



***Draft 2021 QAP  
Informational Meeting***



# *Agenda*

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1. Welcome and Introductions
2. Timeline
3. Draft QAP Detail



# *Welcome*

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Presenters:

- Alissa Ice, Director of Housing Development
- Mark Shelburne, Novogradac



# QAP Timeline

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Date	Event
Friday, July 31, 2020	Draft QAP Released
Wednesday, August 5, 2020	Draft QAP Informational Meeting
Tuesday, September 1, 2020	Draft QAP Public Hearing
Friday, September 18, 2020	Draft QAP Comments Due
Late September, 2020	Final QAP Issued



# *Priority Housing Needs*

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## Change:

- Removed

## Purpose:

Priorities are clarified through the selection criteria.

# 9% Limits and Set-Asides

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## Section III 9% LIHTC Limits and Set-Asides

### Changes:

- Limits on Awards:
  - Maximum Award – \$700,000 in LIHTCs
  - Principal – One award
  - County – One per county, except up to two in Johnson and Sedgewick Counties
- Rehabilitation
  - The lesser of 20% of LIHTCs or five projects
- New Construction
  - 60% of LIHTCs in metropolitan counties – Douglas, Johnson, Leavenworth, Miami, Sedgewick, Shawnee, and Wyandotte
  - 40% in remaining Rural counties



# 9% Limits and Set-Asides (cont.)

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Section III 9% LIHTC Limits and Set-Asides

## Changes:

- Non-Profit: At least 10% LIHTCs to qualified tax-exempt organizations
- Unique Opportunities: Up to two applications

## Purpose:

To ensure Kansas's housing needs can be met across the state and through a variety of construction types and plans



# *Application Process*

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Section II(C) Application/Award Schedule

## Changes:

- Preliminary Application
- Invitation to Submit Full Applications
- Full Applications
- Award Announcements

Purpose: To give developers notice of the competition before competing certain work (e.g., zoning) and efficiently utilize KHRC's time when evaluating proposals.





# *Fee Schedules*

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Section II(E) KHRC Fees

## Change:

- Pre-Application Fee - \$250

## Purpose:

To cover staff and travel expenses of site visits.



# *Fee Guidelines*

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## VII(9) Minimum and Maximum Developer Fee

### Changes:

- Minimum of \$40,000 and Maximum of \$1,000,000
- Rehabilitation – 15% of Eligible Basis excluding developer fee and acquisition costs

### Purpose:

The Minimum and Maximum Fees reflect that every development requires a certain amount of effort and risk regardless of size; the rehabilitation fee calculation is to ensure compensation relates to the work completed.



# *Threshold Eligibility*

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## Section IV Threshold Eligibility

### Changes:

- Applications may be disqualified based on a Principal:
  - Making misrepresentation or providing materially false information in an application;
  - Not having closed LIHTC equity on a property awarded in 2020 or before;
  - Requesting a qualified contract for a property in Kansas after August 5, 2020;
  - Being debarred from any federal housing program;
  - Committing acts which violate KHRC's Code of Ethics; or
  - Not being in good standing with any affordable rental housing program administrator.



# *Threshold Eligibility (cont.)*

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## Section IV Threshold Eligibility

### Changes:

- The applicant must have been awarded an application and is serving as a managing member, and property must have been placed in service between January 1, 2015 and December 31, 2019
- Proposed management agency must be managing at least three KHRC properties in Kansas or seven LIHTC properties in other states

### Purpose:

Threshold Eligibility section reflects the base expectations for LIHTC development in Kansas.



# *Energy Efficiency*

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Appendix C

## Change:

- 2018 International Energy Conservation Code

## Purpose:

To keep up with energy efficiency standards. The 2018 code is also more flexible than the 2012 code in many ways.



# *Acquisition and Rehabilitation Factors*

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IV(B) Rehabilitation

## Change:

- Buildings must have at least \$25,000 per unit in rehabilitation hard costs.

## Purpose:

To ensure that rehabilitation is needed.



# *Single Family Housing Development Location*

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VI(J)(2) Conversion to Homeownership

## Changes:

- Must be single family units
- Developed by a non-profit
- Includes a detailed, comprehensive plan

## Purpose:

To ensure that tenant protection and homeownership at the end of the compliance period are the goals.



# *HOME Funds*

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II(D) KHRC HOME and NHTF Loans

## Change:

- HOME funds available to developments in counties not currently served by an active CHDO.

## Purpose:

To assist on developing housing in areas of the state that do not have access to some of KHRC housing resources.





# *Unique Opportunities*

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## III(E) Unique Opportunities

### Changes:

- May award up to two Unique Opportunity applications.
- KHRC may consider:
  - Regional distribution
  - Scale of community impact
  - Extraordinary market and population needs
  - Unique funding and leveraging opportunities
  - Disaster recovery response
  - Competitive rankings of applications

### Purpose:

To recognize that the QAP criteria may not adequately anticipate certain important proposals.



# *Private Activity Bond Financing*

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II(C)(1) – 4% LIHTCs and Bonds

## Changes:

- Will not accept applications while a draft QAP is posted
- 4% LIHTC applications that are also requesting HOME and/or NHTF must meet 9% deadlines

## Purpose:

To ensure that 4% projects are reviewed appropriately, including to eliminate the gray area of which QAP applies and to have an accurate picture of the funding sources.



