VHDA

September 11, 2002

To All Interested Parties:

RE: PROPOSED CHANGES TO THE 2003 QUALIFIED ALLOCATION PLAN FOR THE LOW INCOME HOUSING TAX CREDIT PROGRAM

Attached for your review is a summary of the proposed changes to the 2003 Qualified Allocation Plan 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 April 15, 2002, and August 20, 2002, tax credit forums and written comments submitted by interested parties. The entire Plan is open for public comment through November 1, 2002. 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, **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. The focus group is scheduled from 1:00 p.m. to 4:00 p.m. on Tuesday, **October 8th.** The focus group will be held in the first floor conference room at VHDA located at 601 S. Belvidere Street, Richmond, VA 23220. Click here for map and driving directions.

The more formal **public hearing** for the proposed Plan will be held at VHDA on Friday, **November 1st** 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 November 1, 2002**.

After changes to the Plan have been finalized, we expect to conduct application workshops beginning on Tuesday, January 7, 2003. The 2003 tax credit schedule is also posted on the VHDA web site. The tentative application deadline is March 14, 2003.

We look forward to receiving your comments on the proposed changes to the 2003 Plan by November 1, 2002. If you would like to attend the focus group, 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
Senior Development Officer

Enclosures

SUMMARY OF PROPOSED CHANGES TO THE 2003 LOW INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN

1. Divide the total ceiling credits into eight pools (including returned credits that are returned prior to the announcement of the reservation final rankings and 5% of the following year's credits based upon the current year's population). The pool percentages would be:

   - Special Needs Pool (subdivided into 3 ranking tiers, see Part I of the Qualified Allocation Plan ("QAP") for a description of the tiers) – 22%
   - Community Development Pool – 15%
   - Geographic Pool #1 – 17.5%
   - Geographic Pool #2 – 9.6%
   - Geographic Pool #3 – 16.2%
   - Geographic Pool #4 – 8.2%
   - Geographic Pool #5 – 6.3%
   - Geographic Pool #6 – 5.2%

   See Part I of the QAP for the jurisdictions within each of the 6 Geographic pools. An additional At-Large Pool would consist of the remaining credits in the eight pools above and be separated into 2 tiers. The first tier would consist of developments that qualified for partial credits in the eight pools. Those developments in rank order that can be fully funded would receive credits in tier 1. Those developments that were not fully funded in tier 1 would then move to tier 2 with the remaining developments with a score above threshold that did not rank high enough for credits in the previous described pools and be eligible for selection to receive credits. A minimum of 15% of the ceiling credits would be set-aside for Qualified Nonprofits and a minimum of 15% of the ceiling credits would be set-aside for developments sponsored by local housing authorities and/or Hope VI developments.

2. Include a definition for Principal (See QAP).

3. Provide a definition for Revitalization Area. Any area (i) designated by a municipality for implementation of either a "redevelopment plan" meeting the requirements of §36-51 of the Code of Virginia or a "conservation plan" meeting the requirements of §36-51.1 of the Code of Virginia; or (ii) documented by local government officials as a revitalization area that (a) has established boundaries at least a year old at the time applications are submitted and (b) local or state funds have been spent in furtherance of the revitalization objectives; or (iii) which is subject to a plan using Hope VI funds from HUD. The Revitalization Area described in (ii) above must be part of a plan adopted by the local government, which should include discussions of the type of developments that will be encouraged, the potential sources of funding, and services to be offered in the area. A comprehensive plan does not qualify as documentation of a Revitalization Area.

4. Require market studies for developments intended for persons age 55 and older to be submitted prior to the application date at the same time as information for the VHDA Locality Notification Letter is due to be submitted.

5. No application will be accepted from any applicant with a Principal that has or had an ownership or participation interest in a development at the time the Authority reported such development to the IRS as no longer in compliance and is no longer participating in the federal low-income housing tax credit program.

6. Reduce readiness points to: (1) proper zoning (40 points) and (2) plan of development (40 points). Developers that have developed 3 or more tax credit developments that contain at least 3 times the number of units of the proposed development would not be eligible for plan of development points.

7. Negative 50 points will be assessed to all applications including renovation developments that fail to submit the VHDA Locality Notification Letter information by the announced deadline. In the past renovation developments could submit this information with the application and not be penalized.

