Comments for 2019 QAP

General:

Matt Catanese:

They are mostly related to existing properties and preservation of housing.

1. It seems there are certain Counties where populations are supposedly rising which receive a large number of points based on the County they are located in. When applying for credits, especially on an Existing property, the location cannot be modified. In many cases the declining population are linked to a lack of quality affordable housing. Providing a high percentage of points to certain Counties that are growing seems to foster the deterioration of smaller communities. This is a State tax credit program so it would be nice if all Counties in the State were treated equally.

2. Regarding points for the number of three bedroom units--Existing properties, especially those with a section 8 contract for a specific number and type of units, cannot change the number of 3 bedrooms they have. For example, a property that is existing with 20% three bedroom units would not receive any credit for those units because the threshold is a minimum of 30% three bedrooms to receive points. I would suggest that if points are awarded, that it be based on 1 point per 10% of three bedroom units. This way some credit is available to existing units to score points for providing housing for families with children.

3. Only 3 points for preservation, this seems out of line with the number of points provided for other criteria, if in fact preservation is a priority.

OHFA:

1. We address counties by need, i.e. Housing Needs Assessment

2. This is alleviated by giving 3 points for preservation.

3. Preservation is a priority for OHFA. However, we feel the points given in this category are sufficient.

Location Points: Family and Elderly (Agree or Disagree):

Wanda DeBruler:

It's my understanding that the State is proposing to change the 2 -year award criteria points for 2019 to allow points if the new proposed development targets a different population than the previous development (family vs. seniors). If you agree or disagree with the proposed change, please comment on this thread. Why or why not is the proposed change good for Oklahoma low-income households?

Although people 55+ can live in family developments, some prefer an option to live in a "senior" only housing complex. If a market study supports the demand for both housing types and funders are willing to invest, Oklahoma low-income consumers stand to benefit from choices.

Andrea Frymire:

The following notes are from the 2019 QAP Meeting held on May 16, 2018, Agenda Item 5: Location points: family and elderly.
Darrell Beavers, OHFA:
•Currently we have the 2-year rule. Regardless of the type of housing, we do not want a concentration of housing. The argument has been raised that two distinct groups are OK if they are close together (i.e. a senior only complex constructed near a family development). OHFA Is looking at this issue. Staff is currently leaning towards agreeing to this.

Public Comments:
•If you are going to say senior vs. family is OK, what about acq./rehab vs. new construction? Or rent to own vs. multifamily?
•Elderly can live in family, but family cannot live in elderly.

OHFA:

We agree with the public comments and are amending the 2 year rule to allow the distinction between family and elderly. However, we disagree with allowing a distinction between acq./rehab and new construction.

Lottery or Not to Lottery for Tiebreaker:

Wanda DeBruler:

Because Oklahoma tax credit applications often end up in tiebreakers, OHFA staff referred to the idea of using a lottery system to award funds. A shift in this direction is not an ideal system to allocate limited, and much needed affordable housing resources. A lottery does not aid in selecting the highest qualified applicants that meet the State's housing priorities nor does it result in what the State said was it guidelines: - most/highest quality, lowest income, the longest period, and areas of greatest need, at the lowest cost. Instead of a lottery, the State should pursue expanding or differentiating among the rating criteria so that applications do not end up in tiebreakers.

Here's what I learned about lottery systems for tax credit awards:

- Florida- All Request for Applications include a lottery in case scoring is tied. Since 2013, across 62 Request for Applications, 108 out of 330 awards made were made based on lottery – about one-third of all allocations made. The Florida 2017 Affordable Housing Workgroup Final Report finds that, ideally, a lottery should not be used to award credits.

- LIHTC/Tax Credit Professionals Group- I submitted an inquiry to this online group. Phone conversations and online comments indicated the lottery system favored larger developers because they can submit multiple applications to increase their odds. One commenter stated Ohio used to do this and it was an abject failure.

- Oklahoma has experience with a lottery system. The State awarded HOME funds for owner-occupied rehabilitation using a lottery. The change from a rating system to lottery negatively affected a few nonprofits.

