COMMENTS REGARDING THE PROPOSED
HOME AND LOW-INCOME HOUSING TAX CREDIT
2013 STATE QUALIFIED ACTION/ALLOCATION PLANS

Notices of a 30-day public commenting period for the HOME Action Plan and Housing Credit Qualified Allocation Plan (Plans) were published in the Birmingham, Huntsville, Mobile, and Montgomery newspapers. The Alabama Housing Finance Authority (AHFA) emailed more than 400 notices of the draft Plans' availability to interested parties, requesting that they submit written comments by November 1, 2012, regarding the proposed modifications to the Plans. AHFA received 30 written comments. The following is a recap of the actual text of the comments received and the staff's ***recommended*** revisions to the Plans based on the comments submitted. Please note that the comments and recommended revisions are in abbreviated form. Review the final revised Plans to view the changes in context.

Project Selection Criteria (Pages 6-7)

Comment: As it is difficult to develop smaller projects in rural areas, allow sites within 20 miles of each other be considered under the scattered site category.

Comment: For immediate disaster recovery areas in rural Alabama, please allow a smaller project up to 24 units to join with another project within 20 miles and be considered one project.

AHFA Response: The contiguous site distance requirement will not be extended from 1.5 miles to 20 miles for smaller projects located in rural or disaster recovery areas. Another option for financing for scattered site developments is the AHFA's multifamily bond program, which exempts projects financed with bonds from the single-site or contiguous site requirement.

Comment: Allow utility recovery efforts to be included in the infrastructure capacity requirements. Cities like Hackleburg and Phil Campbell have secured recovery funding for utilities lost during the April 2011 disaster and should have utilities online by the time an AHFA project is completed. Evidence could be shown of funding for such improvements and, if necessary, AHFA could forward allocate resources where needed.

AHFA Response: Counties which were declared a Federal Disaster Area due to the tornadoes, storms and flooding on April 27, 2011, may provide evidence that damaged infrastructure will be restored by the time the project places in service.

Fees (Pages 8-10)

Comment: Allow rural smaller projects to pay lower application fees. We suggest $3,000 for single projects of 24 units or less and scattered site projects of 36 units or less.

Comment: Sources and uses of funds should be removed from the re-underwriting fee. Every project will have a different interest rates, operating expenses, and cent/dollar from syndication from that prescribed by AHFA at the application workshop. The application fee has already increased from $3,000 to $5,000. That should cover any re-underwriting cost.

Comment: $5,000 for extension fees after the third request is onerous. $1,500 is a proper incentive. Delays in financing approval by government agencies such as HUD and FANNIE should be excluded.

Project in large municipalities and rehabs can take much longer to secure permits as normal course of business. Larger more complex projects with complex funding are being penalized.

Comment: Allow rural smaller projects to pay lower HOME/Tax Credit monitoring fees. $250.00 was used several years ago and would seem an appropriate amount.

AHFA Response: No changes will be made to the fee section.

Existing HOME Loans (HOME Action Plan, Page 11)

Comment: Clarify whether Housing Credits or multifamily bonds can be used to pay off the existing HOME loan.

Comment: It seems premature to include in the 2013 HOME Plan a provision to deduct 15 points for failure to make full principal and interest payments on the HOME loan on or before maturity when AFHA has not yet determined or provided guidance on what potential workouts are available. Disclose whether an extension of the HOME loan or other refinance of the HOME loan requiring a new HOME loan will be considered a situation for which points will be deducted. This issue needs further vetting before it should be included in the Plan.

Item III G (15) is both premature and inappropriately structured. For this reason, it should be deleted. In its place, consider and adopt in a careful detailed manner a more comprehensive policy addressing HOME loan maturities. No HOME loans will come due in 2013. Thus, this provision is not currently necessary or applicable and could create inaccurate expectations. If extensions are used repeatedly or for longer periods, will likely result in a materially adverse tax consequence to the partnership and its partners. This is because a five year extension would be deemed to be a material modification. Ultimately, we believe that a use of a market rate of interest after modification, combined with an interest rate subsidy for continued affordable housing commitment, will eliminate this tax issue. Second, this provision provides little guidance on how an owner would be determined "unable" to pay. Third, the provision only states that extension will be considered. Fourth, it would appear from the literal language that if an extension is obtained, because the project was unable to pay off the loan in full, that applicant, and likely persons with identity of interest to it, will not be eligible for additional funding. This will greatly diminish any attractiveness of even a temporary extension.

AHFA Response: This provision was added to insure that HOME recipients are fully aware that they must repay their HOME loan or submit a proposal to AHFA for repayment. Otherwise, they will suffer consequences. Owners with maturing HOME loans are strongly urged to meet with AHFA six months prior to the HOME maturity date to discuss their plans for repayment or refinancing. This language is being provided in the 2013 Plans to ensure adequate notice to owners whose HOME loans mature in future years.

Minimum Rehabilitation (Page 12)

Comment: Reduce the minimum threshold for rehabilitation projects from $20,000 per unit to $10,000 per unit for all projects.

AHFA Response: No changes will be made to the minimum threshold for rehabilitation projects. This section currently reduces the minimum threshold from $20,000 to $12,500 for rehabilitation projects that were previously financed with AHFA funds.

Flood Certification (Pages 12-13)

Comment: Please consider allowing wetlands on property as long as not disturbed. Buffers could be required as in other states. This would avoid needless carving up of properties and creating small parcels, sometimes landlocked that are typically still yet owned by related parties to the limited partnership such as the general partner, the developer, or the general contractor.

AHFA Response: Wetland mitigation will not be allowed. Wetland areas must be carved off of the site prior to application submission.

Site Location (Page 13)

Comment: Allow funding in the following year for HUD financed projects with second phases.

AHFA Response: The Plan currently exempts applications that contain financing through HUD's HOPE VI, Choice Neighborhood, Replacement Housing Factor funds, Capital Fund Program funds and Promise Neighborhood from the two-mile radius requirement, which would allow the owner to submit an application for a second phase and, if funded, to develop that second phase prior to the first phase being placed in service.

Extended Low-Income Use (Pages 13-14)

Comment: The language is not clear if the intent is 35 years.

AHFA Response: All projects must commit in writing to extend the Housing Credits low-income set-aside an additional five (5) years beyond the fifteen (15) year compliance period to twenty (20) years. Therefore, owners will not be allowed to enter into a Qualified Contract until after the 20th year of the extended low-income use period, unless approved in writing by AHFA as part of the Qualified Contract process. The low-income restrictions will expire in 30 years.

Multifamily Housing Revenue Bonds (Page 14)

Comment: The wording on minimum rehab expenditures for multifamily bonds should be $12,500 which is the same for projects previously funded with funds from AHFA.

AHFA Response: There is currently an exception to the $20,000 for bond-financed properties, if the capital needs assessment indicates a lower amount is needed. AHFA reserves the right to engage a third-party construction consultant, at the applicant's expense, to verify costs and to further evaluate the adequacy of the capital needs assessment.

Financial Feasibility (Pages 15-17)

Comment: Provide a better explanation of what exactly is "Financial Feasibility."

AHFA Response: The project will be evaluated to determine its financial feasibility, including its viability as a qualified low-income housing project throughout the compliance period. At a minimum, AHFA will determine if a project is financially feasible based on the following criteria: a) the extent to which the project's sources of funds equals the project uses of funds; b) the extent to which any proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service; c) the reasonableness of total project costs, inclusive of AHFA predetermined hard and soft

cost standards; and d) the repayment terms (including interest rate, total debt and loan term) for all proposed debt (hard and soft in connection with the proposed project).

