To: Alan Rakowski
Matt Rayburn

From: Jeff Whiting, President

Date: January 14, 2021

Re: 2022 QAP Comments

On behalf of the IAHC Board of Directors and the IAHC Membership, we offer the following comments to the 2022 Qualified Allocation Plan (QAP). IAHC conducted an online survey prepared by the IAHC Board of Directors. We are also including select comments from membership to further share reasoning for answers. In light of the pandemic and all related circumstances regarding our partners work, we thought it would be helpful to share partner comments with IHCDA for consideration.

1. Do you support a one-year slightly modified QAP? (**YES-79%, NO-21%)**

- I prefer an overhaul because the current QAP needs changes.
- Allows IHCDA flexibility.
- I think it should remain as a two-year QAP to keep the stability we have in the program.
- Would like to see a full revision and there is no time.
- An overhauled QAP is most preferred, but given COVID impacts and the time period preferred for dialogue over an overhauled QAP, probably best option.
- Due to the uncertainty surrounding the business
- Given current uncertainty, it makes sense to stick with a familiar set of criteria and postpone any major rewrite until things have returned to normal.
- Allows for most pressing changes to take place now & then do an overhaul after effects of COVID-19 can be factored into a 2-year QAP that will follow.
- Depending on the slight modifications, the consistency of the QAP allows for continued advancement of projects that align with the QAP assuming little modification.
- Yes. With the various COVID impacts on IHCDA's programmatic focus, it would be prudent to postpone a major overhaul of the QAP.

2. Do you support a two-year QAP whether slightly modified or overhauled? (**YES-29%, NO-71%)**

- I don't think a 2-year overhaul is a good idea at this time because COVID is an issue for some and people are too distracted.
- I like the idea of giving IHCDA flexibility during this unprecedented time. In normal circumstances a two-year QAP is much preferred.

- Yes, this adds stability to the program
- It is still too early to determine the impacts of COVID on our industry.
- Not a much as a slightly modified one-year under the current environment.
- I think this could be a great opportunity for IHCDA to remove scoring/land/location restrictions and 'cast a wider net' one-year QAP and enable communities/developers to provide greater reach of housing now. Perhaps even revive old opportunities that are 'ready' but don't compete under current QAP
- We could live with a slightly modified 2-year QAP.
- Go one-year now & then do two-year.
- Priorities may be different two years from now depending on if/when the state and country get the COVID-19 virus under control.
- The longer period of time is more frequently helpful and, so long as it includes the 4% fixed support, the 2-year timeline is preferable.
- A one-year slightly modified QAP would hopefully get us all through a collapsed QAP drafting timetable this year so that more time and attention could be given to an overhauled two-year QAP next year.

3. How has COVID affected or continues to affect your work/future development plans?

- COVID has not affected my personal work. However homeless issues have become more important in our community and there are a lot of people that are struggling.
- Delays in financing
- The 2020 delay of the 9% application due date and announcement made site control and momentum challenging.
- It makes it slightly more difficult to get deals approved. That is about it.
- Fewer employees working in the office (some working from home), some slowdown in receiving materials and some slowdown in labor based on exposure to COVID, as well as some material price increases due to supply, but all in all we doing well and continuing to develop affordable housing units as planned.
- Logistical challenges with partners/scheduling meetings. Travel restrictions. Construction pricing increasing. General hesitation from decision makers.
- COVID has had negligible effects, maybe less travel with fewer people. Things are slower, in general, and lumber prices are thru the roof!
- There is a lot more difficulty in scheduling meetings with local officials and stakeholders to gather support, navigate zoning, etc.
- Increase in construction costs & availability of materials (including appliances)
- More difficult to make site visits to project sites and meet face to face causing somewhat of a disjointed closing process. Also affected by increased costs and/or unavailability of materials and appliances.

- COVID has hampered the public process for planning and design. While web-based engagement is a reasonable replacement the depth of participation is dramatically reduced.
- Construction pricing is escalating. Appliances are scarce. Working through HUD requirements to close a deal where an existing 223f loan is being assumed by the tax credit partnership for a rehab project with existing senior residents has been exceedingly challenging this year.

