**2015 Qualified Allocation Plan (QAP)**

| | Testimony Received | | | HHFDC Response |
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| 1 | Mutual Housing Association of Hawaii | a | **Minimum Threshold 6 - Contractor Profit Limitation - maximum 14% of hard construction costs;** recommend that contractor general requirements and contractor overhead costs be excluded from the calculation of contractor profit. | No change. The calculation of the contractor profit follows the HUD Subsidy Layering Guidelines. |
| | | b | **Minimum Threshold 7 - Debt Service Ratio; recommend that the annual income inflation rate of 2% and the annual expense inflation rate of 3% be removed as it negatively impacts deals with smaller unit sizes and in high cost areas.** | The proposed inflation rates are industry standards and recommended best practice by the consultant. Minimum Threshold 7 will be revised to require the annual income inflation rate of 2% and the annual expense inflation rate of 3% for the first 15 years or the term of the first mortgage, whichever is greater. An annual income inflation rate of 2% and an annual expense inflation rate of 2% will be required for the remaining term of affordability. |
| | | c | **Minimum Threshold 10.b.ii. - Maximum Developer Fee for 9% LIHTC;** recommend no developer fees be allowed on acquisition costs and that developer fees be limited to 10% of any rehabilitation costs. | No change. HHFDC feels proposed guidelines are a reasonable middle ground between guidance of limiting profit for acquisitions and opposing testimony by other developers that do not want acquisition fees limited. |
| | | d | **Minimum Threshold 10.c.ii. - Maximum Developer Fee for 4% LIHTC;** recommend no developer fees be allowed on acquisition costs and that developer fees be limited to 10% of any rehabilitation costs. | No change. HHFDC feels proposed guidelines are a reasonable middle ground between guidance of limiting profit for acquisitions and opposing testimony by other developers that do not want acquisition fees limited. |
| | | e | **Criterion 4 - New Project Based Rental Assistance Subsidies;** recommend that negative points be applied to projects applying for 9% LIHTC that have secured or will secure project-based rental assistance; these projects should be applying for 4% LIHTC and not utilizing the 9% LIHTC. | No change. HHFDC wants to encourage projects to secure new project-based subsidies. |
| | | f | **Criterion 14 - Projects Offering Tenants an Opportunity for Home Ownership;** recommend removal of this criterion as it is rarely used and seems to distract from the overall goals of the tax credit program. | No change. Criterion is required by IRC Section 42. |

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| | | g | **Criterion 15 - Project is Located in a Qualified Census Tract and Contributes to a Concerted Community Revitalization Plan;** recommend removal of this criterion as it is rarely used and seems to distract from the overall goals of the tax credit program. | No change. Criterion is required by IRC Section 42. |
| | | h | **Criterion 16 - Historic Nature;** recommend removal of this criterion as it is rarely used and seems to distract form the overall goals of the tax credit program. | No change. Criterion is required by IRC Section 42. |
| 2 | Mark Development, Inc. | a | **Minimum Threshold 8 - Phase I Environmental Assessment;** recommend that the Phase I Environmental Assessment be required after the credits have been awarded as it is a unwarranted expense for developers at the application stage. | No change. Completion of the Phase I Environmental Assessment allows a project to address any issues prior to application and include any related costs in the proposed budget. It also assists HHFDC's evaluation of a proposed project's readiness. |
| | | b | **Minimum Threshold 6 - Contractor Profit Limitation - maximum 14% of hard construction costs;** commented that the maximum limit puts a limit on the competitiveness of the process and may put the contractor in a poor financial position if costs of materials and labor unexpectedly increase. | No change. The calculation of the contractor profit follows the HUD Subsidy Layering Guidelines. In line with the current policy to control development costs. |
| | | c | **Minimum Threshold 10.b.ii. and 10.c.ii - Maximum Developer Fee for 9% LIHTC and 4% LIHTC;** recommend fee caps on Developer Fees should be removed. | No change to maximum developer fee. HHFDC reviewed the Report of the National Council of State Housing Agencies' Housing Credit Task Force on Recommended Practices in Housing Credit Allocation and Underwriting and the Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development and feels that the proposed maximum developer fee is fair and in line with the Recommended Practices of NCSHA and HUD's Cost Control and Safe Harbor Standards. The maximum developer fee is reasonable and allows for a developer to earn a profit using Federal and State resources. It is a middle ground between HHFDC's desire to control development costs and opposing testimony recommending to lower maximum developer fee cap. |

