

Proposed Changes to the Qualified Allocation Plan and Multifamily Financing Program Guide 2/28/2020

The Department’s Proposed Changes to the Qualified Allocation Plan

Existing Section	Existing Language	Proposed Language	Action	Rationale
<p>F.2 Choice Neighborhood with Permanent Supportive Housing Set-Aside</p>	<p>“In addition to the required Non-Profit Set-Aside, CDA will establish a set-aside of up to \$3 million of competitively allocated LIHTC in the 2020 Competitive Funding Round to fund two (2) Choice Neighborhood with Permanent Supportive Housing (PSH) projects (the Set-Aside). LIHTC from the Set-Aside will be awarded to the two highest scoring projects that meet the criteria below. If an application for the Set-Aside does not receive an allocation from the Set-Aside, the application will then be reviewed in accordance with the requirements for all other applications in the Competitive Funding Round. If no eligible applications are received or the full amount of the Set-Aside is not awarded in the 2020 Competitive Funding Round, the Set-Aside shall revert to the general pool in accordance with Section F.3 below.</p> <p><u>Set-Aside Criteria:</u> To be eligible for an allocation of LIHTC from the PSH Set-Aside, the project must comply with the following minimum criteria.</p> <ol style="list-style-type: none"> 1. The project must meet all threshold requirements as detailed in the Guide. 2. The project must be located within the boundaries of, and contribute to, a “Choice Neighborhood” identified by HUD. 3. The project must submit a “twinning” application, as defined in Section 4.2.1 of the Guide, with an overall total of at least 150 units. 4. The combined project may not request more than 		<p>Language removed.</p>	<p>Removed set-aside.</p>

	<p>\$5,000,000 in State funds, as defined in Section 4.5.1 of the Guide, split between the 9% LIHTC and the MBP/4% LIHTC projects.</p> <p>5. The project must identify at least 10% of all units as PSH units, meaning that the units are affordable at 30% of AMI and serve residents eligible for supportive services. These units will count towards the targeted population units in Section 4.4.2 of the Guide.</p> <p>6. The project must achieve minimum scoring under the Guide in the following categories:</p> <ul style="list-style-type: none">a. 4.1 – Capacity of Development Team – minimum score of 70 of 74 possible points;b. 4.2 – Community Context – minimum score of 16 of 16 possible points;c. 4.3 – Transit Oriented Development (TOD) – minimum score of 8 of 8 possible points;d. 4.4 – Public Purpose – minimum score of 38 of 46 possible points;e. 4.5 – Leveraging and Cost Effectiveness – minimum score of 18 of 25 possible points; andf. 4.6 – Development Quality Standards – minimum score of 27 of 31 possible points. <p>7. The project must have a commitment at the time of application for project-based rental subsidy with a term of at least fifteen (15) years for a minimum of 50% of the PSH units. The rent subsidy must cover the difference between 30% of the resident’s income and the fair market rent for the unit. Project-based rental assistance may be provided by a local public housing authority, USDA, or other such project-based assistance.</p> <p>8. At the time of application, the project must provide a</p>			
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	<p>letter of support from the applicable Continuum of Care (CoC). The letter of support must outline the relationship the project will have with the CoC regarding the coordinated entry system, referral services, supportive services, and data sharing.</p> <p>9. The project must provide a Supportive Services Plan (SSP) acceptable to CDA. The SSP must be unique to the project, provide services on site, be accepted by the applicable CoC, and address the following:</p> <ul style="list-style-type: none">a. Populations to be served;b. Sources of funding for all supportive services and how the supportive services will be sustained over the 40-year extended use period;c. The tenant referral and selection process that evidences low barriers to access and entry for the PSH units;d. Formal and informal methods that will be used to evaluate the success of the SSP in meeting the individual needs of the residents, addressing overall issues of homelessness and how this information will be conveyed to CDA; ande. Specific services to be provided, including the following<ul style="list-style-type: none">i. Identification of partnerships with qualified service-provider agencies;ii. Methods to assess resident needs and develop a plan for service delivery;iii. How transit will be provided to off-site services and referral entities;iv. Memorandum of understanding with all applicable service providers;			
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	<p>v. Methods to monitor and evaluate service delivery and outcomes; and</p> <p>vi. Methods to provide assistance in applying for Medicaid and other benefits to ensure the needs of residents are met.</p> <p>Note: All projects competing for the Set-Aside should submit a full application. Projects that do not receive the PSH Set-Aside will be ranked according to the Guide for consideration in the general pool.”</p>			
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The Department’s Proposed Changes to the Multifamily Financing Program Guide

