

# DCA Update



March 31, 2017

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# Welcome

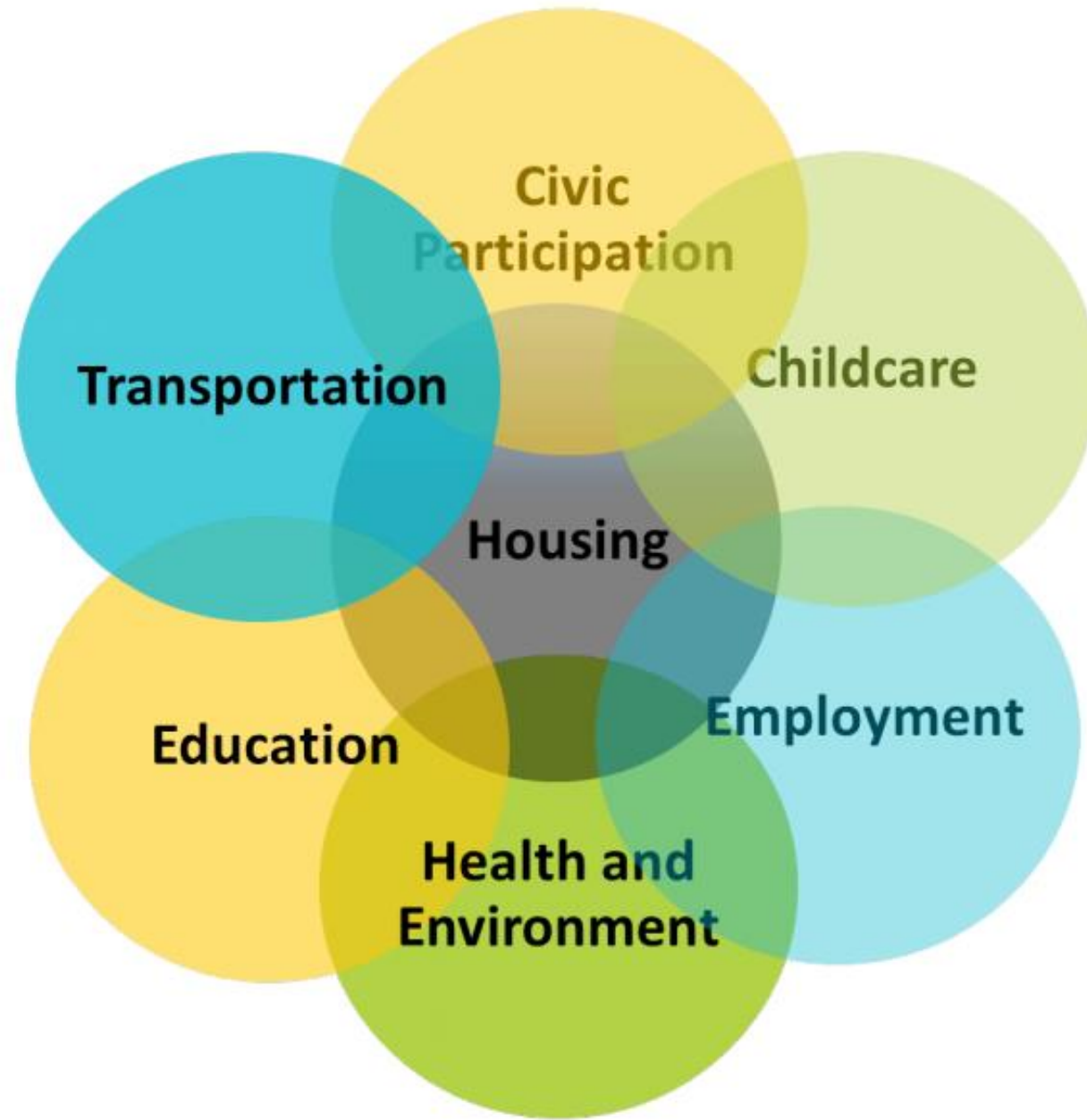
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- Overview:
  - Updates, 2016 Round, New Sections
- Staff Changes
- Application Intake – May 25 at 4 pm

# DCA Housing Strategic Goals:

<b>Increasing access to thriving communities through outreach and development in areas of opportunity</b>	<b>Partnering across Georgia to grow and achieve local visions for strong communities</b>	<b>Fostering inclusive communities free of barriers to individuals underserved by existing housing programs</b>
Access to quality schools, quality jobs, diverse neighborhoods, affordable and reliable transportation	Concerted community development and measurable outcomes	Overcoming barriers to access for people with disabilities, returning citizens, extremely low-income households, and individuals experiencing homelessness
Financing affordable housing and undertaking outreach to landlords	Capitalizing on existing local momentum and supporting new community development	Increasing access to housing support and encouraging outreach to landlords
Education: Demonstrating to communities the value of affordable housing	Education: Capacity building, technical assistance, and targeted financing	Education: Increasing knowledge of housing options

# Housing as a Platform



*Figure: Center for Social Inclusion*

# Fair Housing Update

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- New Screening Requirements for Re-Entering Citizens
- DOJ Accessibility Review
- Limited English Proficiency
- Affirmatively Furthering Fair Housing
- DCA 811 Program Update
- Section 8 Vouchers/Georgia Vouchers

# Fair Housing Act & Re-Entering Citizens

- “Although a criminal record is not a protected characteristic under the Fair Housing Act, criminal history-based restrictions on housing opportunities violate the Act if, without justification, their burden falls more often on renters or other housing market participants of one race or national origin over another” (Core, p. 39 of 45).

# DCA's approach to serving re-entering citizens

- DCA's 5<sup>th</sup> State Priority now lists “re-entering citizens who may need more individualized tenant screening criteria” as an example of individuals who “face difficulties in obtaining safe, quality affordable housing” for whom “innovations can...work to mitigate barriers” (Core, p. 14 of 45).

