Louisiana Housing Corporation
2415 Quail Drive, Baton Rouge, Louisiana 70808

Memorandum

Date: **July 21, 2020**

To: **LHC Board of Directors (Multi-Family/Assets Committee)**

From: **Housing Production Division**

Subject: **2021 Qualified Allocation Plan/ Public comment summaries & Staff responses**

Overview

The Low Income Housing Tax Credit (LIHTC) program was created in 1986 and made permanent in 1993, is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. The Tax Credit program is the largest source of new affordable housing in the United States. These tax credits are provided to each State based on population and are distributed to the State's designated tax credit allocating agency. In turn, these agencies distribute the tax credits based on the State's affordable housing needs with broad outlines of program requirements from the federal government. This is done through the Qualified Allocation Plan (QAP) process.

Summary:

The LHC is required to publish an allocation plan that is authorized by the Governor. The plan communicates LHC's guidelines for the use of federal tax incentives to create housing that is affordable to lower income families.

In preparation for the development of a draft 2021 QAP, considered input from our online meeting with a variety of stakeholders during a June 1, 2020 Focus Group meeting. Additionally, staff received comments received both before and after publication of the draft QAP as well those presented at the official public hearing held last month. Following the public hearing staff reviewed and assessed the comments received from the both the development community as well as its Board of Directors. As such we have provided some high-lights of Louisiana Housing Corporation's 2021 Qualified Allocation Plan for the Low Income Housing Tax Credit Program.

Please find below staff's summary of comments received as well as staff's recommendations regarding those comments.

P U B L I C C O M M E N T S U M M A R I E S & S T A F F R E S P O N S E S

C a t a g o r i e s :

D e v e l o p e r F e e –

A summary of the Comments received were as follows:

- Opposes the defined maximum limits on developer fees. All projects, regardless of scale or location, should be eligible for a full 15% developer fee (as structured and defined in previous QAP s).
- An acceptable maximum developer fee should only be applicable to projects applying for the competitive 9% LIHTC and should be set as the lesser of $1,500,000 or $40,000 per unit for the project s total unit count

- The structure for calculating developer feeds for rehabilitation and new construction projects is good; however larger 4% projects may not happen with the $1.5 million cap. We recommend that the calculation structure be maintained but that the developer fee caps be removed.

- While the proposed developer fee calculation and limitation on 9% pro jects ($1,000,000) is somewhat in line with IRS regulations, the 4% limitation ($1,500,000) is not. This limit would not apply to 4% LIHTC transactions

S t a f f ' s R e s p o n s e –
As noted above, there was staff received both support and opposition to the proposed developer fee caps. In consideration of the comments received staff's recommendation is removed the developer fee cap for all 4% deals. Increased the calculation to $35K per unit on N/C and 35% Hard cost on Rehab with a maximum $2 M for 9% deals.

S e l e c t i o n C r i t e r i a C o m m e n t s –

A summary of the Comments received were as follows:

- Re-establishing the selection criteria points for developments located in **Qualified Census Tracts** (QCT); not implementing the provision of washers and dryers as a mandatory threshold requirement for new construction properties; reducing the threshold requirement to the provision of washer dryer hookups in new construction properties…

- Opposition to the **Minimum Square Footage** increased in the 2018 QAP. LHC should rely on the oversight and expertise of local jurisdictions to effectively address their own zoning and building code compliance.

- Given the urgent need to ensure **Choice Neighborhood projects** receive funding in order to meet HUD s timeline, we suggest considering either 1) adding additional points for CNI awarded projects (i.e. 5pts) or 2) omitting *Project Located in a Difficult Development Area (DDA)* all together.

- Revise selection (f) to **Preservation of Historic Property rather than Preservation of Residential Historic Property** and establish this characteristic as a separate selection criteria

- Limit the maximum points available under V. C. Project Amenities.
- Provide points for Infill developments

Staff's Response – The selection criteria will be modified as follows:

- New construction projects awarded one (1) additional point for infill if applicable. New construction projects that are a part of a concerted community revitalization plan will be eligible for 3 points.
- Revised Choice Neighborhood Initiative points to reflect CNI developments rather than area. Criteria will receive 2 increased points for a total of 3 points awarded to CNI developments, not developments in CNI census tracts.
- Additional amenity items were added to provide greater variety of options; 14 choices total. However based on comments received staff is recommending a maximum cap of 3 points under this category to allow for both competitive balance and choice options for developers.
- Square footage – While staff appreciates the comments received, we make no recommendations to change the requirements. Waiver of units sizes are already allowed under certain circumstances and fee such waivers are sufficient.

Threshold Requirement Comments –

A summary of the Comments received were as follows:

- **Negative Neighborhood Features -** opposes the threshold requirement that restrict new construction projects within a half-mile radius of selected incompatible uses. Supports a threshold requirement that no project in whole or in part be located directly next to any of the listed incompatible uses for all parishes, and not only the listed Metropolitan parishes.
- **Maximum Unit Development Cost** - recommends that the LHC eliminate the TDC caps.
- **Universal Design -** Opposition to mandatory requirements.

Staff's Response – Staff recommends the following modifications:

- **Universal Design -** Upon review of the comments received and in consultation with our construction compliance division, staff recommends as an alternative to the QAP's requirement, housing that is designed and constructed to meet the standards of HUD's Fair Housing Act Design Manual will satisfy this threshold criteria. However, this Alternative is not allowed for Townhome construction type.
- Negative Neighborhood Features: Staff recommends the following adjustment; that the incompatible uses cannot be adjacent to any new construction projects in the 8 Metropolitan parishes.
- Max Unit Cost – Staff considered the comments received and recommend the following adjustment to the QAP; the per unit TDC will reflect the allowance of a 20% increase above the HUD limit for applicants to cover "extraordinary site cost"

Basis Boost Comments –

A summary of the Comments received were as follows:

- **Reinstate the 30% Basis Boost for Developments in Qualified Census Tracts**

Staff's Response –

- Staff reviewed the comments received regarding the **Basis Boost tier,** however it is staff's recommendation that the current tiered approach will remain the same and offer the following rationale:
    - 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 regarding 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 ensure that low income residents have options and are not inadvertently excluded from higher income areas and areas of opportunity.