

The Louisiana Housing Corporation (LHC), in compliance with Section 42 of the Code, has developed the Draft 2019 Qualified Allocation Plan (QAP). This document is a high level summary of public comments received and the resulting staff considerations regarding the proposed changes to the 2019 QAP.

POOL STRUCTURE

25% RURAL SET-ASIDES

Summary of Comments:

Constituents were in opposition of the 25% set-aside allocated within the New Construction Pool and the Rehabilitation Pool. Constituents were in favor of the previous 2018 QAP pool structure and the creation of a pool designed for transformative projects that involve community/municipal partnerships.

Background:

Historically, Louisiana's QAP had a separate pool for both non-profit and rural developments totaling a percentage of total housing credits available. Applicants opting to participate in these two pools were able to compete in either preservation/rehab or new construction pools. The current proposed changes include a set-aside for rural and non-profit developments and applicants can opt to compete in either preservation/rehab or new construction pools. Essentially, only the presentation of the pools has changed with a slight increase for applicants opting to participate in the non-profit pool. In addition, high impact or transformative projects are considered in the selection criteria either through redevelopment projects that require a concerted community revitalization plan or the HUD choice neighborhood initiative.

Staff Position:

Staff recommends no changes at this time. The Per Project Credit Limit, Developer Fee Cap and TDC limits does not apply to Bond Financed 4% applications.

PROJECT THRESHOLD REQUIREMENTS

Summary of Comments:

Comments were submitted in regards to some of the new threshold requirement's citing the increasing costs to construct affordable housing and the expense of certain amenities.

Background:

An analysis of developer selections from prior QAP funding rounds showed that all projects, including rehabilitation and preservation, opted to provide the amenities that were moved to the threshold section. These items represent quality of life measures that the LHC seeks to incorporate into standard quality housing.

Staff Positions:

The following changes are proposed-

- Security: Constituents suggested reverting back to prior year QAPs by removing security cameras as a threshold item and allowing maximum points for either security cameras, security gate or on-site security guard. Constants cited the cost of on-site security guards and the ongoing costs associated with a security gate.
 - Security will be added back into the selection criteria with a mandatory minimum of one selection from that category. Projects that opt to select security cameras will be required to retain 30 days of continuous footage; enabling security footage of any given day to be available for up to a minimum of 30 days.
- Washers & Dryers: Washers and dryers will remain as a mandatory threshold item for new construction to align with LHC's mission to provide quality affordable housing for low to moderate-income families.

- Negative Neighborhood Features: Comments received referenced that staff should make negative features a point deduction again or threshold for a development being adjacent only (and not also for being within ½ mile of a negative). It was also stated that this threshold requirement disqualifies most urban in-fill sites and will affect non-competitive 4% LIHTC.
 - Distance will be changed from ½ to ¼ mile for new construction projects located in dense urban areas. Dense urban areas will be defined as census tracts with population densities of >2,500 persons per square mile within incorporated areas with a population over 35,000.

UNIVERSAL DESIGN/DEFENSIBLE SPACE

Summary of Comments:

Constituents requested greater detail and quantifiable metrics for projects electing to implement defensible space and certain aspects of Universal Design. Developers also request that the Universal Design requirements be adjusted or exempt for different construction types based upon its effect on resilient housing and cost associated with the projects.

Background:

LHC has begun to implement Universal Design which includes any component of a house that can be used by everyone regardless of their level of ability or disability. The intent of the universal concept is simply life for everyone by making more housing usable by more people at little or no extra cost.

Staff Position:

The minimum standards are identified with an asterisk in Appendix B. Staff recommends no changes at this time. However, staff will provide some clarification through the FAQ process.

UNDERWRITING

30% BASIS BOOST

Summary of Comments:

Constituents expressed concerns in regards to the 30% basis boost, generally requesting reverting back to the previous year basis boost of a full 30% across the board be reinstated.

Background:

NCHSA recommends that state agencies should set standards for determining which areas and/or developments are eligible for the state designated basis boost of up to 30% to ensure the boost advances state priorities and is not used too broadly. As such, LHC has found the previous basis boost policy to be too broad in terms of development locations and too restricting in regards to resident choice.

Due largely in part to the nature of the LIHTC program, approximately 64% of Louisiana LIHTC properties are located in areas that have a poverty rate above 30% and approximately 60% are located in QCTs. A balance is needed to insure that low income residents have options and are not inadvertently excluded from higher income areas and areas of opportunity.

Staff Position:

After consideration of comments received, the proposed changes will be amended to provide for a two-tiered basis boost instead of three. The basis boosts will read as follows: 1) 15% - Projects located within a QCT 2) 30% - Projects located within DDAs, Projects located with a census tract at or above 80% of the Area Median Income.

