

## Comments Qualified Allocation Plan

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In June 2010, The Laubacher Company prepared a detailed, 10-page letter response to the Illinois Housing Development Authority (IHDA) in response to its request for input from the development community on IHDA's update to its Qualified Allocation Plan (QAP) as required by Section 42 of the Internal Revenue Code. We are pleased that several of our comments were incorporated into IHDA's 2011 QAP, including:

- Pre-screening application: reduce the number of exterior elevations required.
- Allow for 10% re-balancing of units between preliminary and final submission.
- Focus on fewer priorities and give them greater weighting.
- Architectural and Design Amenities: eliminate some of the trivial items that scored points in 2010 such as shuffleboard courts, ceiling fans and microwaves.
- Eliminate QCT as a scoring category.
- Combine the three architect's certifications into one.
- Eliminate the filing of IRS Form 8821.
- Change in "Live Near Work" scoring criteria
- Expectation of two funding rounds in 2012.

The fact some of our comments were incorporated proves that it is worthwhile for IHDA and the development community to have dialogue.

With a view toward long-term changes IHDA could consider for 2012 and beyond we offer these further constructive comments.

As stability is restored to the position of Manager of Tax Credits, we very much hope to create a back-and-forth dialogue which will be far more satisfying than the once per year opportunity to provide written comments.

Greater Discernment Regarding "Preservation" projects – In the affordable housing industry, "preservation" is frequently a misnomer in that only a very small segment of Section 8 or 515 properties are really at risk of leaving the affordable housing portfolio.

The 2011 QAP provides several categories of heavy point scoring for existing Section 8 and 515 projects. While site-based rental assistance is valid for new construction developments, operating sites that currently have project based-assistance have already made binding commitments to provide affordable housing. Why should these get additional resources at the expense of new production that will expand the affordable housing inventory?

10-25 points are awarded to developments "whose conversion to market rate housing is likely to occur within three years". Isn't it worth asking how many Section 515 projects in the state have ever converted to market rate housing? How many 202s? In this environment, even very few Section 8 projects will opt-out: HUD has made it both too cumbersome to opt out and rather attractive to remain in their assisted housing programs.

A justification for “preservation” projects is more a “revitalization” argument: that these are old, tired properties that need rejuvenation or they will decay out of the housing stock. In that event, the rehab is justified only if it is a lower cost than new construction. If true, then this is a compelling argument. Low cost preservation projects should then score well under an “efficiency index”. Proposals should be rewarded for being efficient, but no reward just because they hold an existing subsidy contract.

Historic Preservation – It is unclear why historic preservation gets points for affordable housing. Historic preservation is not a priority identified by the Governor’s Task Force, the 2003 Executive Order or the 2010 Annual Comprehensive Housing Plan. Properties that would qualify for QAP points are already harvesting federal historic tax credits.

Explicit Exemptions for Certain 4% Tax-Exempt Bond Deals – The QAP should state that for properties seeking 4% tax credits and are not seeking any other form of IHDA financial assistance (no HOME, IAHTC or volume cap) then IHDA will accept market studies and environmental reports from any vendor and not require the project to re-do their reports from IHDA-approved vendors. Additionally, the construction cost estimate should be acceptable from a contractor with an identity of interest in the owner.