WHEDA

Memorandum

Date: December 11, 2014

To: 2015 LIHTC Applicants

From: Commercial Lending Group

Re: 2015 LIHTC Program updated FAQ and additional guidance for Category 7

This memo provides updated guidance for applicants on the 2015 LIHTC Program regarding Category 7 – Integrated Supportive Housing and other frequently asked questions:

There have been several questions from LIHTC applicants regarding Category 7 and what is required to qualify for points, below are the necessary steps:

1. Determine your target population, how you will market to the target population and how the residents will obtain necessary services.

2. Contact Wisconsin Department of Health Services (WI DHS) to discuss your proposal so that DHS staff can direct you to the appropriate local collaborative long term support partner.

3. After making contact with the local collaborative long term support partner, obtain the documentation listed on the attached Supportive Housing Checklist and remit this documentation along with Appendix S to DHS.

4. Include the fully executed Appendix S with your 2015 LIHTC application binder to be eligible for points in Category 7.

See attached for other frequently asked questions regarding the 2015 LIHTC program.

Questions may be directed to a WHEDA Commercial Lending Officer.

WHEDA
2015 LIHTC Program
Frequently Asked Questions
Revised December 2014

Q: What should applicants use for credit pricing assumptions in their 2015 applications?

    A: Any value between 87 cents and 93 cents.

Q: What should applicants use for permanent loan terms/rate in their 2015 LIHTC application?

    A: Use WHEDA's then-published Permanent Financing for 9% LIHTC Projects with 35-year term & amortization.   However, an applicant may use other more aggressive terms (lower interest rate, longer amortization etc.) if a term-specific, executed financing commitment accompanies the application.

Q: What should applicants use for tax credit percentage rate(s)?

    A: Both the 4% and 9% rates are floating, therefore applicants should use the published January 2015 rates.

Q: Scoring - Category 5, Serves Large Families: Will historical adaptive reuse projects be exempt from the ground floor private entrance requirement?

    A: No. All new construction and adaptive reuse projects must meet this requirement to score points in Category 5.

Q: Scoring - Category 6, Serves Lowest-Income Residents: Can a development score more than 70 points without the 10 point bonus (10% or more 30% CMI units) in the "Serves Lowest-Income Residents" category?

    A: No. The 10 point bonus is meant to be separate and distinct from the 70 point calculation. The only way to score more than 70 is by meeting the 10 point bonus criteria.

Q: Scoring - Category 6, Serves Lowest-Income Residents: If I score points in Category 7, Integrated Supportive Housing will you allow all of the units in the project covered by a voucher or rental subsidy as a 50% unit?

    A: No. Only vouchers or rental subsidies on units that are targeted for a supportive housing will be counted as a 50% unit for the point calculation in Category 6.

Q: Scoring – Category 7, Integrated Supportive Housing: When should I work with WI DHS to get my Appendix S approved?

> **A:** Please contact WI DHS as soon as possible. (Note: WI DHS will only review applications submitted between November 1, 2014 and January 15, 2015)

Q: Scoring – Category 7, Integrated Supportive Housing: Appendix S mentions an application that WI DHS needs to review – Who submits this application and where is it?

> **A:** There is no specific "application" instead staff at WI DHS has provided a Supportive Housing Checklist with a list of documentation they need to complete their review. This documentation and checklist should be remitted to WI DHS along with Appendix S during the noted time frame in the question above.

Q: Scoring – Category 7, Integrated Supportive Housing: Do I need to have a specific Service Provider complete an Experience form?

> **A:** No supportive services should not be tied to a specific provider (no MOU is required) the newest concept is that the potential resident has a choice for their service provider. Instead the property management agent when marketing and talking to potential residents would direct the resident to the appropriate local collaborative long term support partner (example: Aging and Disability Resource Centers (ADRC), Managed Care Organization (MCO), County Human Service Agency)

Q: Scoring – Category 15, Readiness to Proceed: What is meant by a conditional use permit, to what level do I need approval?

> **A:** As stated in the scoring category, final plan & design approvals are not required for points to be awarded. If you are unclear if current zoning permits your proposed development, contact the local zoning department to explore their definition of "conditional use permit" as every municipality has a different definition or uses a different term. In summary WHEDA has to have a level of comfort that the current zoning in place will allow your specific multifamily use with the specific number of units to be built without additional approvals required (besides final plan & design approvals). You can also call any Commercial Lending Officer at WHEDA to obtain further clarification.

Q: Scoring - Category 17, Employment Centers and High Need Areas: Can an elderly project score points in this category?

> **A:** Yes, all projects except those that apply in the Preservation Set-Aside are allowed to score points in this category.

Q: Scoring - General: Some categories refer to distances. How does WHEDA define the start point and measure the distance?

> **A:** Applicants may use any outside boundary of the site(s) as the starting point. The distance is measured "as the crow flies" - not driving or walking distance.

Q: Scoring - Employment Centers/High Need Areas. My application might have scattered sites. How do I score in this Employment Center or High Needs category?

> **A:** At least 2/3 of the sites must meet the scoring criteria in order to qualify for points.

