

# INTRODUCING THE QUALIFIED ALLOCATION PLAN



## Helpful Tips From the Fletcher Group

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 RCORP-Rural Center of Excellence in SUD Recovery 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.



## *Defining the 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 large recovery houses in both urban and rural areas.

## *How the 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.



## Construction Success!

The Recovery Kentucky project began in 2005 as a joint effort by three state agencies led by 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 18 recovery centers as completely paid for facilities, without a mortgage. The Kentucky Housing Corporation (state housing finance agency) 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.

Opened in the spring of 2024, the Cumberland River RHOAR Center (Bell County, Kentucky, population 23,858) provides 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 serves women who live 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.

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.



RHOAR Center (top), Liberty Place (middle), and Women's Addiction Recovery Manor (bottom)

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