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## **2024-2025 Amended Qualified Allocation Plan**

### **Public Comments Received by ADOH Posted Pursuant to ARS 41-3954**

#### **Qualified Allocation Plan Public Comment Period and Public Hearing August 16 – October 23, 2024**

- Reaching out regarding the hard to meet HSPF2 requirement of 8.8. In the 22-23 version it was 15 SEER and 8.8 HSPF. Now in the 24-25 version, requirements are 15 SEER2 and 8.8HSPF2. This is quite the jump in energy efficiency. HVAC manufacturers are having no luck in meeting the 8.8 HSPF2 requirement on standard heat pump split systems. Is this for sure the standard that was meant to be met? If so, please provide some guidance in system selections for dwelling units.
- In light of the 2024 9% LIHTC Award list and (i) the limited number of projects awarded overall (only 10 in total or ~ 25% approval rating) and (ii) only two (2) Maricopa County projects awarded, I'm wondering if the Arizona Department of Housing should consider potentially decrease the maximum award to \$2,000,000 to allow for more projects to be funded for the 2025 9% LIHTC application round. By decreasing the maximum award amount to \$2,000,000 it will force developers to either source for gap funding for their projects from the local jurisdictions and/or require increased deferred developer fees to ensure financial feasibility.
- Can the 8.8 HSPF2 efficiency be lowered to 8.0 HSPF2? It will still be higher than the 2023 DOE requirement of 7.5 HSPF2 and will still be higher than the Energy Star requirements but will allow many more equipment options.
- Request for a modification of the Underwriting Workbook.
- We're reaching out because several of our clients are encountering difficulties complying with the HVAC heat pump efficiency standards outlined in the 2024-2025 QAP. Have you heard similar concerns from other developers or Raters? There seems to be a noticeable absence or unavailability of heat pump combinations that can achieve both the cooling (15 SEER2) and heating (8.8 HSPF2) efficiency requirements. The most common and cost-effective combinations we've observed for Climate Zone 2 projects are 15 SEER2 and 7.5 HSPF2. Given the cooling-dominant nature of Phoenix and Tucson (Climate Zone 2), our professional opinion is that omitting the 8.8 HSPF2 (heating) requirement is reasonable, provided the SEER2 rating is achieved and the HERS Score requirements are met. We believe this aligns with ADOH's intent. Forcing projects to meet the heating requirement could prove costly (e.g., redesigning systems)

and would offer minimal benefit to the project or tenants. From our perspective, it would be ideal to receive a blanket statement from ADOH permitting any project constructed in Climate Zone 2 under the 2024-2025 QAP to satisfy the efficiency requirements by meeting the 15 SEER2 standard alone. How reasonable would it be to obtain such a statement? For projects in Flagstaff (Climate Zone 5B), the inverse argument could be made, with HSPF2 as the priority. However, the urgency of this request primarily applies to our Phoenix and Tucson projects.

- Consider modifying the HERS Score requirements based on the project's Climate Zone. Projects in Flagstaff must be highly efficient to comply with LIHTC requirements whereas Phoenix/Tucson projects have no issue whatsoever complying with the HERS 65 requirement when only designed to standard energy code requirements. We believe changing the HERS Score thresholds based on Climate Zone would better align with ADOH's intent.
- Change to the definition of an "Employment Center" for purposes of the Proximity to Amenities scoring points for New Construction 9% LIHTC projects. Add "single location (including but not limited to a shopping center or mall) with multiple employers that in the aggregate has at least 250 year-round full-time employees. The commendable purpose of this scoring criterion is to give incentives to affordable housing that is close to concentrations of employment. If the goal is to locate housing close to potential employers, thus promoting economic opportunities, it is irrelevant whether the job is with a single employer. In the aggregate, for example, a large shopping center employs more than 250 people on a full-time basis even if no one store has more 250 FTE. It should not matter that some work at Macy's and others at Dillard's.
- My only comment to the current 2024 year QAP, is a request to clarify that a minimum of 1 Rehab project will be awarded. As currently worded there is no certainty of rehab award, and scoring against new construction yields a lower maximum available score.
- ADOH will award 5 points if the property will be eligible for the federal historic rehabilitation tax credit." The QAP does not clarify what eligible means. Is it a property that is a) older than 50 years b) a property within a historic district or historic contributor c) a property that is individually listed as a local landmark d) a property that has received a certification of eligibility for the State Office of Historic Preservation. I would like to suggest 5 points for "c" and "d" and 3 points for "b".
- In terms of the tie-breaker, I would like to suggest that in fairness to family projects, ADOH consider using total bedroom count for a tie breaker as opposed to total units.
- Specifically, ADOH must incorporate AFFH principles into its Amended 2024-2025 QAP and associated actions, planning, policies, practices, and procedures.
- ADOH should incorporate the following AFFH obligations into its Amended QAP decision making rubric:
  - How proposed LIHTC developments influence or cause disparate, adverse effects on protected class groups;
  - How proposed LIHTC developments may impede or advance disparities in housing quality, housing stability, and housing needs as experienced by projected class groups and underserved communities;
  - How proposed LIHTC developments impact residential segregation, racially or ethnically concentrated areas of poverty, and access to well-resourced geographical areas in communities by various protected class groups.
- ADOH should include a more robust rubric to ensure that approved applications advance fair housing objectives including the following:

