

STATE HOUSING COUNCIL



QUALIFIED ALLOCATION PLAN

OCTOBER 2, 2015

Oregon Housing and Community Services

QAP Process



- Extensive Stakeholder Engagement:
 - State comparative analysis by Mark Shelburne of Novogradac
 - Discussions during 17 NOFA debriefs
 - Submitted comments and feedback
 - Roundtable outreach sessions held with stakeholders:
 - Lenders / Investors
 - 9% LIHTC
 - 4% LIHTC
 - State Housing Council discussion Sept 11th
 - Final outreach discussion on Sept 18th

QAP Process cont'd



- **October 2nd State Housing Council**
 - Present drafted Qualified Allocation Plan for final input and recommendations
 - Following any change recommendations, ask for approval to release for 30 day comment period
- **November State Housing Council**
 - Present any submitted comments for final discussion
 - Ask for decision to either revise and resubmit for public comment or finalize and send on to governor for signature

Local Priority Letters



Impacts: 9% LIHTC, new construction and acquisition / rehab

Previously: Letters of project priority requested of all non-preservation projects from jurisdictions over 10,000 people; awarded up to 6 points for top priority.

This was added to the NOFA in order to create connections and align OHCS funding with planning efforts that occur in local communities.

Input:

- Competing letters from differing geographies dilutes impact
- Disadvantage to smaller communities
- Concept that local priority letters can be used as a NIMBY tool / seen nationally as a policy that is contrary fair housing

2016 QAP:

- Letters removed from competitive application; long term work for OHCS and Housing Stability Council

HOME funding Leverage points



Impacts: 9% LIHTC

Previously: Projects in the Balance of State who are requesting at least \$500,000 in the state HOME funds awarded 1 point; no points in Participating Jurisdictions awarded for HOME leverage from their jurisdiction.

This was added to the NOFA in order to incent leveraging HOME funds at the state to prevent having to return federal funds.

Input:

- Projects in Participating Jurisdictions should also receive these points
- Projects leveraging any funds from Participating Jurisdictions should also receive these funds; TIF funds used in some Participating Jurisdictions in lieu of HOME funds

State Comparison:

- No other state prioritizes participating jurisdiction HOME funds

2016 QAP:

- HOME leverage point available statewide, including TIF and other place-based economic development funds in participating jurisdictions

QCT and Low Poverty points



Impacts: 9% LIHTC

Previously: Projects awarded 4 points if they are located in a Qualified Census Tract (high poverty) or a Low Poverty Census Tract (to deconcentrate poverty)

These were added to the NOFA in order to preference QCTs (per IRS) which encourage investment in low income areas and Low Poverty Census Tracts to preference areas that serve to deconcentrate poverty and provide opportunity.

Input:

- 4 points is a large sway in points so has an impact that is larger than its importance
- Limit the QCT preference to those areas that have a redevelopment plan
- Should be able to get these points in all parts of the state
- There are limited QCT and Low Poverty Tracts in rural parts of the state

State Comparison:

- Several prioritize Low Poverty or Opportunity Areas or areas outside of QCTs; no States preference areas Vulnerable to Gentrification / high poverty areas

2016 QAP:

- To include more variables aimed at identifying Opportunity Areas or Vulnerable Areas? ..continued

QCT and Low Poverty points *cont'd*



In addition to factors measuring the accessibility of the location, elements will give weight to targeting:

-Vulnerable Gentrification Areas

- Revitalization Plan
- Qualified Census Tract
- 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 use urban vs rural criteria to ensure there are areas eligible for points in both parts of the state

9% LIHTC Cap



Impacts: 9% LIHTC

Previously: Projects capped in the amount of 9% LIHTCs that can be requested; based on 10% of the annual funds made available. This was added to maximize the number of projects funded in any given year, improving geographic coverage.

Input:

- Current cap limits the ability to build more than approximately 50 units, when projects containing 70 to 80 units are more efficient to build.
- Tradeoff is potentially fewer projects would be funded in a given cycle, though the number of units produced may actually be higher.

State Comparison:

- Most states have limits by unit investment or total project cap; \$1 million most common

2016 QAP:

- Projects may apply for more than 10% if they also submit a pro forma for a 4% LIHTC
- Sponsors may not receive more than 20% of the states credits in any given year
- Sponsors may not receive more than 15% of 2 sequential years of credits

Basis Boost



Impacts: 9% LIHTC

Previously: Projects eligible for the State Basis Boost if they meet one of the specified criteria, there is no formal means for identifying ahead of application if the project would be considered eligible.

Input:

- It is difficult to be sure if a given project would meet some of these criteria

2016 QAP:

- Will include a pre-application process to determine basis boost eligibility

Affordability Period



Impacts: All Programs

Previously: All programs, except for 4% LIHTC, subject to a 60 year affordability period

Input:

- 60 year affordability was advocated for to provide OHCS a seat at the table into the future, not necessarily as a way to keep every project affordable for 60 years.
- In the case of OAHTCs the subsidy is only available for 20 years and therefore pass through to the tenant in the form of lower rents should not be required after year 20.
- Affordability Period dictates compliance monitoring requirements.

