



June 30, 2017

Indiana Housing and Community Development Authority
Rental Housing Tax Credit Program
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Suite 1000
Indianapolis, IN 46204
Attention: Alan Rakowski, Rental Housing Tax Credit Manager

Prosperity Indiana supports a network of more than 200 organizations that build vital communities and resilient families. Our members are comprised of nonprofit human service providers, housing developers, community development corporations, local units of government, financial institutions and private businesses. While our members are diverse in their structure, geography and areas of practice, they are united by a purpose to achieve prosperity in Hoosier communities. This includes efforts to ensure that those in need gain access to affordable, safe, accessible and stable housing. With that in mind, Prosperity Indiana engages our members in developing policy priorities and soliciting feedback on crucial community development plans, such as the Qualified Allocation Plan (QAP) which determines how Low Income Housing Tax Credits (LIHTC) will be prioritized and allocated to achieve statewide housing and community development goals.

These resources are more critical now than ever for the populations our members serve. A new report from the Joint Center on Housing Studies (JCHS) at Harvard University found that, “even with multifamily construction at its highest level in two decades, additions to the rental supply have not kept pace with swelling demand. As a result, rents have climbed across the board.”¹ Additionally, the report found that there is a “worsening mismatch of demand and supply, with the number of low-income renters far outstripping the number of available units.” At the same, the U.S. Department of Housing and Urban Development’s (HUD) 2015 Worst Case Housing Needs report found that the number of very low-income renters increased from 18.5 million in 2013 to 19.2 million in 2015, even though the share receiving assistance declined from 25.7

¹ Joint Center on Housing Studies at Harvard University. (2017). *The State of the Nation’s Housing*. (http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/harvard_jchs_state_of_the_nations_housing_2017_chap5.pdf).

percent to 24.9 percent.² Using LIHTC resources to effectively respond to these considerable challenges is a tall order; and on behalf of our members, Prosperity Indiana staff appreciated the dialogue regarding the approach to this drafting process prior to the release of the first draft of the 2018-2019 QAP. Specifically, we welcomed the opportunity to meet with both you and Matt Rayburn to discuss Indiana Housing and Community Development Authority's (IHCDA) process in engaging stakeholders statewide and reasoning behind certain shifts in prioritization contained in this version of the plan.

That conversation yielded helpful context for our feedback process and engagement with our members on the draft, which began on March 30, via our Connection Point monthly call where we solicited feedback on the current QAP and asked participants to provide their practitioner perspective on opportunities for improvement. Additionally, upon release of the second draft, we reached out to stakeholders in our membership for one-on-one calls regarding updates and overall feedback. The comments provided below reflect the best summary of common themes and concerns expressed throughout those engagements for your consideration as final edits are made to the plan.

From the outset, Prosperity Indiana staff and members agreed that several sections of this draft were responsive to ideas and concerns raised in our feedback on the previous QAP. Those changes represented positive updates to better achieve the very difficult goal of using the limited federal resources to be responsive to urgent need to address housing access and quality throughout rural, suburban and urban communities statewide. Those improvements will be identified in our feedback below, along with areas we believe would still benefit from additional revisions.

Set Asides

Qualified Not-for-profits

Some of our members expressed concern that it is already difficult for nonprofits to compete in the application process; accordingly, they were disappointed by the 5 percent reduction in the set aside for Qualified Not-for-Profits.

Community Integration

As we stated in our previous QAP feedback remarks, the growing emphasis on accessibility and visitability has been positive. Specifically, we are pleased that the addition of the Community Integration Set Aside directly responds to our member feedback in the last QAP round that stated that having "Housing for Vulnerable

² The U.S. Department of Housing and Urban Development. (2015). *Worst Case Housing Needs Report to Congress*. (https://www.huduser.gov/portal/publications/affhsg/wc_HsgNeeds15.html).

Populations” as a preference does not adequately address the unique needs of the elderly separately from those with a disability. Meeting the needs of disabled individuals and those of the elderly requires nuanced approaches, and grouping them together as they were previously did not recognize those differences. Having a separate category is important to addressing housing access concerns as noted in the last round.

We do, however, have concerns that eliminating the Elderly Housing Set Aside represents a setback in meeting those needs, since demand is stronger than ever and only continues to grow. According to the same JCHS report, “17.1 million older households will have ambulatory disabilities by 2035. Ensuring that necessary home modifications and supportive services are affordable to older low-income households will be a critical challenge.”³ We hope that there will still be awards made to projects that are responsive to senior housing challenges throughout the state as well. We also echo comments made at the second draft public comment hearing earlier this week that encourage a stronger emphasis on integration for projects competing under the Community Integration Set Aside.

