



# Development Planning, Program Design & the Application Process





# Participation in LIHTC Program is a Multi-Stage Process

---

- Development Planning
- Preparing/Submitting LIHTC Application
- Allocation of Credits
- Identifying an Investor
- Closing with your Investor
- Carryover
- Construction and Lease-Up
- Final Allocation and 8609 Issuance
- Ongoing Monitoring and Compliance



# LIHTC Process (Road Map): 3 Key Stages

---

<b>STAGE 1</b> <b>Pre-Application</b>	<b>STAGE 2</b> <b>Post Reservation</b>	<b>STAGE 3</b> <b>Post Closing</b>
Planning	Reservation Requirements	Construction
Application Submission	Investor Search	Funding
	Closing	8609s
	Carryover	Monitoring & Compliance



# STAGE 1: Pre-Application

---

<b>STAGE 1</b> <b>Pre-Application</b>	STAGE 2 Post Reservation	STAGE 3 Post Closing
<b>Planning</b>	Reservation Requirements	Construction
<b>Application Submission</b>	Investor Search	Funding
	Closing	8609s
	Carryover	Monitoring & Compliance

# STAGE 1: Pre-Application Planning

---

- What does it take to get started?
- Identify Housing Need
  - What to build...
    - New construction vs. Rehabilitation
    - Single Family vs. Duplexes / Apartments
    - Scattered Site vs. Subdivision
  - Who to build for...
    - Family vs. Elderly
    - Homeowners vs. Renters
    - Special needs housing (disabled, homeless, etc.)





# STAGE 1: Pre-Application Planning

---

- Prioritize based on Housing Needs
- Assess Existing Housing Stock
  - Age, condition, special needs, amenities, unit sizes, household sizes
  - Household incomes (must include 100% of per cap income derived from gaming and the first \$2,000 of per cap income derived from interests held in Trust)
- Brainstorm a Project “Wish List”
  - Consider Innovative and Green Design
  - Amenities
  - Community Facility



# STAGE 1: Pre-Application Planning

---

- Determine Capacity
  - Systems
  - Staffing
  - Political
  - Financial
- Identify Funding Sources
  - NAHASDA, Title VI, AHP, RHED, ICDBG, HOME, IHS, BIA, etc.
- Determine Timing
  - Create Realistic and Attainable Timelines

# STAGE 1: Pre-Application Planning

---

- Determine Development Costs
  - Start with previous experience
    - How much did it cost to build your last project?
    - How long ago did you construct those units?
  - Have discussions with local builders and/or architects
  - Determine costs to build other projects in the area
  - Have discussions with peers





# STAGE 1: Pre-Application Planning

---

- Identify your Development Team
  - Tribe or Housing Authority
    - Need to select one employee to be the contact person and to gather the necessary information
  - Consultant
    - Identifies paper work required to complete the application
    - Completes necessary forms
    - Drafts preliminary letters and other items for signature
    - Coordinates 3<sup>rd</sup> parties (attorney, architect, accountant, etc.)
    - Provides training and answers questions



# STAGE 1: Pre-Application Planning

---

- Identify your Development Team
  - Attorney
    - Usually required to form the ownership entity at the time of application
  - Accountant
    - Some states require an accountant's certification at the time of application
  - Architect
    - Preliminary floor plans, site plans, certifications, elevations, and capital needs assessments
  - Market Analyst
    - All states require a market study from an independent party
  - Environmental Analyst
    - Some states require a Phase I Environmental Site Analysis (ESA) from an independent third party



# STAGE 1: Pre-Application Planning

---

- Educate, Coordinate With and Notify All Appropriate Departments
  - Tribal Council
  - Housing Board
  - Housing Staff (both development & occupancy)
  - Land / Realty Office
  - Environmental Department
  - Legal Department
  - etc.
- Review the Application Submittal Materials
  - QAP, application, scoring criteria, design guidelines, Green Building criteria,
  - Attend workshops and QAP hearings



# STAGE 1: Pre-Application Planning

---

- Define the specifics of your project
  - Project Location (QCT or DDA)
  - Acquisition / Rehabilitation  
vs.  
New Construction



# STAGE 1: Pre-Application Planning

---

- Acquisition / Rehabilitation
  - Rules of Thumb
    - Units must be greater than 10 years old
    - No substantial capital improvements within the last 10 years (rule of thumb = 25% of cost of unit)
    - Rehab expenditures must be the greater of \$6,000 or 10% of the unadjusted basis of the building
  - Obtain existing land leases for property upon which units are located
  - Value of units in current condition (an appraisal may be appropriate)



# STAGE 1: Pre-Application Planning

---

- Acquisition / Rehabilitation (cont.)
  - Logistics of a rehab project
    - Temporary relocation of tenants
    - Will relocation be necessary?
  - Rehab considerations
    - States may require a Capital Needs Assessment
    - Design requirements are generally not applicable because buildings already exist
    - Should be a gut rehab (take full advantage of LIHTCs)
    - OK to increase square footage, bedrooms, amenities



# STAGE 1: Pre-Application Planning

---

- Acquisition / Rehabilitation (cont.)
  - Permitted to rehab a community facility or construct a new community facility
  - Determine who lives in the units
    - Tenant selection is important
      - Good tenants?
      - Numbers in household
      - Income of current household
  - Other
    - Interview tenants to determine if they are suitable for the program
      - Do they mind frequent inspections?
      - Do they comply with housing's existing occupancy rules?



