

TO: All Interested Parties

FROM: Ohio Housing Finance Agency

DATE: September 8, 2016

RE: Responses to Received Comments

The following is a summary of public comments received regarding draft technical amendments to the 2016-2017 Qualified Allocation Plan (QAP). Comments were edited for style and to combine similar remarks from different organizations. Please be advised that all responses are subject to change pending the close of the public comment period, now extended to August 26, 2016.

Assisted Living. Commenter recommended OHFA evaluate assisted living options in the housing tax credit program. OHFA agrees this is a proposal worthy of serious consideration. The Planning, Preservation & Development team convened an expert workgroup to analyze related issues and make a policy recommendation to the OHFA Board. However, this process is not expected to conclude until Fall 2016 and will, therefore, be incorporated into the 2018 QAP.

Balancing Revitalization and Opportunity Areas. Commenter emphasized the need for balance between community revitalization and high-opportunity siting and recommended a separate scoring mechanism for different types of communities. OHFA fully supports the “and/both” approach to funding priorities and believes that these revisions will more effectively result in the diverse siting and expanded housing choice that OHFA attempted to incentivize in the 2016-2017 QAP. To underscore this “and/both” approach, OHFA added a Revitalization Area set aside in the New Unit Family Housing pool. While a bifurcated scoring system may be considered in the 2018 funding round, that shift would be too fundamental in the second year of this plan.

Basis Boost Changes. Commenter requested consistency in the 2016-2017 basis boost policy and underscored the difficulty PSH projects face. OHFA agrees with these comments and has reinstated State Preservation Priorities and second priority Continuum of Care developments as eligible basis boost categories. Other categories from 2016 remain in the plan with revisions reflecting the current housing landscape.

Below Market Loans as Leverage. Commenter recommended a valuation system to better account for the savings impact of below market loans. To minimize non-critical changes in the 2017 technical revisions, OHFA will consider this proposal in developing the 2018 QAP.

Change Index. Commenter cautioned against using Change Index benchmarks as the tool has not yet been publically released. OHFA will make this tool available at its earliest opportunity and is currently working with the Kirwan Institute to ensure the most current data is incorporated. Due to Kirwan’s international expertise in this area and the reliability of past measurements, OHFA does not anticipate any data reliability issues. However, because the Change Index is not presently available, OHFA has removed reference to it in the QAP.

City Land Banks. Commenter stated that city land banks are legally required to sell property at the appraised value and, as such, their transactions cannot qualify under the Local Financial Support category. OHFA will not comment on the legal obligations but states that the purpose of this section is to incentivize financial contributions that conserve the limited tax credit resources; at-market sales do not further this objective. OHFA supports the land banking missions and has creative incentives for this activity in other areas of the QAP.

Clarifying Infill Requirements.

Commenter asked for clarification on Infill Development Characteristic “v.” concerning market rate integration. OHFA clarified its position that all market rate units must be part of the same development to qualify for this criterion. Market rate units that are not part of the same development but still promote neighborhood stability may be more appropriately considered in section “iii”.

Commenter also asked whether a local development priority is required to apply in the Infill pool. OHFA removed references that listed a local development priority as a threshold requirement.

Community Housing Development Organization. Commenter recommended only incentivizing locally recognized CHDOs. As a statewide document, the QAP’s Local Partners sections will continue to reference certifications at the state level.

Definition of Revitalization Plan. Commenter remarked that the new definition of revitalization plan may be overly narrow. OHFA commits to evaluating each plan on its individual merits but believes the current definition reflects minimum requirements that are standard in the industry including a designated target area, description of the target area, a stated goal, steps to achieve the goal, and proof that the proposal supports or furthers the goal. Categorical exclusion of land use plans was eliminated; however, these plans must still meet all criteria.

Design Requirements. Commenter requested amendments to the current design features. Projects may apply for exceptions to these requirements.

Detrimental Land Use.

Commenter asked for assurances that a finding of detrimental land use may be mitigated by submission of information proving the condition will be abated. OHFA agrees that applications need an opportunity to rebut a detrimental land use finding but believes the language in the QAP already provides this protection. OHFA reiterates that, as in past years, any type of information that negates a finding of detrimental land use will be considered by OHFA and is not limited to demolition or land banking. We will provide further information on how to access this option at upcoming training events.

Commenter stated that the Ohio Revised Code does not provide sufficient guidance for identifying blight. This definition offers the proper balance between consistency and flexibility to address issues that may significantly affect tenants' quality of life and may impact the value and marketability of the project. Moreover, OHFA has used the ORC definition in other programs with success and believes that any disagreements in implementation would be mitigated by the appeal process. OHFA also notes that "vacancy" alone is not grounds for a detrimental land use finding.

Development Based Priorities.

