MARYLAND AFFORDABLE HOUSING COALITION

September 1, 2023

MAHC Recommendations – 2023 QAP and Guide Revision

The Maryland Affordable Housing Coalition (MAHC) appreciates the opportunity to comment on the second draft of the 2023 QAP and Guide. First, we would like to acknowledge the proposed changes made to the QAP in response to our comments dated July 17, 2023. We appreciate that our concerns around the exit strategy language and allowing for projects that provide permanent supportive housing for the homeless population were addressed, as well as the addition of clarifying language for several components. We offer the following additional recommendations:

Professional Fees. Section 3.9.8.3. We recommend that only the Net cash developer's fee (the fee paid, which excludes the deferred portion repaid out of cash flow) be limited to the calculations indicated in the Guide as the Gross Fee generates tax credit equity (i.e. third-party funding) that is important to maximize in the capital stack. This will allow the 4% component of a Twin to leverage more equity and reduce the need for RHW funds, which is extremely important given the lack of soft loan resources. These deals need to be structured to take advantage of maximum private debt and equity, thereby limiting the need for State funds.

Competitive Scoring Criteria. Section 4. To adequately support emerging developers and encourage applications under the Infill and Redevelopment Pool, we recommend lowering the total minimum score to 145. We appreciate that the score was lowered to 150 but fear that it will still be very hard to achieve.

LIHTC Award Limits. Section 3.8. While we appreciate the changes made to this section, we remain concerned about the impact the limits will have on mixed income projects and a push towards smaller, inefficient projects. We recommend you increase the per unit limit to $35,000.

Additional Criteria Applicable to New Construction, et all. Section 3.13.2. Please clarify that "new construction projects" in this section are exclusive of adaptive re-use and gut rehabilitation projects, even if those project types include some new construction elements. Specifically in subsection 7, there is conflicting language that needs to be clarified. We also note that the technology or equipment needed to replace a high efficiency gas boiler system feeding a large project with electric equipment may not exist and request that a waiver be allowed for cases when electric technology/equipment is not readily available or is cost prohibitive.

Mixed Income Housing. Section 4.4.5. While we appreciate the changes made to this section to further support the creation of mixed income housing, the leveraging score also needs to be changed for mixed income projects to truly be competitive in the Round. Specifically, the leveraging score in the Form 202 should not be adjusted by the "% Affordable" and instead be based upon the total number of units. Mixed income projects that deconcentrate poverty and encourage diversity and inclusion should be a top priority of the administration.

8	**5. Adjusted Costs (Propor**	
9	# Affordable BRs	**88**
0	Total BRs	**92**
1	% Affordable	96%
2	Total Uses	**$20,081,012**
3	Adjusted Total Uses	$19,207,924
4	Percentage of Total Uses Le	27.58%
5		

Lovable Places. Section 4.6.4. This is an entirely new category, and it is just being introduced in the second and final draft of the QAP without clear definitions or requirements. This gives developers very little time to find adequate sites and put together projects that can meet the intent of the category, and it significantly burdens those developers who have already identified properties for the presumed upcoming 9% Round. More importantly, it will add significant costs to what are already very expensive deals operating with very thin budgets and many of the elements are not specific enough and will be too subjective without further clarification on the specific requirements (to include square footage requirements). While we appreciate the intent of creating places that residents love and value, this is not the right time to introduce new elements to projects that will further burden the capital costs as well as the ongoing operational costs to maintain the common spaces as described. However, if this section is not removed, we request that you further define how "residents" will be calculated so that the required percent of "residents" who need to be served by each space can be calculated uniformly by all applicants. Please consider replacing "resident" as the unit of measurement with "unit", which is much simpler to calculate. For example, the fitness center needs enough cardio machines for "10 percent of residents" to use them at one time and does not specify how many square foot of fitness center space per unit/resident is required. If 100 residents are expected to live in a 35 unit building, this category would require 10 treadmills in the fitness center in addition to the free weights and other equipment prescribed, which is absolutely unnecessary and a major cost burden for such a small property. This section needs further review and refinement, and we would suggest the Department conduct a round table discussion with developers, architects, and general contractors to flesh out these design elements further and better understand the cost and space requirements associated with each element before implementation.

Senior Housing and MBE/WBE Participation. We have two general comments related to the Department's policy priorities. We recognize that housing for the elderly was added as a policy priority and is in line with the unmet elderly housing needs identified in the Statewide Housing Needs Assessment. However, the scoring methodology still does not allow for senior housing projects to score high enough to be competitive in the Round and we urge you to revisit this area to provide an opportunity for those projects to be more competitive. Also, we again urge you to continue to provide additional opportunities for MBE and WBE firms to have meaningful participation in LIHTC projects to build their capacity and grow their businesses. The new Infill and Redevelopment Pool is a small step towards advancing racial equity in the affordable housing development industry. However, we encourage DHCD to review the QAP and Guide and the other multifamily financing programs even further with a racial equity lens to determine their racial impact and ensure that not only are women and minority owned firms receiving a fair and equitable opportunity to participate in these programs, but to also review the racial composition of the residents who live in multifamily properties financed by the Department to ensure there is diversity, equity, and inclusion among the minority groups with the greatest housing needs in each geographic region of the state. MAHC would be happy to collaborate with DHCD on such a review and to work together to develop more specific recommendations.

Thank you for the opportunity to provide comments on the final draft of the 2023 Qualified Allocation Plan and Guide. MAHC deeply values our partnership with DHCD and appreciates the consideration given to our organization and our members.