# DCA's approach to serving re-entering citizens

- Sub-Section L. “Screening Criteria” added to Sec. 21 “Monitoring and Compliance” (Core)
  - “All properties funded under Georgia multifamily affordable housing programs must have a clearly defined screening policy that establishes criteria for renting to prospective tenants that is not in violation of the Fair Housing Act.”
  - “This criterion includes reasonable and non-discriminatory policies around applicant income, employment requirements, and background checks.”



## Each property's screening policy should at a minimum contain:

1. Arrest records are not a valid reason to deny an applicant housing.
2. Applicants with a criminal conviction may be denied housing only if the reason for their convictions clearly demonstrates that the safety of residents and/or property is at risk.
3. Blanket terms in screening criteria that say "Any criminal convictions will be denied" are now considered discriminatory and in violation of the Fair Housing Act.
4. The annual Owner's certification will monitor each property's compliance with this provision.

# Limited English Proficient (LEP) Individuals

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- LEP individuals are those who:
  - Do not speak English as their primary language as a result of national origin
  - Have a limited ability to speak, read, write, or understand English

# DCA requires outreach to LEP individuals

- XXV. “Affirmatively Furthering Fair Housing” now requires that the Affirmatively Furthering Fair Housing Marketing Plan also include “Outreach to Limited English Proficiency groups for languages identified as being prevalent in the surrounding market area.”

# Administrative Amendment to 2017 QAP

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- III. Desirable Activities/Undesirable  
(Bonus Desirable Point):

Distance to desirable activities in Rural Pool  
now 1 mile **walking**/driving.

# Administrative Amendment to 2017 QAP (continued)

## □ VIII. Transformational Communities

- “An Applicant is ineligible to claim points in this section **if eligible for** two (2) or more points **are claimed**—under Scoring Section VII. Stable Communities.”
- Clerical correction: removed need to fill out DCA Neighborhood Redevelopment Certification if creating Transformation Plan

# Administrative Amendment to 2017 QAP *(continued)*

## □ XIV. DCA Community Initiatives:

Removed Item 5 (“Has not received a tax credit award in the last three years”) from the list of items to be included in a letter provided by an eligible GICH team.

# DCA Policy in Response to Tax Reform

# Tax Reform – 2016 Deals

- DCA is not treating this as a blip or a pause
  - DCA underwriters reaching out for regular updates
  - As we assess situation, flexibility on non-statutory deadlines
- Expectation that development community, working with investors, are primary responders
- DCA **will not** set aside new credits to fill gaps
- Developer Fee limit will remain in place



# Tax Reform – 2017 Applications

- Maintaining \$950,000 and \$850,000 limits
- As we assess situation, will consider flexibility on non-statutory deadlines
- Credit Pricing will still receive scrutiny
- Applicants interested in 9%/4% hybrid should contact DCA staff early

# Credit Pricing

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- “No less than 90% median” in rural and flex
- “Combined Federal and State Equity”
- Expectation that State Credit pricing will hold
- Right to adjust price, if significant market changes
- Any DCA change in equity price will be posted

# DCA Policy on Leveraging Points in a Rising Interest Rate Environment

# Leveraging: Issue



Political events and federal actions have had a profound impact on lending. Obtaining a long term fixed rate at 200 basis points above Bank Prime as of *May 5, 2016* (5.5%) is nearly impossible.

# Leveraging: Discussion

- DCA's intent: increase the overall production of units
- To consider on par with grants and below market loans, incentives are in place to encourage competitive interest rates
- Competitive interest rates can benefit property's cash flow, upkeep
- Neither applicants nor the agency can predict future interest rates
- Risk undertaken by the applicant when applying for leveraging points.

# Leveraging: Decision

- 2016 properties awarded points for leveraging through market rate loans to pursue interest rates available in the current market.
- Awardee must still meet DCA underwriting standards (DSCR)
- If the debt must be resized to meet the applicable DSCR, it is the responsibility of the awardee to ensure adequate sources
- DCA will not provide additional credits
- DCA expects applicants to meet the leveraging percentage

# DCA Policy on HUD 221(d)4 Documentation Requirements

## Leveraging: Issue

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Documentation required for HUD 221(d)4 loans is not clear and appears to create a need for full plans and specs, among other documentation, prior to notice of awards.



# Leveraging: Discussion

- Leveraging clearly allows HUD 221(d)4 loans
- Need: Serious consideration letter from HUD Multifamily Housing and a Preliminary Commitment from the lender
  - HUD refers to this as a Letter of Encouragement to apply (email)
- HUD MAP Invitation is listed as required on July 7, 2017
- With Direct to Firm lending process, this Invitation to Apply is no longer a necessary component of a loan

# Leveraging: Decision

- Letter of Encouragement to submit a loan application required
- If applying Direct to Firm, then HUD Invitation Letter not required
- Firm Commitments for loans still due 75 days after the issuance of carryover allocation (Core, 45 of 45)
- Failure to attain a 221(d)4 loan used to claim leveraging points would result in loss of points and may result in loss of award
  - Will additionally always be “gapped” by the loan total/percentage

# 2017 Scoring Strategy

# Scoring Strategy - Overall

Appeal Review of contested reconsideration decision leading to non-funding

Reconsideration review of contested scoring decisions leading to non-funding

DCA Senior Leadership Review of any point deduction leading to non-funding

HFD Leadership Review of any point deduction

Quality Control Review with Legal Staff ("QR")

Initial Review by Scoring Team (score can only go down)

Self-score from Applicant + Competitive Scoring Categories

# DCA Scoring Strategy 2016

All 79 Applications scored for Innovation, Exceptional Non-profit, and Preservation Priority Points

Applicants stratified based on self-score base + competitive scoring categories (generates Max Score)

Applicants within reasonable point difference of funding range receive full review; remainder awarded Max Score (no deductions)

# DCA Scoring Strategy 2017

- All Applications will be scored for Innovation and Exceptional Non-profit
- Applicants will be stratified based on self-score base + competitive scoring categories (generates Max Score)
- Applicants within reasonable point difference will receive full review of all categories; remainder will be awarded Max Score (no deductions) and staff review

# Scoring Strategy: Review Categories

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## ➤ Threshold:

- Environmental Requirements
- Site Control
- Rehabilitation Standards
- Qualifications for Project Participant

