**Wisconsin Housing and Economic Development Authority**
**2017/2018 Qualified Allocation Plan**
**Major Changes**

May 24, 2016

*Proposed objectives of the QAP*

1. Increase the supply of very low income housing
2. Increase the supply of affordable housing with services, including veterans
3. Increase the supply of affordable housing for seniors
4. Encourage housing development in areas of economic Opportunity
5. Coordinate housing development with community & economic development plans
6. Efficient use of LIHTCs and Reasonable cost containment
7. Support the housing goals and objectives stated in the State of Wisconsin Consolidated Plan and the Plan to End Homelessness in Wisconsin, July 2007

*Proposed Scoring Changes*

**Category 1: Lower Income Areas**

Provide five points for (a) properties in a QCT that have a community development or reinvestment plan that specifically addresses the need for affordable and/or rental housing in the area of the proposed LIHTC project, or (B) properties located on federally designated Tribal lands.

Provide three points for (a) properties in a QCT that have a community development or reinvestment plan that does not specifically addresses the need for affordable and/or rental housing in the area of the proposed LIHTC project.

**Category 2: Energy Efficiency and Sustainability**

Proposed scoring changes (reduces total available points from 43 to 32):

- Wisconsin Green Built Homes Certification – to be renamed 'Sustainable Design' (reduced to a maximum of 20 points)
    - Wisconsin Green Built Homes to be retained as a scoring option.
    - Properties built to the Enterprise Green Communities standard would be eligible to receive up to 20 points in this category
    - Will require verification from an unaffiliated third party – program certification will not be required
- Focus on Energy Consultation
    - Will be eliminated
- Strong Linkages (up to 4 points)
    - We will retain the walkscore.com-based methodology, with the following point structure:
        - Sites meeting the Rural Set-Aside definition
            - Walkscore 60 and above: four points
            - Walkscore between 40-59 or site on Tribal Lands: two points

        - All other sites
            - Walkscore 70 and above: four points
            - Walkscore 50-69: two points

- Public Transportation (4 points)
    - Increase distance from a regularly scheduled public transportation route from 0.2 miles to 0.5 miles
- Add four points for properties designated as non-smoking - evidenced in "house rules" or lease.

**Category 3: Community Notification and Support**

This category will be eliminated

**Category 4: Mixed Income Incentive**

- Applications in the Preservation set-aside will no longer be eligible to score points in this category.
- Points will be recalibrated to retain the same relative weighting in 2017-2018

**Category 5: Serves Large Families**

Reduce the maximum points from eight to five

| Percentage of low-income family units with 3+ BRs | Points |
|---|---|
| 5-10% | 1 |
| 11-15% | 3 |
| 16%+ | 5 |

**Category 6: Serves Lowest Income Residents**

- Points will be adjusted so this item accounts for approximately 20% of all available points.
- Eliminate the 10 point bonus on 30% units
- Allow Housing authorities to score points in this category on new construction projects covered by subsidies.

**Category 7: Supportive Housing**

Applications currently receive 0.6 points for each 1% of units designed for supportive housing. Increasing the points from 0.6 to 0.75 for each 1% of units would result in the maximum number of points with 20% integrated supportive housing units (rather than the current ceiling of 25%).

**Category 8: Elderly Assisted Living**

This category will be removed.

**Category 9: Rehab/Neighborhood Stabilization**

WHEDA will limit the number of Rehab/Neighborhood Stabilization awards to one per year in any city, and no more than one to any developer

This category currently contains the following reference: “[n]ew Construction allowed only if building(s) will be demolished or have been demolished in the past 24 months….” The 24 month requirement will be removed.

Points will be recalibrated to retain the same relative weighting in 2017-2018 (except for the preservation set-aside).

A maximum credit per unit will be established.

**Category 10: Universal Design**

No significant changes are proposed - points will be recalibrated to retain the same relative weighting in 2017-2018.