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| 3 | Department of Health, State of Hawaii | a | **Minimum Threshold 5 - Smoke Free;** strongly supported the smoke free minimum threshold; recommended the inclusion of the following language: "Owners must prohibit smoking in all indoor common areas, individual living areas (including balconies and lanais), and within 25 feet of building entries or ventilation intakes. A non-smoking clause must be included in the lease for each household". | HHFDC will include the recommended language as it provides clarification. |
| 4 | Hawaii State Office of Primary Care and Rural Health (HSOPCRH) | a | **Minimum Threshold 5 - Smoke Free;** strongly supported the smoke free minimum threshold. | No change. Testimony in support of the threshold requirement. |
| 5 | Coalition for Tobacco Free Hawaii | a | **Minimum Threshold 5 - Smoke Free;** strongly supported the smoke free minimum threshold. | No change. Testimony in support of the threshold requirement. |
| 6 | Catholic Charities Hawaii | a | **Criterion 1 - LIHTC and HHFDC Resource Efficiency;** recommend that HHFDC continue to study and to evaluate the impact of Criterion 1 on the rents that are charged in LIHTC projects; concern that the large number of points (10 points) for leveraging may force project to increase rents in order to score which could result in less housing for the lower AMGI population. | HHFDC will continue to study and evaluate the impact of Criterion 1 on the rents that are charged in LIHTC projects. Efficiency score was reduced from the prior QAP. Criterion 12 intended to encourage lower AMGI units. Points available under Criterion 12 is 2 points higher than Criterion 1. |
| | | b | **Criterion 2 - Overall Project Feasibility;** inclusion of up to 3 points for Tenant Services and Amenities is an improvement. | No change. Testimony in support of the criterion. |
| | | c | **Criterion 3 - Ratio of Developer Fee as a Percentage of Total Project Costs;** viewed as an improvement that will assist to hold down project costs. | No change. Testimony in support of the criterion. |
| | | d | **Criterion 7 - Project Location and Market Demand;** good addition of 1 point for availability of a mass transit station within 1/2 mile for pedestrians; recommend that the criterion should included definitions that will also be applicable to projects on the Neighbor Islands. | The last section of Criterion 7 will be revised as follows: "Project may earn an additional point for availability of a mass transit station/stop within 1/2 mile.~~walking distance (e.g., within 5 to 10 minutes or 1/4 to 1/2 mile for pedestrians)~~" The term "mass transit" includes, but is not exclusive to rail. |
| | | e | **Criterion 9 - Affordability Period;** supports the incentives to commit to a longer affordability period as it gives hope to Hawaii's next generation of families and seniors to continue to live in these housing projects. | No change. Testimony in support of the criterion. |

