GREATER NEW ORLEANS HOUSING ALLIANCE



April 5, 2017

Ms. Marjorianna Willman
Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, LA 70808

Dear Ms. Willman,

Thank you very much for considering the following comments to the 2017 Qualified Allocation Plan. Though the value of tax credits is decreasing in the current political climate, we hope that overall allocations are increased under the proposed Affordable Housing Credit Improvement Act, which we support. Please see our comments to the QAP as follows:

1) Point preference should be removed for rural projects areas. 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 ten 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 creation of the rural pool is 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 point preference for rural area projects so that urban area projects are on a level playing field in the general pool.

1) Affordable housing should be further incentivized through point allocation. The Extended Affordability Period in Selection Criteria 3A should be increased by 10 years per period, and there should be a corresponding increase in point allocation for projects that commit to greater periods of affordability. Currently only maximum of 4 points available. The strength of the point incentive is weak as it amounts to less than 5% of the total available points. A strong point incentive would be greater than 10% of available points if developer agrees to extended affordability period. Expirations of affordability continue to exacerbate New Orleans' affordability crisis, and the LHC should strongly incentivize longer periods.

2) Early termination of Restrictive Covenants/Extended Affordability Periods should be penalized. With the great need for affordable housing in all parts of the state, LHC should take further action through the QAP to discourage and penalize early terminations. As affordability restrictions on subsidized units begin to sunset since the initial 1986 introduction of the Low-Income Housing Tax Credit, thousands of affordable units are estimated to be lost in the state.[1] In New Orleans alone, the Mayor's Resilient Housing Report estimates that 1,200 federal subsidies that ensure affordable rents will expire by 2021 and nearly 4,900 (or 75 percent) will expire by 2031.[2] Discouraging early terminations of affordability periods is consistent with LHC's dual purpose of financing quality affordable housing development and monitoring compliance to ensure that the public investment in affordable units is protected. The following comments and suggested revisions to the 2017 QAP would allow LHC to exercise greater control in preventing future early terminations in Louisiana:
   a. *Reject applicants with a history of early termination*

      As a result of growing concern over early terminations, Housing Finance Agencies in Michigan, Ohio, Maryland, and Pennsylvania have added more protections to preserve affordable housing in their QAPs.[3] The following amendment to the Pennsylvania QAP could be incorporated into the LHC's draft QAP: "The Agency may reject an Application from any Applicant (or related entity) who participates in a transaction or program to achieve early termination of a Restrictive Covenant Agreement as determined by the Agency in its sole discretion."
   b. *Require waiver of Qualified Contract option as permitted in Internal Revenue Code.*

      This is currently an option when the developer elects an Extended Affordability Period in the Draft 2017 QAP. Requiring the waiver would prevent a premature termination of the extended affordability period and is being done in some states already. [4] Alternatively, LHC could provide an overall point incentive for agreeing to waive Qualified Contract rights. Several states including Arizona, Iowa, and Colorado have taken this approach.[5]

3) Per unit TDC caps and overall project limits should be raised. These caps do not reflect the reality of construction costs today, particularly in urban areas. The high costs of property and construction make remaining under these caps attainable only to projects with significant scale, and/or forces developers to make comprises on developable sites, building quality, energy efficiency measures, providing reasonable amenities, and/or unit sizes. The LHC can address this issue while still maintaining appropriate cost containment by: 1) raising the caps to a higher level based on quantitative data from diverse markets across the state; or 2) setting different caps for urban MSAs vs. rural areas.

4) Add energy benchmarking to annual compliance. To encourage green development and amass important data, energy benchmarking (which is an existing HUD initiative) should be added as an element of annual compliance. All buildings receiving LIHTC should report on utility usage of a percentage of units, which will help target underperforming units and improve usage over time.

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[1] http://www.theadvocate.com/new_orleans/news/business/article_21c1feb0-c718-11e6-b532-ff59a1116f1f.html
[2] http://www.nola.gov/home/buttons/resilient-housing/
[3] http://nhlp.org/files/Memo%20NCSHA%20(final).pdf
[4] Id. at 3-4.
[5] Id. at 4.

5) <u>TDC cost cap should be added for Green certification</u>. As the definition of "Green" will now require certification beyond the LHC standards, a cost cap should be added to cover the cost of certification. Also, Green Building Criteria section 2 currently lists Enterprise Green Communities Certification under "2011 Certification". We asked that "2011" be removed as this certification is out-of-date and no longer available.

6) <u>We also request clarification on the language in the following paragraph</u>:
*Additional Consideration* for:
   - Projects located outside of QCTs that were designated as QCT within the last two years.
   - Projects located in 2016 declared disaster parishes
   - Rural preservation projects

   Please clarify exactly what "Additional Consideration" entails.

Thank you for your consideration, and please contact us with any questions.

Sincerely,

Andreanecia M Morris

Andreanecia Morris
President/Chair, Greater New Orleans Housing Alliance