



*Virginia's
National Housing Trust Fund
Allocation Plan
2016*

Background

The National Housing Trust Fund (NHTF) is a dedicated fund that will provide resources to build, preserve, and rehabilitate housing for extremely low and very low income households. The NHTF is a Housing and Urban Development (HUD) program that will be allocated annually to states beginning in 2016. In Virginia the NHTF will be administered by the Virginia Department of Housing and Community Development (DHCD).

The consolidated plan regulation at 24 CFR Part 91 is applicable to the NHTF. Virginia's Consolidated Plan will include the following resources:

- Community Development Block Grant (CDBG)
- HOME Investment Partnership
- Housing Opportunities for Persons with AIDS (HOPWA)
- Emergency Solution Grant (ESG)
- Nation Housing Trust Fund (NHTF)

Amendment and Submission Requirement

The addition of this new federal resource to the Consolidated Plan triggers amendments to the Consolidated Plan and the annual action plan covering the July 1, 2016 – June 30 2017 program year. The amendment and submission requirements include the following:

- Citizen Participation Plan
- Strategic Plan (included in the five-year Consolidated Plan)
- Annual Action Plan (2016 – 2017)
- NHTF Funding Priorities (i.e., State's Method of Distribution)
- Recipient Application Requirements
- Performance Goals and Benchmarks
- Other Requirements (e.g., maximum per-unit development subsidy amount)

This document provides details on the updates submitted through the eCon Planning Suite and provides for the allocation plan submission requirement not otherwise accommodated by the eCon Planning Suite.

Citizen Participation Plan

Virginia's citizen participation plan includes conducting input sessions across the state to gather feedback on how the consolidated plan resources should be allocated to eligible activities and targeted to specific incomes and needs. These sessions are broadly advertised and held in several locations across the state in the months leading up to each annual Action Plan. In addition, DHCD consults with other organizations serving Virginia's housing, homelessness, and community development and service needs. Draft plans are posted online for easy access and public notices are published

in several newspapers across the Commonwealth providing notice of the availability of the draft plan, specifying the type and amount of resources available and soliciting written comments on the proposed uses. These public notices also provide the deadline for the submission of written comments, location of the draft plan, and the date, time, and location of the public hearing.

A substantial amendment to a plan is trigger with the addition of new resources not covered under the approved plan and/or when changes to funding amounts by activity exceeds 20 percent of those in the approved Action Plan and associated methods of distribution.

As a new resource, the NHTF triggers a substantial amendment to the Consolidated Plan and the annual Action Plan.

Public notice was initially posted the first week of March 2016. The notice included the available resources, date, time, and location of the public hearing, the availability of a draft Action Plan, and where to send written comments.

A subsequent public notice was posted the week of July 11, 2016 to provide notification of the substantial amendment, the availability of the NHTF allocation plan, and instructions for submitting written comments.

Input sessions were held in several locations to gather feedback on the proposed uses of the funding resources. February sessions included information about the NHTF and asked for feedback on the proposed use of the resource. The session in June preceded the Annual Housing Awards Luncheon and focused specifically on the NHTF. Summaries of the feedback for both the February and June sessions are included with the submission of the substantial amendment.

Action Plan: Input Sessions	
Where	When
Wytheville	February 23, 2016
Richmond	February 24, 2016
Prince William	February 25, 2016
Hampton	February 26, 2016
Richmond	June 16, 2016

Specifically HUD requires the State to make the following information available to the public:

- The amount of NHTF assistance the State expects to receive
- The range of activities the State may undertake, including the estimated amount that will benefit extremely low-income households, and
- The State's plan to minimize displacement of persons and to assist any persons displaced.

Amount of NHTF

For the 2016 – 2017 program year Virginia will have available a total of \$3,139,830 in NHTF resources. Ninety percent or \$2,825,847 will be awarded to projects within Virginia. The balance (\$313,983) will support the costs to administer the program.

