

KANSAS HOUSING

Draft 2023 QAP Summary of Changes

Below is a list of the proposed changes to the 2023 Qualified Allocation Plan. A clean and red-lined version of the draft are located [here](#). KHRC is accepting comments to the Draft 2023 QAP through Monday, September 19, 2022. The public hearing will be held on Wednesday, September 7, 2022, at 10:30 am. For additional information, please go to the KHRC [website](#). Comments should be sent to housingdevelopment@kshousingcorp.org. KHRC will summarize and report the comments received once the final QAP has been published.

PROPOSED CHANGES BY SECTION:

I. INTRODUCTION

- Updated dates.
- Unless otherwise noted, “LIHTC” now refers to both State & Federal LIHTC.
- Added IRC Section 42 criteria to list of guiding principles.

II. APPLICATION/AWARD PROCESS AND FEES

B. APPLICATION REQUIREMENTS

- Specified KHRC may contact the applicant for the purpose of collecting information and documentation.
- Added, “KHRC will not accept missing documentation for items eligible for points after the preliminary and full evaluation periods.”

C. APPLICATION/AWARD SCHEDULE

- Added HB 2237

1. 4% LIHTCS AND BONDS

- 4% applications will be accepted three times a year.
- Added that applicants request a Procorem workcenter “by emailing housingdevelopment@kshousingcorp.org.”
- Changed the review period from 60 days to 75 days.
- Changed Principals may have no more than four 4% applications underway and/or developments not yet placed in service to

developments that have not submitted the full cost certification packet for review.

2. 9% LIHTC DEADLINES

- Updated deadlines. KHRC is proposing to announce 9% LIHTC awards in June, rather than July.
- Added the specific processes and evaluation for Preliminary applications, Invitation to Full Application round, Full applications, and Award Announcements. The process is not changing, KHRC is only detailing the process in the QAP.

D. KHRC HOME AND NHTF LOANS

- Clarified the HOME and NHTF request maximum is \$750,000 for HOME and \$750,000 for NHTF.
- Updated non-CHDO applicants must be in a rural underserved county that has not completed a new LIHTC development in the county within the past five years. The QAP will list ineligible counties, which for this round will be Riley, Barton, Reno, Harvey, and Scott.

E. KHRC FEES

- Increased the reservation fee from 7% to 10% of annual Federal LIHTC reserved.
- Added definition reference for nonprofit applicants for the reservation and allocation fees.
- Increased allocation fee from 3% to 6% of annual LIHTC allocation.
- Added, "These fees as described are assessed regardless of when the development was approved" to the monitoring and asset management fees.
- Added the qualified contract fee and proposing to increase to \$2,000 plus 1.2% of the annual tax credit allocation amount..

III. 9% LIHTC LIMITS AND SET-ASIDES

A. LIMITS ON AWARDS

1. AWARD

- Increased the maximum LIHTC award to \$850,000 for both State and Federal LIHTCs.
- Added, "Federal and State LIHTC allocations will equal each other."

2. PRINCIPAL

- Changed principal award limits to a maximum of two awards.
- Added, "Principals may have no more than four 9% applications underway and/or developments not yet placed in service at the

time of full application. However, if KHRC is concerned with the progress of current developments, KHRC may not allow the maximum.

- Added, “KHRC may, but is not required to, grant a waiver of development/credit award limitations for the proposed joint venture.”

3. COUNTY

- Changed new construction rural county award limit from one to two awards.
- Changed metropolitan county award limit from two to three awards.
- Added, “KHRC may award fewer than the maximum number of developments based on market need analysis.

B. REHABILITATION SET-ASIDE

- Updated language from “at least” to “up to”.
- Added, “proposals may not be awarded based on underwriting criteria, lack of sustainable market conditions, unfavorable or unpredictable conditions, or other factors which indicate higher than normal risk.”

C. NEW CONSTRUCTION SET-ASIDE

1. METROPOLITAN

- Updated the set-aside to “target at least 25% of total LIHTCs available”
- Added, “proposals may not be awarded based on underwriting criteria, lack of sustainable market conditions, unfavorable or unpredictable conditions, or other factors which indicate higher than normal risk.”
- If set-aside is not met, KHRC will award in another set-aside

2. RURAL

- Updated the set-aside to “target 25% of total available LIHTCs”
- Added, “proposals may not be awarded based on underwriting criteria, lack of sustainable market conditions, unfavorable or unpredictable conditions, or other factors which indicate higher than normal risk.”
- If set-aside is not met, KHRC will award in another set-aside