In general, findings from lottery systems show that results are unpredictable; often fail to live up to expectations; fail to benefit those who need it the most; and unintended consequences.

Andrea Frymire:

Here is an article from FL re: court reversing a lottery award.
www.tbo.com/news/localgovernment/21-million-mistake-delays-tampa-housing-authoritys-west-river-project/2339295

Also, there was a workgroup in Florida that looked at a lot of key issues. On page 8 they say lotteries should not be used. The findings related to the other topics are also worth the read.
www.floridahousing.org/about-florida-housing/workgroup-on-affordable-housing

OHFA:

We will not be moving forward with a suggested Threshold/Lottery System. The only Lottery System being used will be in the event that all other Tie Breakers are unsuccessful.

Revitalization Plan:

Andrea Frymire:

The following notes are from the 2019 QAP Meeting held on May 16 related to Agenda Item #3: Preference for affordable housing developments that are part of a holistic, coordinated, sustainable revitalization plan in disadvantaged, defined neighborhoods, and that serve as a catalyst to attract significant additional capital investment.

Darrell Beavers, OHFA:
• Would like to see affordable housing in revitalization areas. Could be high opportunity areas, etc. He wants to create a preference for housing when it's part of a much larger effort to clean up a neighborhood. Example: Purpose Built Communities in Atlanta.
• Direct resources would be having to go to "other stuff" in the community and the housing would be a part of a bigger plan. May have this in the QAP for at least 5 years. The revitalization

plan must be formal and from a government entity, council, etc. Must be a “real deal.”
• Audience question: Please identify at least 5 towns in Oklahoma with populations of 50k or less that currently have a revitalization plan? Small towns can’t afford this and therefore would be left out.

Josh Miller:

Highly endorse the idea of a preference for housing being accompanied with a greater revitalization plan around education, workforce, economic development, etc. directly serving residents and the greater neighborhood located around the proposed project. There should also be a preference for mixed-income housing to complement the revitalization plan.

OHFA:

We have established a new point category for those applicants who have received a Choice Neighborhoods Implementation Grant.

Raising LIHTC in conjunction with Revitalization Plan:

Andrea Frymire:

The following notes are from the 2019 QAP Meeting held on May 16, 2018 related to Agenda Item 4: Raise cap in conjunction with holistic, coordinated, sustainable revitalization plan.

Darrell Beavers, OHFA:
• A raise in cap would be needed for the revitalization plan areas. The cap right now isn’t sufficient because these developments need to be larger.

Suggestion: raise from $750k to $1M? Should they use bond money instead of 9%?

Byron DeBruler:

Because those developments will be larger they lend themselves to bond/4% financing not 9% credits. It seems to me that the 12.5% increase in credits should not be used to increase credit request maximums but rather to fund more developments that, in turn, generate more new units.

Josh Miller:

A raise in cap for 9% credits is important for mixed-income projects, because they by nature have to have a higher unit count. Bond financing does not equate to the same value to a project as 9% credits. More mixed-income projects should be encouraged because they help break up the concentrations of poverty and provide low-income residents housing opportunities in areas of revitalization. In West Park Phase II's case, the project qualified for almost $1.7 million in credits, but of course only received the state max of $750K. Fortunately, this is a philanthropically funded project that doesn't require a market return, but without a higher credit limit cap, these mixed-income deals will never expand to the rest of the developer market. I realize that OHFA receives a limited number of credits annually, but I would suggest stretching maybe even to $1.25 million for mixed-income projects.

OHFA:

We are raising the cap to $1 million for those applicants that receive a Choice Neighborhoods Implementation Grant.

Points & Tiebreakers:

Andrea Frymire:

The following is the discussion notes re: Points & Tiebreakers from the QAP Meeting on 5/19/2018.

