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Marisa,

Thank you for the opportunity to comment on the 2021/2022 RFA cycle.

Regarding only 9% LIHTC here, the background is that the Leveraging tiebreaker multiplier associated with whether or not a site qualifies for the 30% eligible basis boost (i.e. in a DDA, QCT or GAO) effectively prioritizes boost sites compared to non-boost sites, since assuming all other things are equal (e.g. credit request, set-aside units) a boost site's Leveraging score is lower than a non-boost site's Leveraging score by the aforementioned multiplier, and thus a boost site has a better chance at being in Leveraging group A. Even though there is no difference in two applications other than the basis boost status of the sites, the two applications are not on level footing. This multiplier currently sits at 1.15 and has fluctuated in previous years from 1.25 down to 1.10.

The logic seemingly is that projects in boost areas need more resources per set aside unit to be on level footing with non-boost sites (in line with the 30% basis boost), but I question whether that is indeed the case. In any given MSA there does not appear to be a material difference in developing in a boost area versus a non-boost area. That aspect, when taken independently across the board, seems to be somewhat irrelevant in determining the need for subsidy and thus somewhat arbitrary as a deciding factor in choosing between applications (similarly for getting the 30% basis boost - but that is an argument for another comment another time). For example, projects in DDAs and GAOs are probably able to achieve higher rents than projects in QCTs but projects in non-boost area in turn are probably able to achieve higher rents than projects in QCTs.

Moreover, if it is indeed FHFC's policy is to prioritize boost sites over non-boost sites, it does not seem appropriate to factor such a policy into an application's Leveraging score, which ostensibly is meant only to regulate the efficient use of resources – i.e. funding requested per set aside unit. And there are already funding goals for DDAs and GAOs as opposed to QCTs and non-boost sites as well as funding goals for QCTs (effectively) through the LGAO and Revitalization goals. Prioritizing boost areas over non-boost areas would actually tend to do the opposite of the intent of Leveraging.

In addition, current Proximity heavy scoring could end up inflating land prices, and so encouraging a greater number of competitive sites should counteract that.

Our comment here is to eliminate the basis boost Leveraging multiplier altogether from at least the 9% Medium County Geographic RFA, if not all the 9% RFAs.

Sincerely,

Alexander Kiss
Managing Partner
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