



ANALYSIS OF STATE QUALIFIED ALLOCATION PLANS FOR THE LOW-INCOME HOUSING TAX CREDIT PROGRAM

SPRING 2020 / PREPARED WITH THE GENEROUS SUPPORT OF
THE HOME DEPOT FOUNDATION

This guide is based on information as of March 2020

What is the Low-income Housing Tax Credit?

The Low-Income Housing Tax Credit (LIHTC) program is a federal funding subsidy, administered by states, for the purpose of building and rehabilitating affordable housing (Changelab). Since its inception, the LIHTC program has created over three million housing units shared between more than forty-seven thousand projects, making it the most powerful financing tool for affordable housing development (HUD). The amount of 9% tax credits each state receives is based on population size or the federally set minimum, whichever is greater (Novogradac).

What is the Qualified Allocation Plan (QAP)

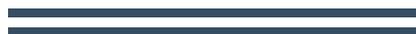
There are federal laws that set minimally qualifying criteria for the projects that will receive tax credits; however, state Housing Finance Agencies have the authority to prioritize various housing developments, suited to their unique housing needs, through their Qualified Allocation Plan. In the QAP, states outline their housing goals, special populations or geographies that will be given preference, and how points will be awarded for LIHTC funding through the competitive application process. Developers then submit applications for these tax credits, and ultimately the highest scoring applications, that align with the state's housing priorities, are awarded credits.

Why should veterans be prioritized in a state Qualified Allocation Plan?

The most recent Point in Time count, which was released towards the end of 2019, suggest that there are over 37,000 veterans experiencing homelessness on any given night. Furthermore, of all the veterans represented in the PIT count, between 30-35% were living unsheltered (VA). Veteran homelessness has declined roughly 50% since 2010, however, it is important to remember that temporary or transitional housing is only part of the solution for ending homelessness amongst veterans. Uplifting more veterans out of homelessness, requires graduating veterans that are living in temporary or transitional housing to permanent supportive housing, a VASH voucher, a traditional HCV or total self-sufficiency, which ultimately requires more units be available. Developing permanent long-term affordable housing is undeniably crucial to ending veteran homelessness, and the LIHTC program can aid in this effort.

The challenge is communicating this with states and ultimately influencing the Qualified Allocation Plan (QAP) in a way that benefits veterans exiting homelessness. The QAP has the potential to not only provide affordable housing for veterans, but also shape what type of affordable housing we as a collective want to see become more accessible to veterans. Careful attention should be given to make sure the housing projects we advocate for are in accessible, economically viable, equitable and complete communities, that offer the highest possible quality of life for veterans in the long term. While many states already weigh projects against several factors including but not limited to—length of affordability, community housing needs, onsite service capacity and amenities, populations served, project location, energy efficiency and sustainability, share of incomes served and overall development costs; not all states include housing veterans in their priorities outright. Additionally, only two states currently set aside tax credits upfront, for the purpose of developing supportive housing for special populations, including veterans.

