



November 10, 2017

Kenneth Holt
Secretary, Maryland Department of Housing and Community Development
7800 Harkins Road
Lanham, MD 20706

RE: Comments regarding the Qualified Allocation Plan draft

Dear Secretary Holt:

We are writing to express our concern about an important issue which is not included in changes the Department is proposing to the QAP: the decline in tax credit allocations to controlling nonprofit organizations and public housing authorities (PHAs). Funding for these entities has declined drastically from 58% of funding in 2014 to a low of 24% by 2017. There has been a steady decline of awards to nonprofit entities with project control either as sole general partner or as majority or controlling general partner in a joint venture with a for profit developer. In addition, nonprofit scoring has been further weakened as a result of combining nonprofits with minority, women and small business points into a single category.

Nonprofit organizations have long been accorded a special role in national and local policy for a variety of reasons, including working for the public good instead of profit, being mission-driven, being committed to resident services and focusing on neighborhood development. Also as affordable housing portfolios age and resources decline, the concerns about preservation of the existing affordable housing portfolio increase and the significant additional value that arises by nonprofit organization ownership has become apparent. Experienced and strong nonprofit organizations are capable of taking over when they are involved in projects, a huge advantage at a time when more and more for profit owners are exiting their properties. In addition, the nonprofit housing and community development sector in Maryland has time and time again proven the ability to deliver high quality services and housing, which is why our sector is trusted with millions of state, local and philanthropic dollars to do this important work. We want to emphasize the important roles described below that can only be performed by a nonprofit organization with assets, development experience, and true capability to own and control property, which is why the types and roles of the nonprofits organizations selected in the QAP process is so important.

The following are some of the key roles played by nonprofits organizations in helping preserve affordable housing initiatives.

- Nonprofit controlling partners are true stewards of the affordable stock. Unlike for profit entities, they are not motivated to sell properties at the end of the compliance period or to redevelop every 15 years. They hold properties for the long term and undertake renovations when actually needed, not at the earliest date the program rules permit primarily for generating new development fees.
- Nonprofit organizations do not “end” when the owner dies or decides to retire with no obvious heir to take over an affordable project. Nonprofit organizations operate into perpetuity. In the event of an economic failure or other catastrophe to a nonprofit project owner, its assets must be transferred to another nonprofit entity thus perpetuating the mission-based stewardship.

- The IRS rules provides a nonprofit organization to have a right of first refusal to acquire a LIHTC property after the end of the initial compliance period for debt and taxes. The State has adopted favorable transfer tax treatment for these acquisitions by nonprofit organizations. Both of these actions further support the ability and feasibility of nonprofit organizations' long-term stewardship of affordable housing.

To support the valuable contribution nonprofit organizations provide and to facilitate the Department's preservation of its affordable housing stock, we offer the following changes to Section 4.1.4.:

- Nonprofit organizations (including PHAs) need to be in their own separate scoring category, which category is given substantial weight. Three categories are suggested: (1) nonprofits in control, with at least 51% general partner interest and with the managing general partner role-- 8 points; (2) nonprofits with 51% general partner interest, not the managing GP, but with material participation roles, and a right of first refusal-- 4 points; and (3) non-controlling interest/ community based nonprofits-- 2 points. The second category provides for established nonprofit organizations, who need more experience and financial capacity, to grow and develop their capacity to develop low-income housing tax credit projects on their own.
- Points for minority and women owned business should be a separate category, not part of the same category used for nonprofit scoring as they are now. In this scoring category, developer/owners, regardless of whether for profit or nonprofit, should be eligible for the same number of points for using these type of firms on their development teams. The purpose of these points should be to give opportunities to less experienced businesses, not, as it is now, to limit nonprofits ability to receive equal points as for profit developers in using minority and women owned businesses. It is important to note that Maryland has removed nonprofits from the minority and women owned businesses category in procurement. It should be removed here as well.

With the trend away from nonprofit organizations, Maryland is losing the leadership so needed by nonprofit developers at a time when their contribution is most needed. We are therefore requesting that you include our suggestions in this year's QAP.

Please do not hesitate to contact me should you have any questions. I can be reached on 443-801-8137 or odette@communitydevelopmentmd.org

Sincerely,



Odette Ramos
Executive Director

Below are the organizations who have co-signed this letter (in alphabetical order):

AHC Greater Baltimore
Arundel Community Development Services, Inc.
Baltimore Housing Roundtable
Cambridge Main Street
Change 4 Real Community Corporation

Charles County Justice and Advocacy Council
Cinnaire Corporation
Community Science
East Baltimore Historical Library
East Baltimore Truth and Reconciliation Community Council
Empire Homes of Maryland
Enterprise Community Partners
Episcopal Housing Corporation
Garrett County Community Action Committee
Govans Ecumenical Development Corporation
Habitat for Humanity of the Chesapeake
Habitat for Humanity Susquehanna
Homes for America
Housing Authority of Baltimore City
Housing Authority of Prince George's County
Housing Capital Advisors LLC
Housing Commission of Anne Arundel County
Housing Initiative Partnership
Howard County Housing Commission
Innovative Housing Institute
Interfaith Housing Alliance
JM Freeman Enterprises LLC
Keller Professional Services, Inc.
Montgomery Housing Partnership
Mount Royal Community Development Corporation
Nancy Rase Consulting Services, LLC
Neighborhood Housing Services of Baltimore
Network for Developing Conscious Communities
NHP Foundation
Public Justice Center
Rebuilding Together Anne Arundel County
Rutkove Building Consultants
Southeast CDC
Southern Maryland Tri-County Community Action Committee
St. Mary's County Housing Authority
Unity Properties, Bon Secours Baltimore
WBC Community Development Corporation
Well Mind Association of Greater Washington