

# Structural Changes Listening Session Supplement

September 3, 2020

This document is intended to provide sufficient information to:

- Help listening session attendees develop comments or questions in advance of the session
- Help those unable to attend provide written input through the 2021 QAP Written Input Survey ([click here](#))

## RESTRUCTURE GEOGRAPHIC POOLS FOR 9% ROUND

### ISSUES

- Mitigate risk that policy decisions will concentrate 9% credits in certain parts of the state
- Ensure areas of similar characteristics compete with one another
- Boost competitive advantage of rural areas that have not scored highly in recent years

### PROPOSED SOLUTION

*Establish three competitive pools*

Pool	Percentage of 9% credits	Area characteristics
Atlanta Metro	30%	Four most populous counties: Fulton, DeKalb, Gwinnett, Cobb
Rural	35%	USDA eligible areas not within the Atlanta Metro Pool
Other Metro	35%	All remaining areas

### Additional notes

- Flow of credits between pools: If the requests for credits within a pool is less than the amount allocated to the pool, then unused credits will be used to fund additional applications in each of the other two pools following this prioritization: Rural Pool, Other Metro Pool, Atlanta Metro Pool.
- Rural definition change: please note that the above proposal removes from consideration the QAP list of Rural Counties (see Exhibit A to *Appendix II: Scoring* in the 2020 QAP).
- Percentage allocations per county: The proposed percentages in each pool approximates the previous 5 years' average allocations.

## REHABILITATION SET ASIDES (BOTH 9% AND 4% ROUNDS)

### ISSUES

- Currently, few pathways exist to fund significant repairs at older rent-restricted properties in parts of the state where rents are too low to utilize 4% program.
- In metro areas that can utilize 4% program:
  - High fixed costs of 4% program make it difficult for smaller properties to utilize 4% program for rehabilitation

- No current scoring path for targeting properties most at risk of market conversion.
- Priorities for existing properties are not the same as priorities for new construction developments, yet both currently compete under the same criteria.

## PROPOSED SET ASIDES

### *Rehabilitation Set Asides*

9% round:

- Atlanta Metro Pool: 1 rehabilitation application
- Other Metro Pool: 1 application
- Rural Pool: 2 applications

4% round:

- Maintain 1:1 ratio between new construction and rehabilitation awards (see below section, *4% Tax Credits/Tax-Exempt Bonds Competitive Process*)

### *Timelines*

- (9% round only) Rehabilitation applications must be approved during Pre-Application phase. Submission requirements include:
  - Scope of work (with or without waivers)
  - Physical Needs Assessment

### *Additional notes*

- New Rehabilitation Set Aside for Rural Pool *replaces* current Rural HOME Preservation Set Aside.
- The set aside amounts (e.g., “1 application”) was set to approximate the 5-year averages of 9% credits allocated towards rehabilitation in each of the 3 geographic areas (approximately 10% of credits overall).

## REHABILITATION SCORING CRITERIA

Establish distinct scoring criteria for rehabilitation set asides that targets DCA preservation priorities.

### *All three pools*

Scoring Category	Description	Purpose
Occupancy	Properties exhibit average occupancy levels within the tiers below.  (2 points) 75% - 84.9% (4 points) 85% - 94.9% (6 points) 95% or more	Prioritize funding repairs for properties where people currently live.
Displacement prevention: Proposed Income Designations	(1 point) 80% of property’s units are restricted to households whose incomes are at or below HTC limits. (2 points) 90% of property’s units... (3 points) 100% of property’s units...	Prioritize repairs for existing rent- and income-restricted affordable housing.  Preventing displacement by targeting units where unit restrictions are below 60% HTC limits.