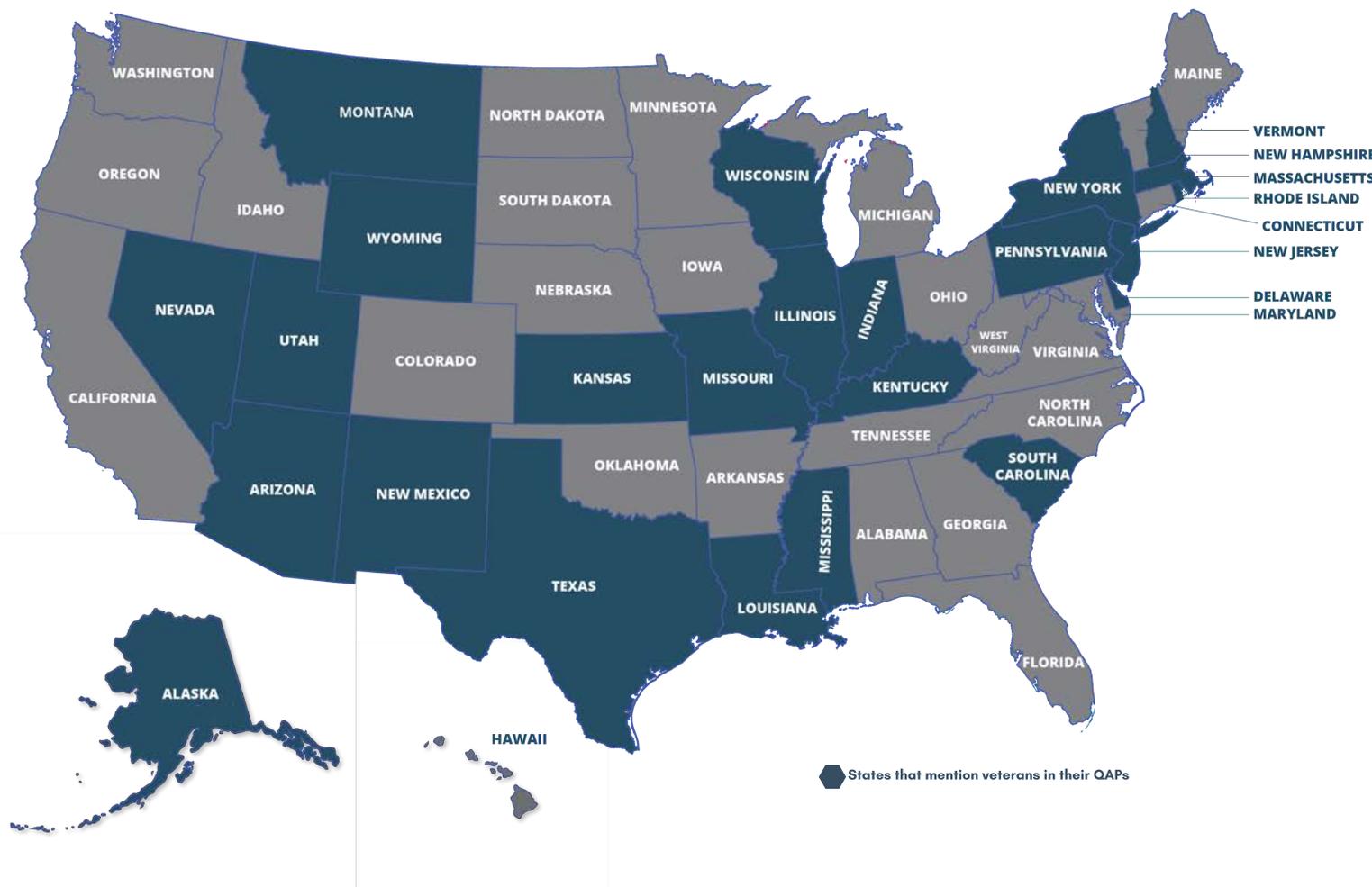
It is extremely difficult to quantify how many units are currently operable, under construction, or in the pipeline that directly provide housing for extremely low-income veterans or veterans exiting homelessness. It is also difficult to actualize the number of housing units that become occupied by veterans. It is one thing to list an occupancy preference but another thing to confirm that a veteran or veteran household comes to occupy these housing units. Including and prioritizing veterans in a state QAP, represents a longer-term commitment to ending and maintaining an end to veteran homelessness.



Tax credits fund development that remains affordable for 30 years, or possibly longer, if motivated by the state or locality (Novogradac). However, these properties can take years to coordinate and complete, so it is critical to advocate for greater veteran preference, set asides and overall consideration now, by every state, so we can see these projects come to fruition in the years to come.