Comment: Allow smaller rural projects to have first year DCR at either 1.40 or higher DCR's to assist in not having coverage ratio issues in future years. Use the permanent loan rate and amount as stated on loan commitment letter if different from AHFA guidelines.

Comment: Take into account that if there are prefunded reserves or over-funded reserves in determining the total required amount and not require funds annually over and above this amount. If 1.20 debt coverage is used for feasibility each year, it should only be used for the initial compliance period of 15 or 20 years accordingly and allow the beginning debt coverage year to start at the rate needed to keep the coverage at 1.20 for all years.

AHFA Response: The 1.20:1 debt coverage ratio is a minimum. No changes will be made to the minimum debt coverage ratio.

Comment: The minimum operating reserve and replacement reserve need to remain for the initial compliance period as opposed to the extended use period of 40 years for tax credits or HOME funds. All underwriting should be limited to the initial compliance period as consistent with lenders and equity investors. AHFA needs to take into account that if there are prefunded reserves or over-funded reserves in determining the total required amount and not require funds annually over and above this amount.

Comment: Change back to the ten-year end to funding of the replacement reserve account. Most counties have median incomes that cannot reflect positive cash flow after year 10 unless the Replacement Reserve deposits are eliminated (assuming 2% increase in income and 3% increase in expenses). The problem is particularly critical in elderly projects where the rents are kept as low as possible in order to be affordable to those on social security benefits.

AHFA Response: The replacement reserves required in the past are inadequate. An increase is necessary and will be required throughout the extended-use period.

Comment: Specify the preference that will be given to projects previously funded with AHFA HOME funds and RD 515 loans with Housing Credits.

AHFA Response: This section will be amended to read as follows: Projects being financed through AHFA's Multifamily Housing Revenue Bond program and RD funds will be underwritten on a project by project basis. Projects previously funded with AHFA HOME funds and RD 515 loans with Housing Credits will be taken into consideration when determining financial feasibility.

Comment: AHFA must either be assuming the 9% rate will be extended or is reserving the right to award the 30% basis boost in the event it doesn't get extended. Specifically, say you reserve the right to give the 30% basis boost on a project-by-project basis.

Comment: The Plan is not clear whether the 130% boost will be available on all projects.

AHFA Response: The 30% increase in basis allowed under the Housing and Economic Recovery Act (HERA) <u>may</u> be applied at cost certification, if needed for the project to remain financially feasible due to a decrease of the credit percentage. The increase in eligible basis will only be used to preserve the original amount of Housing Credits allocated to the project.

Owner & Project Cap (Pages 18-20)

Comment: There is language about allowing one project per owner to exceed the cap. We believe that this language should be made clearer.

Comment: Since Public Housing Authorities (PHA) cannot meet the experience points and submit a competitive application, when an experienced developer partners with a PHA, that project should not count toward the individual developer's cap.

Comment: We would not be opposed to eliminating the cap requirements for for-profit developers who participate with Public Housing Authorities. As it currently stands, for-profit developers are disinclined to participate with Public Housing Authorities because those deals count toward the for-profit's caps.

Comment: We support the exclusion of public housing authority transactions from otherwise applicable developer caps.

Comment: Given the fact that HOME loans are maturing and projects have expiring land use restrictive covenants, rehab deals should be excluded from the developer/owner caps. This would enable a developer to get a new construction deal and also manage an aging portfolio of projects that could use rehab.

Comment: Exempt projects submitted by developers that have been directly involved in housing recovery in the immediate rural disaster areas. Consider exempting developers from the HOME/LIHTC caps and limits in the number of projects awarded for successful applications submitted for projects in the immediate disaster areas of rural Alabama.

Comment: Maintain the single project cap of 12%, however allow related parties to be awarded up to 15% of the total allocation in two or more separate allocations.

AHFA Response: Due to the reduction in HOME appropriations, the owner/project cap for HOME funds administered by AHFA will be increased from 15% to 20%.

Progress Requirements after Reservation (Pages 20-22)

Comment: The binding commitments for construction and permanent financing should be added back to the 90-day deadline. The requirement for points as a readiness issue was removed, but is now missing as a submission after reservation.

AHFA Response: The construction and permanent financing commitments are an application requirement listed in Section III, B, Item 1, page 33 of the Housing Credit Plan.

Point Scoring System (Pages 23-24)

Comment: Reconsider the current categorization of rehabilitation and new construction projects based on low-income resident occupancy.

AHFA Response: Rehabilitation is separated into two categories (50% or more occupied and less than 50% occupied) for selection and funding purposes. No change will be made.

Housing Credit Selection Procedures (Pages 24-25)

Comment: Provide an exemption for projects with various types of HUD funding in both the Tier 1 and Tier 2 funding criteria.

Comment: During Tier 1 funding selection, projects that contain financing through HUD's HOPE VI, Choice Neighborhood, Replacement Housing Factor Funds, Capital Fund Program funds, and Promise Neighborhood funds should be allowed up to two projects per county because they purposefully address through multiple sources of financing the Plan's goal to create affordable housing to the lowest income tenants.

Comment: Projects funded by various HUD funds should be exempted from the one-project-per-county funding criteria.

Comment: Allow two projects to be funded in a single county in the event one or both of them is funded through the HOPE VI, Choice Neighborhood, Replacement Factor funds, Capital Fund Program funds, and Promise Neighborhoods, regardless of whether both projects are family or both projects are elderly.

Comment: Projects funded with HUD's HOPE VI, Choice Neighborhood, Replacement Housing Factor Funds, Capital Fund Program funds, and Promise Neighborhood funds should be exempted from the different population (elderly vs. family) rule during the Tier 2 funding selection.

Comment: Amend this section to read as follows: In all circumstances, only one new construction project (or one rehabilitation project that is less than 50% occupied at the time of application) and targeting family population will be selected for funding per county. *"**Applications that contain financing through HUD's HOPE VI, Choice Neighborhood, Replacement Housing factor funds, Capital Fund Program funds and Promise Neighborhoods are exceptions to this requirement.**"*

In all circumstances, AHFA will not fund more than one project in a county unless there is a market for more than one project in that county ***"and the application contains financing through HUD's HOPE VI, Choice Neighborhood, Replacement Housing Factor funds, Capital Fund program funds and Promise Neighborhoods."***

Comment: For the 2013 funding round only, we request that you allow up to three new construction projects only to be funded in Tuscaloosa County. This would aid in new construction of additional units that are desperately needed in Tuscaloosa County.

AHFA Response: All applicants, including CHDOs, must score a minimum of 80 points to be considered for funding in Tier 1. Projects with a net score of less than 50 points will not be considered for funding based on project score.

Tie Breakers (Pages 25-26)

Comment: In lieu of the lottery system for just those applications received at the opening of the application cycle, all applications should be placed in the lottery.

AHFA Response: This is an incentive for applicants to submit their applications on the first day of the application cycle, which assists in meeting the processing and award deadlines. No changes will be made to this tiebreaker.

Comment: The tiebreakers should be reordered as follows: 1) Developer performance criteria, 2) Most favorable site criteria, and 3) AHFA-designated disaster areas. All other tiebreakers should move down in the order through number 7.

