Proposed Changes to the Qualified Allocation Plan and Multifamily Financing Program Guide 8/18/2023

The Department's Proposed Changes to the Multifamily Rental Financing Program Guide

Existing Section	Existing Language	Proposed Language	Action	Rationale
Overview and Policy Statement: The State Context	 Family Housing in Communities of Opportunity Housing in Community Revitalization and Investment Areas Integrated Permanent Supportive Housing Opportunities for Persons Experiencing Homelessness or Housing Instability, including Veterans Preservation of Existing Affordable Housing Elderly Housing" 	 Family Housing in Communities of Opportunity Housing in Community Revitalization and Investment Areas Integrated Permanent Supportive Housing Opportunities for Persons Experiencing Homelessness or Housing Instability, including Veterans Preservation of Existing Affordable Housing Elderly Housing" 	Formatting changed.	Changed to reflect that the list is not necessarily in order of priority level.
3.1 Development Team Requirements	"All corporations, limited liability companies, or limited partnerships that make up the Developer, Project Owner, or that will provide guarantees to the transaction must submit audited, reviewed, or compiled financial statements, as well as interim statements acceptable to DHCD. Project guarantors must provide audited or reviewed financial statements. Developers/sponsors with twenty-five (25) percent or greater ownership must provide audited or reviewed financial statements"	"All corporations, limited liability companies, or limited partnerships that make up the Developer, Project Owner, or that will provide guarantees to the transaction must submit audited, reviewed, or compiled financial statements, as well as interim statements acceptable to DHCD. Project guarantors must provide audited or reviewed financial statements for the most recent year. Developers/sponsors with twenty-five (25) percent or greater ownership must provide audited or reviewed financial statements for the most recent year"	Language updated.	Updated requirements for financial statements for guarantors and sponsors with greater than 25% ownership.

3.6 Other Financing	"Each applicant must present a clear plan	"Each applicant must certify in the	Language changed.	Updated requirements
3.6 Other Financing Commitments	for the Project at the end of the initial 15-year Compliance Period. The plan must include support and rationale for the following: • The exit strategy for the limited partner or investor member, as applicable, and the anticipated ownership changes; • Any anticipated refinancing, re-syndication, or sale to a third party; and How affordability will be maintained through	"Each applicant must certify in the Commitment or Viability/Commitment Submission Package that the following provisions will be included in the project owner's limited partnership or limited liability company agreement executed at closing: • Prohibit the project owner's investor limited partner or non-managing member from removing the general partner or managing member from the limited partnership or limited liability company unless there is demonstrated	Language changed.	Updated requirements based on stakeholder feedback
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3.8 LIHTC Award Limits	"The maximum amount of a competitive LIHTC reservation or allocation for small projects (up to 40 units) competing in the general pool will be limited to the lesser of no more than \$25,000 per unit or \$1 million. Larger projects will be limited to no more than \$1.5 million to any single project. Reservations and/or allocations may be split over two (2) or more calendar years"	"The maximum amount of a competitive LIHTC reservation or allocation competing in the general pool will be limited to no more than \$30,000 per income restricted unit up to \$1.5 million to any single project. Reservations and/or allocations may be split over two (2) or more calendar years"	Language updated.	Changed to a per affordable unit calculation.
3.9.3 Operating Expenses	"Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits, should be no less than \$4,000 per unit per year and no more than \$7,000 per unit per year"	"Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits, should be no less than \$4,000 per unit per year and no more than \$8,000 per unit per year"	Language updated	Increased operating expense limit.
3.9.8.3 Professional Fees	"Sponsors may request up to an additional five (5) percent above the calculated Developer's Fee (i.e. up to 20% of Development Costs and up to 15% of Acquisition Costs) if the additional fee is escrowed with DHCD or another lender to: (a) fund a supportive service reserve or, (b) fund a rent subsidy for Targeted Population units (See Section 4.4.2) set aside for persons at or below 20% of Area Median Income (AMI) for twenty (20) years. If a 20% AMI unit funded with this subsidy is rented to a voucher holder, then the next available comparable unit in the building must be rented to an income-qualified tenant at or below 20% of	"Sponsors may request up to an additional five (5) percent above the calculated Developer's Fee (i.e. up to 20% of Development Costs and up to 15% of Acquisition Costs) if the additional fee is escrowed with DHCD or another lender to: (a) fund a supportive service reserve, (b) fund a rent subsidy for Targeted Population units (See Section 4.4.2) set aside for persons at or below 20% of Area Median Income (AMI) for twenty (20) years, or (c) Repay Sponsor Note. The additional five (5) percent above the calculated Developer's Fee will not be subject to the \$2.5 million limit stated above. If funds are deposited for a rent subsidy, the funds will be used to fund the difference	Language updated.	Reorganized section and added language for repayment of sponsor notes.

