2018 Qualified Allocation Plan Policies & Key Initiatives Workshop

March 29, 2018

2018 LIHTC Funding Round

Policies & Initiatives:

- Area Median Income Set-Asides
- Affordability Requirements
- Preservation
- Rural Areas
- Developer Fees
- Total Development Costs
- Negative Neighborhood Characteristics
- 30% Basis Bump

Area Median Income Set-Asides

Section 42 LIHTC properties are restricted by the minimum set-aside and area median income. LIHTC properties must dedicate a minimum percentage of their units to affordable housing.

Developers must elect one of two options:

1. 20/50 Test: A minimum of 20% of the units must be set aside for low-income households whose incomes do not exceed 50% of the Area Median Income
2. 40/60 Test: A minimum of 40% of the units must be set aside for low income households whose incomes do not exceed 60% of the Arear Median Income

In practice, many LIHTC developments dedicates most or all of their units to affordable housing in excess of either the 20% or 40% minimum requirements.

Area Median Income Set-Asides

It is common for such developments to elect the 40-60 Test and to exceed the test's 40% minimum unit requirement by a substantial margin.

The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country by household size annually for purposes of determining the eligibility of applicants for certain federal housing programs. The AMI is calculated for each Metropolitan Statistical Area (MSA) in the country as well as for each county/parish that is not located in an MSA. The LIHTC program uses AMI to determine both maximum household income limits and rents.

2018 QAP Change: Added requirement that all projects set-aside at least 5% of total units for household at or below 30% AMI.

Affordability Requirements

During the first 15 years, called the initial compliance period, owners must maintain affordability. The IRS requires LIHTC properties to have an extended use period with the state housing agency for an additional *15* years after the 15-year compliance period, for at least 30 years of affordability. After that period, owners can leave the LIHTC program through a relief process.

Selection Criteria changes:

- 35th Year – 4 points
- 40th Year – 5 points
- 45th Year – 6 points

Preservation

Over half a million *affordable* homes are lost every year in the United States. The leading causes are deteriorating conditions due to age or neglect and owner renovations to capture significant rent growth. Adding to the problem is that most new *apartments* charge high rents. Project-based housing is a crucial part of our national strategy to prevent and end homelessness. But some of this housing is at risk of leaving the affordable inventory for a variety of reasons. Preserving this housing is good policy; it is a cost-effective way to invest in our communities.

Rural Areas

Affordability remains the most significant housing challenge in rural areas. Even though housing costs are lower in the rural areas, an increasing number of families are struggling to pay their monthly housing expenses. More than seven million rural households spend over 30 percent of their monthly income on housing, a cost burden that can restrict wealth-building and economic mobility. Despite the demonstrated need, affordable housing stock is in short supply and at risk of further decline in many rural communities.

Rural Areas

Roughly 80 percent of affordable housing mortgages funded in part through the U.S. Department of Agriculture (USDA) Section 515 Rural Rental Housing program will mature between now and 2025, threatening to re-price affordable units in tens of thousands of properties to market rates.

As Congress and the administration determine the future of federal spending, ensuring adequate housing for all Americans must be a priority. Over the last few funding rounds the LHC has provided Rural Pool Designations, Set-Asides for Rural Development Rural Rehab Projects.

Developer Fees

Developer Fees represent payment for a developer's services and are (at least partly) includable in eligible basis for a *Low-Income Housing* Tax Credit (LIHTC) project.

Developer Fees - Shall not exceed fifteen percent (15%) of the Developer Fee Base plus either

- (i) five percent (5%) of the Acquisition Cost Base or
- (ii) 8% of the Acquisition Cost Base in the case of RD, PHA or HUD Distressed Properties.

The developer fee limit will be capped at $2,500,000 for all developments awarded LIHTC through the 2018 QAP.

Total Development Costs

The total development cost (projected or actual), representing all costs necessary to produce a completed, occupied project.

2018 QAP Change:

Adopted HUD's Total Development Cost (TDC) Limit per unit.

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Negative Neighborhood Characteristics

New Construction Projects must not be within a 1/2 mile radius of any of the following incompatible uses listed below.

- Junk yard/dump
- Pig/chicken farm
- Salvage yard
- Processing plants
- Wastewater treatment facility
- Industrial
- Distribution facilities (all)
- Airports
- Electrical utility substations
- Solid waste disposal
- Prisons
- Adult entertainment/video/Theater

Distance will be measured by odometer from the automobile entrance of the proposed project site to the closest automobile entrance to the parking lot of the applicable service.

30% Basis Bump

- **Non-Funded LIHTC Parishes:**
  - Beauregard, Catahoula, Claiborne, Concordia, East Feliciana, La Salle, Plaquemines, St. Helena, St. John the Baptist, St. Mary, and Vernon
- **Applicants may qualify for 30% Basis Bump Up**
  - If located in rural areas outside of a QCT.
  - Located in any of the High Opportunity census tracts. High Opportunity Census Tracts are tracts in which the median family income percentage of the census tract exceeds 100% as determined by Federal Financial Institutions Examination Council (FFIEC). Information may be obtained by accessing the following link: https://www.ffiec.gov/ Data must be from the most current FFIEC census report as of the application due date.

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2018 LIHTC Funding Round

Available Funds:

- **Low Income Housing Tax Credits (LIHTC) $10,500,000**
    - Qualified Non-Profit/CHDO Pool $2,000,000
    - Rural Pool $2,700,000
    - Preservation Priority Pool $1,800,000
    - General Pool $4,000,000

- **National Housing Trust Funds (NHTF) $3,000,000**

2018 LIHTC Funding Round

Maximum Tax Credits:

- Per Project Limit $1,000,000
- Per Developer Limit $2,000,000

Maximum NHTF:

- Per Project Limit $500,000

Tentative Timeline

Date	Applicant	LHC
March 14, 2018		Presentation of Draft QAP to Board of Directors
March 16, 2018		Statewide Publication of Draft QAP/Public Hearing Notice
March 29, 2018		QAP Workshop/Policy Meeting
April 3, 2018		Public Hearing
April 11, 2018		Presentation of Final QAP to Board of Directors
April 18, 2018	Deadline for submitted written QAP questions	Board adopts Final QAP-Submission to Governor
May 4, 2018		Application Workshop/Posting of the FAQ
June 21, 2018	Underwriting Application, Evidentiary Materials to support the Appendixes, the Threshold Requirements and all Financial Commitments to the project, Application and Analysis Fees, and market Study Fees due	
July 23, 2018	Threshold Clarification, if any, Selection Criteria and Evidentiary Materials to support the items selected in the Selection Criteria.	
August 20, 2018		Begin Site Visits
September 10, 2018		Preliminary scores sent to applicants.
September 15, 2018		End Site Visits
October 10, 2018		Approval of Final Rank, Scoring and

Contact Information

Brad Sweazy
Chief Operating Officer
bsweazy@lhc.la.gov
225.763.8889

Louis Russell
Executive Management Officer
lrussell@lhc.la.gov
225.763.8639

Wendy Hall
Housing Finance Specialist
whall@lhc.la.gov
225.763.8647

Lionel Dennis
Housing Finance Specialist
ldennis@lhc.la.gov
225.763.8646