Minutes of the
Joint WHEDA Tax Credit Advisory Committee and
WHEDA Executive Committee
2011-12 LIHTC Qualified Allocation Plan

February 15, 2010
Madison, Wisconsin

Chair: Bill Boerigter, Manager, Multifamily Lending and Credit

Advisory Committee Members Present: Don Bernards, Michael Goldberg, Gary Gorman, Kalan Haywood, Ellen Higgins, Louie Lange, Robert Lemke, Bobbi Marsells, Mark Olinger, Mike Olson, Menachem Rapoport, Rachel Rhodes, Welford Sanders, Phil Schultz, Tim Sherry, Teig Whaley-Smith

WHEDA Executive Committee Present: Perry Armstrong, Geoff Hurtado, Dan Lee, Paul Senty

WHEDA Staff Present: Bill Boerigter, Renata Bunger, Anne Morrison, Kevin Newell, Antonio Riley, Chris Gunst, Tim Radelet, Rae Ellen Packard, Jim Siebers, Melissa Cumming

Members Not Present: Rich Arneson, Dave Porterfield, Bryan Schuler

Presentation/Discussion:
Meeting opened with general overview of the LIHTC program and power point presentation of the QAP and Self Scoring Exhibit.

Discussion moved to three main topics as detailed below:

- Project cost per unit
- Total gross developer fee
- Miscellaneous issues:
    - competition between market rate vs. LIHTC
    - reasonable amenities in LIHTC projects
    - feasibility of projects without deep subsidy
    - attracting investor interest to Wisconsin
    - 2010 QAP/Issues

Cost Per Unit Discussion:

- Discussion on putting cap ($150,000/unit?) on per unit cost at a fixed dollar amount. If over cap, must come to WHEDA to get special concession to exceed cost per unit cap.
- City/municipality/government involvement (requirements) in projects can greatly increases costs.
- Building in urban areas, unknown environmental issues discovered during construction drive up project costs as well.
- Investors are looking at quality of housing versus quantity of deals.
- Standard, low-cost housing, low cost per unit, etc. is not appealing to investors and majority of time will be passed over. They do not want projects that look similar to public housing.
- Creativity and additional amenities are increasingly important to attract investors and make the project more competitive.
- Investors want to promote/publicize the projects they have invested in to show they are good stewards of the local community.
- Alternative view expressed by WHEDA Executive Committee: Goal is to produce as many housing units as possible -- leverage it with other resources and promote lower cost housing.
- Quality housing vs. quantity of housing attracts other quality housing developments and businesses to an area. This results in economic gain for the community.
- Cost per unit may not account for true cost – possibly consider cost per bedroom or cost per square foot versus entire unit.
- Quality affordable housing projects are at times catalytic projects for economically challenged neighborhoods. These anchor projects can help rebuild and reinvest in the community.
- Alternative views were expressed that outside investment is secondary to “wise use of resource” (i.e., cost per unit) issue.

Developer Fee Discussion:

- It was suggested that a cap be put on Developer’s fee, that they are too high, etc. Discussion followed on what the developer’s fee actually covers, pays for, timing of it, etc.
- Should incentives be created to use the developer fee as the carrot to drive down total project costs?
- Paid developer fees typically represent three to four years of unpaid work to bring a project to fruition.
- From start to finish the developer must cover all the project costs and their own operational overhead before they can receive a developer fee payout.
- Investors frequently tie project performance to the developer fee – as a result developers never get 100% payout at closing.
- Developers are now at a crisis point; this is not a time to make them weaker by increasing restrictions/guidelines.
- Developers frequently start out with multiple tax credit deals because of the difficulties in bringing the deals to fruition and even getting a deal awarded credits.

- Developers have to “chase” more deals due to preferences by investors, having communities cooperate and support project, financing shortfalls, heavy competition.
- Rarely is 100% of the developer fee paid out (due to cost overruns, etc.).
- WHEDA closely follows NCSHA’s fee policy.
- It was requested that WHEDA review what other Midwestern states are doing regarding: a) fee policy and b) attracting investors.

<u>Miscellaneous issues</u>:

- In 2009, NEF invested in 39 different states where the approximate average cost per unit was $200,000.
- NEF invested more in Iowa than in either New York or California (which are considered to be most desirable locations for investors).
- Iowa tended to be more flexible, they amended their QAP to be competitive, they created rolling round cycle, and heavily went after investors.
- Investors are following the state’s pricing schedule.
- Nebraska has something of a guaranteed pool to entice investors, is this something Wisconsin can consider in the future?
- Bottom line, what does WHEDA need to do to attract investors to Wisconsin?
- Alternative view was expressed that for WHEDA’s Executive Committee, attracting outside investment is secondary to cost per unit issue.

2010 QAP

- Will developers be allowed to show gap in 2010 LIHTC applications?
- Should risk be placed on developers if the 2010 gap funding is not approved?
- Showing gap encourages a more transparent process.
- WHEDA will not delay the March 26 deadline.
- WHEDA staff advised development community they should use current published guidance. Further clarifications or changes may be released by WHEDA.