December 18, 2019

Mr. E. Keith Cunningham
Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, LA 70808

Dear Mr. Cunningham,

The Greater New Orleans Housing Alliance (GNOHA) is concerned with the systematic disinvestment in New Orleans by the Louisiana Housing Corporation, occurring as a result of the language contained in both the 2018 and 2019 Qualified Allocation Plans (QAP). Specifically, QAP Section A. Threshold Requirements, item 5. Negative Neighborhood Features, effectively disqualifies any new construction project in New Orleans as the vast majority of parcels of a size and zoning suitable for multi-family residential development within the city (sites which are connected to existing infrastructure, public transportation systems, jobs and social services) are also located within ¼ mile of a junkyard, processing plant, distribution facility, high voltage substation, solid waste disposal, salvage yard, industrial or a prison. The proximity of negative features in Louisiana's various densely populated and industrial cities does not eliminate the need for new construction of additional affordable housing within these areas.

Given the announcement that the LHC does not plan to edit the 2019 QAP for the upcoming 2020 9% LIHTC round, we are concerned that this will result in the third year in a row that New Orleans will not secure any new construction 9% tax credit deals. The 2019 Point in Time count confirmed that the lack of new affordable housing units is having dire impact with 1,800 first-time street homeless individuals. With 1,800 people who have never been homeless before now turning to the streets, this is not the time to disinvest in New Orleans. Tax credit funding that has been awarded to New Orleans recently has been 4% LIHTC paired with Katrina Rita CDBG, disaster recovery funding that is long overdue from these 2005 disasters. The fact that those funds have finally been awarded to areas still recovering and rebuilding after almost 15 years, does not relieve the LHC's responsibility to award Louisiana's annual allocation of 9% Low Income Housing Tax Credits in a fair and equitable manner. New Orleans is in a current affordable housing crisis that continues to rampage due to underlying systemic inequities still unresolved.

However, is not just New Orleans that is suffering. There are jurisdictions statewide, including larger suburban areas like Donaldsonville, that have been automatically disqualified due to components of the QAP that automatically and unfairly disqualify specific jurisdictions, such as density requirements, industrial limitations, and negative neighborhood threshold features.

There has been an immense failure at the state level to implement programs, policies, and adequate funding for affordable housing, and our residents are currently paying the price. Policies have failed to address what the Governor has identified as high priorities, which is creating housing for low income families and special needs populations. This includes the men and women who are being released from prison through the Justice Reinvestment Initiative. While 641 free citizens currently languishing in prison for no other reason than that they don't have addresses to go home to, there has been minimal investment in the five parishes to which 80% of them would need to return: Caddo, Orleans, Jefferson, St. Tammany and East Baton Rouge.

We are calling on the LHC to intervene on this issue and address the disparate impact of the QAP. LIHTC funding is, by law, intended to be awarded based on population. With some of the most populous jurisdictions in the state being effectively disqualified from receiving funding, it is evident that the LHC has not properly appropriated LIHTC funds. This misappropriation of LIHTC funds not only violates the implementation standards of federally funded programs, the biases within QAP that prohibit funding projects in certain jurisdictions violates fair housing laws.

While GNOHA fully supports the allocation of funding in rural and less populous jurisdictions in our state, the LHC has dedicated funding outside of LIHTC, such as CDBG dollars that can be used to develop housing exclusively in non-participating jurisdictions. Additionally, the LIHTC funding that is creating low income rental property in rural areas is not addressing the needs of the overwhelming majority of people in rural parishes who often live in run-down property owned by their families that needs repairs and renovation. People who come from a history of living on single-family property do not want to necessarily live in multifamily units that LIHTC exclusively creates. The LHC has attempted to address these needs with the Delta 100 Mortgage Product, which was deployed in eight parishes other than New Orleans to address disaster in rural areas. However, they have not issued one loan under that program. While the issue of LIHTC funding has often been depicted as an issue of rural jurisdictions versus urban, participating jurisdictions versus non-participating, the truth of the matter is that under the current funding allocation strategy, no jurisdiction is getting what it truly needs to address the needs of its unique population.

We believe the following components of the QAP have made it more difficult for developers in urban or more densely populated regions to qualify for funding, and therefore systematically withholds funds from New Orleans communities.

1. **Change threshold items for Negative Neighborhood Features**

Remove the Section A Item 5 Threshold Requirement which prohibits the construction of new developments within a certain mile radius of listed (and currently undefined) negative neighborhood features. In addition to this threshold requirement effectively disqualifying most urban infill sites for new development, sites which are also desirable for their proximity to Positive Neighborhood Features, the identification of these Negative Features are subject to interpretation by the market analyst. A developer contemplating if an application will be competitive is faced with considerable uncertainty and risk due to this requirement. Because of the subjectivity and lack of definitions, an applicant will not know if their project meets this basic threshold requirements until after the application submission and market study have been commissioned, with upfront fees to the LHC and the cost of preparing the application already incurred. Additionally, it will be more difficult for the LHC to allocate 4% LIHTCs as this is a threshold requirement that will be applicable to both 4% and 9% LIHTC applications. Disqualification under this new policy disproportionately affects sites in urban areas and is reducing opportunities to develop affordable housing in areas like New Orleans, Baton Rouge, Shreveport, Alexandria, Lafayette.

2. **Define key terms related to urban development**

The term "**industrial**" needs to be defined. Urban centers have more dense neighborhoods and are often near industrial neighborhoods historically. This should be clarified and understood BEFORE application and market study fees are required to be spent.

