Provincetown Green Communities
Fort Collins, Colorado
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Diverse Needs

A Look at Housing Credit Programs in the 'Four Corners'

State housing finance agencies in the nation's "Four Corners" region – the point where Arizona, Colorado, New Mexico, and Utah come together – are at different stages in their low-income housing tax credit programs this year and have different priorities. But they share a common need for additional affordable rental units, particularly in faster growing communities in their state.

New Mexico Housing Credit Program

Dan Foster

The New Mexico Mortgage Finance Authority (MFA) has completed its only funding round this year for 9% housing credits. Applications were due January 31, and credit awards were made earlier this year. MFA awarded approximately $4 million – including all of its 2013 credits – to four projects containing 294 total units. They included two acquisition/rehab projects and two projects mixing acquisition/rehab and new construction.

MFA Housing Tax Credit Program Manager Dan Foster said the agency saw greater competition for 9% credits this year. The ratio of requested to available credits was about 4.5 to 1, compared to 2.5 to 1 in 2012.

The agency had two set-asides this year: the 10% nonprofit; and 10% for projects with financing commitments from USDA Rural Development.

New Mexico's 2013 QAP had 10 housing priorities. Some of these were projects with higher levels of affordability (e.g., more low-income units, deeper income targeting, longer affordability period); projects serving individuals on public housing waiting lists; projects housing seniors, special need households, or households with children; energy-efficient or historic developments; and maximum leveraging of other public or private resources.

One of the significant changes MFA made to its QAP for 2013 was adding a new point category for "locational efficiency" – projects in proximity and connected to goods, services, and public transportation.

Regarding areas of New Mexico with the greatest need for additional affordable rental units, Foster said the Albuquerque and Las Cruces areas are experiencing pretty strong population growth rates. There are also "hot spots" in the southeast corner of the state where

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there's been a lot of exploration of oil and natural gas in the fracking industries, and some rural areas have significant demand, he said.

MFA's 2013 QAP provided extra points for projects in Tier 1 or Tier 2 "areas of statistically demonstrated need." Tier 1 areas are areas with (1) a multifamily rental vacancy rate of less than 5%, and (2) a population growth rate greater than the state three-year average growth rate. Tier 2 areas meet one of the two criteria.

As for possible gap financing sources for LIHTC projects, MFA administers the federal HOME program, the state housing trust fund program offering short- and long-term, low-interest subordinate hard loans, and the state housing tax credit program. The latter provides a state tax credit to donors for 50% of the value of a donation for a specific housing project (e.g., cash, land).

Foster anticipated that MFA will issue a draft 2014 QAP in mid-August, and a board vote on approval around mid-October. He said there will be one application round, offering probably $4.5 million to $4.7 million in credits. The application deadline hasn't been set. It could be the end of January 2014 but possibly a bit earlier.

Arizona Housing Credit Program

The Arizona Department of Housing (ADOH) expects to issue 9% credit awards around August 1st in its one and only competitive application round in 2013, according to ADOH Rental Programs Administrator Jeanne Redondo. The application deadline was May 1.

ADOH received applications for 32 proposed projects with a total 2,058 units requesting roughly $35 million in credits, and has nearly $7.9 million to award (excluding any national pool credits). The demand to supply ratio is 4.48 to 1.

Redondo said the amount available this year is less than 2012 because ADOH forward allocated nearly $7 million in 2013 credits last year. In its 2012 round the agency received applications requesting about $32.2 million in credits for projects with 1,923 units, for a 1.50 ratio of demand to supply. In last year's round, ADOH awarded $20 million in housing credits to 18 projects containing 1,299 total units. About half were acquisition/rehab projects, a quarter new construction, and the rest a mix of existing and new units.

Set-asides in Arizona's 2013 program LIHTC include:

- Supportive housing – Two permanent supportive housing projects, including one where at least 25% of the units are reserved for chronically homeless individuals and/or families with rental assistance, and a second where at least 30% of the units for chronically homeless individuals, with a preference for veterans;
- Rural – One project in a rural area;
- Tribal – One project located on tribal land with a preference for veterans; and,
- Nonprofit – at least 10% of the credits reserved for projects with nonprofit sponsors.

Lofts at McKinley, Phoenix, Arizona

"We have a priority for serving the lowest income tenants and for serving families with children, homeless persons, veterans, and elderly citizens," says Redondo.

Among the changes ADOH made to its QAP for 2013 were increasing the number of application scoring points for transit-oriented projects, efficient use of tax credits, and waiver of a qualified contract; adding a 10% contingency for new construction projects; and removing points for lease-purchase projects. The transit design standards added planned light rail stations in Mesa and Phoenix and a

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streetcar line in Tucson.

Redondo said there is a need for additional affordable rental units throughout Arizona, although the greatest need in numbers is in Maricopa County, which includes the cities of Phoenix and Mesa, and in Pima County, which includes the city of Tucson.

ADOH doesn’t issue tax-exempt multifamily housing bonds but takes applications for 4% housing credits for bond-financed projects year-round. The Arizona Finance Authority can issue tax-exempt multifamily bonds for projects anywhere in the state except Maricopa and Pima Counties. There are local industrial development agencies that are issuers, too.

Possible gap financing sources from ADOH for LIHTC projects include federal HOME dollars and state housing trust fund monies, offered when available. The Arizona Community Foundation offers small low-interest pre-development loans.

