

OVERVIEW OF CHANGES FOR THE 2014 QUALIFIED ALLOCATION PLAN

Changes in red indicate changes made from the Approved Draft 2014 QAP to the Proposed Final 2014 QAP.

Section 1 - Introduction

- Updates the schedule with the applications due on December 9, 2013 and awards presented at the March 2014 Board Meeting.

Part A: Requirements for 9% Tax Credits

- 2.2 Set-Asides – Reduces the number of set-asides from five to four.
 - Eliminates the Rural Development Demonstration Set-Aside
 - Eliminates the CHDO Set-Aside
 - Establishes a Senior Set-Aside.
 - Increases the Preservation Set-Aside and the Rural Set-Aside from 10% to 15%.
- 3.1 Moves language requiring comparable unit size and distribution of low income units bedroom language to Appendix 1.
- 3.3 Clarifies applicant contact with IFA during the appeal period.
- 3.4.1 Clarifies Older Persons 55 & older language to exclude the 18 and older requirement.
- 3.4.2 Clarifies Application Process
- 3.4.2.1 Removes the entire subsection; eliminated redundant and confusing language.
- 3.4.3 Clarifies language
- 3.4.5 Clarifies language
- 3.4.7 Eliminates fees and references to Special Needs Projects. Adds fees for an Administrative Law Judge and Construction Monitoring Fees.
Clarifies Fees for Failed and Missed Inspections language to include more perimeters.
- 3.4.8 Realigns the set-aside priorities to accommodate the new set-asides.
- 4.1.1 Clarifies how management fees escalate in underwriting.
- 4.1.2 Requires projects to be underwritten at a 7% vacancy rate and projects with 25 units or less, at a 10% vacancy rate.
- 4.1.3 Updates the debt service coverage ratio (DSCR) to an average between 1.2 & 1.5
- 4.3.1 Requires operating reserves to be in place for 15 years, rather than 10 years, caps the maximum amount of the reserve and clarifies language.
- 4.2.1 Increases Operating Reserves for Housing for Older Persons from \$2,750 to \$2,830.
- 4.2.2 Increases Operating Reserves for Housing for Family from \$3,250 to \$3,350.
- 4.3.1.1 Eliminates language allowing the project to use the lenders reserve requirements.
- 4.3.1.3 Requires the letter of credit, if used to fund the operating reserves to be released after 15 years, rather than 10 years.
- 4.3.2 Requires operating reserves to escalate at the same rate as Operating Expenses.
- 4.4 Clarifies language
- 4.5 Clarifies language
- 4.6.1 Lowers the maximum amount of developer fee that can be charged for the acquisition portion of Acq/Rehab, Adaptive Reuse, and Preservation Projects from 8% of the purchase cost of the buildings to 6%.
- 4.7.1 Requires minimum contribution from General Partner & removed Investor Services fees.
- 4.7.2 Clarifies language
- 4.7.3 Moves language requiring common ownership of all buildings to Appendix 1-A.
- 4.9 Changes unit cost cap to 221(d)(3) limits.
- 4.9.1 Adds a second cost limitation by limiting the amount of tax credit that can be required per LIHTC Unit. Increases New Construction, one bedroom limit to \$10,500 and a two bedroom unit to \$12,500.
Clarifies language.
- 4.10 Adds Section 811 language if IFA is awarded the project-based subsidy from HUD.

- 5 **Clarifies language.** Prohibits scoring and threshold determinations made in previous years from binding IFA during the 2014 round.
- 5.4.1 Requires an appraiser to be in good standing.
- 5.4.6 Rewrites the ineligibility sections to delineate certain penalties for certain infractions – the majority of the language existed in prior QAP’s but the penalties were all at the discretion of IFA.
- **5.4.6.3.6 Clarifies language to include more entities in the section.**
- 5.7 Clarifies language to ensure that a minimum of rehabilitation costs are expended.
- **5.9 Clarifies Google map language to omit the driving directions language.**
- 5.16 Requires all projects to implement a plan to target 10% of the units to the Target Population which is Persons with a Disability.

Section 6 - Scoring:

Resident Profile:

- Cat. 1 Adds deep rent skewing scoring option; reduces points from 20 to 15.
- Cat. 2 Reduces the maximum in points that may be awarded for a mixed income project from 25 to 20.
- Cat. 3 Removes Residents with Special Needs point option. Adds the option of serving Tenant Populations of individuals with children for 5 points.
- Cat. 4 Reduces the points for a ROSE project from 50 to 25.
- **Cat. 5 Changes heading from Rent reasonableness to Rent Reduction with 100% of the LIHTC units at 10% below the allowable LIHTC rent limits. Clarifies language.**
- Cat. 6 Removes Waives Right to a Qualified Contract (moved to Cat.4 under Other)

Location:

- Cat. 1 Adds two more options, workforce training and public library, to receive points under the location near services category.
- Cat. 2 Reduces points for a project located in a Great Place from 5 to 3.
- **Cat. 3 Reduces the maximum points for a project that receives local contributions from 50 to 30. Clarifies language. Clarifies language to include city HOME funds and Urban Revitalization Tax Exemption as forms of local contributing effort.**
- **Cat. 4 Changes Underserved County to Underserved City and increases the points from 5 to 10. Clarifies language.**
- **Cat. 5 Removes Developer-Owner Contribution (moved to Category 2 under Other). Removes Category 5: Community Revitalization Plan.**

Building Characteristics:

