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States Delineate Housing Preferences with Changes in 2004 QAPs

By Nicolo Pinoli, Novogradac & Company LLP

In recent weeks, draft 2004 qualified allocation plans (QAPs) have been published by several states. These recently published draft QAPs have proposed several changes to the manner in which the low-income housing tax credit (LIHTC) program is administered. About 11 states have released a draft or final QAP for 2004, including Alaska, Illinois, Iowa, Louisiana, Minnesota, Missouri, Nebraska, Nevada, Oregon, Texas and Vermont.

In general, changes have been made to the scoring process, with the potential for additional points to be awarded, as well as the removal of certain scoring criteria that were considered in prior years. Additionally, certain states have proposed changes to the LIHTC amounts designated for specific types of low-income housing. Furthermore, certain states have proposed to increase the minimum amount of rehabilitation costs per unit for a development to qualify as a rehabilitation development. Finally, certain draft QAPs also propose limits on the amount of low-income housing tax credits that may be allocated to a development.

Texas Alters Scoring Criteria

In Texas, the Texas Department of Housing and Community Affairs (TDHCA) has proposed certain changes to the application scoring process. These changes could have a significant impact on the score received by a proposed low-income housing tax credit development, and affect the ultimate decision of the department to award LIHTCs.

TDHCA has proposed to add a section in the scoring process for site location characteristics. The criteria proposed to evaluate these characteristics is based primarily on proximity to amenities, such as public transportation, grocery stores, banks, police stations, hospitals and schools. Additional criteria included in the evaluation of site location are access of the development to paved roads and the integration of the development site into residential development settings. In addition to points awarded for the aforementioned characteristics, negative points will be assessed for proximity to certain undesirable characteristics, such as junkyards, railroad tracks, interstate highways, heavy industrial facilities and landfills.

TDHCA has also proposed to change the scoring for amenities, including both unit amenities and common amenities. Additional points may be awarded for unit amenities, such as 9-foot ceilings, microwave ovens, 14 SEER HVAC and energy star kitchen appliances. Certain common amenities that may receive scoring consideration are full perimeter fencing, community gardens, furnished fitness centers, equipped computer labs and equipped business centers.

In an attempt to provide housing for extremely low-income tenants, Texas has also proposed that points be awarded for developments serving residents at 30 percent of area median gross income. Proposed developments must also submit evidence to demonstrate that the development will receive financial support from a local housing authority or governmental entity. Points will be awarded on a sliding scale based on the number of 30 percent units

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as a percentage of total units that are to be included in the development.

These changes to the scoring provisions provided for in the draft qualified allocation plan published by the TDHCA appear to favor developments located in favorable areas, offering substantial unit and common amenities, and which provide housing for extremely low-income tenants.

In addition to proposed changes in the scoring process, TDHCA has proposed that LIHTC allocations be limited on a per-unit basis. For developments with 76 or fewer units, allocations will be limited to $7,500 per unit for developments located outside of a qualified census tract (QCT), and $9,000 per unit for developments located within a QCT. For developments of more than 76 units, LIHTC allocations will be limited to $6,500 per unit for developments located outside of a QCT, and $8,000 per unit for developments located within a QCT.

TDHCA has proposed to remove a previous requirement that at least 60 percent of the state housing credit ceiling be allocated to general set-aside. Additionally, the criteria necessary to submit an application in the not-for-profit set-aside is proposed to include the requirement that the qualified not-for-profit developer must be shown as a co-developer in the development agreement and must be paid at least 51 percent of the developer fee on an as-received basis.

Illinois Scoring Changes Encourage Developments Utilizing HOPE VI

The Illinois Housing Development Authority (IHDA), in contrast to TDHCA, has made fewer changes in preparing its draft 2004 QAP. These changes are predominantly exhibited as a revised scoring process, an increase in the minimum amount of rehabilitation costs per unit to qualify as a rehabilitation development, and altered amounts of low-income housing tax credits to be allocated to specific types of developments.

IHDA has proposed a change in the scoring process to increase the possible points to be awarded for developments, including market-rate units. Under the 2003 scoring process, a development could receive points for reserving 10 percent or more of the total units as market-rate units. Under the proposed revised scoring process, a development may receive additional points for reserving 25 percent or more of the total units as market-rate units.

Another IHDA proposed change to the scoring process removes the points that were previously awarded for developments targeting special-needs populations, developments targeting people with physical disabilities, and developments targeting both special-needs and assisted/supportive living facilities for the elderly. Under the proposed revised scoring process, only developments targeted to families with children would be awarded additional points.

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LIHTC INFORMATION

Address all correspondence and editorial submissions to:

Jane Bowar Zastrow
LIHTC Monthly Report
Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105
Telephone: 415.356.8034
E-mail: cpas@novoco.com

Visit us on the web:
www.taxcredithousing.com

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For rehabilitation developments, IHDA has proposed that the minimum rehabilitation costs per unit be increased from $6,000 per unit to $8,000 per unit. This proposed change increases the burden on developers seeking to rehabilitate existing housing.

Finally, IHDA has proposed changes to the amount of low-income housing tax credits that are allocated to specific types of developments. The authority has proposed to increase the amount of credits to be allocated to developments seeking to preserve the existing low-income housing stock. IHDA has also proposed a significant increase in the amount of credits to be allocated to developments developed by large public housing authorities utilizing HOPE VI funding, seeking to preserve units that are likely to be eliminated from the state's low-income housing stock. Finally, the authority has proposed that credits be allocated to two new categories: developments serving people with special needs, and developments serving the elderly.

The changes made in the draft 2004 QAPs present an excellent opportunity for developers of low-income housing, in crafting their 2004 applications for low-income housing tax credits, to fulfill the altered expectations of the tax credit allocation committee, and thereby increase the likelihood of receiving an allocation of credits.

QAPs, applications and related materials can be found online at www.novoco.com/QAP.shtml.

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