Commenter objected to removal of contiguous requirement. This adjustment was made to accommodate multi-phase, scattered site developments utilizing the 4% program.

Commenter questioned implementation of competitive rent advantage. OHFA notes that this section is to identify areas where there is a risk of conversion to market rate housing and does not specifically deal with lowering rents in the LIHTC project.

Commenter stated that setting a total development cost threshold could lead to "cut corners". OHFA will evaluate each project on its merits to ensure minimum standards are met.

Exceptional Development: Community Investment. Commenter emphasized the importance of collateral community investment in successfully LIHTC development and asked for the Community Investment exceptional development category be returned to the QAP, possibly with modifications. OHFA agrees that the Community Investment section was beneficial to our residents and communities and has reincorporated the category into the scoring system as a component of the Economic Development category of exceptional development. We continue to welcome feedback on strengthening both these categories in 2018.

Exceptional Development: Creative Design.

Commenter requested a definition for "health clinic". For these purposes, a health clinic is a facility, often associated with a hospital or medical school, staffed by licensed medical professionals, that is devoted to the diagnosis and care of outpatients.

Commenter stated that Creative Design overly emphasized green design and alternate energy. While green elements are incentivized because of their sustainability impact and cost effectiveness, they were not intended to be disproportionately promoted; OHFA has continued to add creative elements as suggested by the public to balance this category. We will continue to solicit feedback to further expand considered elements in future years.

Exceptional Development: Economic Development.

Commenter suggested that OHFA should not prioritize redevelopment of a formerly blighted site over demolition. OHFA agrees and revised language that may have resulted in a renovation priority at the expense of other abatement options.

Commenter questioned whether a "Low" or "Moderate" opportunity score or Positive Change Index was necessary to promote redevelopment priorities. OHFA also agrees that all neighborhoods may benefit from the types of economic growth reflected in that category and has removed those limitations in the final draft.

Commenter recommended that prior LIHTC investments not be eligible as neighborhood investment. OHFA agrees and has added this clarification.

Commenter suggested a differentiated investment threshold for non-urban developments. OHFA agrees and has incorporated this suggestion into the QAP.

Exceptional Development: Education.

Commenter suggested adding a fourth education category for special needs populations. OHFA believes the type of programming suggested in the comment is valuable to the populations we serve but further believes these polices can be furthered within the draft framework. Language was added to the final draft providing consideration for programs serving individuals with a developmental disability and programs teaching English as a Second Language.

Commenter observed that the Exceptional Development section references individual schools, rather than school districts. Commenter is correct that any school, regardless of district or location, may qualification for this section provided it is rated “B” or higher. This is designed to allow applicants to form the strongest possible partnerships, particularly where the local school does not have a strong track record of success and may not be in the best position to provide ancillary services to the community.

Commenter stated that priority to developments with the most units could be replaced with an option that further incentives education services. OHFA agrees and has replaced that language with a preference for applications that serve the most specified populations (children, adults, seniors).

Exceptional Development: Healthcare. Commenter expressed dissatisfaction with the removal of the healthcare component and its effects on the tenant population. OHFA removed the healthcare section due to challenges in obtaining accurate cost savings measurements and effectively ranking applicants. OHFA agrees that healthcare policy considerations are important and, to meet Commenter’s suggestions, have incorporated elements of healthcare into the remaining Creative Design and Education and Opportunity exceptional development categories.

Exceptional Development: Local Priority.

Commenter requested that projects in the Preservation pool be eligible for local priority. To retain consistency with the 2016 QAP, this recommendation will be considered in the 2018 planning period.

Commenter requested the QAP reflect Columbus’ and Dayton’s forfeiture of one development priority due to their award of a two-year allocation in the 2016 funding period. This fact was included in the second draft and will be retained in the final.

Exceptional Development: Workforce.

Commenter questioned the housing policy behind the new Exceptional Development Workforce scoring system. This structure identifies areas that have a high commuter population, which indicates a prevalence of jobs but a lack of local housing. This often marginalizes low income workers who lack the reliable transit necessary to commute to job sites.

Commenter suggested a wider catchment area and a lower urban threshold. OHFA incorporated feedback to expand the applicable radius from two miles to four miles and reduce the urban commuter threshold to 50 percent to more appropriately reflect the commuter population of these areas.

Commenter recommend removing Senior developments from consideration. In light of above changes to the threshold requirements, this suggestion was not incorporated.

Extent of Changes. Commenter remarked that the 2017 technical revisions were more extensive in nature than they previously contemplated. OHFA understands this concern and attempted to minimize changes as much as practicable, including by retaining the vast majority of the structure, funding levels, priorities, and application requirements. However, the changes reflected in the final document proved necessary to provide clarity, enhance transparency, incorporate public feedback, and address evaluation challenges identified in the 2016 scoring round.