State Comparison:

- Mix; most are 30 years, one is 50 years max points. None specify 60 years

2016 QAP:

- 60 year affordability for all programs except 4% LIHTC and OAHTC
- Additional language added based on 2011 State Housing Council motion

Restrictions



Impacts: 9% LIHTC

Previously: No prohibitions on the ability to submit applications for additional funding

Input:

- Make clear exceptions for construction defects; don't restrict projects coming in for 4% LIHTC prior to year 20
- Should not have any restrictions, projects should only apply for funds if truly needed
- Limited resources available, are used to purchase affordability and that should have long term expectations
- If projects are funded well (adequate replacement reserves and operating expenses) then it should not be necessary to come back in for additional funding within 20-30 years

2016 QAP:

- Projects receiving a 9% LIHTC award will be restricted from another LIHTC award (9% or 4%) for 20 years.

Operating Expenses and Replacement Reserves



Impacts: All Programs

Previously: Published guidelines and standards for Operating Expenses and Replacement Reserves; at underwriting if these are not met an explanation is required

Input:

- Operating Expenses - Setting a guideline may not be beneficial. Look more at actuals or portfolio performance to determine an appropriate standard.
- Replacement Reserves – One size fits all is not realistic – for example higher for family large family projects, lower unit projects, and historic rehabs.

State Comparison:

- Varies for both; Oregon not out of line

2016 QAP:

- Operating expenses will be reviewed for reasonableness; applicants may be required to submit documentation
- Replacement reserves to be properly scaled to the size and scope of improvements; minimum guideline of \$350 per unit per year, \$300 for Senior projects; amounts in excess allowable with justification

Developer Fee



Impacts: All Programs

Previously: up to 15% total project cost less developer fee as determined reasonable by OHCS; large and inconsistent range in developer fees taken

Why is this a problem?

Example:

4% LIHTC, rehab projects

-Similar hard costs,

-Huge variance in the acquisition & therefore Developer Fee taken

Developer Fee	Hard Costs	Acquisition	other	Total Project Costs
\$815,000	\$3,000,000	\$3,570,000	\$2,846,855	\$10,231,855
\$1,500,000	\$3,073,292	\$5,739,487	\$1,831,001	\$12,143,780
\$2,230,435	\$3,711,885	\$7,900,000	\$3,267,686	\$17,110,006

-9% LIHTC, new projects

-Similar hard costs & units

-Huge variance in Developer Fee

Developer Fee	Hard Costs	Acquisition	other	Total Project Costs
\$750,000	\$5,269,356	\$655,000	\$1,670,368	\$8,344,724
\$1,440,000	\$5,958,136	\$6,217,852	\$2,587,233	\$16,203,221
\$1,035,000	\$5,983,490	\$422,000	\$1,703,491	\$9,143,981

Developer Fee



Impacts: All Programs

Input:

- Opposition to unit production based model for developer fee
- Desire for calculation to cover all aspects of work done on a project
- Sponsors are looking for clarity around OHCS policy on how to calculate developer fee. 15% of total project cost is not a safe haven in determining reasonable developer fee.

State Comparison:

- Varies significantly; all have limits
- Limits based on units produced as well as rehab / new construction value

2016 QAP:

- Up to 15% of Total Project cost less acquisition, consultant fees, reserves and the requested developer fee amount in addition to 5% for acquisition where there is no identity of interest and 0% for acquisition where there is an identity of interest

Social Equity



Impacts: 9% LIHTC

Previously: In scoring projects receive points for citing in accessible locations (near grocery, schools, transportation), in low poverty areas, in Qualified Census Tracts, and for marketing to public housing wait lists. All funded projects must meet Affirmatively Further Fair Housing requirements and actively market to all protected classes.

Input:

- Pertains to tenancy; overall social equity to should target geography, tenancy, and development opportunities
- Need to specify how it would be different from HUD requirement

State Comparison:

- Aside from incentive for Opportunity Areas, there is nothing comparable in other states

2016 QAP:

- In addition to geographic targeting of areas Vulnerable to Gentrification and Opportunity Areas, additional points to be awarded to those projects that choose to develop Affirmative Marketing Plan 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.

Resident Services



Impacts: 9% LIHTC

Previously: 9% NOFA includes factors of resident services; including ties to planning efforts, relevancy of services, partnerships developed and funding

Input:

- There should be different tiers of services based on different target populations
- Clarity needed around the intent/desired outcomes of resident services.
- Services feel like an unfunded mandate, especially if cost is not allowed above the line.
- As currently applied in the NOFA, has propensity to disadvantage rural areas with fewer referral opportunities and projects that do not have a service dependent population

State Comparison:

- Varies though tends to have different requirements for service dependent population

2016 QAP:

- Scoring to be based on meeting more specific criteria that ensure adequacy of service delivery and partnerships

Other QAP Changes



HUD 811: language to be added

- to ensure delivery on this requirement

Market Study: will be required 90 days after Reservation for 9% LIHTC and at application for 4% LIHTC

- to clearly specify expectations

9% Tie Breaker to be based on: Incomes served, and Cost per Square Foot

- to ensure that the tie breakers are measurable and tied to state and federal priorities

Urban / Rural: in the Balance of State region, a 50% soft set-aside established for communities with fewer than 25,000 people

- to ensure funding in the Balance of State is not clustered solely in those urban areas with the highest capacity and planning infrastructure; to off set any unintended consequence of the scoring structure

Changes for Future



Regional Prioritization: long term work of OHCS and Housing Stability Council

Cost Containment: scored item should be considered with context of study and analysis

- Other states do include element of scoring; largely based on comparison of submitted applications to each other
- Meyer study to be published

Loans versus Grants: is a new idea to Oregon, though a standard in other states and should be considered as a way to ensure best use of public resources as well as to potentially have a renewable source of funding. It does not need to be part of the Qualified Allocation Plan, but should be an ongoing conversation of the State Housing Council.



THANK YOU

Oregon Housing and Community Services