CDLAC & TCAC Recommendations: Scoring System Proposal

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Alignment of State Housing Funding Programs

- State housing funding scoring systems should be aligned to better reflect state priorities and produce more consistent outcomes

- A universal scoring system can create uniformity for state staff and program applicants

- Scoring must better reflect efficiency to maximize public benefit with the state's limited housing resources

- While some state programs are designed for specific populations or public benefits, a consistent scoring system can be used with minor alterations to reflect unique priorities

California's Housing Priorities

Location

Environmental

Affordability

Services

Workforce Development
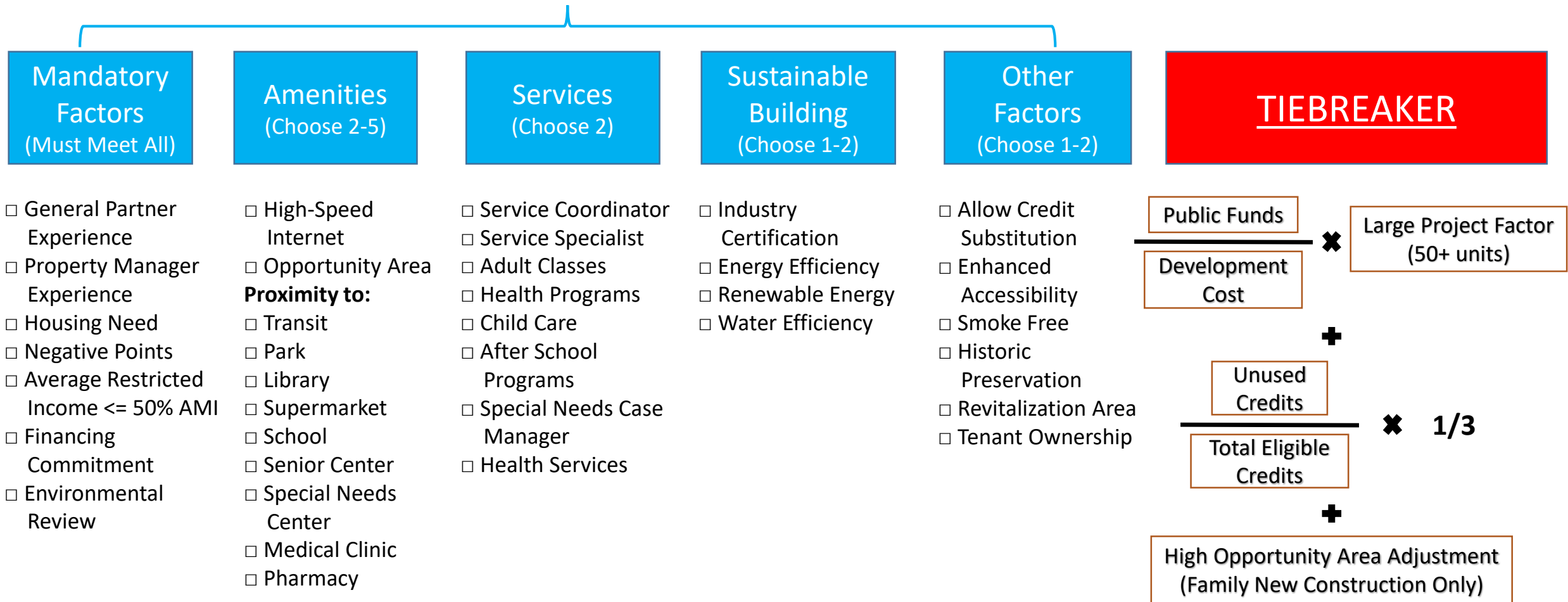
Housing Production
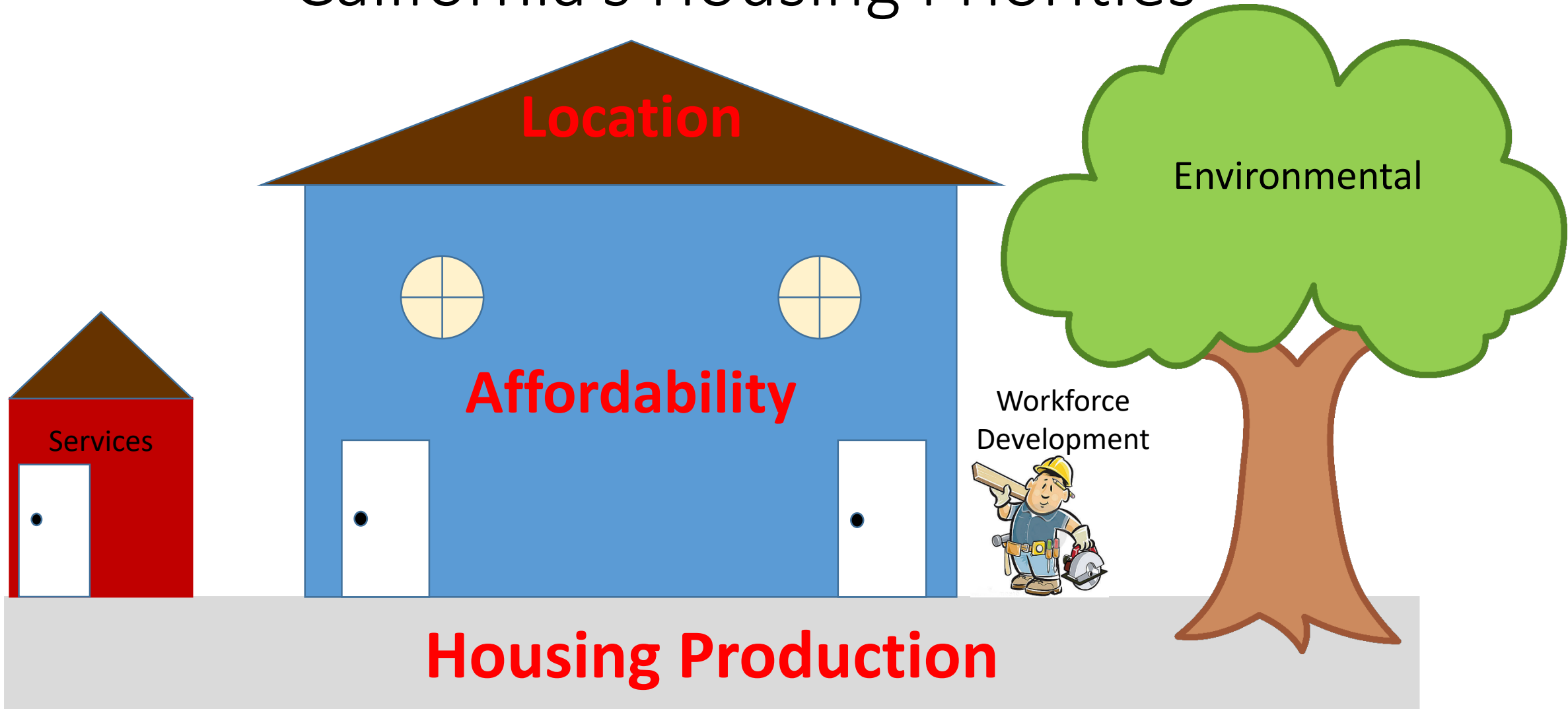
Board Priority Discussion