Fee Increase. Commenter noted the difficulty fee increases may pose to applicants. OHFA continues to keep its fee schedule as low as possible to prevent any barriers to program entry. The adjustment was necessary to account for market changes since the last increase, as well as the additional costs associated with monitoring during the extended use period.

Green Standards. Commenter requested that green standards information not be required until final application. Because projects must be given sufficient opportunity to correct deficiencies, OHFA believes the current timeframes provide the best balance between OHFA and the development's needs.

HDAP Reserved for 4 Percent Deals. Commenter suggested that the limited Housing Development Assistance Program gap financing resources should be reserved for the more difficult Non-Competitive 4 Percent Housing Tax Credit projects. OHFA agrees and believes that priority is reflected in the HDAP guidance documents.

HUD Subsidy Preservation. Commenter suggested lowering the unit threshold to qualify for the maximum rental subsidy points in the HUD preservation category. OHFA believes the current tiered strategy appropriately incentivizes the preservation of the most units while also providing points to smaller developments.

Infill Experience and Capacity. Commenter asked whether the Infill Team Experience and Capacity section analyzing occupancy rates over a multiyear year period excluded property managers with less experience. Applications listing a management company with less than seven years of lease purchase management experience are not eligible for competitive points under this section.

Leverage. Commenter requested below-market construction loans, specifically the Affordable Housing Trust, count as leverage. To minimize non-critical changes in the 2017 technical revisions, OHFA will consider this proposal in developing the 2018 QAP.

Local Service Provider.

Commenter recommended removing ADL, meals, and safety alarms from non-senior developments. OHFA believes these elements may have value for a broader population, including individuals with disability.

Commenter requested summer programming be required under the “Before and/or after school care for the duration of the school year” criteria. OHFA believes this intent is reflected in the current language. OHFA supports, but does not mandate, free lunches during summer programming.

Commenter recommended adding meals and transportation to Local Service Provider. Because these are currently available for the Non-Urban pool, OHFA agrees and has added this to the QAP. OHFA will not strictly define these activities to provide more flexibility to applicants; all services will be evaluated in reference to the population they are designed to serve.

Commenter stated that service plans need to adjust to changing populations and customization may prevent that flexibility. OHFA agrees that a property manager must nimbly respond to their residents evolving needs but also underscores the need for services to match the application. Successfully awarded may contact our Portfolio Manager in the event of unexpected population shifts during operations.

Location Based Priorities. Commenter questioned criteria wherein the proposed development would account for at least 30 percent of affordable housing and stated that market studies may not provide reliable assessments. OHFA does not believe there is sufficient risk of distortion in market studies to eliminate this section promoting housing in underserved areas.

Low Credits Per Unit. Commenter advised against permitting market rate units in PSH and Infill developments. OHFA has not incorporated this suggestion and will instead permit applicants to develop a model that best supports the unique populations they serve.

MHA Waitlist. Commenter requested that Family Housing Priorities targeting families on the MHA waitlist also require rents at or below HUD’s fair market rent. OHFA encourages projects to offer the lowest rents possible but to maintain consistency with the two-year QAP; this proposal will be considered in the 2018 planning process.

New Net Stable Job Growth. Commenter requested reinstating this criterion to the QAP to give urban areas more opportunities to achieve Location Based Priorities. Because this data is not available at the local level OHFA cannot reinstate this measurement. OHFA added a section for consideration of areas that are not food deserts to ensure there remains an equal number of ways to achieve these points.

Nominal Sales Price. Commenter recommended a heightened standard in the Local Financial Support sections concerning nominal acquisition incentives. OHFA agrees that the low threshold was unduly beneficial to sites with low market rates and has taken the commenter’s suggestion to raise the threshold to 20 percent of appraised value.

Non-QCT Set Asides. Commenter remarked that reductions to the Non-Urban pool accompanying new set asides in Non-Qualified Census Tracts posed challenges to the development community. While OHFA believes these shifts are less impactful than proposed, we believe these changes are necessary to accomplish the goals articulated in our Annual Plan and the Housing Needs Assessment, particularly those that call for enhanced housing choice.

Permanent Supportive Housing. Commenter stated that support from the Continuum of Care excludes worthy projects, including those designed for persons with intellectual or developmental disabilities. OHFA agrees this proposal has merit; to avoid substantial changes in this two-year document, this recommendation will be evaluated further in preparation for the 2018 QAP.

Pool Composition. Commenter asked that OHFA not change the pool definitions from 2016. OHFA agrees this consistency is important and has not made any changes; the Non-Urban pool continues to include both family and senior housing.

Preservation Income Targeting. Commenter identified a typo. OHFA made corrections in the final draft to reflect the 5 percent Extremely Low Income targeting priority is for non-urban counties.

School Districts and District Ranking.

