

NYC Department of Housing Preservation & Development TCAP Selection Process & Criteria

B. Description of Competitive Selection Criteria:

1) A written description of all selection criteria and any weightings assigned that the HCA will use to competitively award its TCAP funds.

a) Description of HPD's Competitive Scoring Process Pursuant to Qualified Allocation Plan Criteria

Since 1988 the New York City Department of Housing Preservation and Development ("HPD" or "Agency") has been making direct allocations of both 4% and 9% Low Income Housing Tax Credits to eligible projects in New York City by mutual agreement with the New York State Division of Housing and Community Renewal (DHCR). Under procedures authorized by federal statute and state law, HPD is officially designated by DHCR as a Local Housing Credit Agency, a designation that is renewed annually.

As a Housing Credit Agency, HPD is required to make allocations according to a "Qualified Allocation Plan" (the Plan), which may be adopted only after providing opportunity for public comment and gaining approval of the Mayor.

The allocation of Low Income Housing Tax Credits is administered by HPD's Tax Credit and Compliance Unit within the Division of Housing Incentives. The Tax Credit and Compliance Unit is responsible for evaluating, underwriting, and scoring applications for tax credits, issuing determinations, reservations and allocations, maintaining the waiting list and monitoring compliance of tax credit recipients with Federal tax credit regulations.

HPD annually publishes in the City Register a Notice of Credit Availability that informs applicants of submission dates and deadlines for future 9% credit funding rounds. One or more funding rounds may be held each year in which credit allocations are awarded on a competitive basis. HPD may establish set-asides of credit for projects that meet qualifications determined by the Agency to be current housing priorities. Specific details regarding set-asides, including amounts and eligibility requirements, are published in the annual Notice of Credit Availability.

For the 2007 and 2008 competitive funding rounds HPD set-aside 25% of its annual credit authority for special needs projects defined as: new construction or substantial rehabilitation of permanent supportive housing projects with HPD approved on-site services that are developed by not-for-profit sponsors where: 100% of units are affordable to persons with incomes at or below 60% area median income, and 60% of units are set-aside for homeless single adults referred by New York City agencies. A

similar set-aside will be established for the 2009 competitive funding round.

To receive consideration for a credit allocation, project owners must submit an application on or before the published submission deadline. Applications must be completed in their entirety, and the required supporting documentation must be attached.

HPD may request any and all information it deems necessary for project evaluation. If any submission is incomplete or if documentation is insufficient to complete an evaluation of the proposed project, processing is suspended. In such cases, HPD notifies applicants how the submission is incomplete and provides at least ten business days for the applicant to submit the requested documentation. Applications are disqualified if the applicant fails to submit the requested documentation within the required period.

Tax credit applications are evaluated and underwritten according to the guidelines in place in the qualified allocation plan (QAP) in effect at the time of submission.

Sponsors and developers whose action or inaction materially contributed to the return or recapture of credits previously allocated by HPD are prohibited for three years from the date the credits were returned or recaptured from participation in any project applying for credits. The Commissioner of HPD may waive the prohibition where there is valid cause.

Applications for competitive credits received by the submission deadline are reviewed for completeness and basic eligibility. Those that meet the threshold eligibility criteria are scored to determine competitive ranking and underwritten to determine the maximum amount of credits for which they are eligible. Credit reservations are issued, in rank order, to as many projects as can be covered by the credit authority available in a given funding round. In the event of scoring ties, HPD ranks tied projects according to which require the least number of tax credit dollars per tax credit unit. After that, HPD reserves the right to select the last project or projects to be funded based on whose credit needs most closely approximate the remaining available credit.

Notwithstanding a project's competitive score, HPD may limit the number of awards to a developer in a given year, or make no awards to a developer if, in HPD's judgment, the developer does not have the current capacity to successfully complete any or all of the projects for which the applications have been submitted. In addition, HPD reserves the right not

to commit tax credits to any project if it determines that a reservation for such project does not further the goals set forth in the City's housing plan.

Any complete application which meets the eligibility review criteria but is not selected for a credit reservation may be placed on a waiting list to ensure a continuous flow of quality projects should additional credit authority become available before the next funding round. The waiting list is terminated at the commencement of a new funding round.

