



ADVANCING RACIAL EQUITY THROUGH STATE QUALIFIED ALLOCATION PLAN STRUCTURES

ACCESS is a \$40 million new initiative funded by The Community Preservation Corporation (CPC) to further our deep commitment to providing capital to underserved communities. ACCESS was created with the explicit goal of empowering Black Indigenous People of Color (BIPOC) entrepreneurs by providing funding, education, and other resources to build their capacity to compete in the development industry, while targeting projects that bring high quality housing to communities of color.

PURPOSE

- Provide flexible debt and equity capital, technical assistance, recoverable grants, and other resources to BIPOC real estate entrepreneurs and important projects in communities of color.
- Deploy CPC's capital and expertise in new ways, by engaging in intentional outreach to undercapitalized minority operators and reaching more deeply into neighborhoods.
- Utilize CPC's existing connections with customers, partners, and stakeholders to address racial inequities impacting the physical, social, and economic infrastructure of communities.

In support of ACCESS, CPC assembled an Advisory Council of leading industry professionals to support this important work. The Advisory Council has undertaken research to make system-level recommendations to advance racial equity through state Qualified Allocation Plans (QAP) and their processes for evaluating and allocating Low Income Housing Tax Credits (LIHTC).

EXISTING APPROACHES TO RACIAL EQUITY IN QAPs

As mandated by the Federal Department of Treasury and administered by state housing finance agencies, every state in the country is required to annually review and publish a QAP, which outlines tax credit and bond application requirements and evaluation criteria. While eligible points, prioritization, and enforcement mechanisms vary widely from state to state, some states have made points available for the experience and diversity of the project team. Most commonly, this is done by rewarding project teams that include minority-owned business enterprises (MBEs), women-owned business enterprises (WBEs), or veteran-owned firms with experience in the field. Some QAPs only award points to diverse project teams if a certain percentage stake in the project is held by these enterprises. Diversity point preferences can account for as little as 1% and as much as 10% of the total available applicant points (see Appendix for a table containing select illustrative examples).

Application points are the industry standard, but some states have gone beyond and deployed other methods to incentivize diversity through their QAPs. For example, Minnesota established a specific goal of having their QAP's advance racial equity, stating:

Our goal is to make certain that black, indigenous, persons of color, and female owned contractors and subcontractors have equal access to business opportunities on Minnesota Housing financed projects and to encourage the presence of black, indigenous, persons of color, and women at all levels, including on the staffs of the program participants having contractual agreements with Minnesota Housing. Minnesota Housing's goal is to make certain that the



*workforces on the projects and programs we finance reflect demographically the area in which they are located.*¹

Illinois took a similar approach, establishing racial equity as their housing finance authority's top priority and stating in their QAP that "Discrimination in the US housing market has contributed to both social and economic inequity manifest in the widening of the racial wealth gap and historic disinvestment in communities of color. The Authority's approach to address racial equity is rooted in increasing 5 opportunities for wealth-building for BIPOC entrepreneurs as well as creating opportunities for community-level wealth expansion. The Authority wants to prioritize projects that improve resident outcomes by expanding neighborhood assets and investments."²

EXEMPLARY MODEL: CALIFORNIA

The State of California offers points for project team diversity and experience but recognizing that emerging BIPOC developers cannot be expected to compete equally with established development teams. In response, the state established a BIPOC Priority Project Pool in 2020. Following the murder of George Floyd and the nationwide reckoning with systemic racism, calls for meaningful investments in systems change reached a boiling point in California. The state, under the leadership and oversight of the State Treasurers Office and informed by a robust stakeholder engagement process, formed the BIPOC Priority Project Pool which sets aside a portion of its federal tax credit and state bonding funds (on average 5% of total funds but adjusted annually contingent upon demand) to explicitly go to projects led by emerging BIPOC developers who lack the track record to gain experience points but have invaluable BIPOC leadership. Since the state's bond and tax credit allocation process is very competitive, the pool aims to ensure that projects led by emerging BIPOC developers will receive funding without having to be evaluated directly against more experienced and established developers. While the standard project pool remains competitive and not all applicants are awarded funds, all complete and financially feasible applications to the BIPOC Priority Project Pool receive funding. In the event that the state Treasurers office receives more project applications than funds available, the state allocates funds to the BIPOC Priority Project Pool first, ensuring that those projects can advance.

AN OPPORTUNITY FOR NEW YORK

Currently, New York State's QAP allocates a maximum of five points for project development teams that include certified minority and/or women-owned business and service-disabled veteran owned businesses. This designation accounts for 5% of the total 100 available points and ensures a relatively negligible impact as many projects can meet that broad threshold. New York State should consider other ways to advance racial equity through their QAP, and build off models established by peers across the country to either increase the share of available points or consider other ways to prioritize BIPOC-led projects. While many city and state agencies share the goal of building wealth for BIPOC New Yorkers, the state is missing an immediate opportunity - New York State can and should modify their QAP to prioritize emerging BIPOC developers.

¹ <https://www.mnhousing.gov/sites/multifamily/taxcredits>

² https://www.ihda.org/wp-content/uploads/2021/09/QAP_2022-2023_Website.pdf



APPENDIX

The following examples are not exhaustive but are meant to be illustrative of the variety of minority/BIPOC developer priority clauses currently included in QAPs from across the country.

| State | QAP preference for BIPOC developers | Total possible QAP points | Preference as % of total |
|-------------------------------|--|---------------------------|--------------------------|
| California | In the event that there are more applications for CA LIHTC than there are funds to provide, the state has prioritized allocation according to certain priority deal pools, the first of which is the Black, Indigenous, or Other People of Color (BIPOC) Project Pool for projects with a BIPOC sponsor entity. | N/A | N/A |
| Connecticut | 2 points eligible for Women and Minority Participation out of a total of 11 eligible points for the Qualifications and Experience category | 100 points | 2% |
| Illinois | 10 points available for BIPOC-led or BIPOC-governed development teams out of a total 15 eligible points for the Development Team characteristics; allocated according to organizational role and ownership percentage; also named racial equity as the top policy priority in their QAP | 100 points | 10% |
| Massachusetts | 20 total points available for Development Team characteristics, which considers inclusion or minority professional staff, efforts to increase diversity among team members, inclusion of M/WBE members on the team, track record of team members in M/WBE utilization, and an outreach/utilization plan for M/WBE participation in the project | 182 points | 11% |
| Minnesota | QAP has a minimum threshold requirement within scoring criteria that applicants identify at least one strategic priority in the Multifamily | N/A | N/A |



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| | Rental Housing Narrative. There are 18 different strategic priorities to choose from, one of which to advance projects with either ownership by or partnership with a Black, Indigenous, and People or Color-owned/Women-Owned Business Enterprise. | | |
| New Jersey | 5 eligible points for projects which pledge to expend a sum equaling at least 15 percent of construction cost on certified M/WBE contractors, subcontractors, and material suppliers | 100 points | 5% |
| New York | 2 eligible points for applicants who demonstrate that the project will increase the participation of racial and ethnic minorities, women, or local residents in the construction and management | 100 points | 2% |
| Pennsylvania | Up to 15 points are available out of a total of 91 maximum points in the Development Team and Process category for the Material Participation of Minority, Women’s and Veteran’s Businesses; points are allocated depending on firm role and percentage share of total development cost. | 218 points | 7% |
| Wisconsin | 3 eligible points for projects that provide emerging minority developers with a minimum of 24% (2 points) or 49% (3 points) in the general partner/managing member role | 269 points | 1% |