Threshold

Existing Section	Existing Language	Proposed Language	Action	Rationale
3.2.2 Definition of Elderly Housing	“...For any project that applies for or is the recipient of Federal HOME funds, the definition of an Elderly Household, per 24 CFR 4.403, is a household “whose head (including co-head), spouse, or sole member is a person who is at least sixty-two (62) years of age. It may include two (2) or more persons who are at least sixty-two (62) years of age living together, or one (1) or more persons who are at least sixty-two (62) years of age living with one (1) or more live-in aides”..”	“...For any project that applies for or is the recipient of Federal HOME funds, the definition of an Elderly Household, per 24 CFR 5.403, is a household “whose head (including co-head), spouse, or sole member is a person who is at least sixty-two (62) years of age. It may include two (2) or more persons who are at least sixty-two (62) years of age living together, or one (1) or more persons who are at least sixty-two (62) years of age living with one (1) or more live-in aides”..”	Language modified.	Corrected typo in CFR reference.
3.13.1 Criteria Applicable to All Projects	“...The HERS rating must be submitted as part of the close out package if used in the point calculation in Section 4.6.2 ...”		Language modified.	Removed language requiring submission of HERS rating.

<p>3.13.3 Additional Criteria Applicable to New Construction, Gut Rehabilitation, and Adaptive Reuse</p>	<p>“The project must provide resident comfort and efficiency through installation of Energy Star central or split HVAC systems for community area(s) and units. Proposed equipment of a type or class not currently available as Energy Star-certified shall equal or exceed the efficiency of Energy Star-certified systems. Packaged, thru the wall HVAC units, if proposed, must have duct work serving all major rooms, and the overall system design must include an adequate air return path. All supply ducting for split HVAC systems must be insulated.”</p>	<p>“The project must provide resident comfort and efficiency through installation of Energy Star central or split HVAC systems for community area(s) and units. Proposed equipment of a type or class not currently available as Energy Star-certified shall equal or exceed the efficiency of Energy Star-certified systems. Packaged, thru the wall HVAC units, if proposed, must have duct work serving all major rooms, and the overall system design must include an adequate air return path. All supply ducting for split HVAC systems must be insulated. Projects that certify at the time of application to achieve Department of Energy (DOE) Zero Energy Ready Home (ZERH) or comparable DHCD-approved energy savings certification or rating designation in Section 4.6.2 may request a waiver of the Energy Star HVAC requirements.”</p>	<p>Language modified.</p>	<p>Added waiver language for projects seeking ZERH or comparable certification.</p>
<p>3.14.1 Base level Energy Standards for Rehabilitation Only</p>	<p>“Install Energy Star qualified heating, ventilation, and air conditioning (HVAC) systems and components when HVAC systems and their components are replaced. Replacement HVAC units must be at least 10% greater efficiency than code minimum when Energy Star equipment is not available. The closest efficient system available to 10% must be used if a model meeting the 10% efficiency minimum is not available..”</p>	<p>“Install Energy Star qualified heating, ventilation, and air conditioning (HVAC) systems and components when HVAC systems and their components are replaced. Replacement HVAC units must be at least 10% greater efficiency than code minimum when Energy Star equipment is not available. The closest efficient system available to 10% must be used if a model meeting the 10% efficiency minimum is not available. Projects that certify at the time of application to achieve Department of Energy (DOE) Zero Energy Ready Home (ZERH) or comparable DHCD-approved energy savings certification or rating designation in Section 4.6.2 may request a waiver of the Energy Star HVAC requirements.”</p>	<p>Language modified.</p>	<p>Added waiver language for projects seeking ZERH or comparable certification</p>