Darrell Beavers, OHFA, kicked off the meeting noting that this is a follow up to the first meeting held in April. Comments as follows were prefaced with “if we stay on a points and tie-breaker system:”

• The majority of states use a tie-breaker system. There is no need for a tie-breaker system if you do not have a point problem. Oklahoma needs to work on both points and tie-breakers. There are lots of ways to structure point categories. The IRS Code has items that must be addressed plus other items for preference. Oklahoma has an issue with applications bunching up around the same score.
• Scaling points within each category is an idea.
• The tie-breaker is currently lowest tax credits per unit. Several other states do something similar because things are cost driven. The industry anticipates a GAO report soon that will be critical of cost. Efforts are to get to the most housing or the money, the most number of units with the highest quality. Staff will recommend with staying with the same tie-breaker for 2019. They may couple it with encouraging number of units with the greatest need.
• Please email Darrell with any suggestions and comments.

Public Comments:

• In the last 7 years, the FHLB of Topeka’s AHP program has only had ties on 2 occasions. Recommend reviewing how they rate and rank deals. FHLB of Topeka has a point system carried out to the 6th decimal point.
• A suggestion was made to consider tax credits per bedroom instead of credits per unit.
• A suggestion was made to have a moratorium on some towns that have had quite a bit of awards and need to get the current pipeline completed and leased up, some have awards but also have existing properties that are struggling. Towns could be submitted for OHFA and public comment. Another idea was to raise the 2 year rule to accomplish the same thing.
• The only way to measure the highest need is the housing study. It needs to be updated.
• Another suggestion is to divide population by number of units. Take the existing and proposed

developments as a percentage of total population. This could be a scoring item.
• Alternative scoring is needed.

Darrell Beavers, OHFA:
• OHFA is considering a threshold and then lottery system. Make a higher bar for threshold and then just draw names out of a hat.

Public Comments:
• Would they cap the number of apps by developer? Maybe.
• How would OHFA ensure that they had a mix? I.e. theoretically they could draw 100% acq./rehab and the state would not receive a single new unit.
• Regardless of points, OHFA should still consider cost/sq. ft.; cost/bedroom; cost/unit.
• Wyoming never ties
• Need more options to differentiate applications.
• Texas has 4-5 levels of tie-breakers behind the score. i.e. distance to amenities; opportunity index, etc.

<u>Byron DeBruler:</u>

Came up with the draft threshold and rating system below and appropriated and put a tax credit spin on FHLB's AHP Subsidy per Unit rating factor that will resolve/eliminate tie scores.

2019 LIHTC Threshold and Rating System

<u>Threshold Criteria</u>
1. Amenities: Remove tornado shelters and move to rating criteria

2. Development Type: If locating in a community that has had a 9% tax credit development in the last 2 years, the newly proposed development must not be of the same type as previously built. For example, if the prior project was rehab the newly proposed development must be new construction; if the prior development was family, the newly proposed development must be senior; if the prior development was rental, the newly proposed development must be rent-to-own; etc.

3. Notice: no change

4. Financial Feasibility: adjust cost per square foot limits annually by national inflation rate

5. Readiness: no change

6. Capacity: eliminate 5 development cap

Rating Criteria

1. Income targeting/5 points possible

10% @ 50%AMI = 1 point

15% @ 50%AMI = 2 points

20% @ 50%AMI = 3 points

30% @ 50%AMI = 4 points

40% @ 50%AMI = 5 points

2. Period of Affordability/10 points possible

15 years = 4 points
30 years = 7 points

40 years = 10 points

3. Proximity to Daily Living Infrastructure/10 points possible

Points are award and subtracted based on a development's proximity to beneficial supports and/or negative influences. Supports and influences with .25 miles of a development as measured by MapQuest using street addresses. If no street address is available, center of the nearest intersection will be used.

Beneficial Supports (1 point each)

Grocery

Public School

Day Care

Head Start Center

Public Transit

Hospital

Church

Library Sewage Treatment Facility

Landfill or Transfer Station

Liquor Store

Bar

Adult Book Store

Major Federal or State Highway

Rail Road

Negative Influences (-2 points each)

Sewage Treatment Facility

Landfill or Transfer Station

Liquor Store

Bar

Adult Book Store

Major Federal or State Highway

Rail Road

4. First Time Credit Communities/10 points possible

Developments locating in communities that have never had a tax credit property either 9% or 4% as determined by OHFA Official Prior Projects List will receive points