Comment: Give public housing projects greater weight in the tie-breaking system.

Comment: In the event of a tie, projects funded with HOPE VI, Choice Neighborhood, Replacement Housing Factor Funds, Capital Fund Program funds, and Promise Neighborhood funds should be number 2 in the ranking to break the tie.

AHFA Response: The third tiebreaker which gives a preference to a project located in a Qualified Census Tract that is supported by an approved revitalization plan will be moved to the fifth tiebreaker position.

Type of Construction (Pages 26-28)

Comment: This category adds up to 34 points, not 33 as shown.

AHFA Response: This category adds up to 33 points (25+8=33) as indicated in the Plans.

Comment: There are four points for a Community Office Building that must provide a community laundry if washers and dryers are not provided in units. There are also four points for providing washers and dryers in unit. As there is no alternate points for providing community laundry and washer and dryer connections in units, developers will simply get four points for the Office/Community Building and four points for buying washers and dryers and placing them in the units; therefore getting all eight points. This also adds a minimum of $500 of cost per unit or on a typical 56-unit project, **$28,000.** Most of our residents have their own washers and dryers. This requirement not only increases project cost, but forces owners to place their units in storage for those residents who have their own or it forces the tenants to be out the cost of storage. The addition of washers and dryers will also drive up maintenance costs; something that already outpaces operating income.

Comment: The points for amenities should either be expanded to more properly address elderly populations or the maximum points for this item should be reduced to avoid selecting amenities only to gain points regardless of how impractical the amenity may be.

Comment: Currently to get the max of 33 points you literally must do every item listed, including the basketball goal. This puts elderly at a disadvantage as many no longer play basketball. Many of the amenities such as splash pad (assume swimming pools would be accepted as equal for large properties), playground, and the basketball goal favor family projects making it difficult for senior projects to compete fairly. Please consider omitting the points for installing washers and dryers in units and add other optional resident amenities for amenity points. These could include a library or library area as part of the computer area. It would be required to have a minimum number of magazine subscriptions and at least one newspaper. Another is the provision of a Jacuzzi type whirlpool tub in the Community Building in senior properties. Security systems could be another. Properties that are garden style could have full ingress/egress camera coverage as well as all parking areas. Center corridor style buildings could have secure entry systems including annunciation so residents could admit guests without leaving their unit.

Comment: In rural disaster areas, amenities common to urban areas are not expected in these areas. Decent and safe housing is the expectation. Small rural projects are unable to absorb the costs of these amenities like larger projects, such as pools and splash pads. Consider giving exception on the amenity preference for small rural projects in the immediate disaster recovery areas.

Comment: There needs to be more amenity options that more appropriately target elderly developments. A community garden, video surveillance cameras, shuffleboard, or putting green would be some good suggestions in that order.

Comment: The capacity for the washer and dryer in each unit should be in cubic ft. not kg. It should be reflected as shown below.

Standard units
Washer: 4.0
Dryer: 6.0

ADA units Front Load
Washer 2.2
Dryer 7.0

AHFA Response: Security packages (which include cameras, alarms, and lighting) and storm shelters that meet the International Code Council National Storm Shelter Association *Standard for the Design and Construction of Storm Shelters* ***(ICC-500 August 2008) Standards will be added as extra amenities in the four point category. Washers and dryers provided in the units must be 7 cu. ft. capacity. The covered bus stop shelter must provide adequate bus access. Emergency pull cord/call buttons will be added to the two point category.***

Comment: Remove storm doors or limit storm doors to elderly projects only. They are expensive and a maintenance headache for family projects.

AHFA Comment: Storm doors are optional, not mandatory. They will not be removed as an extra amenity from the Plans.

Comment: The requirements for the walking trail needs to be more specific on the length (10 yards, 100 yards or ¼ mile).

AHFA Response: The walking trail (with benches) must be at least ¼ mile long.

Comment: The word "exterior" is not needed in the following sentence: Multifamily units (two or more units in a building) – A minimum of 40% of each ~~exterior~~ building defined as the exterior façade from finish grad elevation to eave line, shall be brick.

Comment: The following section should be amended as follows to allow houses to have many variations to the design. Make this wording match the wording for multifamily units. Another consideration would be to reduce the amount of brick to 40% to match that required for multifamily units.

Single-family units (single unit/detached building) – A minimum of 50% of the building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. ~~Each exterior wall must contain brick up to the bottom of the first floor windows on a two story units or the window sill of a one story unit.~~

AHFA Response: The word "exterior" will be removed from the multifamily brick definition. With respect to the single-family brick definition, no changes will be made.

Comment: Allow extruded vinyl windows for points when replacing all windows on rehabilitation projects. This would be consistent with new construction.

AHFA Response: Replacing all windows with extruded vinyl windows will be added as an option for rehabilitation projects.

Energy Conservation and Healthy Living Environment (Pages 28-29)

Comment: Amend this section as follows: four points will be given to projects that promote energy conservation by exceeding the standards of ~~International Energy Conservation Code (IECC which replaced and exceeds the Council of American Building Officials Model Energy Code), as verified by the project architect.~~ the Alabama Energy and Residential Code (AERC) adopted October 1, 2012, as verified by the project architect.

Comment: Four points are awarded for exceeding the International Energy Conservation Code (IECC). Alabama adopted the Alabama Energy and Residential Code (AERC) on October 1, 2012. Meeting the AERC is required for all projects. The AERC requires certain insulation and window energy standards which exceed the Energy Star rated windows and insulation upgrades listed in the Plans. There is no practical way or economic way to exceed AERC with the addition of points.

AHFA Response: The Alabama energy code changed subsequent to the release of the draft Plans. Therefore, points for exceeding the standards of the International Energy Conservation Code will be removed because the energy conservation standards outlined in the Alabama Energy and Residential Code, adopted on October 1, 2012, exceed the standards of the International Energy Conservation Code.

Comment: The point provision for R-19 insulation in all exterior walls or R-15 insulation with R-2.5 rigid insulated sheathing appears to have been included to keep rehabilitation projects on par with new construction projects. The current wording was misleading and implies that the R-values should be for the composite wall rather than the insulation itself.

Comment: R-19 insulation in the walls for acquisition and rehab construction is not very practical for construction, existing tenant populations, or costs versus return analysis. Retrofitting costs are nearly $2,000 per unit.

Comment: R-19 insulation in all exterior walls or R-15 insulation with R-2.5 rigid insulated sheathing will not be able to be done on rehabs without tearing off brick or drywall inside all exterior walls.

AHFA Response: Points for R-19 insulation in all exterior walls or R-15 insulation with R-2.5 rigid insulated sheathing will be removed from the Plans.

Comment: Providing vented kitchen range hoods is difficult, if not impossible, in applications involving the rehabilitation of older multi-story properties. Points for this section should be altered or eliminated. Providing points under this section is also undesirable for multi-story new construction projects. Although it is feasible to design the vents, it is disruptive in terms of overall design as providing multi-story stacks has implications in terms of size of party wall and other design features. Fans used with multi-story kitchens will generally be inadequate to vent ranges over multiple stories and this creates potential fire hazards - presumably the opposite of what is desired by providing points in this section.

This reality could very possibly result in fire officials requiring that fire-proof chases be used and this will have significant cost implications that could easily result in as much as $500 per unit in increased costs for very marginal benefits.

