Update to Proposed QAP Changes

Issue	Impacts	Issue Overview	Draft 2016 QAP / NOFA elements	Stakeholder Input from 9/18/15 Roundtable
Priority Letters	9% LIHTC	Requiring letters from jurisdictions over 10,000 disadvantages small communities, creates multiple letters within same counties, and can be used as a tool to support NIMBY actions	Letters will not be included among scored elements in 2016 NOFA Ties to local and community plans will remain aspects included in scoring to ensure local connections FUTURE ACTIONS: OHCS Integrators and Oregon Housing Stability Council to identify means of collaborating with regional entities to identify alternate way of prioritizing housing investment.	- No input provided
HOME leverage point	9% LIHTC	Currently only projects in the Balance of State received this point based on application; should be accessible to all	Projects in all regions will receive a point for any committed leverage of HOME and CDBG Funds; in Balance of State projects will receive this point if acceptance of HOME as gap funding source is included in application for funds; those projects in Participating Jurisdictions that also award Tax Increment Financing (or another OHCS approved place-based economic development funds) that are used by Participating Jurisdictions in lieu of HOME for gap funding sources will also receive this point.	- Clear about what is meant by Federal Funds - Allow other place-based economic development funds in lieu of HOME for gap funding sources. Jurisdictions with this type of funding typically do not award HOME or CDBG funds to portions of the jurisdiction that have other forms of local funding.
QCT / Low Poverty points	9% LIHTC	Currently 4 points if located in one of these identified areas; is a big sway and impact on scores and should include more variables. Not enough target areas in much of the Balance of State.	Points will be less than 4 for being in a QCT or Low Poverty Tract, and additional factors will be included to target both Areas Vulnerable to Gentrification as well as Opportunity Areas, ensuring target areas are not clustered solely in urban areas, including: Vulnerable Gentrification Areas: - Revitalization Plan - Qualified Census Tracts - High % Communities of Color - High % Low Educational Achievement - High % Renters Opportunity Areas: - Low Poverty Census Tracts - High Ratio of Jobs to Population - Below Average Unemployment - High scoring schools	- Will the criteria be different for urban and rural areas of the state? - Caution to OHCS about developing and maintaining opportunity maps. - Suggest a scaled point system, not all or nothing. - Suggestion that the applicant could "make their case" based on some OHCS specified criteria. - Mention of need for more objectivity not subjectivity.

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9% LIHTC Cap	9% LIHTC	Current cap of 10% of annual funds made available restricts the size of projects submitting for funding and creates more projects coming in for different phases of projects which does not incent efficient building Important to diversify the sponsors the credits are invested with, to ensure distribution and performance.	Sponsor may submit an application requesting more than 10% of the annual funds if they also submit a pro forma demonstrating a 4% LIHTC/Bond transaction is infeasible. A single sponsor is limited to receiving no more than 20% of the LIHTC funds in any year. If additional projects have been submitted in excess of 20% of the funds the lower scoring projects would be deemed ineligible. A single sponsor is prohibited from receiving more than 15% of any 2 sequential years of LIHTC funds; any fund requests in excess will be deemed ineligible.	- Stakeholders were supportive of lifting the current per project cap on LIHTCs.
Basis Boost	9% LIHTC	Lack of certainty when applying to use the state basis boost	A pre-application process will be developed to address this issue; it will be due within 30 days of application release	- No input provided
Affordability Period	All programs except 4%	60 year affordability standard is beyond the useful life of many buildings and in the case of OAHTC is beyond the length of the subsidy	OAHTC affordability to be called out specifically as restricted to 20 years; 4% LIHTC to remain at 30 years affordability. Internal policy will be developed which ensures the practice reflects intent of the original motion and allow for adjustments in rent levels at 30 years to ensure ongoing project viability, through the 60 year period.	- Clarification as to 15 years plus an additional 15 years for 4% LIHTC/tax-exempt bond transactions and 15 years plus 45 years on 9% LIHTC transactions to clearly show the initial 15 year affordability period plus the appropriate extended affordability period.
		State Housing Council Motion, 2/11: *Owners of rental housing developments receiving OHCS grant or loan resources (excluding projects funded solely with bond/4% tax credits), will be required to maintain the property as affordable for a minimum of 60 years. Affordability terms will be secured by a deed restriction. Owners of developments where rental assistance contracts are due to expire must apply for and if approved, accept rental assistance contract renewals. On LIHTC projects with subordinate loans, OHCS will not unreasonably withhold adjustments to the affordability requirements as it relates to the term or rent levels in order to maintain status of such debt as a loan and avoid triggering such debt as a grant. Modifications will be allowed to the extent necessary such that all subordinate loans can demonstrate ability to be repaid or refinanced at maturity. Other exceptions or modifications will be subject to review by the director, with approval by the Housing Council, and may include recapture of invested funding and appreciation.*		