## ➤ Scoring:

- Sustainable Development
- Transformational Communities
- Leveraging
- Healthy Housing Priority

# 2016 Competitive Round

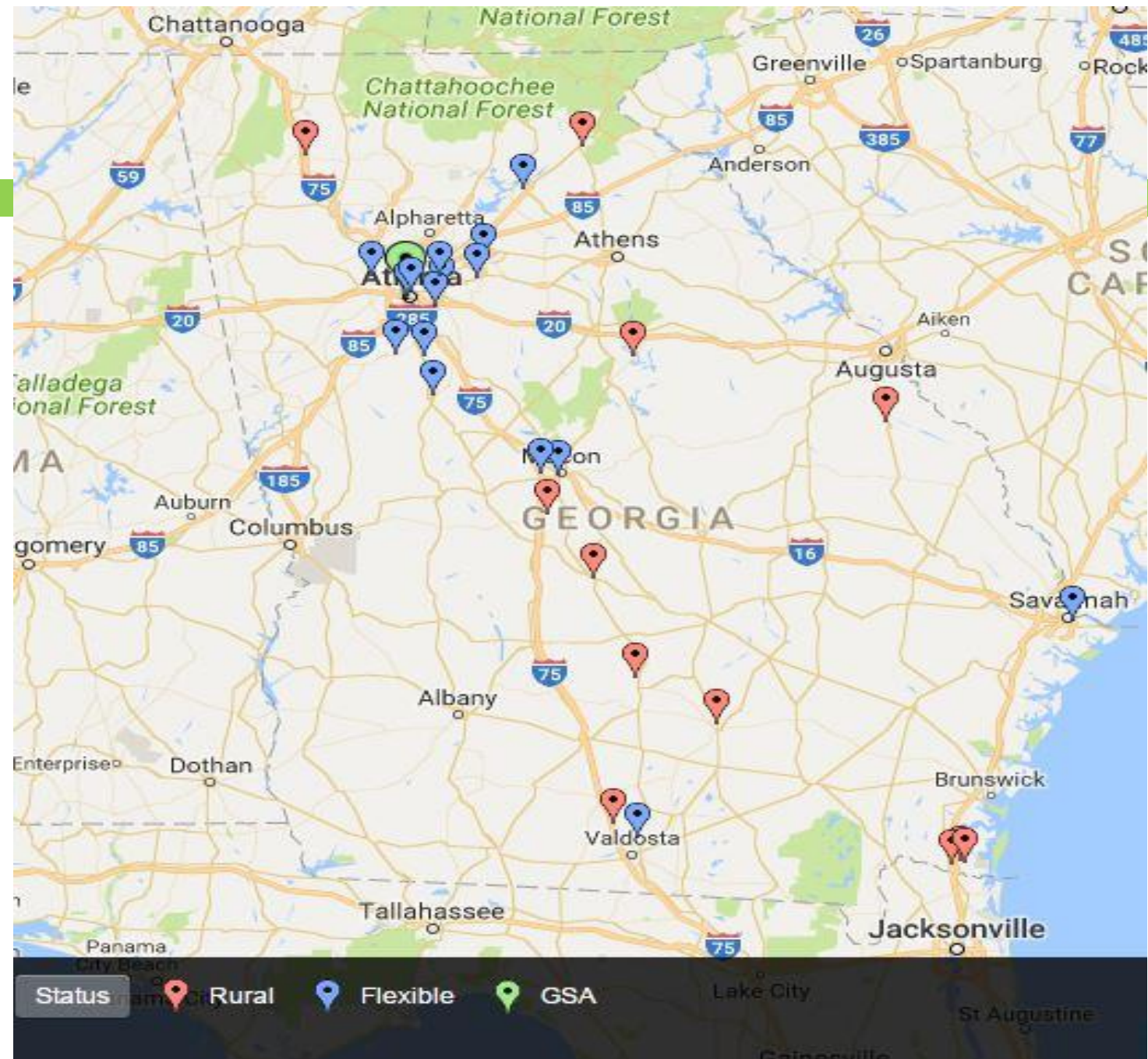


# General Overview

- Number of Applicants: 79
- Number of Funded Applicants: 30
  - Rural Pool: 12
  - Flexible Pool: 18
- General Set-aside: 1
- Number of Non-funded Applicants: 49
  - Threshold Failure: 1
  - Geo. Allocation Limitations: 2
  - Tie-Breaker: 4
  - Competitive App. Selection: 1
  - Withdrawn: 2
  - Award Limitations: 2

# Funded Properties

- Approximately \$25 million in housing tax credits
- Around 2,000 Affordable Units Financed
- 16% of awards went to Preservation of Existing Affordable Housing
- 13 New and Rehabilitated Senior Properties



