GREATER NEW ORLEANS HOUSING ALLIANCE

April 4, 2018

Mr. Brad Sweazy
Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, LA 70808

Dear Mr. Sweazy,

Thank you very much for considering the following comments on the 2018 Qualified Allocation Plan. Though the value of tax credits is decreasing in the current political climate, we hope that overall allocations can be increased under the proposed Affordable Housing Credit Improvement Act, which we support. Please see our comments to the QAP as follows:

1) <u>Remove the rural pool or the point preference awarded for rural projects areas.</u> The QAP gives an unnecessary priority to rural area projects. We appreciate LHC's concern that projects be awarded to rural parts of the state in addition to the state's urban centers. We believe, however, that the combination of the points awarded to rural area projects and the rural pool will unfairly discriminate against projects aimed to meet critical housing needs in New Orleans and other urban parts of the state. HousingNOLA's 10-year housing plan projects that the city needs 16,580 affordable housing units by 2025 to meet housing demand. The mayor's housing plan, Housing for a Resilient New Orleans, aims to build or preserve 7,500 affordable housing units by 2021. Creating new affordable rental housing is critical to addressing the city's problems with rising rents and achieving the unit goals in both of these plans.

The points awarded to the rural pool are sufficient to guarantee that a minimum amount of funding is awarded to rural areas. Furthermore, there is a stronger CRA-driven demand for tax credit investment opportunities in urban areas. HOME funds are perhaps a more appropriate funding solution for rural markets, where construction costs are likely lower and funding stretches further. We recommend removing the pool for rural area projects so that urban area projects are on a level playing field in the QAP.

2) <u>HUD TDC limits</u>. The draft 2018 QAP uses HUD TDC limits to calculate maximum TDC per unit type based on bedroom size and does not include a higher TDC/unit for historic preservation. This is a change from the old method, and transitioning to the HUD TDC limits does not help us get closer to actual construction costs, given all the selection criteria items that add capital cost. The minimum bedroom size was also increased to match the HUD TDC, which increases cost. The 2018 draft also no longer allows for a reduction to TDC for historic tax credits or other public funds that are committed to the project. See below for the 2017

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QAP language that has been omitted. We recommend the LHC change their strategy of trying contain cost through a TDC cap and instead focus on the number of units created per credit; additionally, creating a threshold criteria for a certain number of units per credit regardless of overall TDC would help mixed use and promote leveraging of other resources.

3) In addition, the TDC per unit caps are also inconsistent with the LHC's policy goal of de-concentrating poverty in urban areas, as evidenced by its allocating 12 points under Geographic Diversity for projects in High Opportunity tracts. Developing in these census tracts necessarily means high land cost, but the TDC cap renders it impossible to have a high acquisition expense along with customary construction, soft and financing costs. If the LHC is not willing to change its cost containment strategy per the recommendations above, we would urge the LHC to at least remove acquisition expense from the calculation of TDC per unit caps in order to make LIHTC development in urban areas and High Opportunity areas feasible. Vacant land acquisition is not eligible basis for credits, and so removing this expense from the calculation does not counter LHC's goal of cost containment.

c. Governmental Grants, Historic Credit Syndication Proceeds and Certain Other Funds are not included in Cost Limits. *The costs of a development funded by a governmental grant; proceeds from syndicating historic credits; or grants such as philanthropic donations, Federal Home Loan Bank or Private Investors funds are excluded from the total development costs for the purposes of establishing the project costs and for the purpose of calculating maximum qualified basis of a building or Project.*

4) Project located in a Parish identified by LHC as sharing 4 or more Housing Priorities. We would like further clarification around how these 8 parishes were selected. Using data from the American Community Survey 1-year Estimate, 2016, we determined that there other parishes that are in even more dire need of affordable housing than the selected 8 parishes. For example, Bienville Parish is one of the 8 parishes listed but only about 29% of renters are cost-burdened and overall 23% of residents are cost-burdened. Orleans Parish ranks 2nd in overall cost-burdened and 7th for renter cost burdened with 47% and 61%, respectively. We would also like to know why 35% of income was used as a threshold when the federal government still considers cost-burdened to be more 30% of one's income.

