

2018/2019 Qualified Allocation Plan (QAP)

Testimony Received		HHFDC Response
1	<p>Michael Hampton</p> <p>a Recommend a minimum set-aside of \$700,000 of the volume cap (9%) LIHTC for "innovative housing" serving disabled and elderly tenants that require adaptive housing which supports in-house medical services such as dialysis, ventilators, etc.</p>	<p>No change. The recommended set-aside is for housing that appears ineligible for LIHTC. According to Treasury Regulations Sec. 1.42-11 "If any continual or frequent nursing, medical, or psychiatric services are provided, it is presumed that the services are not optional and the building is ineligible for [LIHTC]..." Additionally, Treasury Regulations Sec. 1.42-9, states "any residential rental unit that is part of a hospital, nursing home, sanitarium, lifecare facility, trailer park, or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for [LIHTC] under section 42."</p> <p>The QAP awards 2 points to projects servicing tenants with special needs under the Criteria Point System.</p> <p>Set Aside: Finance staff is generally opposed to the imposition of any set asides (other than the IRC Section 42 mandated non-profit set-aside) based on: (i) Hawaii's annual 9% LIHTC ceiling amount and high construction costs, which limit the amount of projects receiving a 9% LIHTC award to 3 or 4 projects per year (barring any carryovers and returns); (ii) the set-aside superseding the Criteria Point System (a project with a poor score can receive funding over a higher scoring project based on satisfying the set aside); and (iii) actual funding likely to exceed the set-aside amount (a qualifying project can receive more than the set-aside amount for such project's financial feasibility and long-term viability).</p>
2	<p>Hawaiian Community Assets</p> <p>a Recommend a 25% set-aside of the volume cap (9%) LIHTC for Non-Profit Projects</p> <p>b Recommend 10% set-aside of the volume cap (9%) LIHTC for Homestead Association Partnership Projects located on or near Hawaiian Home Lands.</p>	<p>No change. The QAP does not need further incentive for non-profit participation. The QAP awards 3 points to projects with non-profit participation under the Criteria Point System and IRC Section 42 requires a 10% non-profit set-aside. Additionally, projects with non-profit participation have a historically high LIHTC award success rate in Hawaii. Projects with non-profit participation received 100%, 40%, and 100% of the total 9% LIHTC awarded in 2017, 2016, and 2015, respectively.</p> <p>Set Aside: See set-aside commentary under HHFDC Response on item 1(a) above.</p> <p>No change. See set-aside commentary under HHFDC Response on item 1(a) above.</p>

		c	Criterion 14 - Project is participating with a local tax-exempt organization and is sponsored by a qualified non-profit, as defined in Section 42 IRC; Recommend priority points for Non-Profit Projects and Homestead Association Partnership Projects	No change. See HHFDC Response on item 2(a) above.
3	Ikaika Ohana and Urban Housing Communities	a	Rental Housing Revolving Fund (RHRF); Request for a thorough study of cash flow on affordable housing developments as the increasing burden of the repayment terms of the RHRF loan reduces the ability of an owner to use liquidity to solve financial problems; recommend 50/50 split as the starting point between the owner and HHFDC	No change. The QAP covers the LIHTC program not the RHRF program. Finance Staff shall forward these comments to the Finance Manager and Executive Director for consideration.
4	Hawaiian Community Development	a	Criterion 8 - Project Location and Market Demand; Recommend 6 points to projects on or near Department of Hawaiian Home Lands' (DHHL) lands and delete the urban core and urbanized area preferences. Most DHHL's lands are located in rural areas and are penalized by not being located in a County's urban core which is worth 4 points; additionally no potential projects on DHHL lands are close to Trans-Oriented Development (TOD) areas (2 points)	Executive Director recommends presentation of testimony to the QAP Subcommittee for further discussion for a future QAP.
		b	Criterion 12 - Project will provide housing for tenant populations with special housing needs; Recommend definition of "special housing needs" in Criterion 12 be amended to include "persons who are Native Hawaiian" and eliminate the requirement for an executed commitment to provide services	No change. HHFDC interprets the "special housing need" provision in IRC Section 42 as tenants needing physically specialized housing units or supportive services. Race or heritage does not appear to be a basis for physically specialized housing units or supportive services. The existing QAP requires a service commitment to evidence the provision of supportive services to the special needs group.
		c	Criterion 16 - Project is located in a Qualified Census Tract; Recommend 2 points to projects that are located on or near DHHL lands, regardless of whether the project is not redeveloping existing housing and instead adding new housing	No change. IRC Section 42 stipulates the following preference for Qualified Census Tracts, "Projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan ".
5	Hawaii Habitat for Humanity	a	Recommend awarding priority points for 1) non-profit developers; 2) projects on or near Hawaiian Home Lands; 3) Community Housing Development Organizations (CHDO) developers; 4) projects located along the Honolulu Authority for Rapid Transit (HART) rail line and stations	Item (1): No change - see HHFDC Response on item 2(a) above. Item (2): Executive Director recommends presentation of testimony to the QAP Subcommittee for further discussion for a future QAP. Item (3): No change - CHDO's qualify as non-profits; see HHFDC Response on item 2(a) above. Item (4): No change - The QAP awards 2 points for Oahu projects located within 1/2 miles of a mass transit station.