	the AMI. The additional five (5) percent above the calculated Developer's Fee will not be subject to the \$2.5 million limit stated above. If funds are deposited for a rent subsidy, the funds will be used to fund the difference between the 20% AMI rent and 60% AMI rent. DHCD will work with sponsors to determine the exact mechanism necessary and appropriate to ensure funding on the subsidy"	between the 20% AMI rent and 60% AMI rent. If a 20% AMI unit funded with this subsidy is rented to a voucher holder, then the next available comparable unit in the building must be rented to an income-qualified tenant at or below 20% of the AMI. DHCD will work with sponsors to determine the exact mechanism necessary and appropriate to ensure funding on the subsidy"		
3.13.1 Criteria Applicable to All Projects	"Accessibility - All projects, regardless of the source of funding, must comply with UFAS and any other applicable laws or requirements, including without limitation Section 504 of the Rehabilitation Act of 1973 (Section 504), the regulations implementing Section 504 at 24 CFR Part 8, the Americans with Disabilities Act (ADA), and the 2010 ADA Standards (as modified by HUD)"	"Accessibility - All projects, regardless of the source of funding, must comply with UFAS and any other applicable laws or requirements, including without limitation Section 504 of the Rehabilitation Act of 1973 (Section 504), the regulations implementing Section 504 at 24 CFR Part 8, the Americans with Disabilities Act (ADA), and the 2010 ADA Standards (as modified by HUD). Provide a certification that the project, if funded, will employ a building accessibility consultant to work with the Development Team to ensure accessibility compliance as listed above"	Language added.	Added requirement for the employment of a building accessibility consultant to ensure compliance with accessibility laws.

3.13.2 Additional	"Except for gut rehabilitation projects, the	"The project must meet visitability standards	Language added	Provided clarification
Criteria Applicable	project must meet visitability standards for at	for at least 25% of its units.		on visitability and
Only to New	least 25% of its units and incorporate universal	A unit is visitable when it meets three basic		universal design
Construction, Gut	design features in its units and common	requirements:		requirements.
Rehabilitation, and Adaptive Re-Use	design reatures in its units and common areas"	 One zero-step entrance; All doorways on main floor have 32" of clear passage space; and One bathroom on the main floor that is accessible for wheelchairs. The project must also incorporate the following universal design features in 25% of its units and common areas. Electrical outlets at least 18" above the finished floor. Dedicated outlets and floor outlets are not required to meet this standard; Interior door openings have a clear width opening of 36"; Lever handles on all faucets, doors, and fixtures; At least one no-step entry into the building and unit; Clearly visible signage identifying buildings and units, with color contrasting print and braille; Lighted doorbell at the primary entrance to each unit; Non-glare lighting inside and outside 		requirements.