Commenter expressed concern that areas expressing a preference for “B” or better school district would unduly restrict metropolitan areas. OHFA adjusted its focus from individual schools to school districts to ensure that the development residents would have a strong education network, regardless of school boundary changes that could happen during the construction phase. To accommodate commenters, OHFA has provided an alternate that would allow an individual school to meet the criteria provided it signs an unconditional commitment letter to accept development residents for at least the next five years.

Commenter recommended a consistent use of the 2014 ratings. OHFA agrees that the 2014 published ratings are preferable to the not-yet-released 2015 scores and has updated the final document to reflect this.

Commenter recommended incorporation of the Gap Closing measurement. OHFA also added the Gap Closing evaluation as an alternate measurement.

Commenter asked for clarification on which performance measure applies to option “4” for individual schools. OHFA clarified that the Performance Index Rating applies to section 6(b)(4) in Family Housing Priorities.

Commenter suggested evaluating school performance based on attendance, enrollment, discipline, safety, literacy scores, and overall school rating. OHFA believes that many of these components are indirectly considered through the Value-Added Progress Ranking, which measures gains in student learning over time, and the Gap Closing Component, which evaluates schools efforts to close achievement gaps.

Commenter requested clarification on the “individualized assessment” component. This criterion was eliminated from the final draft as all services must be appropriately tailored to the person whom it is designed to serve. For example, a remedial literacy program would not be appropriate for high performing students.

Senior Unit Mix. Commenter suggested that OHFA move more slowly when regulating the number of two-bedroom units that may be eligible in a senior development. OHFA agrees and has adjusted the maximum two-bedroom limit from 20 percent to 50 percent in the 2017 QAP.

Shifting Funding Pool Targets. Commenter suggested that OHFA allocate 75 percent of all funds to the New Unit, Non-Urban Family Housing pool. OHFA's policies must balance important but competing interests, like the need to reinvest in distressed communities against demands to develop affordable housing in emerging neighborhoods. Both are worthy efforts that deserve support. While the commenter's proposal would represent an extensive of a shift that would compromise our ability to serve Ohioans, OHFA understands the strong demand for family housing in areas of high opportunity and has taken steps to ensure that our past commitment to this issue is appropriately reflected in this final document. Revisions that we anticipate will better accomplish our original objectives include: increase to the New Unit Family pool, new set asides in high opportunity areas, new set asides in Non-Qualified Census Tracts, incorporation of metrics regarding Racial and Ethnical Concentrated Areas of Poverty, refined focus on high performing schools, and incorporation of the Kirwan Institute's Change Index. Further priorities are also reflected in the recently released Allocation Plan for the National Housing Trust Fund.

Strategic Initiatives.

Commenter suggested OHFA not itemize its internal considerations in the Strategic Initiatives section. OHFA has named these areas to provide greater transparency its internal decision making process. It is important to note that these policy considerations are only some of the factors that may be reviewed during these decisions.

Commenter suggested incorporating HUD's Affirmatively Furthering Fair Housing language. Because OHFA does not wish to deviate from HUD's current standards, the suggestion to incorporate HUD language is well taken and has been added to the final document.

Commenter requested consideration for multi-phase projects. OHFA added this suggestion but cautions that this is only one of many elements that it will consider and multi-phase developments are not guaranteed funding under the strategic initiatives component.

State Initiatives. Commenter asked that state initiatives section not be revised. Because these requirements are derived from collateral programming, OHFA has made amendments to reflect the current status and requirements of those programs, including increasing the alternate ELI threshold to more accurately mimic the programs' guidelines.

Tax Abatement Implementation. Commenter asked for staff to review the tax abatement section with program participants. OHFA will host its annual QAP training after the final document is approved by its Board. This topic, as well as others, can be addressed in that curriculum.

Unit Mix. Commenter observed that 25 percent one-bedroom unit cap in Non-Senior New Unit Production may adversely affect adaptive reuse projects. While OHFA supports creative adaptations of existing buildings as evidenced in other areas of the QAP, all projects must comport with policy objectives including the expansion of housing options for low income families.

“Urban” County Definition. Commenter disagreed with the definition of “Urban” and “Non-Urban” counties. OHFA welcomes additional feedback on this topic and will consider adjustments to these definitions in the 2018 planning process.

Visitability. Commenter requested clarification on the purpose and applicability of changes to this section. This adjustment was made to promote cost efficiency; OHFA is clarifying that visitability requirements apply to any project that competes as in the Senior or PSH pools, regardless of whether it qualifies for the FHA senior housing exemption.

Zoning Exception. Commenter suggested that OHFA not create an explicit exception to having proper zoning approvals at the time of initial application and instead address each situation as it arises. In the interest of transparency and even application, OHFA will leave the exception as it is written with the understanding that excessive or unsupported requests for the exception will not be approved.