

Summary Comments to 10/10/2017 Draft of the Multifamily Rental Financing Program Guide

No Action Recommended as of February 6, 2018

Guide Section	Comment	Rationale
3.9.8.3 Professional Fees	DHCD should allow developers to exceed the maximum developer fee by up to 10% in order to create an internal rent subsidy within the development to reach affordability at or below 20% or 30% AMI.	The Department believes the existing 5% allowance is appropriate without changes.
3.11.3 Zoning	The magnitude of points toward projects in COOs in the Baltimore Area incentivizes risk that may result in a higher number of proposed projects being submitted without zoning in place. The result of awards to projects without zoning in the Baltimore Area could result in diversion of DHCD resources to efforts that may take years or never be able to achieve appropriate zoning.	The Department believes its existing zoning threshold requirements (Section 3.13.3) are appropriate for all areas of the State, including the Baltimore Region, and more stringent standards are not appropriate.
3.13.1 Additional Criteria Applicable Only to New Construction and Gut Rehabilitation	The Department continues to encourage a variety of green certifications, such as LEED and enterprise Green. We request that besides these two certifications, that the Department add “or the equivalent” to the Guide in order to allow other green certification standards to be eligible.	The Department does not agree with this requirement. If there are comparable green building certification programs, the Department should be given the an opportunity to review and approve prior to providing incentives.
3.13.1 Additional Criteria Applicable Only to New Construction and Gut Rehabilitation	The Department should consider defining what constitutes a “Gut Rehabilitation” project either or both in terms of dollar amount spent per unit or replacement of major systems (i.e., HVAC, roof).	There is a definition of Gut Rehabilitation provided in Section 3.13.3 of the Guide. This definition is not based upon the dollar amount per unit.
4.1.4 Nonprofits (NPs), Public Housing Authorities (PHAs), and Minority/ Disadvantaged Business Enterprises (MBE/DBEs)	There is perceived disparity of LIHTC allocations among for-profit, non-profit and W/MBE sponsors. DHCD should perform research and address this issue to ensure that there is a level playing field for all sponsors of LIHTC developments in future Rounds.	The Department will take this comment into consideration, but no change is warranted to the QAP & Guide at this time.
4.1.4 Nonprofits (NPs), Public Housing Authorities (PHAs), and Minority/ Disadvantaged Business Enterprises (MBE/DBEs)	MBE/DBEs belong in separate category from Nonprofits and PHAs.	The Department believes the current incentive structure is achieving our goal of engaging NPs, PHAs, MBEs/DBEs in a significant manner. It is worth noting that 100% of the projects in the last Round included NPs and PHAs in the development team.
4.1.4 Nonprofits (NPs), Public Housing Authorities (PHAs), and Minority/ Disadvantaged Business Enterprises (MBE/DBEs)	Create additional scoring criteria or a set-aside for projects controlled by PHAs.	The Department believes the current incentive structure is achieving our goal of engaging NPs, PHAs, MBEs/DBEs in a significant manner. It is worth noting that 100% of the projects in the last Round included NPs and PHAs in the development team.

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4.1.4 Nonprofits (NPs), Public Housing Authorities (PHAs), and Minority/ Disadvantaged Business Enterprises (MBE/DBEs)	There has been a steady decline of awards to nonprofit entities with project control either as sole general partner or as majority or controlling general partner in a joint venture with a for profit developer. In addition, nonprofit scoring has been further weakened as a result of combining nonprofits with minority, women and small business points into a single category.	The Department believes the scoring in this category is achieving the balance of incentivizing the significant participation of NPs, PHAs, and MBE/DBEs in projects which receive financing. The Department is willing to engage to discuss this topic in greater detail but does not believe changes are necessary to the Guide at this time.
4.1.4 Nonprofits (NPs), Public Housing Authorities (PHAs), and Minority/ Disadvantaged Business Enterprises (MBE/DBEs)	Nonprofit organizations (including PHAs) need to be in their own separate scoring category, which category is given substantial weight. Three categories are suggested: (1) nonprofits in control, with at least 51% general partner interest and with the managing general partner role-- 8 points; (2) nonprofits with 51% general partner interest, not the managing GP, but with material participation roles, and a right of first refusal-- 4 points; and (3) non-controlling interest/ community based nonprofits-- 2 points. The second category provides for established nonprofit organizations, who need more experience and financial capacity, to grow and develop their capacity to develop low-income housing tax credit projects on their own.	The Department believes the existing scoring system provides significant incentives for NPs. As an example, 100% of the 20 projects funded during the 2017 Competitive Round included a NP or PHA as a member of the project's development team.
4.2 Community Context	The Department should complete a Statewide housing needs assessment in order to better balance Communities of Opportunity (COOs), Defined Planning Areas (DPAs), and Qualified Census Tracts (QCTs).	The Department will take this comment into consideration, but no change is warranted to the QAP & Guide at this time.
4.2 Community Context	Cap the number of units allocated to Baltimore and allow for the possibility of 9% projects in other areas of the State.	The Department believes the scoring criteria provides incentives for family projects in Communities of Opportunity (COOs) in the Baltimore Region, while still allowing for projects to be funded in other areas of the State.
4.2 Community Context	Maintain the existing QAP & Guide priorities with the only change being the creation of a reasonable set-aside for the Baltimore region.	The Department considered the concept of a set aside for family projects in COOs in the Baltimore Region but determined that the proposed incentive approach provided a more practical strategy for allocating 9% tax credits and achieving the goals of the recent Voluntary Compliance Agreement with the Baltimore Region Housing Campaign
4.2.2 Communities of Opportunity (COOs)	The Basis Boost for COO projects should be allowed in a manner that will address cost containment, have a clear and transparent methodology by which the boost will be applied, and protect state resources so as to maximize the number of projects that can be funded each round.	The Department conducts underwriting to ensure that all projects receive only funding that is necessary to achieve financial feasibility.

