



MEMORANDUM

TO: Board of Directors

FROM: Chris Miller, Managing Director
 Management & Development Division

DATE: October 1, 2008

RE: Proposed Changes to the Qualified Allocation Plan/Multi-Family Program Rules

The following memorandum highlights key substantive policy amendments to the referenced program rules and policies. Other grammatical and/or non-substantive changes are contained in the full documents, which may be accessed via the Authority’s website or upon request; the full document will be made available in whichever format you might prefer. Please give me a call at 310-9213 and I will be happy to provide whatever you need.

Document	Changes	Comments
	HFA:109 Low Income Housing Tax Credit Program:	
QAP Attachment A, Pages 1, 2	1. Changes resulting from the 2008 Housing and Economic Recovery Act are implemented. In particular, the 130% basis “bump” is no longer restricted to certain portions of the State, but will be applied to projects which are located in the official DDA/QCT districts, or which score at least 18 points in the Green Development section. (DDA means “difficult development area” and QCT means “qualified census tract.”)	The 2008 Housing Act opens up the use of the 130% basis bump to other geographical areas of NH. The previous limitation was to Belknap, Carroll, Cheshire, Sullivan and Grafton counties, plus certain census tracts in Manchester, Nashua and Durham. However Congress wants some special focus to the extra benefit, and we have proposed tying it to a minimum score in the Green Development area.
QAP Attachment A, Page 3	2. The supplemental set-aside is increased from \$100,000 to \$120,000, and the maximum supplemental allocation is increased to \$30,000.	We are proposing a modest increase in both limits. Both limits have been unchanged since 1994.

QAP Attachment A, Page 4	3. The scoring priority between “new construction” versus “acquisition/rehabilitation” is leveled, and the “net new units” concept eliminated. However “preservation” project (e.g. expiring Section 8, Rural Development 515 program) funding using the 9% credit is expressly prohibited.	Reflects a perceived lower need for net new units in the marketplace. It is also an effort to make resources available to buildings in need of significant renovations, including energy efficiency.
QAP Attachment A, Page 5	4. The maximum project allocation is increased to \$600,000.	We are generally indexing this number to actual costs.
QAP Attachment A, Page 6	5. Maximum project (\$275,000 per unit) cost limits and maximum Authority LIHTC and Capital Subsidy limits (\$200,000 combined equity/capital subsidy) are established.	Sets explicit cost limits and Authority resource limits so that potential misunderstandings are eliminated.
QAP Attachment A, Page 7	6. Higher capital subsidy levels (lesser of \$45,000 per unit or \$1.2 million) are established to offset an expected significant decrease in tax credit equity yields.	The goal is to keep LIHTC proposed projects financially feasible, despite dramatic changes in world financial markets.
QAP Attachment A, Page 8	7. The QAP’s bedroom type (i.e. two-bedroom, three-bedroom) scoring is further reduced to let market demand structure projects, rather than QAP point incentives. The three-bedroom scoring points are eliminated entirely and the two-bedroom minimum reduced. However the points given for family housing overall are increased.	Reflects feedback that three-bedroom units are in lesser demand in the marketplace. The measure is also in keeping with the philosophy that project designs should be market driven rather than funding driven.
QAP Attachment A, Pages 9, 10	8. The location scoring points for family housing are eliminated (i.e. no location preference). The location scoring <u>penalty</u> is increased for senior projects located in towns with no recent affordable family housing.	Despite many years of trying to identify those parts of the state that have some higher priority for affordable rental housing, and developing a scoring system to reflect that priority, we have decided that it is too marginal an effort. The policy of penalizing senior project applications from towns without existing affordable family housing is retained. <i>The Multi-Family Committee proposed that the 10 year “look back” for community efforts regarding family housing be eliminated.</i>