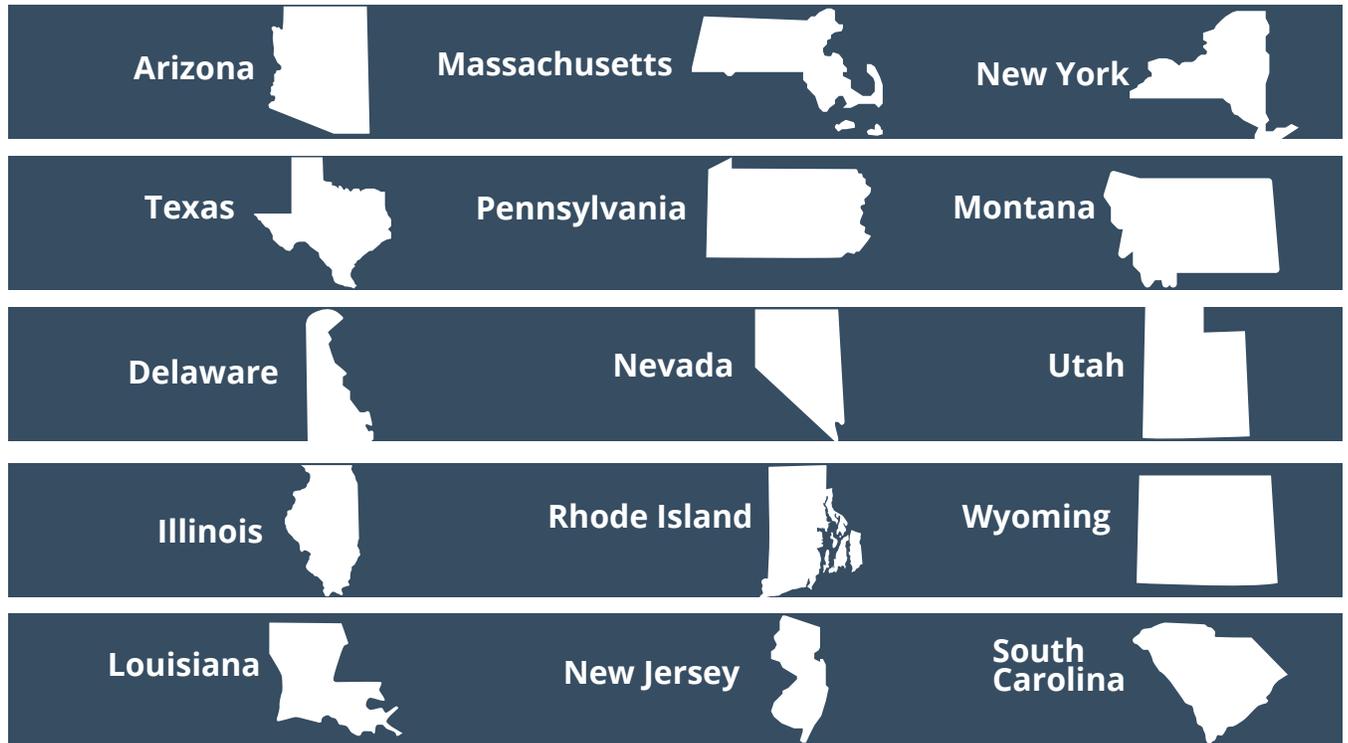
Here is a brief state by state comparison, of who builds in a veteran preference, how they do, and also the states that do not mention veterans at all in their Qualified Allocation Plan. This information accounts for the current year, but also goes back to 2019, and in some cases through 2021; the reason being, some states design a QAP to cover multiple years, some states have not released their final QAP for 2020, and some states are still in a drafting period for the current year and beyond.

24 states mention veterans in their QAPs.



Several states include veterans in their special populations section

Arizona, Delaware (2019), Illinois, Louisiana (2019), Massachusetts, Montana, Nevada (2019), New Jersey, New York (2019), Pennsylvania (2019), Rhode Island, South Carolina, Texas, Utah, Wyoming



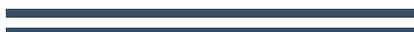
EXAMPLE

"Persons with Special Housing Needs including households where one or more individuals have alcohol and/or drug addictions, Violence Against Women Act Protections (domestic violence, dating violence, sexual assault, and stalking), HIV/AIDS, or is a veteran with a disability." -Texas (2020)

So, what does this all mean?

