

2021/2022 Qualified Allocation Plan

Proposed Major Changes

May 15, 2020



Below is a summary of the major changes currently proposed for the 2021/2022 Qualified Allocation Plan.

Scoring Items

Scoring Categories	Proposed 2021 Points
1. Lower Income Areas	5
2. Energy Efficiency and Sustainability	20
3. Mixed-Income Incentive	12
4. Serves Large Families	5
5. Serves Lowest Income Residents	60
6. Supportive Housing	20
7. Veterans Housing	5
8. Rehab/Neighborhood Stabilization	25
9. Universal Design	18
10. Financial Leverage	36
11. Eventual Tenant Ownership	3
12. Development Team	12
13. Areas of Economic Opportunity	28
14. Rural Areas without Recent Housing Tax Credit Awards	8
15. Workforce Housing Communities	15
16. Community Service Facilities	5
Scoring Total	277

Energy Efficiency and Sustainability

- WHEDA currently offers 20 points for this certification:
 - Properties built to the Wisconsin Green Built Home Standard (score of 150 or more) or those meeting the Enterprise Green Communities Criteria
 - This will be moved to a threshold requirement
- A 15 point option will be created with this requirement:
 - Properties built to the Wisconsin Green Built Home Standard (score of 200 or more) or those meeting the Enterprise Green Communities Certification Plus
- The Walk Score points will be eliminated (4 points)
- The existing Public Transportation points will be increased from 4 points to 5 points
- The Non-Smoking points will be eliminated and instead moved to a threshold requirement (4 points)

Supportive Housing – Veterans Housing

- The category currently contains a bonus 5 points to achieve this outcome:
 - Some or all of the supportive services will be designed to address the needs of Veterans. The applicant must submit a signed MOU with a County or Tribal Veterans Service Office or a Veteran- specific Service Provider. The MOU must describe a referral and outreach system to connect potential Veteran residents with local or State Veteran-specific services and resources.
 - WHEDA is modifying the income bands incentivized as follows:
 - Provide any combination of 60% or lower CMI HTC units and rental subsidy assistance for the targeted units. If rental subsidies, applicant must submit firm commitments for the targeted number of units.
 - This veteran’s bonus point scoring option will be broken out into a new scoring category named Veteran’s Housing. The category will be worth 5 points.

Financial Leverage

- The current scoring category uses Housing Tax Credit Equity generated to derive the percentage of leverage and the associated score
 - WHEDA will instead rely upon Annual Credit Amount to derive the percentage of leverage and the associated score. The rungs and calculations will be adjusted as required to maintain proportionality.
- The current scoring category uses one leverage scoring scale for all the set-asides.
 - WHEDA will create a second leverage scoring scale for use by projects competing in the Rural Set-Aside. The second scale will allow those projects to be approximately 60% less efficient in credit use and still achieve scoring outcomes.

Development Team

- The current physical occupancy percentages points will be removed (0-3 points)
- 3 points will be made available for applications that include a minority developer or minority co-developer that have at least 49% stake in all aspects of the development including but not limited to ownership, cash-flow, and voting rights.
- 2 points will be made available for applications that include a minority developer or minority co-developer that have at least 24% stake in all aspects of the development including but not limited to ownership, cash-flow, and voting rights.
- There is currently a bonus point for:
 - 1 point will be awarded for applications that include an organization, acting as lead Developer and an owner, that has participated in four or fewer HTC properties as a lead developer or owner
 - This will be increased to 2 points.

