



September 14, 2005

To All Interested Parties:

RE: PROPOSED CHANGES TO THE 2006 QUALIFIED ALLOCATION PLAN
FOR THE LOW INCOME HOUSING TAX CREDIT PROGRAM

Attached for your review is a summary of the proposed changes to the 2006 Qualified Allocation Plan (QAP) for the Low Income Housing Tax Credit (LIHTC) Program. The changes have been made in response to VHDA's assessment of the recent application cycle, comments obtained at the July 28th tax credit forum and written comments submitted by interested parties. The entire QAP is open for public comment through October 31, 2005. A copy of the legal document with changes, which are highlighted by underlining the additions and striking the deletions, may be downloaded from the VHDA web site, <http://www.vhda.com/>, or a paper copy, will be mailed to you upon your request.

We have scheduled **one focus group** to discuss the proposed revisions and other issues you wish to raise. This focus group is scheduled from **1:30 p.m. to 4:00 p.m. on Friday, October 14th** in the first floor conference room at VHDA, 601 S. Belvidere St., Richmond, VA 23220.

The more formal **public hearing** for the proposed QAP will be held at VHDA on **Monday, October 31st at 10:00 a.m.** If you wish to endorse the proposed changes or make other recommendations, these comments must be made at the public hearing or be received by VHDA **in writing prior to the close of the public hearing (approximately 10:30 am) on October 31, 2005.**

After changes to the QAP have been finalized, we expect to conduct application workshops beginning on Wednesday, January 4, 2006. The 2006 tax credit schedule is also posted on the VHDA web site. The tentative application deadline is March 10, 2006.

There have been some inquires concerning what is required for EarthCraft certification. An educational session on the morning of October 14, 2005, will be available for those of you who would like more detailed information on the EarthCraft certification process. The session will be at VHDA in the same conference room as the focus group and will begin promptly at 9:00 A.M. and last about 2 1/2 hours.

We look forward to receiving your comments on the proposed changes to the 2006 Plan by October 31, 2005. **If you would like to attend either the focus group or the EarthCraft Certification session, please register by sending an email to Debbie Griner at debbie.griner@vhda.com or call her at (804) 343-5518.** If you have any questions, please call me at (804) 343-5786.

Sincerely,

James M. Chandler
Director of LIHTC Programs

Enclosures

**SUMMARY OF PROPOSED CHANGES TO THE
2006 LOW INCOME HOUSING TAX CREDIT
QUALIFIED ALLOCATION PLAN**

1. Create a high growth/high cost non-competitive pool of credits for Preservation projects that may not be feasible to be financed with tax-exempt bonds (as determined by VHDA) within Arlington County, Fairfax County, Alexandria City, Fairfax City and Falls Church City. The pool credits will be from the following year's allocation not to exceed 15% of current years per capita credits. Minimum requirements to qualify for credits from this pool will be:
 - At least 80% of the units must be tax credit units
 - At least 20% of the units must be at 50% incomes
 - EarthCraft certification or amenity points of at least 20 points (excluding points for brick and bathrooms)
 - 5% or more of the developer fee must be deferred
 - Applicants may not submit the same development for this pool of credits and the competitive pool of credits.

2. Restructure Local Housing Authority and Non-Northern Virginia Geographic pool percentages:
 - Reduce Local Housing Authority pool percentage to 7.5% and limit participation to 100% Housing Authority developers or HOPE VI developments within the jurisdiction where Housing Authority is located. The new percentages would be:
 - Nonprofit Pool – 15% (unchanged)
 - Local Housing Authority Pool – 7.50%
 - Northern Virginia MSA Pool – 19.44% (unchanged)
 - Richmond MSA Pool – 13.15%
 - Tidewater MSA Pool – 20.47%
 - Small MSA and Micropolitan Area Pool – 16.31%
 - Rural Pool – 8.13%
 - Reduce amount of following year's preallocation of credits from 15% to 10%.

3. Delete Qualified Census Tracts ("QCT") as a Revitalization Area – must be established by locality and limited to areas in which locality is providing resources for revitalization.

4. Delete the 20-point category for completion of Plans and Specifications – require minimum submittals.

5. Add a 5-point category for developments in both Revitalization Areas and QCT's.

6. Add a 25-point category for developments in Census Tracts with no tax credit units and less than a 10% poverty rate (using data from Census Bureau).
7. Add a one-point item to the amenity category for an additional phone jack that is adjacent to a cable jack and both are dedicated for Internet access.
8. Add a 15-point category for EarthCraft Certification.
9. Delete the 30-point category for relocation of tenants – relocation of existing tenants is currently a required item for credits.
10. Add a 5-point category to reflect the Architect of Record's attendance at a VHDA sponsored Universal Design symposium.
11. Add a 20-point Developer experience penalty to reflect any mandatory design requirements not provided.
12. Eliminate Efficient Use of Resources credit adjustment for the 30% increase of credits in QCT's and Difficult to Develop areas.
13. Scattered site developments must be in the same primary market area.

MANUAL CHANGES

1. Revise VHDA required information and format for Market Studies.
2. Establish minimum plans and specification submittals for tax credit applications.
3. Rehabilitation costs that exceed \$50,000 in contractor costs will no longer be scored as an adaptive reuse development in the cost per unit and credit per unit calculations.