- **Cat. 1 Reduces the maximum points that may be received from 35 to 30 for Market Appeal. Eliminates the option of real-time video surveillance, health and wellness program on-site, in-unit microwave (moved to a mandatory item) and in-unit washer and dryer hookups. Adds the following options for points, free wireless internet connectivity, in-unit washer and dryer, storage units (moved from Cat. 4), and built-in dishwasher. Clarifies language/definitions**
- **Cat. 3 Reduces the maximum points that may be received from 40 to 35 for having rent subsidized units. Adds Local Project-Based Rental Assistance as an option. Clarifies language.**
- **Cat. 4 Increases the maximum points available from 20 to 22 for Building Characteristics. Eliminates the option of window sills and storage units (moved to Cat. 1). Adds the following options for points, steel frame doors instead of just doors and safe room. Removes points for Storm Shelters.**

- Cat. 5 Olmstead Goals – rewrites the language to allow for options for accessible and visitable units. Reduces the maximum points that may be received from 27 to 24.
- Cat. 6 Eliminates the Capital Needs Assessment from the Readiness to Proceed category for points.
- Cat. 7 Increases maximum points available from 10 to 12 for Impact on Environment. Adds a Passive Radon System as an option for points.
- Cat. 8 Reduces the maximum points that may be received from 20 to 8 for the Energy Efficiency Category. Updates the IECC Code to 2012.

Other:

- Cat. 2 Adds Developer-Owner Contribution (moved from Cat. 5 under Location) for a maximum of 10 points, 2 points for each full one percent. Removes points for successfully closing within 9 months.
- Cat. 3 Reduces points for an experienced Qualified Development Team from 15 to 10.
- **Cat. 4** Reduces points for a Reduced Developer Fee from 30 to 15.
Removes Reduced Developer Fee and added Waives Right to Qualified Contract (moved from Other: Category 5).
- **Cat. 5** Eliminates points for Project Costs and adds Waives Right to Qualified Contract (moved from Cat. 6 under Resident Profile) Reduces the points for a project that waives the right to a qualified contract from 50 to 25.
Moves Waives Right to Qualified Contract to Other: Category 4, and eliminated Other: Category 5
- **6.1** Adds language allowing IFA to limit the number of Units in one county to 40% of the total units. Previous language had number of Units by selected cities/MSAs.
Clarifies language.
- 6.3.1 Clarifies language.
- 6.3.3.1, 6.3.4, 6.3.4.1
Eliminates superfluous language.
- 6.3.4.2 Eliminates language that would allow IFA to deny a project credits if the project was not preferred by other Governmental Entities.
- 7.1 Adds to the requirements that IFA shall consider the analysis of the appropriate Tax Credit amount based on the amount of tax credit per unit.
- 7.2.2 Eliminates language related to the Rural Development Preservation Demonstration Set-Aside.
- 7.2.3 Eliminates language related to a 15% boost for projects, if Congress did not act in time for last year's round.
- 8.6 Clarification of language and the addition of notification of a rental locator service.
- 8.7.1 8.7.2
Removes language regarding Owners certifying roads and utilities.
- 8.10 Requires projects to submit annual audited financials.

Part B: Requirements for 4% Credits

- 9.3 Moves language requiring comparable unit size and distribution of low income units bedroom language to Appendix 1.
- 9.4.13 Adds fees for an Administrative Law Judge and Construction Monitoring Fees.
- 9.4.14 Clarifies language.
- 10.1 Clarifies how management fees escalate in underwriting.
- 10.1.2 Requires projects to be underwritten at a 7% vacancy rate & projects 25units or less, at a 10% vacancy rate.
- 10.1.3 Updates the debt service coverage ratio (DSCR) to an average between 1.2 & 1.5
- 10.3.1.3 Requires operating reserves to be in place for 15 years, rather than 10 years, caps the maximum amount of the reserve and clarifies language.
- 10.3.2 Requires operating reserves to escalate at the same rate as Operating Expenses.

- 10.4.1 Increases the maximum deferred portion of the Deferred Developer Fee from 65% of the projects cost to 50%.
- 10.5 Clarifies language.
- 10.6 Lowers the maximum amount of developer fee that can be charges for the acquisition portion of Acq/Rehab, Adaptive Reuse, and Preservation Projects from 8% of the purchase cost of the buildings to 6%.
- 10.7.1 Requires \$100 minimum contribution from General Partner & removed Investor Services fees.
- 10.8 Changes unit cost cap to 222(d)(3) limits.
- 11.4.1 Requires an appraiser to be in good standing.
- 11.4.3 Clarifies language.
- 11.4.6 Rewrites the ineligibility sections to delineate certain penalties for certain infractions – the majority of the language existed in prior QAP’s but the penalties were all at the discretion of IFA.
- 11.14 Adds DHS Referral Network notifications of available Handicap Accessible units.
- 11.15 Adds Lease Addendum language.
- 12.4 Clarifies language and the addition of notification of a rental locator service.
- 12.5.1, 12.5.2
Eliminates language regarding Owners certifying roads and utilities.
- 12.8 Adds Construction Post Reservation requirements.

Appendix 1

- Introduction
Clarifies language and adds language requiring comparable unit size and distribution of low income units’ bedroom. Moved from 3.1 and 9.3.
- A-6 Adds language requiring common ownership of all buildings. Moved from 4.7.3. Clarifies language.
- F Updates referenced Code.
- G 5-10, 17, 19-22 Updates requirements.
20 Removes broom closet
21 Clarifies language
- J Updates requirements.

Appendix 2

- Amends and adds glossary terms.
Amends and adds glossary terms.