Comment: It is difficult in multi-story buildings for the kitchen range hood ventilation to be vented to the exterior and equipped with a damper due to fire codes and can be very costly. In a rehab project, the original framing may not allow required vent pipe to be installed without major removal of drywall and reframing. Developers will select this item before they know if it is possible. Provide another option.

AHFA Comments: Kitchen range hood ventilation to the exterior with a damper will remain a point item.

Comment: Awarding points for solar power generation for all common items such as security lighting, parking lighting, and features in common areas is unwise. In other states that have imposed this requirement, the cost of installation for just parking lights is generally a minimum of $100,000 even for a property as small as 40 units. Installation of solar typically runs around $8,000 per light pole. To provide solar for other common area items could easily add an additional $75,000 to $100,000 on top of the installation costs for parking areas. This cost would be particularly onerous on smaller project such as those in rural areas that typically receive HOME funds. Solar units must be maintained over the life of the property. Given the well-known current instability in the industry, one questions if maintenance will be available on a cost effective basis, especially in the rural areas of the state.

Comment: Solar power is relatively expensive and the technology is ever changing and becomes outdated quickly. Many companies don't stay in business and replacement parts are hard to find. Based on projects we have in other states, the cost to complete this item may exceed $200,000 for a 40-50 unit project. Provide more clarification for "features in common areas".

Comment: Take into account rising construction costs and other possible amenities such as solar powered generation and any green features when underwriting total costs.

Comment: Solar powered generation should include <u>only</u> exterior lighting (not any other features such as HVAC, etc.) of the site and common areas.

AHFA Response: Solar power generation for all common items will be removed as an option for points.

Comment: If you only have five choices, developers will pick all five. Give a few more options to get 20 points even though this may not help with tiebreakers.

Comment: The energy conservation items are easily achieved by new construction projects. For rehabilitation of existing projects items c, d, and e are difficult and costly to implement. Solutions to keep rehabilitation on par with new construction could be as follows: reduce the points to one per item – a swing of four points for not being able to implement an item is effectively terminating the application, or separate the points gained section for new construction and rehab similar to the construction characteristics section. Allow at least one additional option for rehab to obtain maximum score.

Comment: Consider adding the following options in this category for points:

(f.) Four points will be given for installing radiant barrier plywood or OSB roof decking. Product must have a minimum initial reflectance of 0.90 and a maximum initial emittance of 0.10 (Note: not for rehabs).

(g.) Four points will be given to have Water Sense labeled low flow plumbing fixtures at apartment units (water closet, bath lavatory, bath tub/shower).

(h.) Four points will be given for providing high efficiency water heaters (30 gal = 0.94 EF; 40 gal = 0.93 EF; 50 gal = 0.92 EF).

(i.) Four points will be given for locating all ductwork within conditioned space (Note: not for rehabs).

(j) Four points will be given for providing a whole house Energy Star rated dehumidifier. (Note: not good for all rehabs)

(k.) Four points will be given for installing fluorescent or compact fluorescent light bulbs at all interior light fixtures.

Comment: Consideration should be given to installing "cool roof" shingles that save energy and last longer.

Comment: Tank-less water heaters with a minimum of .93energy factor that save energy and water consumption should receive additional points.

AHFA Response: High efficiency water heaters (30 gal=0.94; 40 gal=0.93 EF, 50-gal=0.92 EF) and Energy Star rated "cool roof" shingles will be added as additional options.

Rent Affordability (Page 29)

Comment: Remove the Federal Home Loan Bank Affordable Housing Program as a subsidy. Add proceeds from the sale of Historic Tax Credits as an additional subsidy.

Comment: Many of these subsidy sources (such as the Affordable Housing Program (AHP) with its points for deep income skewing) may actually weaken a project. Also, many times the requirements of these programs conflict with those of AHFA. An example of this is the bidding process required by CDBG. *These programs do not work often with AHFA time lines and coordinating the various programs take time and cause delays.* Therefore, the very additional subsidy dollars that AHFA wants to see are the very issues that cause the delays and the timeliness in completing projects. HUD approvals in 236 decoupling and PHA deals are two examples.

Comment: The Plans gives strong preference for projects of Public Housing Authorities (PHA's). Large PHA's with the size of their projects and their sources of additional subsidies should make them beneficiaries of the 4% credit. With the subsidy points they receive points for their own money; that is they get these funds without competition and only they can access these funds. This is unfair as the subsidies others must get to be competitive are extremely competitive. The analogy would be allowing a developer owner to put his own money into a deal and get points for it. If the AHFA wishes outside subsidy in projects points should only be allowed for those sources of funds that all developers have access to.

If points are given for additional subsidy then require them to remain in the project as a source of permanent financing. With current interest rates, more affordable construction money is not needed and does not affect rents. Sources of permanent financing do. The AHFA awards points for subsidy based on dollars per unit. A developer may use his construction loan or initial equity to pay off half of the subsidy immediately. This reduces actual subsidy by half. This could be a transaction on paper only and only half of the subsidy given points for ever actually makes it into the project. If AHFA is continuing to want outside subsidy then that money should be treated as a source that either comes in during construction or as part of permanent financing and must remain in the deal at least for the initial compliance period.

Comment: Specify whether 50% of the additional subsidy that is loaned with required repayment can be prepaid in whole prior to the end of the compliance period. Define the compliance period term and how AHP funds fit into this scenario. Generally, AHP funds are loaned to the project and have no payments until maturity.

Comment: Restate to say that 50% of the funds used to gain points must stay in as a permanent source.

AHFA Response: No changes will be made to subsidies. For clarification purposes, at least 50% of the total amount of funds loaned (required repayment) or granted to the project for points must be structured as a permanent source of funds.

<u>Tenant Needs (Page 29)</u>

Comment: Reconsider the requirement that existing rental units chosen for rehabilitation already have the required three or more bedroom units. Allowing the conversion of one and two bedroom units to three bedroom units could help preserve some properties that might otherwise be overlooked for rehabilitation.

AHFA Response: The Housing Credit Plan does not prevent the conversion of one and two bedroom units to three bedroom units. However, points will not be awarded unless 15% of the units have three or more bedrooms at the time of application.

Comment: Clarify the points given for at least 15% of the total units for tenants with disabilities. Document whether a non-disabled resident can move into one of the set aside units if no other unit is available.

Comment: We support the provision that awards one point to projects which have committed to giving a preference to at least 15% of the units to tenants with a disability as defined by the Americans with Disabilities Act of 1990. We suggest that the preference also include persons who are “homeless” as defined by HUD.

Comment: The one point given to projects that commit to giving a preference to 15% of the total units to tenants with disabilities should be lowered to 10% to prevent developments from being categorized as disability projects and to immerse the disability population within the existing population. This would be particularly true for elderly properties.

Comment: Define how projects should give a preference to the disabled. Document whether projects will be required to maintain two separate waiting lists as with the MI/MR set-aside.

Comment: The percentage of units given a preference for people with disabilities should be reduced to 10%. Management agents are not permitted to ask whether a resident has a disability. It is not always possible to determine whether the percentage has been met. Management agents must use the best indication as to whether a resident is disabled. To try to target 15% of the units seems to be a higher percentage than can be reasonably measured without the ability to determine or ask whether a resident has a disability.

Comment: Giving a preference to at least 15% of the total units to tenants with a disability will be difficult for rehabilitation projects.

