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Mr. Mike Blade
Tennessee Housing Development Agency
502 Deaderick Street
Andrew Jackson Building Third Floor
Nashville, TN 37234

Dear Mr. Blade:

National Housing & Rehabilitation Association's ("NH&RA") Tennessee Developers Council ("TDC") is pleased to provide the Tennessee Housing Development Agency ("THDA" or the "Agency") with the following comments on the 2015 Qualified Allocation Plan ("QAP"). TDC hopes this feedback will assist the Agency in formulating policy proposals that will strengthen and improve the allocation process for both THDA and its developer stakeholders. These comments are in response to conceptual proposals based on recent discussions with THDA staff.

Cross-Counting Set-Asides

TDC strongly opposing the concept of "cross-counting" the QAP set-asides. We believe there are fundamental fairness issues with this approach and that it would result in a less diverse application pool and would almost certainly end up watering down the policy priorities that are the underpinning of the set-aside system.

Set-Aside Pools

As an alternative to cross-counting set-asides TDC recommends considering using "set-aside pools" to address the design and project construction set-asides. In this proposal every application would need to designate a single pool to compete within (New Construction/General, Preservation, Special-Needs and assuming it is not addressed equitably in some other fashion QCT). Once the pool is fulfilled the application would not be eligible for further consideration in other pools. In this scenario, non-profits and public housing authorities would submit their applications in one of the pools competing against the other applicants – in the event that not enough non-profits or PHAs were funded to meet their respective 10% thresholds, then the highest scoring non-profit(s) and/or PHA(s) would replace the lowest scoring applications in the relevant pools. Nothing in this proposal should be interpreted as putting a ceiling on the amount of allocation that non-profits or PHAs, as a class of applicants, can receive though individual developer caps and related party rules would naturally still apply. We believe that approach will ensure a fair distribution of applications, help better ensure that

the most competitive applications receive allocation, and foster a more objective “apples-to-apples” competition where “like” projects compete against each other.

Bifurcating Needs Scores for New Construction and Preservation

Many of our members do not support scoring applications based on county needs and prefer that the market demand, as validated by a full a competently conducted market study verifies, is the best determinant of location. However, should a variation of the county needs score be adopted, TDC members generally support the concept of bifurcating county needs scores where by different metrics are used to evaluate the local county needs for preservation and new construction properties. We reserve endorsement until we have had a chance to evaluate the actual methodologies to be proposed.

Additionally, we want to observe a few potential unintended consequences of adopting this policy. Whether THDA adopts our proposed “Set-Aside Pool” concept or continues to use its current methodology the order of the cascade in which the set-aside or pools are fulfilled becomes a highly determinative factor in the type of deals that get funded in the competitive counties that have high needs scores for both new construction and preservation. Some of our members have also expressed concern that public housing revitalization projects that demolish existing public housing units and replace them with a new-construction product (preserving the existing ACC subsidy) occupy a sort of limbo because they contain aspects of both preservation and new construction. Should the board adopt the bifurcated county needs approach careful consideration must be given to which pools/set-asides these projects would compete in and which county needs score is most applicable.

Related to County Needs -- TDC strongly recommends that whichever methodology is ultimately adopted the actual scores be released as soon as possible to allow developers the maximum amount of time to identify and option properties in advance of the application deadline.

Design Criteria

As we have submitted in previous comments to THDA, TDC recommends separate scoring and design criteria for new construction and preservation properties. We believe that criteria that account of the opportunities and limitations of each construction type foster fairer competition, especially if the pool concept recommended above is adopted. To account for difference between construction type (i.e. new construction and preservation) and building layout (i.e. single family, low rise, mid-rise, high-rise) we also recommend a design scoring regime that would allow developers a menu of options to achieve a maximum design score. To give a practical example, some HFAs incentivize the green roofs in their QAPs, which may be a relatively low cost option for a high-rise development that has limited roof space but a very high cost design option for a multi-building low or mid-rise development which would have a much larger proportion of roof square-footage per unit.

Tie-Breakers

Please note that while TDC discussed tie-breakers extensively in preparation of these comments, and while we are making progress towards identifying recommendations for THDA, we are not submitting any proposals at this time. We are hopeful to develop some consensus recommendations in time for future sessions to address this very complicated and devious aspect of any future QAP.

Other Concerns

TDC also requests that THDA and its Board provide a forum for future comment and dialogue on some additional items that do not related directly to the items on March 24 Board Agenda but have important linkages. One item is the scoring disparity for proposed projects located in QCTs. Many of our members find this disparity to be contrary to the LIHTC enabling legislation and disincentivizes investment in preservation projects and public housing revitalization projects that are located, through no fault of their own, in QCTs. We would also like the opportunity to revisit some of the applicant eligibility items in the QAP at a future forum.

Once again, TDC deeply appreciates the opportunity to provide THDA with this feedback. We would be very happy to discuss any specifics you might have regarding these comments or other subjects of concern. Please feel free to contact me directly with any questions at 202-939-1753 or tamdur@housingonline.com.

Best Regards,

Thom Amdur
Executive Director

cc: Ralph Perrey
Judith Smith
Ed Yandell
Donna Duarte
Phil Baggett
Brian Bills
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Joy Harris
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Larry Martin
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Mike Stevens
Greg Turner

About the Tennessee Developers Council

The Tennessee Developers Council is an independent council of the National Housing & Rehabilitation Association comprised of LIHTC and affordable multifamily developers (both private and non-profit) who work with the Tennessee Housing Development Agency. The Council convenes on a regular basis to share ideas, network, and provide a clear voice on key policy issues being considered by THDA and state legislators.

About National Housing & Rehabilitation Association

NH&RA is a national trade association comprised of professionals involved in the development, ownership, operation and finance of multifamily affordable housing. Formed in 1971, our members include developers, owners, property managers, debt and equity providers, attorneys, accountants, and other professionals involved in tax-advantaged real estate.