2019/2020 Qualified Allocation Plan

Proposed Major Changes

May 2018

Below is a summary of the major changes currently proposed for the 2019/2020 Qualified Allocation Plan.

Scoring Items

Financial Participation and Credit Usage

- Currently, applicants can score a maximum of 55 points in the Financial Participation and Credit Usage scoring categories.
- WHEDA is proposing to eliminate those categories, and insert a new 40-point Financial Leverage scoring category. Points in this category would be awarded based on the LIHTC equity as a portion of the total development budget, as described below.
  - Less than 45% — 40 points
  - 45.1% to 48.0% — 35 points
  - 48.1% to 51.0% — 30 points
  - 51.1% to 54.0% — 25 points
  - 54.1% to 57.0% — 20 points
  - 57.1% to 60.0% — 15 points
  - 60.1% to 63.0% — 10 points
  - 63.0% to 70.0% — 5 points
  - Above 70% — 0 points
- WHEDA would retain the 85% commitment requirement for funding sources, and would require that those committed sources identified at the time of the initial application be included in the closing information provided with the 8609 application.

Concerted Community Revitalization Plan

- HFAs have been directed by the U.S. Treasury Department to provide a definition of the requirements for a Concerted Community Revitalization Plan (CCRP) in their state. Evidence the proposed LIHTC property contribute to a CCRP is necessary for HFAs to provide a QCT basis boost.
- WHEDA will require that the CCRP:
  - Is geographically specific (the proposed LIHTC development must be within the identified planning area)
  - Includes a strategy for obtaining commitments of public and private investment for infrastructure, amenities, or services beyond the proposed LIHTC development
  - Cleary demonstrates the need for revitalization in the planning area
  - Includes elements such as setting outcome goals, timelines and benchmarks, and identification of community partners
- Plans will be required to have been approved within a specific time period – 10 years
- The CCRP would not necessarily need to be approved by the local municipality. CCRPs completed by neighborhood groups (which meet the criteria noted above) will be acceptable.

Energy Efficiency and Sustainability

- The existing points awarded for properties built to the Wisconsin Green Built Homes or Enterprise Green Communities Standard will be retained, and WHEDA will require certification from Wisconsin Green Built Homes or Enterprise Green Communities prior to issuance of the 8609.

Universal Design

- Universal Design items have not been revised in several years – minor changes will be made to this category to reflect current building codes along with the updates to applicable code references

Opportunity Zones

- Currently, the Opportunity Zone category provides a maximum of 25 points
- The available number of points will be expanded to 28
- An additional scoring option added to that category – specifically referencing the degree of rent burden in the area of the property
- The name of the scoring category will be changed to Areas of Economic Opportunity to avoid confusion with the federal Opportunity Zone program that was created as part of the Tax Cuts and Jobs Act of 2017.

Scoring Tie-Breaker

- For the 2019 round, the following scoring tie-breakers will be utilized:
    - Points awarded in the Areas of Economic Opportunity category
    - Amount of Housing Tax Credits (HTCs) per low-income unit

State Housing Tax Credit

- Scoring options for the State Credit program will primarily follow the 9% scoring process
- Variations specific to the state Housing Tax Credit are identified in the 2019/2020 QAP

Set-Asides

Rural Set-Aside

- Currently, the Rural Set-Aside has the following requirements: "a development must be in a location that is rural in character. The following criteria will be used by WHEDA in determining whether a site is rural in character or not: a) Population (20,000 or less), b) Location relative to other communities and the population of those communities, c) Commuting patterns and distances, d) Community economic base, and d) Community land use patterns."
  - Beginning in 2019, the areas eligible for the Rural Set-Aside will be based on the USDA Rural Development's Property Eligibility criteria (for Multifamily Housing). The RD eligibility web site can be found at https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=mfhc.
- Applications in the Rural Set-Aside will not be allowed to receive points in the Mixed Income Incentive scoring category
- A scoring option will be added for applications in the Rural Housing Set-Aside: five points will be awarded to properties in counties that have not received a 9% LIHTC award in the past three years.
- The Rural Set-Aside will be increased from 10% to 15%, with an equivalent reduction in the General Set-Aside

Process & Administrative Items

Architect Fees

- Currently, architect fees are limited to $3,000 per-unit; $3,500 per-unit for historic rehab properties
- Beginning on 2019, architect fees would be limited to no more that 3% of the total of the New Construction/Rehabilitation and Site Work categories on the HTC application's Project Cost and Credit Calculation page

Document Issuance Fees

- The fees for Tier One and Tier Two Agreements will be increased to 5% of the annual credit amount
- Incorporation of state HTC provisions will include a 5% Reservation Fee for these transactions – a Tier Two fee will not be assessed

Mandatory Construction Start Date

- WHEDA will require evidence that a Cost-Plus Guaranteed Maximum Price construction contract has been executed – a copy of the contract will be submitted with other evidence that construction/rehab is underway

Developer Fees

- Currently, the following developer fee limits apply to 9% LIHTC applications:
  - New Construction
    - Acquisition of Land: 6%
    - Construction
      - 15% for properties of 24 units or less
      - 12% for properties with 25-55 units
      - 9% for all units above 55

- Acquisition/Rehab
    - Acquisition Land & Building: 6%
    - Rehab: 16%
- The recent revision to NCSHA's Recommended Practices in Housing Credit Administration (December 2017) suggested that HFAs limit developer fees to the "…lesser of 1) an appropriate defined per unit dollar cap on developer fee, or 2) 15 percent of total development cost"
- The 2019/2020 QAP would include a developer fee limit equal to the lesser of:
  - The current developer fee calculations described above
  - $21,000 per unit
- The Developer Fee policy provisions for 4% HTC transactions will be retained

Cost Certification Guide

- While not a QAP item, WHEDA will be revising the Cost Certification Guide in the summer of 2018
  - As the Cost Certification Guide has not been revised since 2010, there are a handful of items that need to be updated to comply with current practices
  - Additionally, NCSHA's Recommended Practices in Housing Credit Administration suggested that state's consider "…additional due diligence (which) may include audits of general contractors and/or sampling of subcontractor invoices to verify consistency with the developer cost certification."