NEW HAMPSHIRE HOUSING

December 20, 2019

NHHFA.org

2021-2022 Qualified Allocation Plan
Public Hearing

AGENDA

- Welcome and Introductions
- Review of Proposed Substantial Changes
- Review of Proposed Administrative Changes
- Time for Questions and Comments
- Next Steps for 2021-2022 Qualified Allocation Plan & LIHTC Reminders

Summary of Proposed Substantial Revisions

Primary Program Policies

MULTI-FAMILY

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

- Increase the current total development costs (TDC) weighted average limit from $235,000 to $245,000.

- Increase the current TDC weighted average limit for high cost projects (i.e. Brownfield locations) from $245,000 to $260,000.
    - High cost category to now include projects proposed in Grafton, Carroll, and Coos counties.

- Include an overall ceiling of $290,000 for the total development cost per unit (not weighted).

- Increase the investment limit from $190,000 to $200,000.

HFA 109.04.D - Preservation Project Initiative

- In order to prioritize preservation/recapitalization projects, a new scoring matrix has been added. Projects will continue to be scored under HFA 109.07; however, points will also be awarded according to the Preservation Scoring Matrix (Appendix L).
- Projects must receive a minimum of 95 points, including 8 points awarded pursuant to the Preservation Scoring Matrix.

Preservation Scoring Matrix

MULTI-FAMILY

		Tier 1 (Add 8 points)	Tier 2 (Add 4 points)	Tier 3 (Add 2 points)
Top-tier Eligibility Category	Expiring Affordability Covenants/ Risk of Market Conversion	No legal impediments to market-rate conversion (such as affordability restrictions) in the next four years.	No legal impediments to market-rate conversion (such as affordability restrictions) in the next eight years.	No legal impediments to market-rate conversion (such as affordability restrictions) in the next fifteen years.

(Matrix continues on the next slide)

Preservation Scoring Matrix

		Tier 1 (Add 6 points)	Tier 2 (Add 3 points)	Tier 3 (Add 1 point)
Second-Tier Eligibility Category	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.
	Number of Units Preserved	More than 80 units preserved	51-80 units preserved	21-50 units preserved

HFA 109.06.D - Completion of Prior Phase

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

HFA 109.06.K - Projects Intended for Eventual Tenant Ownership

- Add a new threshold requirement for projects intended for eventual tenant ownership. Projects may be structured to transfer to tenant ownership after the initial 15-year compliance period, through the Right of First Refusal provided for in Section 42(i)(7) of the Internal Revenue Code.

HFA 109.07.A.3.b - Supportive Housing

- Broaden our focus on supportive housing in LIHTC projects by expanding this category to include, not only veterans and people experiencing homelessness, but also those that are intellectually disabled, physically disabled, and/or suffering from severe mental illness (must participate in 811 program) and increasing the points from 5 to 10.

Scoring Criteria

MULTI-FAMILY

HFA 109.07.A.5 & 6 - 811 Program

- Owners of existing properties committing units to the 811 program will be awarded 2 points for committing 10% (or 2 units, whichever is greater) of total units will be awarded 6 points for committing 25% of total units.

- Additionally, owners who have already entered into an MOU in 2015 or 2016, may now commit those units to the 811 program and receive 3 points.

- New units at the proposed project will be awarded 5 points for committing 10% (or 2 units) and 7 points for committing 25% of total units to the 811 program.

- All bedroom sizes can be committed.
- Projects cannot be located in the 500-year flood plain.

Scoring Criteria

HFA 109.07.A.7 - Location (General Occupancy Projects only)

- Currently projects location in towns with no other affordable general occupancy housing can receive 10 points.

- In order to create another path to earn these points, this category has been revised to include projects that are proposed in high opportunity areas as follows:

- Projects located in census tracts with a score of 66 or higher in the Enterprise Opportunity 360 Index in at last three of these areas will be awarded 10 points:

  - Education
  - Health and Well-being
  - Economic Security
  - Accessibility to Jobs, Goods, and Services

- www.enterprisecommunity.org/opportunity360/measure

Scoring Criteria

HFA 109.07.A.9 - Advanced Projects

- A new scoring category was added to this section, which awards 10 points for phased projects where the prior phase(s) was financed with tax-exempt bonds.
- 50% of the units must be leased at the time of application.

HFA 109.07.A.10.a - Community Development Component

- A new scoring category was added for projects located in an Opportunity Zone; projects will be awarded 10 points.
- Opportunity Zones are low income census tracts that have been designated to encourage economic development in that area.

