

RECOMMENDATIONS FOR CHANGES TO 2007 QUALIFIED ALLOCATION PLAN

Recommendation:

Insert the market study as a Threshold Requirement, remove it from the Selection Criteria and reassign the 30 points to the Priority Needs criteria. Each priority need would be given 15 points and allowed to score up to 45 points in that category.

Explanation:

Market studies are required by the law and should indicate whether there is a market for the proposed housing or not. Drawing fine distinctions on how well a study scores might detract from the viability of the market. Reassigning the 30 points to the Priority Needs categories will give greater emphasis to these needs and assures the likelihood that any feasible application that addresses more than one of the priority needs will be offered credits.

Recommendation:

Under the Energy Efficiency section at pages 6 and 7 change the code reference to the 2006 International Energy Conservation Code (IECC) and change the compliance language to state that the construction must meet or exceed the Overall U-Value and meet a HERS index of 100.

Explanation:

The Code compliance needs to be updated to current standards and reflect the changes that have been made in the way buildings are evaluated and scored. In the 2006 IECC the score associated with rating a building has been changed to an index and inverted in the opposite order of the 2003 IECC. The index of 100 or less is now the standard rather than a minimum score of 80. Meeting the Overall U-Value and a HERS index of 100 will guarantee that the Annual Energy Performance Standards have also been met.

Recommendation:

Delete the section on Developer Fee Limit Exemptions.

Explanation:

Essentially the same language is included under Clarifications at the end of the QAP.

Recommendation:

On page 7 under Acquisition and Rehabilitation Factors the minimum rehabilitation required is increased from \$4,000 to \$10,000 per unit.

Explanation:

Minimal rehabilitations do not last long and generally do not endure the restricted use period without requiring additional assistance. A greater level of rehabilitation will make it more possible for renovated properties to remain viable throughout the restricted use period.

Recommendation:

Delete the section on Interim Development Loans.

Explanation:

This program has been terminated.

Recommendation:

In the Development Selection Criteria under Housing Needs Characteristics change the first criteria to state “Development will receive 1 point for each 2% of three bedroom units as a percentage of the total units.” The applicant can score up to 10 points in this category.

Explanation:

This change will allow more flexibility in the scoring and reward applicants who can provide any number of three bedroom units, which is considered important in order to serve larger families. Previously, applicant had to provide at least 20% of the total units as three bedroom units in order to score points.

Recommendation:

In the Development Selection Criteria under Housing Needs Characteristics change the fourth criteria to stratify the points based on the amount of rehabilitation (hard costs) per unit as follows:

\$10,000 - \$15,000 per unit	5 points
\$15,001 - \$20,000 per unit	10 points
\$20,001 - \$25,000 per unit	15 points
Over \$25,001 per unit	20 points

Explanation:

Providing more points for greater amounts of rehabilitation expenditures will encourage and reward more extensive renovations and help preserve existing properties.

Recommendation

In the Development Selection Criteria under Development Characteristics reduce the number of points for amenities from 30 to 10 and create another criteria allowing 15 points for services. Each service will qualify for 5 points as follows:

- Credit Counseling
- Literacy/Language Training
- Food/Nutrition Classes
- Homebuyer Education
- Medical Counseling/Consultation
- Senior Citizen Center
- Day Care Center
- Resident Management and Initiatives
- Safety and Drug Awareness
- Meals on Wheels

The developer must provide the services or have an agreement in place with the service provider who will provide the services.

Explanation

The large number of points for amenities tended to increase costs and favored larger developments. With the increased emphasis for CHDO's to use tax credits it is important to create a more level playing field to allow them an opportunity to effectively compete for tax credits. At the same time there is a growing need to develop housing that will also provide supportive services to the tenants. People with disabilities, the homeless, ex-offenders, the frail elderly and single parent households are examples of these tenants. Many CHDO's have a mission to provide supportive services and are effective in addressing the housing needs for people who also benefit from these services. The realignment of points will continue to encourage the placement of amenities at properties and also reward the development and implementation of supportive services.

Recommendation

In the Development Selection Criteria under Development Characteristics delete the five points previously allowed for the recording of the deed to the property in the name of the owner or a member of the development team and reassign those points to the sixth criteria that allows points for the use of housing as part of a community revitalization plan including the adaptive reuse of a registered historical building.

Explanation

KHRC administration believes that allowing points for a recorded deed to the property encourages applicants to purchase the land and creates an expectation that tax credits will be provided while the reality does not provide any guarantees that they will receive the tax credits. This generates expenditures that may not lead to the intended result.

Recommendation

In the Development Selection Criteria under Applicant/Sponsor Characteristics change the language to allow KHRC certified CHDO's to be eligible for the points.

Explanation

This change will benefit CHDO's and reduce the occasional abuse of this category when developers would create non-profit entities with tax-exempt status that they effectively controlled allowing them to gain a competitive advantage over other applicants by obtaining the points in this category.

Recommendation

In the Development Selection Criteria under Tenant Population Characteristics rearrange the points by reducing the 25 points for market rate units to 10 points (two points for each 5% of market rate units) and reassigning those points – an additional five points for developments that provide 100% of its units to tenants 55 years and older and/or to tenants with special needs; and an additional 10 points for developments that serve the lowest income tenants by targeting a percentage of units for tenants at particular income limits.

Explanation

The changes will better utilize the points in this area since the 25 points for market rate units was seldom achieved and not effective in promoting mixed income developments. Points will still be allowed to encourage development of market rate units but the reassignment of the points will place added emphasis on the development of elderly and special needs housing which is a high priority for the state. The increased points and broadening of the opportunities to score points while providing a much greater range of units pegged to particular income levels should create more affordable units for tenants at the lower income ranges.

Recommendation

Add a section outlining KHRC's procedure for processing requests for implementation of the qualified contract provisions of the law as follows:

QUALIFIED CONTRACT

Owners with eligible properties who want to opt out of the program have an opportunity to exercise the qualified contract provision outlined in the IRC at Section 42(h)(6)(F). This option may be invoked during the one year period following the 14th year of the compliance period by writing a letter to KHRC requesting that the corporation locate a purchaser for the property in question. To process the request the following steps are required:

- (a) A fee of \$1000 is due the KHRC at the time of the written request. Additional fees may be required from the owner during the processing of the request.
- (b) The owner must provide a waiver of all purchase options including any right of first refusal contained in the partnership agreement.
- (c) The property must meet or exceed HUD's Uniform Physical Condition Standards.
- (d) The contract price based on the IRC formula must be provided with sufficient documentation to allow KHRC to verify the price.
- (e) A current physical needs assessment for the property must be provided.
- (f) An appraisal of the property must be provided if there are market rate units.

Upon receiving the written request from the owner KHRC will list the property on its web site and will have one year to locate a purchaser. If a purchaser is not determined the owner will be released from the covenant that binds the property provided that the low income tenants currently residing at the property will be protected for another 15 years from any eviction other than for good cause and from any increase in the gross rent not otherwise permitted under the Section 42 regulations.

If a purchaser is located and the owner decides not to sell the property the restricted use provisions will continue for another 15 years.

Explanation:

Although most 1990 through 1995 tax credit properties are locked for the full 30 year restricted use period, there are a few that will be eligible for the qualified contract as outlined in the Internal Revenue Code. This new section provides guidance for owners with properties eligible for this provision in the law.