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| | | f | **Criterion 10 - Tenant Population Preference;** concerned that there are no points for senior housing; urge HHFDC to reconsider the senior housing preference and add points for senior housing projects. | No change. The 2013 and 2014 QAP awarded 3 points for a senior housing project and family projects that provided larger units could earn up to 6 points. The Draft 2015 QAP decreased the maximum points that could be awarded from 6 points to 2 points for families that are providing larger units. Although the senior projects will not be awarded points, the maximum net result of the senior projects and family projects with larger units is 2 points which is similar to the prior QAP. In line with the IRC Section 42 preference for tenants with children. |
| | | g | **Criterion 11 - Special Housing Needs;** urge HHFDC to refocus the language to include projects that are committed to providing services to enable seniors, disabled, and others with special needs to remain in housing via these services. | No change. HHFDC supports projects that are committed to providing services to enable seniors, disabled, and others with special needs to remain in housing via special services, however the intent of this criterion is to have the special services designated from the beginning of occupancy and the units reserved for the tenant who requires the special housing needs. |
| 7 | Vitus Group & Michaels Development | a | **Overall recommendation:** the 2014 QAP be retained for use in the 2015 application rounds while the changes in the 2015 QAP are delayed for at least a year. See written testimony for the detailed reasons for the delay. | No change. HHFDC feels it is in the best interest of the financing programs to proceed with a revised QAP and will be monitoring the effect of the new criteria. |
| | | b | **Minimum Threshold 6 - Contractor Profit Limitation;** recommend to remove this as a threshold item or consider having it as underwriting criteria with certification from Developer as it is not clear whether this is intended to be a requirement of the Developer or Contractor; also unclear how HHFDC would administer and/or audit this requirement of the contractor. | HHFDC will revise the QAP as follows to provide clarification on the requirements to meet the threshold: 1) the contractor profit limitation is a requirement of both the developer and the contractor; 2) the audited final cost certification will need to include the breakdown of the contractor profit. |

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| | | c | **Minimum Threshold 7 - Debt Service Ratio;** recommend that underwriting criteria needs to be flexible and tailored to meet the individual needs of the specific projects with below market financing, extended repayment terms, lower interest rates and subordination to senior debt as appropriate. | As the applications and requests for funding have increased, HHFDC wants to establish underwriting guidelines that will apply to all applications. HHFDC wants to improve the repayment evaluation of projects and stewardship of RHTF loan funds. The proposed inflation rates are industry standards and recommended best practice by the consultant. Minimum Threshold 7 will be revised to require the annual income inflation rate of 2% and the annual expense inflation rate of 3% for the first 15 years or the term of the first mortgage, whichever is greater. An annual income inflation rate of 2% and an annual expense inflation rate of 2% will be required for the remaining term of affordability. |
| | | d | **Minimum Threshold 10 - Developer Fee;** limits production of affordable housing units and discourages experienced developers and attracts inexperienced developers; recommend that HHFDC utilize a nationally recognized standard such as NCSHA or HUD's Cost Control and Safe Harbor Standards when addressing developer fees. | No change to maximum developer fee. HHFDC reviewed the Report of the National Council of State Housing Agencies' Housing Credit Task Force on Recommended Practices in Housing Credit Allocation and Underwriting and the Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development and feels that the proposed maximum developer fee is fair and in line with the Recommended Practices of NCSHA and HUD's Cost Control and Safe Harbor Standards. The maximum developer fee is reasonable and allows for a developer to earn a profit using Federal and State resources. It is a middle ground between HHFDC's desire to control development costs and opposing testimony recommending to lower maximum developer fee cap. |
| | | e | **Criterion 1 - LIHTC and HHFDC Resource Efficiency;** does not efficiently leverage 9% LIHTC, discourages development of mixed income communities, and limits production of affordable housing using; recommend 1) removal of the HHFDC permanent financing in the numerator of the equation or 2) change the denominator so all affordable housing units, up to 140% AMGI, are included in the calculation. | No change. The HHFDC permanent financing is included in the numerator to encourage projects to seek other financing sources. Only units at 60% AMGI below will be included in the denominator as those units are considered LIHTC units and the focus is on providing LIHTC units. |