- CDLAC, TCAC, and HCD programs should be better aligned

- To maximize benefit, cost efficiency should be prioritized to achieve most total public benefit with limited resources

- Programs should serve all affordable income levels

- Location of projects is important factor
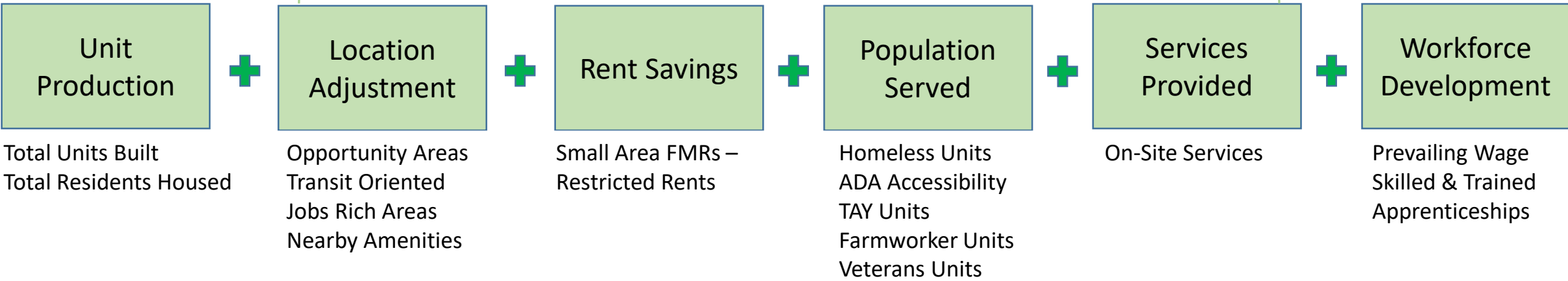
Existing 9% Tax Credit Scoring System