HFA 109.07.A.16 - Energy Efficient Design and Construction

- A new scoring category has been added to award 1 point for projects who commit to participate in an energy charrette through the State of New Hampshire Public Utilities Commission.
- Projects located in a municipal electric department service area (Ashland, Littleton, New Hampton, Wolfeboro, and Woodsville) will automatically receive these points.
- The purpose of an energy charette is to learn about energy audits and plans and possible participation in energy assistance program.

HFA 109.08.A - Reservation of LIHTC

- Minimum score requirements are being increased as follows:

  - General occupancy projects must score at least 85 points.
  - Age-restricted project must score at least 80 points.
    - Age-restricted projects are defined as housing where all units are restricted to members who are all age 62 and over.

  - As noted earlier, preservation/recapitalization projects must receive at least 95 points including a minimum of 8 points from the scoring matrix.

HFA 109.09.B - Compliance Monitoring Fees & Appendix K – LIHTC Compliance Monitoring Requirements

Due to changes made by the IRS in 2019, which results in an increase in the number of resident files reviewed and the number of resident units to be inspected during compliance monitoring, the monitoring fees will be increased and the Compliance Monitoring Requirements (Appendix K) have been revised to incorporate these changes.

- The monitoring fee will be assessed as both an upfront fee and an annual fee.
  - The upfront fee is $690 per LIHTC unit for projects awarded 9% LIHTCs and $530 per LIHTC unit for projects awarded 4% LIHTCs.
  - The annual fee will be assessed over a 15-year period.

HFA 109.10.A Recorded Affordability Commitment

- The proposed, revised affordability period for projects awarded 9% LIHTCS will be reduced from 99 years to 60 years.

- Projects awarded 4% LIHTCS with tax-exempt bond financing will remain at 30-years of affordability.

Appendix M - Pure Conduit Bond Provisions

- NHHFA recently created Pure Conduit Multi-Family Bond Financing Program Rules (HFA 116). These rules are under review and will be available on our website.

  - In accordance with these rules, bond volume cap can be allocated to developers for the issuance of conduit bonds to support the creation or preservation of eligible housing developments.
  - Sponsors of projects using conduit bonds may access the 4% LIHTC in accordance with IRC 42.
    - Many sections of the QAP will apply to Pure Conduit Bond projects that also access 4% LIHTCS. Refer to new Appendix M for details.

Summary of Proposed Administrative Revisions

Administrative Revision Topics

- Include language in the QAP that the Authority is entitled to interpret the requirements and policies in the QAP in compliance with IRC 42 (HFA 109.08.A).

- Remove the requirement that a carryover allocation agreement be in place in order for a developer to request an allocation of supplemental credits (HFA 109.03.C).

- Clarify that that a project must reserve 25% of total units (add word “total”) for households with incomes at or below 50% area median income in order to receive the basis boost under the financial feasibility (HFA 109.04.G).

- Revise language to require that threshold criteria be met at the time of application in order to receive a reservation and allocation (HFA 109.06).

Administrative Revision Topics

- Remove "historic districts, designated blighted areas or otherwise targeted areas" from examples of community revitalization areas for clarity (HFA 109.07.A.10.iii).
- Progress Phase Requirements: remove the requirement that final plans and specifications must be submitted (Appendix A).
- Final Allocation Requirements (Appendix C):
  - Require a standard final cost certification template (example: Final Cost Certification Template).
  - Provide a link to the Asset Management training requirements for training certification submission.
  - Remove requirement for projects to meet the 14% (6-2-6%) construction rule, as it's already included in the construction sign-off step.

Proposed Revisions Discussed – No Changes Made

HFA 109.04.A Maximum Amount of LIHTC per Project

- We had presented the idea to increase the allocation caps, which are currently at $800,000 for General Occupancy and $600,00 for Age-Restricted.
- Feedback was split; however, many stakeholders were in favor of keeping the caps as they are in order to prevent large projects from using a good deal of the scarce 9% LIHTC allocation available. *No changes are being proposed in the QAP.*

Questions or comments?

Written comments can be submitted to QAP@nhhfa.org.

Next Steps for the 2021-2022 QAP:

- The draft QAP will be presented to the Authority's Multi-Family Housing Committee on February 19, 2020 and to the Board of Directors on February 27, 2020 for final approval.
- The projected timeframe for the Governor's approval of the QAP is March 2020.

LIHTC Reminders:

- Preliminary applications for 2021 LIHTCS are due in June 2020.
- Final applications for 2021 LIHTCs are due in August 2020.

Multifamily Housing Conference: May 29th, Concord (Grappone Center)

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