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| | | f | **Criterion 2 - Project Feasibility;** discourages acquisition/rehabilitation and development of larger projects; recommend 1) eliminate the ranking system for evaluating reasonableness of development costs, utilize a range of reasonableness standard based on development type and location for both new construction and acquisition/rehabilitation; 2) eliminate evaluating readiness to proceed based on completed construction drawings under review by approving agencies; 3) keep existing criterion 2 from 2013/2014 QAP. | No change. HHFDC supports both acquisition/rehabilitation projects and the development of larger projects however this criterion is in line with the current policy to focus 9% LIHTC on new construction. The ranking system for evaluating reasonableness of development costs establishes competition and better projects. |
| | | g | **Criterion 3 - Developer Fee;** limits production of affordable housing units and discourages experienced developers and attracts inexperienced developers; recommend that HHFDC utilize a nationally recognized standard such as NCSHA or HUD's Cost Control and Safe Harbor Standards when addressing developer fees. | No change. HHFDC did review the Report of the National Council of State Housing Agencies' Housing Credit Task Force on Recommended Practices in Housing Credit Allocation and Underwriting and the Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development and feels that the proposed maximum developer fee is fair and in line with the Recommended Practices of NCSHA and HUD's Cost Control and Safe Harbor Standards. The maximum developer fee is reasonable and allows for a developer to earn a profit using Federal and State resources. It is a middle ground between HHFDC's desire to control development costs and opposing testimony recommending to lower maximum developer fee cap. |
| | | h | **Criterion 4 - New Project Based Rental Assistance Subsidies;** discourages mixed income communities, scoring does not correlate with program regulations; recommend change scoring to a Yes/No evaluation rather than percentage based. | No change. It is not the intent of the criterion to promote mixed income communities, but to award points to projects that are able to provide project based rental assistance subsidies to tenants. Points are earned based on the percentage of units that the project is able to secure rental assistance subsidies. The testimony focused on HUD rental assistance and how HUD has limited the rental assistance to no more than 25% of the units in a building; however there are other rental assistance subsidies that do not limit the assistance to no more than 25% of the units in a building. |

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| | | i | **Criterion 6 - Energy Efficient and Green Building;** nationally recognized criteria are not appropriate for Hawaii as they contemplate heating, cooling systems, irrigation, ventilation and other improvements that are a cost burden to affordable housing; recommend follow the lead of other states like California and Washington and develop a Hawaii appropriate "Aloha Green" or other program; a checklist tailored to Hawaii of acceptable green products/practices and improvements. | No change. HHFDC has and will continue to monitor and research this criterion as energy efficiency and green building practices are constantly changing with the improvements to technology; however at the present time there have been projects that have committed to provide the nationally recognized certifications. |
| | | j | **Criterion 7 - Project Location/Market Demand;** criterion disregards important location/market demand data and instead uses only urbanization information; neighbor islands are at a distinct disadvantage as they are not urban areas and do not have the benefit of a mass transit system; recommend revert to criterion in previous QAP which took into account a broad list of attributes including strength of market study, employment, characteristics of the housing and appropriateness of the intended use of the development. | No change to this section of Criterion 7. Each island will be viewed as having its own "urban core" and "urban area" and projects located on the neighbor islands will be eligible to score points in this criterion. The last section of Criterion 7 will be revised as follows: "Project may earn an additional point for availability of a mass transit station/stop within 1/2 mile.~~walking distance (e.g., within 5 to 10 minutes or 1/4 to 1/2 mile for pedestrians)."~~ The term "mass transit" includes, but is not exclusive to rail. |
| | | k | **Criterion 8 - Developer Experience;** poor performance criteria is too onerous, should be based on a history of chronic performance, too broad and does not specify Hawaii experience or nationwide experience; recommend keeping the existing Criterion 8 from 2013/2014 QAP. | The poor performance section (negative points) of Criterion 8 will be deferred to next year to allow HHFDC time to provide additional information on the assessment of negative points. |
| | | l | **Criterion 10 - Tenant Population Preference;** senior/elderly projects are at a distinct disadvantage; recommend keeping the existing Criterion 10 from 2013/2014 QAP. | No change. The 2013 and 2014 QAP awarded 3 points for a senior housing project and family projects that provided larger units could earn up to 6 points. The Draft 2015 QAP decreased the maximum points that could be awarded from 6 points to 2 points for families that are providing larger units. Although the senior projects will not be awarded points, the maximum net result of the senior projects and family projects with larger units is 2 points which is similar to the prior QAP. In line with the IRC Section 42 preference for tenants with children. |

