QAP Public Comment Responses

Table of Contents

[**Carryover Requirements** 1](#_Toc52954454)

[**Concerted Revitalization Plan** 1](#_Toc52954455)

[**Cost Containment** 1](#_Toc52954456)

[**Design Competition** 2](#_Toc52954457)

[**For-Profit** 2](#_Toc52954458)

[**Green Building** 3](#_Toc52954459)

[**Low Income Focus** 3](#_Toc52954460)

[**LURA and Limited Partner** 3](#_Toc52954461)

[**Market Study** 3](#_Toc52954462)

[**Market Study /Timeline** 4](#_Toc52954463)

[**NC/Rehab** 4](#_Toc52954464)

[**Rural Development** 4](#_Toc52954465)

[**Set-Aside** 5](#_Toc52954466)

[**Sustaining Affordability** 5](#_Toc52954467)

[**Timeline** 5](#_Toc52954468)

## **Carryover Requirements**

**Comment**: Having a deed or long-term lease for a property is a difficult requirement to meet carryover.

Response: This change has been made in the 2021 QAP. The requirement to submit a deed or long-term lease will now be required alongside those materials needed to pass the “10% test” on August 31st of the year following the reservation.

## **Concerted Revitalization Plan**

**Comment**: Plans beyond NM MainStreets and Metropolitan Redevelopment Plans, such as state-designated Arts & Culture Districts, should be considered Concerted Community Revitalization Plans for prioritizing the distribution of tax credits.

Response: Further research is needed to effectuate a change. The definition of a Concerted Community Revitalization Plan will be reviewed and potentially expanded to incorporate more areas than those currently covered by Metropolitan Redevelopment Plans and NM MainStreets in the 2022 QAP.

## **Cost Containment**

**Comment**: The QAP implies that Builder fees must be locked in at application for 4% Projects.

Response: Clarification regarding Builder fees for 4% projects provided in the 2021 QAP.

**Comment**: Allow more factors to be considered cost containment measures.

Response: This suggestion warrants further investigation; we will consider adding more factors as cost containment measures in the QAP for 2022.

**Comment**: Do not incentivize lower construction costs by eliminating “efficient use of tax credits” scoring criteria to encourage the building of higher quality units.

Response: The efficient use of tax credits scoring criteria does not put a limit on the total development cost but rather incentivizes leveraging other sources. The cost limits are based on the applications that come in during a round, and as such, the dollar amount of the cost containment cap increases with the market.

## **Design Competition**

**Comment**: Reinstitute the Design Competition.

Response: Our development partners indicated that when the Design Competition was in place, it drove costs up significantly while providing relatively little in terms of tenant benefits.

## **For-Profit**

**Comment**: Create a new scoring criterion for developers that are vertically integrated for-profit New Mexico companies.

Response: Vertical integration is a cost savings for the developer, not necessarily for tenants; it is not something that needs to be incentivized by the QAP. This suggestion would also primarily focus on the New Mexico development community, while MFA also wants to attract outside developers.

**Comment**: The QAP too heavily favors tribal entities and non-profits, both of whom already have access to a wide range of outside resources to cover development and building costs. For profit developers have little chance of securing tax credits.

Response: Tribal lands have a disproportionate need for quality affordable housing. There are many barriers to tribal projects that other projects do not have: developer capacity, lack of access to traditional financing sources, difficulty attracting investors and securing fair credit pricing, to name a few. Given these factors, we included tribal communities in the Underserved Populations Set-Aside in the 2021 QAP.

As for non-profits, the Code urges Housing Finance Agencies to support their participation. The current QAP does not exclude for-profits, but it does encourage them to enter into joint partnerships with non-profits.

However, this is an area we feel warrants additional consideration. It is not necessary to have a non-profit partner in order to produce a quality affordable housing development. There may be a way to lessen the scoring incentive and create a better balance, with the hope that for-profit partners do not feel like the *only* way they can participate is through a non-profit partnership, so will review this further for the 2022 QAP.

**Comment:** The financial capacity requirement for non-profits stifles participation.

Response: In order to score points in the non-profit Project Selection Criterion, qualified local non-profits must at a minimum have a $250,000 net worth, including net assets. We do not consider that a high bar for development and construction of projects that will require possessing hundreds of thousands, if not millions, of dollars worth of tools and/or capital.

## **Green Building**

**Comment**: Provide additional points for exceptionally green building.

Response: This comment is taken under advisement but will require further study before it is implemented. Will be considered in the QAP for 2022.

**Comment**: Require building to the National Green Building Standard in the QAP.

Response: Implementing this standard would require adding yet another layer of bureaucracy due to third party inspection of units being required to abide by this standard. The energy efficiency and environmental standards in the 2021 QAP push developments to create energy efficient buildings without creating a high level of additional inspections.

## **Low Income Focus**

**Comment**: Focus on the lowest income units, particularly by adding points for projects that include units reserved for those at 30% AMI.

Response: The QAP’s “Other Scoring Points Available Section” allows for up to three additional points for projects in which at least 5% of units will be rent restricted at 30% of AMI without subsidy.

