



March 10, 2021

Alan Rakowski
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Re: Prosperity Indiana Member Input Regarding the 2022 Draft Qualified Allocation Plan

Dear Mr. Rakowski:

We sincerely appreciate the opportunity to provide input on the 2022 Draft Qualified Allocation Plan (QAP). Prosperity Indiana appreciates the complex task of balancing our state's substantial affordable housing needs in setting the priorities through the QAP. To inform our response, Prosperity Indiana has consulted our membership, inviting members to attend the virtual hearing for this draft plan and to provide feedback through an online member meeting and over email. The following comments represent the feedback we received from our membership of community development practitioners.

We appreciate that the current draft 2022 QAP addresses some of the preferences and concerns expressed by our membership regarding prior plans. This includes recurring feedback that there were so many set-asides, too few credits were awarded under critical categories, meaning high scoring projects were not funded. In the past, we have recommended eliminating, combining, or reducing points for some of the categories, which has been acknowledged by the elimination of the Stellar and Workforce Housing categories.

We also appreciate the circumstances of this one-year plan being drafted as IHCDA also grapples with the housing and community development needs brought on by an ongoing pandemic. Many of our members are on the front lines of COVID-19 response and recovery, and some who would typically be active in this process are preoccupied by ensuring basic needs are met in their communities. Given that, we affirm holding off on multi-year planning efforts when an issue with longer-term ramifications can be addressed at a later time.



Throughout this process, some clear themes emerged regarding the current QAP, even though our membership and the populations and geographies served are diverse. Far and away, we received the most feedback on the proposed penalty for filing for a qualified contract release. In the interest of partnership and working towards shared community development goals, we are providing those themes – as well as some of the more technical suggestions – from member responses to address concerns from members as you continue work on the 2022 QAP draft. These responses are not necessarily presented verbatim but represent the spectrum of perspectives we received.

General Feedback

One-Year Plan

- Several members expressed appreciation that this one-year QAP is a limited occurrence to provide flexibility during the pandemic and that the goal will be to move back to a two-year QAP for 2023-2024. That being said, some also still would prefer to have this QAP cover two years, 2022 and 2023.

Health & Safety

- One member expressed concern about the implications of 25-foot smoking area distance requirement.

Set-Asides

Number and Types

- To the point above about reducing the number of categories, some members praised eliminating the Stellar and Workforce categories and adding the percentage of credits available to other categories. However, those same members recommend that a senior set-aside should be considered.

Rural

- An issue of concern to some members is underrepresentation of rural counties in the distribution of LIHTC awards. One of the reasons discussed is that rural counties in general score very poorly in the Opportunity Index and Housing Needs Index categories. Finding a way



to recognize that the choice to live in rural places is not necessarily driven by the same desire for nearby amenities would be appropriate.

Pain Points

Qualified Contracts

The most common and strongest feedback from members this year is about the penalty for filing for a qualified contract release. The points penalty for projects ready now for exits at year 15, filed after a January date this year, instead of staying with the 30-year extended use, has created a considerable amount of consternation for some members, notably private developers. The following is a representative sample of perspectives provided:

- “As an organization that has a lot of older properties that are coming up on year 15, our biggest concern are issues surrounding Qualified Contracts.”
- “The “not ready for prime time” provision is the negative points to a developer for pursuing a qualified contract... [I]t’s punitive to the developer for entering into an agreement 15 years ago and now having to make a different business decision based on this provision.”
- “I think this has the potential to produce a greater loss of affordable housing units over the long run versus a more balanced policy.”

Despite Prosperity Indiana’s support for affordable housing preservation efforts, we acknowledge that waiving at the time of application the right to pursue a qualified contract in the future is different than penalizing new applications because previous deals were structured with a 15-year exit in mind. If this provision is eliminated in the 2022 QAP to allow for additional discussion that is held outside of the regular QAP comment period, Prosperity Indiana would like to participate in the conversation and encourage nonprofit members to be a larger part of the discussion as well. This route seems especially appropriate because it remains unclear to our members whether the point penalty is a one-time issue or a perpetual deduction for developers who enter into a qualified contract.

Promise Zones

Two PI members lead and a number of PI members support Indiana’s Promise Zones. Because development opportunities are challenged by the conditions in the Zones’ footprints, PZs are dependent upon the promised collaborative boost that additional funding preference provides.



Although this preference disadvantages the majority of PI members in the QAP process, PI acknowledges that the additional points are notably provided in alignment with the federal investment strategy.

- “This issue is critical in my estimation: There are only two Promise Zones in Indiana (Evansville and Indianapolis). These designations were selected due to the extraordinarily high poverty rates in these areas (nearly 40% in the Evansville PZ). The very spirit of the Promise Zone is to increase investment in the most economically distressed areas, LIHTC is a very important and specific investment that is needed in economically distressed areas.

In essence, to remove the priority points for PZ de-incentivizes developers to propose projects within these areas, which are the areas that need investment the most. Confusingly, this only impacts two urban areas in Indiana, so I can't imagine what the benefit to removing it from the QAP is but doing so is decidedly against the very spirit of LIHTC, a program that, according to HUD, 'is the most important resource for creating affordable housing in the United States today.'

Essentially what this does is remove the incentive for developers to take the most effective affordable housing development tool available into the areas that need affordable housing the most.”

As always, Prosperity Indiana's network recognizes the demand of meeting diverse and urgent affordable housing needs with fairly limited LIHTC resources, particularly at a time when PI members and IHCD partners are focused on addressing the additional demands of ongoing COVID-19 response and recovery plans. We commend IHCD's work to incorporate feedback throughout the drafting process. Please contact us anytime by phone or email to clarify or elaborate on any of these recommendations or comments.

Sincerely,

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