



RECOVERY HOUSING BEST PRACTICES

# HOW TO UNDERSTAND QUALIFIED ALLOCATION PLANS

HELPFUL TIPS FROM THE FLETCHER GROUP RCOE

## AND WHY THEY'RE IMPORTANT

The development of resilient Recovery Housing can be difficult, significantly because of the challenges in obtaining funding for capital development. The Fletcher Group is here to help rural organizations replicate the use of the Low-Income Housing Tax Credit (LIHTC) that has been successfully used to create Recovery Housing in states including Kentucky and Michigan.

Because the LIHTC allocation process changes each year based on the Allocating Agency's specific *Qualified Allocation Plan (QAP)* which regulates the administration of each state's LIHTC, FGI's staff are here to help with navigating this complicated process.

For more information, contact the Fletcher Group at 606-657-4662 or <https://www.fletchergroup.org/contact/>

Funding sources such as LIHTC are vitally important in rural areas where Recovery Housing budgets are commonly tight and margins are thin



## *What is a Qualified Allocation Plan?*

The Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC) is an important document used by state housing finance agencies to allocate federal tax credits to developers for the construction or rehabilitation of affordable housing projects. The LIHTC program, established by the Internal Revenue Code, provides incentives for private developers to build affordable rental housing for low-income individuals and families. In some cases, this has included recovery houses in both urban and rural areas.

## *How a Qualified Allocation Plan for LIHTC Works*

**Sets Priorities and Criteria:** State housing finance agencies create the QAP, outlining priorities and criteria for developers seeking LIHTC. These priorities often include factors such as the percentage of units serving low-income tenants, geographic location, housing need, energy efficiency, proximity to transportation, amenities, and community integration.

**Application Process:** Developers interested in receiving LIHTC submit applications for their proposed affordable housing projects. All applications must align with the criteria established in the QAP.

**Scoring and Allocation:** State housing finance agencies evaluate and score the applications based on the criteria specified in the QAP. Projects with higher scores have a better chance of receiving the tax credits.



**Selection and Award:** Based on the scores and available tax credits, the housing finance agency selects projects that best meet the QAP's objectives and priorities for funding. Developers can then use the credit to attract investors interested in receiving tax benefits in exchange for funding the development.

**Compliance and Monitoring:** Developers must adhere to specific requirements outlined in the QAP. This includes maintaining rent levels affordable for qualifying tenants and meeting other regulatory guidelines throughout the compliance period, typically 15 years.

**Periodic Review and Updates:** State housing agencies periodically revise and update the QAP to reflect changing priorities, market conditions, or policy objectives. These updates ensure that the program remains effective and responsive to current needs and goals.

# WHERE CAN RURAL RH DEVELOPERS GET MORE INFORMATION ABOUT THEIR STATE'S QAP?

Most states have a housing finance agency or a similar organization responsible for administering LIHTC programs. Developers can visit the agency's website to access the QAP, application guidelines, program manuals, FAQs, forms, and other relevant documents. A directory of housing finance agencies can be found here: <https://www.ncsha.org/membership/hfa-members/>.

## *Other Sources of QAP Information*

**QAP Documents and Guidelines:** The QAP document outlines the criteria, priorities, scoring system, and procedures for allocating low-income housing tax credits. Developers may be able to access this document directly from the housing finance agency's website or they can request it from the agency's office.

**Training and Workshops:** State housing agencies often conduct training sessions, workshops, or webinars for developers interested in LIHTC projects. These events provide valuable information about QAP requirements, application procedures, compliance regulations, and best practices.

**Previously Awarded Projects:** Reviewing previously awarded LIHTC projects within the state can provide developers with an understanding of successful strategies, project designs, and priorities favored by the state's housing agency.

### **Fletcher Group White Paper on Navigating the QAP.**

Available upon request [www.fletchergroup.org](http://www.fletchergroup.org).



## *LIHTC/QAP Consultants*

To increase the competitiveness of their LIHTC applications, it is essential for rural Recovery House developers that choose to utilize a consultant to select one with a strong track record, relevant experience, and a good understanding of LIHTC regulations and compliance requirements.

In addition to self-reported personal attestations of experience and word-of-mouth recommendations, formal reference checks can be used to verify consultants' level of expertise.

Before finalizing an agreement with a consultant, confirm that they understand your needs and goals. Specify the scope of work, deliverables, timelines, fees, and terms before finalizing the contract to ensure mutual understanding.

## *A Plan That Works!*

Recovery Kentucky began in 2005 as a joint effort by three state agencies: Kentucky Housing Corporation, The Kentucky Department for Local Government (DLG), and the Kentucky Department of Corrections (DOC).

Through strategic use of low-income housing tax credits (LIHTC), Recovery Kentucky was able to open each of its 17 recovery centers as completely paid for facilities, without a mortgage. The Kentucky Housing Corporation provided each project with funding from *Low Income Housing Tax Credits*, Affordable Housing Trust Fund, and HOME Investment Partnership. In addition, some projects received funding from the Federal Home Loan Bank of Cincinnati, plus substantial contributions from local communities.

Projected to open in 2023, the Cumberland River RHOAR Center (Bell County, Kentucky, population 23,858) will provide living spaces, medication assisted treatment, mental health counseling, and vocational/workforce training for women recovering from substance use disorder.

The RHOAR (Recovery, Hope, Opportunity, and Resiliency) Center will serve 112 women living in efficiencies, shared dorms, and apartments designated for family reunification. Funding for the \$14-million project came from multiple sources. More than \$900,000 in Low-Income Housing Tax Credits (which sold for nearly \$9M) was awarded by Kentucky Housing Corporation. (RHOAR was created with support from the Fletcher Group. It is not a Recovery Kentucky project.)

Additional construction funding was secured from the National Housing Trust Fund (\$4M) and the Federal Home Loan Bank of Cincinnati Affordable Housing Program (\$1M). Other funding partners include the Bell County Economic Development Foundation and the Ohio Capital Corporation for Housing.

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RHOAR Center in Middlesboro, Kentucky



Liberty Place in Richmond, Kentucky



WARM (Women's Addiction Recovery Manor) in Henderson, Kentucky