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Second Draft of 2012 QAP – Summary of Changes

1. **Federal Requirements for the QAP** – Additional language has been added to clarify compliance with Section 42 of the Internal Revenue Code (the "Code").

   a. **Tax Credit Advisory Group, QAP Processes Subcommittee and Main Street Zoning Subcommittee** – CHFA wishes to publicly acknowledge and thank the participants in the aforementioned groups and committees.

2. **Guiding Principles, Priorities, and Criteria for Approval** – In order to provide more transparency and predictability, staff has added priorities to this section. The staff and the Tax Credit Allocation Committee will consider these priorities along with the Guiding Principles and Criteria for Approval in the selection process for awarding projects. The priorities are listed below.

   Priorities – For 2012, CHFA has established the following housing priorities (which are not listed in any order of preference) to distribute housing credit among projects targeting:

   - Homeless Persons
     - Projects serving these populations should provide supportive services to help maintain or increase independence;
   - Persons with Special Needs
     - Projects serving these populations should provide supportive services to help maintain or increase independence;
   - Seniors
     - Projects serving seniors should provide amenities attractive and beneficial to seniors;
   - The acquisition and rehabilitation of existing affordable properties including those with subsidized low income rental units facing conversion to market-rate units
     - Projects within this category that are determined by CHFA to be potentially financially feasible utilizing noncompetitive 4% credits will be encouraged to consider pursuing tax-exempt

financing and 4% credits rather than the competitive 9% credits;

- Counties with populations of less than 175,000
  - o Communities within this category that have identified a need for affordable housing, yet lack experienced LIHTC developers are encouraged to partner with an experienced LIHTC developer on a consultant or fee basis;

- Market Areas of pent-up demand for affordable housing
  - o Submarkets where overall rental vacancy rates are lower than 4%;

- Transit Oriented Development (TOD) Sites
  - o Projects within this category are within one fourth of a mile of an existing fixed rail station or one that is under construction at the time of the LIHTC application.

3. **Preliminary Application Process Quiet Period**- Beginning in 2012, CHFA will implement at "Quiet Period" as a part of the competitive preliminary application process. The Quiet Period for each competitive round will begin at the time of the due date of the Letters of Intent and end upon the issuance of the tax credit reservations. During the Quiet Period, communication between applicants and CHFA will be limited to the Tax Credit Allocation staff for the purpose of responding to requests for technical assistance or to answer staff questions.

   The purpose of the Quiet Period is to create a fair and consistent process for all applicants in the competitive rounds, ensuring that awards are based on the individual merits of each project and to eliminate any potential interference from undue influence or lobbying from the applicant or its supporters.

   The Quiet Period only applies to preliminary applications during an active round.

4. **Application Submittals** –

   a. **Credit Amount Available in Application Rounds** - The amount of annual credit available for 2012 is

$11.25 million including up to $1.25 million for the Denver Housing Authority (DHA) set-aside.

b. Historically CHFA has divided the annual credit amount equally between the two application rounds and allowed some flexibility to increase the amount in any round by up to 10% without notifying the public. Staff is proposing to allow additional flexibility to award credits to more projects in the first round in 2012 in order to allow applicants to take advantage of the potential ability to use the fixed 9% Applicable Percentage Rate (APR) prior to its anticipated sunset. Projects that do not place in service prior to December 31, 2013 will not be able to use the fixed 9% rate unless Congress passes federal legislation extending this rate. Projects that are unable to use the 9% rate may experience financial gaps of as much as 17% of their total costs.

Staff therefore proposes to reserve the right to award up to 70% of the annual credit available (not including the $1.25 for the DHA set-aside), which is $7 million, in round one.

5. **Threshold Criteria for Preliminary Applications – Threshold #9 Narrative** – The project narrative must be submitted following the template to be provided on the CHFA web-site and will be posted for public viewing on the web-site along with the list of applicants.

6. **Preliminary Reservation and Approval Process** – Currently, the Tax Credit Allocation Committee consists of the Chief Operating Officer, the Chief Financial Officer, the Director of Commercial Lending, the Director of Asset Management, the Director of Marketing and Strategic Development, the Manager of Multifamily Loan Production, the Manager of Program Compliance, and as a non-voting member, the General Counsel or assigned designee. For 2012 two additional members who are not employees of CHFA will be appointed by the Executive Director.

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7. **Application Review** - After the site evaluation and application review but before the applications are considered for approval, all applicants will be given the opportunity to present their project and the merits of their application to CHFA's Tax Credit Allocation Committee. The purpose of the presentation process is to give applicants an additional opportunity to highlight their project's strengths by speaking directly to the Committee.

8. **Set-Asides –** Due to the limited amount of per capita credit, no additional requests for set-asides will be considered in 2012.

9. **Applicable Percentage Rate (APR)** – Under the Housing and Economic Recovery Act (HERA) the APR for new construction and rehabilitation competitive credits was temporarily fixed at 9%. However, unless Congress passes federal legislation that extends the 9% APR, projects that do not place in service before December 31, 2013 do not have the ability to lock in the 9% APR and will be required to use the applicable monthly published APR.

10. **Contractor and Developer Fee Limits** – This language has been updated to provide more clarity on how the limits are determined.