# *Income Averaging*

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IV(A)(7) – Average Income Minimum Set-Aside

## Changes:

- Applications must indicate income averaging at application, and cannot change after submission
- Income Averaging projects may not have market rate units

## Purpose:

All parties must plan for the use of average income early in the development process. Combining with unrestricted units creates an unprecedented degree of compliance complexity.



# *Accessibility Requirements, Training, and Certifications*

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## Appendix C

### Changes:

- General Contractors and job superintendents may submit required certification after the development is approved
- KHRC extends KSA 58 Article 14 Accessibility Standards to all LIHTC developments regardless of other State or Federal funding.

### Purpose:

To ensure the applicable individuals complete the required certification.



# *Selection Criteria*

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V Selection Criteria: Rehabilitation and VI Selection

## Changes:

- Rehabilitation proposals will not involve point scoring
- New construction will utilize point scoring



## ***Selection Criteria (cont.)***

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V Selection Criteria: Rehabilitation and VI Selection

### Purpose:

Rehabilitation and new construction are fundamentally different activities, which means the policy priorities also are fundamentally different. Unlike building new, when rehabilitating apartments there is very little variation in what an application reasonably can propose.

The selection criteria should reflect the existing realities, including what makes sense to improve or replace. Since distinct preferences necessitate distinct competitions, the two each have a set-aside.



# *Market Studies*

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IV(A)(5) Market Need

## Change:

- 2013 Model Content Standards by National Council of Housing Market Analysts

## Purpose:

To keep up with national market study best practices.



# *Income and Rent Targeting*

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IV(D) Income and Rent Targeting

## Changes:

- Applicants for properties in Metropolitan counties will elect to comply with one of the following:
  - The average income minimum set-aside with designations set to average 56.0% of AMI or less;
  - Another minimum set-aside and at least 20% of units to households at 40% AMI or below. The 40% AMI units must have rents that are within the Public Housing Authority voucher threshold.





# *Income and Rent Targeting (cont.)*

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IV(D) Income and Rent Targeting

## Changes:

- Applicants for properties in Rural counties will elect to comply with one of the following:
  - The average income minimum set-aside with designations set to average 58.0% of AMI or less;
  - Another minimum set-aside and at least 20% of units to households at 50% AMI or below. The 50% AMI units must have rents that are within the Public Housing Authority voucher threshold.

## Purpose:

To ensure affordability to larger numbers of Kansas households.



# *Required Reserves*

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VII(A)(3) Required Reserves

## Change:

- Lease-Up, Operating, and Replacement reserves required

## Purpose:

To increase the stability of LIHTC properties during the compliance period.



# 30% Basis Boost

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VII(A)(7) DDA and QCT Basis Boost

## Changes:

- Only properties with 4% LIHTCs and Bonds will receive the 30% increase in eligible basis if located in a Difficult Development Area (DDA) or Qualified Census Tract (QCT)
- 9% proposals will receive the boost for:
  - Rehabilitation – for LIHTC resyndications not requesting acquisition credit because current members/partners will remain in the ownership entity
  - New construction – expensive land because of being in a high-opportunity area and proposal does not include market-rate units



## ***30% Basis Boost (cont.)***

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VII(A)(7) DDA and QCT Basis Boost

### Purpose:

The federal methodologies for determining DDAs and QCTs rarely correspond with the need for an increase in eligible basis for 9% LIHTC developments.

By contrast, the two approaches in the draft QAP are instances when developers might face funding gaps because of meeting policy priorities.

Additionally, the rehabilitation allowance creates an alternative to requesting qualified contracts.



# Scoring

Phase	Selection Criteria: New Construction		Addition	Deduction	
		Applicant's and Principals' Experience			
Preliminary		Successful Outcomes	1 point for each		Maximum of 10
Preliminary		Penalties		up to 15	
		Underserved Areas			
Preliminary		Metropolitan	10		Applicant can only receive one of these categories
Preliminary		Rural	10		
Preliminary		Subsequent Phase	10		
Preliminary		Residential Character	5		
		Proximity to Amenities			
Full		Private - Primary	Up to 15		Maximum of 25
Full		Private - Secondary	Up to 5		
Full		Public	Up to 7		
		Below-Market Loans and Support			
Full		Loans	Up to 20		Maximum of 30
Full		Other Support	10		
		Community Revitalization Plans			
Full		CRP Criteria	5		Maximum of 15
Full		QCT or RFP	10		
Full		Opportunity Areas	15		
		Supportive Housing, Seniors or Families			Maximum of 15, but app may not earn points in both senior and 3+ bedroom
Full		Supportive Housing	up to 10		
Full		Senior Housing	5		
Full		Three or More Bedrooms	5		
		Extended Affordability			
Full		40 Year Period	5		Applicant can only receive one of these categories
Full		Homeownership	5		



# *Next Steps*

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1. Public Hearing – September 1, 2020
2. Stakeholder comments due September 18, 2020
3. Final QAP – end of September, 2020

## Procorem:

- KHRC will implement Procorem for 2021 LIHTC applications
- KHRC will align funding applications with Procorem and 2021 QAP



# Comments

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Email QAP Comments to: [HousingDevelopment@kshousingcorp.org](mailto:HousingDevelopment@kshousingcorp.org)

*All comments are due September 18<sup>th</sup>*

Questions?

Contact Alissa Ice at:

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