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4.2.2 Communities of Opportunity (COOs)	Permanent Supportive Housing units should receive extra points if sited in COOs.	The Department believes additional points for Permanent Supportive Housing in COOs is not warranted.
4.2.2 Communities of Opportunity (COOs)	Frederick County should be prioritized as a COO	COOs are defined as described in Section 4.2.2 in a census tract level and can be viewed using DHCD's Multifamily Mapper at the following website: http://www.dhcd.state.md.us/GIS/multifamily/index.html Please note that there are existing areas of Frederick County that qualify as a COO. However, designation of the entire county is not consistent with DHCD's approach to defining COOs.
4.3 Transit Oriented Development (TOD)	The Department should be cautious of the cost of the augmented transit options.	The Department will take this comment into consideration, but no change is warranted to the QAP & Guide.
4.3 Transit Oriented Development (TOD)	The Department should require construction within a 3/4 mile of public transportation in COOs.	The Department intentionally increased the radius for points for family housing in a COO to increase land available for such developments.
4.4.1 Income Targeting	The Guide should have increased points for Income Targeting (3 instead of 2) to ensure applications receive top scores in the Rating and Ranking process.	The Department adjusted the 2 point preference to a 1 point preference which it considered is appropriate in light of unit production goals agreed to in the Voluntary Compliance Agreement with the Baltimore Regional Housing Campaign.
4.4.1 Income Targeting	DHCD should rewrite the new chart added to Section 4.4.1 to allow for more specificity at the lower end of AMI (between 0%-30% AMI) and not the higher end (50-55% AMI).	The Department believes the proposed scoring structure is appropriate without changes.
4.4.1 Income Targeting	DHCD must raise the threshold for Income targeting to at least 20% for the maximum 4 points, awarding 2 points for meeting a 10% threshold.	The Department believes the proposed scoring structure is appropriate without changes.
4.4.1 Income Targeting	The QAP must require that 20% of units in any proposed development be set aside and made affordable to households with incomes at or below 20% and 30% of the AMI.	The Department believes the proposed scoring structure is appropriate without changes.
4.4.1 Income Targeting	The QAP should increase its award of Income Targeting points to at least 14% of all available points to proposed developments based on a sliding scale that exceeds the threshold for units affordable at or below 30% AMI. The current QAP only allocates 4 points.	The Department believes the proposed scoring structure is appropriate without changes.