Q: Scoring - Employment Centers. Will WHEDA accept anything else (in lieu of actual letters from employers) to document proximity of jobs?

> **A:** No. WHEDA will not accept anything other than an employer support letter, with all its required components. If the employer is neutral to the project, or is not willing to support it with the required letter, no points will be awarded. (Note: points can be awarded if the project site is in one of the census tracts listed in Appendix R.)

Q: Can I apply as a <u>developer</u> with more than three <u>applications</u>?

> **A:** Yes. The limit is imposed on awards, not applications. An applicant would need to withdraw one application if their three applications all scored high enough. WHEDA will contact the applicant if this occurs.

Q: The QAP limits developers to only two awards, but allows a third award if the developer acts as a co-developer. Is it OK to be a developer on one application, and co-developer on two?

> **A:** Yes

Q: Can I be a co-developer on three applications?

> **A:** Yes.

Q: Can I be a co-developer on more than three applications?

> **A:** No. WHEDA suggests co-developers refrain from participating in more than three applications. The <u>Primary Applicant</u> would need to withdraw an application (or drop the co-developer) if the co-developer participates in more than three applications that score high enough to qualify for an award.

Q: I am a large well established for-profit developer. Can I be the Developer under the Non-Profit Set-Aside, if I have a smaller not-for-profit co-developer?

> **A:** No. Under Non-Profit Set-Aside, the QAP states: "*The non-profit must be named as the "Primary Applicant/Developer" and must be a "qualified nonprofit organization" as defined in Section 42".*

Q: Besides my own business considerations, what should I keep in mind regarding my decision to be the Primary Developer, the co-developer, or a consultant?

> **A:** There are too many variables in this decision to be fully discussed here. But here are a few factors that are outlined in the 2013 QAP and the LIHTC application which might be helpful to applicants:

<u>**Primary Developer**</u>: Limited to two awards, except a third is allowed if acts as a co-developer. Developer scoring will be done based on scores of the Primary Developer and the Co-Developer (if any). WHEDA will use the higher of the following: 1) The Primary Developer individually or 2) the average scores of the Primary Developer and Co-Developer.

<u>**Co-Developer**</u>: Three applications maximum. Developer scoring will be done based on scores of the Primary Developer and the Co-Developer (if any). WHEDA will use the higher of the following: 1) The Primary Developer individually or 2) the average scores of the Primary Developer and Co-Developer.
A co-developer is expected to own an interest in the controlling entity (managing member or general partner) for the project, materially participate in the development of the project, and make financial guarantees to the investor. A Co-Developer must sign the application.

Consultant: There is no limitation on the number of consulting roles. A strong and experienced consultant may help increase a Primary Developer's Development Team score, but typically only in the "Ability to Bring Strong Players together" sub-category. A consultant is typically not expected to provide guarantees nor own an interest in the controlling entity.   A consultant does not need to sign the application.

Other items to note:

- Developers that intend to use State Historic Tax Credit equity as a part of their development must have their investors Letter of Interest reference that the price on the sale of the State Historic Credit is net of any income tax liability.
- Projects must incorporate a minimum hard cost contingency as referenced on the Project Cost and Credit page of the application.
- In Scoring Category 16, Credit Usage: Each scoring threshold was increased by $225 per unit for acquisition/ rehab projects and $375 for new construction and adaptive reuse projects.

Supportive Housing Checklist
to Accompany Appendix S
(items to be remitted to WI DHS)

LIHTC developers requesting points with the submission of Appendix S, "Certification to Create Rental Units for Persons Needing Supportive Services," must provide adequate information for DHS to review their proposal. The following checklist is intended to assist developers in providing the necessary information. It is important for DHS to have the opportunity to review the housing proposal, assess the overall need for the proposed housing and to assist the housing developer to identify applicable local supports.

The following are DHS guidelines for review of applications for supportive housing:

- o Characteristics of the specific target population (s)[1].

- o Describe how the proposal addresses the local area's housing priorities and needs.

- o Evidence of outreach activities and engagement with local collaborative long term support partners[2] specifically to reach target population.

- o Eligibility screening and assessment procedures to affirmatively market units specifically for the target population being proposed for the units.

- o A waiting list policy specifically designed for the target population, which includes engagement with the specified local collaborative long term support partner(s).

- o Description of how supportive services will be made available to tenants, outlining the role of any primary and collaborative service provider partners, including all publicly and privately available resources. Include engagement strategies that will be used to ensure tenants have choice of service provider, regardless of supportive housing management plan in place.

If you have questions for DHS, please contact:
Maura Klein
P: (608) 266-2905
Email: maura.klein@wisconsin.gov or DHSDLTCHousing@wisconsin.gov

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[1] Target Population(s) may include, for example: People who have permanent developmental, physical, sensory, medical or mental health disabilities, or a combination of impairments that make them eligible for long term care services.

[2] Examples of local collaborative long term support partners include: Aging and Disability Resource Centers serving each Wisconsin County, Managed Care Organizations operating Family Care, Family Care Partnership or PACE, and County Human Services Agencies or Departments of Community Programs.