An idea that emerged from our member engagement is to ensure that projects ranked under the General Set Aside can include those projects that target the 55 and older population and yet still allow for 20 percent of units to be targeted to other populations, which could be responsive to senior housing needs and enhance integration.

Workforce Housing

Feedback we received found that some members were interested in exploring how effective developments in this new category could be used in addressing the lack of affordable housing in high opportunity areas. There was concern that the structuring of this set aside might give some projects an unfair edge. Because the ability to charge 60 percent rents is a significant advantage, we fear this set aside – focused on high opportunity areas – could skew the focus of the projects to higher income areas that otherwise score well, if allowed to compete in multiple set asides. The risk for having awards concentrated in the counties identified by the criteria laid out in this new category is of concern to serving the economic and geographic diversity of needs statewide. With that in mind, our members suggest reducing the number of counties to fewer than five, as the first QAP draft did, and ensuring that if applicants apply under this set aside, they should not be competitive in other categories.

³ Joint Center on Housing Studies at Harvard University. (2017). *The State of the Nation's Housing*. (http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/harvard_jchs_state_of_the_nations_housing_2017_chap6.pdf)

Stellar Communities, Housing First Set Aside, General Set Aside Feedback

Prosperity Indiana has members who are competitive under both Stellar Communities and the Housing First Set Aside; but generally, member feedback found that these are weighted too heavily. As you requested, we asked our members what barriers prevented projects from being proposed. Overall, we heard that certain evaluation restrictions contained within the set asides and thresholds still favored urban communities, as we will continue to discuss below. We did hear, however, that members felt IHEDA made strides in this QAP to be more responsive to community needs.

In fact, a general critique of the QAP was that the narrowed nature of the thresholds and set-asides make it difficult for otherwise competitive projects to meet the overall priorities of the plan. Specifically, respondents indicated that the focus on select housing goals – and the way in which those priorities translate to threshold weights and set asides – creates a bias towards specific populations, regions and even certain programs within each of those regions and dampens the potential for broader community development impact.

Beyond the broader issues of prioritization and the weights/concept of certain set asides previously discussed, Prosperity Indiana asked members and partners to comment on specific thresholds and evaluation factors to determine their impact on project feasibility and community responsiveness. That feedback is summarized below.

Threshold

Regarding threshold requirements, the predominant feedback we received focused on audit requirements and developer fees.

Audit Requirement

We heard significant concerns with the QAP's requirement that documentation must include the "most recent audited or CPA reviewed financial statements and the current year-to-date balance sheet, income statements, and cash flow statements from the developer." Members expressed that this put small developers at a disadvantage as many large, for-profit developers have a CPA on staff and are regularly audited as practice, but it is not standard practice for smaller developers. Therefore, this requirement adds a significant expense to the already costly process of preparing an application for a LIHTC project when only roughly 25 percent of applications are funded overall.

Further, members felt it was not necessary to achieving the goal of vetting the developer's finances when you consider that investors and equity providers already screen developers' finances and require guarantees before agreeing to support a tax credit project. Prosperity Indiana was pleased to hear in the second public comment hearing on June 27 that IHEDA

plans to change this criteria. The change referenced is in line with what our members suggested as an alternative- a revision that IHCDCA staff can require audits at your discretion. Our members stated that to go even further, there could be an additional provision whereby IHCDCA could throw out an application or significantly penalize future applications for developers that are found misrepresenting their finances to safeguard the soundness of projects.

Developer Fees

Our members expressed that because the expense of producing quality housing projects makes them financially difficult to pursue, developer fees should, at a minimum, keep pace with inflation. Under user eligibility and limitations threshold category, our members would like to see a modest increase in the developer fees allowed for 9 percent projects.

Visitability Mandate

Given Prosperity Indiana's focus on comprehensive community development that is inclusive and sustainable, we applaud the continued visitability requirements. This is especially important given the data referenced earlier regarding the dramatic projected increases in households with ambulatory disabilities.

Project Costs, Fees, Design Features

One area IHCDCA asked Prosperity Indiana to discuss with our membership is whether or not the QAP appropriately addressed cost containment concerns. Overall, members expressed that certain measures, such as updates to energy efficiency certifications were very helpful to containing costs. But they did feel that because production demand is near or at pre-recession levels, depending on the data source, costs can rise during the time it takes for applications to be approved, which lowers the value of the tax credits. Therefore, they urged continued review of fee limitations, historic preservation weights, etc. given the need to mitigate costs associated with building innovative and effective projects.