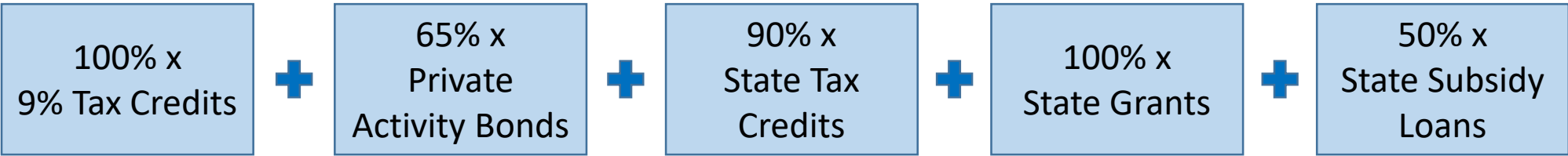**Basic Scoring System - 100% Score Usually Necessary**

Mandatory Factors (Must Meet All)	Amenities (Choose 2-5)	Services (Choose 2)	Sustainable Building (Choose 1-2)	Other Factors (Choose 1-2)	TIEBREAKER

Mandatory Factors (Must Meet All)
- □ General Partner Experience
- □ Property Manager Experience
- □ Housing Need
- □ Negative Points
- □ Average Restricted Income <= 50% AMI
- □ Financing Commitment
- □ Environmental Review

Amenities (Choose 2-5)
- □ High-Speed Internet
- □ Opportunity Area

Proximity to:
- □ Transit
- □ Park
- □ Library
- □ Supermarket
- □ School
- □ Senior Center
- □ Special Needs Center
- □ Medical Clinic
- □ Pharmacy

Services (Choose 2)
- □ Service Coordinator
- □ Service Specialist
- □ Adult Classes
- □ Health Programs
- □ Child Care
- □ After School Programs
- □ Special Needs Case Manager
- □ Health Services

Sustainable Building (Choose 1-2)
- □ Industry Certification
- □ Energy Efficiency
- □ Renewable Energy
- □ Water Efficiency

Other Factors (Choose 1-2)
- □ Allow Credit Substitution
- □ Enhanced Accessibility
- □ Smoke Free
- □ Historic Preservation
- □ Revitalization Area
- □ Tenant Ownership

TIEBREAKER

$$\frac{\text{Public Funds}}{\text{Development Cost}} \times \boxed{\text{Large Project Factor (50+ units)}}$$

$$+$$

$$\frac{\text{Unused Credits}}{\text{Total Eligible Credits}} \times \frac{1}{3}$$

$$+$$

$$\boxed{\text{High Opportunity Area Adjustment (Family New Construction Only)}}$$

Public Benefit vs State Investment Scoring System

Value of Public Benefit

Over Expected Added Regulatory Life

Unit Production	+	Location Adjustment	+	Rent Savings	+	Population Served	+	Services Provided	+	Workforce Development

Total Units Built
Total Residents Housed

Opportunity Areas
Transit Oriented
Jobs Rich Areas
Nearby Amenities

Small Area FMRs –
Restricted Rents

Homeless Units
ADA Accessibility
TAY Units
Farmworker Units
Veterans Units

On-Site Services

Prevailing Wage
Skilled & Trained
Apprenticeships

State Investment

100% x 9% Tax Credits	+	65% x Private Activity Bonds	+	90% x State Tax Credits	+	100% x State Grants	+	50% x State Subsidy Loans

