



Low Income Housing Tax Credit Program 2018 QAP: Updated Summary of Substantive Changes*

Core Section

Section	Proposed Change
Definitions	Definition added: "Interest – Direct or Indirect"; Definitions edited: "Adjacent"; Definition removed: "Neighborhood Stabilization Program," "Paved Pedestrian Walkway," "Phased Development" (moved to Scoring Section), "Rent Standards," "Tax Credit Assistance Program (TCAP)"
7. Set Asides	C. "Rural HOME Preservation Set Aside" added – up to 5 Applications may be selected to each receive up to \$350,000 for rehab/refinancing of existing 9% projects with existing HOME loan.
12. 4% Federal Credit – Bond Financed Projects	All 4% Applicants required to complete pre-app process.
13. Financing Resources	TCAP removed, as not awarding TCAP in 2018

Appendix I: Threshold

Section	Proposed Change
I. Project Feasibility	"Commitment letters must demonstrate that there will be no shortfall of funds during the construction period... Deferred developer fee is not an allowable source for construction financing."
	"Applicants must measure and input Residential Square Footage in their core applications as the area of an individual unit that is available for the exclusive use of the tenant."
	"Applicants that receive a lower credit allocation as a result of this determination must submit an amended equity commitment letter or a revised pro forma showing how any funding gaps will be covered prior to the issuance of a carryover allocation."
	Projects with existing PBRA with less than 10 years remaining from submission date will be underwritten with maximum tax credit/HOME rents.
	"Any and all costs directly associated with developing unrestricted units must be covered by conventional or unrestricted financing sources. An unit developed without conventional or unrestricted sources is required to have a maximum rent of 80% AMI from the effective AMI table for the appropriate bedroom size. The Applicant must consent to the units being rent-restricted in the applicable LURC."
	"Any and all costs directly associated with the inclusion of luxury items such as; granite counter tops, swimming pools, high end appliances, etc., must be covered by conventional or unrestricted financing sources."
II. Cost Limits	"DCA will require an independent third party front end cost review prepared by a DCA approved entity...no later than 30 days before closing." "Applicants located in an MSA that is not listed on HUD's 2017 Unit Development Cost Limits document" may use the cost limit for the nearest listed MSA.
V. Market Feasibility	Indicative of market feasibility for HOME, 4% Credit projects, and 9% Credit projects: "Should not have more than two DCA funded projects in the primary market area which have physical occupancy rates of less than 90% and which compete for the same tenant base"
XXII. Eligibility for Credit under the Rural HOME Preservation Set Aside	Section added, corresponding to the addition of the "Rural HOME Preservation Set Aside" in Core. Selection criteria: 1) "the percentage for the original HOME loan that has been paid"; 2) "the number of successful HOME deals completed by the Project Team"; 3) The property has no other leveraged funds besides the DCA HOME loan."
XXVI. Affirmatively Furthering Fair Housing	Marketing Plan requirements updated
Exhibit A: Underwriting Policies	<ul style="list-style-type: none"> • New limits to the Developer Fee on 4% bond-financed acquisition/rehabilitation projects <ul style="list-style-type: none"> ○ Acquisition portion <ul style="list-style-type: none"> ▪ Developer Fee on the acquisition portion will be limited to 15% of the Existing Structures acquisition cost (including Acquisition Legal Fees) on the first \$16,500,000 of the acquisition cost. ▪ Limited to 7% of additional acquisition costs exceeding \$16,500,000. ○ Rehab portion <ul style="list-style-type: none"> ▪ Limited to 15% of TDC less the budgeted Developer Fee, any reserves funded at closing, the underwritten cost of Land, Acquisition Legal Fees, and Existing Structures on the first \$16,500,000 of eligible costs for the development, including the acquisition cost. ▪ Limited to 7% of additional eligible costs exceeding \$16,500,000.

- Maximum Developer Fee for 4% bond deals is \$3.5 million.
- For all deals, when an Identity of Interest exists between the buyer and seller or if the seller is a part of the Project Team, no Developer Fee can be generated through the purchase of the Existing Structures.

Appendix II: Scoring

Section	Proposed Change
II. Deeper Targeting/Rent/Income Restrictions	For each point category, minimum share of deeper-targeted units increased
III. Desirable/Undesirable Activities	Maximum points decreased from 13 to 10 pts; DCA will measure distance using Google Maps driving or walking distance. Paved Pedestrian Walkways not required. Bonus Desirable Point eliminated.
IV. Community Transportation Options	Paved Pedestrian Walkways not required. Google Maps walking distance utilized.
Brownfield	Section eliminated
VI. Enriched Property Services	Innovative Project Concept (renamed Education Outcomes, and now open to all Family Applicants), combined with Healthy Housing Initiatives to create Enriched Property Services. Healthy Housing Initiatives A. Preventative Health Screening (2 pts) requires the designation of a Resident Service Coordinator, introduces a list of measurable outcomes. Applicant may also complete B. Healthy Eating Initiative (1 pt) for a total of 3 pts under this sub-section. "Healthy Activity" removed.
VII. Place-Based Opportunity	Quality Education Areas combined with Workforce Housing Need and Job Strength
Transformational Communities	2017 Transformational Communities divided into VIII. Revitalization/Redevelopment Plans, IX. Community Transformation, and XI. Community Designations.
VIII. Revitalization/Redevelopment Plans	A DCA-recognized Community Revitalization Plan is worth 3 points; 2 additional points will be awarded to Applicants developing housing in a QCT. Off-Site Capital Investment included here.
IX. Community Transformation	DCA will select up to 5 Applicants (3 Urban, 2 Rural) to receive 3 points for qualifying as a Community-Based Developer, appointing a Community Quarterback Board, and committing to undertaking Community Outreach and Engagement and completing a Community Transformation Plan.
XI. Community Designations	Remains open to only 1 Applicant receiving a HUD Choice Neighborhood Implementation (CNI) Grant and 1 Applicant designated by Purpose Built Communities. Applicants to this Scoring Section are ineligible for points under Section VIII. Revitalization/Redevelopment Plans, Section IX. Community Transformation, or Section X. Stable Communities.
XII. Phased Development/Previous Projects	Wherever 2017 QAP listed "five (5) DCA funding cycles," 2018 QAP increases to six (6). B. Previous Projects (Flexible Pool): "Developments located within one-mile radius of a transit hub, as defined in Community Transportation Options, A. Transit Oriented Development" not included in analysis of previous funding cycles.
Market Characteristics	Moved to Threshold
XIV. Exceptional Nonprofit/Public Housing	Addition of sub-section B. "Exceptional Public Housing Authority" (3 pts), open to 2 Applications in which the Project Team includes a qualified Public Housing Authority, their sponsoring entities, affiliated companies, or subsidiaries.
XV. Priority Point	"Each Applicant (Flexible or Rural) will be limited to claiming the Priority point for one Application in which a Project Team has a direct or indirect interest." Limit on number of units removed.
XVI. DCA Community Initiatives	Addition of sub-section B. "Federally Designated Disaster Area" (1 pt)
XVII. Favorable Financing	Replaces "Leveraging"; qualifying loans' interest rate may not exceed AFR. Long-Term Ground Lease moved from Transformational Communities to Favorable Financing.
XIX. Historic Preservation	Share of building adaptively reused now must constitute 30% (not 50%) of units

*Items listed below include highlighted changes made to the 2017 QAP. Not all changes have been listed.