QAP Attachment A, Page 11	9. Points are given for projects involving Historic Building renovations that intend to secure federal historic rehabilitation tax credits.	The 2008 Housing Act added a requirement that “historic character” be considered in the QAP evaluation process.
QAP Attachment A, Page 12	10. Compact development is re-defined (under “green” scoring criteria) to specify that at least 50 percent of the total site is undisturbed, rather than setting a minimum unit density level. Additional points are also awarded.	We are trying to better define a Green Development goal of encouraging compact development. <i>The Multi-Family Committee proposed increasing points for “compact development” from 5 points to 10 points.</i>
QAP Attachment A, Page 13	11. Incentive points are added for projects where tenant smoking will be prohibited in units and indoor spaces.	This idea was generated by Authority staff involved in health and indoor air quality issues, and enjoyed strong support at the QAP public hearing.
QAP Attachment A, Page 14	12. An increase is proposed to the QAP developer fee formula to assure maximum participation by the diverse developer community.	The goal is to keep a diverse group of developers motivated to participate in the program. Historically we have tried to maintain developer fees at about 9% of total development costs for new construction and significant rehabilitation projects.
	HFA:105 HOME Investment Partnership Program:	
HOME Attachment B, Page 1	1. Provide for higher capital subsidy levels per unit and increase the maximum per project amount to \$700,000 for non-LIHTC funded projects.	The goal is to keep LIHTC proposed projects financially feasible, despite dramatic changes in world financial markets. Regarding the higher per project limit, we are generally indexing this number to inflation.
HOME Attachment B, Page 2	2. Eliminate \$500 application fee and just require a \$1,000 commitment fee to be paid subsequent to Board Commitment.	Improves a procedural step in the application process.
HOME Attachment B, Pages 3-11	3. Make edits in the scoring categories to mirror LIHTC program.	We have matched the scoring system in the two programs (HOME and LIHTC) since 2007.

	HFA:112 Special Needs Housing Program:	
Special Needs Attachment C, Page 1	1. Reduce land use restriction requirement from 99-years to longer of 30 years or term of loan.	Many special needs project sponsors have very specialized service programs and client needs. Extremely long restrictions are unrealistic in this context.
Special Needs Attachment C, Page 2	2. Increase the maximum per project amount to \$700,000.	We are generally increasing to keep up with actual costs.
Special Needs Attachment C, Page 3	3. Adopt Authority threshold requirements.	The concept is to make the Authority threshold requirements standard over all the multi-family program areas.
	HFA:114 Multi-Family Bond Financing Program	
Multi-Family Bond Attachment D, Page 1	1. Minor edits to Fees to coincide with other Authority programs	
Multi-Family Bond Attachment D, Page 2	2. Clarify maximum interest rate that can be charged that includes FHA risk sharing insurance premium paid by the Authority.	
	HFA:113 Affordable Housing Program	
Affordable Housing Attachment E, Page 1	1. Minor edits made in the Introduction and Application Process sections removing a separate application time frame for the Affordable Housing Fund and explaining that Affordable Housing Fund funds will generally be combined with other Authority managed funds as part of a larger capital subsidy resource.	
	HFA:110 Construction Loan Program	
Construction Loan Attachment F, Page 1	1. Minor edits to existing rules to eliminate reference to New Hampshire Community Reinvestment Corporation	
Construction Loan Attachment F, Page 2	2. Eliminate \$500 application fee and require a commitment fee of up to 1% of the loan amount to be paid subsequent to Board Commitment	Improves a procedural step in the application process and makes the Authority more competitive in the market relative to fees charged.

<p>Construction Loan Attachment F, Pages 3-6</p>	<p>3. Incorporate the availability of LIHTC bridge lending within the existing rules</p>	<p>Tax credit bridge lending was suspended by the Authority with the termination of the New Hampshire Community Reinvestment Corporation. This short term loan product is being made available in conjunction with the Construction Loan Program. Staff does not anticipate much volume in offering this loan product since most syndicators/investors have the financial capacity to bridge their own tax credit equity.</p>
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