5) Sections D & F under Targeted Project Type are redundant in prioritizing existing federally funded projects. While we recognize that the reinvestment of LIHTCs into existing properties is a valuable mechanism, we believe the QAP overly prioritizes these projects at the expense of the creation of new units. Absent new investment, existing LIHTC properties may very well evolve into much-needed naturally occurring affordable housing. Conversely, absent new investment, vacant sites and buildings cannot provide housing units of any kind. Given the 30,000+ new units of affordable housing needed by New Orleans alone, we urge the LHC to balance the creation of new units with the preservation of existing units.

6) Negative Neighborhood Features. If not being within 1/2 mile of the Negative Neighborhood Features listed remains as a threshold requirement, this information should be moved to the Threshold Criteria Section of the QAP and not only included as a note in the Selection Criteria and Market Study sections. A clear definition of each negative feature listed should also be added to the Definitions section for clarity. A site review submission should be included in the schedule, well in advance of the application fee deadline to the LHC, so developers can confirm a

site meets this threshold criteria in advance of incurring the majority of cost of the application. A challenge period should also be added once the LHC returns the findings of this initial site review. There is often clarification needed between the developer and analyst on items such as: distance from the Project, definitions and if a specific negative feature may no longer be in operation. At the very least, we can change the language to being adjacent to any of the listed features instead of being within a ½ mile radius.

7) Project Amenities. Basketball courts and tennis courts are listed as amenities, but there are no other sporting activities listed. What was the reasoning behind using just those two sports? As many parishes have other sporting facilities and other sports are just as good for cardio, why was recreation facilities not added as a board category? Furthermore, these important project amenities are expensive and necessarily add cost to a project, which runs counter to the LHC's cost containment requirements through the TDC caps. We urge the LHC to either adopt an alternative cost containment mechanism or to exclude the cost of these amenities from the calculation.

8) Require that rehabilitation projects meet minimum energy efficiency requirements to the extent possible. LHC currently does not require rehabilitation projects to meet minimum energy and water efficiency requirements. This should be corrected. Rather than exempting rehabilitation projects from minimum energy efficiency requirements, LHC should adopt minimum energy efficiency requirements that are tailored to, and appropriate for, rehabilitation projects. Consider that many other states encourage, and in some cases require, rehabilitation projects to meet minimum energy efficiency requirements. For example:

   a. The North Carolina Housing Finance Agency requires developers of rehabilitation projects to improve energy efficiency by replacing inefficient doors and windows, adding additional insulation in attics, and upgrading the efficiency of mechanical systems and appliances. Adaptive re-use and rehabilitation projects must also comply with the requirements of ENERGY STAR 2.0, to the extent doing so is economically feasible.
   b. The Florida Housing Finance Corporation requires all new construction and all rehabilitation units to meet specific required Green Building features unless found to not be feasible within the scope of the rehabilitation work as identified in the Capital Needs Assessment. In addition, new construction must achieve certification through LEED, the Florida Green Building Coalition, or ICC 700 National Green Building Standard. Rehabilitation projects must select enough additional Green Building Features listed in the scoring criteria to earn at least 10 additional

9) Require an energy consultation or audit as a condition of eligibility for Housing Credits for rehabilitation projects. A building assessment by a professional can reveal many repairs and improvements that are cost effective – meaning they will reduce energy expenses in an amount greater than the cost of the work. The term "audit" generally refers to an assessment conforming to ASHRAE standards. In certain projects, a less thorough assessment and report by a certified professional can identify cost-effective measures.

   We appreciate that LHC encourages single-family projects to conduct an energy audit. We encourage LHC to require multifamily rehabilitation project teams to consult an energy efficiency professional or complete an energy audit to identify and consider all cost-effective energy savings opportunities to be included in the property's rehabilitation scope.