Paperwork Reduction

Another area IHCDCA specifically mentioned feedback would be helpful is in identifying where there are overly burdensome paperwork requirements that are detrimental to project development. Members responded that it is redundant for a single organization to continually submit the same documents, such as Articles of Incorporation, Partnership Agreement or Operating Agreement, IRS documentation of tax-exempt status, etc. across multiple applications and multiple years. Addressing that redundancy is one area where IHCDCA could streamline the paperwork requirements.

Evaluation Factors

Adaptive Reuse versus New Construction

As with the previous iteration of the QAP, Prosperity Indiana still heard from numerous members regarding the heavy emphasis on adaptive reuse projects, which in general, caused developers and communities to seek properties that score points instead of determining where the most need exists and what structure is most responsive to that need. Members expressed that this is a particular challenge in rural areas where appropriate sites are more difficult to find. For some rural areas, the only possible projects are new construction but they rarely get qualified due to the preferences for preservation and reuse. While our members conceded that this category has produced some remarkable, award-winning projects, the usable stock of buildings has dwindled and the cost prohibitions and efficiency challenges make this category a barrier to some communities that wish to pursue a LIHTC project.

Tax Credit Per Unit

Some members expressed that the cost per unit approach instead of the cost per square foot makes it difficult to get awarded for single family scattered site development that also meet local zoning requirements.

Building Certification/Energy Efficiency

As referenced briefly before, members were very encouraged by the revisions made in this category. While Prosperity Indiana believes sustainable, energy efficient features are best practices and essential to address the cost mitigation needs of low-income housing tenants, our members found that the large costs connected to certain certifications and features made projects less feasible. Further, there was not sufficient value to tenants to justify their inclusion. Examples include the LEED Gold green building standards or the use of rain barrels, which members claimed added maintenance challenges with little tenant value.

Desirable Sites

This category is one in which many members expressed very clearly contained points that while well-intentioned, created an unfair urban bias in scoring. One example is under location efficient points which award points to projects within a half mile walking distance of at least three facilities, such as grocery stores with fresh produce, entertainment venues, or a police station, to name a few. Rural communities and even suburban communities will simply never be able to compete for a significant number of potential points in this category.

Another area of concern under desirable sites is transit oriented development. While members were glad to see revisions that allowed rural and small city sites to use point to point transit services instead of requiring public transportation, documenting established point to point transit services is more difficult in rural communities compared to urban projects. Here, urban communities are at an advantage as they have easier access to public transportation without additional project costs.

Prosperity Indiana was encouraged that the opportunity index does deduct points if a site falls within a Racially/Ethnically Concentrated Area of Poverty in recognition of the need to diversify project locations to meet Affirmatively Furthering Fair Housing goals. Under this same index category, however, members continued to find urban community advantages in awarding points based on one mile proximity to physicians and large employers.

One last area members found geographic bias in point awards is under the undesirable locations where proximity to trains was considered as undesirable as proximity to water treatment plants and hazardous chemical factories. Members expressed that not everyone would agree trains are objectionable and that they are a key feature of nearly every rural town. Especially when you consider insulation and construction innovations that can better buffer sound concerns, members felt reducing points based on this proximity was unfair to small communities.

Housing Needs Index

Prosperity Indiana applauds the inclusion of a housing needs index, but we believe the current index does not go far enough in measuring development, refinement, data collection, and testing of the index. This is one area where Indiana could significantly improve its affordable housing policy making by grounding it in a weighted affordable housing needs index that helped to prioritize public expenditure of funds. We believe that there should be a robust consensus metric for affordable housing need for a balanced evaluation of varying local needs, development climates, and built environment. Every Indiana community benefits from affordable housing due to a number of economic, demographic, and social reasons. Therefore, a tested model is necessary to identify areas with the greatest need equitably applied against urban, rural, and suburban communities.

In compiling an index it would be important to include stakeholder assessment of the indicators, additional measures developed by the public process and evaluation of the level of importance each measure in determining affordable housing need (weighting). The index would start with an initial set of objective indicators of affordable housing need. Thinking about what is available in the Census and other available information the following measures might comprise such an index:

Additional Affordable Housing Index Measures	
Percent of units lacking heating fuel	Percent of population frail and elderly
Median monthly gross rent	Percent of population spending more than 50% for housing
Housing wage for a 1/2/3/4 bedroom unit	Vacant units compared to population
Yearly median of real estate taxes	Head of household median age.
Household units/Number of households	Percent of single person households
Percent of housing units (county /state)	Unemployment rate over a 3 year period.
Percent of county population (county /state)	Median income of adjoining census tracks.
Number and percent of subsidized units in county	Declining population of cities as compared to county population
Percentage single family vs multi-family units (owner/renter)	Number of homeless neighbors
Median mortgage size	Percent of homelessness neighbors (census tract/county)
Percentage of total household units with overcrowded conditions (more than 2 people per bedroom)	Percent of homelessness neighbors (county/state)
Number and percent of units handicap accessible	Per capita evictions
Number of disabled population per county	Number on the public housing waiting list
Percentage and number of population 65+	Per capita public housing waiting list
Percentage and number head of household 65+	