D. GENERAL SET-ASIDE

- Updated the following set-aside criteria:
 - committed to higher energy standards, and/or unique design features which contribute to environmental sustainability, reduced energy and water consumption, and reduced utility costs to residents
 - requested the lower amount of LIHTCs or LIHTC/unit

E. NONPROFIT SET-ASIDE

- Specified Federal LIHTCs

F. UNIQUE OPPORTUNITIES

- Changed set-aside award limit from two to three applications
- Updated “extraordinary market and population needs” to “extraordinary market conditions”.
- Deleted “100%” from Supportive Housing
- Added, “A proposal for *integrated* supportive housing shall have 20-25% targeted to specific populations with a particular vulnerability to housing instability (including but not limited to homeless or at risk of homelessness, victims of domestic violence, persons with mental illness or other disabling conditions, etc.). Proposals have an MOU for dedicated supportive services, with the cost of such services included in the operating budget.
- Updated supportive housing participation language.

IV. 4% AWARDS

- Added, “KHRC will award 4% LIHTC awards for up to \$75 million in Private Activity Bond allocations each allocation round
- Added Federal and State LIHTC allocations for 4% awards will equal each other.

A. LIMITS ON AWARDS – NEW CONSTRUCTION

- Added, “KHRC will not award new construction developments within 1.5 miles of an awarded 4% LIHTC development within 2 years.”
- Added a 40% new construction target for 4% awards
- Added a threshold of 33 points
- Added awards will be based on:
 - The demand and evaluation of the applications
 - The selection criteria
 - Which site(s) is/are the best location for the households served
 - Environmental sustainability, as evidenced by unique design features which contribute to reduced energy and water consumption, and reduced utility costs to residents
 - Deeper income targeting

B. LIMITS ON AWARDS – REHABILITATION

- Added, target of 40% of available Private Activity Bond allocations for rehabilitation of existing housing.

V. THRESHOLD ELIGIBILITY

A. ALL APPLICATIONS AND PROPERTIES

1. APPLICANT EXPERIENCE

- Updated dates.

2. PRINCIPALS

- Changed the threshold of being considered a principal from receiving \$20,000 of developer fee for consulting to 10%.

- Updated dates.
- Disqualification determined at preliminary and/or full application.

3. LIHTC MANAGEMENT EXPERIENCE

- Added, “Management agents without experience in Kansas may be required to meet separate requirements through KHRC’s Compliance Department.”

4. GENERAL CONTRACTOR

- Added, “For General Contractors with an Identity of Interest with a Principal, a Contractor’s Cost Certification will be required.
- Determined to be a post-award documentation requirement.

6. MARKET NEED

- Specified market studies less than 18 months, but older than 12 months will require a letter from market analyst.
- Specified KHRC will not accept market studies older than 18 months.
- Added, “KHRC may review local data, nearby property data, and/or consult with other entities to further evaluate the market need of the proposed application.

7. FUNDING SOURCES

- Added, “Applications must include documentation of a commitment for all funding sources other than KHRC loans. The debt commitment letters must comply with QAP Section VIII (A)(5).

9. DEVELOPMENT COSTS

- Clarified “KHRC may consider the history of a development team’s accuracy in estimating development cost.”

B. REHABILITATION

1. SCOPE OF WORK

- Updated the scope of work must be consistent with the Physical Needs Assessment in QAP Section V (B)(2).

2. PHYSICAL NEEDS ASSESSMENT

- Specified, “The PNA should be current and within one year of the preliminary application due date.”

3. MINIMUM PER UNIT

- Changed minimum per unit from \$25,000 to \$40,000 per unit.

D. NEW CONSTRUCTION

1. INCOMPATIBLE USES

- Updated ineligibility language.

4. DESIGN REQUIREMENTS

- Specified “at least 5% of the dwelling units” must be rounded to the nearest whole number.”

5. INCOME AND RENT TARGETING

- Removed, “Properties with 4% LIHTCs and Bonds are exempt from this subsection.”
- Changed the average income minimum set-aside to be 54% of AMI or less for metropolitan applications.
- Changed the 20/50 or 40/60 election to be 30% of units, not 20%, at 40% AMI or below for metropolitan and 50% AMI or below for rural applications.
- Removed, “the 20/50 or 40/60 election and at least 20% of units to households at 30% AMI or below...” election option for metropolitan applications.
- Changed the average income minimum set-aside to be 57% of AMI or less for rural applications.

6. CONVERSION TO HOMEOWNERSHIP

- Added, “refusal or inability to purchase a unit cannot be grounds for termination or non-renewal of a lease.”

VI. SELECTION CRITERIA: REHABILITATION

- Added that KHRC may consider qualified contract applications when evaluating the full application.

