



Community
HOUSING NETWORK

Opening Doors • Transforming Lives

April 28, 2016

Ms. Michele Wildman
Chief Housing Investment Officer
Michigan State Housing Development Authority
735 E. Michigan Avenue
Lansing, MI 48909

Re: LIHTC 2017-2018 Qualified Allocation Plan

Dear Ms. Wildman:

On behalf of Community Housing Network, please accept these comments regarding the 2017-2018 Qualified Allocation Plan (QAP) draft. We greatly appreciate the opportunity to provide the following comments and suggestions for modifications to the QAP for 2017-2018.

Perserve Supportive Housing Set Aside

First, we appluade MSHDA for maintaining the PSH set aside and the use of the Addenum III review to assess projects that will create quality PSH. We offer the following recommendations for the 2017/2018 QAP.

Please recall that the concept of supportive housing itself arose from the deinstitutionalization movement. The ongoing goal of this movement intends to reduce stigma and abuse experienced by individuals with disabilities while providing greater integration within the community. Not only will implementing these suggested changes have tremendous consequences for developing the type of integrated and accessible communities that we strive for, but will also enjoy alignment with new Center for Medicaid and Medicare Home and Community Based Rule and the new final rule on Affirmativlty Furthering Fair Housing.

We request that from the perspective of an organization that strives to break down the barriers and the stigma faced by individuals with disabilities in our current housing market, we are concerned with the treatment of PSH units and allocation of points for low-income targeting in the draft 2017-2018 QAP. In its current format, the scoring system incentivizes the production of housing developments with 50% or more PSH units by awarding them the full points allowable. We fear that rewarding this type of concentration in supportive housing is problematic for holistic community development and not to mention not is in alignment with the CMS Home and Community Based Rules. In addition, PSH units are targeted towards those living at or below 30% AMI and will require some sort of rental



assistance, such as MSDHA Project Based Vouchers. The 2017-2018 draft QAP does not count these units towards low income targeting, thus incentivizing the creation of a concentration those living at or below 30% AMI. The 2017-2018 QAP should allow the PSH units receiving MSDHA Project Based Voucher to count toward low income targeting, thus creating mixed-income developments.

We believe that supportive housing is most effective when PSH units are integrated within the larger community. Projects that feature majority PSH units fail to create a diverse community and do not work to overcome the stigma that individuals and families who need these units face every day. Accordingly, we feel the number of points allocated for Low Income Targeting needs to be reduced in the 2017-2018 QAP.

In addition, we have several issues with the PSH Set Aside in this draft iteration. First, we have concerns that the preservation of PSH units is treated the same as the construction of new units. We fear that this could favor preservation in a way that results in the construction of fewer new PSH units – which we believe is counter to the State of Michigan’s intent to create new PSH units to help end homelessness and provide housing in the least restrictive environment for people with disabilities. In order to address this discrepancy, we recommend that MSHDA either create a sub-set-aside for PSH preservation in the PSH category and allocate additional LIHTC to that sub-category, or that MSHDA increase the amount of credit available in the PSH set aside to address the need to preserve PSH projects coming off their 15 year compliance period.

We request that MSHDA modify its requirements for funding for services, requiring only one year of commitment for funding for services, and with a letter of intent to seek out funding for the services for the full term. We also request that the amount be lowered to \$2,000 per supportive housing unit from \$5,000 per supportive unit to be awarded points for funding commitments.

In the staff notes, Addendum III review language is addressed, but it is not formally addressed in the QAP. We request that the QAP language matches the staff notes. We also request that the official submission date of the Addendum III is 45 days prior to the application as opposed to the 60 days in the current draft.

We request that MSHDA define homeless frequent emergency department users with care needs and further define how developers would provide evidence that they are providing adequate and required services. It is our understanding that MSHDA is working with DHHS to create this definition, but we request that this be taken up as a separate discussion with an open comment period.

MSHDA reduced the basis boost to 20% from 30% in the current QAP, which is a large reduction in points. In order to address this large reduction, we request that

MSHDA consider making the basis boost categories cumulative, as opposed to either or.

We ask that when PSH credits are returned to MSHDA, that they are returned to the PSH set aside pool , as opposed to the general pool where they are currently awarded, to assure that developers construct as many PSH units as possible.

Finally, we recommend the 2017-2018 QAP round down when determining the percentage of PSH units in a project.

Municipal Support

We recommend that MSHDA increase the points available for evidence of proper zoning and site plan approval back to 5 points from the proposed 2 points. By decreasing the points available in this category some developers may choose to save up front costs and fore go the 2 points and submit projects with out site plan approval or proper zoning. By incentivizing a developer to make the significant investment to obtain proper zoning and site plan approval from a municipality will ensure that projects that are ready to proceed are funded. By increasing the points to 5, projects will be completed faster and fewer credit reservations will be returned to MSDHA due to projects that can not obtain site plan approval.

