IRS Code to assure the exclusion of interest on the tax exempt obligation from gross income under Section 103 of the IRS Code. The PRHFA and the developers will each deliver its Tax Certificate concurrently with the issuance of the tax exempt obligations, which will contain provisions relating to compliance with the requirements of the IRS Code.</p>
49	p.54 Sec. 11.1.2 Can the 2% fee for nonprofit entities be divided into two payments? i.e. 1% due at submission of application and 1% due at notification of the Initial Determination Letter. Further, please consider similar wording included in the 2013 QAP for the return of the fees for nonprofit entities <i>"Notwithstanding the foregoing, any case not awarded with a reservation of credits will have one half (1/2) of its deposit returned and the other one half (1/2) will be charged as Authority compensation for evaluation time expended"</i>	Yes, we will amend the QAP and include your suggestions
50	p. 55 Sec. 11.3.3 Asset Monitoring Fee - Consider reducing the fee amount, as it may be burdensome. Puerto Rico's Maximum Income limits and Maximum Rents under federal rental housing programs has been declining during recent years although utilities keep rising, making extremely difficult the long term viability of rental housing projects for low-income families. An additional \$8 monthly monitoring fee per unit can make a project unfeasible.	We stand by this requirement
51	5.1.1.6 Audited Financial Statements (juridical persons) This section requires audited financial statements within six (6) months of the application. Usually the owner and the Managing Member entities are of new creation that have not yet started operations. a) Would it be acceptable to submit a letter from a Certified Public Accountant certifying that the entity has not yet started operations instead of submitting a financial statement of \$0? b) The standard in the industry is to perform annual audits in accordance to the tax period of each entity. Would it be possible to submit the audited financials of the latest tax year and submit internal interim financial statements for a period within six months of the submission of the proposal?	a) CPA letter is already accepted; please refer to the last sentence of this section; b) Yes, you may submit the most recent audited statements along with interim statements to fulfill the six month requirement.
52	5.1.3 Certification Letter of Compliance Are we allowed to request this letter at this time, or do we have to wait until a specific time prior to the due date of the proposal?	Yes, you can request the letter.
53	5.1.6.10 Noise Study If the project is not located within 1,000 feet of a major noise source, would a certification from the architect or an engineer suffice?	Yes, a certification from architect/engineer regarding this matter will sufficient.
54	5.1.6.30 Capital Needs Assessment (CNA) For projects financed by Rural Development, they (RD), require specific qualified vendors for the performance of this report, which are all US entities. This Agency has specific instructions regarding the performance and the structure of this report. a) May we use this report to comply with this requirement even though it is a US entity? b) If it's not signed by a Professional Engineer, may we include this report with a separate certification from a Professional Engineer duly licensed in P.R. certifying that they agree with the improvements proposed in the CNA report?	The C.N.A. prepared for RD could be accepted only if it complies with all the requirements listed in this section of the QAP. If not, you will need to prepared a new C.N.A. as required in the QAP
55	5.1.6.30.9 Accessibility Inspection Please advise if the Professional Engineer certifying the structural accessibility may also be used for the certification mentioned above (Section 5.1.6.30)?	Please consult with the project designer.

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56	5.1.8 Commitment Letter from RD	This section requires a commitment letter from RD indicating available funding. It would be biased to request a "Commitment Letter" for projects receiving RD funds, because RD does not issue commitment letters for any projects as the private banks do, unless a complete package is submitted including confirmation of all available sources, which includes at least a Binding Commitment for the Low Income Housing Tax Credits (LIHTC). That means that if a binding commitment of LIHTC does not exist, they are not able to issue a commitment letter. If PRHFA is not able to consider a proposal that doesn't have that commitment letter, then all RD financed projects will be automatically excluded from the possibility of obtaining Tax Credits. RD is only able to submit a letter specifying that they are willing to evaluate proposals requesting some type of funding. This information can be confirmed with the local RD office. Usually, the funding of RD only represents the assumption of the outstanding balance on the date of closing under new terms which don't represent a request of additional funding. a) Would it be possible to make an agreement between PRHFA and RD with the wording that may be accepted for these proposals?	A letter from RD stating that they will evaluate your proposal will suffice.