The term “**scattered sites”** needs to be defined. The QAP defines projects as either multifamily (on one site), or scattered sites. There is a reference to multiple sites (non-contiguous) but it is lumped in with the scattered site classification. For example, two smaller multifamily buildings built near to each other is classified as a scattered site and this means the project is ineligible for basis boost (because of the potentials for separate census tracts) and community facilities points.

a) Classifications should take into account non-contiguous multifamily sites that include neighborhood amenities on either site (or nearby). Smaller buildings that work together under one management in the same neighborhood should receive credit when a project provides (or is near to existing) community facilities (or community service facilities) regardless of configuration.
b) Basis boost eligibility is currently unavailable if project falls in 2 census tracts. Even if 70% of the project is in the high income census tract, project is ineligible for basis boost. Either the basis boost should be allowed across the project based on the dominant census tract OR the basis boost should be allocated (allowed on the census tract that is eligible).

3. Raise the TDC Cap

a) The TDC cap in the 2019 QAP is too low for an urban site. Typically urban infill projects are on tighter sites that require more creative solutions to develop successfully with all requirements included. Larger sites can spread some of this cost across multiple units but smaller sites cannot. This encourages larger projects and less urban sites and does not support smaller infill projects.
b) Extraordinary costs are allowed, but no developer fee can be calculated on these additional costs. This allows for LHC staff to subjectively determine what the final basis is, and deters smaller projects and for-profit developers.
c) A smaller project must include a minimum of 3 amenities (only covered parking, computer rooms, fitness rooms and possibly picnic area are possible on a smaller site). Covered parking would ideally be under the building to make the project fit well on the site but this is significantly more expensive to build.
d) Acquisition costs and fixed soft costs such as legal fees, accounting, appraisals, reserves etc. are significant enough that there the overall TDC cap restricts the construction cost to a very low $125 psf which is not viable in urban areas. The TDC cap also does not account for the range of added cost Davis Bacon imposes across cities
e) The fixed operation expenses for LIHTC projects mean that the minimum per unit operating costs can be up to double the LIHTC minimum on smaller projects.
f) Reconsider the application of HUD 2018 Unit Total Development Cost Limits to define maximum TDC for projects submitting under the 2019 QAP and reinstate the ability to exclude Government Grants, Historic Syndication Proceeds and Certain Other Funds,” in TDC calculations for the 2019 QAP.

4. Remove the developer fee cap based on a project’s unit count

The 2019 QAP caps developer fees based on project size (reducing the allowed percentage for fee as unit count increases). Larger projects involve greater risk (guarantee exposure and greater debt) but by reducing incentive for a developer to increase its exposure, the QAP discourages the pursuit of larger impactful projects. Additionally, by capping developer fee, the QAP reduces the option of deferring fee to include Deferred Developer Fee as a project source, which is particularly detrimental to 4% LIHTC projects and historic tax credit projects where deferred developer fee is an important vehicle to generate additional credits to solve funding gaps.

5. Change the New Basis Boost Determination

Reconsider the new tier system of available Basis Boost prescribed by the Draft 2019 QAP. The new tier system of available basis boost appears to be less consistent with Sec. 42(m)(2)(A), under which allocating agencies are charged with limiting LIHTCs to the amount “necessary for the financial feasibility of the project and its viability,” and more intended to prioritize certain project characteristics as would typically be employed through pool availability and/or selection criteria.

6. Incentivize High Impact Projects:

a) To coincide with the acknowledged need to prioritize High Impact projects and support the broad arena of public benefit offered by the same, increase the per project cap to $1,000,000 for High Impact projects.
b) Consider addition of an allocation pool for High Impact projects with $2,000,000 available for projects that create new housing units and evidence an integral role in a tangible undertaking with shared goals among multidisciplinary entities, programs, and/or public initiatives for broad community benefits.
c) Consider the addition of a scoring criteria to acknowledge the high impact characteristics of relevant projects in advancing community revitalization through a functional role, enhancement and/or endorsement by established initiatives, programs, or public benefit as confirmed in writing by the highest elected official of the jurisdiction.

7. Change scoring criteria for costly provisions that increase quality of life standards

While Community Facilities are available to tenants free of charge, Community Service Facilities are available to residents and the community serving 60% AMI or below and charges fees affordable to those populations.

a) Give credit for providing Community Service Facilities onsite for new construction infill and homeownership projects, due to fact that the cost of building can be outside of the TDC cap.
b) Phased developments under single ownership should be able to receive points for facilities and amenities previously as well as currently provided. Currently, phased development projects are not allowed to count community service facilities and amenities that were provided in one phase, in all phases.
c) Give Credit for Neighborhood Amenities and Universal Design & Green Building. In order to receive the maximum points, at least 5 amenities are required. On smaller projects this is challenging and expensive (see TDC comment above). Projects should be able to get credit for nearby amenities such as playgrounds, picnic areas and walking trails as no one should recreate these features if they are nearby. Additionally, Universal Design and Green Building are both mandatory but do not gain any points for new construction in the 2019 QAP. These should all be mandatory but can add significant additional costs to the project and therefore should receive points.

With the above recommendations, GNOHA is confident that some of the many developers working to create affordable rental opportunities for New Orleanians will be more likely to submit applications in 2020 and receive 9% LIHTC for the projects that are so urgently needed for our citizens. We urge the Louisiana Housing Corporation to consider making these changes to the Qualified Allocation Plan to create a better functioning program that results in more affordable housing opportunities for New Orleanians. If you have any questions or concerns, feel free to contact me at 504-224-8301.

Sincerely,

Andreanecia M. Morris

Andreanecia M. Morris,
President/Chairwoman

cc: Governor John Bel Edwards
Mr. Bradey Sweazy, LHC Chief Operating Officer
State Representative Royce Duplessis
State Representative Joseph Bouie, Jr.
State Senator Troy Carter
New Orleans Mayor Latoya Cantrell

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