VII. SELECTION CRITERIA: NEW CONSTRUCTION

- Added, “4% applications must meet a minimum point threshold of 33 points.”

A. APPLICANT’S AND PRINCIPAL’S EXPERIENCE

- Changed maximum points from 10 to 15.

1. SUCCESSFUL OUTCOMES

- Added, “For joint ventures, KHRC will award the points for whichever principal would have received the higher amount.”
- Updated dates.

2. SUCCESSFUL BELOW MARKET LOANS AND SUPPORT

- Updated dates.
- Added, “The Applicant used below market loans or other financial support for a Kansas LIHTC property.”
- Updated real estate tax exemption to be “tax abatement, exemption, or 95% rebate for a period of at least 10 years.”

3. PENALTIES

- Updated dates.
- Added, “failed to meet KHRC’s design, accessibility, or energy requirements for projects that started construction in 2020 or later” and “inability to fund replacement reserve” to penalty criterium.
- Added that in lieu of a qualified contract, KHRC will amend the LURA.
- Changed scoring from preliminary to full application.

B. UNDERSERVED AREAS

1. METROPOLITAN

- Updated underserved zip codes.

2. RURAL

- Updated underserved counties.

D. RESIDENTIAL CHARACTER

- Updated “Adjacent to” definition to include structures across the street from the proposed development.

E. QUALITY SITE

- Added, “KHRC will award 5 points each to two proposals in the metropolitan area and two proposals in the rural area that KHRC staff rate as the most desirable sites. This is a factor that involves subjectivity regarding the ‘livability’ of a site. Staff will consider factors including, but not limited to, street appeal; the presence of desirable natural features such as parks, trees, or water; proximity to safe pedestrian travel routes (walkability); vehicle access and traffic patterns (including traffic noise); other transportation options; site slope or other challenges to buildability; areas for green space; opportunities for cultural, recreational, or social participation; safety (crime rates, proximity to emergency services, adequate street lighting, etc.); neighborhood stability (are people moving in or out, and whether residents want to stay in the neighborhood or community; etc.”

F. PROXIMITY TO AMENITIES

1. PRIMARY

- Specified, “any distance under .2 miles will be rounded up to .2 miles)
- Changed the maximum points from 15 to 10.
- Added, “If there is only one new construction metropolitan 4% application, KHRC will use .4 miles as the comparable scoring.

2. SECONDARY

- Updated to “Applicants in a metropolitan area may receive one point for each additional qualifying amenity listed. Applicants in a rural area that don’t have qualifying amenities within three miles may receive ½ point for qualifying amenities listed that are more

than three miles and less than 15 miles from the site. The amenity must be a separate, distinct establishment from the primary amenities based on the miles listed below:

- Metro – within 3 miles
- Rural – within 3 and/or 15 miles”
- Changed the maximum points to 15.
- Updated list of secondary amenities (see page 24 and 25 of redlined draft QAP). These will include Retail & Restaurants, Medical Care, Education & Child Care, and Community Assets establishments.

G. BELOW MARKET LOANS AND SUPPORT

1. LOANS

- Removed, “applications proposing market rate units are ineligible for points under this subsection.”

I. OPPORTUNITY SITES

- Replaced Opportunity 360 with Opportunity Sites, as specified in Appendix D (see pages 57-94 of redlined draft QAP for more details).

J. INCOME TARGETING, SUPPORTIVE HOUSING, SENIORS, FAMILIES

- Changed maximum from 20 to 15 points
- Removed “Integrated Supportive Housing” from this section.

3. THREE OR MORE BEDROOMS

- Changed scoring from 5 points to 10 points.

K. DEEPER AFFORDABILITY OR HOMEOWNERSHIP

- Added section.
- Added, “An application may earn 15 points in one of the two subsections below.”

1. FAIR MARKET RENTS

- Added, “Development offers gross rent for all units up to the 60% limits at a rate that is below the fair market rent for the area in which the property is located as published by HUD.”

2. CONVERSION TO HOMEOWNERSHIP

- Added, “The application:
 - Proposes single family units (no common walls)
 - Qualifies for the nonprofit set-aside
 - Includes a detailed, comprehensive plan for converting the units to ownership by the tenants after 15 years.”
- Added, “Conversion must be optional to the tenant household, and refusal or inability to purchase a unit cannot be grounds for termination or non-renewal of a lease. Units will remain governed by the Declaration of Land Use Restrictive Covenant for 30 years or until converted.”
- Determined section is scored at full application.

VIII. UNDERWRITING STANDARDS

A. ALL APPLICATIONS AND PROPERTIES

7. DDA, QCT, AND KHRC-DEFINED BASIS BOOST

- Removed 4% LIHTCs from section.
- Updated basis boost to be available to other 9% LIHTC applicants as in accordance with KHRC's authority to increase the boost as defined in IRC Section 42. "KHRC will review and approved or deny such a request."