# STAGE 1: Pre-Application Planning

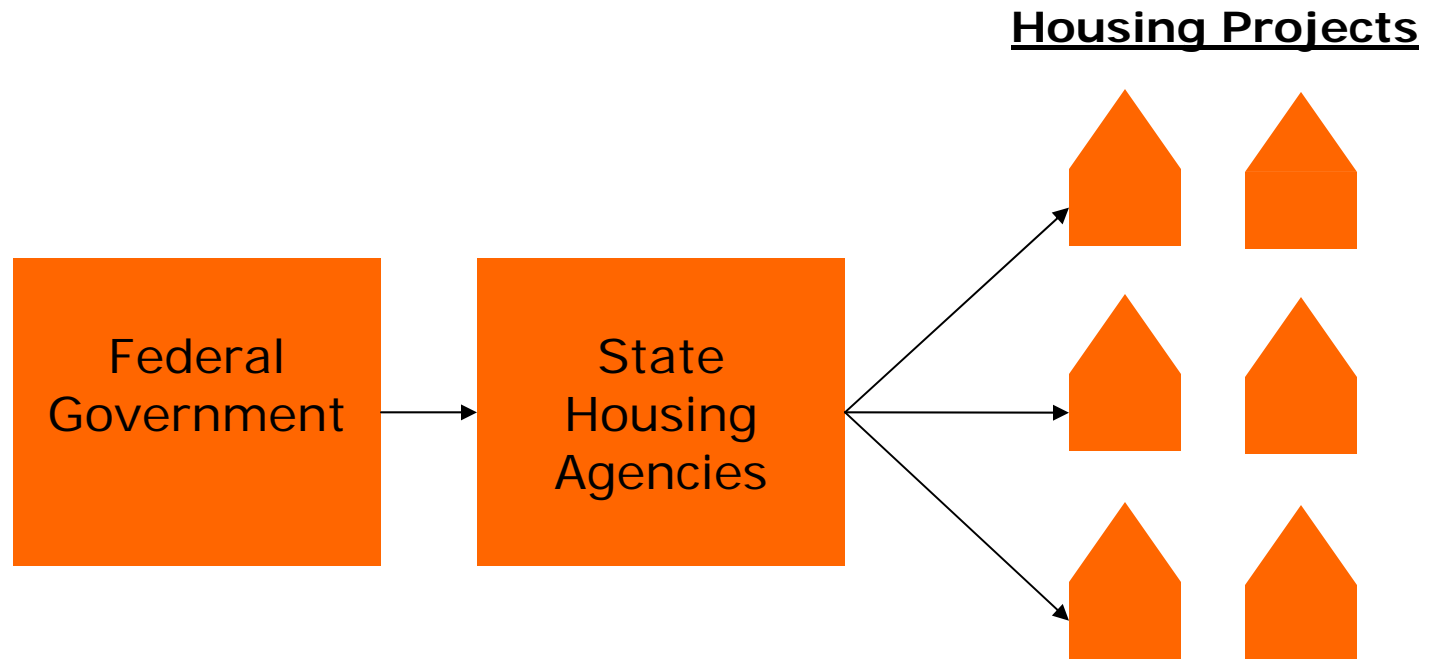
---


- New Construction
  - Land availability
  - Infill (scattered site) or new subdivision
  - Infrastructure availability
  - Cost caps
    - TDC limits
    - State limits mandated in QAP
  - Design considerations
    - Individual likes and dislikes
    - State allocating agency requirements
    - Investor hot buttons
    - Multi-phase projects (sharing community amenities)

# STAGE 1: Pre-Application Application Submission

## How are Credits Allocated?

- The IRS allocates credits to individual States, who are then responsible for allocating credits to qualified projects






# STAGE 1: Pre-Application Application Submission

---

## **How are Credits Allocated?**


- States must develop a QAP (Qualified Allocation Plan) for allocating credits
- The QAP defines how a State administers their allocations of tax credits
- Eligibility is based on meeting the requirements in both Section 42 and your State's QAP



# STAGE 1: Pre-Application Application Submission

---


- Each State's QAP includes several common features:
  - Defines selection criteria for projects receiving allocations
  - Gives preference to serving needs of low income people for the longest period of time
  - Gives preference for projects located in QCTs that contribute to a community revitalization plan
  - Greatest consideration given to "readiness to proceed"



# STAGE 1: Pre-Application Application Submission

---

- Sampling of what the QAP covers:
  - Program Overview
  - Program Goals
  - Per Capita Authority
  - Project Eligibility
  - Set-Asides
  - Application Period
  - Threshold Requirements
  - Selection Criteria
  - Allocation Process
  - Reservation, Carryover, Final Allocation Procedures
  - State & Federal LIHTC Policies
  - Compliance Policies



# STAGE 1: Pre-Application Application Submission

---

- Keys to a Successful Application
  - Develop a realistic timeline & stick to it
  - Identify team members early in the process
  - Communicate often with team members
  - Coordinate the 3<sup>rd</sup> party information first
  - Submit a complete and accurate application
  - Have a plan for collecting signatures
  - Review the completed application materials to see if changes need to be made
  - Ask questions