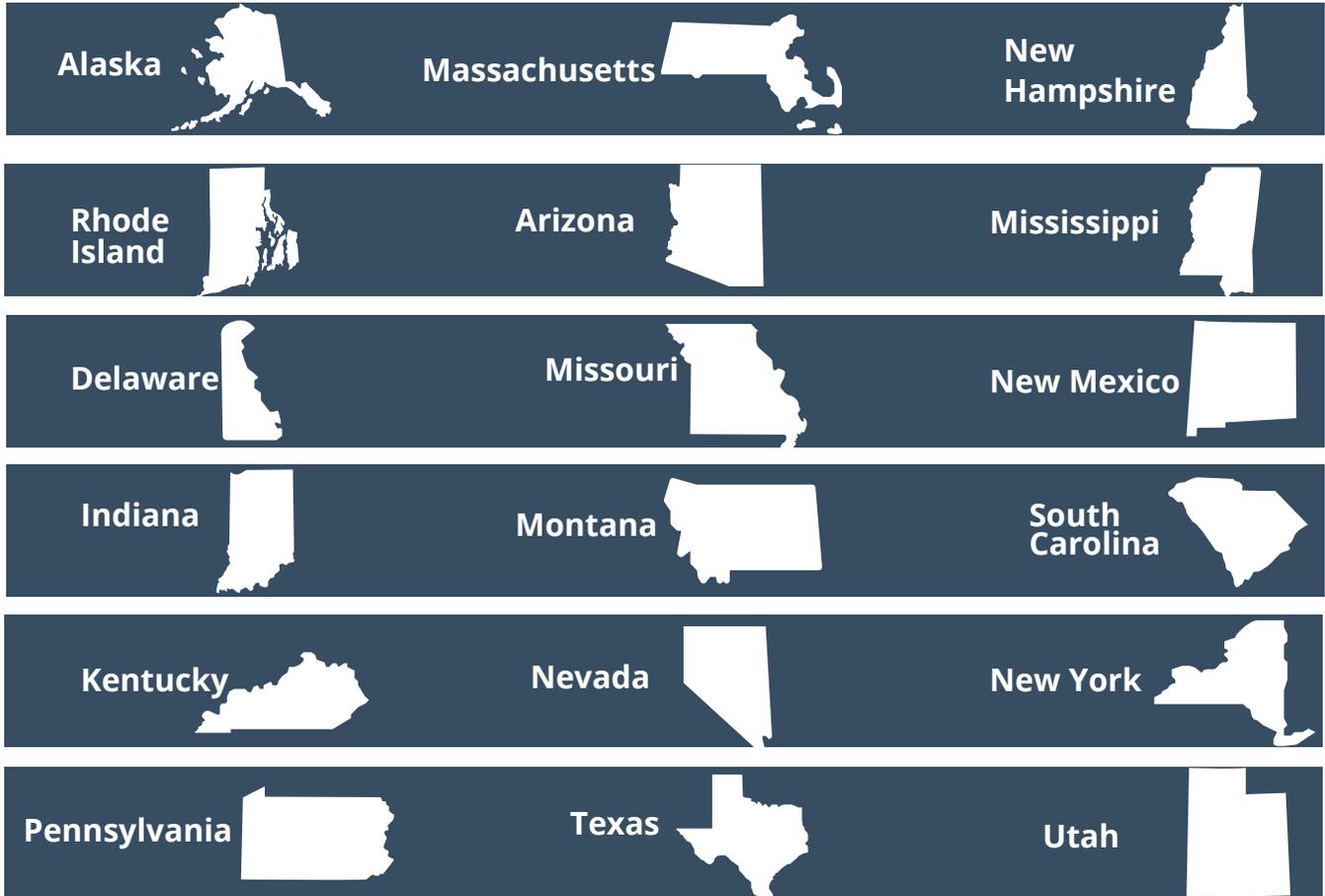
This means that a property can target this subpopulation without violating public use requirements. If a state considers specific subpopulations of people to be "special needs", this means that they have identified that this group needs to be more heavily supported or subsidized to maintain housing. For example, including veterans exiting homelessness in a state's special populations list allows the development to directly market to, or receive referrals for this group before considering other individuals of the general population.

Adding veterans experiencing homelessness to a state's special or target population lists means: more units with additional services for veterans, more seamless referrals for veterans transitioning out of temporary living arrangements, and ultimately veterans thriving in communities of their choice despite any income limitations or social stratification that would otherwise force them out.