57	5.2.1 Description	This Section specifies that "Project claiming tax exemptions must present written evidence". For acquisition transactions, it is not possible to obtain written evidence of property tax exemption until the property is acquired, therefore, it is not possible until the completion of the transaction. a) Please advise if a copy of the law that provides the exemption of Section 515 projects or a certification from the Municipality in which the projects is located be sufficient to comply with this requirement?	A written statement will be sufficient.
58	5.2.2.1 Intermediary Costs	With the requirements established in the QAP and the CDBG-DR regulations, the cost of professional fees required for this complex transaction are very likely to exceed 5% of Total Development Costs. This limit should be increased to at least 7%. a) I assume that the excess, if any, is permissible but shall be deducted from the qualified basis. Please confirm if this is correct?	We stand by the current estimate.
59	5.2.2.3 General Contractor Maximum Charges	Profit (6%), Overhead (2%), GC (6%). Having a respectable team of engineers to comply with the requirements established in the LIHTC and CDBG-DR programs, requires the selection of experienced professionals in the industry, which costs are usually above these percentages. a) Please advise if it is possible for the cost of the contractor to exceed these percentages and the excess deducted from the qualified basis?	These are PRHFA and HUD standards. Any excess will be deducted from basis and will not be considered for CDBG-DR
60	5.2.3.3 Acquisition Costs	Please elaborate on the meaning of this item: " <i>...in the case of a municipal and/or governmental seller, the cost of rehabilitation already incurred on properties not yet placed in service</i> ".	Previously incurred rehabilitation costs of an on-going municipal or government properties will be added to the property acquisition costs.
61	5.4.2 Point Scoring	a. II.6 - Cost Containment - The benchmark for rehabilitation should be increased to at least \$225,000. In addition to the general increase in construction costs after Hurricane Maria, there are other factors and/or new regulations that affect total development costs that will cause total development costs in a major rehabilitation to much likely exceed \$165,000 such as: i. Accessibility improvements (usually involves a significant amount of demolition and reconstruction, in both the project site and within the units) ii. 2018 Construction Code iii. Green Building Standards iv. CDBG-DR requirements v. Additional reserves required by investors to be able to invest in P.R. vi. Incidental costs related to COVID-19	We stand by the current estimate.
62		b. II.6 i. The construction estimate prepared by a third party should be a certification of the costs proposed by the contractor or a separate estimate?	It should be a certification validating the contractor's estimate.
63		c. V.6-Operatinf Expenses i. As per prior experience, investors are requiring to underwrite project operating expenses in the surroundings of \$4,000 per unit, principally considering the huge increase in insurance and other costs after Hurricanes Irma and Maria, and the increase in operating costs related to the maintenance of the additional equipment and structures required by applicable regulations. The PUPA should be increased to an amount more in line with the investor's requirements.	We stand by the current estimate.
64	9 - Projects Financed with Tax Exempt Obligations	a. During the Public Hearing it was mentioned that the developer must provide the guarantee for the tax-exempt debt issued by the PRHFA and that a loan agreement should exist between both parties, but all the terms would be established by the third party-lender. i. Does this mean that the developer will have a loan agreement with the third-party lender and another agreement with PRHFA? Please advise how this would work?	<p>The tax exempt obligations to be issued by the PRHFA shall be non-recourse obligations of the PRHFA which means that each series of the tax exempt obligations is payable exclusively by the developer through the terms of the corresponding loan agreement. See Figure 1. The developer shall inter into a loan agreement with the PRHFA, whose terms will mirror the terms of the tax exempt obligation issued to the financial institution purchasing the tax exempt obligations. The debt obligations of the developer shall be dictated by the loan agreement with the PRHFA and there is no other loan agreement with the financial institution purchasing the tax exempt obligations issued by the PRHFA. In other words, the financial institution purchasing the tax exempt obligations issued by the PRHFA is providing funding to the PRHFA in order for the PRHFA to loan the proceeds to the developer. Putting the PRHFA in the middle of the transaction as a conduit is important in order to issue tax exempt obligations that generate the 4% tax credits. A direct loan from the financial institution to the developer would not qualify as a tax exempt obligation and therefore would not qualify for the 4% tax credits.</p> <p>It is important to point out that the tax exempt obligations issued by the PRHFA do not constitute a debt, obligation or a pledge of the credit of the Government of Puerto Rico or any of its agencies, public corporations, municipalities, or political subdivisions, other than the PRHFA as a limited non-recourse obligor, and neither the Government of Puerto Rico nor any of its agencies, public corporations, municipalities or instrumentalities, other than the PRHFA as a limited non-recourse obligor, shall be liable for the payment of the tax exempt obligations. As limited non-recourse obligations of the PRHFA, they are payable exclusively by the developer through the terms of the corresponding loan agreement</p>
65		Comment: Threshold Criteria should include: i) minimum developer tax credit experience; ii) minimum property management tax credit experience; and iii) minimum square footages by bedroom size.	We stand by our current criteria, which was determined by previous experiences.