# 2016 Scoring Analysis

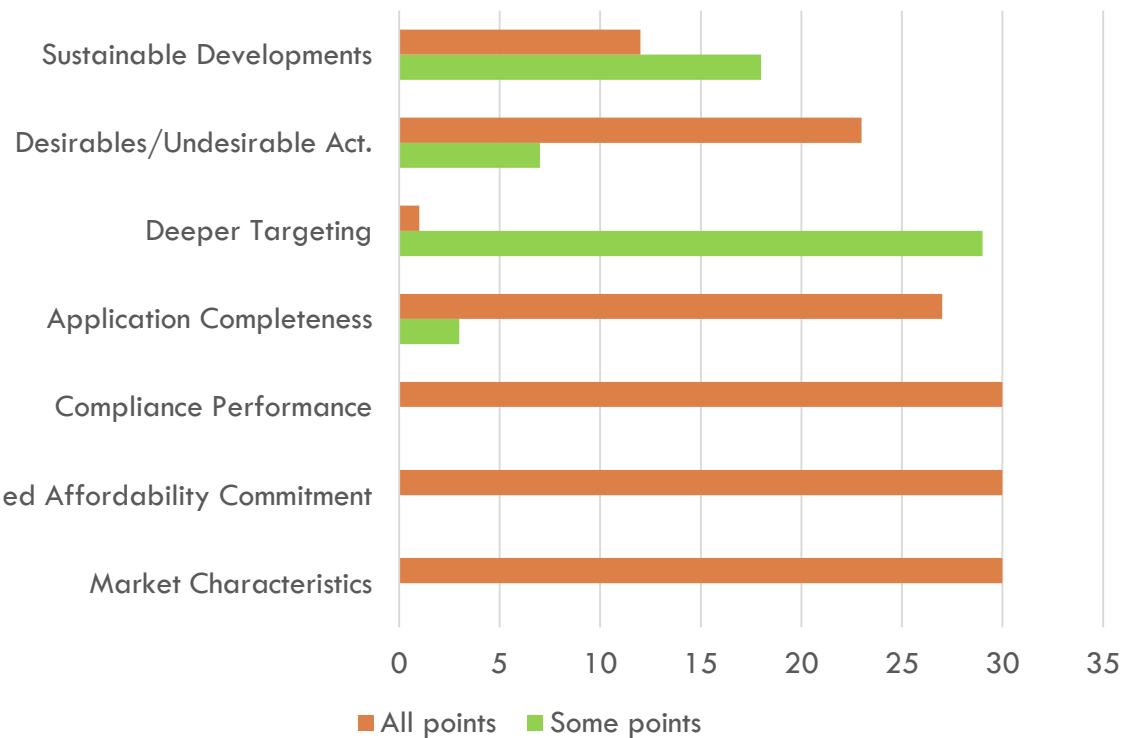
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- Universally Subscribed
- Impact of Discretionary Categories
  - Innovative Project Concept
  - Exceptional Non-Profit
  - Preservation Priority Points
- Influencers

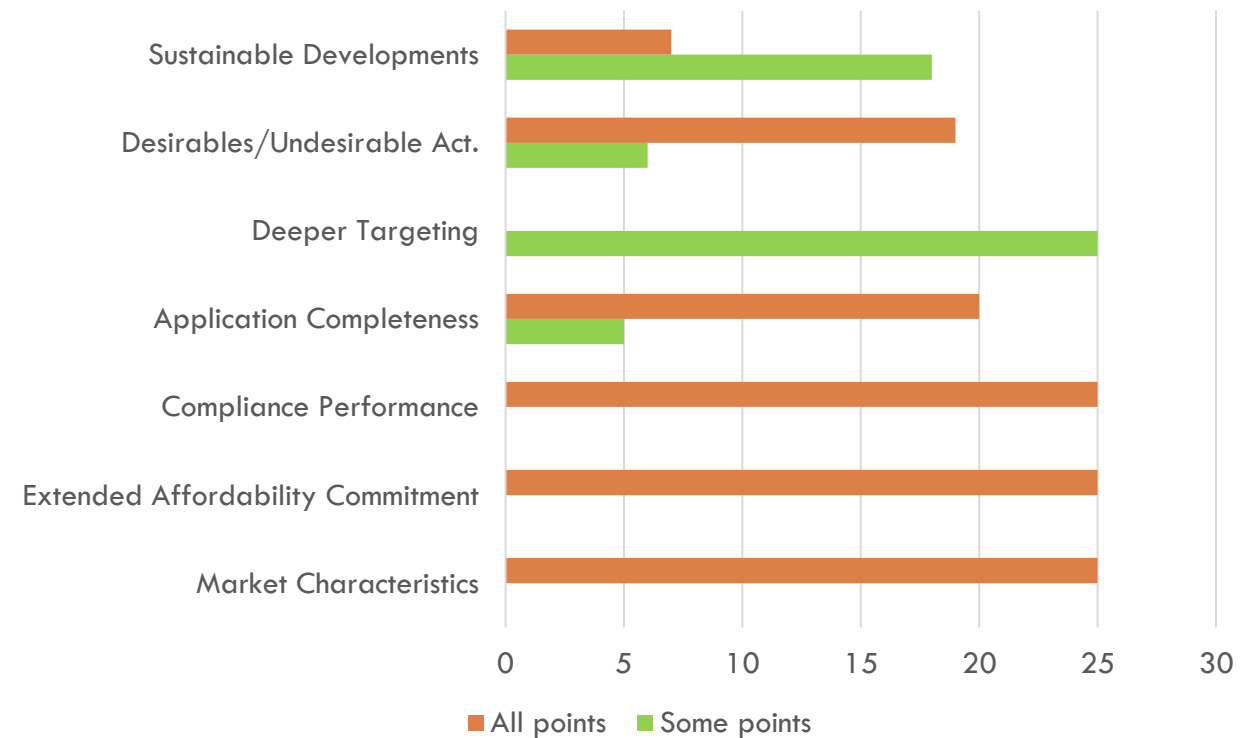
# Universally Subscribed

Every Applicant claimed and received some or all the points

### Funded Applicants



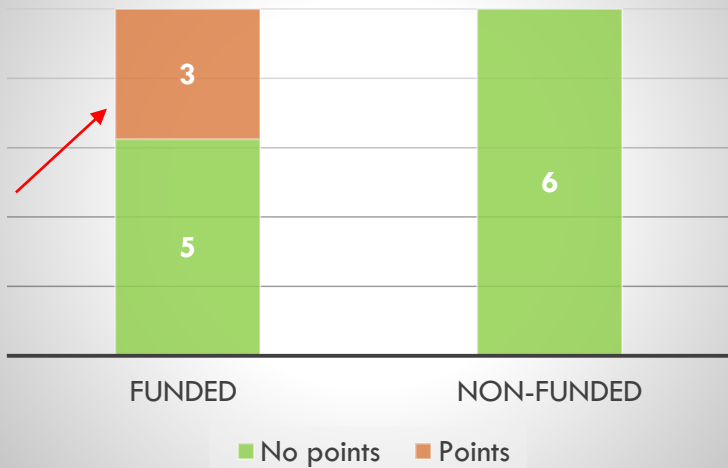
### Non-Funded Applicants



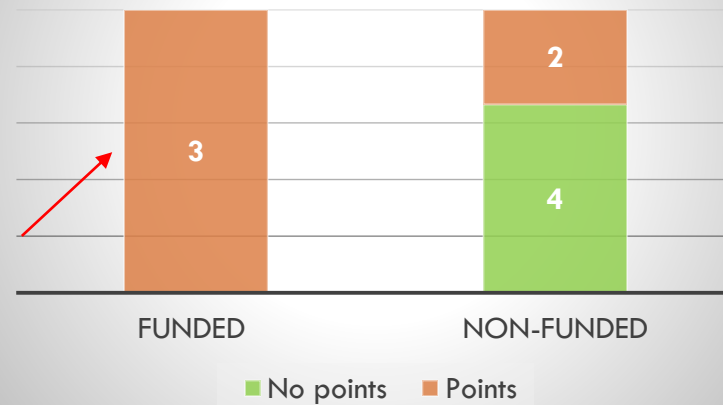
# Discretionary Categories

- Only a few Applicants were awarded points in these categories
- Discretionary Categories had a positive impact