DEVELOPER FEES:

Summary of Comments:

Comments were received regarding the proposed cap on developer fees generally requesting the tiered cap be removed. Constituents listed concerns regarding syndicator review of the developer fees to determine the risk and reward ratio stating that developer fees are often deferred and used as gap

funding for unexpected conditions that occur between the application period and when the project is placed in service. In turn, projects become less attractive to investors.

Background:

The proposed developer fee is in alignment with NCHSA best practices and allows for a balance between smaller and larger developments. Historically, very few applicants reached the 15% maximum developer fee.

Staff Position:

Staff recommends no changes at this time. The per project credit limit, Developer Fee Cap and TDC limits will not apply to Bond Financed 4% applications. LHC will not permit exceptions for subsequent increases in developer fees as a result of increased project cost.

TOTAL DEVELOPMENT COST (TDC)

Summary of Comments:

Constituents requested that the proposed application of HUD 2018 Total Development Cost Limits to define maximum TDC and reinstate the ability to exclude Government Grants, Historic Syndication Proceeds and Certain Other Funds in TDC calculations for the 2019 QAP.

Background:

NCHSA recommends state agencies analyze development cost against comparable projects and agency standards. According to NCHSA and internal LHC analysis, Louisiana has a per unit development cost approximately 30% higher (\$178,000) than the regional average of \$137,000. In an effort to extend the distribution of credits to all communities across Louisiana who are in need of affordable housing, LHC has decreased the prior years TDC. However, overall the proposed use of the HUD 2018 TDC is an increase from previous year funding cycles.

Staff Position:

Staff recommends no changes at this time. The Per Project Credit Limit, Developer Fee Cap and TDC limits would not apply to Bond Financed 4% applications.

RESERVES FOR REPLACEMENT

Summary of Comments:

Constituents recommend LHC keep the required Reserve for Replacement deposits at the current level of \$300 per unit per year.

Background:

While these reserves are required for the ongoing costs of replacement and repair of the project, the LHC has observed many of the developments have inadequate or depleted reserves leading to deferred maintenance issues.

Staff Position:

Staff recommends no changes at this time. Given the tendency for severe weather related and unforeseen disasters, staff believes this is will help developments stabilize their reserves and achieve its maintenance obligations.

SELECTION CRITERIA SCORING

CONSTRUCTION TYPE

Summary of Comments:

Constituents expressed concerns regarding the omission of new construction, infill/scattered site, and a component of USDA /RD projects. For the rehabilitation of an existing housing development that has an existing Section-8 HAP contract, USDA/RD projects were not eligible to receive additional points. Infill/scattered site projects were not included in the selection criteria.

Staff received comment regarding infill/scatter site as a selection criteria under the construction type subcategory. Staff considered the observation that the removal of this item effectively removes the ability to competitively score an infill project. Infill projects, have a tremendous impact in their communities including returning vacant residential parcels to commerce, reducing blight and vagrancy, and increasing neighborhood value.

Background:

An analysis of the 2018 QAP resulted in a restructuring of the item. Preservation priority was restructured, construction types were added in, and historic properties were reclassified.

Staff Position:

The following changes are proposed -

(1) In addition to the construction types proposed, new construction will be added to the selection criteria as well as infill projects. (2) In addition to HAP projects, USDA and RD projects containing PBRA will be allowed to capture the additional point in this category. (3) “Historic blighted” properties will now be “Residential Historic” properties.

PROJECT AMENITIES

Summary of Comments

Constituents requested that the selection criteria under project amenities be restructured to allow for maximum points possible in a clear and concise manner. It was also suggested that some of the amenities may not be conducive to certain tenant populations.

Background:

An analysis of developer selections from prior QAP funding round showed that all projects, including rehabilitation and preservation, opted to provide the amenities that were moved to the threshold section. These items represent quality of life measures that the LHC seeks to incorporate into standard quality housing.

Staff Positions:

Criteria states, “2 Points for every 3 items selected”, in an effort to allow for greater choice diversity, maximizing of scoring opportunity and creating quality housing, Staff recommends allowing 1 point per each selection.

GOVERNMENT PRIORITIES

Summary of Comments

Constituents expressed concern over the removal of QCTs from the selection criteria citing their equivalence to DDA's.

Background:

Approximately 64% of Louisiana LIHTC properties are located in areas that have a poverty rate above 30% and approximately 60% are located in QCTs. A

balance is needed to insure that low income residents have options and are not inadvertently excluded from higher income areas and areas of opportunity.

Staff Positions:

Points for QCTs will be added to government priorities within the selection criteria, recognizing that preservation and rehabilitation projects may develop in these areas.