Q&A

Reference	Questions	Answers
66 5.1.1.8	Comment: The combined net worth minimum of \$1,000,000 should be based on the size of the project. For example, 10% of total development costs.	We stand by our current criteria, which was determined by previous experiences.
67 5.1.6.4	Comment: The SHPO letter should not be required for new construction.	Is required for new construction and rehabilitation.
68 5.2.2.1 Intermediary Costs	Comment: Limited to 5% of TDC, including A/E. It might be hard to achieve for some projects, since A/E would often be up to 6-8% of hard costs for new construction project.	We stand by the current estimate.
69 5.2.2.2 Developer Fees	Comment: The allowance of 15% is very generous. Requiring 1/3 of this could to be deferred could reduce potential need for CDBG-DR to fill gaps.	This is the HUD and LIHTC standard
70 5.2.4.1 Vacancy Rate	Comment: We suggest lowering vacancy rate to 3% for contract units. Affordable housing projects generally have vacancies well below said percent.	This is the LIHTC standard
71 5.4.2 Criterion II.6	Innovative Design (up to 5 points). The Authority favors projects that advance the Public Policy of Puerto Rico that seeks to identify, adopt and implement design, construction and rehabilitation standards and technologies that are appropriate for the island's climate, aimed at reducing construction costs and promoting energy efficiency. Comment: This criteria is extremely subjective and does not provide any guidance of how the points will be earned.	The line was eliminated
72 5.4.2 Criterion II.6	Cost Containment (up to 5 points) The Authority's total development cost for new construction averages close to \$346,000 for non-elderly units and \$285,000 for elderly; substantial rehabilitation averages close to \$165,000. Projects that demonstrate the capacity to effectively curb costs while complying with applicable standards, threshold requirements and minimum scoring (...) Comment: Providing points for costs below current averages will encourage lower-quality, less sustainable housing.	We stand by the current estimate.
73 5.4.2 Criterion III.2	Target Units (up to 3 points). A project will be awarded up to 3 points if it sets-aside the applicable percentage of units for any of the following special populations categories identified in the Public Policy of Puerto Rico: elderly, single family, and young family sectors. Other special populations that will be awarded these points are persons with HIV/AIDS, veterans and assisted living (...) Comments: The term "young family sectors" needs to be defined.	As per the PR State Housing Plan added as Exhibit FF
74 5.4.2 Criterion III.3 Preservation	Comment: Criterion states project may earn up to 3 points but under Score it states the project may earn up to 5 points.	Noted and Amended
75 5.4.2 Criterion III.4 Term	Comment: Criterion states project may earn up to 3 points but under Score it states the project may earn up to 6 points.	Noted and Amended
76 5.4.2 Criterion IV.1 Experience	Developer, General Partner or Managing Partner can demonstrate successful record and full compliance participating in same capacity in the development of tax credits projects, or other low-income housing programs, in Puerto Rico. <ul style="list-style-type: none"> o Comment: Requiring Puerto Rico experience may restrict or limit competition. o Comment: Experience should be limited to only the past 5 years. o Comment: Descriptions of how the points will be awarded are unclear. 	We stand by our current criteria, which was determined by previous experiences. Regarding the years of experience, it is not limited because compliance is a 15 to 30 yrs requirement that PRFHA Compliance Office evaluates.