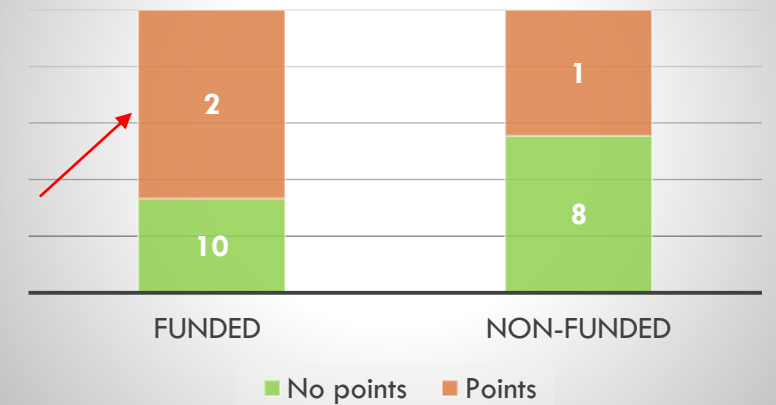
## Exceptional Non-Profit



## Preservation Priority Points

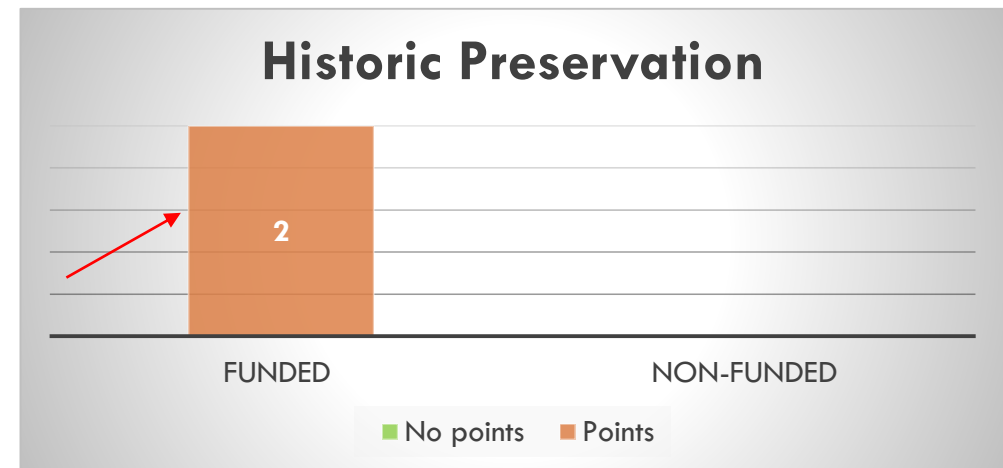
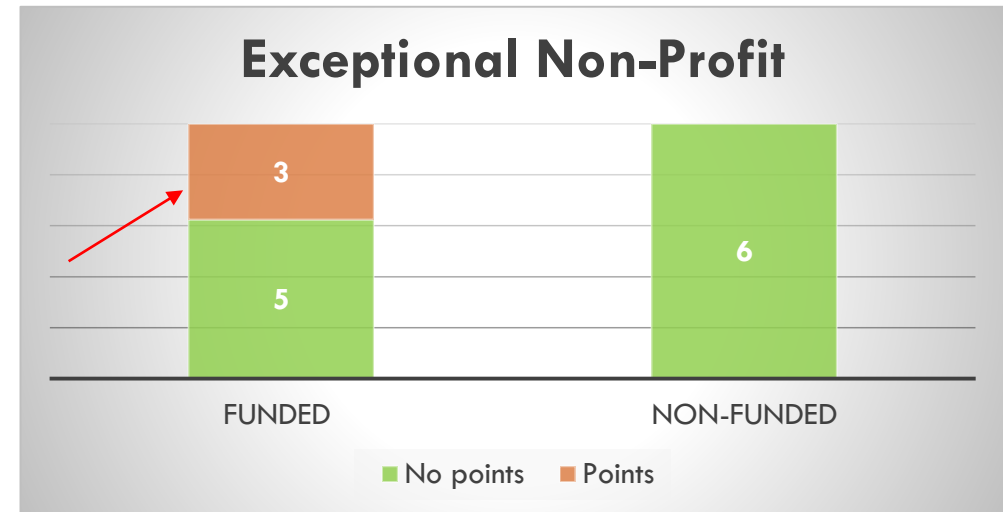