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| | | m | **Criterion 12 - Project will provide a greater percentage of low-income units than required under Section 42 IRC;** discourages development of mixed income communities, promotes concentration of poverty; recommend change scoring to award points to higher affordability levels with an emphasis in scoring for mixed income communities. | No change. IRC Section 42 requires the QAP to give preference to projects serving the lowest income tenants. This criterion should not discourage mixed use as the scoring matrix only takes the LIHTC units into consideration. |
| 8 | City Real Estate | a | **Minimum Threshold 10 - Developer Fee;** the elimination and/or reduction of industry acceptable developer fees only serves to reduce the amount of tax credit equity a project can generate; elimination of interest from deferred developer fees is problematic from a tax perspective as deferred developer fees are considered soft financing and need to have an interest rate to be included in eligible basis. | The threshold requirement "No interest shall be earned on any Deferred Developer Fee" will be deferred to next year to allow HHFDC time to address the testimony received. |
| 9 | Hale Mahaolu | a | **Criterion 10 - Project will give preference to tenant populations;** recommend that larger units (more than 1 bedroom) should not be awarded more points | No change. IRC Section 42 requires the QAP to include criteria that address tenant populations of individuals with children; the larger units provide housing help to meet this criteria. |
| | | b | **Comparison of Neighbor Island Projects to Honolulu Projects:** recommend an "adjustment factor" to level the playing field as the neighbor islands have lower AMGIs and higher construction costs. | HHFDC will continue to seek a cost factor adjustment for the neighbor islands. Developers are encouraged to submit suggestions/proposals of a cost factor adjustment. |
| 10 | Kauai County Housing Agency | a | **Criterion 7 - Project Location and Market Demand;** neighbor islands at a disadvantage for rural character and lack of mass transit; could potentially lose up to 4 points which is critical when competing for LIHTC; want to see a level playing field that is fair and equitable among the counties. | Each island will be viewed as having its own "urban core" and "urban area" and projects located on the neighbor islands will be eligible to score points in this criterion. The last section of Criterion 7 will be revised as follows: "Project may earn an additional point for availability of a mass transit station/stop within 1/2 mile.~~walking distance (e.g., within 5 to 10 minutes or 1/4 to 1/2 mile for pedestrians)."~~ The term "mass transit" includes, but is not exclusive to rail. |

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| 11 | National Housing Trust | a | **Preservation;** recommend creating a tax credit set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing and add points for preservation to off-set current incentive criteria more readily available to new construction proposals. | No change. HHFDC supports the preservation and rehabilitation of projects; however with the limited amount of 9% LIHTC available to the State of Hawaii, it not reasonable to create a set-aside for the preservation and rehabilitation projects. In line with the current policy to focus 9% LIHTC on new construction. Preservation and rehabilitation projects are eligible to apply under the 4% LIHTC program. |
| | | b | **Criterion 6 - Energy Efficient and Green Building;** supports the green building incentives in the QAP; recommend working with state utilities to develop energy efficiency programs for multifamily housing. | HHFDC will continue to work with Hawaii Energy, the conservation and efficiency program under contract with the Hawaii Public Utilities Commission. |
| 12 | Hawaii Island Community Development Corporation | a | **Criterion 1 - LIHTC and HHFDC Resource Efficiency;** lower income limits for neighbor islands affects the ability to borrow in the marketplace; increases need for State resources; suggest a scoring adjuster for the income differential of each county as compared to the C&C of Honolulu. | HHFDC will continue to seek a cost factor adjustment for the neighbor islands. Developers are encouraged to submit suggestions/proposals of a cost factor adjustment. |
| | | b | **Criterion 3 - Developer Fee;** developer fee caps are too high; recommend maximum 7% limit for new construction 9% LIHTC projects; for rehabilitation 9% LIHTC projects, the fee cap should be lower; if 4% LIHTC higher fee cap would be appropriate. | No change. HHFDC feels proposed guidelines are a reasonable middle ground between guidance of limiting profit and opposing testimony by other developers that do not want developer fees limited. |
| 13 | Stanford Carr Development, LLC | a | **Minimum Threshold 8 - Phase I Environmental Assessment;** this threshold prevents applicants from submitting an LIHTC application while concurrently conducting an EA and has the potential to delay the development of much needed affordable housing. | No change. Completion of the Phase I Environmental Assessment allows a project to address any issues prior to application and include any related costs in the proposed budget. It also assists HHFDC's evaluation of a proposed project's readiness. |
| | | b | **Minimum Threshold 10 - Developer Fee;** recommend developers should be entitled to accrue interest at long-term AFR; in addition, the fee cap is an impediment to the realization of more affordable housing as it caps developer fees irrespective of the size/scope and difficulty of the project. | The threshold requirement "No interest shall be earned on any Deferred Developer Fee" will be deferred to next year to allow HHFDC time to address the testimony received. The maximum developer fee is reasonable and allows for a developer to earn a profit using Federal and State resources. It is a middle ground between HHFDC's desire to control development costs and opposing testimony recommending to lower maximum developer fee cap. |

