



Date: August 20, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Funding for Low Income Housing Tax Credit Projects and
2014 QAP Process

Executive Summary

In the updated multi-year funding strategy for housing and community development, approximately \$842,123.00 is included to provide match/gap financing for Low Income Housing Tax Credit (LIHTC) projects. The Department of Community Development proposes to advertise the availability of these funds to provide potential applicants with sufficient time to perform due diligence and obtain required site control. A major issue to be considered however is the Qualified Allocation Plan (QAP) of the North Carolina Housing Finance Agency (NCHFA) and the limitations it imposes on the creation of affordable housing in Durham overall and its specific impacts on the Southside revitalization project.

Recommendation

The Department of Community Development recommends that City Council receive a report on the award of 2013 Low Income Housing Tax Credits and the upcoming 2014 Qualified Allocation Plan.

Background

A major objective of the dedicated funding for affordable housing was to provide match/gap financing on a citywide basis to support the development of Low Income Housing Tax Credit (LIHTC) projects. FY 14-15 will be the first year such funds are expected to be available with a total of \$842,123.00 included in the updated funding strategy.

The rules by which NCHFA awards LIHTC are governed by the QAP, a document which is revised annually. The QAP divides counties within the state into “East”, “West”, “Central” and “Metro” categories. In the 2013 QAP, Durham, Buncombe, Cumberland, Forsyth and Guilford Counties were removed from the Metro category, leaving only Wake and Mecklenburg in that category. The QAP restricted non-Metro counties to only one project, as compared to previous years where the per-county limit was based on total tax credits awarded. (As an example, in the 2011 QAP, the per county tax credit limit was \$2 million.)

The impact of the 2013 QAP changes on Durham is that the Whitted School project was not awarded LIHTC although it had the same total score as the other project submitted from Durham County which was awarded tax credits. The 60-unit “Vermillion” being developed by Workforce Homestead was awarded tax credits because the tax credits on a per unit basis were lower (\$7,500 per unit vs. \$7,978). In contrast, Wake County was awarded four LIHTC

projects (with a total of \$2,552,080 in credits) and Mecklenburg was awarded two. In all six of those projects, the tax credits per unit were significantly higher than either Vermillion or the Whitted project.

In addition to Durham being adversely impacted by the one project per non-Metro County limit, scoring changes in the 2013 QAP were the cause of the Whitted project not being awarded tax credits. Largely all of the scoring factors associated with local government support of public/private partnerships were stripped from the QAP. In 2011 when MBS was awarded tax credits for the first phase of mixed-income development in Southside, points were available for local government financing support, site donation and projects that were a part of a local revitalization plan. Had those scoring factors been retained in 2013, the Whitted School project would have been awarded credits.

In lieu of scoring factors associated with public/private partnerships, the 2013 QAP included a "redevelopment project" category which guaranteed that two such projects in the state would be funded. The Whitted project was submitted within that category. However, the one project per non-Metro County still applied.

The Durham community and its partners need to be aggressively involved in shaping the 2014 QAP with two specific objectives in mind: To make Durham eligible for multiple awards (at least 3 in 2014) and to either restore scoring points associated with public/private partnerships or expand the redevelopment set-aside. Unless those objectives are achieved, the Whitted School re-submittal and the MBS submittal for the second rental phase of the Southside project could be in competition with each other and with a third potential project benefitting from the City's dedicated funding source.

The Department believes that completion of the second phase of rental development by MBS and completion of the Whitted School project should take priority over commitments to potential new projects not yet proposed. However, to be in a position to benefit from QAP changes that provide for multiple Durham projects, the process must begin well in advance of the final QAP issuance later this year.

Alternatives

Council could elect not to make additional funding available next year to avoid complications in completing the second phase of rental development by MBS and the Whitted School project.

Some in the community have advocated using general funds appropriated by Council for affordable housing to acquire and land bank sites near transit for future development.

Financial Impact

The \$842,123.00 projected to be available as match gap/financing for LIHTC is subject to approval of the FY 14-15 budget by City Council.

SDBE Summary

Not applicable

Attachments

2013 Housing Credit Final Scoring
2013 Housing Credit Funded Projects