Developer Experience Points

While the 2017-2018 QAP draft does provide a two tier approach to assess the experieicne of the developer, we recommend that MSHDA consider developments with fewer than twelve units to count towards experience, as well as to change the current timing and requirement of having been placed in service for three years. We proposed that developments that have completed lease up and established stabilized occupancy for one year count towards expereicne points. We also encourage MSDHA to add points to Tier 1 for having served a specific community or population for more than a decade to also count towards exepereince points. These changes will allow smaller, place-based developers with very specific and vital experience to be allowed to compete in this extremely competitive process that currently favors larger developers.

Cost Containment

We agree the need to ensure costs are not exporbent when building affordable housing. However, we believe the current cost containment measures in place need to be amended in the 2017-2018 QAP. Not only do the current cost containment measures penalize developers for building housing with the amenities and quality, including energy efficiency features, MSHDA says it wants, but they also are not in alignment with current costs of consturction and materials.

We request that energy efficient upgrades be excluded from cost containment formulas, as they save money over the course of the deal, but have up-front costs. Also, we also ask that PSH differences be considered in this group.

Further, we also believe that PSH developments are disadvantaged by the cost containment formula. As part of the PSH requirements, MSHDA strongly encourages community space and supportive service space for PSH residents by awarding points as part of the PSH threshold criteria. This additional space adds to the overall construction costs. Currently, preservation and historic developments have different cost containment formulas. We ask that MSHDA consider the same for PSH deals. We also request that MSHDA compare the prices of PSH deals with PSH deals for cost containment, as opposed to comparing pricing to non-PSH deals. This practice is utilized in other states.

Placemaking and Walkscore

While we applaud MSHDA's effort to focus on project location and feel that incentivizing "placemaking" is a worthy cause, we are extremely concerned with MSHDA's complete reliance on Walkscore as a tool that quantifies a location's virtues. We would like to reiterate that places are composed of people, not destinations for consumption. Placemaking is intended as a "reimagining of public space" for the greater use of the people of the community. Proximity to the amenities measured by Walkscore is not a replacement for the cohesiveness and accessibility of a community or an understanding of what any particular place needs for its residents to grow.

Moreover, we feel that Walkscore does not create a full picture of the conditions of a neighborhood required to determine the value of a location for a LIHTC development. While the Walkscore system appears to have competent algorithms measuring the number and proximity of amenities to a site, it does not consider a number of key factors which are necessary to determine serviceability of a site by amenities: transportation infrastructure conditions, transportation linkage, transportation safety, sidewalks versus vehicular routes, and barriers between subject site and amenities. Nor does it measure quality and applicability of amenities to subject site.

We ask that MSHDA consider utilizing the mechanism in Ohio's QAP to help determine walkability. Similarly, Walk Score does not reflect the services related access that should be a part of a PSH project and is reflected in Addendum III review.

Further, we believe that the 20 point assignment is excessive, and combining it with Central Cities points is merely double counting. We request that if Walk Score continues to be used, that the amount of points available be reduced to 10 points. We also believe that Walk Score can and is manipulated with outdated or false data. We ask that you consider the market study that details the neighborhood's amenities

Gatekeeper Function

While we appreciate MSHDA's commitment to allocate credits as efficiently as possible, we do not agree with the requirement to apply for the 4% NOFA prior to

applying for the 9% credits. We have a strong concern that small and rural housing developments will not qualify for the 4% NOFA and due to this, submission for the NOFA round will create extra work while not necessarily achieving a policy goal. We also have concerns that with different underwriting goals and criteria between a 4% NOFA transaction and a 9% LIHTC transaction, the language in the QAP that bars a preservation transaction in the 9% round unfairly penalizes developers from submitting preservation proposals that are worthy of consideration as a 9% transaction that might not work as a 4% NOFA transaction.

Leveraged Debt and Cost Reasonableness

The QAP encourages leveraged debt, which is what nonprofits try to avoid. We ask that MSHDA clarify what it means by "leveraged debt."

While we appreciate that MSHDA defined a 5% range for an acceptable cost percentage change, CEDAM request additional information and clarification on determining reasonable inflation or outside influences that might raise construction costs.

Negative Points

As requested in the past, we ask that the total number of negative points be reduced to ten, which will match the number of potential positive points. We also ask that MSHDA create a written and transparent standard for assigning negative points, which includes a time schedule of how long negative points will remain in effect for a developer or property management company. Without standards and transparency, the public has no way of knowing the nature of the evaluation process being utilized by MSHDA, and whether it is fair and consistently administered.

We ask you to please consider these comments as you finalize the 2017-2018 QAP. Together, we can work to improving living conditions for all of Michigan's citizens.

Sincerely,



Kirsten Elliott
Vice President of Development
Community Housing Network