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| | | c | **Criterion 12 - Project will provide a greater percentage of low-income units than required under Section 42 IRC;** LIHTC program requires minimum 20% of units at 50% AMGI or less or 40% of units at 60% or less; a project providing 100% of the units at 60% AMGI or less will not score any points; this is a disincentive to a developer. | No change. IRC Section 42 requires the QAP to give preference to projects serving the lowest income tenants. The intent of this criterion is to award projects that are committed to providing units below the minimum 60% AMGI requirement. |
| 14 | EAH Housing | a | **4% LIHTC;** recommend that applicants should have the ability to request on a rolling basis, reservations of 4% LIHTC where no State LIHTC or other State-administered loans or grants are requested in that same application. | No change. HHFDC feels that the competition encourages better projects. |
| | | b | **HMMF/4% LIHTC;** should HHFDC elect to move toward establishing funding cycles for HMMF/4% LIHTC, recommend at least 4 rounds, one per calendar quarter to accommodate development schedules throughout the year. | No change. Since this is the first year that there will be an application round for the HMMF/4% LIHTC program, HHFDC would like to review the effects of having application rounds as compared to the open application policy in the previous years. |
| | | c | **Minimum Threshold 6 - Contractor Profit Limitation;** recommend clarification if there are multiple prime contractors; if it is subsequently determined that the contractor's compensation exceeded 14% then that incremental excess should be deducted from the basis against which credit can be allocated, adjustments could be made at 8609. | QAP will be amended to provide clarification that if there are multiple prime contractors; each contractor's profit, including general requirements and overhead, shall not exceed 14% of the hard construction costs for that contract. For example, if there is one contract for the site work and another contract for the vertical construction work, each contractor's profit, including general requirements and overhead, shall not exceed 14% of the hard construction costs for that contract. |
| | | d | **Minimum Threshold 7 - Debt Service Ratio;** section is not entirely clear with respect to the underwriting criteria to be utilized given the different scenarios and poses a potential problem with the overall feasibility analysis: | |

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| | | | Subpart (e) requires use of the highly conservative trending assumption of annual income increases at 2% with expense increases at 3%; only useful for 15 year analysis; with longer periods of analyses not workable using such conservative trending assumptions; tax counsel will typically permit 3% income increases and 3% expenses increases to determine whether loans can be repaid over the extended terms; | The proposed inflation rates are industry standards and recommended best practice by the consultant. Minimum Threshold 7 will be revised to require the annual income inflation rate of 2% and the annual expense inflation rate of 3% for the first 15 years or the term of the first mortgage, whichever is greater. An annual income inflation rate of 2% and an annual expense inflation rate of 2% will be required for the remaining term of affordability. |
| | | | Subpart (a) underwrites hard debt for 15 years using 2% income and 3% expenses assumptions, however Subpart (e) requires the longer analysis period and is therefore potentially problematic; | The proposed inflation rates are industry standards and recommended best practice by the consultant. Minimum Threshold 7 will be revised to require the annual income inflation rate of 2% and the annual expense inflation rate of 3% for the first 15 years or the term of the first mortgage, whichever is greater. An annual income inflation rate of 2% and an annual expense inflation rate of 2% will be required for the remaining term of affordability. |
| | | | Subpart (b) - if the intention is to require that a hard debt service loan should be obtained where such a loan is feasible to obtain, then such conditions should be stated explicitly and incorporated into the RHTF regulations or Consolidated Application guidelines; | No change. HHFDC is currently evaluating the RHTF Program. |
| | | | RHTF Loan - should be flexible enough to provide subsidy without imposing unworkable repayment requirements for the certain types of special needs projects where a project simply cannot take on the hard debt requirements; should simply be required to show that the loan can be repaid over the long term with annual trending assumptions of 3% for income and 3% for expenses, the same standard tax counsel uses to determine that a source of financing is debt and not equity. | The proposed inflation rates are industry standards and recommended best practice by the consultant. Minimum Threshold 7 will be revised to require the annual income inflation rate of 2% and the annual expense inflation rate of 3% for the first 15 years or the term of the first mortgage, whichever is greater. An annual income inflation rate of 2% and an annual expense inflation rate of 2% will be required for the remaining term of affordability. |
| | | | Please clarify "HUD Fair Market Interest Rate" | Minimum Threshold 7 b.i.1. - "HUD Fair Market Interest Rate" will be revised to "Long-Term Applicable Federal Rate" |