Displacement prevention: Proposed Bedroom Mix	(2 points) Proposed unit mix, when right sized, would accommodate current property residents.	Ensure residents can return to property in units that accommodate their household size.
Scope of work	<p><i>Proposal A:</i></p> <p>Development needs the replacement of the majority of two or more major building components, and the hard construction dollars of rehabilitation needed per unit equal:</p> <p>(2 points) \$40,000 - \$45,000 hard construction per unit  (3 points) \$45,001 - \$50,000 hard construction per unit  (4 points) \$50,001 - \$55,000 hard construction per unit  (5 points) \$55,001 - \$60,000 hard construction per unit</p> <p><i>Proposal B:</i></p> <p>(3 points) DCA ranks applications received by proposed rehabilitation needed per unit. Application ranks in the top 25%.</p> <p><i>For both above options:</i></p> <p>DCA will confirm proposed amounts through application, site visit, scope of work, and PNA. DCA reserves the right to deny points or change point allocation based on assessment.</p>	Provide competitive advantage to properties most in need of repairs.
Deeper Targeting	(same as in 2020 QAP)	Certain criteria that are not place-based still a priority for preservation properties.
Compliance Performance	(same as in 2020 QAP)	(same as above)
Low acquisition cost	(1 point) Acquisition cost per unit ranks in the bottom 10% of rehabilitation applications.	Minimize tax credits allocated towards acquisition cost.

*Atlanta Metro Pool Only*

Scoring category	Description	Purpose
(9% round only) Small developments	(1 point) Proposed development has 70 or fewer units.	It is difficult for small properties to utilize the 4%-bond program.
Rent advantage	<p>As evidenced by rent letter commissioned by DCA, rent advantage between achievable market rents and 60% HTC limit is:</p> <p>(2 points) 10-19.9%  (4 points) 20-29.9%</p>	Provide a competitive advantage to properties maintaining affordable rents in areas with high market rents, where risk of market conversion is greatest.

	(6 points) 30% or more	
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4% TAX CREDITS/TAX-EXEMPT BONDS COMPETITIVE PROCESS

ISSUES

*Problem*

In 2020 DCA applications for tax-exempt bonds exceeded available bond cap. The proposal below is intended to set priorities for any future years where bond demand from 4% HTC applications exceeds supply.

*Implementation*

- Some of the changes below would not be reflected in the 2021 QAP, but would instead be implemented by DCA’s Community Development Division (CDD). CDD oversees tax-exempt bonds at DCA.
- The current pipeline of 4% HTC applications received in 2020 is anticipated to consume bond cap for multiple years. As such, the below competitive process may not be applicable during 2021.

PROPOSAL

*Requirements*

- No more than 55% of aggregate basis can be funded with tax-exempt bonds. Applications may submit a waiver for this request with their application.
- Each application submission must be associated with one bond issuance.
- Scattered site is disallowed except for RAD applications.

*Scoring criteria*

- All scoring criteria would be drawn from existing QAP Scoring sections. Rehabilitation applications would be scored in accordance with the scoring categories described in the *Rehabilitation Set Asides* section of this document.

*Timelines*

Note: for simplicity in conveying timeframes, the below example uses the year 2000 for the application deadline.

- Full application deadline: November 1, 2000.
  - Submission requirements: all materials at one time (no separate Pre-Application process).
- DCA publishes application ranking: February-March of 2001.
- Reserving bonds:
  - The top scoring 2-4 applications receive immediate approval to reserve bonds.<sup>1</sup>
  - The remaining applications are placed on a waitlist, ordered by application score.
  - In October 2001, DCA announces additional bond funding available for rental housing. Applications receive approval to reserve bond cap based on waitlist position, until all available bonds are reserved.

<sup>1</sup> DCA does not know how much of the year’s bond cap can be used for 4% HTC developments until October of each year. The structure is as follows: a small amount of the year’s bond cap is automatically reserved for rental housing in January of each year. In 2020, this amount was approximately 90M. However, in October any bonds unused by their sector are available for other sectors. For example, in 2019 Economic Development did not use all its allocated bonds, and what remained was re-allocated to support 4% HTC developments.

## FREEZE SCORING BETWEEN 2021 QAP AND 2022 QAP

### *Issues*

- Decreasing the frequency of QAP changes gives more time for developers to secure sites, garner community support, and finalize development proposals consistent with DCA priorities.
- The time intensiveness of annual QAP updates precludes DCA staff from conducting comprehensive policy and program evaluation.

### *Proposal*

- For the 2022 QAP, DCA staff would *plan* to only make substantive changes to Core and Threshold sections.
- Any changes to Scoring in the 2022 QAP would be to fix any provisions that are “broken,” not to add or shift DCA priorities.