	 Slip-resistant walkways and entryways; Rocker, touch light, or hands-free light switches; Non-glare task lighting over sink, stove, and kitchen work areas; Pulls on drawers and cabinet doors in each unit; Automatic door openers at building entrances on accessible routes and to accessible units; Audible and visible smoke detectors in each unit; Light switches between 44"-48" above finished floor; Thermostats no more than 48" above finished floor; Low-pile or hard non-slip flooring; Front-loading washers and dryers with front controls, raised on platforms to reduce bending; Adjustable height closet rods or a portion of each closet with two clothes rods at different heights in each unit; Tubs and showers with slip-resistant floors; Bathtub/shower controls located 48" maximum above the tub floor in each unit; Toilet centered 18 inches from any side wall, tub, or cabinet; Grab bars or wall- blocking for future installation in tub, shower and grab bars at visitable toilet; and 	
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		 Mirrors over bathroom sinks have the reflecting surface 40" maximum above finished floor. For gut rehabilitation and adaptive re-use projects, waivers may be requested for zero-step entry requirements, if existing structures will not allow" 		
3.13.2 Additional Criteria Applicable Only to New Construction, Gut Rehabilitation, and Adaptive Re-Use	N/A	"The Climate Solutions Now Act of 2022 required the Maryland Department of the Environment to develop Building Energy Performance Standards (BEPS) that achieve a 20% reduction in new direct greenhouse gas (GHG) emissions by January 1, 2030, as compared with 2025 levels for average buildings of similar construction and net-zero direct GHG emissions by January 1, 2040. In preparation of the final BEPS regulations, the following will be required for all new construction projects: Except for adaptive re-use and gut rehabilitation projects, the project must utilize high-performance all-electric heating/cooling and domestic hot water equipment and other in-unit or shared appliances such as dryers, cooktops, ovens, or ranges. Projects may be granted a waiver from the requirement to have all-electric heating/cooling and domestic hot water equipment if they provide evidence of the following:	Language added.	Added requirement for the electrification of new construction buildings to align with the draft BEPS regulations.

		 An electric load letter from grid demonstrating there is not sufficient electrical service to construct a new all-electric building; or Use of on-site emergency back-up power generation with fossil fuel is acceptable; high-efficiency fossil fuel generators are permitted. Projects must provide a letter stating that onsite generators will only be used in no load tests/exercise and for emergency purposes when the electric grid power fails" 		
4 Competitive Scoring Criteria	"Infill and Redevelopment Pool Terms and Conditions Applicants applying for the Infill and Redevelopment Pool, established in Section F.2 of the QAP, must meet all Threshold Criteria in Chapter 3. Such projects are not required to compete with the general pool and must achieve a minimum total score of one hundred sixty (160) points, including at least ten (10) points within the Developer Financial Capacity category outlines in Section 4.1.3."	"Infill and Redevelopment Pool Terms and Conditions Applicants applying for the Infill and Redevelopment Pool, established in Section F.2 of the QAP, must meet all Threshold Criteria in Chapter 3. Such projects are not required to compete with the general pool and must achieve a minimum total score of one hundred fifty (150) points, including at least ten (10) points within the Developer Financial Capacity category outlines in Section 4.1.3."	Language changed.	Reduced minimum scoring criteria for projects applying for the Small Project Pool.
4.1.4 Nonprofits, Public Housing Authorities, and Minority/Disadvanta ged Business Enterprises	"Projects shall be eligible for a maximum of fourteen (14) points under this section as detailed in the four (4) categories below. The same entity may receive points in multiple categories. For example, an MBE/DBE, Community-Based NP (defined below), or PHA could have a 11% developer/owner role in	"Projects shall be eligible for a maximum of fourteen (14) points under this section as detailed in the four (4) categories below. The same entity may receive points in multiple categories. For example, an MBE/DBE, Community-Based NP (defined below), or PHA could have a 11% developer/owner role in	Language added.	Corrected example and added differentiation to the point structure based on ownership percentage.

	Category 2 and also receive points in Category 4 as a service provider."	Category 2 and also receive points in Category 4 as a service provider."		
	"Category 2 (maximum of six points): Up to six (6) points will be awarded to a PHA, MBE/DBE, or a Community-Based NP if the entity has less than 50% but more than 10% interest in the general partner or managing member of the project owner	"Category 2 (maximum of six points): Up to six (6) points will be awarded to a PHA, MBE/DBE, or a Community-Based NP if the entity has less than 50% but more than 10% interest in the general partner or managing member of the project owner as follows: • 10.1-15% - 5 pts • 15.1-25% - 5.5 pts • 25.1-49.9% - 6 pts"		
4.2.2 Communities of Opportunity	"Estimated percent change in the number of people between the periods of 2011-2015 and 2016-2020 obtained from the ACS. A component of population growth is the number of people relocating to a community, so this measures the quality of life in a community and is positively correlated with community health"	"Estimated percent change in the number of people between 2010 and 2020 obtained from the Tennessee State Data Center. A component of population growth is the number of people relocating to a community, so this measures the quality of life in a community and is positively correlated with community health"	Language updated.	Updated the data source.
4.3 Transit Oriented Development	"DHCD will award up to five (5) points to TOD projects as follows: Five (5) points to a project that is part of a MDOT-designated TOD. A list of MDOT-designated TODs is available at: http://www.mdot.maryland.gov/new MDOT/Planning/TOD/index.html; Points will be allocated to a project located in a transit-proximate development that promotes walkability and/or bike-friendly land	"TOD Projects shall be eligible for a maximum of five (5) points under this section as detailed in the two (2) categories below: Category 1: Five (5) points to a project that is part of a MDOT-designated TOD. A list of MDOT-designated TODs is available at: https://www.mdot.maryland.gov/tso/pages/Index.aspx?PageId=37; Category 2:	Language updated.	Updated URL and clarified how points can be stacked.