4. Do you have general overall comments to the QAP?

- Please consider using the QAP to advance issues of racial equity. 1) Eliminate the stellar and workforce housing categories as these tend to prioritize areas with little or no racial diversity. 2) Tighten up the MBE criteria. Tax credit housing must have many minority tenants. a) A non-profit board with minorities or women is not the same as an MBE. Board members may have little or no influence on an organization that is staff dominated. The point of MBE/WBE preference is that money goes to the MBE/WBE. Board members do not have a financial interest in the entity. b) Also, if an entity claims to be a minority construction contractor ask for proof of entity staff with construction backgrounds. As it now, many claim to be minority contractors but they are just conduits for the contract with the "real contractor." This gives a disadvantage to those who do not take these points when they could do the layering. Overall, Indiana does not need a system established to promote MBE/WBEs that is eroded by those who have found a way to rig the system. 3) You could add a new scoring category to give points to communities that are racially integrated. It doesn't seem like it is desirable to try to get people of color to move to all white areas. What we want to communities of opportunity, that is viable communities that are not segregated. This is an index of segregation that might be helpful. Weirdly enough Hamilton county has one of the best ratings.
  https://www.countyhealthrankings.org/app/indiana/2020/measure/factors/141/data On paper the MBE statistics may look good, but let's make it real.
- Keep the same QAP for one year.
- Generally, the QAP scoring is very “flat” and does not particularly encourage special developments. Only 3-bedroom lease to own townhomes can separate themselves from the pack.
- I don't think the overall goals of the state have changed much even with COVID. The QAP is good and just needs some minor adjustments.
- Would like to see the 25% paved area in greyfied category under neighborhood stabilization category removed. As long as it is commercial this should be an issue.
- I would like to see IHCDA put together a developer committee to help with an overhaul of a new 2-year QAP for 2023-2024. I also would like to see the Forms updated to eliminate any calculation errors resulting in technical corrections.

- Always have appreciated the openness of IHCDA in the drafting. Always appreciate the 2-year QAP to create consistency. Concerned about the impact of non-overhauled QAP at this point with impacts yet to come. I again think this year QAP could be a great stimulus for communities/developers for IHCDA to loosen the type of project they're looking for and see what comes in (i.e., no government funding needed, allow normal vacant land to qualify, remove the opportunity index)
- Strongly prefer to do away with MBE/WBE preferences in favor of local hiring commitment.
- I would like to see that new developers in the state restriction to 1 development until 8609 is achieved addressed. Although there is ab ability to seek a waiver, I would like to see a more automatic allowance for more than one deal for developers who have significant experience in other states as the process is not dramatically different across states.

5. Any general feedback on Section 4 – Set-Aside Category?

- I believe the set asides to be fair as is; however, the preservation component will likely see significant competition as existing LIHTC project come to re-syndication and RAD projects advance. RED-20-31 helps with this competition should they rise to a remaining high score.
- Consider adding additional counties to the workforce category or allowing cities within the original counties that have not been awarded to compete.
- Too many set asides that are too narrow. They favor rural areas and higher income areas. Having so many special set asides is restrictive. Non-profit set-aside should have at least 51% of the developer fee go to the non-profit. And the non-profit sponsor should show that they do substantial amounts of other work in the project community besides tax credit work. Community based non-profits needs support and they provide valuable resources for low-income persons. Non-profit organization that only do tax credit developments are similar to for-profit organizations in many ways and do not need special preferences. If you cannot put this criterion in the set-aside category, then give points for non-profits that do substantial amounts of other housing work. At least 5 units a year.
- The workforce housing set-aside has run its course and should be removed. By the end of this round, we will likely be down to only a couple counties left to compete in this set-aside. With the largest growth area in the Indiana population being seniors, the senior set-side should be brought back.
- Yes. I would like to see many categories removed and/or modified to meet the needs of communities after COVID. There are a few scoring categories that are irrelevant and have been part of the QAP through many versions.
- Increase rural due to the larger cities lock. Take 10% from General.
- Do away with Stellar Communities. Would be OK with extra points like for Integrated Supportive Housing, but the set aside is absurd and allows developers to completely ignore the tax credit scoring section that constrains everyone else.
- Remove Community Integration

6. Do you support the continuance of RED-20-31 for the next QAP which eliminated the General Set Aside and instead allocated the 10% available credits for the highest scoring remaining applications after uses of the other 9 set-asides have been identified? (**YES-71%, NO-14.5%, NO COMMENT-14.5%)**