HPD's competitive criteria consider: occupancy criteria, financing and development costs, project characteristics, applicant characteristics, length of affordability, project readiness and the extent to which projects meet unique or critical needs. The competitive scoring criteria in place in 2007 and 2008 were largely the same, while substantive changes were made for the criteria that will be used to award credits in the 2009 funding round. The following is a description of the criteria and weightings in place for each of those years.

2007 HPD QAP Selection Criteria:

Project Occupancy - 18 points

Degree to which projects serve: low-income single adults, the homeless and families with children. Preference for projects that are predominately affordable and projects that serve very-low income families. Preference for projects that serve special needs populations and that have support services and experience in that type of housing or service delivery. Preference for projects that have committed to serve households from the public housing waiting list.

Project Financing and Development Costs - 22 points

Projects that rely on local, state or federal subsidies. Projects with low developer fees, total development costs and efficient financing as defined by strong equity pricing and reliance on funding other than credit generated equity. Projects with firm financing commitments.

Project Characteristics - 15 points

Projects located in designated "special needs" areas, projects acquired through the one of the City's in rem disposition programs, and projects that are part of a community development plan.

Applicant Characteristics - 10 points

Demonstrated success in the development or management of affordable housing, or provision of evidence that projects will receive technical support from a non-profit organization with such experience. Preference for non-profit organizations or community-based organizations. Preference for projects that have no history of tax credit nor HOME non-compliance, nor problems successfully using previously allocated credits.

Extended Low-Income Usage - 10 points

Preference for projects that agree to longer affordability periods.

Project Readiness - 20 points

Preference for projects that have firm equity commitments, that have ownership of the land buildings as evidenced by a deed, that have approved contractor prices, and projects that have started construction.

Special Priority Points - 10 points

Projects the Commissioner of HPD determines to be an important initiative or unique opportunity to meet basic local housing objectives.

2008 HPD QAP Selection Criteria:

Project Occupancy - 20 points

Degree to which projects serve: low-income single adults, the homeless and families with children. Preference for projects that are predominately affordable and projects that serve very-low income families. Preference for projects that serve special needs populations and that have support services and experience in that type of housing or service delivery. Preference for projects that have committed to serve households from the public housing waiting list.

Project Financing and Development Costs - 22 points

Projects that rely on local, state or federal subsidies. Projects with low developer fees, total development costs and efficient financing as defined by strong equity pricing and reliance on funding other than credit generated equity. Projects with firm financing commitments.

Project Characteristics - 15 points

Projects located in designated "special needs" areas, projects acquired through one of the City's in rem disposition programs, and projects that are part of a community development plan. Projects that commit to tenant ownership. Projects that participate in New York State Energy Research and Development Authority's or Enterprise Community Partner's green housing initiatives.

Applicant Characteristics - 10 points

Demonstrated success in the development or management of affordable housing, or provision of evidence that projects will receive technical support from a non-profit organization with such experience. Preference for non-profit organizations or community-based organizations. Preference for projects that have no history of tax credit nor HOME non-compliance, nor problems successfully using previously allocated credits.

Extended Low-Income Usage - 10 points

Preference for projects that agree to longer affordability periods.

Project Readiness - 20 points

Preference for projects that have firm equity commitments, that have ownership of the land buildings as evidenced by a deed, that have approved contractor prices, and projects that have started construction.

Special Priority Points - 10 points

Projects the Commissioner of HPD determines to be an important initiative or unique opportunity to meet basic local housing objectives.

2009 HPD QAP Selection Criteria:

Project Occupancy - 21 points

Degree to which projects serve: the homeless and families with children. Preference for projects that are predominately affordable and for projects that serve special needs populations that have support services and experience in that type of housing or service delivery. Preference for projects that have committed to serve households from the public housing waiting list.

Project Financing and Development Costs - 24 points

Projects that rely on local, state or federal subsidies. Projects that use HOME subsidy. Projects with low developer fees, total development costs, that rely on funding other than credit generated equity. Projects with firm financing commitments. Projects that include acquisition costs of at least \$100,000 for land or buildings.