**Comment**: Income restrictions created by private property management firms disqualify many people from accessing set-aside units, even if they have a voucher.

Response: This is a matter that will be brought to MFA’s Asset Management’s attention. It is illegal to discriminate against voucher holding applicants to a tax credit property. The QAP reinforces that all projects must follow Fair Housing laws.

## **LURA and Limited Partner**

**Comment**: The “Compliance Period and Extended Use Period” section does not differentiate between changes in Limited Partnerships and changes in General Partnerships. Changes in Limited Partnerships do not affect the General Partnership’s ability to guarantee loans or compliance. This section should therefore explicitly exempt Limited Partnerships.

Response: This language is already contained in the current LIHTC LURA, and was added to the QAP for consistency. MFA is currently evaluating other states and their LURAs to make sure our requirements are in line with recommended practices.

## **Market Study**

**Comment**: Requiring a market study for the initial LIHTC application duplicates costs. Now, potential developers have to pay for a market study for this application and for an additional market study for investors.

Response: We are interested in soliciting feedback to understand why the same market study can not be used for both the initial LIHTC application and for investors. MFA will accept the market study completed for investors as long as it includes MFA’s market study requirements.

## **Market Study /Timeline**

**Comment**: Market studies due with the initial application are an additional burden. The January 15th deadline is also to early in the year and inconvenient due to it being so close to the holidays.

Response: If a project requires a market study to be completed for investors; we are asking that the same market study be shared with us as well, assuming it includes MFA’s market study requirements. Regarding the timing, we recommend that this study be completed before the holidays, and therefore well before the initial application deadline, if possible.

## **NC/Rehab**

**Comment**: The allocation ratio of 2 new construction projects to 1 rehabilitation project will de-incentivize developers from applying for rehab projects. The commentator suggests that MFA not do this until a plan is in place to preserve existing smaller affordable rehabilitation projects with other funding sources that cannot be part on the 4% LIHTC track.

Response: MFA continues to evaluate the impact of this change on all projects.

**Comment**: There is an urgent need to focus on affordable housing to combat a continual rise in homelessness.

Response: We agree and will continue our work to incentivize the production of units for this vulnerable population. The 2021 QAP includes an Underserved Population Set-aside.

## **Rural Development**

**Comment**: Points given for “Locational Efficiency” disadvantage rural areas. The way points are allocated in general should put rural areas on equal footing with urban areas.

Response: The purpose of this change in the “Locational Efficiency” criterion is to incentive site selection in close proximity to efficient public transportation for all projects, so that job and amenity access can be achieved without the use of a car. There is evidence of such transportation options in both rural and urban areas, and the QAP contains additional points in the Other category that are not available in urban areas.

**Comment**: Access to on call transportation should be considered equivalent to access to public transportation.

Response: On call transportation is not public transportation. An on call transportation option is not equally accessible to the tenants of the project compared to public transportation, nor is it equally accessible to the public to access the property. There is a caveat made for tribal projects utilizing “on call” transportation as their “public” transportation option.

**Comment**: The timeframe (from 6 AM to 6 PM) that public transportation must run at to receive points for “Locational Efficiency” should be changed.

Response: Agreed. The timeframe during which public transportation is offered will no longer be considered, but frequency must still be in place.

**Comment**: Rural markets do not have the same levels of access to development resources that urban markets do. Rural markets should be further subsidized.

Response: MFA looks for additional funding sources for rural projects in particular and will continue to do so.

**Comment**: Roswell should not be considered an urban area in the QAP.

Response: MFA uses an agency-wide definition of urban for consistency. We will review for the 2022 QAP.

## **Set-Aside**

**Comment**: Add projects with 100% Project Based Vouchers to set-aside.

Response: The Permanent Housing Set-aside (PSH) incentivizes projects with at least 75% PBVs.

**Comment**: I am happy about the available set-aside options.

Response: Thank you.

## **Sustaining Affordability**

**Comment**: Public housing projects converting to a project-based subsidy through RAD should be considered a new federal rental assistance contract and eligible for the full 15 points.

Response: This suggestion warrants further investigation in preparation for the 2022 QAP.

## **Timeline**

**Comment**: Do not make significant changes to the QAP after the public comment period because further discussions cannot occur.

Response: The public comment period is meant to solicit ideas from fresh perspectives that result in changes to the QAP. However, having a second public comment period or another method of feedback is an idea we will consider.

**Comment**: Move the QAP’s application date and award date.

Response: The QAP’s application date is being moved up by a month, from February 14th to January 15th. The award date is also being moved up by a month, from June to May.

**Comment**: Should Zoning and Concerted Community Revitalization Plans require a six-month lead time to qualify as such in the QAP?

Response: A change has been made in the 2021 QAP. Concerted Community Revitalization Plans no longer require a six-month lead time. For Zoning, the requirement is to provide proof that the proposed project site does not prohibit multifamily housing and that proof needs to be less than six months old. This is a reasonable requirement because it is likely that a developer already has evidence of approved zoning; the QAP is only requiring that the approval be current.