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Method of Award	All OHCS funds excluding LIHTC and OAHTC	With reductions in funds for housing, and with a thought to state investment, it is inconsistent to choose to grant funds that could be loaned (and are loaned in most other states).	Beginning in 2016 funds from OHCS, aside from LIHTC and OAHTC, will be treated as loans. Loans to the ownership entity will be underwritten using a 1% interest rate, 20 year loan term, and hard payments will be based on projected cash flow in excess of a 1.15 DCR as determined at final application. Not an issue that has to be decided in the QAP, but rather in the various gap financing programs. Possible to recommend 0% interest loans with no payments until maturity or, possible to hold off until 2017 after more discussion	- Proposal has the possibility of having unintended consequences. - As stated, may have an impact on the Residual Tax Opinion. - Rural Development restricts return to owner/cash flow that is available. - May cause balance sheet issues for the sponsor (i.e., contingent liabilities) - May impact the equity investor's underwriting negatively. - As proposed, not clear where in the waterfall OHCS expects to be included, may have other impacts to deferred developer fee, etc.
Restrictive Covenants	4% and 9% LIHTC	Funding the same projects within their affordability period impedes investment in new projects.	Projects receiving a 9% LIHTC award will be restricted from another LIHTC award (9% or 4%) for 20 years.	- Make a clear exception for construction defects and project failures. - Don't restrict projects from coming in for 4% LIHTC/tax-exempt bond transaction prior to year 20.
Operating Expenses & Replacement Reserves	All programs	Guidelines are not realistic for all projects	Operating expenses will be reviewed for reasonableness within the budgets submitted; Applicant may be required to submit documentation (including for example three years of audited financials for rehabilitation projects) to substantiate that any or all of the projects revenue or costs are reasonable Replacement reserves to be properly scaled to the size and scope of the improvements and the age and condition of the property. Minimum guideline of $350 per unit per year, $300 for Senior Projects; amounts in excess will be allowed if reasonably justified by Capital Needs Assessment.	- Align as much as possible with lenders and investors. - Don't be overly prescriptive given other funders may have other requirements, such as lenders, investors, Rural Development, HUD, etc.

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Developer Fee	All programs	Clarity needed regarding OHCS policy on developer fee calculations	There is a need to set a methodology to ensure the fee is considered reasonable. After much dialogue OHCS is proposing the following: The Department will consider Developer fees in the aggregate, up to fifteen percent (15%) of Total Project Costs less acquisition, consultant fees, reserves, and the requested developer fee amount in addition to five percent (5%) for acquisition where there is no identity of interest and zero percent (0%) for acquisition where there is an identity of interest.	- Not allowing sponsor to take the maximum 15% developer fee leaves equity on the table that could be brought to the project budget. - The proposed methodology may disadvantage larger unit projects. - Should the calculation vary based on where the project is located (geography)? - Calculation doesn't seem to cover all of the activity that is actually happening. - Could we look at a methodology that is a percentage of total project costs with an outside cap?
Social Equity	9% LIHTC	Current competitive scoring criteria does not acknowledge social equity issue or incentivize expanded outreach	In addition to adding Vulnerable to Gentrification Communities and Opportunity Area geographic targets (described under QCT/Low Poverty areas above), additional points will be awarded to those projects that choose to develop Affirmative Marketing Plans that achieves above and beyond the elements required by HUD. Additional actions should include using detailed demographic factors in designing outreach strategies; including partner agencies in marketing; preparing reports on identified outcomes	- Some sponsors consider Social Equity as a three legged stool to include: Geography; Tenancy; and Development Opportunities for MWESB. - The section only pertains to tenancy. - How is the proposal different from the HUD affirmatively furthering fair housing marketing plans? - In the third bullet change Maintenance of a log . . .to Maintain records . . . - Requirements/points for projects with 100% supportive services may need to be different.
Resident Services	9% LIHTC	Extensive weighting of resident services in scoring disadvantages those locations with few referral services as well as those projects serving populations that are not service dependent	Pending recommendation from State Housing Council; scoring to be based on meeting more specific criteria to ensure adequacy of service delivery and partnerships	Did not cover this section at the meeting.

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Cost Containment	9% LIHTC	Current cost containment measure is informative only; does not incent lower cost projects	Total Development Cost (TDC, excludes acquisition)/ Residential Square Foot of all projects that apply in a given year; medians are calculated based on urban vs balance TDC limit selection in threshold Example Scoring: - Projects more than 15% above the median receive 0 points - Projects within 15% above and 5% below the median receive 1 points - Projects more than 5% the median receive 2 points Knowing that GAO is looking at cost containment inside the LIHTC program, and receiving the input from our roundtable discussion, OHCS is recommending that we do not take the step to add points to the NOFA based on the recommendation above, but instead, wait for the formal cost containment report from Meyer Memorial Trust and have additional dialogue to consider for 2017.	- Does this proposal have the opportunity to disincentivize innovation? - All projects are not created equal, Davis Bacon, RD & Capitalized reserves, etc. - Does this disadvantage projects that are greening? - Need to be sure that projects are looking at smart innovation not innovation for innovation sake. - Reluctant to incent lower cost at application. - There should be a cost benefit analysis provided if costs are higher to show energy savings and/or operating savings over time. - Incent long term durability items - Could capitalized reserve accounts be excluded from the calculation?
Roles	4% LIHTC	Unclear what roles OHCS takes when OHCS is not the bond issuer	OHCS will issue both letters M letter will be re-drafted to allow for an update of credits at 8609	No input provided
Other Changes			- HUD 811 language will be included for 9% LIHTC - Market Study will be required 90 days after Reservation instead of Equity Closing - 9% Tie Breaker policy to be updated to focus on elements of Incomes Served and Cost per Square foot - 50% soft set-aside will be added for projects in cities with fewer than 25,000 people within the Balance of State region	- Second bullet about Market Study timing – need to be sure that this doesn't have the effect of increasing costs. - Typically the Market Study information is included in the Appraisal that is done at the time of Equity/Loan Closing, not Carryover.