NEW HAMPSHIRE HOUSING

September 20, 2019

NHHFA.org

2021-2022 Qualified Allocation Plan

Agenda

MULTI-FAMILY

- Introduction
- Overview
- Introduce and Discuss Proposed Material Changes
- Overview of Proposed Changes to Location Scoring Category
- Brief Overview of Proposed Administrative Changes
- Next Steps
- Other Topics
  - 811 Program

Remembering Bill Ray

Primary Program Policies

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.
- We considered increasing the caps, due to the rising costs of developing projects; however, most of the feedback we have received has been to keep the caps as they are.
- Stakeholder opinion is split on this issue, with many developers in favor of the caps as they currently exist in order to prevent large projects from using too much of the limited 9% LIHTC allocation.
- Currently, staff plans to keep the allocation caps unchanged in the draft 2021-2022 QAP.

Primary Program Policies

HFA 109.04.C Per Unit Cost Standards/Housing Investment Limits

- Increase the current TDC weighted average limit, which is currently $235,000 ($245,000 for high-cost categories, i.e. Brownfield sites) due to significant increases in construction costs.
- The RS Means construction costs index shows a 5% increase in costs from July 2015 to January 2018.
- Recommendations for draft QAP:
  - Increase the cost cap by approximately 5% to $245,000.
  - Increase the high-cost cap, also by approximately 5%, to $260,000.
  - Include an overall ceiling of $290,000 for the total development cost per unit (not weighted).
- Staff is evaluating increases to the $190,000 investment limit
- Staff is evaluating modifications to the criteria for high cost project category

HFA 109.04.D Preservation Project Initiative

- Revise the QAP so that preservation projects compete against each other and not within the larger pool of applicants.
- Prioritize preservation projects based on criteria such as:
  - Life safety systems added or upgraded (sprinklers and interconnected fire alarms)
  - Environmental hazards addressed (asbestos, for example)
  - Accessibility improvements
  - Expiring affordability periods (expiration time period to be defined)
- The creation of a separate set of criteria for preservation projects would likely require the establishment of a set-aside.
- Authority staff plans to propose a separate set of scoring criteria for preservation projects and will bring a preliminary draft of the scoring criteria to the forum.

Proposed Preservation Criteria

MULTI-FAMILY HOUSING

		Tier 1 (Add 8 points)	Tier 2 (Add 4 points)	Tier 3 (Add 2 points)
Eligibility Category	**Risk of Loss to Market Conversion**	Strong rental market with no legal impediments to conversion to market rate in the next four years.	Market is strong enough for potential conversion to market. No legal impediments to conversion to market rate in the next eight years.	Weak market, legal restrictions or inability of project to compete for market rate tenants. Affordability restrictions expire in the next fifteen years.
	Risk of Loss due to Physical Condition	Probable loss of the property in the next 2-4 years due to condemnation or government action. Significant code and safety issues.	Significant code and safety issues that present a risk to tenants and/or threaten the long-term viability of the property.	Extensive capital needs
	Risk of Loss Due to Financial Viability *Analysis based on 3 years of financials.*	Lender has declared or threatened to declare a default due to a payment default by the current owner	Property income is insufficient to pay debt service and basic operating expenses plus required reserve deposits, requiring contributions from other sources.	Property is financially troubled, but able to maintain loan payments and basic operating expenses plus required reserve deposits.
	Unique Acquisition Opportunity	Unique opportunity to purchase a project at a below-market price due to seller motivations.	Sale price based on present value of reduced income stream – value will increase as expiration date approaches.	Property for sale – no particular economic benefit to purchase at this moment.

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HFA 109.06.D Completion of Prior Phase (New!)

- Revise requirement to exclude existing projects that are already leased up.

HFA 109.07.A.3 Supportive Housing

- Broaden our focus on supportive housing in LIHTC projects by expanding this category to include other types of supportive housing, not just those serving veterans/homeless households. This could include serving persons with substance use disorders, mental illness, and/or physical disabilities.
- Consolidate supportive housing scoring categories so that all projects committing to between 10% and 100% of units targeted for special needs receive 10 points to incentivize developers to include units in this category. (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.)

HFA 109.07.A.7 Location

- This category incentivizes development in towns that have historically been resistant to multi-family housing.
- Staff is considering the creation of another path for a developer to earn these points by proposing projects in areas of high opportunity. Scoring would be based on data from an existing database and mapping platform such as the Opportunity Atlas or Enterprise Opportunity 360.
    - Opportunity Area Presentation
- Opportunity criteria may include categories such as education, health, well-being, and probability of social mobility.