Project Characteristics - 23 points

Projects located in designated "special needs" areas or where the project will have a catalytic effect on other development, projects acquired from the City of New York, and projects that are part of an Urban Renewal Plan. Projects that commit to tenant ownership. Projects that hire a consultant to conduct an energy audit and energy reduction plan, or that participate in New York State Energy Research and Development Authority's or Enterprise Community Partner's green housing initiatives. Projects with at least 30 units per building, that are historic in nature, or that preserve specific types of existing affordable housing.

Applicant Characteristics - 7 points

Demonstrated success in the development or management of LIHTC housing. Preference for applicants that are Community Housing Development Organizations under the HOME program. Preference for projects that have no history of tax credit nor HOME non-compliance, nor problems successfully using previously allocated credits.

Extended Low-Income Usage - 10 points

Preference for projects that agree to longer affordability periods.

Project Readiness - 5 points

Preference for projects that have approved contractor prices and for projects that have started construction as evidenced by building permits.

Special Priority Points - 10 points

Projects the Commissioner of HPD determines to be an important initiative or unique opportunity to meet basic local housing objectives.

b) Description of HPD's Competitive Scoring Process for Tax Credit Assistance Program (TCAP) Funds

Consistent with requirements of the American Recovery and Reinvestment Act of 2009, to receive consideration for TCAP funds, projects will have to be rental projects that have received or will receive an award of either 4% or 9% Low Income Housing Tax Credits (LIHTC) under Section 42(h) of the Internal Revenue Code of 1986, as amended, (IRC) (26 U.S.C. 42), during the period from October 1, 2006 to September 30, 2009 (federal fiscal years 2007, 2008 or 2009), require additional funding to be completed and be placed into service in accordance with the requirements of Section 42 of the IRC.

HPD anticipates it will begin considering projects for TCAP funds immediately upon availability of such funds. The allocation of TCAP funds will be administered by HPD's Tax Credit and Compliance Unit within the Division of Housing Incentives. The Tax Credit and Compliance Unit is responsible for evaluating, underwriting, and scoring applications for LIHTC, issuing determinations, reservations and allocations, maintaining the waiting list and monitoring compliance of tax credit recipients with Federal tax credit regulations.

Projects considered for TCAP funding will be reviewed for basic eligibility as described in HUD Notice CPD-09-03. Both 4% and 9% LIHTC projects are eligible. Those projects that meet basic eligibility criteria will be considered according to the TCAP funding criteria described below.

The main selection criterion used in considering applications for TCAP funds will be HPD's judgment that a project has the ability to and will be completed within 3 years from the date of Recovery Act enactment (i.e. by February 16, 2012). In making such a determination of readiness, the following factors will be considered:

- a) Funding Commitments
The extent to which all other funding commitments have been obtained.
- b) Local Approvals
The extent to which all approvals necessary to start construction have been obtained, including but not limited to rezoning, the granting of variances, the availability of water and sewer services to the project, subdivision approval, and project tax abatement approval.
- c) Environmental Approvals
The extent to which all necessary environmental approvals have been obtained.
- d) Site Control
The extent to which site control for the project has been secured for privately owned sites.
- e) Development Team Capacity
The extent to which the project development team's track record in completing prior LIHTC projects demonstrates the capacity necessary to complete the project within the eligible time period
- f) Status of Construction Documents
The extent to which the project has finalized plans and specifications, general contractor's contract and other construction-related documents.

Other selection criteria will include: 1) that the project has demonstrated, by the date HPD considers applications for TCAP funding, that the project has the ability to pay Davis-Bacon wages going forward; 2) that the project serves a predominately low-income tenant population; and, 3) that the project meets and will further the City's housing goals.

2) A definition of "an award of LIHTCs" (can be as early as date of public notice of funding decision for a project).

For purposes of this application, HPD defines "an award of LIHTCs" as the written correspondence mailed to or delivered in person to the tax credit project owner or contact in which HPD notifies the project of either an award

of competitive credits (9% credits) or the determination of credit eligibility for projects funded with tax-exempt bond financing (4% credits).