## GOAL Program Rating and Award Criteria Changes: Comments and Responses

**Updated May 27, 2022**

1) Reference material - We found the material confusing, going between two packets. Is it possible to have the reference material tract with each line of the application?
   *Staff will look into this when building the next application round.*

2) Rehab vs. new construction - Many items in the application did not apply to our rehab. We spent way too much time on these items to find out they did not apply to a rehab project. Could we have a sheet that clearly states which items need to be completed for rehab projects? Also having a developer for a rehab project is not needed. Perhaps there is a dollar amount that requires a developer for a rehab. Developers are difficult to come by and my understanding is many are out of state. Seems like a cost we do not need for a rehab project.
   *Staff will look into minor rehab specific consideration to be included in the GOAL applicant training.*

3) Terminology - This one is definitely related to our lack of experience. Some terms were used differently in the industry and for grant purposes.
   *Staff is always available to answer clarifying questions.*

4) Costs - Feasibility study for $7,000, which is only good for a year and an updated study cost $5,000, is excessive. This may be a requirement but if not, this needs to be addressed. This is a real obstacle for small properties. Perhaps a feasibility study can be good for two to three years or if the property is established and successful, other methods could be used. An established property could be evaluated on past performance, current waitlist, condition or local government surveys relevant to local housing needs could be used.
   *A "comprehensive market study" is required for all LIHTC projects, staff will review the need for market studies on minor rehab projects not requesting tax credits.*

5) I think my biggest comment would be to allows the combination of 4% & 9% credits as Californian and other states have done. I think AHFC would get a lot more bang for their buck by having a hybrid structure.
   *Staff will review this possibility further and this option will not be considered for the SFY 2023 QAP revision.*

6) [We] would continue urging the AHFC utilize the scoring criteria utilized during the Special Goal Program and deviate in the future from the Qualified Allocation Plan Scoring.
   *The SFY 2022 Special Purpose GOAL Round used a modified rating and award criteria to better accommodate the special housing objective of the round and economic situation. Future standard GOAL round will use the rating and award criteria as it appears in the QAP.*

7) Project Characteristics:
   Request that AHFC awards points to projects sponsored by a Tribe or TDHE for the purpose of serving tribal members. Many of the scoring commitments provided by AHFC are in contradiction to the structure of tribal tax credit transactions. We request that AHFC recognizes the unique complexities tribal projects face and award points to those types of projects. We want to point out that there should be a requirement under this scoring category, if adopted, that the project is both tribally sponsored and the intended renter is also tribal.
   *A tribal sponsored project would be edible for all scoring items under the Project Characteristics category. Staff will need more detail on the unique complexities tribal projects face to determine the need of a specific point category for Tribal sponsors.*

8) Extended Low-Income Project Use:
   In general, there are quite a few scoring categories that seem artificially low. Offering one (1) point for extended use seems like an incredibly low incentive for something the state should value more. We request that committing to an extended use period earn a greater amount of points. Tax credit developers are using a highly competitive and valuable resource. We believe that resource should be valued more and those commitments made to earn that resource should stay in place as long as possible.
   *A preference for projects that serve tenants for the longest periods is required Section 42 (m)(1)(B) of the tax code. A single point incentive meets this requirement and gives sponsors more flexibility when structuring projects.*

9) Market Conditions:
   Many of the major scoring categories (market conditions and underwriting) are greatly outside of a developer's control and hurt tribal projects. A private developer can seek project sites that score well in a specific market area and maximize scoring in this category. A tribe simply cannot do that. A tribe has a specific service area and land base. They do not have the capability to seek out fee land outside of that area to pick up market conditions points. Therefore, as a static developer, they are at a disadvantage under this category. We request that the number of points under this category is reduced.
   *The market conditions criteria is intended to benefit areas in the greatest need of more housing, regardless of who will be developing the projects. The State's objective is to provide housing where it is most needed.*

10) Underwriting – Hard Debt
   Similarly, as it relates to the underwriting category, tribal projects just do not fit the box AHFC is looking for here. Tribal projects across the country typically are structured in the same way; financed with two sources: a soft debt, cashflow only loan from LHDME and investor equity from the sale of the tax credits. AHFC is pushing projects towards taking on real debt. In reality, the soft debt structure allows for tribal entities to keep rents affordable to low-income tribal members which is the entire goal of tribal developers. We request that the hard debt test is removed as a scoring consideration.

*All projects need to demonstrate long-term financial viability. A project is not required to carry hard debt but must show the capacity to do so.*

11) [Project Leveraging] – Net GOAL Funds
AHFC is clearly providing preference for projects that underutilize the leveraging capability of LIHTC funding. I assume the intent here is to spread more credits to more projects. However, once again Tribal projects are hurt the most. Tribes tend to charge less than tax credit market rent as housing is seen as a right and service and not intended to grow wealth of the developer. A tribe's goal with LIHTC to is leverage their limited funding as much as possible. A tribe will likely never be able to support a 45% funding commitment in order to earn the full 10 points. In reality, a tribe will almost always score 0 points in order to leverage their commitment. In other states a 10% commitment of leveraged funds (see the New Mexico Mortgage Finance Authority) would earn full points. Here, you are 20% away from earning just two (2) points. We request that this scoring category is reduced as a percentage requirement and reduced in overall points available.
*Project Leveraging will be scored by a review committee in SFY 2023. The current and projected is too volatile to assign a specific project cost standard.*