Several states offer extra points for developments that set aside units for veterans

Alaska, Arizona, Delaware (2019), Indiana, Kentucky, Massachusetts, Mississippi, Missouri (2019), Montana, Nevada (2019), New Hampshire (2019), New Mexico, New York (2019), Pennsylvania (2019), Rhode Island, South Carolina, Texas, Utah



EXAMPLE

“Five (5) points are available to Projects in which at least fifty percent (50%) of the Units in the Project will serve Families with at least one (1) veteran, and a minimum of twenty-five (25) units shall be set aside to serve the target population.” -Arizona (2020)

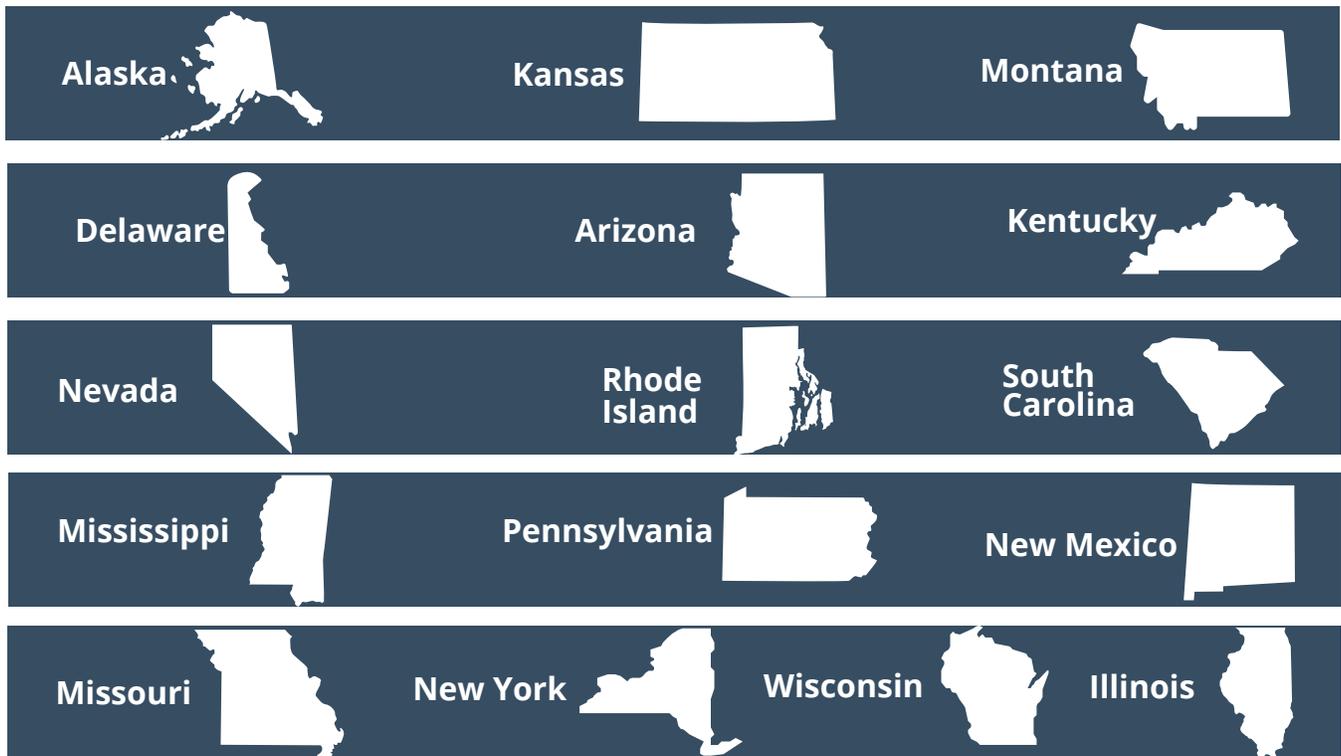
So, what does this all mean?

While this builds on veterans being included as a special needs or target population, this provision takes it a step further. By awarding points for setting units aside for special needs housing for veterans or listing veteran housing as one of the priorities in the QAP, developments that serve veterans will become more competitive overall. Development applications that meet the state’s list of housing priorities as well as amass the most points, ultimately receive tax credits. This measure results in directed, dedicated units or whole developments for veterans, as well as less competition for veterans as new LIHTC units become available.



Several states have a veteran's occupancy priority or offer additional points for projects that have a tenant selection criterion that preferences veterans

Alaska, Arizona, Delaware (2019), Illinois, Kansas, Kentucky, Mississippi, Missouri (2019), Montana, Nevada (2019), New Mexico, New York (2019), Pennsylvania (2019), Rhode Island, South Carolina, Wisconsin.

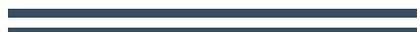


EXAMPLE

"Two (2) points will be awarded to projects that contain a written commitment to giving a preference in the tenant selection criteria to households containing a veteran." -Alaska (2020)

So, what does this all mean?