## Innovative Project Concept



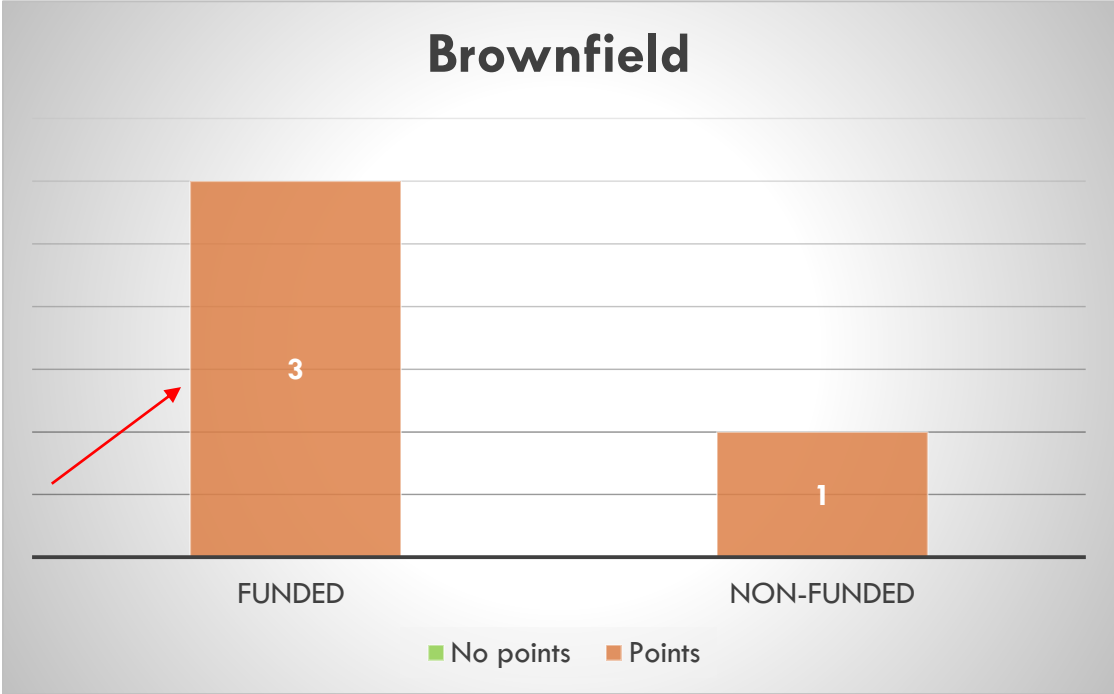
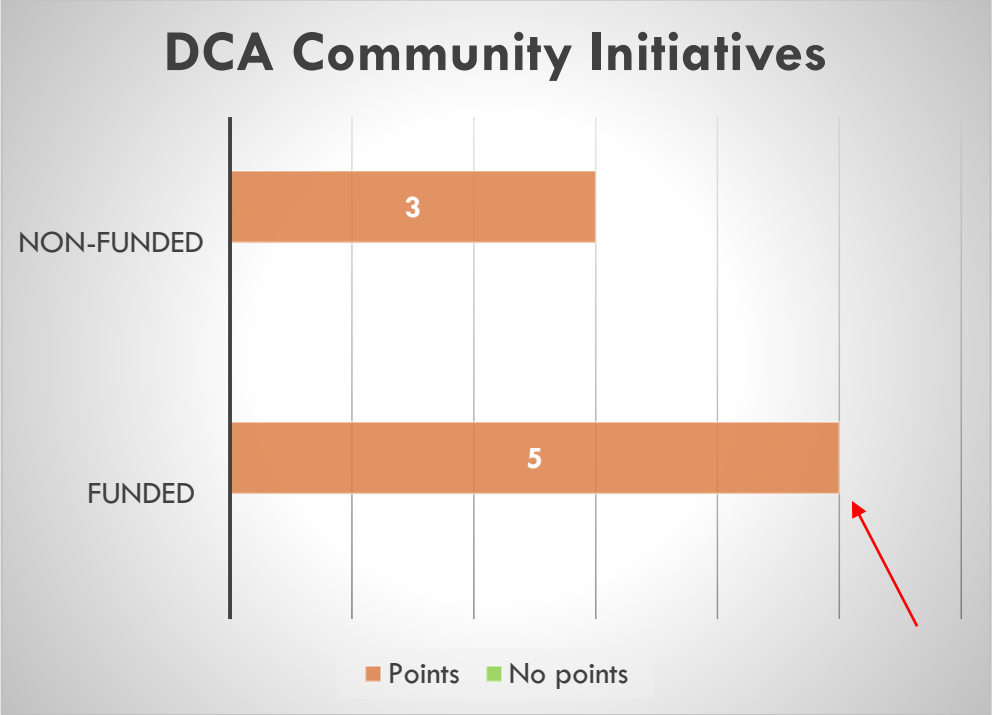
# Influencers

- All Applicants receiving points here were funded
- Scoring Section(s)
  - Exceptional Non-Profit
  - Historic Preservation
- $\Delta$  from 2015



# Influencers (continued)

Receiving points here increased the chance of funding



# Conclusion

- Overall
- Discretionary Categories had a positive impact on the outcome
- Scoring Sections where only a few Applicants claimed and received points increased their probability of getting funded
- Limitations
  - Assumption: all else remains the same
  - External Validity: results can only be applied to the 2016 Competitive Round