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| | | e | **Criterion 1 - LIHTC and HHFDC Resource Efficiency;** public purpose in Criterion 5, State/Local government support, could run contrary to Criterion 1 where State resources are utilized, but the use of theses resources to leverage other funding should be encouraged and more heavily weighted. | No change. HHFDC does not feel that Criterion 5 could run contrary to Criterion 1 because Criterion 1 only considers HHFDC permanent resources in the numerator of the equation. Other permanent resources from another State agency such as a below market lease will not be included in the numerator, however it may help an applicant to earn points in Criterion 5. |
| | | f | **Criterion 2 - Overall Project Feasibility;** | |
| | | | **Reasonableness of Development Costs** - proposed system would reward projects based on the lowest cost per square foot and rank project applications on an ordinal number basis; 1) this equates cheapness with reasonableness and will lead to low quality affordable housing which is inconsistent with the concept of promoting quality affordable housing and communities; 2) does not take into consideration the building location and that by geographic location or neighborhood context, some building types may be appropriate but more expensive to build than other buildings (e.g. high-rise in urban core context versus garden apartments or Honolulu County versus neighbor islands); recommend deletion of this criterion as it seems fundamentally "unreasonable" to measure one project against another give these variables. | No change. HHFDC will continue to seek a cost factor adjustment for the neighbor islands and various parts of Oahu. Developers are encouraged to submit suggestions/proposals of a cost factor adjustment. |
| | | | **Readiness to Proceed -** support readiness standard; recommend that criterion be more defined; it is unclear for example, how the HHFDC would determine whether a project schedule is reasonable or not; in addition, completion of construction drawings as a criterion to determine readiness is not appropriate given the sizable investment that would be required. | No change. Each project's schedule is viewed individually. For example, if the project requires a 201H exemption, the schedule will be reviewed to determine if a reasonable amount of time has been projected for the approval process. HHFDC allows projects to submit applications without the completed construction drawings, however, if a project has completed construction drawings, it should be awarded points for readiness. |
| | | | **Tenant Services and Amenities -** support this criterion however it is too generalized as stated; needs more specificity and should be defined by housing type with respective points assigned; | No change. HHFDC appreciates the suggestion and is reviewing the effect of services and amenities on the overall project costs. The goal is to award points to projects that provide services and amenities without making the requirements to score too onerous or cause a project's overall development costs to increase tremendously. |

