



MEMORANDUM

TO: Board of Directors

FROM: Rob Dapice, Natasha Dube, and Ted Seely

DATE: May 21, 2021

RE: Qualified Allocation Plan - Allocation and Cost Caps

BACKGROUND:

The Qualified Allocation Plan (QAP) is the Authority's document that establishes rules and priorities for allocating Low Income Housing Tax Credits (LIHTCs). The QAP is updated every two years and is approved by the Board of Directors before being signed by the Governor. The Authority is in the second year of a two-year QAP. The current QAP was approved by the Board of Directors in February 2020.

The QAP includes limits on the overall allocation of LIHTCs to each project; limits on the amount of Authority funds that can be awarded to any project on a per-unit basis; and limits on the overall cost of each project, again on a per-unit basis. The limits are described in section HFA 109.04 of the QAP dated May 4, 2020, which is in effect until the plan is revised through the formal review process (expected to be completed in the spring of 2022).

Construction Costs. Recent months have seen unprecedented volatility in construction pricing, along with shortages in building materials and delays in obtaining materials which have driven up costs. Staff believes that the current limits are too low and would result in many otherwise feasible projects being unable to meet threshold. To respond to these changing conditions, staff recommends that the Board approve across-the-board waivers to the allocation and investment limits as an appropriate and needed response to the unpredictable construction environment.

The recommended waivers would allow for limit increases and would apply to projects that have already received 2021 LIHTCs and those that receive 2022 LIHTCs in the upcoming application round. The recommended waivers would apply to projects using both 9% and 4% LIHTCs under this QAP.

The per project allocation limits are currently \$800,000 for a general occupancy housing project and \$600,000 for an age-restricted project. Staff recommends that the Board of Directors waive the current limits and establish limits that are 10% over the current limits.

The per unit Total Development Cost (TDC) weighted average is \$245,000 and for projects that meet defined high cost criteria, the TDC weighted average is \$260,000. The Authority uses a weighted average method that accounts for the number of bedrooms per unit to avoid unintentionally penalizing developers who provide larger units. To ensure overall cost reasonableness, the TDC per unit limit (not weighted) is \$290,000. The investment limit (LIHTC equity plus Authority capital subsidy) is currently set at \$200,000 per unit. Staff recommends that the Board of Directors waive the current cost caps and investment limit and establish temporary caps and limits that are 15% over the current limits.

RECOMMENDATION:

As permitted in HFA 109.11.A Waiver Authority, which states “A waiver of the rules can be initiated by the Board”, staff recommends that the Board of Directors provide a blanket waiver to increase the per project allocation limit and the per unit cost caps and investment limit as outlined in the table below effective immediately for the QAP dated May 4, 2020 until that QAP is repealed or replaced.

	Current Limits	Increase %	Approved Limits
Allocation Amount (GO)	\$800,000	10%	\$880,000
Allocation Amount (AR)	\$600,000	10%	\$660,000
TDC Weighted Average per Unit	\$245,000	15%	\$281,750
TDC Weighted Average per Unit (high cost)	\$260,000	15%	\$299,000
TDC per Unit	\$290,000	15%	\$333,500
Investment per Unit	\$200,000	15%	\$230,000