Substantial amendments are due to HUD on or before August 16, 2016 to allow for a 45 day HUD review period and funding to be made available to states by October 1, 2016.

Range of Activities

All NHTF project funding will be made available to projects selected through DHCD's Affordable and Special Needs Housing (ASNH) application review process. This funding will be limited to rental projects (new construction or rehabilitation) that are creating or preserving affordable units targeted to extremely low-income households (30 percent or below area median income).

Plan to Minimize Displacement of Persons

DHCD's application review process specifically assesses the degree to which proposed projects will result in the displacement of individuals and the degree to which the proposed projects will adequately address any displacements. Any displacement is considered a logistical impediment that will negatively impact the projects overall score. Applicants are required to submit relocation plans when applicable.

Strategic Plan (included in the five-year Consolidated Plan)

This section provides a summary of amendments proposed for the 2013 Consolidated Plan. Actual updates will be submitted through HUD's eCon Planning Suite.

Geographic Priorities (Strategic Plan 10)

Describe the basis for allocating investments geographically within the state: Virginia's project selection process is an open and competitive application where eligible applicants submit project proposals and all proposals meeting threshold requirements are reviewed and scored. Priority and scoring preferences are given to high quality projects meeting the highest needs based on income targeting and local market needs. Please see the methods of distribution for more details.

Priority Needs (Strategic Plan 25)

Currently Virginia has identified the following as high priority needs in Virginia for the 2013 – 2017 Consolidated Plan:

- Lack of affordable housing

- Lack of housing units for special needs populations
- Individuals and families experiencing homelessness
- Barriers to competitive/sustainable communities

There are no proposed changes to the priority needs resulting from the addition of the NHTF resources.

Influences of Market Conditions (Strategic Plan 30)

HUD requires that grantees specify how market conditions will influence the use of funds by type of housing assistance. Virginia has indicated the following:

Affordable Housing Type	Market characteristics that will influence the use of funds available for housing type:
Tenant Based Rental Assistance (TRBA)	The Commonwealth will not use HOME or NHTF funds for TBRA. ESG may be used for prevention and rapid re-housing assistance as specified in subgrantee contracts based on Virginia Homeless Solution Program (VHSP) guidelines and standards.
TBRA for Non-Homeless Special Needs	The Commonwealth will use HOPWA funds for TBRA. These funds will be used for income eligible HOPWA client where no other available resource is readily available.
New Unit Production	In markets with relatively low vacancy rates, limited available affordable units, and/or accessibility needs. Please note that units targeted to special need populations must be supported by evidence of a local demand for the specific target population.
Rehabilitation	In markets with relatively low vacancy rates, limited available affordable units, accessibility needs, and/or to preserve existing affordable units Please note, that units targeted to special need populations must be supported by evidence of a local demand for the specific target population.
Acquisition, including preservation	In markets with relatively low vacancy rates, limited available affordable units, accessibility needs, and/or to preserve existing affordable units Please note, that units targeted to special need populations must be supported by evidence of a local demand for the specific target population.

Anticipated Resources (Strategic Plan 35)

Anticipated resources are updated to included \$3,139,830 in NHTF resources available for the 2016 – 2017 program year (year four of the five-year Consolidated Plan). Another \$3,000,000 is anticipated for the last year (2017 – 2018) of the Consolidated Plan. These resources will be allocated through a low-interest loan pool to rental projects (new construction and rehabilitation) to produce and preserve affordable housing units for extremely low-income households based on local needs. Units will be targeted to special needs populations where local market demand and need indicate.

Goals (Strategic Plan 45)

DHCD anticipates that NHTF will support projects that will provide approximately 30 units for each of the two years remaining of the Consolidated Plan. All of these units would be targeted to extremely low-income households and about half would also be targeted to those with special needs.

Activities in NHTF, HOME and CDBG program will provide extremely low-income, low-income, and moderate-income families affordable housing as defined by HOME 91.315 (b) (2), paying no more than 30 percent of their income on housing. It is estimated that nearly 1,060 households will benefit as a result of resources leveraged during the 2013 – 2017 Consolidated Plan.

