2021-2022 Qualified Allocation Plan
Proposed Revisions
Updated for 7/15/19 forum
With selected notes from 6/6/19 forum

Substantial Revision Topics

- Affordability Period (*HFA:109.10.A Recorded Affordability Commitment*)
  - Should we consider reducing the affordability period for 9% deals?
  - Most states have an affordability period between 30 and 50 years.
    - Comments were mixed but generally favorable towards the idea of shortening the affordability period to some duration that is greater than 30 but less than 99 years.

- Location/ Anti-exclusionary Zoning (*HFA:109.07.A.7 Location*)
  - Beyond the existing scoring category, how can we support development in towns that have been resistant to multi-family housing?
  - Should we extend these points to projects located in cities and towns that may have previously approved general occupancy affordable housing, but still offer residents access to economic and educational opportunities?
  - Should we consider an opportunity-based point category? Two resources we could utilize are the Opportunity Atlas (https://www.opportunityatlas.org/) or Enterprise Opportunity 360 (https://www.enterprisecommunity.org/opportunity360).
    - Commenters on this topic were generally open to the idea of including some incentive for developing in areas of high opportunity, though there was concern about implementation and the quality of these mapping tools with respect to New Hampshire.

- Green Building (*HFA:109.07.A.16 Energy Efficient Design and Construction*)
  - Is it important to further incentivize green building?
  - We are considering increasing the points for Passive House (currently 5 points).

- Preservation Projects (*HFA:109.04.D Preservation Project Initiative*)
  - Should we prioritize preservation projects? What criteria should we consider in prioritizing these projects?
    - We received feedback at the June 6 QAP forum that we should clearly define the criteria. Below are ideas that were discussed:
      - Life safety systems, environmental hazards (asbestos, for example), accessibility, expiring affordability periods
  - Other comments we received at the forum are:
    - Have preservation projects compete against each other only (based on the criteria above)Several attendees suggested that 9% credits should not be used for preservation, only 4% LIHTCs.

    - Other attendees voiced concerns that projects in need of extensive rehab could not effectively be recapitalized with 4% LIHTCs.
    - Another comment was that due to the aging housing stock, all funds should be available for preservation projects.

- Supportive Housing (*HFA:109.07.A.3 Supportive Housing Service Homeless and Veterans*)
  - Should we broaden our focus on supportive housing in LIHTC projects?
    - Feedback we have received is in support of expanding this category to include other types of supportive housing, not just those serving veterans/homeless households.
  - Other comments we received are:
    - Expand the category to give more points. We are considering consolidating supportive housing scoring categories so that all projects committing to between 10% and 100% of units targeted for special needs receive 10 points, giving more points for projects reserving less than 100% of the units for supportive housing (currently 15 points are given to projects committing 100% of the units to special needs and 5 points to those committing between 10% and 100% to special needs.)
    - Consider a preference for specials needs households, instead of reserving the units. Leasing these units can be difficult.
    - More funding for supportive housing is needed. In addition, the lack of funding for operations is a significant challenge.
    - It was noted that there can be issues with investors, due to investors not seeing a return on special needs units, so we should keep this in mind.
    - Lack of nearby services, such as transportation, can be challenging as well.

- Allocation Caps (*HFA:109.04.A Maximum Amount of LIHTC per Project*)
  - The current allocation caps are $800,000 for general occupancy projects, $600,000 for age-restricted projects and $450,000 for preservation projects. Is it time to revisit these caps?
    - We considered increasing the caps, due to the rising costs of developing projects; however, feedback we received has been mostly to keep the caps as is; however, we did receive a suggestion to increase the preservation allocation cap to $500,000.

- Cost Caps (*HFA:109.04.C Per Unit Cost Standards/Housing Investment Limits*)
  - The current TDC weighted average limit is $235,000 ($245,000 for high-cost categories); should we consider increasing the limits?
    - Overall, feedback we have received is in favor of increasing the limits; this is primarily due to increases in construction costs; energy efficiency adds costs as well. It was also noted that developers would like to see flexibility with the caps, especially if outside sources are brought into the project.
    - The RS Means construction costs index shows a 5% increase in costs from July 2015 to January 2018. We could consider increasing the caps by 5% and the high cost categories (brownfield sites, for example) by 10% with an overall ceiling at $290,000 for example.
  - We may consider increasing the high cost points penalty; however, excluding land and building acquisition from the calculation.
  - At the last public forum, we received comments stating that the investment limit of $190,000 per unit should be increased. We will evaluate this limit and are looking for additional input.
    - Several attendees argued for higher developer fees, noting that NHHFA's developer fee limits have been fixed for years while most other project costs have increased substantially.

