



September 25, 2003

To All Interested Parties:

RE: PROPOSED CHANGES TO THE 2004 QUALIFIED ALLOCATION PLAN  
FOR THE LOW INCOME HOUSING TAX CREDIT PROGRAM

Attached for your review is a summary of the proposed changes to the 2004 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 24<sup>th</sup> tax credit forum and written comments submitted by interested parties. The entire QAP is open for public comment through October 27, 2003. 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 two **focus groups** to discuss the proposed revisions and other issues you wish to raise. The first focus group is scheduled from 1:00 p.m. to 4:00 p.m. on Thursday, **October 16<sup>th</sup>**. The second focus group is scheduled from 1:00 p.m. to 4:00 p.m. on Tuesday, **October 21<sup>st</sup>**. The focus groups will be held 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 27<sup>th</sup>** 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 27, 2003.**

After changes to the QAP have been finalized, we expect to conduct application workshops beginning on Tuesday, January 6, 2004. The 2004 tax credit schedule is also posted on the VHDA web site. The tentative application deadline is March 12, 2004.

We look forward to receiving your comments on the proposed changes to the 2004 Plan by October 27, 2003. If you would like to attend the focus group, please register by sending an email to Debbie Griner at <mailto: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 Low Income Housing Tax Credit Programs

Enclosures

## **SUMMARY OF PROPOSED CHANGES TO THE 2004 LOW INCOME HOUSING TAX CREDIT QUALIFIED ALLOCATION PLAN**

1. (Page 2) Retain the seven pools used in 2003 with revised percentages due to new MSA designations. The new pool percentage of credits (including returned credits that are returned prior to the announcement of the reservation final rankings and up to 15% of the following year's credits based upon the current year's population) would be:

- Nonprofit Pool – 15%
- Local Housing Authority Pool – 15%
- Northern Virginia MSA Pool – 18.18%
- Richmond MSA Pool – 11.36%
- Tidewater MSA Pool – 19.02%
- Small MSA and Micropolitan Area Pool – 15.06%
- Rural Pool – 6.38%

See Part I of the QAP for the jurisdictions within each of the five Geographic pools. An additional At-Large Pool would consist of the remaining credits in the seven pools above and be separated into 2 tiers. The first tier would consist of developments that qualified for partial credits in the seven 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.

(Page 23) Not more than 20% of the credits in any pool may be reserved to developments intended to provide elderly housing, unless the feasible credit amount, as determined by the executive director, of the highest ranked elderly housing development in any pool exceeds 20% of the credits in such pool, then such elderly housing development shall be the only elderly housing development eligible for a reservation of credits from such pool. However, if credits remain available for reservation after all eligible non-elderly housing developments receive a reservation of credits, such remaining credits may be made available to additional elderly housing developments.

(Page 26) Create a separate non-competitive pool of credits for non-elderly developments intended to serve people with disabilities and (i) provides rent subsidies or equivalent assistance in order to ensure occupancy by extremely low-income persons; (ii) conforms to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act; and (iii) will be actively marketed to people with disabilities in accordance with a plan submitted as part of the application for credits and approved by the executive director. Any such reservations made in any calendar year may be up to three percent of the Commonwealth's annual state housing credit ceiling for the applicable credit year. However, such reservation will be for credits from the Commonwealth's annual state housing credit ceiling from the following calendar year.

2. (Page 7 & 23) Include a definition for Older Central Cities (See QAP). Beginning January 1, 2005, the amount of credits available for reservation to developments in older central cities shall be limited to an amount equal to the older central city's percentage share of households paying more than 35% of income for rent in the pool in which the older central city appears. However, notwithstanding the limitation of this paragraph, all applications with a letter of support from the chief executive officer of an older central city will be eligible for a reservation of credits.