Scoring

Existing Section	Existing Language	Proposed Language	Action	Rationale
4.4.1 Income Targeting	<p>“...For projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC, the Income Targeting score for the 9% LIHTC project will be calculated taking into account the income targeting for the units associated with the 9% LIHTC <i>and</i> the MBP/4% LIHTC project. “Twinning” which refers to multiple projects which, pursuant to a common plan of development, are part of a larger development located on the same, contiguous, or proximate sites, include an overall total of at least 120 units, and demonstrate a need for at least \$5 million of MBP financing. The Department will, in its sole discretion, determine whether an assemblage of sites is “proximate” based on whether they can be developed in a single construction period and would constitute a single site except for street or other public divisions. To calculate the Income Targeting score for the 9% LIHTC project, applicants should provide a separate CDA Form 202 that includes the combined project information for the 9% LIHTC project and the MBP/4% LIHTC project...”</p>	<p>“For the purposes of this section, units restricted at 20% of area median gross income excludes project-based vouchers (PBV), project-based rental assistance (PBRA) contracts, or equivalent federal rental assistance programs that serve households at or below 30% of the area median gross income...For projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC, which refers to multiple projects which, pursuant to a common plan of development, are part of a larger development located on the same or contiguous sites, include an overall total of at least 150 units, and demonstrate a need for at least \$5 million of MBP financing, the Income Targeting score for the 9% LIHTC project will be calculated taking into account only the income targeting for the units associated with the 9% LIHTC project. Since the units in the MBP/4% LIHTC project are considered a separate project these units will be excluded in the Income Targeting scoring calculation for the 9% LIHTC project. To calculate the Income Targeting score for the 9% LIHTC project, applicants should provide a separate CDA Form 202 that includes only the project information for the 9% LIHTC project on a stand-alone basis...”</p>	Language modified.	Removed language requiring income targeting to be based on both 9% and 4% projects and added additional criteria for 20% units.
4.4.5 Policy Incentives	<p>“...Two (2) points will be awarded to the top two (2) new construction, gut rehabilitation, or adaptive reuse projects in a community of</p>	<p>“...Two (2) points will be awarded to the top two (2) new construction, gut rehabilitation, or adaptive reuse family</p>	Language modified	Clarified type of project for

	<p>opportunity in the Baltimore Region and the DC Metro Area. At least 75% of the total units must be net new units to qualify for points under this section. 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.</p>	<p>or intergenerational projects in a community of opportunity in the Baltimore Region and the DC Metro Area. At least 75% of the total units must be net new units to qualify for points under this section. 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...Five (5) points will be awarded to “Choice Neighborhood” projects. These points will be awarded as follows:</p> <ul style="list-style-type: none"> • Points will only be awarded to projects located within the boundaries of, and contributing to, a “Choice Neighborhood” identified by HUD; and • Points will only be awarded to “Choice Neighborhood” “twinning” projects, as defined in Section 4.4.1, which include an overall total of at least 150 units. <p>Note: All policy incentive points will be awarded based on the final scores, excluding points in Section 4.4.5 and Section 4.7.“</p>		<p>Baltimore Region and DC Metro area, as well as how points are awarded. Reinstated and increased points for Choice Neighborhood projects</p>
<p>4.5.1 Direct Leveraging</p>	<p>“...For projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC, as described in Section 4.4.1, the amount of leveraged funds will include the amount of tax-exempt bonds and 4% LIHTC equity in the calculation of leveraged funds. Inclusion of these funds as leveraged funds is consistent with DHCD’s long-standing treatment of these funds, and is appropriate in light of the fact that the 9% LIHTC award will enable the MBP/4% LIHTC project to move forward. To calculate the direct leveraging score for the 9% LIHTC project, applicants should provide a separate CDA Form 202 that includes the combined project information for the 9% LIHTC project and the MBP/4% LIHTC project...”</p>	<p>“...For projects that involve “twinning” of 9% LIHTC and MBP/4% LIHTC, as described in Section 4.4.1, the amount of leveraged funds will be capped at 50% of tax-exempt bonds and 4% LIHTC equity in the calculation of leveraged funds. To avoid distorting competition, the maximum additional leveraging benefit from including 50% of the MBP/4% LIHTC is capped at two (2) points. Inclusion of these funds as leveraged funds is consistent with DHCD’s long-standing treatment of these funds and is appropriate in light of the fact that the 9% LIHTC award will enable the MBP/4% LIHTC project to move forward.</p>	<p>Language added.</p>	<p>Language added to avoid distorting competition between twin and non-twin projects.</p>