77 5.4.2 VI. 1 Supportive Services	To advance the Public Policy of Puerto Rico to increase the provision supporting services by integrating agencies that provide these services and coordinate their actions to support permanent housing for populations with special needs, any project might earn up to 5 points for sustaining a funding allocation for the provision of supportive services of the type: 1) authorized under a federally subsidized grantee in competitive or demonstrative grants, or as a recipient of rental or operational assistance (i.e. CoC, VASH, GPD,SSVF, Veteran Per Diem, CDBG, 811, 202, HOPWA, FSS Program, etc.), or indirectly as sub grantee or provider, or by contracting the services of a sub-grantee or provider, of any state or municipally managed program (i.e.: ADFAN's CSGB, VRA's Independent Living, ASSMCA's Homeless and Chronic Mental Health, ADFAN's Adult and Person with Disabilities Services, Medicaid's Home and Community-Based Service Waivers, among other); or 2) contracted for a certified Assisted Living facility authorized under Act 244-2003 (...) Comment: Criterion states project may earn up to 5 points but under Score it states the project may earn up to 4 points.	Noted and Amended
78 General Comment	Redevelopment of properties that had previously provided subsidized housing should be addressed either through a set aside or additional evaluation points in Project Characteristics as well as adding it to the tie-breaking criteria.	Noted, will be considered for future QAPs.
79 11.1.4 page 54	Estamos asumiendo que el "Origination Issuer Fee" de las obligaciones exentas va a ser cubierta al cierre de la transacción simultáneamente con el pago de "Origination Fees" del banco a financiar. En este momento esa cantidad es difícil de determinar y entendemos va a poder ser determinada con más certeza después de adjudicación. Además, entendemos que requerirlo como parte del "Application Package" es muy oneroso como gasto de "pre-development", lo cual pudiera incidir también con el cómputo del "95%/5% Good/Bad Cost Test" que requiere la reglamentación de la deuda exenta.	Existen algunas tarifas o gastos asociados a la emisión de las obligaciones exentas que se pueden incluir como gastos de la emisión (costs of issuance) y por tanto se pueden financiar como parte del financiamiento. Claro está, estos gastos de la emisión tienen que estar, como todos los otros gastos de la emisión, dentro del límite del 2% que se puede utilizar de la emisión para financiar los gastos de la emisión. Es correcto también que si estas tarifas o gastos se incurren en un periodo "pre-development" pudiera incidir también con el cómputo del "95%/5% Good/Bad Cost Test" que requiere la reglamentación de la deuda exenta.
80 5.1	Is there a way to request waivers for any of the threshold items? We request a mechanism for PRHFA at their discretion, to grant waivers of threshold items.	We only grant waivers for projects under set-asides
81 5.1.1.4	We request a shorter feasibility period of 15 years should be considered and withdrawals from reserves should be allowed to show feasible operations. Given the low LIHTC rent caps and high insurance costs, deals without significant operating subsidy will have a very hard time meeting this threshold requirement;	The feasibility period is equal to the compliance term with IRS
82 5.1.1.7	We request that this requirement should not apply for those developers that do not include natural persons in their net worth determinations or guaranties;	We stand by this requirement
83 5.1.6.18	There were additional point for exceeding the minimum ADA requirements to up to 20% in the previous QAP. Will you consider additional points for going beyond the 12% accessible units and the 3% H/V units as set forth in the VCA?	Not for this cycle
84 5.2.2.1	The cap on intermediary costs is too low; the complex structure, the design requirements will drive the amount of intermediary cost. We request this to be increased to at least 8%.	We stand by the current estimate.
85 5.2.2.2	We request the language the authority for deferred developers fees be amended. The express right for the Authority to withhold developer fee to maintain project feasibility in its sole discretion it's not typical; it is typically determined between the investor and developer, as the investor is very focused on maintaining feasibility;	This criteria is only applied under PRHFA discretion and is determined in a case by case basis.