Comment: Prioritize projects that provide permanent supportive housing. Special needs populations, including those living with mental illness and/or substance abuse, HIV/AIDS, those experiencing homelessness, and survivors of domestic violence, tend to be marginalized from mainstream housing resources and often need supportive services to maintain housing stability. AHFA would reduce the number of homeless individuals and families living in Alabama.

AHFA Response: The points for projects that have committed to giving a preference to at least 15% of the total units to tenants with a disability will be removed from the Plans.

Readiness Issues (Page 30)

Comment: For applicants that have not closed an AHFA HOME loan and/or received IRS 8609 from AHFA on a prior project, an officer, or principal of the owner entity should also be allowed to attend the HOME/Housing Credit Training Seminar and receive five points as opposed to just the project owner.

AHFA Response: For applicants that have not closed an AHFA HOME loan and/or received IRS Form 8609 from AHFA on a prior project, the workshop attendee must be the owner, an officer or a principal of the ownership entity in the proposed application in order for the applicant to qualify for the points.

Project Type (Page 30)

Comment: Points for rehabilitation should only be awarded to preserve existing HOME, Rural Development, or HUD Section 8 developments with a minimum 50% rental assistance. This retains housing for the tenant populations with the most need.

Comment: Three points for rehab of existing multifamily appears to continue to give rehabs a preference over new construction.

Comment: Maintain or expand the points awarded to proposals involving preservation. Award more points for preservation projects and projects in danger of losing federal subsidies.

AHFA Response: No changes will be made to the three points awarded for rehabilitation of existing multifamily residential rental housing.

Sites Located in Disaster Counties (Page 30)

Comment: Jefferson and Tuscaloosa were given more points than the other disaster counties in the 2012 Plans as well as the 2013 Plans. Eight of the disaster counties did not receive funding in the 2012 cycle. Disaster counties not previously funded should be given preference.

Comment: The devastation throughout Tuscaloosa County is well known. Continued priority in counties with the most devastation is appropriate as rebuilding will be done over many years and most communities in Tuscaloosa and other impacted counties are still working through the process of how to respond to change. Remain responsive to this unprecedented occurrence and continue providing resources to those counties with the most housing devastation.

Comment: Provide continued priority to those counties most impacted by the devastating 2011 tornado outbreak.

Comment: Give equal consideration to projects located in the *immediate* disaster areas of rural Alabama, such as Hackleburg in Marion County, Phil Campbell in Franklin County, Cordova in Walker County, and Cullman in Cullman County, as those in metro counties such as Tuscaloosa and Jefferson. These immediate areas could be given equal points but not the entire county. While the number of persons affected in Birmingham and Tuscaloosa areas are greater, so are the options for housing whereas in rural areas there are few.

Comment: Marion County was identified as one of the four most impacted counties from the April 2011 disaster. Market studies for Franklin County shows severe housing needs exacerbated by tornado. Provide two points for disaster counties Marion and Franklin.

Comment: Points are needed to continue to encourage <u>new</u> housing for the disaster counties. Three total points for Tuscaloosa would assure housing is built in hardest hit areas.

Comment: Award points for rehabilitation of existing multifamily residential rental housing developments that are located outside the Disaster Counties listed in Section III A. (vii) (a) of the Plan. This would aide in new construction of additional units that are desperately needed in the disaster counties and supported by municipalities within those counties. Without a change, the rehab automatically scores higher than new construction all things being equal.

AHFA Response: The following disaster counties will receive two points: Calhoun, Cullman, DeKalb, Franklin, Jefferson, Lawrence, Limestone, Madison, Marion, Marshall, St. Clair, Tuscaloosa, and Walker.

<u>Neighborhood Characteristics (Pages 30-31)</u>

Comment: AHFA should give a year notice before changing the distance requirements in this point category so that site selection at the time of a Federal Home Loan Bank Affordable Housing Program application can coincide with these changes.

Comment: Increase the selection of services located within the specified distance of the site. Possible services to consider are: post office, police/fire station, retail store, restaurants, daycare facility, elementary, middle or high school.

Comment: In the hardest hit counties like Tuscaloosa and Jefferson the points for services should be extended back to three miles. Areas that were hit the worst may not be able to maximize their scores given the destruction of the surrounding businesses.

Comment: The one-mile distance for maximum points to the five services is too restrictive for rehab projects. Either relax the distance or add several additional services that are relative to the type of tenancy selected so the maximum points (20) could be achieved by selecting five of maybe seven or eight possibilities.

Comment: The one-mile requirement for maximum points is particularly detrimental and too restrictive for the more rural communities and also those areas/counties that were affected by the 2011 tornadoes which are still receiving extra points.

Comment: Provide maximum points for sites within two miles of all services.

Comment: Increase the miles allowed for points for hospitals and doctor's offices. It is difficult to obtain these points compared to the other four services when developing in residential neighborhoods and rural areas. Medical services tend to be clustered in one area.

Comment: The sliding scale with extra points for neighborhood characteristics within one mile is detrimental to rural. This could be assisted by adding some additional services such as post office, senior center, daycare, public elementary, middle, or high school, city park, public museum, and public library.

Comment: Revise the distance to one mile or less, twp miles or less, and three miles or less.

Comment: Public Housing redevelopments and new construction projects should receive full proximity points. Generally, these projects as a result of a Restricted Deed of Trust have for many years been in fixed locations that often precede the current positive and negative site selection attributes listed in the Plan.

Comment: The existing services and being convenient make for better projects.

Comment: Provide direct incentives for projects located in close proximity to transit.

Comment: Sam's Club or Costco should qualify as a grocery store providing the property pays for the membership. For example, the annual membership at Sam's is $40 annually, which would cost the property between $2,240 and $3,000 annually. I use this spread as there will be some turn-over in residents.

AHFA Response: No changes will be made to the list of services or the distance to those services. Costco and Sam's will not be considered a grocery store due to the membership fees and bulk purchases.

Negative Neighborhood Services (Page 31)

Comment: Remove the five point deduction for electrical utility substations. They are not a known health hazard and can be screened from the project.

Comment: Negative points should not be the same for rehabilitation projects as they are for a site selected for new construction. The existing properties are where they are, and have existed for many years with no negative impact from the items listed for negative points. Some provision for exception to the point structure should be implemented that treats rehabilitation differently from new construction in regarding proximity to positives and negatives. Older projects do not necessarily need a point advantage regarding location, but at least an opportunity to be on an even/equal playing field with new construction.

Comment: Consider some type of scoring structure that would not give new construction projects an advantage over rehab applications that cannot change factors like railroad and/or a fuel storage company being close to the development.

Comment: Delete liquor store from the list of negative services, or limit it to a "free standing" liquor store. If liquor stores remain as a negative service, then exempt Alabama Beverage Control (ABC) stores. These stores are regulated by the state and have limited business hours along with a code of ethics and standards followed by all stores. There are 231 ABC stores throughout Alabama and most of them are adjacent to grocery stores.

Comment: Change liquor stores to stores that only sell liquor, bars, and clubs. With many of Alabama's counties and towns now wet, liquor is sold almost everywhere, even the local grocery.

Comment: The business of recycling of goods should be considered a positive business as it is clearly an initiative that preserves our limited resources and has a positive effect on our environment. It does not present a negative effect on the surrounding community if handled in a professional business-like manner. Recycling facilities should be expressly excluded from what is meant by a junk yard/dump or salvage yard.

