The 9% Tax Credit RFP Reimagined: Streamlining and Speeding Affordable Housing Production

New York State Homes and Community Renewal

Special Achievement: SA

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STREAMLINING AND SPEEDING AFFORDABLE HOUSING PRODUCTION IN NEW YORK STATE

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NEW YORK STATE HOMES AND COMMUNITY RENEWAL

THE 9% TAX CREDIT REIMAGINED

Innovation:

Each year, New York State Homes and Community Renewal receives roughly $48 million in 9% Low-Income Housing Tax Credits that it must fairly distribute to worthy developments in the interest of helping to meet the State's ambitious housing production goals. The timely financing of affordable housing developments in all of the state's ten regions is a critical to New York's economic and social well-being and HCR is constantly exploring ways to deploy the state's resources in a more efficient and effective manner.

In the course of a top-to-bottom review of HCR's financing tools and mechanisms, the 9% program stood out as being both outdated and unwieldy. In short, it had to be reinvented. Sponsors and would-be partners reported that the application itself was intimidating and opaque, and that they often needed to hire consultants to complete the process. This reliance on third parties was an effective barrier to smaller nonprofits and MWBEs competing for financing and even in New York City, which is largest and most effective user of affordable housing volume cap, established developers did what they could to avoid applying for 9% credits, opting instead for the more user-friendly 4% tax credits.

The fact that certain groups – often smaller and less-experienced developers – were discouraged from using 9% financing was not surprising, but it was clear that the entire application process needed to be transformed to be more accessible to sponsors, improve the quality of projects so they continue to align state housing goals, and streamline the review and timing of applications for HCR staff. In short – to make everyone involved more efficient and productive.

To achieve better, faster and shovel-ready results, HCR development staff worked with partners to reimagine the method for awarding 9% tax credits. First, to expand the pool of participants, they decided that what had been an annual RFP should be biannual, with subsequent funding awards timed to take advantage of the construction season which varies substantially from downstate areas such as New York City to upstate cities and towns including Buffalo to the west and Watertown in the far northeast part of the state.

Each RFP now has an early and regular submission deadline. The early round requires a high level of project readiness; otherwise the requirements of each round are the same. The application format, term sheets and submission process have been adapted to dovetail with other HCR application processes and require an affirmative statement as to how the proposed development will address a specific state housing goal.

Technical Assistance, in the form of a preliminary review by expert HCR staff, is now required for all applications to determine if a project meets all of the RFP requirements and thereby merits review or if it should be eliminated quickly from consideration. In addition to saving staff time and resources that would have been spent on unnecessary or unfruitful project reviews, this was a critical adjustment, as it allowed HCR program experts to engage upfront with less-experienced applicants to amend and strengthen a proposal before it was formally submitted and then judged on its merits. Proposals that meet all Threshold and Eligibility requirements are immediately scored and ranked by geographic region.

Finally, the program changes allowed HCR to build the pipeline of potential developments by stipulating that any complete application that met the threshold eligibility review criteria but was not selected for a credit reservation would be placed on a waiting list for consideration in the next funding round.

The new HCR Multifamily Finance 9% RFP (formerly known as the Unified Funding RFP) was unveiled in 2019; the first program RFP was issued in that October. The second RFP of the program's first tranche is to be released in July, 2020.

Responds to important state needs:

New York State's most critical housing goal is to expand and preserve affordable stock. From a human perspective, the need for housing stability has never been greater and HCR has been honing and perfecting the State's aggressive plan to construct and rehabilitate affordable housing developments in every region.

In part, the crisis of affordability and access is driven by the need for good quality supportive housing that can prevent and address homelessness for individuals and families. HCR has now passed the halfway mark and is on target for meeting Governor Andrew M. Cuomo's $20 billion five-year housing plan goals to create or preserve 100,000 AMI-restricted homes and an additional 6,000 supportive housing apartments for people who need assistance in order to live independently.

The strategic changes to the 9% awards offered the opportunity to pick up the pace of production even more. Doubling the number of application windows from one to two, with the addition of up-front, required technical assistance means that developers and their partners have the opportunity to access more funds on a more regular basis and to produce the highest-quality entries for consideration.

In addition, the requirement that each applicant must state and prove up front that the development is ready to meet one of New York State's strategic housing production goals ensures that HCR's priorities are met, that state funding and strategic resources are applied where they will have the greatest and best impact and that the product is tailored to the local population's needs.

Of the 23 projects approved in the first HCR 9% Multifamily Finance RFP issued in October, 2019, all meet at least one of the state's housing goals by providing, for example: supportive housing and services for specific populations such as youth aging out of foster care, domestic violence victims and homeless veterans with a history of substance abuse; very-low income housing; housing for single-parent families; senior housing; accessible housing; mixed income workforce housing; transit-oriented housings; and/or mixed-use housing developments including those with community and commercial/retail or arts space.

Achieve the intended results:

People cannot wait for good quality homes that they can afford.

Streamlining the 9% application process has begun to yield benefits in multiple ways. As mentioned, 23 developments have already been approved and awarded a total of more than $26.1 million in 9% tax credits. All are in construction[1]. In total, these developments have nearly 1,300 apartments and are located in nine of New York State's ten regions.

[1] Development of affordable housing was deemed an essential service by Governor Cuomo; review, approval and permitting have all continued without a break as has physical work on the various sites.

Five of the developments – all upstate – were approved in the early round and are well underway. For projects not in the early round, approval review time was reduced from 148 to 111 days – a full month faster.

Not only are the projects getting approved, closed and in the ground faster, they are assured of getting the right mix of funding from the start. The 9% tax credits are a key ingredient and lever in the funding mix, which any practitioner in the affordable development field knows is fundamental to a fast start and quick results.

More than that, these 23 developments, which would not be possible without the 9% tax credits, are providing a badly needed economic boost to small and large cities across the state. Funded with a total of $207 million in state resources, they are providing jobs and leveraging an additional $253 million in private and other investment.

Provide benefits that outweigh costs:

For the state, the overhaul of the 9% awards system was cost-neutral; no additional resources were needed.