LISTING OF MAJOR REVISIONS
DRAFT 2025 QUALIFIED ALLOCATION PLAN
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
POSTED SEPTEMBER 12, 2024

Many of the tracked changes shown in the draft 2025 Qualified Allocation Plan do not alter its meaning (e.g., removes repetition). The listing below is of those which are substantive, although it does not include all material differences from 2024. Note the entire draft is preliminary and subject to further revision, including in response to input from interested parties. HHFDC will hold a public hearing and invite written comments.

Specifying an Applicant (pages 4-5)
Submissions must identify an entity as the Applicant. If awarded, the Applicant (or an affiliate) will become a managing member or general partner of the ownership entity.

Appendix 2, Design Requirements (page 6 and pages 38-__)
Nearly all LIHTC allocating agencies have minimum standards for design and construction.

201H Approval (page 6)
No longer is a threshold requirement.

201H Approval (page 7)
No longer is a threshold requirement.

Preliminary Engineering Report (page 8)
Added as a required submission for new construction applications.

Plan and Cost Review (page 7)
As one component of a multi-part new approach in addressing development costs, Applicants will contract with an HHFDC-approved third party to prepare an estimate (no longer may be a related general contractor). However, the work does not include vertical construction (covered below).

Developer Fee (page 10)
The draft proposes changes in the calculation:

- For new construction, the amount is $50,000 per unit. This method is a national recommended practice because it avoids effectively rewarding inefficient production.
- Rehabilitation is 40% of hard cost line-items, which do not include acquisition. Variations up or down in the former, not the latter, correspond to the amount of development work done.

Both amounts would produce results higher than what has been the three-year average.

Qualified Contract (page 11)
All owners will waive the ability to request a qualified contract (no longer a point criterion).

Development Costs (page 11)
Another component of the multi-part approach is HHFDC will post a limit for what applications can show for vertical construction costs. HHFDC also will determine the appropriate amount of other budget line-items based on several factors.

Resource Efficiency and Reasonableness of Costs (page 13)
These selection criteria create an incentive known as a "race to the bottom": developers have an incentive to make increasingly aggressive representations. Removing them contributes to the need to

adopt the other cost policies listed above.

Developer Fee (page 14)
Removes this criterion.

State/Local Financing (pages 14-15)
Changes to a per-unit calculation to remove what was another "race to the bottom" incentive.

State/Local Government Owned Land (page 15)
Pulls out this point scoring opportunity into its own separate criterion.

Developer and Management Experience (page 16)
The scoring changes from a penalty to not receiving points for past projects receiving some form of HHFDC accommodation.

Percentage of Income Targeted Units (pages 19-20)
The calculation is simplified and adds consideration of the average income minimum set-aside. Applications earn the maximum points for either targeting 30% of units to 30% AMI or the equivalent mix of designations.

Average Income (pages 19 and 26)
Applications for certain projects can indicate electing the third minimum set-aside. Owners doing so must comply with three HHFDC requirements.

Underserved Areas (page 21)
Underserved areas for affordable housing are those where there is a clear gap between the demand for and supply of affordable housing, compounded by economic and social challenges. These areas are identified by analyzing Census Tracts where residents are among things, severely "housing burdened", defined as spending greater than 30% of a household's income on housing.

Concentrated Wealth (page 22)
Scoring is comparative among applications based on the Census tract poverty level of the site.

Loan Repayment (page 22)
Scoring is based on repaying a Rental Housing Revolving Fund loan.

State Conveyance (page 22)
Scoring is based on willingness to sell the property to a future state government agency.

Need for Rehabilitation (page 22)
Scoring is based on the extent to which an award would improve residents' quality of life.

Proximity to Amenities (pages 22-23)
Scoring is based on distance to certain establishments and facilities.

Point Deduction (page 23)
HHFDC would have the ability to deduct points based on the Applicant not completing a representation made in a past application.