LOUISIANA HOUSING COUNCIL, INC.

CHAPTER OF NAHRO

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November 5, 2014

Mayson H. Foster, Chairman
Louisiana Housing Corporation Board of Directors
2415 Quail Drive
Baton Rouge, Louisiana 70808

Dear Mr. Foster:

The Louisiana Housing Council has reviewed the draft 2015 Qualified Allocation Plan. We believe many of the scoring items support public housing rehabilitation, whether rural or urban. We appreciate the addition of a new category, "Preservation Priority Project". This will afford PHAs the opportunity to rehabilitate the more distressed public housing with tax credit equity that could not be done otherwise. In addition, we are pleased to see that the Agency has "excluded" the cost of government grants and certain other funds from the Cost Limits. As you know, public housing redevelopment is much more costly due to hazardous material mitigation, demolition, relocation, infrastructure upgrades and HUD requirements to name just a few.

There are several areas we feel need to be addressed. We respectfully request full consideration of our comments in finalizing the 2015 QAP.

Developer Limits

The proposed 2015 QAP imposes a credit limit of $750,000 for any one developer (or consultant as defined in the glossary) from the 2015 credit ceiling. We are concerned that this limitation will have an adverse effect on PHA's by discouraging PHA Development Partners from participating in a PHA project because they must choose between the partnership deals where they share developer fees and one of their own initiative where they do not share fees. Most PHAs do not have the capacity to self-develop tax credits. They need to partner with developers for risk share, pre development costs, guarantees, and to generally meet LHC and investor threshold requirements. This action seems to be in conflict with the Corporation goal to assist PHAs in having access to qualified partners previously promoted by staff and the board. For example, the Corporation published an RFQ in November 2013 seeking qualified RAD Consultants to work with PHAs across the state, either in the capacity of development partner or consultant - to promote HUDs initiative for this program and assist inexperienced PHAs. If the PHA and Developer Partner/Consultant has taken advantage of this LHC promotion, the developer limits proposed in the 2015 QAP will now prohibit more than one PHA from engaging the same pre-qualified developer or consultant from the LHC published list, or by any other means available to them, and even surpasses that in that this Partner/Consultant is now limited to moving forward with not more than one application (RAD or not) in this 2015 round. We believe this to be an unnecessary and unfair limitation and request that this limit be removed or revised for PHA Partner/Consultants. The priority should be on awarding credits to the highest and best scoring applications, not to limit the make–up of the development team.

Basis Boost

The redevelopment of public housing has additional cost burdens not associated with a conventional, non HUD-assisted project. Just a few include 1) the higher cost associated with the Davis-Bacon wage rates which are on average at least 10% higher; 2) resident relocation costs of nearly $2,000 per unit; 3) burdensome legal evidentiary document preparation and submission to HUD as a mixed-finance transaction; 4) additional costs to manage Section 3 Compliance; 5) costs associated with hazardous material testing, reporting and mitigation do to the age of the structures; and 6) costs for demolition if the development requires to be re-built on a new site. Due to these issues alone, we request that PHA redevelopment applications that are not currently in a QCT or DDA be granted consideration for the 130% basis boost.

Finally, we would like to point out some important issues regarding our public housing industry in the overall effort to develop or preserve affordable housing in our respective communities.

- The average age of Louisiana's public housing is 60 years! Public Housing Authorities need LIHTC more than any other group in Louisiana.
- Louisiana's 106 housing authorities serve the "poorest of the poor" in Louisiana with more than 85% at poverty level and at 0 to 30% AMI. The majority of the "private sector" tax credit projects serve those at 50-60% AMI.
- In Louisiana, 23% of all the households in public housing are elderly and 20% are disabled.
- All 106 agencies are non-profit with a focus on services and quality housing, not profit or developer fees
- 106 agencies are responsible for 23,151 units.
- The backlog of needed capital improvements in public housing exceeds $500 million in Louisiana
- HUD has consistently reduced the very small amount of Capital Funds each year allocated to PHAs just to keep up with maintenance. Housing authorities are permitted to borrow against a small portion of its capital funds for capital improvements, but without leveraging with LIHTC, the program is not feasible.
- HUD has no funding sources to renovate existing or build new housing. It actually encourages PHAs to look to the LIHTC program as an alternative funding source.
- LIHTC is the only viable option open to PHAs to maintain its housing stock and serve its residents. Without this as a funding source, living conditions will continue to deteriorate for the public housing residents. We risk creating blight that would lower property values in surrounding neighborhoods. LIHTC is a source to rejuvenate neighborhoods. Without the program we risk continued deterioration along with demolition and loss of affordable housing in our respective communities.
- Some private developers are opposed to providing any scoring advantages to PHAs because it limits tax credits for themselves! In order for a PHA to pursue LIHTC, HUD recommends that the PHA engage a development partner through its required procurement procedures. This means that our state's for-profit developers have an opportunity to partner with housing authorities. In fact, those housing authorities that have built new units or renovated existing units have all used for profit developer partners.

On behalf of the Louisiana Housing Council and its members, we appreciate the effort by the Corporation in working with the member agencies of the Council.

Sincerely,

Kenneth M. Habetz, President
Louisiana Housing Council