The likely timetable for ADOH’s 2014 housing credit program is the issuance of a draft 2014 qualified allocation plan (QAP) before September 2013, focus groups and public hearings afterwards, QAP approval by the governor by year-end, a January workshop, and an application deadline in March 2014. The first focus group will be held during the 2013 Arizona Housing Forum, set for September 18-20 in Scottsdale.

Colorado Housing Credit Program

The Colorado Housing and Finance Authority (CHFA) has completed the first of two tax credit application rounds this year, both to reserve 2014 housing credits.


Tasha Weaver

In Round 1, letters of intent were due February 1 and applications due March 1. In Round 2, the letter of intent deadline was June 3 and the application deadline is July 1. CHFA Manager of Tax Credit Allocations Tasha Weaver expects Round 2 reservation awards to be announced by mid-September. The agency has about $11.6 million in 2014 housing credits available for both rounds.

Weaver said CHFA’s priorities this year are the same as last year with a few tweaks. “We have seven priorities,” she says. “That includes acquisition/rehab, homeless, special needs, seniors, pent-up demand (primary

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market areas with very low market-rate and LIHTC rental vacancy rates), projects serving counties with less than 175,000 people, and TOD (transit-oriented development) sites."

CHFA's 2013 housing credit program has only two set-asides: at least 10% of available credits for projects with nonprofit sponsors, and up to $1.25 million for the Denver Housing Authority for a HUD HOPE VI project.

Without numerous set-asides, the particular kinds of projects that are selected for credits depend on the type and strength of applications that come in the door. Accordingly, there is no fixed formula for a certain share as family projects, seniors projects, etc. The mix can vary from round to round. "We are one of the states that does not award projects strictly by points," says Weaver. "We have more of a subjective process. They have to score a minimum number of points to hit threshold, but beyond that it's more qualitative."

She added, "in our QAP we have guiding principles, and part of that is to try to disperse the credits around the state and to meet the different types of needs in the state, not only geographically but in terms of type."

In Round 1, CHFA had a nearly 4 to 1 ratio in terms of total requested credits to available supply. The agency reserved $6.35 million in credits for 419 housing units in three family and three senior projects and one permanent supportive housing project for the homeless.

According to Weaver, CHFA is seeing "pent-up demand for affordable units throughout much of the state," including the Denver metro area, other large cities, and even some resort and rural communities. As far as project type, she says there's "huge demand" for affordable senior units and growing demand for units serving special populations.

CHFA does not have any specific gap financing programs. The city of Boulder, though, has an inclusionary zoning ordinance that requires developers of new market-rate multifamily housing projects to have a certain percentage of units as affordable, either on or off site.

CHFA issues tax-exempt multifamily housing bonds and takes applications for bond financing and 4% housing credits any time except December.

Liberty Peak Apartments, outside Park City, Utah

Weaver anticipated that CHFA will issue its first draft 2014 QAP this August, with board approval hopefully by the end of October. CHFA may hold two application rounds in 2014 but is exploring the possibility of just one round, she said.

Utah Housing Credit Program

The Utah Housing Corporation (UHC) is gearing up for next year's tax credit program, having issued a draft 2014 QAP for public comment. One application round is proposed with an application deadline of October 7, 2013. The 2014 QAP could be finalized around August 1st. An application training workshop is likely in mid- to late-August. Next year's round will offer all of Utah's 2014 per capita housing credits, of roughly $6.2 million, and possibly some additional credits.

Claudia O'Grady

UHC previously awarded about $6.3 million in 2013 federal 9% housing credits to 14 projects, along with $11,120 in state housing tax credits to another four projects. The agency received total requests for nearly $11.6 million in federal credits and $26,820 in state credits.

Claudia O'Grady, UHC Vice President of Multifamily Finance, says the priorities in the agency's LIHTC program emphasize transit-oriented developments and projects for families and special needs populations. Transit-oriented projects are those within one-third mile of the expanding light rail system that runs all along the

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Wasatch Front and has east-west and north-south lines.

O'Grady said Utah is "very urbanized" with about 85% of residents living along the Wasatch Front, a metropolitan area in the north-central part of the state that includes Salt Lake, Utah, Davis, and Weber Counties. Within this area are Salt Lake City, Provo, and some large suburban cities.

"We try to focus our resources to those areas of need," says O'Grady. "Having said that, we do make provisions to ensure that we do at least one rural project, maybe even two projects, a year."

O'Grady says there is a "large disconnect" in Utah between where low-income households live and where the jobs are. Examples are resort areas that need low-wage workers but don't have much if any affordable housing for them.

Utah's draft 2014 QAP proposes the same four set-aside pools as this year. These are:

- Nonprofit-sponsored projects – At least 10% of the available credits;
- Projects in non-metro areas and small projects – 25%;
- Government and nonprofit-sponsored homeownership projects (i.e. lease-purchase) – 5%; and,
- General Pool – 60%.

UHC isn't proposing any significant changes in its 2014 QAP. O'Grady, though, indicated that the agency is proposing to expand the definition of rural to enable more communities to qualify for the non-metro set-aside pool and is adding points for cost efficiency in projects.

UHC issues tax-exempt multifamily housing bonds and accepts applications for bond financing and 4% credits year-round. The agency also has a few gap funding sources available for LIHTC projects. These include the state housing tax credit, which can be combined with either 9% or 4% federal housing tax credits, and low-interest loans made under UHC's Olene Walker Housing Loan Fund program. UHC's "CROWN" program utilizes a portion of the state's annual 9% housing credits for lease-purchase projects

Salt Lake City has a local housing trust fund. TCA