Because of the lesser nature of the crimes and because of the positive benefit of having a police station located in close proximity to a development, we respectfully request that jails be included as part of a police complex not be considered negative neighborhood services and that the term "jail" be clearly defined in the final version of the 2013 Plans.

AHFA Response: Liquor stores will be removed, and jails will be added to the list of negative services.

Comment: Follow HUD guidelines that permit mitigation of noise from an active railroad if initial outside noise levels are below 75 DBA.

Comment: Allow railroads if sound abatement is followed and a study submitted with application.

AHFA Response: An exception may be allowed for rehabilitation or historic properties located near a railroad, provided a noise mitigation plan (subject to HUD standards) is presented at the time of application. The findings of the study must acceptable to AHFA in all respects.

Compliance (HOME Action Plan, Page 31)

Comment: The provision that a HOME balloon payment must be made or determined out of compliance should have added language " failure of borrower to make payment 90 days after AHFA has given written demand."

AHFA Response: No changes will be made to this provision.

Incomplete Application (Pages 33-34)

Comment: Due to cost and time constraints, the requirement for a certificate of existence from the secretary of state should be removed and returned to the same position that it occupied in the 2012 Plan.

Comment: In order to obtain a Certificate of Existence from the Secretary of State, it is necessary to legally organize and obtain a tax identification number. Additionally, trying to get registered with the Secretary of State has, in recent months, been problematic and difficult to do in a timely manner. For these reasons, the Certificate of Existing should not be listed as a threshold item in the application, but rather due after awards. This prevents applicants from having to go about canceling all of the tax identification numbers from the IRS if funding is not awarded.

Comment: Requiring the cert of existence for applications that have less than a 25 to 30 percent chance of becoming projects is an added complication, expense, and possible delay. This also would cause additional workload on other state agencies.

AHFA Response: The reservation items that are currently due within 30 days of the date of the reservation letter will be changed to within 15 days of the date of the reservation letter. The Certificate of Existence from the Secretary of State will be moved from the time of application to the 15-day deadline.

Comment: Please clarify that a utility letter for gas will not be required if gas is not used on the property.

AHFA Response: A utility letter for gas is not required if gas is not being used at the property. The applicant must simply mark "N/A" on the utility index page.

Comment: Remove construction and permanent financing commitments, as it appears they are no longer required with the application.

AHFA Response: As indicated in Section III, B, Item 1, page 33, of the Housing Credit Plan, construction and permanent commitments are required to be submitted at the time of application.

Davis Bacon (Page 34)

Comment: AHFA should focus more of the penalties on future applications in this section. Ten points should be deducted if the applicant has not met one of the following Davis-Bacon requirements on any existing project.

- No response on outstanding issues for over six months;
- The general contractor is unable to submit payrolls, causing an escrow account to be established; and/or
- Outstanding issues remain over two years from the date of the notice to proceed.

AHFA Response: The point deduction for failure to meet one of the following Davis-Bacon requirements on any existing HOME project will be increased from five to ten points.

- ***No response on outstanding issues for over six months;***
- ***The general contractor is unable to submit payrolls, causing an escrow account to be established;***
- ***Outstanding issues remain over two years from the date of the notice to proceed;***
- ***Failure to provide AHFA the Section 3 report on the required date; and/or***
- ***Failure to provide AHFA the HUD 2516 report on the required date.***

Design Quality Standards (Addendum A–C)

Comment: The minimum square footage requirements for rehabilitation seems to have inadvertently left out the exception that has previously been in previous Plans for projects that are financed Rural Development or HUD. We recommend that this language be restored so as to not preclude the rehabilitation of housing that may serve the tenants with the highest needs.

AFHA Response: The square footage requirements outlined in the Design Quality Standards for Rehabilitation of an Existing Building (Addendum C of the Housing Credit Plan) must be met by all rehabilitation projects unless the applicant submits a deviation request and receives written approval from AHFA.

Comment: Deviations from the Design Quality Standards for rehabilitation projects prior to the funding cycle are common due to the complexities of the existing conditions. Any charges for deviations should only be charged after the 14 days prior to the application cycle to allow for reasonable changes.

Below are common deviations which can be revised in the design quality standards:

1. Water heater T&P relief valve discharges must be direct to exterior of building and elbow down to 6"above finish grade (per original construction, in some cases, the line will tie to sanitary sewer via flap trap, or deep seal trap, due to there is no route from water heater closet to exterior, without major demolition).

2. Units with existing washer/dryer connections must replace and install new water supply fixtures and valve (this is not typical and would add additional costs to project for underwritten).

AHFA Response: For 2013, there are specific Design Quality Standards (DQS) for rehabilitation of existing buildings. Many of the items included in these DQS encompass the common deviation requests submitted by rehabilitations in the past. Any deviations, due to city requirements, must be submitted for AHFA approval.

Comment: Continue making the program cost effective with our state's resources by not requiring a green building standards certification. Continue to provide the most pertinent smart building practices in the Design Quality Standards. Verification of meeting those standards should be produced at the end of construction with a letter from the architect or other documentation similar to the verification currently provided with respect to Energy Star appliances.

AHFA Response: As in the past, the project architect will be required to certify that the AHFA Design Quality Standards have been met.

Comment: Change the words "shall" and "should" to "must" to be consistent throughout the document. Other grammatical and rewording revisions were recommended.

AHFA Response: Minor grammatical changes were made to the Design Quality Standards for clarification purposes and consistency.

Comment: Make the following revisions to the fascia and soffit requirements: Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must ~~shall~~ be perforated or vented ~~and/or perforated cementitious panels should be used and must contain vents.~~

AHFA Response: This change will be made to the Plans.

Comment: Delete the last sentence in this section and replace with the following: Sidewalk access to all parking spaces must be provided ~~All ADA access aisle ways required to cross vehicular roadways shall be~~

~~clearly marked~~. Where the accessible route on the site crosses a vehicular roadway, clearly mark the pavement in compliance with the U.S. Department of the U.S. Department of Transportation Manual on Uniform Traffic Control Devices.

AHFA Response: Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than six inches or greater than 24 inches in width.

Comment: Several people have pointed to the "Wet Design" storm water retention basins as a supporter of the mosquito population, which of course is a carrier of the "West Nile Virus". I suggest that we add a requirement to the Design Quality Standards that should equivocate the following:

Storm Water Retention Basins:

Above ground wet type design Storm Water retention basins must include the following at a minimum;

1. Fencing around the entire perimeter of the basin to include a lockable maintenance gate.
2. A maintenance program to prohibit all vermin, insect, and reptile infestation.
3. A maintenance program to prohibit all vegetation overgrowth, etc.
4. A maintenance program to provide that the basin be kept free of all trash and debris.

AHFA Response: Storm water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area must be maintained and managed in a manner to provide safety to the tenants. This includes preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

Comment: The following is not required in single family homes: "Sound proofing and batt insulation is not required between the stud framing in party walls for single family. A sound rating of STC 54 is required." Remove this requirement from Addendum B.

AHFA Response: This requirement will be removed from Design Quality Standards for Single-Family Rental Homes (Addendum B). For New Construction of Rental Units (Addendum A), sound proofing or sound batt insulation is required between the stud framing in tenant separation walls. A sound rating of Sound Transmission Class (STC) 54 is required.