4.4.1 Income Targeting	use with easy access to store locations based or (www.walkscore.com). WALK Score Range 50-59 60-69 70-79 80 and Above "Up to ten (10) points project, regardless of	Points Allocated 0.5 1 1.5 2"		pment that promotes riendly land use with sit and retail store ALK Score Points Allocated 0.5 1 1.5 2" will be awarded to any	Language added.	Clarified instructions.
rargeting	weighted average of income targeting by bed	area median gross	project, regardless of location, based on the weighted average of area median gross income targeting by restricted bedroom in a project"			
4.4.2 Targeted Populations	one of the following (the percentage of un population):	one of the following (projects must identify the percentage of units for each targeted population): o PWDs; o Persons with special needs; one of the following (projects must identify the percentage of units for each targeted population): o PWDs; o Persons with special needs; one of the following (projects must identify the percentage of units for each targeted population): o PWDs; o Persons with special needs;		Language removed.	Removed special needs population since that population is captured though the other options listed.	

	o Survivors of crimes, including domestic and/or intimate abuse, sexual assault, and sex trafficking; o Veterans; o Persons transitioning from a correctional facility or other State facility or institution; or o Persons recovering from substance abuse disorder"	o Persons transitioning from a correctional facility or other State facility or institution; or Persons recovering from substance abuse disorder"		
4.4.2 Targeted Populations	"Projects with more than 25% of the units for a targeted population will receive zero points in this category except those projects targeting at-risk veterans and their families under the Department of Veterans Affairs Enhanced Use Lease (EUL) Program may exceed the 25% target population limit and still qualify for 10 points"	"Projects with more than 25% of the units for a targeted population will receive zero points in this category unless they meet the following exceptions: (i) Projects targeting at-risk veterans and their families under the Department of Veterans Affairs Enhanced Use Lease (EUL) Program may exceed the 25% target population limit and still qualify for 10 points; or (ii) Projects targeting persons experiencing homelessness through permanent supportive housing may still qualify for 10 points as long as the targeted units do not exceed 50% of the units"	Language added.	Added exception for 50% PSH projects.
4.4.3 Family Housing	"Alternatively, for projects where 100% of the units have a preference for veterans or persons experiencing homelessness, four (4) points will be awarded if at least 20% of the units are 2-bedrooms or larger"	"Alternatively, for projects where 100% of the units have a preference for veterans under the Department of Veterans Affairs EUL Program, four (4) points will be awarded if at least 20% of the units are 2-bedrooms or larger"	Language changed.	Clarified exceptions to scoring requirements.

4.4.5 Mixed Income Housing	N/A	DHCD supports the development of mixed-income housing. DHCD will award up to 2 points in this category based on the number of Market Rate units as a percentage of the number of affordable units. The term Market Rate unit refers to unrestricted units. The points will be calculated based on the following formula: # of Market Rate Units # of x 2 Points Affordable Units The final score will be rounded to the nearest one-hundredth (1/100) of a point.	Language added.	Adding points for the creation of market rate units.
4.4.6 Policy Incentives	Neighborhood" projects. The "Choice	in the Baltimore Region and the DC Metro areas.	Language changed.	Increased the number of projects receiving COO incentive points and corrected "Choice Neighborhood" terminology.

