



**Memorandum**

**Date:** February 12, 2020  
**To:** Executive Management Team  
**From:** LHC/Housing Development Division  
**Subject:** Parameters for 2020 Qualified Allocation Plan

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**Background**

In accordance with Section 42 of the IRC, the LHC develops the Qualified Allocation Plan (QAP), which sets forth (1) the criteria to evaluate and allocate LIHTC to projects which best meet the housing needs of the State. The QAP includes preferences required by Section 42 of the IRC and (2) the procedures to monitor for compliance with the provisions of the LIHTC Program. Historically, the Louisiana Housing Corporation has utilized the QAP to allocate the Low Income Housing Tax Credits through the submission of contemporaneous applications from that given year.

**Overview**

This proposed allocation plan shall be effective for reservations and awards of LIHTC associated with the 2020 calendar year credit ceiling with anticipated reservations and awards being made in part, to unfunded applications submitted in the 2019 LIHTC 9% funding round. Staff believes this 2020 QAP presents the opportunity to address a number of relevant issues related to the enhancement and production of affordable housing.

First, in review and consideration of the applications submitted in the 2019 funding round, staff determined that but for the limited availability of credits; applications that remain unfunded could be re-processed and funded in this 2020 QAP with approximately \$6,000,000.00 from the 2020 credit ceiling.

Additionally this QAP would allow the LHC to address financially distressed, previously funded projects from prior QAP application cycles that would benefit greatly from the infusion of additional 9% credits.

Finally, this 2020 QAP will allow LHC to implement a resource to focus on unforeseen cost issues post award for future awardees of 9% Low Income Housing Tax Credits by setting aside a portion of the credit ceiling to address certain cost overruns experienced by developers.

## Objectives

LHC's staff along with its underwriting team and tax counsel will review the proposed processes and implementation of this 2020 QAP undertaking. Note below the objectives and anticipated outcomes of this approach:

- 1. The current 2019 QAP waitlist contains well-scored applications that could quickly move forward upon receipt of an award of credits.**

Staff's prior review provides for greater efficiency of the turnaround time. Given Market Studies and staff's reviews are still valid; this would provide a savings of both time and costs to the developer. To maintain the quality and overall consistency of the awards, staff suggests that the funding be available to those applications whose scores are relatively close to those presently funded. Nine (9) additional developments, including three (3) parishes not funded in the original awards, (St. Mary, Orleans and East Baton Rouge) would be included comprising nearly 400 additional units.
- 2. Developments that currently have an award of credits and are financially distressed due to unforeseen funding and cost issues such as increased construction cost, reduction in equity pricing, changes in financing commitments...etc., would be able to move forward to construction and completion.**

Staff anticipates assisting those developments that have significant federal assistance such as project based rental assistance or other federal funding. Additionally, eligible projects will meet underserved or historically unserved communities.
- 3. The creation of a cost overrun contingency set-aside will allow the LHC to address ongoing challenges faced by developments that once funded may experience unforeseen financial difficulties.**

The LHC recognizes the continued unmet housing needs that exist in the state. This opportunity will provide a means to continue to address those needs. Staff has seen this methodology made available in other states as well. It creates an efficient and effective way to address unexpected cost issues within given parameters. Additional funding would address shortfalls in hard cost construction that would otherwise make the project infeasible through no fault of the developer. The fluid nature of the LIHTC process and subjectivity to market and environmental changes makes this an immense opportunity to be proactive in providing assistance while upholding fiscal responsibility.
- 4. The above approach to the development of the 2020 QAP would allow staff the opportunity to accelerate the development/approval/submission and award process of the 2021 QAP before the end of the year 2020.**

This would facilitate the efficiency of LHC to make tax credit allocations earlier and allowing developers additional time to meet program requirements with fewer encumbrances. Most importantly, this would permit the agency to set its annual QAP funding round on a consistent timetable, which provides a process and participation benefit to the development community and staff as well.

**Recommendations:**

Staff recommends consideration and approval of the above referenced proposed parameters of the 2020 QAP.

- Fund a portion of the 2019 unfunded waitlist with \$6 M from the 2020 ceiling.
- Provide additional credits to previously funded financially distressed developments.
- Allow for the implementation of a project cost overrun contingency set-aside of Low Income Housing Tax Credits.

**Anticipated Timeline:**

<b>January/2020</b>	<b>Adoption of Draft 2020 QAP</b>
<b>February/2020</b>	Approval of Final 2020 QAP
<b>March</b>	Staff Submission of recommended awards under the 2020 QAP