HFA 109.10.A Recorded Affordability Commitment

- Reduce the affordability period for projects awarded 9% LIHTCs to 50 years.
- Our current policy is outside of the industry norm.
  - Vermont and the Washington, DC are the only other areas with a required minimum affordability period of more than 65 years.
  - Several states do not require an affordability period for longer than the IRS required minimum of 30 years. Many states give points to developers who commit to longer periods, such as 50 years.
  - Staff are concerned that requiring developers to commit to a nearly-perpetual affordability period effectively commits future resources to recapitalizing and renovating existing housing that may have outlived its usefulness.
  - Staff are also concerned that requiring a 99-year affordability commitment exposes the Authority to liability during the extended use period when there is no operating money to support compliance monitoring and little in the way of leverage to enforce affordability restrictions.
- Staff received a suggestion to incorporate renewal options for the period after the minimum 30 year IRS requirement. We will conduct research to determine if this is a viable option.

Provisions to Address LIHTC Projects Intended for Eventual Tenant Ownership

- The Authority has received inquiries recently from a developer who has developed projects in other states structured to be available for sale to tenants at the end of the initial fifteen-year affordability period.
- Staff is researching provisions adopted by other states to ensure that the projects of this type are structured in a way that benefits tenants whether or not they choose to purchase their homes. Areas to address may be methodology for setting sales price and guidance on homes occupied by tenants who do not want to (or cannot) purchase.

Bond Conduit Deals with 4% LIHTCs (new!)

- The Authority is considering adoption of a policy to allow for the use of volume cap for the issuance of "conduit" or "indirect issuance" bonds
- The Authority would be the Issuer of bonds, but not the lender
- Program requirements would still apply, but would be modified
- Underwriting would largely be at the discretion of the lender
- Subsidy would not be available to projects financed with this type of debt

Administrative Revisions

- 109.03.C Supplemental Set-aside: Consider removing the requirement that carryover agreement be in place in order to request an allocation of supplemental credits.
- 109.04.G Basis Boost: State that project must reserve 25% of <u>total</u> units (add word “total”).
- 109.06 Threshold Criteria: Consider revising language in introductory paragraph to say that threshold criteria must be met at the time of application; instead of (*or in addition to*) at the time of reservation and allocation.
- 109.07.A.6 Community Based Supportive Housing: Revise section title to include “811 Program” for clarity. Add all bedroom size units to 811 program points categories. Include clarification that an MOU is required at the time of application. Add footnote: regarding floodplain limitations for projects committing to 811 units (cannot be built in 500-year floodplain).
- Add age-restricted language (all household members must be aged 62 and older to be considered age-restricted).

Administrative Revisions

- Appendix A Progress Phase Requirements: Consider removing no. 9 from Appendix A, which states that final plans and specifications must be submitted. Many developers submit incomplete plans and specs in order to meet requirement, some submit initial plans; this requirement is not satisfying the intended purpose – to keep projects moving along. It's wasting developer and architect time, along with staff time.
- Appendix C Final Allocation Requirements: Revise requirements to include:
  - Standard final cost certification template (example: Final Cost Certification Template).
  - A link to training requirements document for training certification requirements.
  - Combine #14 (remove reference to project meeting 14% construction rule, already included in our policies and is checked prior to construction sign off) and #15 (construction analyst sign-off).
- Appendix K LIHTC Compliance Monitoring Requirements: Update requirements to include final regulations published by the IRS on February 26, 2019 regarding physical inspections and review of LIHTC/tenant documentation.

Next Steps/Review of Calendar

Reminders

- The 2021-2022 QAP formal public hearing will be held in December.
- Staff plans to bring the final draft QAP to the NHHFA Board of Directors for approval in January 2020.

- 2021 LIHTC Round:
  - Pre-applications are due in June 2020.
  - Final applications are due in August 2020.

811 Program

- The 811 PRA Program is federal rental assistance to be placed into a property to house persons with severe mental illness within the community.
- Changes in next QAP – we will now accept any size unit, not just one bedrooms, to be committed. If there are a variety of different sized units within a building, we will require an evenly divided representation of each size.
- In order to obtain points, a MOU must be submitted with the application. A flood plain map must be submitted. New construction properties within the 500 year flood plain are not eligible for these points.
- Existing buildings (including conversions and/or substantial rehab) may be qualified for these points but you must prove there are no units less than a foot above 500 year floodplain, the project has a warning system, an evacuation plan and has flood insurance.

Upcoming Dates

- October 1st Action Plan hearing (NHHFA Office, Bedford) 2-4 PM
- October 4th Bill Ray memorial event (Gunstock, Gilford)
- October 4th "Upward" Conference (not a NHHFA event) (Grappone Center, Concord)
- October 10th Housing and the Economy Conference (Doubletree Manchester)
- November 1st Comments for this QAP due
- December 17th Supportive Housing financing applications due
- May 20th, 2020 MultiFamily Conference (Grappone Center, Concord) **topic/speaker suggestions?**

Questions or Comments?

You can also email your comments: qap@nhhfa.org

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