8. Proposed developments competing in the Community Development Pool (as defined in Part I) may receive points from one of the following categories and any points awarded in these categories will not carry over to the At-Large pool:

   (1) Developments located in a Revitalization Area and the proposed development is an integral part of the planned revitalization will receive. (50 points)

   (2) Developments located in a revitalization area (not meeting the definition of “Revitalization Area” as in item (1) above) with established boundaries (beyond the boundaries of the proposed development) and local or state funds have been spent or budgeted in furtherance of the revitalization objectives, and the proposed development will further the goals of the planned revitalization. (25 points)

   (3) The proposed development involves either (i) substantial rehabilitation (Contractor costs of at least $50,000 per unit) or adaptive reuse of vacant or derelict structures (15 points) or (ii) the rehabilitation of properties deemed troubled by a local government based on the physical condition of the property, documented crime/drug problems or similar factors. (10 points)

   (4) If the proposed development is located in a Difficult Development Area as defined by the HUD or is in a qualified census tract within either a Revitalization Area, Enterprise Zone or Housing Revitalization Zone add 5 points.

9. Applicants receiving points under the Leasing Preference for Public Housing or Section 8 category will not be allowed to require an annual minimum income requirement for prospective tenants that exceeds the greater of $3,600 or 2.5 times the portion of rent to be paid by such tenants.

10. Developments subject to an existing Rural Development 515 loan will no longer receive points in the subsidized funding category but will receive 20 points in the current category for the HUD Section 8 and 236 programs.

11. Any development receiving (i) a real estate tax abatement for 10 or more years or (ii) new project-based subsidy from HUD or Rural Development for the greater of 5 or 10% of the units of the proposed development. (10 points)

12. Add the following category:

(1) Any non-elderly development in which the greater of 5 or 10% of the units (not to exceed 14) (i) provide federal project-based rent subsidies or equivalent assistance in order to ensure occupancy by extremely low-income persons; (ii) conform to ADAAG requirements as set forth in the Virginia building code as BOCA Chapter 11; and (iii) are actively marketed to people with special needs in accordance with a plan submitted as part of the application for credits (if special needs includes mobility impairments the units described above must include roll-in showers and roll under sinks and front controls for ranges). (50 points)

(2) Any non-elderly development in which the greater of 5 or 10% of the units (not to exceed 14) (i) have rents within HUD's Housing Choice Voucher ("HCV") payment standard; (ii) conform to ADAAG requirements as set forth in the Virginia building code as BOCA Chapter 11; and (iii) are actively marketed to people with mobility impairments including HCV holders in accordance with a plan submitted as part of the application for credits. (30 points)

(3) Any non-elderly development in which four percent (4%) of the units conform to ADAAG requirements as set forth in the Virginia building code as BOCA Chapter 11. (15 points)

13. Change developer experience points to:

(1) If the developer has developed (evidenced by issuance of 8609 forms) 3 tax credit developments that contain at least 3 times the number of units in the proposed development. (50 points) or

(2) If the developer has developed (evidenced by issuance of 8609 forms) 1 tax credit development with at least the number of units in the proposed development. (10 points)

(3) If the applicant includes a Principal that was a Principal in a development at the time the Authority reported such development to the IRS for an uncorrected major violation of health, safety and building codes. (minus 50 points for a period of three years after the violation has been corrected)

(4) Any applicant that includes a Principal that was a Principal in a development at the time the Authority has reported such development to the IRS for noncompliance that has not been corrected by the time a Form 8823 is filed by the Authority. (minus 15 points for a period of three years after the time the Authority filed the 8823)

(5) Beginning January 1, 2003, any applicant that includes a Principal that is or was a Principal in a development that (i) did not build a development as represented in the application for credit (minus 20 points for a period of three years after the development is placed-in-service, in addition to any other penalties the Authority may seek under its agreements with the applicant), or (ii) has a reservation of credits terminated by the Authority (minus 10 points for a period of three years after the credits are returned to the Authority).

14. Increase the Credit Cap for related Principals to 15% of Virginia's per capita dollar amount of credits for such credit year.

15. The Authority will treat local housing authorities or qualified nonprofit organizations as the only Principal in an application in which, such local housing authority or qualified nonprofit organization owns, directly or indirectly, at least 50% of the general partnership interest in the ownership entity of the proposed development and such local housing authority or qualified nonprofit organization, or wholly-owned subsidiary thereof, will purchase the proposed development at the end of the compliance period. This change will allow nonprofits and local housing authorities to hire consultants or seek joint venture partners without interference from the Credit Cap.

16. The threshold score to receive credits will be reduced to 375 points.

MANUAL CHANGES

1. Renovation developments will have the lowest unit parameter sizes calculated at 85% of the similar new unit size.

2. Homeownership plans will be limited to developments with detached single-family homes on individual lots that are not part of a homeowner association with mandatory dues.