- You could make a set-aside for projects with more 30% and 40% units. This is a time when many people are struggling and this would meet the true housing needs in the community.
- I have been a part of three Moving Forward projects and while they encourage innovation it is very hard to meet the stretch goals of MF and they end up looking very similar to "regular" 9% deals.
- I agree with this mostly. I support having this 10% allocated to the other set-asides. However, the workforce set-aside should be replaced with a senior set-aside.
- There are a lot of great projects in the regular round that are "shovel ready" and would bring on more units soon if these credits could be awarded in the regular round, especially based on the very high need for affordable housing right now.
- It will be good to see more 9% competitive applications funded.
- In this unique year, goal should be to get as much cost-effective housing in progress as possible.
- Fair approach
- Moving Forward has run its course and it's better to have credits left over for deals that didn't have quite enough points for other categories.
- This allows for a fairer distribution for the higher scoring development regardless of set aside limitations.
- It would be preferable to instead distribute the General Set-Aside credits equally between all of the other set-asides.

7. Any general feedback on Section 5 – Threshold?

- Take out the technical correction points. Please add a checklist to check the math for the threshold criteria. It would save time for applicants and for the IHCDA staff. Tax credit applications are a lot of work and a little user friendliness would be much appreciated.
- Remove the requirement that the Phase I report be contracted for by the developer.
- With underwriting guidelines, I would like to see Form A updated to calculate underwriting guidelines. These time-to-time miscalculations should not result in technical corrections.
- It would be helpful for IHCDA to clarify that the zoning requirement pertains to having all use variances in place before application versus development standards variances, which are more appropriate to take place after full design has occurred subsequent to receipt of an allocation, are more of a negotiation with the LUG, and typically do not cause any substantial closing delays.

8. Any general feedback on Sections 6 – Scoring Criteria?
- The scoring criteria are weighted to favor higher income areas.
- Rents Charged scoring percentages should only apply to tax credit units not total units. The current scoring makes it much more difficult to integrate market rate units into a project since they also require additional very low-income units to maximize scoring in Part 6.1.
- Remove the measurement of communities by the entire county and consider narrowing the geographical areas, many communities in Indiana are never going to score well enough to be funded.
- Delete neighborhood stabilization & think leveraging capital resources should be verified with communities. We are hearing funds are very tight and do we want to be part of the reason for police/fire/government/etc. cuts?
- Eliminate the MBE/WBE points. There is no evidence it is bringing new people/firms into the field, and plenty that it is being gamed by well-established developers and consultants.
- Eliminate the opportunity index and housing needs index points.

9. As new to 2020-2021 QAP, please specifically address these items with 'keep as-is', 'modify' or 'eliminate':

6.2-N – Internet Access (**KEEP-57%, MODIFY-14%, ELIMINATE-29%)**
- The cost of free internet access is very high and pushes deals to having more steeply declining DCRs, making them less financially viable, especially in lower income parts of the state.
- Having the project pay for internet is not as cost effective as crediting tenants who choose to get internet service on their own because low-income households often get better rates than what is commercially available.
- Providing project wide internet access is very costly in terms of both initial installation and ongoing operations. Not sure of the answer to this, but additional consideration should be given to this scoring criterion.

6.4-B – Leveraging Opportunity Zones (**KEEP-14%, MODIFY-0%, ELIMINATE-86%)**
- Opportunity zones are not used much for housing and this restricts site selection too much. I don't think the financial benefit to the project merits a scoring category.
- Opportunity zones work better for economic development not housing development.
- OZ impact is minimal to nonexistent on 9% deals. Could be a scoring category to encourage less use of gap resources regardless of deal being in an OZ or not.
- We haven't found much economic benefit from doing LIHTC deals in Opportunity Zones so giving points for working in these areas doesn't benefit the deals and should be removed.

- It has been difficult as an investor to raise OZ Funds.
- Assuming future revisions to OZs, there should be flexibility built into this section for any potential changes and to create more opportunity.

6.5-H – Reducing the Impact of Eviction (**KEEP-57%, MODIFY-36%, ELIMINATE-7%)**

- Would like to see working group for boilerplate eviction prevention plan
- Eliminate the eviction category. Trust owners to make the right call on when using eviction. It's hard enough to sell affordable housing in many communities without them also noticing the QAP makes it harder to deal with problem residents. It's a handicap to development and by default treats owners as bad actors.