Readiness To Proceed

- The current scoring category will be removed (12 points)
 - The requirements in the scoring category will moved to a threshold requirement

Areas of Economic Opportunity

- The category currently has a point scoring component for developments in areas with high rated school districts
 - WHEDA will require that the project must be a family development and maintain at least 20% of the units be 3 bedroom or larger. Mixed population developments are eligible for points.
- The category currently has a Rent Burden point scoring component for properties located in counties in which 50% or more of renters pay at least 30% of their income toward rent.(5 points)
 - WHEDA will introduce a second tier of points for properties located in counties in which 47% or more of renters pay at least 30% of their income toward rent. (3 points)
- The current low unemployment rate category will be eliminated (5 points or 3 points)

Rural Areas without Recent Housing Tax Credit Awards

- The current scoring category offers 5 points if the project is located in a rural county that has not received a 9% Housing Tax Credit Award in the previous three years.
 - The new requirement is the project is located in a rural county that has not received a 9% Housing Tax Credit Award in the previous 5 years
 - The points available in the category will be increased to 8

Workforce Housing Communities – New Category

- Up to 15 points will be available to projects based on these factors:
 - Top Job Centers
 - Net Job Growth
 - Individual Employer Growth
 - Long Commute Communities
 - *WHEDA will publish the supporting documentation for these metrics in early summer of 2020*
 - *Include an "urban version" for Workforce Communities, to further address public transportation, walk-ability, and displacement issues.*

Community Service Facilities – New Category

- 5 points will be made available to Housing Tax Credit project applications that include IRS qualified Community Service Facilities included in eligible basis as part of the housing tax credit project.

State 4% Bonus Point Scoring

- As both a 25% Rural Set-Aside and a 20% Small Urban Set-Aside are being introduced into the State 4% Program, WHEDA is removing the State 4% Bonus Point Scoring Categories
 - Remove Readiness to Proceed-Bonus of 20 points
 - Remove Location – Bonus of 10-35 points

State of Wisconsin 4% Housing Tax Credit Minimum Point Scoring Threshold

- As a 25% Rural Set-Aside is being introduced into the State of Wisconsin 4% Program, WHEDA is implementing this uniform minimum point scoring threshold for all applications in the State of Wisconsin 4% Program:
 - All Housing Tax Credit developments must score at least 120 points to be eligible for Credit.

Set-Asides

Rural Set-Aside 9% Federal Program

- The Rural Set-Aside will be increased to 25%
- Currently to qualify for the Rural Set-Aside, a development must be located in an area that meets USDA Rural Development's Property Eligibility criteria (for Multifamily Housing). This requirement will be maintained however a second requirement will be included at the municipality level to require that the municipality be ≥ 25 miles from a population center and maintain $\leq 9,999$ residents.
 - A listing of municipalities that meet the second test will be published by WHEDA as part of the annual cycle application materials.

Set-Asides - State of Wisconsin 4% Program

- The State 4% Program will now set-aside 25% of the total credits available for projects that meet eligibility requirements of the Rural 9% Set-Aside
- The State 4% Program will now set-aside 20% of the total credits available for projects that qualify as Small Urban

- To qualify the municipality must be either:
 - ≥ 25 miles from a population center and maintain $\geq 10,000$ residents
 - or
 - < 25 miles from a population center and maintain $\leq 9,999$ residents
- The remaining 55% of total credits available will be considered General/Balance of State

Supportive Housing Set-Aside – 9% Federal Program

- The Supportive Housing eligibility requirements will be modified
 - Developments intending to provide supportive services in at least 25% of the units for individuals and/or families who are chronically homeless or prone to homelessness and who require access to supportive services to maintain housing.
 - Submit an executed Certification (see Appendix T to the Application) committing to certain conditions
 - Submit firm commitments for rental subsidy for a minimum 25% of the total development units from a public housing authority or government entity having such authority, and must clearly state support of the project.

Innovative Housing Set-Aside – 9% Federal Program

- 10% of the available 9% Federal Housing Tax Credits will be set-aside for projects that incorporate innovative solutions to affordable housing
 - Additional scoring criteria will be developed for the set-aside
 - The set-aside competition will be held separately from the standard competitions
 - The application for the set-aside is tentatively scheduled to open in Mid-2021

Process & Administrative Items

9% Maximum Credit Award Amounts

- In the General, Preservation and Supportive Housing set-asides, the Housing Tax Credit limit will be limited to \$1,400,000 per application.