10) <u>LHC should coordinate with Louisiana electric, gas, and water utilities to take advantage of programs to support efficiency investments in affordable housing.</u> Many Louisiana utilities operate programs to help owners of single and multifamily housing invest in efficiency repairs and improvements. They do this because reducing energy waste delivers value to all of the utility's customers. We strongly encourage LHC to collaborate with utility companies to assure alignment that will help affordable housing owners use energy efficiency programs and incentives and to assure programs are accessible to LHC-supported properties. Utilities often lack the capacity or expertise to effectively reach the community of affordable housing owners and developers. LHC is positioned to connect developers to utilities at the time projects are in development.

    Note that Entergy Louisiana, Entergy New Orleans, Cleco and Swepco offer utility incentives to support and reduce the cost of energy efficiency improvements. For example, Entergy New Orleans offers incentives for certain energy efficiency projects through the Energy Smart program, including a program targeted to low-income multifamily buildings, as well as programs of general application such as incentives for high-efficiency heat pump air conditioners. LHC is well-positioned to help owners to connect with ENO and all utilities to assure LHC-supported housing benefits from these programs. State housing finance agencies across the country are increasingly working with utility companies to improve energy efficiency programs and help owner's access utility-sponsored energy efficiency resources.

11) <u>Require WaterSense plumbing products and Energy Star qualified clothes washers</u>. A well-regarded report by Fannie Mae examined utility usage in multifamily housing and found that the least efficient properties use over six times as much water per unit (or per square foot) as the most efficient properties. Water efficiency improvements can deliver substantial savings, especially when including the associated savings in wastewater charges. Whether water utility charges are paid directly by occupants, or as is more common, paid by the building owner, improving water efficiency is a key strategy for preserving housing affordability.

    We recommend LHC consider three changes to the QAP related to water efficiency.

    a. LHC should consider requiring WaterSense-labeled showerheads, lavatory faucets, and toilets, to avoid unnecessary water and hot water consumption and its associated utility costs. WaterSense-labeled plumbing products achieve water savings while being no more expensive to purchase and install than less efficient products.
    b. We appreciate and support LHC's existing requirement that owners install Energy Star qualified clothes washers, but LHC should clarify that it applies to machines installed in units and in common area laundry rooms. Common area laundry rooms, in particular, are important because owners often outsource the operation of the machines and the high cost of energy and water is passed on to residents. There are good mechanisms for owners to use to assure high-efficiency machines are installed. For more information, see the report titled: Efficiency Opportunities in Multifamily Common Area Laundry Facilities.
    c. LHC should extend the requirements related to high efficiency washers to all rehabilitation projects.

    Clothes washing is responsible for about 20% of all indoor residential water use, and a new Energy Star washer can cut water use in half compared to the most common types of washers in use today. Furthermore, these machines use substantially less electricity and hot water, meaning savings accrue across multiple utility bills. Energy Star criteria apply to both water and energy consumption, so all qualified products will be very water-efficient. They are available in a variety of formats, including ADA compliant units.

12) 4% LIHTCs will only be awarded with the approval and with subsequent closure of tax exempt bonds through the Corporation. We recommend that the LHC removes this provision entirely as it complicates an already complicated process. The Finance Authority of New Orleans desires the ability to provide investments to projects in New Orleans. Additionally, The Finance Authority of New Orleans is implementing a comprehensive plan to arrange multiple layers of financial resources and programs specifically for Orleans Parish that will complement multifamily housing programs such as FHA Risk Share. Allowing FANO to issue tax-exempt bonds connected to 4% LIHTC through a cooperative arrangement will provide the New Orleans housing community with a level of focus and flexibility that is necessary for us to address the severe housing shortage we are currently experiencing.

Thank you for your consideration, and please feel free to contact me at 504.224.8301 or amorris@gnoha.org with any questions.

Sincerely,

Andreanecia M Morris

Andreanecia Morris
President/Chair, Greater New Orleans Housing Alliance

cc: Governor John Bel Edwards
Representative Joseph Bouie
Senator Wesley T. Bishop
Mayor Mitch Landrieu
Mayor-Elect and Councilmember Latoya Cantrell
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