Comment: Revise as follows: Sound proofing between floors is required ~~to and must achieve a sound rating of STC 50 and an impact insulation class (IIC) of not less than 50.~~ and must achieve a Sound Transmission Coefficient (STC) rating of not less than 50 and an Impact Insulation Class (IIC) rating of not less than 50.

AHFA Response: Sound proofing between floors is required to achieve a rating of STC of not less than 50 and an Impact Insulation Class (IIC) of not less than 50.

Comment: Require a 4' long fluorescent light fixture with a lens in the kitchen in lieu of fluorescent lighting at least 1' x 4".

AHFA Response: A four foot long fluorescent light fixture is required.

Comment: Revise the tub/shower requirements as follows: All tubs in designated handicap accessible units must come complete with "factory installed grab bars" where the tub surrounds are reinforced with fiberglass. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble, solid wood blocking must be installed in the walls.

AHFA Response: This change will be made to the tub and shower requirements.

Comment: Revise the vanity cabinet requirements as follows: All cabinets in designated handicap accessible units must be installed ~~at ADA mounting heights~~ in compliance with applicable ANSI or UFAS guidelines.

AHFA Response: This change will be made to the vanity cabinet requirements for the designated handicapped accessible units.

Comment: Energy Star rated ceiling fans with light kits should be required in the living room and bedrooms.

AHFA Response: Energy Star ceiling fans with light kits will be required in the living room and bedrooms.

Comment: Revise the requirements for water heaters as follows: Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system where allowed by local code.

AHFA Response: No changes will be made to the requirements for water heaters.

Comment: Remove the statement that CPVC supply piping is not allowed for interior space in wall or overhead services. This is not necessary for rehab projects since plumbing piping systems are not replace in their entirety.

AHFA Response: This requirement will be removed from Addendum C - Design Quality Standards for Rehabilitation of Existing Units.

Comment: Revise the scale for the site plan as follows: Scale: 1 inch = 40 feet or larger for typical ~~units~~ site drawings.

AHFA Response: No changes will be made to the scale for the site plan.

Comment: Consider only requiring bedrooms to have room size show on the plans. If other rooms should have size noted clarify which rooms instead of "all rooms". Maybe bedrooms, living, dining, and kitchen would be adequate.

AHFA Response: No changes will be made to the floor plan requirements.

Comment: Add a new section D - Title Sheet, 1. Indicate Building Codes that are applicable for the project.

AHFA Response: A new section will be added requiring the architect to list the building codes that are applicable to the project.

Compliance (Addendum D)

Comment: The section regarding points lost for noncompliance should be revised for better clarification and explanation of implementation.

Comment: Points deductions for noncompliance of AHFA-funded properties should be revised to provide clarification of whether Rural Development properties with Housing Credits are included as AHFA-funded properties.

Comment: Point deduction for any noncompliance findings is too stringent. The amounts of ten percent of units with noncompliance and 20 percent of files with noncompliance should be adjusted to 30 percent of each. Provide clarification regarding what is considered a noncompliance finding. The Plans should accommodate many different types of management companies.

Comment: Deductions for non-compliance issues are very broad. If an issue is cured within the appropriate time then deductions should not be taken against the applicant. The owner should be able to state their case and/or have the time to make the necessary change. If a file is found to have an error, but the error would not affect the resident's tenancy then a correction should be able to be made without the worry of point deductions. These issues should be taken out of the scoring criteria. Developers spend an enormous amount of time, energy and expense applying in the competitive round, and should not be put in a disadvantage position without a reasonable cure period. The enforcement of compliance issues should continue throughout the year and if need be a developer should be notified that they will have points deducted for continuous infractions of those rules.

Comment: A fine for excessive non-compliance would be a more targeted penalty, one which could be passed on by the owner to the property manager. Suggested Modification:

5. A maximum fine of $2,000 should be assessed if the applicant has any physical inspection and audit documentation findings within a 12-month period beginning with its first inspection after release of the Plans.
6. Physical Inspection - The applicant will be assessed a fine of $1,000 if the number of units with noncompliance findings by AHFA auditors divided by the number of units AHFA auditors inspect is above .2 or 20%.
7. Audit Documentation - The applicant will be assessed a maximum fine of $1,000 if the number of files with a noncompliance finding(s) by AHFA auditors divided by the number of files reviewed by AHFA auditors is above .2 or 20%.

Comment: The Plan indicates that the deductions apply to any noncompliance findings from the time of the release of the Plan through the date of the allocation of 2013 funds. Clarify whether the percentages are derived by dividing the sum of all noncompliance findings during this period by the total number of apartment units in the owner's AHFA-funded portfolio. Clarify whether the date of the notice of funding is the same as the date of the allocation of 2013 funds.

Comment: Deducting 20 points for compliance is onerous and unfair to participants with larger portfolios that have been in the program for longer periods of time. It gives an advantage to owners with no previous experience. We believe that this component of the Plan has so many questions still unclear, that it should be postponed from adding into the Plan for 2013.

Comment: We recommend that proposed Section IIIB2 not be made effective for the 2013 funding round, but instead be substantially revised to address the concerns noted below and proposed for adoption at a later date. We believe that the AHFA should have clearer, more discrete goals about what it is attempting to accomplish in this section and, in particular, assuming that it is a goal to identify better and worse developers, how the proposed elements do this rather than potentially penalizing a broad but incomplete group of prospective developers for random occurrences. Further, it seems that nothing in the proposal specifically addresses what we understand to be a significant concern that led to these regulations—repeat violations and untimely cure of problems. In particular, the proposal does not distinguish between violations that are known by the applicant and those which are not known, or those which can be and are immediately cured versus those that could be promptly cured, but are not.

We believe that there is substantial uncertainty in how this program would be applied with respect to the number of units in a project, the number of units and projects in an applicant's portfolio, the sample sizes, and how future applicants that have both large and small numbers of units in projects, would be treated on a comparable basis. In order to ensure fairness, we believe that the AHFA compliance division would need to establish a rigorous, methodical rotation of audits to generate representative samples. It is our expectation that trying to implement this in the near term would pose various administrative challenges. We also believe that the proposal fails to distinguish between minor, moderate and major violations. Moreover, the scope of coverage is unclear insofar as each applicant, especially in light of the requirements that the entities actually be in legal existence (contrary to our comment above), are separate, distinct and newly formed, without a prior track record. Thus, it is clearly aimed at more than "the applicant". Define how management companies, either affiliated or not affiliated, will be treated. Further, there is not a grace period for prompt remediation, either with physical or audit documentation standards.

We also note that the substantial point values associated with these are likely to create a more adversarial relationship with respect to the inspection process, which we do not believe is healthy in the long run. In most cases, compliance audits with the AHFA have occurred with a mutual goal of having high performing projects. In an effort to address a small fraction of poor performers, we would not like to see the overall relationship become strained, formalistic and adversarial. For example, in raising the stakes of a stolen $2 battery in a smoke detector so high, it could foster litigation actions after inspections. These could lead to a less open system. Further, it could give rise to "gotchas" among competing applicants and questions about particular auditors. We also note that this policy greatly favors developers with no prior experience with the AHFA and, conversely, is particularly challenging for long-time participants in the AHFA programs which have large portfolios, especially where those are older projects with greater physical needs issues and which were initially place in service when documentation standards were less rigorous.