Prosperity Indiana is the state partner for the National Low Income Housing Coalition (NLIHC) and colleagues in community economic development through National Alliance of Community Economic Development Associations and their respective member networks across the country. Those partnerships provide a base of knowledge on which we can gather information on additional indicators, identify best practices and engage our membership for refinement of this index process. Prosperity Indiana would welcome an engagement with IHCD so that we could work with our partners to research this further. Another alternative is a university partner such as the Public Policy Institute at the School of Public and Environmental Affairs Indianapolis.

Tenant Investment Plan

Members agreed with awarding additional points to projects that offer robust services through partnerships with local service agencies. In addition, they were unanimous in their support for allowing the evidence of service agreements to be submitted post-application so that nonprofit partners do not have to spend significant resources finalizing agreements if the project does not get selected.

Community Participation

Our members expressed that the laudable goal of encouraging applicants to serve on the board of directors for nonprofits focused on housing, community development, or economic development is, in practice, a hindrance to nonprofit organizations that are themselves the applicant. That is due to the requirement that the individual's service cannot be to a board of an organization on the development team for a project. Our members noted that nonprofit applicants already have to meet the community development priorities and goals within the QAP. With that in mind, they do not believe nonprofit executives should have to serve on the board of a separate, non-related board when they are already fulfilling a community development mission.

Role of Local Government

IHCDA also asked Prosperity Indiana to solicit feedback among our membership regarding the points awarded to projects with strong local government support. Specifically, we asked if requirements regarding local government support for projects prevented otherwise quality applications from being submitted. Our members reported that occasionally, getting mayoral approval can be a challenge in some situations like high growth areas; but in general, members found that local governments are eager to get a project in their town in order to respond to urgent affordable housing needs. This is especially true for senior housing developments. Consensus among our members was that gaining local government support sufficient to support applications has not been a challenge.

General Feedback and Future QAP Considerations

Health Impacts

One final subject Prosperity Indiana would like for IHEDA to consider for future QAP rounds is the inclusion of a Health Impact Analysis, through a collaboration with an educational institution in the state to better evaluate how affordable housing policy, specifically LIHTC investments, influence public health outcomes. This work has been established in other states, such as Georgia, and is designed to examine the extent to which factors, such as housing availability, location, design and cost, as well as exposure to pollution, opportunities for physical activities, schools, etc. are determinants of health.

The study in Georgia was completed with the goal of informing the state's 2015 QAP plan. The research focused on the proposed criteria for allocating the tax credits and considering how these criteria will affect health through the effects of decisions on housing for vulnerable populations and community development⁴ The project engaged the Georgia Department of Community Affairs, real estate developers, state regional commissions, community representatives, and relevant federal agencies to build support for implementation of the report's recommendations.

While certain elements of building healthier communities, such as smoke free housing, proximity to job opportunities and healthy foods are addressed in the QAP, Prosperity Indiana believes a more comprehensive study looking at the diversity of community health needs and outcomes and what healthcare incentives make the most sense in different geographies would be informative and beneficial in the development of healthier homes and neighborhoods for low-income families.

Prosperity Indiana's members appreciate the difficulties involved in incentivizing certain goals, maintaining flexibility and encouraging innovation in program applications to serve statewide interests. We understand the complexities involved meeting the needs of each type of community, without penalizing another. While our feedback based on member input, still finds room for improvement and identifies barriers in the form of certain setbacks and thresholds that prevent project competitiveness across all community types, they felt this QAP made many positive strides. Specifically, members noted that cost containment revisions, the current underwriting process works and frequent FAQ updates were all very positive. Additionally, all of our members appreciated the open process for engagement with IHEDA staff around the QAP drafting process and post-application submission.

⁴ Rushing, MJM; Dills, JE; Fuller, E. (2015). *A Health Impact Assessment of the 2015 Qualified Allocation Plan for Low-Income Housing Tax Credits in Georgia*. The Georgia Health Policy Center, Andrew Young School of Policy Studies, Georgia State University.

On behalf of Prosperity Indiana's membership affecting positive change in communities throughout the state, thank you to the Indiana Housing and Community Development Authority staff for the opportunity to provide comments for Draft Two of the 2018-2019 Qualified Allocation Plan.

We appreciate your consideration.

Respectfully submitted,



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