3. (Page 8) Provide a revised definition for revitalization area. Any area the governing body of any city or county may by resolution designate an area within such city or county as a revitalization area if such governing body shall in such resolution make the following determinations with respect to such area: (i) either (1) the area is blighted, deteriorated, deteriorating or, if not rehabilitated, likely to deteriorate by reason that the buildings, improvements or other facilities in such area are subject to one or more of the following conditions- dilapidation, obsolescence, overcrowding, inadequate ventilation, light or sanitation, excessive land coverage, deleterious land use, or faulty or inadequate design, quality or condition, or (2) the industrial, commercial or other economic development of such area will benefit the city or county but such area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings to locate or remain in such area; and (ii) private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area. The area within a redevelopment project, conservation project, or rehabilitation district established by the city or county pursuant to Chapter 1 (§36-1 et seq.) of Title 36 or any area within a qualified census tract as defined in §42(d)(5)(C)(ii) shall be deemed to be designated as a revitalization area without adoption of the above described resolution of the city or county. Any such revitalization area must either (a) have established boundaries at least a year old at the time applications are submitted and include discussions from the locality of the type of developments that will be encouraged, the potential sources of funding, and services to be offered in the area; or (b) be subject to a plan using Hope VI funds from HUD. A comprehensive plan does not qualify as documentation of a revitalization area.
4. (Page 10) Require market studies for developments intended to serve 55 and older housing to be submitted with the application for reservation.
5. (Page 15) Revise the point category for developments located in a revitalization area (see revised definition above) and the proposed development is an integral part of the planned revitalization. (25 points)
6. (Page 15) Delete the following point categories that are no longer applicable due to the pool changes:
  - 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.
  - 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 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.

7. (Page 16) Delete the points for the following amenity items and move these items to the manual as a minimum in order to receive credits:

Required for any new or adaptive reuse project:

- All units will have a dishwasher
- All units will have a garbage disposal
- The development will have a laundry room (unless washers and dryers are provided in the units)
- All windows will have insulating glass (excluding historic adaptive reuse developments)
- Insulation has a minimum R = 30 insulation for ceilings below roofs
- All refrigerators will be frost free, a minimum size of 14 cubic feet, and provide separate doors for freezer and refrigerator compartments
- All exterior doors exposed to weather will be metal or fiberglass and entrance should be covered
- The development has a minimum STC rating of 52 for floor construction between units.
- All kitchen cabinets comply with VHDA minimum guidelines.

Required for any project electing to serve elderly and/or physically disabled tenants:

- All corridors will have a handrail on one side.
- All bathrooms will have grab bars that exceed 15 inches and slip resistant bottoms for bathtubs.

Required for any rehabilitation developments:

- All bathrooms, including ones with windows, will have exhaust fans ducted out
- All units will have a minimum of one electric smoke detector with battery backup
- All bathrooms will have ground fault interrupter electrical receptacles
- All buildings will have a minimum insulation of R=30 for attics and R=19 for crawl spaces
- All public areas, such as community rooms, laundry rooms, and rental office will be accessible to persons in wheelchairs

8. (Page 17) Add points for the following amenity items:

- Brick covering 50% or more of the exterior walls. (20 points times the percentage of exterior walls covered by brick) No points for exterior building walls that total less than 50% brick.
- If all kitchen and laundry appliances meet the EPA's Energy Star qualified program requirements. (5 points)
- If all roofing products meet the EPA's Energy Star qualified program requirements. (5 points)
- If all windows meet the EPA's Energy Star qualified program requirements. (5 points)
- If heat pump equipment has both a SEER rating of 14.0 or more and a HSPF rating of 9.0 or more or if air conditioning equipment has a SEER rating of 14.0 or more and is combined with a gas furnace with an AFUE rating of 90% or more. (10 points)

9. (Page 18) Increase the maximum points for the amenities category to 60 points.

10. (Page 20) Beginning January 1, 2005, add a category in Sponsor Characteristics for management company experience. Beginning January 1, 2005, any applicant that includes a management company in its application that is rated unsatisfactory by the executive director or any applicant that includes a Principal that is or was a Principal in a development that switched the management of such development to a management company that is rated unsatisfactory by the executive director during the extended use period of such development. (minus 25 points)
11. (Page 20) Add a category in Sponsor Characteristics for a Design Professional that will be participating in the design of the development who is US Green Building Council LEED certified. (10 points)
12. (Page 20) Add a category in Sponsor Characteristics for documentation that the proposed development's architect has completed the Fair Housing Accessibility First program offered by HUD or an equivalent organization and the certificate is attached with the architect's certification. (5 points)

### **MANUAL CHANGES**

1. An additional geographic cost and credit parameter will be added to recognize the higher costs associated with developments located within the Northern Virginia beltway.
2. Rehabilitation cost and credit parameters will be adjusted to recognize acquisition cost as well as rehabilitation costs.
3. All parameters will be revised to recognize the additions and deletions of the localities in each of the geographic pools.
4. Add minimum development design criteria formally in the amenities category.
5. Program fees will now include a \$500 application fee and an increase of the reservation fee to 7% of the annual credit.