Despite these criticisms, we are highly supportive of efforts to reward high quality developers and to encourage full and prompt compliance with applicable property and documentation standards. We recommend a thoughtful, detailed and unhurried study of how compliance criteria can be better incorporated into the Plan. We believe that this would begin with compilation of data, on a pro forma basis. We believe it should begin with limited goals, such as targeting late cure and repeat violations.

Comment: The inspections and audits should be conducted in a fair and equitable manner. Specifically, no owner or management company should be inspected or audited more than another for compliance points. The physical inspection standards should be clarified to differentiate between major and minor deficiencies and deficiencies that have long existed or that may have recently occurred just before an inspection, or that are caused by tenants. There should be a grace period for remediation of physical and/or audit documentation standards in order for violations to be cured without penalty on 2013 applications.

AHFA Response: The compliance monitoring criteria has been revised to provide further clarification and explanation of implementation in Addendum D. Specific noncompliance findings for health and safety violations, any occupied, vacant uninhabitable or non-rent ready unit deficiencies, or any site, exterior or common area deficiencies or documentation or file deficiencies will be assessed automatic point deductions regardless of whether the identified violations are cured

or corrected. Additional penalty points will be deducted if the applicant fails to cure the violation within the timeframe specified in the written notice from AHFA. Other general deficiencies will be assessed penalty points if the violation is not cured or corrected within the specified timeframe established by AHFA.

AHFA may terminate any new applications submitted by owner/applicants with less than five (5) years' experience (or less than 500 AHFA-units) if any AHFA or non-AHFA units inspected by AHFA (or AHFA designate representative) are cited for health and safety violations, any occupied, vacant and uninhabitable non-rent ready deficiencies, or any site, exterior or common area deficiencies.

Miscellaneous Comments

Comment: Include a point provision for projects that provide scholarship programs for residents of affordable housing.

Comment: Expand eligible tenant needs to include one point for contributions to, and promotion of, an established unaffiliated I.R.C. § 501(c)(3) organized scholarship fund which is primarily focused on tenants and their dependents.

Comment: Points should be awarded to owners that offer multiple online delivery systems to their residents to access educational content and linkage to local resources, such as mapping, emergency, and lease and payment information, through desktop computers and mobile devices.

AHFA Response: The benefits of these types of services should be marketed to the project owners and managers directly. Participation should be strictly voluntary.

Comment: Removing the bid law certification requirement eliminates now unnecessary legal review and associated expenses otherwise incumbent upon project involving public housing authorities in considering such certification and will provide public housing authorities equal flexibility in application preparation as other applications. Elimination the certification would remove the necessity for considering other comment of which we are aware which request changes in the timeline for identifying a general contractor until later in the process.

Comment: Reconsider the requirement to include a general contractor at the time of application. Housing providers that are required to follow the bidding requirements of the public works law should be allowed to present the general contractor within 135 days of date of the reservation letter.

Comment: Reconsider the application form's general contractor requirement for owner entities that include a public agency in the ownership structure. Remove the requirement, or in the alternative, permit a "short list" of potential contractors to be submitted at time of application with final selection of general contractor after Reservation.

AHFA Response: This is not a common problem for most applicants. If an entity must follow the bid law, then the bid process must take place and a contractor must be selected prior to submitting an application to AHFA.

Comment: Consider allowing a four-point preference for public housing projects that serve the lowest-income families.

Comment: It is strongly recommended that five additional points be awarded for housing authority applicants developing public housing units that serve the lowest-income families of Alabama.

Comment: HOPE VI, Choice Neighborhood Initiative, Replacement Housing Factor (RHF), and other federally funded program efforts should be provided three additional points for the huge benefit to affordable housing and the State of Alabama. Waivers should be granted for HOPE VI, Choice Neighborhoods and RHF funded projects regarding thresholds and proximity restraints, and for the Plan to allow for out-of-cycle application and award.

Comment: Public Housing Authorities already have a point advantage over non-Public Housing Authority applicants because they have access to certain HUD funds that are not available to everyone, including HOPE VI, Neighborhood Stabilization Program funds, Capital fund Program Grants, Replacement Housing Factor Fund Grants, and others.

Comment: Continue to maintain a level playing field among the types of participants in affordable housing, i.e., for-profit developers, non-profit developers, and public housing authorities, subject only to statutory considerations with respect to qualified non-profit set-asides.

Comment: Allow four points for project with subsidized rents for more than 30% of its units over the entire extended use period.

Comment: Additional consideration should be given for Housing Credit properties locating near existing Rural Development 515 properties. Extra consideration should be given for rehabilitation of Rural Development 515 properties.

Comment: Create a tax credit set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing.

Comment: Allocation of HOME should be focused on families of greatest need. Allocation points should greatly favor projects that support families that live below 30% AMI.

Comment: Prioritize projects that provide permanent supportive housing. Special needs populations, including those living with mental illness and/or substance abuse, HIV/AIDS, those experiencing homelessness, and survivors of domestic violence, tend to be marginalized from mainstream housing resources and often need supportive services to maintain housing stability.

Comment: Underserved areas should be identified as target areas for resources for the coming year. A rural set-aside would be important to ensure adequate resources to rural areas. Rural areas with no resources should be given opportunities to compete for HOME through a rural set-aside that must be used only in rural underserved areas.

AHFA Response: No additional incentives or set-asides will be added to the Plans.

Comment: Decouple Alabama HOME funds from the Low-Income Housing Tax Credit Program. There are non-profit service providers throughout the state that would like to access HOME funds but are unable to do so because they want to develop smaller properties that better serve their clientele.

Comment: HOME funds should be uncoupled from the LIHTC program. Revitalization of communities includes more than LIHTC multifamily developments. The vision for revitalization for rural areas includes single-family development, preservation of aging housing stock and other eligible activities in addition to LIHTC multifamily.

Comment: Utilize Alabama HOME funds for activities other than new construction. Using HOME funds for new construction of rental properties only excludes many organizations that promote homeownership and rehabilitation activities from applying for funding.

Comment: Allow HOME funds to be used for all eligible uses including homeless prevention, rental subsidy, single-family construction and rehabilitation. HOME should be available in rural areas for single-family development and other eligible uses to organizations with demonstrated capacity that can make an impact.

Comment: We support keeping the HOME funds and the tax credits together and not separating the funds as more housing units can be created and/or rehabbed by combining those funds.

AHFA Response: Due to the decrease in HOME appropriations, HOME will continue to be leveraged with Housing Credits and other sources of funds to develop multifamily new construction housing developments containing no more than 56 units.

Comment: It is recommended that the most populous counties in the state (Jefferson, Madison, Mobile, and Montgomery) should be exempted from the county point deduction.

AHFA Response: The Plans do not contain county point deductions.

Comment: We would like to applaud AHFA's efforts in working with developers and being more flexible in the tax-exempt bond program particularly regarding the preservation of affordable developments. The bond program is a previously untapped good use for rehabilitation of affordable housing developments.

Comment: The single greatest change proposed in the 2013 Plan is the change of terminology to Housing Credit. This should help on NIMBYism and reception by local government.

Comment: Maintain the green building incentives in the final Plans, and consider working with state utilities to create energy-efficiency programs for multifamily projects. We enthusiastically support the green building incentives included in the scoring criteria, including the separate criteria for new construction and rehabilitation projects, and commend AHFA for including consideration for green building practices and energy efficient design features in the Plans.

Comment: We support the point incentives in the Plans for projects that provide tenant services and access to community amenities.

AHFA Response: No response is necessary.