- o Projects with a "Choice Neighborhood" planning grant or award in the Baltimore or DC Metro area must meet the "twinning" projects requirement, as defined in Section 4.4.1, and include an overall total of at least 150 units to receive points under this category; or
- o Projects with a "Choice Neighborhood" planning grant or award in Allegany, Cecil, Calvert, Caroline, Charles, Dorchester, Frederick, Garrett, Kent, Queen Anne's, Saint Mary's, Somerset, Washington, Wicomico, Talbot, Worcester Counties must meet the "twinning" projects requirement, as defined in Section 4.4.1, and include an overall total of at least 120 units to receive points under this category.
- o Note: for the purposes of this scoring criteria, the Baltimore Region and the DC Metro Area include Anne Arundel, Baltimore, Carroll, Harford, Howard, Montgomery, and Prince George's Counties and the City of Baltimore.

One (1) point will be awarded to the top two (2) projects with a Category 1 MBE/DBE entity, as detailed in <u>Section 4.1.4</u>, competing in the Infill and Redevelopment Pool.

Note: All policy incentive points will be awarded based on the final scores, excluding points in Section 4.4.5 and Section 4.7.

- contributing to, a "Choice Neighborhood" planning grant or implementation grant identified by HUD; and
- o Projects with a "Choice Neighborhood" planning grant or implementation grant in the Baltimore or DC Metro area must meet the "twinning" projects requirement, as defined in Section 4.4.1, and include an overall total of at least 150 units to receive points under this category; or
- o Projects with a "Choice Neighborhood" planning grant or implementation grant in Allegany, Calvert, Caroline, Cecil, Charles, Dorchester, Frederick, Garrett, Kent, Queen Anne's, Saint Mary's, Somerset, Talbot, Washington, Wicomico, or Worcester Counties must meet the "twinning" projects requirement, as defined in Section 4.4.1, and include an overall total of at least 120 units to receive points under this category.
- o Note: for the purposes of this scoring criteria, the Baltimore Region and the DC Metro Area include Anne Arundel, Baltimore, Carroll, Harford, Howard, Montgomery, and Prince George's Counties and the City of Baltimore.

One (1) point will be awarded to the top two (2) projects with a Category 1 MBE/DBE entity, as detailed in <u>Section 4.1.4</u>, competing in the Infill and Redevelopment Pool.

	Projects applying under the Infill and Redevelopment Pool are only eligible for points under category 5 in this section."	Note: All policy incentive points will be awarded based on the final scores, excluding points in Section 4.4.5 and Section 4.7. Projects applying under the Infill and Redevelopment Pool are only eligible for points under category 5 in this section."		
4.5.1 Direct Leveraging	 "Leveraged funding may include: Project CORE funds awarded by DHCD; Strategic Demolition funds awarded by DHCD; Emerging Developer Loan Funds awarded by DHCD; Equity from a federal or state basis boost; Equity from non-competitive 4% LIHTC awards; The proceeds of MBP financing; Local contributions (as described below); Locally-controlled federal resources such as HOME, CDBG, or State Small Cities CDBG;" 	 "Leveraged funding may include: Project CORE funds awarded by DHCD; Strategic Demolition funds awarded by DHCD; Emerging Developer Loan Funds awarded by DHCD; Equity from a federal or state basis boost; Equity from non-competitive 4% LIHTC awards; The proceeds of MBP financing; Local contributions (as described below); Locally-controlled federal resources such as HOME, CDBG, or State Small Cities CDBG; HUD Section 202 Supportive Housing for the Elderly Capital Advance awards" 	Language added.	Added HUD Section 202 Capital Advance awards to list of leveraged funds.
4.5.2 Operating Subsides	"DHCD recognizes that projects may include other local investments not directly included in a project's sources and uses statement but which, nonetheless, represent significant reductions in the State resources needed to achieve feasibility. In particular, locally-controlled project-based rental	other federal or local investments not directly	Language added.	Expanded language to include federally awarded investments and rental subsidies.

