Giving Due Credit:

Balancing Priorities in State Low-Income Housing Tax Credit Allocation Policies

Enterprise Live Online Events
August 3, 2016
Today’s Speakers

- Michael A. Spotts, Enterprise Community Partners
- John Patterson, Minnesota Housing Finance Agency
- Lisa Vatske, Washington State Housing Finance Commission
- Holly Glauser, Pennsylvania Housing Finance Agency
Agenda

- Research context
- Key takeaways
- Lessons from practitioner experience
- Questions and Answers
Expanding the Supply of Affordable Homes program (Expanding Supply)

Financial Innovations

Bending the Cost Curve

Regulatory Optimization

Enterprise
### Giving Due Credit Research Overview

- Review of all allocating agency policies from late 2014 – early 2016
- Research on efforts to balance cost-effectiveness with quality and resident opportunity, including second-order effects
- Collected information on approaches to affirmatively furthering fair housing
- Qualitative review
Giving Due Credit: Areas of focus

- Agency Processes
- Evaluation Methods
- Economies of Scale
- Soft Costs
- Hard Costs
- Balance and Trade-offs: Building Quality and Resident Opportunity
Evaluation Methods: incentives and context matter

Prevalence of Specific Cost-Control Techniques

- Threshold Limits: 45
- Point-Based Incentives: 35
- Expert/Reasonableness Review or Other Approach: 10
- Combination of Approaches: 40

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Hard Costs: Balancing cost with value

Source:
Green Policies Build Green Homes
Enterprise Green Communities
Balancing Building Quality & Resident Opportunity

- Education
- Economic opportunities & workforce training
- Health and wellness
- Environmental protection & green building
- Transportation
- Disaster resilience
- Supportive services for special needs populations

Opportunity
## NHT Analysis: Opportunity Indicators in QAPs by State (August 2015)

<table>
<thead>
<tr>
<th>Economic/Job Growth</th>
<th>Good Schools</th>
<th>Low Poverty</th>
<th>Community Stability</th>
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*Many States have additional criteria for opportunity that fall outside of these categories. For specifics on the exact indicators used by each state, see page 6.*

Source: research, chart by National Housing Trust
Progress toward agency goals should be measured and the results disseminated.

Funding sources and regulatory compliance should be coordinated and streamlined.

Agencies should consider the cumulative impact of QAP provisions on costs and quality.

Agencies should consider trade-offs based on context and needs
  - Point-based incentives and weighting should be structured so that no single provision is effectively mandatory.
  - Cost and subsidy limits should reflect differences in development type and location.
  - Cost, design and construction standards should account for and encourage long-term savings.

Agencies should encourage innovation through the use of pilot initiatives.
Practitioner Observations and Lessons Learned

- Minnesota Housing Finance Agency
  - Understanding and Addressing Costs

- Washington State Housing Finance Commission
  - Balancing Location-Related Priorities

- Pennsylvania Housing Finance Finance Agency:
  - Creating Incentives for Innovation
Discussion – Questions & Answers

- Additional Resources:
  - NHT PrezCat database: [http://prezcat.org/](http://prezcat.org/)

- For more information, contact:
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Understanding and Addressing Costs

August 3, 2016
Average TDC per Unit: All Financed by Minnesota Housing (2015 $)
### Cost Categories
(2003-14; 2015 $)

<table>
<thead>
<tr>
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<th>Avg. TDC per Unit</th>
<th>Share of TDC</th>
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<tr>
<td></td>
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<td>Construction</td>
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<tr>
<td>New Con</td>
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<tr>
<td>LIHTC Metro</td>
<td>$242,997</td>
<td>67%</td>
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<td>No-LIHTC Metro</td>
<td>$189,485</td>
<td>72%</td>
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<td>LITHC Grtr. MN</td>
<td>$196,570</td>
<td>72%</td>
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<tr>
<td>No-LIHTC Grtr. MN</td>
<td>$172,565</td>
<td>76%</td>
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<tr>
<td>Rehab</td>
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<td>LIHTC Metro</td>
<td>$183,220</td>
<td>38%</td>
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<tr>
<td>No-LIHTC Metro</td>
<td>$126,058</td>
<td>42%</td>
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<td>LITHC Grtr. MN</td>
<td>$116,604</td>
<td>39%</td>
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<tr>
<td>No-LIHTC Grtr. MN</td>
<td>$97,636</td>
<td>44%</td>
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</table>
Avg. TDC per Unit: New Construction Financed by Minnesota Housing (2015 $) – LITHC in Metro
Cost Containment Efforts
Three Pronged Approach

1. Predictive Cost Model –
   Assess cost reasonableness

2. Tax Credit Scoring Criterion –
   Encourage cost reductions for individual projects,
   not just cost reasonableness

3. MN Challenge –
   Encourage system-level cost reductions
Cost Containment Effort #1
Predictive Model – Cost Reasonability