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| | | | **Criterion 5 - State and Local Government Support;** recommend HHFDC expand to allow points for below market lease or sale of property by a private landowner pursuant to a government program; ex. landowner opts to satisfy inclusionary housing obligation through offsite provision and may further choose to sell or donate the site to a developer for affordable housing development | No change.  Inclusionary housing obligation is required; no points will be awarded for a requirement of the developer. |
| | | | **Criterion 7 - Project Location and Market Demand;** criterion needs precise definition, for example, how does HHFDC define urban core vs. urbanized area vs. master planned community; | No change to this section of Criterion 7.  Each island will be viewed as having its own "urban core" and "urban area" and projects located on the neighbor islands will be eligible to score points in this criterion. |
| | | | as written, "availability of a mass transit station within walking distance (within 5 to 10 minutes or 1/4 to 1/2 miles" doesn't make sense; 1/4 to 1/2 mile is a precise measurement while 5 to 10 minutes is wholly dependent on the walking ability of the pedestrian and could not be measured objectively; recommend a defined and specific distance that can be measured should be used. | The last section of Criterion 7 will be revised as follows: "Project may earn an additional point for availability of a mass transit station/stop within 1/2 mile.~~walking distance (e.g., within 5 to 10 minutes or 1/4 to 1/2 mile for pedestrians)~~"  The term "mass transit" includes, but is not exclusive to rail. |
| | | | **Criterion 8 - Developer Experience;** recommend add "Developer" to categories 1 and 2. | The word "Developer" will be added to Criterion 8, sections 1 and 2. |
| | | | **Poor Performance -** | |
| | | | First sentence - if intention is to assign negative points for any of the events listed, recommend modify the end of the sentence to "Project applications shall incur a poor performance assessment of the negative 10 points for any of  the following:" | The poor performance section (negative points) of Criterion 8 will be deferred to next year to allow HHFDC time to provide additional information on the assessment of negative points. |
| | | | Outstanding Form 8823 - recommend revision to reflect the assessment of negative points only where there is a failure to correct egregious or permanent noncompliance issues. HHFDC should target serious breaches under the LIHTC Program and EAH Housing does not believe that one or two 8823s rise to the level of deserving negative  points if a recapture by the IRS has no resulted. | The poor performance section (negative points) of Criterion 8 will be deferred to next year to allow HHFDC time to provide additional information on the assessment of negative points. |

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| | | | With respect to the final bullet point for negative points, "Failure of any member of the Development Team to meet commitments made under the application for all financing and tax credit commitments with HHFDC within the past 5 years" is too vaguely stated and would leave HHFDC vulnerable to legal challenge if not modified; the statement would apply o applications submitted but not funded or approved by HHFDC and in this sense is over-reaching; if HHFDC financing has not closed, negative points are not merited; recommend "Uncured violation of a requirement set forth in a regulatory or use agreement benefitting HHFDC". | The poor performance section (negative points) of Criterion 8 will be deferred to next year to allow HHFDC time to provide additional information on the assessment of negative points. |
| | | | **Criterion 10 - Tenant Populations;** recommend senior housing projects should be eligible to receive the same number of points as projects servicing larger families. | No change. The 2013 and 2014 QAP awarded 3 points for a senior housing project and family projects that provided larger units could earn up to 6 points. The Draft 2015 QAP decreased the maximum points that could be awarded from 6 points to 2 points for families that are providing larger units. Although the senior projects will not be awarded points, the maximum net result of the senior projects and family projects with larger units is 2 points which similar to the prior QAP. In line with the IRC Section 42 preference for tenants with children. |
| | | | **Criterion 11 - Special Housing Needs;** recommend define "social problems" and "age" (does this relate to seniors aged 62 or more?); service stipulation for points is vague - how will HHFDC make the judgment that services being proposed are appropriate? More definition regarding the type of services appropriate for the target population is needed. | No change. HHFDC is discussing the addition of details of what type of services/projects qualify as special housing needs. |
| | | | **Criterion 17 - Waiver of Qualified Contract;** support the change to 20 points for waiver of the qualified contract. | No change. Testimony in support of the criterion. |
| 15 | City & County of Honolulu, Office of Housing | | **Minimum Threshold 4 - Public Housing Waitlist/Homeless Services Programs;** encouraged by the threshold; recommend creation of initiatives to help current public housing tenants to move into newly developed affordable housing; creating a positive "flow" of tenants into and out of public housing. | No change. HHFDC is supportive of tenants moving out of public housing and into affordable housing and will continue to work with other agencies. |

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| | | | **Criterion 7 - Project Location and Market Demand;** recommends that mixed-use developments should be encouraged. | No change.  The provision of affordable housing is the priority. |