5. Blended Income Zip Codes/10 points possible

Zip MHI is higher than statewide MHI = 5 points

Zip poverty rate is lower than statewide rate = 5 points

6. Energy Efficiency/18 points possible

Drop the “Green Building” items and replace with other more tenant-beneficial measures

7. Development Location/10 points possible

QCT = 1 point

DDA = 1 point

One of 19 counties with demand for 60%AMI units greater than X units = 4 points

One of 17 counties with rent burden greater than 40% = 4 points

8. Tenant Safety/10 points possible

Developments incorporating FEMA approved storm shelters on a unit by unit basis or one or more large complex-wide shelters will receive points

9. Workforce Housing/15 points possible

Developments siting within x miles of a business expansion or start-up that will create X number of jobs with wages at or below the county 60%AMI level within 24 months of credit award will receive points.

60%AMI job creation number must be certified by the company’s owner, COO or Personnel Director.

Number of jobs cannot be based on “projections” but rather the actual core positions that will be created.

Failure to achieve job creation numbers will result in negative points on future applications.

10. Prior Performance/-20 points possible

OHFA’s negative point list

11. Accessibility/10 points possible

Developments incorporating 15% of the total unit designs as handicapped units will receive points.

12. Credit Request per Unit/12 points possible New construction and 10 points possible rehab

Points will be awarded based on total credits (Federal and state) per unit requested using the following formulas. All calculations will be carried out to the 3rd decimal place.

Note: the max and min credit request pu numbers would be set by agency policy

New Construction Formula
Points = $20,001 (max credit request pu allowed) – TCPU requested/$9,000 (minimum credit request per unit) * 10
Rehab
Points = $10,001 (max credit request pu allowed) – TCPU requested/$5,000 (minimum credit request per unit) * 10

<u>Josh Miller:</u>

Byron brings up a lot of good options. In general, a project that is incorporated into a larger comprehensive revitalization plan could be a tie-breaker, although it being a preference or point scorer is more desirable. Mixed-income projects fall into this same category.

<u>OHFA:</u>

<u>Many of Byron's suggestions are to aid in having fewer ties. We believe we have satisfied this with the suggested point category of Subsidy per Unit. We have also addressed several of his suggestions in the app already, and feel that they are currently in the right place at this time.</u>

<u>Amount of Information Published:</u>

Darrell Beavers, OHFA:
• Darrell has received criticism for the amount of information published on applications. He is seriously considering not publishing information like self-score, credit request, etc. in 2018. Only the bare bones information.

Public Comments:
• Out of state developers with zero to few awards in Oklahoma should not be impacting a 20 year+ policy without input from longtime stakeholders in the Oklahoma affordable housing

industry.
• People will just submit a FOIA request and still receive the information early on.

TDHCA is conducting a survey and residents of affordable housing. OHFA may consider doing something similar to see what amenities and locations make the most difference to low-income Oklahomans. A copy of their survey is located here: www.tdhca.state.tx.us/multifamily/docs/MF-ResidentSurvey.pdf

Anonymous:

The information OHFA provides about the applications ensures open transparency and accountability to the public. The State has expressed numerous times and through its tiebreaker system that it wants the best housing, it can get at the least cost. If at the time of PRR, an applicant looks at the published application list and examines their costs and financing to reduce their credit request and are willing to risk failing threshold due to an error, the State is achieving its desire of best housing with least cost.

Removing the application details could increase the number of requests OHFA receives under the Oklahoma Open Records consuming staff time unnecessarily.

Under OKLAHOMA OPEN RECORDS ACT, 51 O.S., SECTIONS 24A.1, et seq., “All records of public bodies and public officials shall be open to any person for inspection, copying, and/or mechanical reproduction during regular business hours.”

Oklahoma has published the application list in this format for 20+ years. Out of state competitors that don’t like our system should not be driving Oklahoma’s policy.

Keep in mind, the application list is used by more than just the developers. It's helpful to cities, towns, and advocates to know where, when, number of units, investments and types of affordable housing be proposed in their area.

Andrea Frymire:

As an industry we should be more transparent and not less. Even secretive states publish more information than OHFA currently proposes to publish. Texas puts full applications online from nearly day 1.