• Model that predicts TDC per unit based on:
  ✓ Construction activity
  ✓ Building type
  ✓ Project size
  ✓ Unit sizes
  ✓ Other building characteristics
  ✓ Location
  ✓ Financing
  ✓ Population served

• Compare proposed costs with model’s predicted costs

• First used in 2006
Cost Containment Effort #2
Tax Credit Scoring Criterion

- New with 2014 QAP – Applications due in June ‘13
- 4 points (now 6) available to 50% of applications with lowest TDC per unit
  - Broken out by development type and location:
    - Metro – New Construction
    - Metro – Rehab
    - Greater MN – New Construction
    - Greater MN – Rehab
  - Includes unit size adjustments
Cost Containment Effort #3
MN Challenge

• Need more than project-specific savings
• Need system-level savings:
  – Local policies regulations
  – Large cash reserves
  – Multiple funding sources
• Leverage work by Enterprise and ULI – report on national best practices
• Idea competition for strategies:
  – 12 multi-disciplinary teams
  – Winner – local regulations and practices
For More Information

Contact:

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Director of Planning, Research & Evaluation
Minnesota Housing
john.patterson@state.mn.us
(651) 296-0763
WA State LIHTC Program Policies - Location Related Priorities

Presenter: Lisa Vatske
LOCATION EFFICIENT PROJECTS

2 POINTS

Points will be awarded to Projects that provide nearby access to food and go beyond the minimum Access to Services criterion of the Evergreen Sustainable Development Standard (ESDS).

Urban and Rural Definitions
TRANSIT ORIENTED DEVELOPMENT (TOD)
1 POINT IN KING COUNTY ONLY

Projects will be awarded 1 point if they are located within a 10-minute walkshed of Fixed Transit Infrastructure and located in an area zoned for high-capacity transit-supported density. TOD points are only available to Projects in King County. Puget Sound Regional Council (PSRC) has generously developed a map to locate properties to fit the TOD definition outlined below. The map is available on our website. If a property meets the intent of the policy but fails to appear on the map, a location that meets the intent of the policy may still be eligible for the TOD point with preapproval.
HIGH AND VERY HIGH OPPORTUNITY AREAS

1 POINT IN KING COUNTY ONLY

Projects located in a census tract that is rated High or Very High on the Comprehensive Opportunity Index as defined by the Puget Sound Regional Council will be awarded 1 point. More information on Opportunity Mapping is available on PSRC’s website. If a project includes multiple sites, each of the sites must each be located within a High or Very High Opportunity Census Tract to be eligible for this point.
Policy Number: 5.2.7
Title: Geographic Dispersion Policy
Additional Information regarding Metro Area:

Credit Allocated 2012-2016
- Clark: 48%
- Pierce: 14%
- Snohomish: 22%
- Spokane: 8%
- Whatcom: 9%

9% Projects Funded 2012-2016
- Clark: 18
- Pierce: 5
- Snohomish: 9
- Spokane: 8
- Whatcom: 5

Discussion Continues . . .
Giving Due Credit: Creating Incentives for Innovation

August 3, 2016

Holly Glauser
Director of Development
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Pennsylvania’s QAP – How We Award

Low Income Housing Tax Credits (LIHTCs) awarded based on Threshold Criteria, Selection Criteria and Preferences

– Threshold Criteria – “Must Haves”

– Selection Criteria – Scoring/Points

– Preferences – Types of Developments
Innovation in Design Preference

- Juried Competition – 3 Member Panel
  - Must Meet Threshold Criteria and Minimum Ranking

- Demonstrate Innovation in:
  - Design and Use of Energy Efficient Technologies
  - Leveraging Community and Capital Resources

Goal: Best Practices for Future Housing Policies and Standards
Uptown Lofts on Fifth, Pittsburgh
Uptown Lofts on Fifth, Pittsburgh

- **Sponsor:** ACTION-Housing
  - 2 buildings – 49 units
  - 24 units - Youth Aging out of Foster Care
    - 25 units - General Occupancy
  - 1 building - Passive House Design
  - 1 building - Conventional Construction
PHFA – Member of Development Team

• Part of Development Team
  – Participated in Development Discussions
  – Reviewed Plans and Specifications
  – Monitored Construction Process
Impact on Future QAPS

• Passive House and Additional Energy Efficiency Goals in Selection Criteria
  – Analyzed Costs, Administration and Systems

• Supportive Housing and Services
  – Regulatory and Budgetary Considerations

• Location & Community Needs
Innovation in Design Developments

- Other Awardees
  - Gateway on Main – Collaborative Services
  - Heidelberg Apts – Supportive Housing – Autism
  - The Brew House – Mixed-Income/Use for Artists
  - St John Neumann – Community Wellness
  - Sunflower Fields – SF Homes with Gardens
  - Morningside School – Adaptive Re-Use/Mixed-Use
For More Information

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