		To calculate the direct leveraging score for the 9% LIHTC project, applicants should provide a separate CDA Form 202 that includes the combined project information for the 9% LIHTC project and the MBP/4% LIHTC project and letters of intent for the MBP/4% LIHTC project, as described in Section 3.6...		
4.6.1 Green Features	<p>“Eight (8) points will be awarded to projects that intend to complete and receive certification using green building criteria from one of the organizations in the table below...</p> <p>Six (6) points will be awarded to projects that do not complete the actual certification process as noted above but instead continue to meet the minimum score as indicated in the application for the certification...</p> <p>One (1) point will be awarded, up to a maximum of four (4) points, for each bulleted feature below that contributes to a sustainable healthy environment over the extended period of the project life...”</p>	<p>“Ten (10) points will be awarded to projects that intend to complete and receive certification using green building criteria from one of the organizations in the table below...</p> <p>Eight (8) points will be awarded to projects that do not complete the actual certification process as noted above but instead continue to meet the minimum score as indicated in the application for the certification...</p> <p>One (1) point will be awarded, up to a maximum of six (6) points, for each bulleted feature below that contributes to a sustainable healthy environment over the extended period of the project life...”</p>	Points changed.	Points adjusted.
4.6.2 Energy Efficiency	“...Up to ten (10) points will be awarded in this category for projects that are designed to achieve certain energy efficiency standards. The Home Energy Rating System (HERS) scoring checklist and scorecard based on the project schematics must be completed by the project architect or a qualified third party and submitted as part of the application. A certificate containing the final HERS score must be provided prior to final closing.	“Six (6) points will be awarded in this category for projects that certify at the time of application to achieve Department of Energy (DOE) Zero Energy Ready Home (ZERH) or comparable DHCD-approved energy savings certification or rating designation. Information regarding ZERH can be accessed at https://www.energy.gov/eere/buildings/zero-energy-ready-homes .	Language and points changed.	Language added to allow for points based Zero Energy Ready Home designation.

		<table border="1"> <thead> <tr> <th data-bbox="569 191 881 256">HERS Score</th> <th data-bbox="881 191 1169 256">Points</th> </tr> </thead> <tbody> <tr> <td data-bbox="569 256 881 321">90 – 100</td> <td data-bbox="881 256 1169 321">2</td> </tr> <tr> <td data-bbox="569 321 881 386">80 – 89</td> <td data-bbox="881 321 1169 386">4</td> </tr> <tr> <td data-bbox="569 386 881 451">70 – 79</td> <td data-bbox="881 386 1169 451">6</td> </tr> <tr> <td data-bbox="569 451 881 516">66 – 69</td> <td data-bbox="881 451 1169 516">8</td> </tr> <tr> <td data-bbox="569 516 881 592">0 - 65</td> <td data-bbox="881 516 1169 592">10</td> </tr> </tbody> </table>	HERS Score	Points	90 – 100	2	80 – 89	4	70 – 79	6	66 – 69	8	0 - 65	10		<p>For projects that are more than 5 stories, an energy consultant must provide a letter and energy modeling reports to the owner for submission to DHCD attesting that, with the exception of exceeding 5 stories, the project has fulfilled all requirements of DOE ZERH or comparable DHCD-approved energy savings certification or rating designation.</p> <p>An additional two (2) points will be awarded for any project utilizing alternative energy (solar, geothermal, etc.) to reduce utility consumption of: water heating; heating and cooling; or electric usage for common areas or tenant units...</p> <p>Two (2) points will be awarded for any project utilizing alternative energy (solar, geothermal, etc.) to reduce utility consumption of: water heating; heating and cooling; or electric usage for common areas or tenant units.</p> <p>Two (2) points will be awarded for any project utilizing heat pump technology for domestic water heating..."</p>		
HERS Score	Points																	
90 – 100	2																	
80 – 89	4																	
70 – 79	6																	
66 – 69	8																	
0 - 65	10																	
<p>A weighted average rounded to the nearest one-hundredth (1/100) of a point should be used for projects utilizing new construction and rehabilitation with differing HERS scores.</p>																		