10. For the following categories, please indicate an answer of 'keep as-is', 'modify' or 'eliminate':

6.1 – Rents Charged (**KEEP-93%, MODIFY-7%, ELIMINATE-0%)**

- Update to include income averaging.
- Scoring percentages should only apply to tax credit units not total units. The current scoring makes it much more difficult to integrate market rate units into a project since they also require additional very low-income units to maximize scoring in Part 6.1.

6.2 – Development Characteristics (**KEEP-50%, MODIFY-50%, ELIMINATE-0%)**

- Universal design features are mostly required in all units and are not always beneficial with the target population and can deter prospective tenants.
- Revise Infill/eliminate neighborhood stabilization to allow more projects to compete
- Promotes Neighborhood Stabilization needs to be modified to include more than just properties that were abandoned or foreclosed. Would like to see wording added for sites that are underdeveloped or sites that have been vacant for more than 5 years.
- Expand the greyfield definition. In its current form, it puts rural communities at a substantial disadvantage.
- Eliminate the Greyfield category - very hard to do these days and focus should be on developing in fast-growing communities where greyfield opportunities don't really exist.
- Would also recommend eliminating points for preservation, infill, and adaptive reuse. Everyone gets all the points in each category so it serves no real purpose.
- The Federally Assisted Revitalization Award needs to be eliminated.
- Eliminate threshold and scoring requirements that rehab of age-restricted elevator buildings must reconfigure 100% of the existing units to become accessible or adaptable.

6.3 – Sustainable Development Characteristics (**KEEP-57%, MODIFY-43%, ELIMINATE-0%)**

- Too much emphasis on higher income areas - duplicative points in this area. Also do not allow points under transportation for UBER services. Most places have UBER and poor people can't afford to use it every day.
- Desirable sites 3-mile radius is too large and discourages development in more walkable locations.
- Eliminate opportunity & housing needs index points.

6.4 – Financing & Market (**KEEP-57%, MODIFY-43%, ELIMINATE-0%)**

- Reduce points in 6.4
- There are also financing and marketing categories that needs to be updated.
- Create a different scoring chart for leverage for rural and small city projects since they do not have access to CDBG and HOME funds like many urban areas do. Also, eliminate opportunity zone points because rural areas don't have nearly as many zones or the ones they do have are not in buildable/marketable areas.
- Leveraging Capital Resources should be updated. 10% or greater is very hard for rural or small city developments to achieve. Particularly if you can't take on the hard debt and with COVID being an issue, local municipalities may not have additional gap financing for these deals.
- I would love to see Leveraging Opportunity Zone and Non-IHCDA Rental Assistance Eliminated.
- Projects in many rural areas & small cities are unable to score points for non-IHCDA rental assistance since IHCDA administers the Housing Choice vouchers much of the state.

6.5 – Other (**KEEP-64%, MODIFY-36%, ELIMINATE-0%)**

- I would like to see the MBE/WBE category become a percentage of the total hard construction cost. Particularly in the GC and sub-contractor categories.

Keep all as is for the time being until more normalcy has returned and then maybe tweak these criteria.

11. What is one scoring/threshold/other item in the current QAP that you would most like to remove?
    - I'd like to keep the two-year QAP
    - Threshold Point Deductions - this increases the aggravation factor in doing applications considerably. Just remove applications with more than five threshold errors from the round. The current system sets up a nit-picking negative dynamic. We all strive for accuracy. Even IHCDA staff make mistakes when reviewing applications and false threshold issues that are raised are acceptable. This is an odd dynamic to say the least. So, let's all be human and get on with it.

- Negative points for threshold errors or emissions. A simple clerical error should not jeopardize an otherwise high-quality project application.
- Phase I older than 18 months
- Scoring - minimum unit sizes for preservation projects should not require a waiver.
- Promotes Neighborhood Stabilization & Off-Site Improvement
- Credits per unit/bedroom.
- Opportunity Index
- Opportunity Index...to give more communities a fair shot!
- Opportunity Zone
- MBE/WBE. Requires a lot of contortion to deal with, doesn't improve deal quality, and is a giveaway to well-established developers like Real America, TWG, Keller, BWI, etc.