

**Discussion Group Paper:
Report on State Policies Related to Resident Services for Families
Financed with Low Income Housing Tax Credits**

Introduction

In support of the National Resident Services Collaborative'sⁱ goal of improving the policy environment for resident services for families in affordable housing and in cooperation with NeighborWorks America, staff of Enterprise Community Partners, Inc. conducted a review of state policies related to affordable housing financed with Low Income Housing Tax Credits¹ (LIHTC). States were reviewed because they were identified as having incentives for resident services for families during a 2005 study of Qualified Allocation Plans for allocating credits to developers.ⁱⁱ Enterprise looked at related allocation point scoring, underwriting policies, service planning requirements, service provider qualification requirements and monitoring policies. The states reviewed are:

Arizona	Indiana	Massachusetts	New Hampshire	Pennsylvania
California	Iowa	Michigan	New Mexico	Rhode Island
Connecticut	Louisiana	Mississippi	New York City	Texas
Delaware	Maine	Missouri	Ohio	
Florida	Maryland	Nebraska	Oregon	

This paper highlights report findings related to point scoring incentives and underwriting policies. The full report will be published in 2007 on the Collaborative website, www.residentservices.org and on the National Council of State Housing Agencies' website, www.ncsha.org.

LIHTC Incentives for Family Resident Services

Enterprise reviewed the most recent 2006 Qualified Allocation Plans that were current and available as of June, 2006 in order to provide a summary of the 23 states' application scoring point incentives for family resident services. (See accompanying table.) The amount of points available for family resident services can only be understood in the context of the total number of points that states utilize in their respective scoring systems. Therefore, in our summary table, we have included the maximum number of points each state has available and calculated the percentage of those points that may be awarded as incentives for providing services in family affordable housing developments. However, it is important to note that some application scoring points are only available to projects with particular characteristics, therefore, the total number of points any particular applicant can receive in the allocation process does not add up to the total number of points. Nonetheless, the point totals still provide a context for understanding the relative priority given to incentives for family resident services.

¹ The research was designed and directed by Diana Meyer, Senior Director, Enterprise Community Partners and conducted by Blake Trettien. In June and July of 2006, Enterprise interviewed state housing agency personnel and reviewed 2006 applications, manuals, forms and Qualified Allocation Plans (QAPs) of 23 states.

Most states allocate their 9% Low Income Housing Tax Credits through a competitive selection process based on a point system. Of the 23 states reviewed, all but two (Missouri and Rhode Island) use a point system for the allocation of tax credits. Of the 21 states using a point system, only Michigan does not award points to service-enhanced developments for families, although points are awarded to developments with services and set-asides for individuals with extreme impairments. Florida utilizes a point system that includes points for providing resident services, but requires that all applicants achieve the maximum possible points. Both of the states without point systems offered other competitive advantages to projects with resident services including grant funding (Rhode Island).

The number of points awarded to service-enriched projects varies greatly between states, and is often awarded on a sliding scale based on the level of services provided in the development. The points listed in the following table are the maximum possible points for resident services. Several states also have other requirements for developments that claim points for providing services, such as set-asides for handicapped tenants (Louisiana) or the addition of two significant amenities in addition to two services (Mississippi). The points listed on the table only apply to competitive LIHTC applications. Some states allocate funds from other programs using the same point systems, while other states such as California and Texas also use different point systems.

The accompanying table also identifies the states that require service plans and states that review service provider qualifications as part of the LIHTC application process.

Underwriting Policies

Most states that require or offer incentives for service-enriched housing also require applicants to demonstrate adequate funding for these services to underwriters. These states require either the submission of a separate budget for services or the inclusion of the costs for services as an operating expense in the project budget. Of the 23 states reviewed, nine require that costs for resident services appear as an operating expense in the project budget and five states prohibit including services in the project budget. One state, Florida, requires all developments to provide resident services, but does not require applicants to submit a budget for these services. Other states allow applicants to budget for resident services in either the project operating expenses or a separate budget. Some states in high cost areas that prohibit inclusion of services as an operating expense argue that to allow such a practice would interfere with efforts to keep rents as low as possible for very low-income families.

ⁱ Members of the Collaborative include national organizations: American Association of Service Coordinators, Enterprise Community Partners, NeighborWorks America, The Housing Partnership Network, Stewards for Affordable Housing for the Future, and developers: Alamo Area Mutual Housing Association, The Community Builders, Community Preservation and Development Corporation, Mercy Housing, National Church Residences, The Neighborhood Partnership Fund, Preservation of Affordable Housing, REACH CDC.

ⁱⁱ *Building Opportunities for Families into Affordable Housing: How States are Using the Housing Credit to Encourage Resident Services* by James Tassos.