Byron DeBruler:

Publishing credit requests and number of units on the applicant list serves to encourage competition. Competitors have the opportunity to reduce credit request amounts which moves in the OHFA desired direction of lowering credit costs per unit.

OHFA:

Under the advice of counsel, OHFA will not delay posting applicant information and will continue to release information in the same format as released in the past.

Other Bond Issuers:

Pamela Miller:

4%/Bond Applications should be allowed the flexibility of using other Bond Issuers besides OHFA. Staff has repeatedly stated they want to do many bond deals. Besides flexibility, this would be a cost savings to Developments. Because 4% Credits are not part of the annual cap, these additional funds coming into the State to provide affordable housing that would otherwise be unavailable.

OHFA:

Multifamily Bonds with 4% Tax Credits are rather complex deals. Being the issuer allows OHFA to better evaluate the entire deal and streamline the process in a way that wouldn't be possible with a different bond issuer. For that reason, OHFA will continue to be the Issuer of Multifamily Bonds.

Application Form:

Pamela Miller:

The Application Form should be in Excel rather than Word. This would assist Staff because they could use the same Excel worksheets for Initial, Carryover, and Final Applications and not have to update each one individually. Some tabs would be N/A at different stages, but that could just be noted as such. This format would also aide Developers in ease of completion. A complex spreadsheet is not needed, but duplicate cell entry could be streamlined.

OHFA:

Word Document is the easiest possible way to submit the information at this time. We feel transferring the entire form to Excel would overcomplicate a process that already has a lot of moving parts.

Publication Notice:

Pamela Miller:

Allow the notice to be published up to two weeks after Application deadline. This still allows the public and interested parties ample time to comment before the Board consideration, roughly four months later. Some small rural communities may be left out of consideration due to the publication deadlines of often time a weekly paper. Documentation can be provided with preliminary responses.

OHFA:

OHFA provides applicants a very generous 60 day window for their Publication Notice. OHFA's Publication Notice requirements will remain unchanged.

Financing-Plan B's:

Pamela Miller:

Alternative structures of Financing (Plan B's) should be allowed. This would allow Developers to use more types of sources of funding. The more sources that can be brought to the table, then less Credits are needed. Plan B's must have a lower Federal Credit request than Plan As. This is no different than at preliminary response, providing different or changed sources.

OHFA:

We believe a Plan B complicates the process by causing essentially 2 entirely separate underwriting processes for each application. Tax Credits are meant to fill the "gap" between funding sources. Therefore, other funding sources should be considered before Tax Credits are requested. OHFA will continue to prohibit Plan B submissions.

Up to date website:

Pamela Miller:

It appears that not all awards for all programs, funded development list, acquisition rates, etc. are not consistently updated. This is important because we reference several of these items when we are contemplating and/or preparing applications in order to ensure we are making informed decisions. Also, members of the public use this information for various reasons, including, to find affordable housing.

OHFA:

Information has been updated and will be updated on a continuous basis.

Formation and Tax ID number of GP/MM:

Pamela Miller:

The Formation and Tax ID number for the General Partner/Managing Member should not be required until Carryover Application. A tax return must be prepared for each outstanding Tax ID number. Since almost all general partners/managing members are single asset entities, a more appropriate time to form and request Tax ID numbers is closer to actual closing.

<u>OHFA:</u>

For clarification, OHFA does not require the TAX ID number for the General Partner/Managing Member until Carryover Application.

<u>5 Open Development Limit:</u>

<u>Jennifer McCabe:</u>

I propose modifying the open development rule based on the completed number of developments in Oklahoma. 1 open development for new to Oklahoma. 5 open developments for 2-5 completed. 6 open for 10-15 completed and 7 for 15+ completed developments.

<u>Andrea Frymire:</u>

The following notes are from the 2019 QAP Meeting held on May 16, 2018, Agenda Item 6. 5 Open Developments Rule.