# New Section: Healthy Housing Priority

**Heart disease,  
obesity,  
hypertension**

**Events**

**Depth of Interaction**

**Fruit and  
vegetable  
consumption**

**Patterns of Behavior**

**Increasing  
Leverage**

**Access to grocery  
stores**

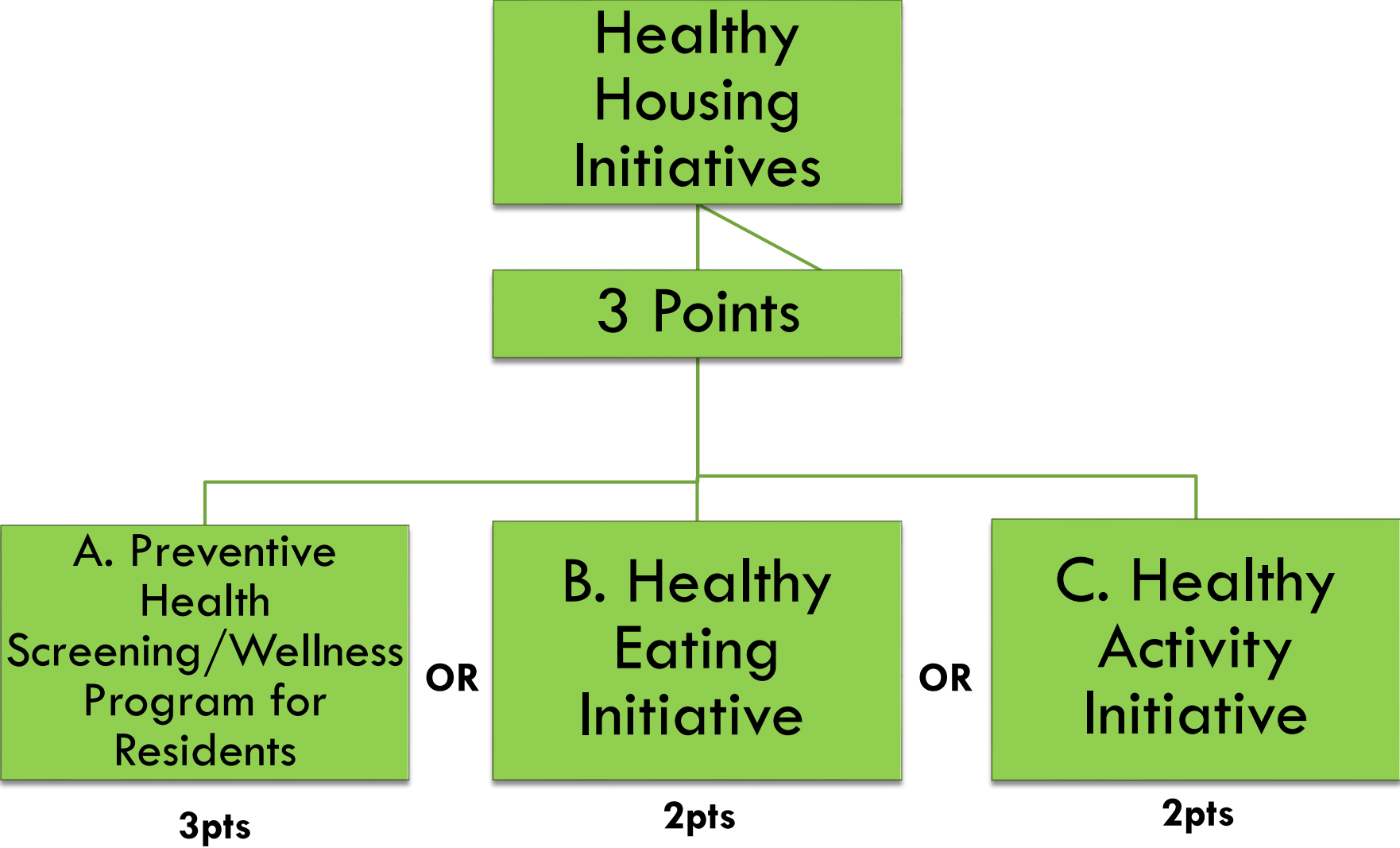
**Systemic Structure**

**Should housing developers  
consider community health in  
their work?**

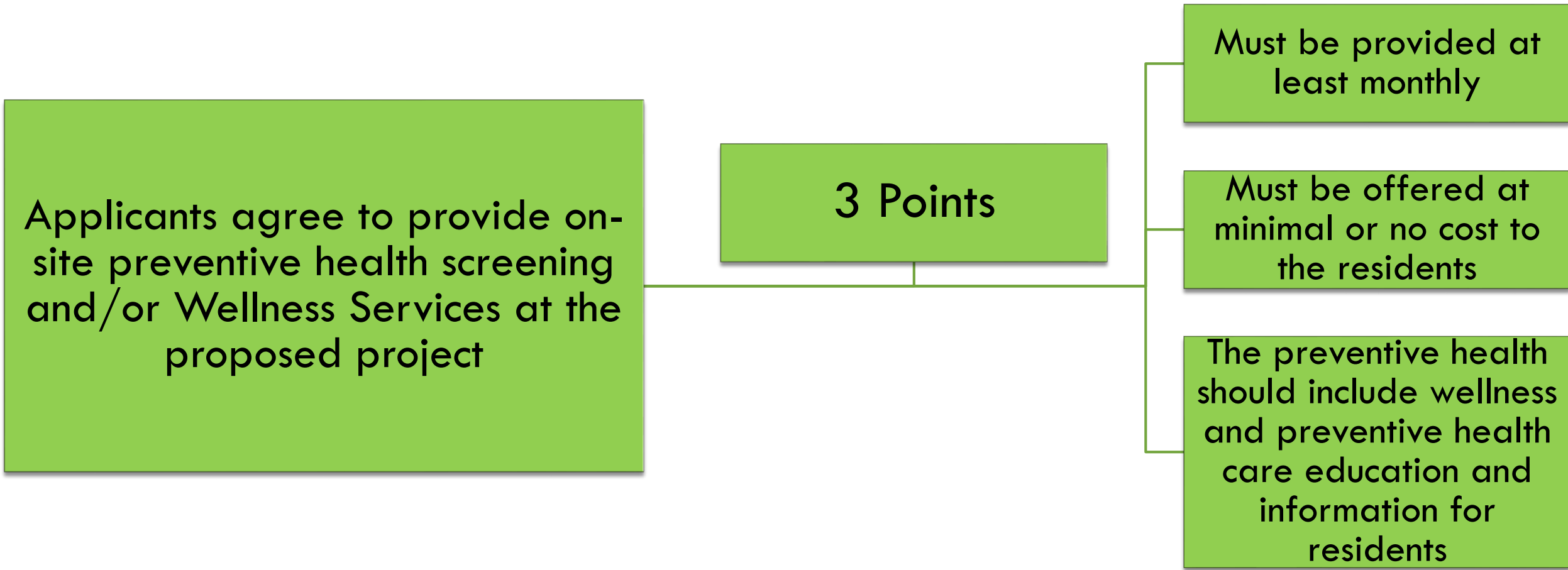
**Mind-sets**



# XIX. Healthy Housing Initiatives



# A. Preventive Health Screening/Wellness Program for Residents



## B. Healthy Eating Initiatives

Applicants agree to provide a Healthy Eating Initiative at the proposed project

2 Points

Community Garden

AND

Monthly healthy eating program provided free of charge to the residents

# C. Healthy Activity Initiative

Applicants agree to provide a Healthy Activity Initiative at the proposed project

