

## 2019 QAP Proposed Revisions

### **HFA:109.01 Introduction**

Remove statement pertaining to projects intended for eventual tenant ownership. Instead revise Section HFA:109.07.B to include projects intended for eventual tenant ownership as the third tiebreaker.

This proposed revision better aligns with the general interpretation of the selection criteria outlined in Internal Revenue Code (IRC) Section 42.

### **HFA:109.04.D Primary Program Policies-Preservation Project Initiative**

Add statement that all applications received under this initiative must include a CNA prepared by a competent third party, such as a licensed architect or engineer.

This proposed revision to the QAP echoes the existing requirement in the Authority's Underwriting and Development Policies for Multi-Family Finance, ensuring consistency within Authority policies.

### **HFA:109.04.G Primary Program Policies-Basis Boost**

Add statement that projects in a QCT must also contribute to a concerted community revitalization plan (CCRP) in order to receive the 130% boost.

A concerted community revitalization plans is defined as a plan that:

- Is geographically specific and provides a clear direction for implementation;
- Includes a strategy for obtaining commitments of public and private investment in non-housing infrastructure, amenities, or services beyond the Credit development;
- Demonstrates the need for revitalization;
- Includes planning document elements such as setting goals for outcomes, identifying barriers to implementation, establishing timelines and benchmarks, and identifying community partners.

This proposed revision better aligns with the statutory preference in IRC Section 42 that states QAPs must give a preference for “projects which are located in qualified census tracts *and* the development of which contributes to a concerted community revitalization plan”.

*Note: the basis boost is also available to projects that reserve 25% of units for households with incomes at or below 50% AMI and require the boost to be financially feasible. This is unchanged from the 2018 QAP.*

### **HFA:109.06.H Threshold Criteria-Services**

Revise threshold criteria to exclude 4% LIHTCs with tax-exempt bond deals from the services requirement.

Based on feedback we have received from the development community, this revision will remove a barrier for sponsors wanting to develop affordable housing with tax-exempt bonds, thus bringing more affordable housing to the state.

### **HFA:109.06.J Threshold Criteria-Public Housing Waiting Lists**

Add threshold criteria that requires owners to commit to informing the PHAs or Section 8 Administrator of the project and that the project accepts tenant-based vouchers. Remove scoring category HFA:109.07.A.7

that awards three points for projects where the managing general partner is a PHA or affiliate that owns and manages the project or a housing project with project-based Section 8 vouchers.

This proposed revision better aligns with the general interpretation of the selection criteria outlined in IRC Section 42, which states that selection criteria set forth in a QAP must include various criteria, including “public housing waiting lists”.

## **HFA:109.07.A Scoring Criteria**

**The revisions to the scoring criteria below are proposed based on feedback we received from stakeholders and/or to provide clarity to the language in particular scoring categories.**

### 2.b. Income Targeting

Revise language that awards points for projects reserving 10% of units for households with incomes at or below 30% AMI to award points for projects that reserve “greater than or equal to 10% of units for households with incomes at or below 30% AMI”. This is a “housekeeping” change.

### 6. Community Based Supported Housing/Proposed Projects

Revise language that awards points to owners that commit 10% of units for individuals with disabilities and agree to enter into an 811 Contract to award points to owners that commit “10% of units or 2 units, whichever is greater” to individuals with disabilities and agree to enter into an 811 Contract. This revision is made to comply with the rules of the 811 program.

### 9.b. Project Grants and Assistance & A.10 Advanced Projects

Revise the language so that the requirements for proposed and likely contributions of permanent sources of funds in Section A.9.b. AND the requirements for committed funds in Section A.10. are consistent. Both scoring categories would be revised to state the following:

Eligible sources of funds: Historic Tax Credit equity, land donations, CDBG, AHP, Neighborhood Housing Services, Rural Development, or other permanent loans or grants.

Subsidy administered by the Authority, developer fee loans, existing debt, and LIHTC equity are not eligible for consideration. *In order to score points for donated land, the value will be determined by an appraisal acceptable to the Authority in its sole discretion. In order to have the Authority commission an appraisal, the sponsor must coordinate with Authority staff no later than 75 days prior to the application deadline.*

## **Discussion Point #2 – Committed Funds**

The points for firm commitment of funds in Section A.10 have been increased as follows:

	Current Points	Proposed Points
Greater than \$29,999/unit	5 points	10 points
\$20,000 to \$29,999/unit	4 points	8 points
\$10,000 to \$19,999/unit	3 points	6 points
\$5,000 to \$9,999/unit	2 points	4 points
Less than \$5,000/units	0 points	0 points

This proposed revision is based on feedback we received at the last public forum where the majority of participants agreed that committed funds were more valuable to a project and would help to ensure that a project is ready to move forward upon receipt of a reservation.