**Category 11: Financial Participation**

Limit the funding sources that will be eligible for Financial Participation points to: federal, state or local government loans, equity from sale of federal or state Historic tax credits, assistance from the Federal Home Loan Bank, tax-exempt bond financing (only on 4% tax credit applications), or unaffiliated public housing authorities.

To be eligible for Financial Participation points, loans will be required to be either:

- Hard Debt - at, or below, the Applicable Federal Rate
- Subordinate debt, with repayment from available cash flow or tax increments.

The maximum number of points that will be available for historic tax credit equity will be limited to 15.

**Category 12: Ownership Characteristics**

This category will be eliminated

**Category 13: Eventual Tenant Ownership**

No significant changes

**Category 14: Project Team**

- Developer Team (maximum score of 12)
        - Successful completion of LIHTC properties (as lead developer)
            - Four or more properties in Wisconsin, or more than 10 LIHTC properties in all states (2)
            - Two or more properties in Wisconsin, or more than five LIHTC properties in all states (1)
        - Years of LIHTC and multifamily experience
            - Six years of development experience and four years of LIHTC experience (2)
            - Four years of development experience and three years of LIHTC experience (1)
        - Performance of LIHTC properties (minimum of three properties or 100 units as lead developer)
            - Average physical occupancy above 96% during the past three years (3)
            - Average physical occupancy above 94% during the past three years (2)
            - Average physical occupancy above 92% during the past three years (1)
        - WHEDA evaluation of capacity, delivery of prior LIHTC properties and timely & accurate completion of prior LIHTC applications and awards
    - Development team members (maximum of 2 points)
        - 2 points will be awarded for applications that include a Nonprofit organizations, acting as Developer and an Owner, that meets the requirements for applicants in the Nonprofit Set-Aside
        - One points will be awarded for applications that include an organization, acting as lead Developer and an Owner, that has participated in four or fewer LIHTC properties as a lead developer or owner
    - In those instances with a Lead Developer and a Co-Developer, the application score would be based on the higher of (a) the lead developer individually or (b) the average score of the lead developer and the co-developer

- Management Agent
    - WHEDA will no longer provide a score for Management Agents.
    - In place of scoring, WHEDA will publish minimum experience and education/certification requirements that must be met by each management agent to allow them to be certified for the Wisconsin LIHTC program

WHEDA will continue to reserve the right to deduct up to 15 points for non-compliance with a previous LIHTC award's representation of scope, support services, design, energy efficiency, amenities, score certifications, fees, etc.

**Category 15: Readiness to Proceed**

No significant changes are proposed – points will be recalibrated to retain the same relative weighting in 2017-2018.

WHEDA will no longer require a conditional use permit in addition to proper zoning.

**Category 16: Credit Usage**

- Reduce the maximum points to 30 (20 for rehab).
- Provide higher scoring thresholds for properties in Dane County and the Metro Milwaukee area
    - The tables below are based on the 2016 LIHTC Credit Usage ranges, and would likely increase slightly for the 2017 LIHTC cycle.
- Require that all applications score some points in this category
- Weightings for # of bedrooms per units will be reevaluated – WHEDA will establish a minimum # of square feet for units with various bedroom sizes

| New Construction and Adaptive Reuse | | |
|---|---|---|
| Credit per Unit | | |
| Dane County and Metropolitan Milwaukee * | Other Areas | Points |
| $12,870 or Less | $11,700 or Less | 30 |
| $12,871 to $13,440 | $11,701 to $12,215 | 25 |
| $13,441 to $14,000 | $12,216 to $12,730 | 21 |
| $14,001 to $14,570 | $12,731 to $13,245 | 17 |
| $14,571 to $15,140 | $13,246 to $13,760 | 13 |
| $15,141 to $15,700 | $13,761 to $14,275 | 10 |
| $15,700 to $16,270 | $14,276 to $14,790 | 7 |
| $16,271 to $16,840 | $14,791 to $15,305 | 4 |

| Acquisition/Rehab | | |
|---|---|---|
| Credit per Unit | | |
| Dane County and Metropolitan Milwaukee * | Other Areas | Points |
| $7,050 or Less | $6,410 or less | 20 |
| $7,051 to $7,660 | $6,411 to $6,960 | 16 |
| $7,661 to $8,260 | $6,961 to $7,510 | 12 |
| $8,261 to $8,870 | $7,511 to $8,060 | 8 |
| $8,871 to $9,470 | $8,061 to $8,610 | 4 |

*Milwaukee, Waukesha, Ozaukee and Washington Counties

WHEDA intends to publish minimum average unit size requirement for applications requesting points in this category. The cost differential above is based primarily on historical cost differences between those metropolitan areas and the remainder of the state.