2 Points

Provide a dedicated multi-purpose walking trail

AND

Provide monthly educational information free of charge to the residents on related events

# New Section: Transformational Communities

**Applicant must score in sub-section A or B to receive any points in section.**

<b>A. Community Revitalization Plan (CRP)</b>	<b>2 pts</b>
Application contributes to a Community Revitalization Plan	1 pt
Proposed development also in a Qualified Census Tract	+1 pt

OR

<b>B. Community Transformation Plan (CTP)</b>	<b>6 pts</b>
1. Community-Based Team	2 pts
a. Project Team includes Community-Based Developer	1 pt
b. Project Team partners w/ existing Community Quarterback	+1 pt
2. Quality Transformation Plan	4 pts

**Applicants scoring in A or B are eligible for points under C.**

<b>C. Community Investment</b>	<b>4 pts</b>
Community Improvement Fund	1 pt
Long-Term Ground Lease	1 pt
Third-Party Capital Investment	1-2 pts

**Applicants scoring in D are ineligible for points elsewhere in section.**

<b>D. Community Designations: 10 pts</b>
HUD Choice Neighborhood Implementation
OR
Purpose Built Communities



# Important Takeaways

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- ❑ Must claim points for either a Community Revitalization Plan (CRP) or Community Transformation Plan (CTP). An Applicant who applies for CTP points is ineligible for CRP points if CTP points are not awarded.
- ❑ DCA will not “infer” or “search” for any required elements.

# How do CTPs and CRPs relate to each other?

- A CTP cannot be inconsistent with an existing CRP that overlays the CTP's Defined Neighborhood
- If a CTP references an existing CRP, Applicant must
  - Demonstrate that the CRP meets 2017 QAP requirements; and
  - Submit a copy of both the CRP and CTP, as well as all associated documentation for both Plans

# Creating a CTP with/without CRP

## □ If a CRP exists

- CTP should build on the goals and priorities set forth in the CRP, which prioritizes the goals of the Local Government

## □ If no CRP exists

- CTP still expected to contain assessment of existing/past strategies affecting the Defined Neighborhood



# Community Revitalization Plans

# Highlighted components of a Community Revitalization Plan



- ❑ Targeted Area: includes proposed site; does not encompass entire surrounding city/municipality/county
- ❑ Designate implementation measures along with specific timeframes and discussion of resources
- ❑ Call for rehab/production of affordable rental housing, and be officially adopted by the Local Government

# Public input and engagement **prior to adoption**

- ❑ Documentation of how the public was made aware and that the meeting occurred
  - ❑ Opening a meeting for public comments immediately prior to adoption is not sufficient
  - ❑ Public meeting must be more than a presentation of the proposed CRP

# Plan must call for affordable rental housing

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- Call out need for “affordable rental housing”: properties with rents targeting people with incomes at or below 60% of AMI
- DCA will not “infer” a goal of affordable housing from general language in the Plan (e.g., “a diversity of residents”)

# What if the CRP was adopted before 5/25/14?

- Evidence of re-adoption or renewal by Local Government

*AND*

- Applicant includes a letter from an official community representative certifying that the plan is current and ongoing (including an updated list of funding sources, implementation measures, and timeframes)

Re-adoption/renewal requires renewed public input and engagement



# Considerations in renewing/re-adopting a CRP

- The Plan must reflect “current neighborhood conditions.”
- Update these elements if contained in the original Plan:
  - Assessment of Targeted Area physical structures/infrastructure
  - Sociodemographic data describing the Targeted Area

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# Community Transformation Plan

# To be eligible to receive points for CTP

- Applicant must assemble a Transformation Team:
  - A member of the Project Team must have successfully identified as a Community-Based Developer; and/or
  - Project Team must partner with a Community Quarterback

AND

- Transformation Team must successfully implement Community Engagement and Outreach



# Community-Based Developer

# Partnerships measurably improving outcomes

- “Community organizations” (nonprofits, not Local Government)
- Documentation:
  - “Successful” – quantitative data evidencing that joint effort has improved residents’ access to services
  - Replicable – how will these partnerships continue or be replicated in the proposed community?

# Philanthropic activities

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- Developer Entity's strategic charitable donation of goods, in-kind services, or cash on a consistent and ongoing basis
- Recipient may be more than one individual or nonprofit, including grant-making entities.
- Funds dedicated to support services required at DCA-funded property not considered

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# Community Quarterback

# Who can be a CQB?

- ❑ Generally a local nonprofit already anchored in community.
- ❑ If another entity (such as a Local Government entity):
  - ❑ Must meet all requirements as listed in QAP and Guidance
  - ❑ Designates a representative to manage the required tasks
  - ❑ Narrative must establish that role as CQB goes above and beyond typical duties/responsibilities of Local Government



# CQB anchors and monitors CTP goals

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- Active partner in Community Engagement and Outreach process
- For 5 years after placed-in-service date, CQB must annually update the Challenge Worksheet for each challenge identified in CTP; Applicant will submit with Annual Certification

# Community Engagement and Outreach

# Public and Private Engagement

- Transformation Partners:
  - Service providers in education, health, employment, transportation
  - Family Applicants must engage with at least two while Senior Applicants must engage at least one
- At least **one publicly accessible forum** between Transformation Partners to identify challenges to transformation

# Citizen Outreach

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- 1 survey

OR

- 2 public meetings

- Required public meeting between Transformation Partners may satisfy one of these meetings

# Defined Neighborhood Low-Income Residents

- Concerted effort to reach populations such as
  - Public housing residents
  - LEP population
  - Residents of LIHTC properties
  - Residents with physical/mental disabilities
- Collaborate with community action organizations serving these groups

# Components of a Quality Community Transformation Plan

- Delineate a Defined Neighborhood
- Assess existing revitalization strategies and priorities of the local government (including the rehabilitation/production of affordable rental housing)
- Use Community Outreach and Engagement to identify challenges preventing the population to be served from accessing local resources
- For each challenge, set measurable, collaborative goals for increasing future residents' **and** Defined Neighborhood residents' access to community resources