## 12. Project Cost

Add points penalty for projects that have a projected TDC weighted average 15% or more over the average of all applicants' TDC weighted averages (and do not meet any of the four criteria for higher cost standards); -6 points.

This proposed revision to add an additional layer of penalty for projects with higher development costs is intended to reward projects that do not have high development costs and to encourage sponsors to limit unreasonably high costs in a project.

## 13. Community Housing Development Organizations (CHDO)

Remove this scoring category which awards 3 points for a project sponsor that is a NHHFA approved CHDO.

Based on feedback we have received at past meetings, including the most recent public forum, we are proposing the removal of this category. Developers expressed concerns with non-profit organizations having a disadvantage and wanted us to "level the playing field".

## 16. Development Characteristics

### **Discussion Point #3 - Community Room**

Revise requirements for points eligibility; points will be given to projects with a community room that meets the description below:

- The total square feet of the community room is calculated by taking the number of bedrooms multiplied by 12 sq. ft.;
- Minimum size is 250 sq. ft. and maximum size is 800 sq. ft. and;
- The area must be separate from building entrances, stairwells, and elevators or separable by a partition.

Note: If a developer can show that residents have access to equivalent amenities within suitable walking distance (1/2 mile) these points may be awarded at the discretion of the Authority.

This proposed revision is based on feedback received at the last forum, where participants stated that community rooms are beneficial but requested that the size of a project be taken into consideration in determining the size of the community room and that a definition of a community room be provided.

## 17. Energy Efficiency Design and Construction

Remove 2 points for projects that commit to achieving LEED Gold certification, NGBS Gold certification, or Enterprise Green Communities certification.

Based on the feedback we received at the last forum, where participants suggested that there be less focus on energy efficiency in the QAP, we are proposing the removal of this category. The incentive to achieve very stringent efficiency standards, Passive House or Net Zero, would be preserved.

## HFA:109.08.F Allocation Process-Project Representations

Add language to clarify that all project sources and uses must be disclosed at each stage of the Authority's review (application, allocation, and prior to issuance of 8609).

This proposed revision provides *additional* certification and documentation to ensure that the Authority has only allocated as much credit as is necessary for the development's feasibility and viability.

#### HFA:109.10 Long-term Affordability Compliance

##### **Discussion Point #1 - Affordability Period**

Revise affordability period from 99 years for all LIHTC projects to 45 years for projects awarded 9% credits and 30 years for projects awarded 4% credits.

This proposed revision is made based on feedback received from stakeholders, makes the LIHTCs more attractive to some developers and investors, and is consistent with other states' affordability periods.

#### Appendix E Developer's Certification of Development Costs

Add the following statement to the certification:

"I certify that any additional amounts received by me or any related party for syndication fees, debt placement fees, guaranty fees, or other fees have been disclosed and that the purchase price of the site and its allocated cost to the partnership has been disclosed."

This proposed revision is made to provide an additional safeguard that developments do not receive credits and other funding in excess of the amount necessary to ensure the project's feasibility and viability.

### **SERVICES AND SERVICE COORDINATION**

#### HFA:109.07.A.3 Supportive Housing Servings Homeless or Veterans

Revise language to clarify requirements that are currently in the QAP as follows:

- Veterans and homeless or at risk of imminent homelessness must have housing instability to qualify;
- Supportive services must be provided by a third party, but service coordination can be provided by the management company;
- Resident participation in services may be encouraged, but must be optional.

#### Appendix I Service Coordination

Revise language to clarify requirements that are currently in the QAP as follows:

- Residents' participation in any service coordination activity is optional;
- Residents must be provided with information on the purpose and availability of service coordination;
- The service coordinator shall provide referral information to residents based on the individual's needs and when requested;
- Examples of acceptable health clinics are given, such as flu shots, blood pressure clinics, cholesterol and diabetes screening.

#### Appendix J Sample Homeless or at Risk of Homelessness Certification

Revise language to include veteran households in on the sample certification form available to sponsors for use with their projects.

### **MISCELLANEOUS**

#### Appendix B Carryover Allocation Requirements

Add requirement that projects with a construction management contract must have a GMP amendment, under no. 5 where it states that developers must submit a copy of the construction proposals (or bids) and executed construction contract.

This revision is to provide clarity on what type(s) of contracts are necessary to meet carryover allocation requirements.

**Discussion Point #4 – Micro-apartments**

No revisions to the QAP are proposed at this time. If a project application includes micro-units and meets other requirements, the sleeping area must meet the required bedroom size.

**Discussion Points #5 & 6 – What would you change in the QAP?**

Several comments and recommendations were received on topics such as 811 units, market rate units, and energy efficiency considerations. All suggestions were reviewed and discussed; some changes are being proposed for the 2019 QAP, some suggestions were put on hold for further review and discussion, and others are not able to be acted on at this time.