	households and	eholds and protect tenants against being burdened while sustaining a project's			projects to serv d protect tenant while sustaining a	s against being		
4.6.1 Sustainability Features	Rating Entity	Rating System	Website	Rating Entity	Rating System	Website	Language updated	Streamlined table and updated URL for Enterprise Green
	Enterprise Green Communities	2015 Enterprise Green Communities Criteria, as updated	www.enterpri secommunity. org/green	Enterprise Green Communities	Enterprise Green Communities Criteria	https://www.g reencommuni tiesonline.org/		Communities.
	U.S. Green Building Council (USGBC	LEED V4 (Leadership in Energy and Environmenta I Design) Homes or Homes Midrise, as appropriate to project type	www.usgbc.o	U.S. Green Building Council (USGBC	LEED V4 (Leadership in Energy and Environmental Design) Homes or Homes Midrise	www.usgbc.or g		
	Home Innovation Research Labs	ICC-700 National Green Building Standard	www.homein novation.com /green	Home Innovation Research Labs	ICC-700 National Green Building Standard	www.homeinn ovation.com/g reen		
	Southface	Earthcraft Multifamily	www.southfa ce.org	Southface	Earthcraft Multifamily	www.southfac e.org		

	Green Building Initiative (GBI)	V5, as updated Green Globes	www.greengl obes.com	Green Building Initiative (GBI)	Green Globes	www.greenglo bes.com		
4.6.3 Project Durability and Enhancements	"Closet space is reasonable with a minimum of a four (4) foot clothes closet per person in each bedroom and at least three (3) of the following: an entry coat closet, linen closet, or utility closet. Closets intended for appliances (i.e. washer/dryer, HVAC) and kitchen pantry cannot be included as storage space"		"Closet space is reasonable with a minimum of a four (4) foot clothes closet per person in each bedroom and at least one (1) of each of the following: an entry coat closet, linen closet, and utility closet. Closets intended for appliances (i.e. washer/dryer, HVAC) and kitchen pantry cannot be included as storage space. Secure individual bulk storage is provided either in the unit or on site that is a minimum of three (3) feet by five (5) feet in size"			Language updated.	Clarified closet space requirements.	
4.6.4 Lovable Places	N/A			DHCD believes to features and am into lovable place. These lovable promote and sumust be oriented specifically, built should be place spaces providing coherence to the entrances on or must be organized.	cuilding durable, that including cornenities can transices. laces will include upport walkability dings in urban or dat edges of streeg definition and be environment, was next to sidewalk ted to support puss (such as retail, lower than to sidewalk ted to support puss (such as retail, lower than to sidewalk ted to support puss (such as retail, lower than to sidewalk ted to support puss (such as retail, lower than to support puss (such as retail, lower than the support	mmunity-centric form projects designs that A building public spaces. Similar districts pets and public pringing with building s. Buildings blic activity,	Language added.	Created new points section for projects with additional community-centric features and amenities.

event spaces) placed along pedestrian routes and secure, private places placed at site interiors, away from public streets. Parking must be behind or below the building, as to not disrupt pedestrian spaces. The buildings should include façade elements and building/landscape details that address the human scale. The human scale refers to the legibility of elements when one is very close to a building. Specifically, buildings should incorporate elements of detail that are refined to smaller increments of an inch or less at pedestrian level, allowing more detail to be revealed upon closer visual inspection. DHCD will award 2 points for projects that promote walkability as described above and include at least three (3) of the following: A spacious, welcoming lobby with adequate lighting with aesthetic fixtures, adequate lounge seating for residents, a designated HVAC system specifically for the lobby, a service, security, or concierge desk, a luggage trolley for residents to access and use as needed, and a designated mailroom. A fitness center accessible to all residents for year-round usage with enough space and equipment for 10% of residents to use at a time, and cardio machines, multipurpose areas, and a full complement of dual-function, selectorized equipment, and free weight products and accessories.

3. An outdoor social area such as a rooftop	
terrace, courtyard, gazebo, picnic area, pergola,	
veranda, or comparable space for year round	
usage with enough seating for 25% of residents	
at a time, heating elements, such as outdoor	
heaters, to increase the utility of the space	
during colder months, and dining areas	
including tables, chairs, and umbrellas.	
4. A community garden with enough space	
for 25% of residents to have plots. Plots must	
contain soil and be ready for resident use, either	
as raised garden beds or areas with soil, free of	
trees, pavement, and debris, and have access to	
water with a hose and a water meter.	
5. A designated telework space for year-	
round usage that includes enough tables and	
desks to seat 20% of all employed tenants,	
····	
ample electrical outlets near or on tables and	
desks, and at least two private meeting rooms	
for teleworking residents to take meetings and	
calls."	