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4.4.2 Targeted Populations: PWD or Special Needs	There is an unmet and growing need for senior housing in many areas of the state. The Department should look at the senior housing portfolio and analyze the waiting list data as well as look at rent rolls for family properties to determine how many seniors are living in non-age restricted units.	The Department will take this comment into consideration, but no change is warranted to the QAP & Guide at this time.
4.4.2 Targeted Populations: PWD or Special Needs	DHCD should provide a concise definition for homelessness and who qualifies as homeless for purposes of projects awarded to serve this population in the QAP.	The Department does not believe any additional clarification is necessary in the Guide.
4.4.2 Targeted Populations: PWD or Special Needs	Substantial points or incentives should be provided for projects using a “Housing First” model.	The Department believes the current scoring system provides significant incentives for projects serving persons experiencing homelessness using a Housing First model as well as other approaches to ending homelessness.
4.4.2 Targeted Populations: PWD or Special Needs	Place a 25% cap on projects for veterans and persons experiencing homelessness.	The Department does not believe a threshold prohibition on projects that serve 25% or more veteran or homeless populations is appropriate.
4.4.2 Targeted Populations: PWD or Special Needs	DHCD should create a senior housing project category.	The Department does not believe a scoring category incentivizing elderly housing is appropriate at this time in light of the unit production goals agreed to in the Voluntary Compliance Agreement with the Baltimore Regional Housing Campaign. However, the Department continues to finance elderly projects through its tax-exempt bond and 4% tax credit program.
4.4.2 Targeted Populations: PWD or Special Needs	It is important for DHCD to increase the upper limit, and award more points for projects that go to great lengths to serve the homeless population; for example, an additional point could be awarded for projects that set aside 35-50% of their projects for the targeted population.	The Department believes the current scoring system provides significant incentives for projects serving persons experiencing homelessness and no additional change to scoring is warranted.
4.4.2 Targeted Populations: PWD or Special Needs	DHCD should review how points are awarded, to increase 1) the set-aside percentages to be met for points; 2) the total number of points awarded; or 3) both the percentages and the points awarded for these percentages, to more truly benefit individuals with disabilities.	The Department believes the current scoring system provides significant incentives for projects serving persons with disabilities and no additional change to scoring is warranted.
4.4.2 Targeted Populations: PWD or Special Needs	The unintended consequence of the language toward the end of Section 4.4.2 is that while it allows a way to get points for helping people with disabilities, it also creates an opening to not fill the slots with those individuals. This language should be deleted in its entirety.	The Department believes the current criteria strike an appropriate balance between serving persons with disabilities and economic stability of projects.

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4.4.2 Targeted Populations: PWD or Special Needs	There is no definition of “Persons with Disabilities” in the Guide. DHCD should provide a definition of this term in the Guide. Additionally, the Department should specify what, if any, certification or documentation a project must have on file (i.e., physician note, referral from other State of Maryland departments) in order to prove that the tenant meets the definition of a “Person with Disabilities.”	The Department does not believe any additional clarification is necessary in the Guide.
4.4.2.2 Section 811 Project Rental Assistance	If Developments will be required to accept 811 units will they also be required to ensure that resident services are sensitive to the needs of 811 residents?	The threshold requirements in Section 3.4 (Tenant Services) require that all projects must provide services appropriate to the population served by the project. However, all 811 residents come to the project with their own supportive services specific to their needs. A property owner does not have to provide specific tenant services for the 811 resident.
4.4.3 Family Housing	There is concern about the marketability of three bedroom units outside the DC and Baltimore metro areas and feel it will result in over-saturating the market and over-housing of smaller families.	The Department carefully reviews Market Studies submitted with applications. All market studies must meet the requirements outlined in Section 3.12 of the Guide, and the Department takes into account all activity proposed for individual sub-markets.
4.4.3 Family Housing	Require that projects in Communities of Opportunity in the Baltimore Region must include 1BR units.	The Department does not dictate from a threshold perspective any unit type. Scoring incentives in Section 4.4.3 create a preference for projects with 2BR or more. It is worth noting that a project could score maximum points in Section 4.4.3 with up to 40% of units being 1BR.
4.4.3 Family Housing	Developers should also be required to obtain an agreement that rental subsidies will be provided for all or a portion of the 3BR units. This will make it possible for larger families to afford to live in the units.	The Department does not agree with this approach. The Department believes scoring preferences for 2BR & 3BR units in Section 4.4.3 provide a significant incentive for the development of these units. Further under the tax credit program, rents per unit are structured to be affordable to targeted residents without need for additional rental subsidies.
4.4.3 Family Housing	Section 4.4.3 pertaining to Family Housing includes a table that is required as per the Voluntary Compliance Agreement. The Department should only use this table when considering project applications that are within the Voluntary Compliance Agreement’s geographic area.	The Department is applying the same scoring standard Statewide for Section 4.4.3 (Family Housing) so as to create a level playing field for all projects across the State.

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4.5.1 Direct Leveraging	The Guide should have increased points for Leveraging (3 instead of 2) to ensure applications receive top scores in the Rating and Ranking process.	The Department adjusted the 2 point preference to a 1 point preference which it considered is appropriate in light of unit production goals agreed to in the Voluntary Compliance Agreement with the Baltimore Regional Housing Campaign.
4.7 State Bonus Points	DHCD should create an opportunity for State Bonus Points for elderly housing projects.	The Department does not believe a change in criteria to Section 4.7 (State Bonus Points) is necessary to enable State Bonus Points to be awarded to elderly projects.
4.7 State Bonus Points	Provide more clarity for how to achieve State Bonus Points.	The Department believes that Section 4.7 is sufficiently clear with regard to the process for awarding State Bonus Points.