

2009 PROPOSED CHANGES TO QUALIFIED ALLOCATION PLAN

Recommendation: On page 5, change the nonprofit fee reduction requirement as follows: Nonprofit applicants must be the sole general partner *and developer* to obtain the reduced fees.

Explanation: For profit developers are increasingly using nonprofit organizations to serve as the general partner in part to obtain reduced fees without necessarily building development capacity in the nonprofit agency. In the process KHRC is losing revenue and nonprofits are not always improving their ability to develop on their own.

Recommendation: On page 13 of the Selection Criteria under Development Characteristics eliminate number 4 readiness to proceed relating to proper zoning and construction loan agreement and reduce the number of points for supportive service from 15 to 10. Add a criteria that states: Development provides an Energy Star certification for all building. This criteria will be assigned the 15 points previously provided to the items mentioned above.

Explanation: Greater energy efficiency is needed as these costs have taken a dramatic turn upwards. Energy Star is the next level and is currently close to being met by most developments. By assigning points to an Energy Start certification developers will need to take this step in order to be competitive. Eliminating the points for proper zoning and a construction financing commitment simply recognizes that these items are threshold requirements and shouldn't be given point because they are required as a condition of application consideration. Reducing the points for the supportive services does not detract from the importance of these services but recognizes the relative importance of seeking greater energy efficiency.

Recommendation: On page 13 of the Selection Criteria under Development Characteristics revise the wording of number 6 to read as follows: Development involves the use of housing as part of a community revitalization, including the adaptive reuse of a building that is eligible for the historical register or is sited in an officially declared historic district.

Explanation: Frequently a building is not actually on the historic register at the time of the tax credit application because the owner may not want to take that step until it is certain that tax credits will be available for the reason that the historic designation places severe restrictions on what can be done with the building and limits the options of the owner if tax credits do not become available.

Recommendation: Under Energy Efficiency at pages 6-7 change the 2003 IECC to 2006 IECC. Make the same changes in several places throughout the allocation plan.

Explanation: This updates the energy efficiency requirements to the current code.

Recommendation: At page 21 under Determination of Tax Credit Amount change the minimum equity factor to \$.75 to \$.80.

Explanation: This reflects the current market trends.

Recommendation: On page 19 following the section on Requests for Additional Credits add a new section: **KHRC Designated 130% Credit Criteria** with the following text:

KHRC will review and consider requests for the 30% additional credit that meet the following criteria:

1. Rent targeting – all units in the development have an affordability below 40% of area gross median income.
2. Energy efficiency – all buildings are energy star certified.
3. Occupancy – at least 10% of the units in the development are targeted to homeless individuals or families, persons with disabilities or ex-offenders.
4. Financing – there is a minimum 20% deferred developer fee after the 30% boost.
5. Location – a county with a median income at or below the state non-metro median (\$50,100) or a population less than 10,000. (These criteria cover 92 counties).

OR

6. Any development that has at least 50% market rate units.

OR

7. Any development in a state or federally declared disaster area where KHRC has identified a loss of low income housing and where state disaster funding has not been available

All requests for the 30% additional credit are subject to underwriting analysis, financial need and development feasibility. KHRC may accept or decline such applications based on its internal review and reserves the right to waive any requirement that might act as an impediment to the development of the housing.

Explanation: The Housing and Economic Recovery Act of 2008 gave states the authority to allow 30% additional credit on buildings that the state believes to need the additional help. The

above criteria represent housing characteristics that KHRC believes to be important but difficult to develop without additional resources. KHRC will consider the need and feasibility for the 30% additional credit on any application that meets the first five criteria above or the 6th criteria alone or the 7th criteria alone.

Recommendation: On page 25 just before the last paragraph, add a paragraph as follows: KHRC reserves the right to suspend any developer or development team member from participation in the tax credit program when they have demonstrated behavior or practice in the development or management of a tax credit property determined by KRC to be detrimental in the administration of the program. Such suspension may be temporary or permanent but will be entitled to the appeal process that is described on page 21 of this document.

Explanation: As properties and the number of units increase there is also increasing opportunities for wayward behavior that can cast a dim light on the program such as the failure to maintain the physical condition of a property or poor construction of a property that doesn't become apparent until years later. KHRC must be able to police the program in such a way that will strongly discourage such behavior.

Recommendation: Amend and update Exhibit G Energy Efficiency Practices and Specifications as highlighted on the attachment hereto.

Explanation: The changes incorporate higher standards that are consistent with the Energy Star certification and recognize the two different climate zones in Kansas recognized by the 2006 IECC

Recommendation: Make changes in the Minimum Development Standards affecting energy efficiency standards as high lighted in the attached exhibit.

Explanation: The changes address the need for greater energy efficiency and are consistent with the Energy Star Certification.