- Construction Costs *(HFA:109.06.A Feasibility and Appropriateness and HFA:109.07.A.11 Project Cost*)
  - How can we ensure that construction cost estimates determined at the time of application are reasonable and valid?

  - Should we consider a penalty points category against future projects by the same developer if final costs are significantly higher than the final application budget, 10% over for example?

- Points Penalty Category/Owners Who Request the QCP (c*urrently there is no scoring category*)
  - Should we consider curtailing the use of qualified contracts by owners of existing properties?
  - NCSHA best practices recommends policies to curtail the use of qualified contracts by owners of existing developments.

- LIHTC Fees (*Average Income Test Policy and HFA:109.09.B Compliance Monitoring Fees)*
  - Discuss annual monitoring fee for projects choosing the Average Income Test set-aside.
  - Monitoring fee - IRS changes to compliance monitoring regulations will result in a larger sampling of unit inspections and file reviews. We are considering a hybrid upfront fee/ongoing fee structure.
  - Post-year 15 properties; should we consider establishing a noncompliance fee?

- Deeper Targeting with Project Based Vouchers (c*urrently there is no scoring category*)
  - We are considering ways to add PBVs to projects that commit to targeting households with incomes at or below 30% of area median income.
  - Feedback we received suggested combining vouchers with special needs units and to consider using vouchers in projects with income averaging.

- Right of First Refusal *(HFA:109 Appendix D Section 3(i))*
  - Consider revising the NHHFA ROFR; currently the way it is written would have NHHFA discharging the LIHTC LURA if a qualified non-profit purchases the property.

- Electronic Compliance File Review (c*urrently there is no scoring category*)
  - Consider incentivizing owners that commit to electronic compliance reviews.

Administrative Revision Topics

- NHHFA would like to recognize the new Opportunity Zone program (OZs, created by the 2017 Tax Cuts and Jobs Act, are designed to drive economic development in distressed communities) by adding OZs to the scoring in section *HFA:109.07.A.10.b Community Development Component.*

- We are considering removing no. 9 from HFA:109 Appendix A Progress Phase Requirements – submission of final plans and specifications. The intended purpose of this requirement is to keep projects moving along; however, the timing doesn't always work out and developers often submit incomplete plans and specs in order to meet this requirement.

- NHHFA is considering revising the language in the introductory paragraph under HFA:109.06 to state that threshold criteria must be met at the time of application, reservation and allocation. Currently the QAP requires that threshold criteria be met at the time of reservation and allocation.

- Revise HFA:109.04 G Basis Boost to state that projects must reserve 25% of the total units for households with incomes at or below 25% of area median income. Currently the language does not clarify that the calculation is based on the <u>total</u> number of units (not affordable units only).

- Section 811 Program; HFA:109.07.A.5 and 6.
  - Allow for two-bedroom 811 units for points. Currently the QAP only gives points for one-bedroom units committed to the 811 program.

  - Projects committing units for the 811 program cannot be built in a 500 year floodplain.

- Add Age-restricted language (all household members must be age 62 and older to be considered age-restricted) to QAP; HFA:109.08 Allocation Process.

- Revise HFA:109 Appendix C Final Allocation requirements to include:
  - A standard final cost certification template.
  - A link to the training certification requirements.
  - Combine #14 and 15 for construction sign-off (and remove the reference to the 14% construction rule, as this is already included in our policies and is reviewed prior to construction sign-off).

- Consider removing the requirement that a carryover agreement be in place in order for a developer to request an allocation of supplemental credits; HFA:109.03.C Supplemental Set-Aside.

- Update LIHTC Compliance Monitoring Requirements, HFA:109 Appendix K, to include final regulations published by the IRS on February 26, 2019 regarding physical inspections and review of LIHTC/tenant documentation.

- Revise HFA:109.05.A Preliminary Applications to include a link to the Preliminary Application Review procedure and consider updating the procedure to support and encourage the preparation of a complete preliminary application.