

# 2022-2023 QUALIFIED ALLOCATION PLAN

## STAFF REPORT

### INTRODUCTION

The key policy areas in the 2019-2020 and 2021 Qualified Allocation Plans (“QAPs”) were reflections of the priorities for affordable housing in the State of Michigan for the last several years. The 2022-2023 QAP includes a return to a more standard QAP rewrite process after the interim 2021 QAP. During the 2020 calendar year, MSHDA revisited its priorities and clarified its strategic direction moving forward. This strategic direction includes pursuing equitable housing outcomes for underserved populations, increasing access to quality housing opportunities in both rural and urban neighborhoods, and other strategic initiatives. While working with stakeholders in various public hearings, focus groups, meetings, and conversations held over the course of the last year, MSHDA has determined key areas of focus for the redevelopment of the QAP for 2022-2023:

- 1) A continued shift to focus 9% LIHTC resources towards production of new affordable housing units;
- 2) Increased weight given to developments that are most efficient in meeting mission objectives with the LIHTC resource;
- 3) A continued alignment of location priorities to focus on nearby amenities that are important to residents’ healthy daily living;
- 4) Focusing resources to areas with high concentrations of overburdened renters and prioritizing developments that offer affordable rents and services to assist them;
- 5) Taking further steps to incentivize green building and healthy living systems;
- 6) A commitment to gathering data and analyzing how the LIHTC program fulfills goals of Diversity, Equity, and Inclusion;
- 7) Restoring the PSH Category to 25% of the annual LIHTC ceiling to reflect housing needs for vulnerable populations and simplification of the PSH application process;

To address these focus areas, several changes have been made throughout the QAP, Scoring Criteria, and accompanying program documents. Following is a list of some of the more significant revisions to the 2022-2023 Qualified Allocation Plan, Scoring Criteria, and other related policies. This is not intended to be an all-encompassing list. Therefore, in addition to reviewing this list, stakeholders are encouraged to review all of the program documents in their entirety to gain a full understanding of the policies and program requirements contained within them.

### PRODUCTION OF NEW HOUSING UNITS

There is a continued need to focus 9% LIHTC resources towards production of affordable housing units. There is a great need for affordable housing throughout the state and the 9% LIHTC resource is critical in addressing that need in urban and rural areas alike. This focus on creation of new units is being

accomplished while also maintaining an avenue to LIHTC for rural preservation, public housing conversion, and other preservation projects that need the valuable 9% LIHTC resource. Additionally, with the passing of legislation at the end of 2020, the 4% LIHTC rate that has historically been floating at closer to 3% is now fixed at a 4% minimum and allows preservation developments to be feasible with the 4% LIHTC program.

#### INCREASED RESOURCE EFFICIENCY

The 2022-2023 QAP increases the weight placed on being efficient with the 9% LIHTC resource. With the significant need throughout the state for increased affordable housing units coupled with the recent increases in the cost of building materials, there is a need to place an increased focus on being as efficient as possible to best serve the housing needs of low-income residents throughout the state.

#### LOCATION PRIORITIES

There is a continued shift in location priorities from those highly walkable areas to a focus on the essential nearby amenities that residents will need to live and thrive. Amenities that allow residents near access to food, health, and recreation are prioritized in order to ensure that housing provides the essential elements that residents will need in their daily lives.

#### TARGETING AND CORRECTING HOUSING OVERBURDEN

The 2022-2023 QAP recognizes the issues that arise when households are forced to pay more than what is feasible for their housing costs. By prioritizing areas that have high household overburden, where renters are paying more than a feasible share of their income towards rent, the QAP is targeting affordable housing units in areas where they are most needed. The QAP also seeks to further address the issue by incentivizing developers to further reduce rents in order to ensure that resident housing costs are truly affordable.

#### GREEN BUILDING AND HEALTHY LIVING

Steps have been taken in the 2022-2023 QAP to require projects to incorporate the Green standards that have become more commonplace and provides appropriate incentives to create developments that are greener and healthier for residents going forward.

#### DIVERSITY, EQUITY, AND INCLUSION

The 2022-2023 QAP commits to adding data collection and analysis, including but not limited to a racial equity impact assessment, to its ongoing review processes, with the intent of using that data to make future changes to the QAP, Scoring Criteria, and other program documents to best grow racial equity within the state. This is an important and critical first step to understanding the issues that exist in this area in order to develop targeted and intentional policies that will work to correct it.

## PERMANENT SUPPORTIVE HOUSING

In the 2022-2023 QAP, the PSH Category has been returned to 25% of the total annual credit to respond to high demand, after being reduced in the 2021 QAP. Additionally, the Addendum III has a new simpler and easier-to-follow format, but is otherwise largely unchanged for 2022-2023, after seeing bigger changes in the last few QAPs.

## OTHER CHANGES

Other changes include a return to two funding rounds per credit year, although there have been a few changes to the breakdown of category per round from the 2019-2020 QAP. There are also two new set-asides, one for Tribal housing and one for the recent Disaster Relief credits. These and other changes help make the QAP more accessible to our development partners and allow the QAP to address housing need throughout the state.