When veterans are included in the tenant selection criteria and given priority this also helps if their application happens to become waitlisted. Additionally, some states have historically required every development application to identify a portion of units that will be set aside for special populations, including veterans. When developers apply to receive Low Income Housing Tax Credits (LIHTC) they specify a unit breakdown, and which populations or income groups will be allocated a share of the overall units. While there are minimal federal guidelines that outline the spread of incomes that can be served, there are hardly any other demographic parameters that must be met. It is ultimately up to the state to recognize which subpopulations have the biggest overall need for affordable housing and attempt to deliver housing that meets that need.



Only two states set aside a portion of their tax credits for supportive housing developments for veterans



Gold Standard: Arizona

Developing housing for veterans appears third in the state’s QAP housing goals. The state also builds in a veteran occupancy preference, that awards developers points for prioritizing veterans. Arizona is the only state that outright sets aside tax credits for a veteran permanent supportive housing development each year.

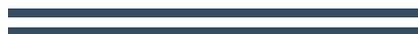
Silver Standard: Pennsylvania

This state reserves tax credits for a supportive housing for special populations including veterans every year. Pennsylvania also awards bonus points for veteran run affordable housing developments, or development teams that include veterans.

So, what does this all mean?

This is the only form of reserve that is sure to lead to housing specifically for the lowest income veterans, with the most critical needs. Having a set aside for permanent supportive housing for veterans means that a portion of 9% tax credits will be dedicated to this housing type and only subject to competition with other applications in this same category. Instead of these development applications being subject to scoring and comparison within a general pool, they are scored against other housing development applications in this specific housing category.

Furthermore, this has several implications: if only one application is submitted, then that housing development, provided it meets all the states criteria, would be awarded tax credits; it also means when multiple applications for this housing type are submitted, the “best” project would absolutely win credits in this “set aside” application category, but that the other applications may still be awarded tax credits in the general application pool; lastly, it means that the state is committed to developing a set number of units specifically for veterans annually.



How to influence a state's Qualified Allocation Plan, and provide a voice for veterans

Every state conducts a writing process to update their annual QAPs. The important first step would be figuring out what housing or finance agency is responsible for administering the LIHTC program in your state. They reach out to them, or research on their website for information on when and how public comments can be made. Most states will hold public listening sessions but there are also ways to submit written comments. Then advocate on behalf of veterans experiencing homelessness and ask your state to make changes that would result in more affordable or supportive units and ultimately an end to veteran homelessness.

Checklist for advocates to consider when drafting comments



- Analyze your state's current QAP to figure out if and how veterans are included
- Compare the current QAP with prior drafts, or versions from neighboring states
- Review the following information for your state or service area
 - Sheltered and unsheltered veteran homelessness in the Point in Time counts for your state (PIT)
 - The Annual Homeless Assessment Report to Congress (AHAR)
 - Identify which cities in your state have joined the Mayors Challenge to End Veteran Homelessness
 - VASH voucher distribution by Public Housing Authority for the state
- Work together with other veteran service providers in your area to create some talking points or examples that identify housing demand, and also geographical housing need for veterans exiting homelessness
- Include developers in your conversations within your community to get an idea of how the tax credit process can be adjusted to increase housing options for veterans
- Draft comments that reflect where, how, and why tax credits should be better directed to serving veterans in your state
- Submit comments and participate in the listening sessions, but also check back frequently to make sure the agency considers the changes and suggestions being made on behalf of veterans

Sources

- <https://www.huduser.gov/portal/datasets/lihtc.html>
- https://www.urban.org/sites/default/files/publication/98761/lihtc_past_achievements_future_challenges_final_0.pdf
- <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-basics/about-lihtc>
- https://www.changelabsolutions.org/sites/default/files/QAP-Primer_Public-Health_Affordable-Housing_FINAL_20150305.pdf
- <https://nlihc.org/resource/urban-institute-evaluates-low-income-housing-tax-credit>
- https://www.va.gov/HOMELESS/pit_count.asp

This information is constantly changing as awards are distributed, drafting takes place, and QAPs are rewritten for the upcoming year. This is to give an idea of the share of states that include veteran housing needs in their tax credit planning.

