
2004 QUALIFIED ALLOCATION PLAN: *PROPOSED CHANGES*

MD Department of Housing and Community Development
Community Development Administration

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OVERVIEW: Public Forum

DISCUSS PROPOSED CHANGES TO:

- Qualified Allocation Plan (QAP) including the Multifamily Rental Financing Guide.
- Scheduling of funding rounds.
- Multifamily Bond Program.
- Regulation changes.

QAP: THRESHOLD CRITERIA

PROPOSED CHANGES:

- TEAM FINANCIAL CAPACITY
 - Prohibitions expanded to include back taxes.
- PFA LIMIT ON NEW CONSTRUCTION ONLY.
- CONSTRUCTION COSTS
 - Updated by CDA actual experience.
- BOND PUBLIC PURPOSE REQUIREMENTS REMOVED.

QAP: THRESHOLD CRITERIA

NO CHANGES:

- Local Support and Contribution
- Relocation and Displacement
- Project Phasing
- Site Control and Readiness
- Financial and Legal
 - Prohibition against foreclosures, bankruptcies, delinquencies, defaults, etc.
 - Required form of financial statements.

QAP: PROPOSED SCORING CHANGES

CRITERIA	CURRENT	NEW
DEVELOPMENT TEAM CAPACITY	25%	25%
DEVELOPMENT QUALITY	17%	20%
MARKETABILITY	10%	20%
LEVERAGING AND COST EFFECTIVENESS	9%	15%
PREFERENCES	27%	20%

DEVELOPMENT TEAM CAPACITY - 25%

Point weighting unchanged for:

- Financial capacity including net worth and liquidity; and
- “Qualified Nonprofit” member; but
- Experience with similar projects –
 - DEDUCT “penalty points” for poor payment or operational performance in CDA portfolio.

DEVELOPMENT TEAM CAPACITY - 25%

“Bonus” Points – for above average rating of projects in State portfolio evidenced by:

- Cash flow and/or amortizing debt service payments current;
- Timely submission of required reports;
- Above average property inspection reports;
- Compliance with federal and state requirements; and
- Timely payment of required Departmental fees.

DEVELOPMENT QUALITY 20%

INCREASED EMPHASIS:

- Add exhibit to the application outlining the scoring criteria.
- Delete LEEDS category.

DEVELOPMENT QUALITY SCORING CRITERIA - Examples

- **Building design suits community:**
 - Design consistent with community; and
 - Building height and mass also consistent.
- **Site layout and suitability:**
 - Building and other improvements thoughtfully utilize the site.
 - Driveways and entrances do not require excessive engineering.

DEVELOPMENT QUALITY SCORING CRITERIA – More Examples

■ **Unit size, design and amenities:**

- Functional floor plan allowing practical traffic flow and furniture placement; and
- Full second bath in 3+ bedroom units.

■ **Material selection quality:**

- Central system or split HVAC system;
- Building exterior is predominately masonry or other durable, sustainable material; and
- Use of ceramic tile in baths.

MARKETABILITY - 20%

INCREASED EMPHASIS:

- Reasonable capture and absorption rates;
- 30% shelter cost;
- Thorough and complete study;
- Vacancy rate support;
- Impact on existing CDA projects;
- Operating expenses;
- Income targeting supported by market; and
- Comparability study.

PREFERENCES - 20%

DECREASED EMPHASIS – Adjust Scores for:

■ Income Targeting

- Reduce score frontloading for 30% of AMI.

■ Family Housing

- Calculate score based on affordable family units as % of the total project units.

■ Nonprofit, MBE/WBE, or PHA Participation

- Maximum score only for IRS “qualified” non-profit general partners.

■ Housing for Disabled

- Combine category with Special Needs and emphasize Housing for Persons with Disabilities.

PREFERENCES - 20%

NO CHANGES:

- QCT or rehabilitation with community revitalization plan;
- Extended long term use restriction;
- Links to assisted housing wait lists;
- Tenant service plans; and
- Rural communities.

PREFERENCES - 20%

PROPOSED DELETIONS:

- Community Revitalization Area preference.
- Preferences for units for the homeless, assisted living, participants in court-ordered relocation plans, or W2W.
- Other Community Investment or Support.
- Mixed Income Projects.
- Small Projects (< 30 units).

LEVERAGING AND COST EFFECTIVENESS - 15%

- Long term subsidies:
 - Increase minimum from \$100 PUPA for 10 years to \$200 PUPA for 10 years.
- State subsidy per square foot:
 - Replace State subsidy per affordable bedroom and leveraging calculation.

PROJECT FINANCING AND UNDERWRITING - Proposed Changes

Extra points for:

- Use of Multifamily Bond Program (including new products); and
- Projects with realistic pro forma cash flow or amortizing RHF debt.

“Negative” points for former threshold criteria:

- Non-compliance with minimum RFR requirements;
- Inadequate operating reserves;
- Excessive annual expenses per unit;
- Rents in excess of maximums; and
- Low DSCR without waiver request.

HIGHLIGHTS OF PROPOSED ROUND CHANGES

Threshold:

- Changes to Site Control and PFA restrictions; and
- SF cost limits tied to recent CDA experience.

Scoring:

- Increased weight for team capacity, development quality, marketability, and leveraging;
- Decreased weight for federal and State preferences;
- Bonus points for portfolio performance, MBP Program and amortizing CDA debt;
- Deducts for poor performance or payment history, other former threshold criteria; and
- Deletion of certain preferences.

ROUND SCHEDULE – Proposed Changes

- Current schedule makes funding available on an 8 month cycle.
- Suggestions?

QAP NEXT STEPS

- September 15 – Draft Available
- September 29 – Deadline for Comments
- October 13 – Revised Draft Available
- November 10 – Official Public Hearing
- January 1 - Effective

SUMMARY OF PROPOSED NEW INITIATIVES

- Resource Allocation Model (RAM)
- One-Stop Shop
- Revamped MBP Products:
 - Expedited bond processing
 - Regulation changes
 - Availability - Fall 2003.

RESOURCE ALLOCATION MODEL (RAM)

New internal analytical tool:

- Measures economic outputs of the State's investment in the community;
- Quantifies direct benefits of the State's investment on various industries or economic sectors; and
- Provides enhanced economic and production data to DHCD.

REVAMPED MULTIFAMILY BOND PRODUCTS

Availability - Fall 2003

- Taxable Bonds with:
 - Competitive 9% credits; or
 - RHF and competitive 9% credits.
- Tax-exempt Bonds with:
 - Amortizing RHF loans; or
 - Cash flow RHF loans.
- FHA Risk Sharing Expansion.

PROPOSED REGULATION CHANGES - RHF

- Current regulations restrict access to Rental Housing funds to an award through the competitive process or to an award from the Secretary's Reserve.
- Pending regulation change will allow funding of Rental Housing funds on a non-competitive basis to assist projects seeking funding from the Multifamily Bond Program.

PROPOSED MBP PROCESSING CHANGES - NO STATE FUNDS

- Expedited processing for projects scoring maximum points in core areas of:
 - Development team capacity;
 - Marketability; and
 - Development quality.
- Conditional HFRC approval, inducement, and funding reservation within 90 days of application submission.
- Availability of a 90 day rate lock.
- Expedited construction and underwriting review.
- De-coupling of real estate closing from bond sale.

CONCLUSION

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