**Category 17: Employment Centers and High Need Areas (to be renamed 'Opportunity Zones')**

Increase available points from 20 to 25.

Five points will be available for each of the following items (limited to a maximum of 15 points):

- Median Income in the Census Tract
    - At or above 120% of County Median: five points
    - At or above the County Median: three points
- Unemployment Rate in the Census Tract
    - At or below 70% of the national average: five points
    - At or below the national average: three points

- Located on Federally-designated Tribal Lands, in an area identified by WHEDA as a 'High Need' area, or successful respondent to a city or local competitive RFP/RFQ: five points
    - Maximum of two RFPs/RFQs per municipality. If a municipality has more than two RFP/RFQ selections, only the two highest scoring WHEDA applications will receive those points
    - For those applications that did not receive credit in 2016, and are being resubmitted in 2017 – points will be awarded in 2017 if those points were awarded in 2016.
- Located in a school district in the top 25% of the Wisconsin Department of Public Instruction's most recent Overall Accountability Score- 5 points
    - Sites in the 26-50% range of the Overall Accountability Score: three points

Access to services and amenities (limited to 10 points)

Properties will receive one point for proximity to key services and amenities

- Sites meeting WHEDA's Rural Set-Aside definition within 2.0 miles
- All other areas of the state within 1.0 mile

| Item | Senior | Family/Supportive |
|---|---|---|
| Full Service Grocery Store (2 points) | X | X |
| Public Elementary, Middle or High School | | X |
| Senior Center (2 points) | X | |
| Full Service Medical Clinic or Hospital | X | X |
| Library | X | X |
| Public Park or Hiking/Biking Trail | X | X |
| Job-Training Facility, Community College or Continuing Education Programs | X | X |
| In-unit internet at no cost to residents (2 points) | X | X |
| Community room dedicated for residents | X | X |

***Scoring categories: current categories vs. proposed categories for the 2017-2018 QAP***

| Scoring Category | Points Available | | % of Points Available | |
|---|---|---|---|---|
| | Current | Proposed | Current | Proposed |
| Lower-Income Areas | 5 | 5 | 1.2% | 1.8% |
| Energy Efficiency and Sustainability | 43 | 32 | 10.5% | 11.5% |
| Community Notification and Support | 8 | 0 | 2.0% | 0.0% |
| Mixed-Income Incentive | 15 | 12 | 3.7% | 4.3% |
| Serves Large Families | 8 | 5 | 2.0% | 1.8% |
| Serves Lowest-Income Residents | 80 | 60 | 19.6% | 21.6% |
| Supportive Housing | 20 | 20 | 4.9% | 7.2% |
| Elderly Assisted Living-RCACs | 18 | 0 | 4.4% | 0.0% |
| Rehab/Neighborhood Stabilization | 30 | 25 | 7.3% | 9.0% |
| Universal Design | 23 | 18 | 5.6% | 6.5% |
| Financial Participation | 25 | 25 | 6.1% | 7.2% |
| Ownership Characteristics | 6 | 0 | 1.5% | 0.0% |
| Eventual Tenant Ownership | 3 | 3 | 0.7% | 0.7% |
| Project Team | 50 | 12 | 12.2% | 4.3% |
| Readiness to Proceed | 15 | 12 | 3.7% | 4.3% |
| Credit Usage | 40 | 30 | 9.8% | 10.8% |
| Employment Centers and High Need Areas (Opportunity Zones) | 20 | 25 | 4.9% | 9.0% |
| *Total* | *409* | *284* | *100%* | *100%* |

