TO: Interested Parties
FROM: Mark Koppelkam, LIHTC Program Manager
DATE: August 20, 2003
SUBJECT: **Proposed Changes to 2004 QAP**

The following summarizes proposed changes for the 2004 Qualified Allocation Plan (QAP). Note that page numbers relate to the "Redline" version of the 8/18/03 draft version of the 2004 QAP.

1. Reservation decisions will be reviewed and approved by the NHHFA Board of Directors. In previous years this authority was delegated to the Multi-Family Committee. [Page 2]

2. There is a significant point incentive added for early submission of conceptual plans and a budget. This will implement a recommendation of the Authority's Development Process Review report of February 2003, and provide sponsors with an early, multi-disciplinary staff level review of projects. [Page 8]

3. The State allocation will be split 50% in each of the two application rounds. [Page 5]

4. New language has been added to the criteria for the Non-Profit Set-Aside. By statute, 10% of the Authority's annual allocation must go to "qualified non-profit organizations." The IRS has been more carefully defining the requirements for sponsors receiving these credits. [Page 6]

5. The Extended Use Agreement section, relating to Year 30 sale transactions, has been substantially revised. We have been advised by Rick Goldstein of Nixon Peabody, a prominent LIHTC lawyer, that there are only three options for LIHTC properties relating to the period after the initial 30 year rent and income limit compliance period:

   a. The rent and income limits can be extended for any time period beyond 30 years. However this infers extended compliance monitoring as well;

   b. The Authority can require that sponsors enter a Right of First Refusal with a "qualified non-profit" or the Authority (or its designee) for a formula price set forth in the statute equaling outstanding debt plus exit taxes.

   c. The property is released to the marketplace after Year 30 with no further restrictions.

   The 2004 QAP is proposing to retain 5a. as a scoring choice (for 10 additional years), and also enact option 5.b. [Page 12]

6. Sponsors are free to use any reasonable method for selection of contractors. The Design and Construction Standards now allow construction management contracts for all Authority financed and LIHTC projects. [Page 8]

7. The developer fee schedule is adjusted to get back to an average 9% of total development costs (TDC). The new 2003 "per unit" formula resulted in average developer fees less than 8% of TDC, significantly reducing actual fees for many 2003 project sponsors. The original goal of the 2003 formula was to average 9% of TDC. [Appendix A]

8. Projects with FmHA (Rural Development) funding and long-term tenant subsidies are given a smaller scoring advantage. [Page 23]

9. The 2003 scoring category for projects which apply 25% of outside funding sources toward replacing NHHFA funding sources is proposed to be deleted. [Page 23]

10. Compliance related information and forms have been incorporated into a compliance manual, and are no longer included in the QAP except by reference. [Page 29]