STATE HOUSING COUNCIL

QUALIFIED ALLOCATION PLAN
POLICY QUESTIONS

SEPTEMBER 11, 2015

QAP Process

- Working to streamline key manuals and documents into a uniform Qualified Allocation Plan to guide both LIHTC programs

- Identifying key policy questions to address in updated plan through comprehensive input:
  - State comparative analysis by Mark Shelburne of Novagradac
  - Roundtable outreach sessions held with stakeholders:
    - Lenders / Investors
    - 9% LIHTC
    - 4% LIHTC
  - **State Housing Council** insight and input on Sept 11th

QAP Process cont'd

- Final stakeholder outreach roundtable will be held on Sept 18th
  - Will complete discussion started at 9% roundtable
  - Get input on possible recommendations

- QAP to be presented at October State Housing Council with a recommendation that the document be released for a 30 day public input comment period

Local Priority Letters

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

Currently: Letters of project priority are 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

Policy Question:

- Should OHCS continue to use Local Priority Letters in the competitive application?

HOME funding Leverage points

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

Currently: Projects in the Balance of State who are requesting at least $500,000 in the state HOME funds are awarded 1 point; no points in Participating Jurisdictions are 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
- This could take the place of a Local Priority Letter

Policy Question:
- Should OHCS award points for leverage from Participating Jurisdictions, and is it for HOME funds or any leverage?

QCT and Low Poverty points

Impacts: 9% LIHTC

Currently: Projects are 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

Policy Question:

- Should OHCS revise the importance of this measure by reducing the points?
- Should OHCS include along with these measures other variables aimed at identifying Opportunity Areas or Vulnerable Areas?
    - Location factors like distance to grocery stores and schools currently get up to 6 points in scoring elsewhere, but Opportunity Areas may warrant consideration of the quality of the school

9% LIHTC Cap

Impacts: 9% LIHTC

Currently: Projects are 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.

Policy Question:

- Should OHCS look at increasing or eliminating the 9% LIHTC per unit cap? If so, what if any limits/restrictions could be added to ensure equitable distribution of resources?

Basis Boost

Impacts: 9% LIHTC

Currently: Projects are 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

Policy Question:

- How could OHCS provide more certainty of whether or not a project qualifies for the State's Basis Boost?
- How would Basis Boost be seen in relation to the question around increasing or eliminating 9% LIHTC per project cap?

Affordability Period

Impacts: All Programs

Currently: All programs, except for 4% LIHTC, are 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.
- Useful life of most apartment projects is 30 years, after that projects need substantial recapitalization. Rent levels signed up for in the beginning may not be financially feasible for 60 years, should be an opportunity to review at year 30.
- 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.

Policy Question:

- Should the 60 year affordability period be revised or nuanced for any or all programs?

Operating Expenses and Replacement Reserves

Impacts: All Programs

Currently: 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.

Policy Question:

- How should OHCS review Operating Expenses and Replacement Reserves during the underwriting process?

Developer Fee

Impacts: All Programs

Currently: up to15% total project cost less developer fee as determined reasonable by OHCS

Input:

- Potentially developer fee should be different in 9% LIHTC and 4% LIHTC/Tax-exempt Bond transactions.
- 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.

Policy Question:

- How should OHCS address Developer Fee?

Social Equity

Impacts: 9% LIHTC

Currently: 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:

- New Market Tax Credits identify target areas that are broader than individual QCTs based on meeting several criteria. Seems like there are multiple objectives in terms of prioritizing investment in opportunity areas, struggling neighborhoods, and gentrifying neighborhoods.
- Current criteria too limiting (QCT or Low Poverty Census Tracts).
- Fair Housing and programmatic regulations require units to be available to all populations, and also require affirmative marketing and tenant selection plans to ensure equal access and promote fair and open housing.

Policy Question:

- How should OHCS enhance it's focus on social equity issues
- Should the project marketing plan become part of the scored component of the project to ensure the actions will reach those who are underserved

Resident Services

Impacts: 9% LIHTC

Currently: 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.
- Rural Development projects are not allowed to have resident services in the operating budget.
- 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

Policy Question:

- What is the role of resident services in affordable housing
- What outcomes are we trying to achieve

THANK YOU