Scoring System Summary

- Maximizes public benefit of all state-controlled subsidy by dividing the value of public benefit achieved by the dollars of state subsidy invested
  - Public benefit targets 3 primary areas: housing production, affordability, location
  - State investment measured by value of investment per dollar of state funding

- New factors (rent savings and jobs-rich areas) are quantified with existing public data sources

- Current factors (amenities and services) preserve existing scoring

Scoring System Improvements

- Total state investment directly measured

- Public benefit metrics more closely measure the value to the public

- Public benefit metrics are not narrowly bound - limiting the possibility of maximum scoring and incentivizing more public benefit value

- High value locations are incentivized through rent savings at zip code level, using HUD Small Area Fair Market Rents, and priority location adjustments

Comparison of Past Competitions

9% Tax Credit Allocation

	Actual Allocation	Proposed Scoring & Pools
Units	3,014	3,806
Residents per Unit	2.54	2.59
Homeless Units	729	977
CDLAC & TCAC Subsidy per Unit	$338,732	$319,156
Total State Subsidy per Unit	$349,758	$330,298
Development Cost per Unit	$493,713	$474,588
Avg Opportunity*	3.41 (Moderate)	3.05 (Moderate)
Avg Small Area Fair Market Rent	$1,715	$1,671
Avg Affordability	45.4% AMI	44.1% AMI

Tax-Exempt Bond Allocation

	Actual Allocation	Proposed Scoring & Pools
Units	7,456	7,719
Residents per Unit	2.39	2.43
Homeless Units	1,411	1,755
CDLAC & TCAC Subsidy per Unit	$248,560	$242,001
Total State Subsidy per Unit	$279,330	$270,179
Development Cost per Unit	$532,305	$519,936
Avg Opportunity*	3.72 (Low)	3.65 (Low)
Avg Small Area Fair Market Rent	$1,961	$1,978
Avg Affordability	51.5% AMI	50.6% AMI

Competitive CDLAC and TCAC rounds in 2019 and 2020.
Only new construction projects are included, though all projects competed in both scenarios
*1 = Highest Opportunity and 5 = High Poverty and Segregation – Senior projects excluded from this calculation

Additional Review Needed

- Relative value of public benefit factors must be determined

  - Unit Production vs. Rent Savings

  - Special Populations

  - Location and Amenities

  - Cost vs. Value of Services and Workforce Development

- Are any important factors or measurements missing?

- Input welcome on draft public calculator for self-scoring

Other Regulation Changes

- With cost containment incentivized in scoring:
  - Other cost containment attempts (threshold basis limits and maximum allocations) can be eliminated
  - Developer fee limits can be revisited

- Other requirements in the regulations can be eased if they are incentivized in scoring

- Certain items currently scored but effectively required for award may be formally added as requirements (experience, housing need, readiness)

Funding Pools and Set-Asides

- A balanced scoring system minimizes the need for pools and set-asides

- Same pools can be used for bonds and 9% credits

- Projects can compete against each other on the state's valuation of public benefit across project types and location

- Regional allocations should be on larger geographic areas to ensure that the best projects in the state are awarded

- Statewide competition will create more units in highly competitive regions and incentivize more efficient projects in other regions

Proposed Pool Structure

Priority Set Asides		
Category	Bonds	9%
Rural*	5.0%	20.0%
Non-Profit (Homeless)*	5.0%	10.0%
Special Needs	5.0%	5.0%
At-Risk	5.0%	5.0%

* Statutorily required for the federal 9% tax credit program

1. An initial review will award projects in the Priority Set-Asides, which, excluding rural projects, count against the Geographic Allocation for each funded project.

2. If a region's allocation is unfilled after the Priority Set-Asides are distributed, the region will be fully allocated.

3. The remaining allocation will be competed for in a statewide competition.

Geographic Allocation	
Region	Allocation
Los Angeles County	13.9%
Bay Area	13.0%
South Coast	9.2%
Inland Empire	4.1%
Capitol/North	3.8%
Central Valley	3.0%
Central Coast	3.0%

Non-Rural County VLI populations and county FMRs used to determine geographic allocations

Thank you for your feedback!

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