Q&A

Reference	Questions	Answers
86	5.2.3.1.1 We want to confirm that developer fees, financing fees and interests are eligible to be paid with CDBG-DR.	<p>In accordance with the CDBG-DR Gap to LIHTC Program Guidelines, and as allowable under 24 C.F.R. 570, Subpart C - Eligible Activities, PRHFA has determined the following pre-award costs to be considered eligible for reimbursement provided that the costs are necessary and reasonable as mandated by the applicable Federal regulations and Program policies.</p> <ul style="list-style-type: none"> • Design fees incurred as a result of updating the plans and specifications to incorporate CDBG-DR requirements, such as: <ul style="list-style-type: none"> ◦Green Building Standards; ◦Increased Accessibility Standards under the Voluntary Compliance Agreement (VCA); ◦Broadband Infrastructure; ◦Applicability of newer building codes cause by delays due to the disasters. <p>The following pre-award costs are specifically <u>not-covered</u> under the CDBG-DR Gap to LIHTC Program:</p> <ul style="list-style-type: none"> • Extended Overhead Costs. <p>Eligible Development Costs All hard construction cost outlined in the Project's approved Development Budget that meet the cost reasonableness requirement will be considered eligible for payment under the CDBG-DR Gap to LIHTC Program. This includes, but is not limited to, the incorporation of the CDBG-DR requirements:</p> <ul style="list-style-type: none"> ◦Green Building Standards; ◦Increased accessibility requirements under the VCA; ◦Broadband Infrastructure Requirements. <p>Certain "soft" costs for construction such as surveys, site and utility plans,</p>
87	5.2.3.1.2 What does this one sentence subsection mean?	PRHFA and PRDOH may request supporting information on project costs, as deemed necessary.
88	5.2.3.2 We request that predevelopment costs incurred by the developer prior to an award of CDBG-DR by the PRHFA be eligible for CDBG-DR reimbursement at closing, as long as such costs would be CDBG-DR eligible, if incurred post-award; We request overhead to be an eligible cost be allowed as long as it due to eligible cost? Why is contingency not an allowable cost?	Please refer to section 5.2.3 of the QAP; under current regulations the CDBG-DR agreements must be finalized before disbursements can be made. Contingency refers to an account created for unexpected construction overruns that should be transferred to the appropriate construction account when needed/used and are not allowed if not incurred and reassigned by the end of construction
89	5.4.1.2.1.1 We request that the geography of preferred urban project locations be expanded as is very limited.	We stand by the current criteria; the description is aligned with current regulation in Puerto Rico
90	5.4.2-Scoring in III.4 and V.1 Each reference inconsistent point totals; in scoring section	Noted and Amended
91	III.2, how are "young families" defined	As per the PR State Housing Plan added as Exhibit FF
92	III.4 states that a project might earn up to 3 point for extending the term of affordability, but on the score tab it shows 6 points. Please clarify which one applies.	Noted and Amended; it should read 6 points
93	When will we find out if the HFA will increase the 300MM funds assigned to LIHTC from CBDG-DR? We understand that this should be more than an additional 300MM, to account for the 750MM from the 4% tax credits.	The PRDOH could request HUD additional funds, but they have to demonstrate that this program (CDBG-DR Gap to LIHTC) needs those funds. If the total CDBG-DR funds requested at the end of the cycle is less than the amount already assigned (\$300MM) then additional funding could not be justified, nor requested.
94	There were additional point for complying with energy efficiency in the previous QAP. Will you consider additional points for going beyond the minimum certified level in the green building standards? For example going to silver in the ICC 700 NGBS?	Not at this moment
95	Are the tie breakers as in section VII, listed in order of importance (i.e. do you first look at readiness)?	Yes, the tie breakers are listed in order of importance.
96	We request that if a portion of a development's units are non-LIHTC that CDBG-DR funds be eligible to pay for the development of those non-LIHTC units, as long as whose rent and income limits exceed 60% of AMI but which do not exceed the CDBG-DR 80% AMI limits;	<p>The CDBG-DR Gap to LIHTC Program, as approved in the Puerto Rico Disaster Recovery Action Plan, as amended, will provide the incentive required to spur development and replenish the current inventory of new or rehabilitated, resilient, and affordable rental housing.</p> <p>The Program's objective is to leverage LIHTC to extend the impact of CDBG-DR funding with the aim of increasing the inventory of affordable multifamily and elderly rental units. To accomplish this, the PRDOH intends to optimize the use of CDBG-DR funds by providing gap funding by means of either a grant or loan to leverage available LIHTCs to develop or rehabilitate affordable rental housing. All developments funded through this Program will primarily benefit low- and moderate-income (LMI) populations.</p> <p>For additional details, please refer to the CDBG-DR Gap to LIHTC Program Guidelines.</p>
97	Will CDBG-DR funds be may available to fund eligible costs during predevelopment; it is typical for CDBG-DR to be made available for design/engineering and related costs upon award to facilitate getting to a closing in a timely manner;	Please refer to section 5.2.3.1.1. of the QAP.