State of Wisconsin 4% Housing Tax Credit Percentage

- The Annual State of Wisconsin Housing Tax Credit amount is currently calculated using the floating Federal 4% Credit Percentage Rate.
 - For projects that are eligible for the Rural Set-Aside, the floating Federal 4% Credit Percentage Rate will have a 3.75 multiplier applied for the purposes of sizing the State Portion of the Annual Credit Amount.
 - For projects that are eligible for the Small Urban Set-Aside, the floating Federal 4% Credit Percentage Rate will have a 2.25 multiplier applied for the purposes of sizing the State Portion of the Annual Credit Amount.

State of Wisconsin 4% Housing Tax Credit Application Deadline

- WHEDA is aligning the application deadline for the State of Wisconsin 4% Housing Tax Credit Program with the Federal 9% Housing Tax Credit Program
 - The estimated application deadline for the State 4% competition and the Federal 9% Housing Tax Credit Program is 5:00 PM (CST) December 4th, 2020. This is an initial estimate. The actual date will be clarified later in the year by WHEDA.

Committed Funds Test

- WHEDA will continue to require that a minimum percentage of projected funding sources be 'committed' at the time of application.
 - The minimum percentage of committed funds will be set at 80%

Federal 9% Program - Carryover Deadline

- WHEDA is extending the Carryover Deadline from 120 days from Reservation to 180 days from Reservation, with a Final Deadline of December 16 of the Calendar year of Award.

AIA Guaranteed Maximum Cost Contract

- WHEDA is clarifying the expectation that all projects are required to utilize form AIA 102

Construction Start Deadlines

- WHEDA is aligning both the Federal 9% and State 4% program construction start date. Both programs will be subject to a mandatory construction start date of July 31 of the subsequent year following the tax credit award.

State of Wisconsin Historic Tax Credit Contract

- WHEDA will no longer require the State of Wisconsin Historic Contract as part of the Carryover/Tier 1 submission for historic adaptive reuse projects. WHEDA will instead require evidence of submission/receipt of part 2 application materials to the National Park Service.

Housing Tax Credit Competitions – Cure Period

- WHEDA is introducing a “cure” period as part of the competitive application review
- The cure period will be limited to threshold failures
- The cure period will be a pre-defined 5 day period during the application review period. No opportunities will offered to cure beyond the 5 day period.

Housing Tax Credit Compliance Fee Schedule

- WHEDA has received updated guidance regarding an increase in the number of units that WHEDA compliance must inspect on tax credit projects.
 - WHEDA is investigating a fee schedule modification to account for the additional unit inspection requirements.

Violence Against Women Act (VAWA)

- The WHEDA Tax Credit Compliance Manual will be updated to reflect the requirements of the Violence Against Women Act.

Tax Credit Project Rent Increases

- WHEDA will no longer permit mid-lease rent increase clauses at WHEDA Housing Tax Credit developments.

Supportive Housing Scoring Units – Affidavit

- We requires that the supportive services units be marketed to tenants in need of supportive services for a period of 30 days prior to marketing to other income qualified renters
 - WHEDA will require that an affidavit be filed by the property manager in the project files attesting that the unit was marketed in accordance.

Universal Design Scoring and Appendix M Design Requirements Threshold

- WHEDA will require that the project submit to WHEDA a copy of the 3rd party architect report at the first construction draw inspection (Mandatory Construction Start) and at the final inspection (8609).
 - WHEDA will require that first construction draw report contain a statement from the architect that the plans and specifications incorporate WHEDA’s requirements for Universal Design Scoring and Appendix M Design Requirements.
 - WHEDA will require that the final inspection report contain a statement from the architect that that the building was constructed in accordance with WHEDA’s requirements for Universal Design Scoring and Appendix M Design Requirements.