

December 22, 2009

Massachusetts Department of Housing and Community Development
Low Income Housing Tax Credit Program
100 Cambridge Street, 3rd Floor
Boston, MA 02114
Attn: Wendy Cohen, Director, Low Income Housing Tax Credit Program

RE: Comments on Draft 2010 Qualified Allocation Plan

Dear Wendy:

On behalf of MACDC, I offer these comments on the Draft 2010 Qualified Allocation Plan for the Low Income Housing Tax Credit Program.

MACDC, established in 1982, is the policy arm of the community development movement in Massachusetts. Our membership includes over 60 community development corporations and 20 other nonprofit organizations, all of whom are involved in developing affordable housing and/or community development. MACDC supports the efforts of our members to develop and preserve affordable housing in the Commonwealth, in urban, suburban and rural areas of the state.

As community-based organizations, CDCs engage in housing development that involves significant local and community control. Our members also support the Commonwealth's efforts to foster fair housing and to sustain communities that are economically and racially diverse.

We would like to offer the following comments on the 2010 Draft QAP:

1. MACDC is appreciative of the commitment that DHCD has demonstrated to supporting and funding low income housing tax credit projects sponsored by CDCs and other community-based nonprofit organizations. We are encouraged both by DHCD's history of awarding funding to nonprofit-sponsored projects (on page 19 of the QAP, DHCD notes that historically it has allocated more than 50% of its 9% credit authority to qualified nonprofit organizations) and by the language it has included in the Draft QAP under "Section VI. Special Challenges in 2010" which includes among characteristics that DHCD is committed to in projects the following: projects sponsored by non-profits and projects that will have a significant impact on the neighborhood in which it is located.
2. We are pleased to see that DHCD anticipates holding two rental rounds in 2010, given the volume of quality tax credit projects in the pipeline. We are also pleased to see that DHCD proposes to add Boston to its list of "difficult to develop areas" (DDAs) in 2010, as permitted by recent federal legislation.
3. We note that the amount of 2010 federal 9% credits available for allocation in 2010 is lower than in prior years, because of the significant amount of forward binding commitments for

2010 made under the 2009 QAP. We encourage DHCD to make forward commitments of 2011 funds as necessary during 2010, so it can continue to award tax credits to worthy and needed projects during the coming year.

4. If the Tax Credit Exchange proposal is extended by Congress, DHCD should continue its efforts to use its authority to exchange credits to maximize its flexibility to allocate credits to projects that can secure investors and to allocate exchange dollars to projects that may not be able to secure investors in this market. This will likely mean that exchange dollars are more frequently allocated to non-profit sponsors.
5. MACDC has two comments on the Set Aside Categories. The first is simply a request to clarify the language on page 20 of the QAP, in reference to projects that have both production and preservation units. In deciding whether to evaluate the project under the production category or the preservation category, DHCD should clarify what category it will place projects with an identical number of production and preservation units. Our second comment is more substantive. We appreciate that under “Preservation set-aside” on page 18, DHCD has made its preservation priorities more explicit and clear. However, there is a category of preservation projects that are arguably not included in this section, that is worthy of State funding. These are the projects controlled by mission driven nonprofits, committed to permanent affordability, that are not at imminent risk of loss due to physical condition or financial distress, but are in need of capital infusions to ensure that they continue to provide quality affordable housing over the long term. We request that DHCD acknowledge that these projects qualify for preservation set aside funding, perhaps as another category under subsection b- housing at risk of loss due to physical condition or financial distress. MACDC would not object to these projects having a lower priority than projects at risk due to imminent physical or financial distress. However, the Commonwealth should support the long-term preservation of high social impact projects, and thus allow such projects, even if well-managed, to be eligible for access to 9% tax credits for necessary capital improvements.
6. MACDC is concerned about language in the 2010 QAP, originally added in 2008, to “characteristics the Department seeks to encourage and reward through the scoring system”, by adding to the language requiring the amount of public subsidy to be reasonable the following: “typically, less than \$95,000 per affordable unit unless the project primarily is a special needs project.” This standard, if rigidly enforced, would likely make otherwise good projects infeasible. In particular, given that local subsidy dollars do not count against this limit, projects located in smaller communities that do not have access to local dollars (CDBG, HOME or CPA) would be disproportionately impacted, as would projects in weak markets with rents that don’t support significant amount of debt. At a minimum, MACDC requests that DHCD allow projects too small for tax credit projects (under 20 units), that are located in non-entitlement communities, to be eligible to receive the current HOME/HSF maximum per unit (\$65,000), plus the current AHTF maximum per unit (\$50,000), for a cap of \$115,000 per unit. DHCD could accomplish this by changing the language to “typically, less than \$95,000 per affordable unit (\$115,000 per unit in non-entitlement communities) unless the project is primarily a special needs project.”
7. MACDC knows that DHCD is concerned with the long-term stewardship of the projects. At a time when nonprofit organizations are facing unprecedented financial challenges, and acknowledging that the financial health of the sponsoring organization is a critical

component for project financial health, we request that DHCD allow sponsors to draw down a larger portion of their overhead and fee earlier in the project process. Specifically, we suggest that nonprofits be able to draw down 50% of their combined overhead and fee at construction loan closing, and that the amount of the developer's fee withheld until construction cost completion, cost certification and rent-up be limited to 10%.

8. MACDC believes that it is in the State's interest to reflect in the scoring of "Special Project Characteristics" the additional value provided by projects that include comprehensive neighborhood revitalization. We urge DHCD to modify the scoring to provide additional points to projects that reflect this, increasing the amount awarded for "inclusion in a comprehensive neighborhood revitalization effort" from 2 points to 6 points. This is particularly relevant with the ongoing challenge posed to communities by foreclosed and abandoned properties, and should include scattered-site projects.

Thank you for the opportunity to comment on the Draft QAP. MACDC, and our members, appreciate the long-standing partnership we have with DHCD and look forward to our work together going forward. Please contact me at 617-426-0303, ext. 26, if you have questions about these comments or want additional information.

Sincerely,

Don Bianchi, Senior Policy Advocate