- LIHTC applicant's operation or endorsement of "crime free" housing programs and so called "anti-nuisance" policies in their management, leasing, and housing business practices;
  - Available policies, data, and statistics on applicants' records of filing evictions and/or development – or management-related actions or activities resulting in displacement of Arizonans from their homes;
  - Applicants' records of compliance with the legal requirements for evictions actions and maintains the health and safety of housing they develop, own, or manage;
  - Applicants' housing applicant screening practices, including regulation of criminal background, immigration status and source of income screening criteria.
- ADOH should include affirmation of compliance with the Fair Housing Act, the Violence Against Women Act, the Americans with Disabilities Act, and other applicable federal and state laws and civil rights protections.
  - ADOH should hold more community engagement sessions on the QAP.
  - There should be a structure for Site Control that allows for a Charitable Gift of Land. This structure would commonly involve a Donation Agreement. The Donation Agreement would need to provide certain details:
    - 1. Signed by the current landowner.
    - 2. The purpose of the land gift.
    - 3. The location and name of the Project.
    - 4. The name of the Applicant and the Project Principals.
    - 5. Any conditions to the Charitable Gift.
    - 6. The terms of a Ground Lease (if applicable).
    - 7. Other provisions to meet the Site Control requirements and also to meet the technical requirements under the Internal Revenue Code and Regulations for a Charitable Gift of Land.

Allowing Charitable Gifts of Land under the QAP could create a template and model to help make more land available for affordable housing projects throughout Arizona.

- Section V - Selection Criteria D - 9% LIHTC New Construction - 3 - Proximity to Amenities - 5 - Employment Center
 

Employment Center - five (5) points – an employment center is a single university or college, single hospital, single governmental entity, single private company, or single location (including but not limited to a shopping center or mall) with multiple employers that in the aggregate has at least 250 year-round, full-time employees in one location for Metro developments and at least 50 year-round, full-time employees in one location for Rural/Balance of State developments and at least 30 year-round, full-time employees in one location for developments on Tribal land. The project must provide a letter from the employer, a third-party employment agency, or the local body of government stating the number of year-round, full-time employees that work at the location. All employees must be at the same site to receive points.
- For Developer experience. Does this mean the developer has to have developed that project and placed it in service, vs acquiring the LIHTC project after it was developed and operating it for

numerous years and still owns. It would seem to me that not accepting the ownership and operational aspect and only allowing the points, is contrary to wanting to produce more affordable housing. In fact, we are in a position to have to remove the affordable component and sell a particular project due to the simple fact that we haven't developed (but own) 7 plus LIHTC projects.

- Praise for the inclusion of credible, third-party green building certification programs.
- Praise for the inclusion of the ICC-700 National Green Building Standard (NGBS).
- Recommendation that ADOH incentivize the achievement of third-party water efficiency ratings; specifically add a Water Efficiency section to the 2024-2025 QAP where buildings can earn points for pursuing a Water Rating Index (WRI) score.
- Request an adjustment to the architectural and engineering fee cap currently enforced by the Qualified Allocation Plan (QAP).
  - Consider adopting a fee cap mechanism that is more in line with industry standards nationwide—specifically, one based on construction costs. A typical architectural and engineering fee of approximately 6-7% of construction costs is what we often encounter in other markets, allowing enough flexibility to select qualified engineers and to foster coordinated design efforts that meet the demands of complex projects. This approach not only ensures better design outcomes but also aligns the architectural and engineering budget with the overall development proforma.
  - Another option that may further streamline the process is the removal of the architectural and engineering fee caps altogether. This would allow each development company to take responsibility for "right-sizing" their projects based on their unique financing capabilities. By eliminating fee caps, developers would have the flexibility to allocate resources in a way that ensures the quality of both design and construction, while managing costs in line with their overall financial structure. This approach could also help alleviate the administrative burden of adhering to fee limits that may not reflect the realities of a dynamic market.

In conclusion, we ask the Arizona Department of Housing to consider updating the fee schedule from a cost-per-unit basis to a percentage of construction-cost basis, or alternatively, to remove the fee cap structure altogether. Either adjustment would better reflect industry standards and allow for a more sustainable approach to design in an evolving market.