*Process Changes*

**Developer and Contractor Fees**

Project Reserves will be excluded from the fee calculation

Developer fee for acquisition/rehab properties

- Rehab portion 16%
- Acquisition 6% (identity of interest: limited to 3%)

Developer fee for adaptive reuse & new construction

- Acquisition 6%
- Will follow new construction policy (12% for first 55 units, 9% for units above 55)

Developer fees will not be allowed to increase above the amount approved in the Carryover application

The total of General Requirements, Contractor Profit and Contractor Overhead will be reduced from a maximum of 14% to 12%.

**Program Fees**

- Reinstitute the one-time 1% fee for properties that do not begin construction by July 31st of the following year (this was added as a 2016 LIHTC modification in August 2015)
  - If the July 31st construction start date is not met, the developer would be prohibited from submitting an LIHTC application in the next allocating cycle if that property didn't close at least 30 days prior to the next competitive application deadline
    - Example: a 2016 LIHTC property misses the 7/31/2017 construction start date – that developer could not submit a 2018 LIHTC application unless the 2016 property closed at started construction 30 days prior to the 2018 application deadline.
- 8609 review fee: $500 plus $100 per building (maximum of $2500)
- Late submission of 8609 application (currently due within 180 days of the placed in service): $1,000 for each thirty days after the 180-day deadline
- $15,000 underwriting fee for conduit bond applications

**Annual Credit Limit per Developer**

A developer can receive up to $1,400,000 in any year in no more than three awards - $1.4 million is approximately 10% of the annual credit ceiling.

If there is a developer and co-developer for an LIHTC application, the credits will be allocated to the developer and co-developer based on the % of the developer fee paid to each entity. WHEDA will require a development agreement or MOU which describes the payment of developer fees to lead developer, co-developer, and consultants. If there is no co-developer, all credit will be allocated to the lead developer,

WHEDA will determine if an Identity of Interest exists between two developers. If yes, the group would be collectively limited to $1.4 million in credit.

**Credit Limit per Application**

In the General and Preservation set-asides, the credit limit will be $1,400,000 per application

In the remaining set-asides, no application will be allowed to exceed one-half of the credit amount in the set-aside in which the application was submitted

**Design Requirements**

High-speed internet service will be added to the existing design requirement. Internet service would be required in each unit – internet access within a business center and/or community room would not meet this requirement.

For acquisition/rehab properties, wireless internet will be acceptable

Points will be awarded if internet service is provided at no-cost to residents

**Timing of Allocation Cycles**

For the 2017 LIHTC cycle, WHEDA will continue the pattern of an early-year application deadline (February 3, 2017), with a likely award announcement in late-April or early-May of 2017.

For the 2018 LIHTC cycle, the application deadline will be moved to November 2017, with an award announcement in late-February or early-March of 2018.

**Credit Set-Asides**

- Nonprofit
  - Applicants in the Nonprofit Set-Aside will be required to provide evidence that they have staff with residential development experience
- Preservation
  - Restrict new construction and adaptive reuse projects from applying within the Preservation Set-Aside.
  - Applications in the Preservation Set-Aside will be allowed to score location-based points
- High Impact Project Reserve (HIPR)
  - HIPR will be eliminated for the 2017-2018 LIHTC cycles. The 7% of credit currently allocated to HIPR will be moved to the General Set-Aside.

**Emerging Business and Workforce Development**

Staff is working with the Department of Workforce development with the goal of pushing our developers to utilize their existing programs and reduce costs.

*Please send all comments in written form to David Ginger, Commercial Lending Product Manager (david.ginger@wheda.com). WHEDA will hold a public hearing for the 2017-2018 Qualified Allocation Plan on June 8th in Madison and Milwaukee. Staff expects the plan to be review by the WHEDA board in June and approved by the Governor in July 2016. The items contained in this document are subject to change. All exhibits and appendices are expected to be posted by late fall.*