Open Developments rule.
Darrell Beavers, OHFA:
•OHFA is starting to see different legal entities with the same ownership starting to compete for credits which defeats the spirit and intent of the rule. They have had a situation where a developer was overextended. OHFA is looking to making changes here. Will limit to ownership, partners, etc.

Public Comments:
•Most developers are getting their deals closed and constructed.
•Mention was made of 8609 issues.

<u>Pamela Miller:</u>

The open limitation should not apply to Bond Applications because these Developments are not limited by the amount of credits, and multiple developers can have multiple deals without limiting someone else. Also, instead of last building placed in service, the event to determine if a Development is counted against the total number of open Developments should be the Carryover Application.

<u>OHFA:</u>

<u>The current Open Developments Rule will remain in place to encourage competition.</u>

<u>Tenant Population with Children:</u>

<u>Pamela Miller:</u>

Rehabilitation deals should automatically receive points in this category, regardless of the number of three bedroom units. Adjustments to properties to satisfy this requirement reduces the number of total units available and adds additional costs.

OHFA:

This is alleviated by giving 3 points for preservation.

Fair Housing Training:

Andrea Frymire:

The following notes are from the 2019 QAP Meeting held on May 16, 2018 relating to Agenda Item 7: Fair Housing Training.

Darrell Beavers, OHFA:
• Fair Housing/ADA is a big deal around the country. There will be a requirement in the 2019 QAP that applicants must attend Fair Housing Training. This is a big deal to HUD and the DOJ. Developers do not want HUD in their business. This will be required for architects, general contractors, possibly sub-contractors, property managers and developers.

Public Comments:
• For new construction, HUD says training for developers and builders.
• There is no way to inspect the actual design vs. final product. There are issues with architects not designing in compliance.
• More information is needed on how many staff per organization will be required to receive training as well as how often OHFA will require it (annually, biannually, etc.).

OHFA has released their requirements for Fair Housing Training. A copy of OHFA's notice can be retrieved here: okcoalition.files.wordpress.com/2018/05/ohfa-notice-of-fair-housing-training-requirement-for-2019-qualified-action-plan.pdf

The OCAH Housing Conference: Plan.Build.House. will feature fair housing training that will fulfill these requirements. For more information or to register: ocah-housing-conf-2018.eventbrite.com

I think OHFA should consider a minimum number of hours that are required for the course. Also, please indicate how frequently the training must be conducted, i.e. every other year, etc. Annually would seem excessive unless it was for frontline staff such as site management.

Courses that have been approved for continuing education credits by entities such as the Oklahoma Real Estate Commission, the Oklahoma Bar Association, etc. should be allowed to qualify. Fair Housing FIRST has a variety of modules that could serve as a springboard for what type of training OHFA would like to see: www.fairhousingfirst.org/training/modules.html

Pamela Miller:

Instead of creating an exclusive and specific list of particular trainings, OHFA should create a list of acceptable trainers. For example, E&A, an OHFA past trainer, conducts webinars for TX. If someone had taken that course, it should count for OHFA's requirements. If someone wanted to ask about other trainers/trainings, then written approval could be requested of OHFA. This is an obviously important area, and everyone wants to comply, but the maximum flexibility would be beneficial to all interested parties.

Andrea Frymire:

That is a good idea but also lots of real estate related entities also offer Fair Housing Training. Knowing a minimum number of required hours and topics they want covered then we can look at course offering and figure out if it seems to be a good match and not run every single offering by OHFA. All of the Fair Housing trainings in April conducted with Metro Fair Housing seem like good examples.

OHFA:

OHFA will also accept the following training classes for the Developer, Architectural firm and General Contractor. This is an exclusive list:

- ***E and A Team online webinar "Fair Housing Act, ADA and Section 504 Design Requirements for Multifamily Housing."***
- ***Any live E and A Team Fair Housing and Accessibility Training Session completed after January 1, 2018 and prior to Application submission.***
- ***Any live Fair Housing Accessibility First program training completed after January 1, 2018 and prior to Application submission.***

OHFA will also accept the following training classes for the proposed Management Company. This is an exclusive list:

- ***E and A Team online webinar "Fair Housing Leasing and Management issues for Owners and Managers who need TDHCA Certification."***