B. REHABILITATION

1. DEVELOPER FEE

- Added, "plus up to five percent (5%) of the purchase cost of the buildings (existing structures). At a minimum, the Developer Fee calculated from building acquisition will be deferred.

C. NEW CONSTRUCTION

2. DEVELOPER FEE

- Changed "or" to "plus". This is to correct the previous QAP's confusion. Developments 50 units or less can receive \$20,000/unit in developer fee. Additional units after 50 can receive \$18,000/unit.
- Added, "Small HOME or HTF-only projects of 8 units or fewer are limited to 15% of total HOME or HTF-eligible costs.

D. KHRC HOME AND NHTF LOANS

- "Added, HOME AND NHTF designated units "shall be floating, except when a wavier is approved for a mixed use or mixed income property, or for architectural considerations which prohibit rehabilitating or constructing comparable units within an existing structure."
- Added, "The number of HOME or HTF-assisted units in a development will be determined prior to execution of the HOME or HTF agreements. The minimum number of assisted units is based on a) the proportion of HOME or HTF funds to the total eligible costs of the project and b) per-unit subsidy limits which are updated periodically by HUD. The application budget template includes a column for estimating HOME or HTF-eligible project costs."

IX. POST-AWARD AND COMPLIANCE

A. CHANGES

- Added, "KHRC will approve uses for unused contingency. Possible uses could include a reduced deferred developer fee, a reduction of KHRC sources, and/or reduced permanent debt."

B. DOCUMENTATION

1. 9% LIHTC

- Updated “Resyndications” to require Change of Ownership and Management forms be submitted at least 30 days prior to the change & parties must execute and record an Assignment and Assumption Agreement prior to the issuance of the LURA.
- Updated “Resyndications” to require owners and managers to meet with the Compliance Department prior to acquiring the development and that they must adhere to compliance requirements from the previous allocation prior to the LURA until the new compliance period under the new allocation begins.
- Added, “Once completed 8609s are returned to KHRC confirming the first year of credit for the new allocation, a release for the previous LURA will be sent by KHRC to the county for recording. The compliance fee remains the amount charged under the previous credit up until the year the new credit starts. Once the first year of credit is confirmed the fee amount will be adjusted” to “Resyndications”.

4. COST CERTIFICATION AND FORM 8609

- Added KHRC forms “Property Upload Data Sheet” and “Property Information Template” to list of requirements.

APPENDIX C: DESIGN REQUIREMENTS

II. BUILDING AND UNIT DESIGN PROVISIONS

D. INTERIOR DESIGN AND MATERIALS

- Updated minimum unit size requirements to:
 - 650 square feet for 1 Bedroom
 - 800 square feet for 2 Bedrooms
 - 900 square feet for 3 Bedrooms
 - 1,150 square feet for 4 Bedrooms

F. KITCHENS

- Updated “all residential units must have a double bowl kitchen sink” to “if a dishwasher is not provided”.

III. MECHANICAL, SITE, AND INSULATION

B. ELECTRICAL PROVISIONS

- Updated “Initially installed bulbs in residential units and common areas must be compact fluorescent, LED or pin-based lighting” to 90% of all fixtures.

IV: ENERGY EFFICIENCY

- Added, “The 2018 IECC Air Exchange requirement is 3 ACH. KHRC will allow an Air Exchange rate of 5 ACH.
- Emphasized, “All units must have an insulation inspection and a final attic inspection.”

VII. COMMON AREA AND SITE AMENITY PROVISIONS

C. LAUNDRY FACILITIES

- Clarified, laundry facilities are required for all projects, “unless in-unit washer and dryer are provided.”

D. COMMUNITY/OFFICE SPACE

- Added, “KHRC will review proposed office hours in the application and may require established office hours depending on the size of the development, proposed tenancy, etc.”

IX. PRECONSTRUCTION AND CONSTRUCTION PERIOD REQUIREMENTS

A. SIGNAGE

- Added, “KHRC requires a photo of the sign posted at the job site.”

APPENDIX D: OPPORTUNITY SITES

- Added, the replacement material for Opportunity 360 (see pages 57-94 of the redlined draft QAP).

APPENDIX E: QUALIFIED CONTRACT PROCESS

- Added policy for properties that did not waive the opt-out provision and are eligible for opt-out at some point prior to the 29th year of use (see pages 94-99 of the redlined draft QAP). KHRC is proposing to require additional documentation to better prepare KHRC to advertise the properties. KHRC will also increase our outreach to potential buyers.