2012 PROPOSED CHANGES TO QUALIFIED ALLOCATION PLAN

Recommendation: On the first page, second paragraph add a sentence: In 2012 reservations will be made from the 2013 authority.

Explanation: This is to make it clear that reservations will be forward commitments from the 2013 authority. There is no remaining uncommitted 2012 authority.

Recommendation: On page 4 under Application Process show that there is only one round of applications in 2012 with a deadline of February 3 at 5:00 p.m.

Explanation: Historically we have had at least two rounds a years but the second round was cancelled in 2011 due to high demand and a lack of enough credit to adequately serve a second round of applications. In an effort to reduce our liability from future years only one round will be held in 2012.

Recommendation: Under fee schedules on page 5 increase the annual monitoring fee from .004 to .008 of the annual tax credit for all properties in the first 15 years of the restricted use and from .002 to .004 of the annual credit for all properties in the 16th year and thereafter.

Explanation: Monitoring fees have not been increased for over ten years while the costs of this obligation have risen considerably. Greater fee income is needed to pay this expense.

Recommendation: On page 12 of the Development Selection Criteria under Development Characteristics No. 3 remove the existing language regarding Energy Star certification and replace it with the following:

Development provides a HERS score for all buildings of

85 – 75	10 points
74 - 65	15 points
64 and below	20 points

Explanation: Changes being made to energy star certification effective in 2012 are making it more difficult and expensive to meet energy star standards by requiring more inspections during the development process. In changing the scoring for energy efficiency to be based on the HERS score rather than energy star standards we can achieve the same or better results without requiring developments to incur the additional costs associated with an energy star certification.

Recommendation: On page 12 of the Development Selection Criteria under Development Characteristics No. 5 remove the language “or community housing plan” from the criteria.

Explanation: The addition of this language two years ago effectively eliminated this criteria as an important score. Before this language was added this category was a determining factor in the success or failure of applications as it effectively rewarded developments located in neighborhood revitalization areas that communities have identified as areas where they want housing development. The inclusion of community housing plans in this criteria automatically gave points to any location in the cities that had a housing plan irrespective of where the city wanted to focus housing development. This was most prominent in the larger cities. It also brought into question as to what constituted a housing plan and made it difficult to score in some instances. As a result almost all applications received these points making the criteria meaningless.

Recommendation: On page 18 eliminate the criteria under KHRC Designated 130% Credit Criteria and retain the following language: KHRC will review and consider requests for up to 130% additional credit in property developments, subject to underwriting analysis, financial need, and development feasibility. KHRC may accept, decline, or modify such applications based on its internal review. Greater consideration will be given to applications that do not require the additional credit.

Explanation: In the 2008 HERA legislation states were given the authority to increase the credit percentage by 30% at their discretion. With the drop on credit pricing that occurred in 2008 virtually all developments needed the boost. The criteria were designed to achieve the type of housing most needed when allowing the boost. With pricing returning to pre 2008 levels the need for additional credit should not be as great. The deleted criteria are being achieved, for the most part, through the selection criteria and KHRC priorities. We should reward applicants that do not request or require the additional credit.

Recommendation: On Page 9 delete in its entirety the Architectural Procedures and Minimum Development Standards.

Explanation: These standards were adopted at a time when it was believed greater direction needed to be given to both the architectural and development standards of rental housing built with tax credits. Since that time the state passed accessibility laws codified at K.S.A. 58-1401 to 58-1406 which cover many of the same design features as the minimum development standards. During the intervening period of time it has also become apparent that the architectural procedures are followed as a normal course of business in rental housing development. Maintaining these standards and procedures add little of significance to what already is happening and will continue to happen without them. Deleting them will decrease the bureaucracy and the multiple levels of accessibility standards that regulate tax credit developments. We will still use the minimum development standards as best practices.

Recommendation: Terminate the rent increase approval process for all non ARRA funded properties but continue to monitor rents to assure compliance with the Code and KHRC targeting.

Explanation: Rent increase approvals are a KHRC imposed requirement and was adopted to assure that properties held rents under control at a time when there were many fewer units of tax credit housing. The only requirement in the Code is that rents do not exceed the maximum allowed as set by HUD. With the proliferation of tax credit properties and units across the state the market serves as an effective regulator of rents. Properties have to keep rents under control or tenants will simply move to another property. Approving rents does little to regulate the market but takes time for both property managers and KHRC to process and record. Eliminating this requirement will not materially affect the affordability of tax credit housing in Kansas.