HSA
HOUSING SOLUTIONS ALLIANCE
LLC

November 14, 2014

Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, Louisiana 70808

Re: Draft 2015 Qualified Allocation Plan

Below are comments to the draft 2015 Qualified Allocation Plan that we hope you find useful in determining the final QAP.

1) Section III.C.1
Project and Developer Limits

The developer limit of $750,000 in tax credits is too low and should be increased. A limit of $1,500,000 has been frequently suggested and is a more responsible limit than $750,000.

The primary reason for increasing the tax credit allocation limit to developers is to increase the quality of projects developed with 2015 tax credits. The intent of the proposed low developer allocation limit may be to increase the pool of developers awarded credits but the result will be a decrease in the quality of projects awarded.

The developer tax credit allocation limits apply to "related persons thereof or agents or any person having an identity of interest with such Developer, related persons thereof or agents thereof or any combination of the foregoing shall be reserved… "

Given that some developers will seek to work with public entities (such as a Housing Authority), sharing both the responsibility and profits of such venture, this section does not seem to adequately describe how developer fee limit may be shared in such venture.

The second paragraph may attempt to address this issue, but is not at all clear, seeming to confuse Developer tax credit allocation limits and developer fee limits. While these issues may be related, they may be best described separately.

Suggestion: raise the developer tax credit allocation limit to at least $1,500,000.

Suggestion: clarify the developer tax credit allocation limit applicable to joint ventures; if this section is also related to developer fee limits, clarify this as well.

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2) Section V.B.2.b
Cost Containment Guidelines

We understand that cost containment is an issue at the forefront of the minds of many both locally and nationally, but these threshold requirements are not appropriate, will not produce high-quality affordable housing, and will not benefit residents of affordable housing. There are several problems with the proposed cost containment guidelines.

These guidelines, presumably based upon RS Means data, simply do not reflect the cost to build affordable housing.

These guidelines note “all cost are based on total development cost per dwelling unit per square foot,” but this definition conflicts with other definitions in the QAP.

If cost containment guidelines are meant to apply to “construction cost” or “cost to build,” these guidelines may be more appropriate, although not necessarily acceptable.

The QAP encourages Governmental Support in the selection criteria, but this Government Support always entails an increase in soft costs, whether through construction requirements (Davis Bacon requirements, etc) or closing requirements (it’s not free to close on HOME funds, etc). Accordingly, the desires of the Cost Containment Guidelines in the thresholds and the Governmental Support preference in the selection criteria are in direct conflict. The QAP awards developers for seeking outside sources for a project, yet still penalizes the developer by not considering that these sources themselves create costs for the development.

Similarly, any Public Housing Authority that is required to follow HUD’s Mixed-Finance approval process, or the fledgling RAD program, will have development costs far exceeding similar developments that do not require HUD approval. While many of these projects may be able to secure outside sources to cover these costs, the proposed guidelines appear to give no consideration of these costs, which are independent of construction costs.

During the public hearing it was commented that the board may have a preference to avoid concentration of poverty; many affordable housing developers have the assets (existing housing, outside sources, or both) to deconcentrate poverty and improve housing within the same effort, but these cost containment guidelines create constraints which make such efforts unlikely.

Finally, these cost containment guidelines, as proposed, give no consideration for the costs community or common areas

Suggestion: remove the per square foot cost containment guidelines; while this may be a good direction for the Agency to work towards, the proposed guidelines are inappropriate

Suggestion: return to the previous QAP's per unit guidelines; while these rules present their own concerns, they are yet feasible, unlike the proposed rules.

Suggestion: if cost containment or TDC guidelines should consider all development costs, exceeding the cost to build alone, these guidelines should appropriately reflect the costs related to using governmental sources and/or the different affordable housing development methods.

3) Appendix A—Glossary
Developer Fee Base

We disagree with the exclusion of the costs of land, acquisition, lease of property, etc., from Developer Fee Base.

4) Appendix A—Glossary
Development Costs
Total Development Costs

Development Costs are defined as "the costs of acquiring land or buildings… " and Total Development Costs are defined as "Development Costs plus the cost of land." These definitions do not appear to be consistent and create confusion with other parts of the QAP.

Sincerely,

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