Annual Action Plan (2016 – 2017)

This section provides a summary of amendments proposed for the 2016 – 2017 Action Plan. Actual updates will be submitted through HUD's eCon Planning Suite.

Anticipated Resources (Action Plan 15)

Anticipated resources are updated to include \$3,139,830 in NHTF resources available for the 2016 – 2017 program year (year four of the five-year Consolidated Plan). Another \$3,000,000 is anticipated for the last year (2017 – 2018) of the Consolidated Plan. These resources will be allocated through a low-interest loan pool to rental projects (new construction and rehabilitation) to produce and preserve affordable housing units for extremely low-income households based on local needs. Units will be targeted to special needs populations where local market demand and need indicate.

Annual Goals and Objectives (Action Plan 20)

DHCD anticipates that NHTF will support projects that will provide approximately 30 units as a result of the 2016 – 2017 Action Plan. All of these units would be targeted to extremely low-income households and about half would also be targeted to those with special needs.

Activities in NHTF, HOME and CDBG program will provide extremely low-income, low-income, and moderate-income families affordable housing as defined by HOME 91.315 (b) (2), paying no more than 30 percent of their income on housing. It is estimated that nearly 1,060 households will benefit as a result of resources leveraged during the 2013 – 2017 Consolidated Plan.

Allocation Priorities (Action Plan 25)

Currently Virginia has identified the following as high priority needs in Virginia for the 2013 – 2017 Consolidated Plan:

- Lack of affordable housing
- Lack of housing units for special needs populations
- Individuals and families experiencing homelessness
- Barriers to competitive/sustainable communities

All of the NHTF resources will be used to address the lack of affordable housing and at least half of those resources will also address the lack of housing units for special needs populations.

Method of Distribution (Action Plan 30)

The 2016 – 2017 Action Plan methods of distribution are amended to include an additional method for distributing the National Housing Trust Fund. The following are the required information for this update:

State Program Name: National Housing Trust Fund (NHTF)

Funding Sources: National Housing Trust Fund

Describe the state program addressed by the Method of Distribution: The NHTF will provide flexible, below-market-rate loans to projects that create or preserve affordable housing targeting households at or below 30 percent area median income (AMI). Broadly eligible projects include rental projects (new construction and rehabilitation).

Describe all of the criteria that will be used to select applications and the relative importance of these criteria: The NHTF will be distributed through the existing Affordable and Special Needs Housing (ASNH) application review process. This is a competitive application process that evaluates proposals on the criteria listed below. Please note there are several individual measures included under each of these basic criteria:

- Meeting critical local need (worth 40 points)
- Feasibility – Likelihood of projects coming to a timely, successful completion and likelihood of sustainability and compliance through affordability period (worth 30 points)
- Developer capacity –ability to successfully complete projects and deliver affordable housing (worth 30 points)

Priority will be given to project that will target special need populations. These are projects that are specifically targeting at least 20 percent of the total units to households with disabilities. Special needs households include at least one individual with a disability (physical, sensory, mental, developmental, or intellectual). The targeting of special needs must be reflected in the tenant selection plan for rental projects. Please note that elderly housing does not necessarily qualify as special needs housing, but elderly housing explicitly targeting at least 20 percent of the total units to households with disabilities would qualify as special needs housing. In addition special preference will be giving to projects that will target units to [Department of Justice Settlement](#) population.

Please note that DHCD wishes to promote the development of units targeted to meeting the needs of special needs households by both giving scoring preferences to projects that exceed minimum accessibility requirements and those that target units specifically to special needs household. Although DHCD gives scoring preference for targeted special needs housing, applications identifying mixed or integrated affordable housing projects are encouraged.

All applications received by the deadline will be reviewed by DHCD staff. Applications not meeting established thresholds for funding will not be eligible but can receive comments and feedback upon request from DHCD staff. These applicants may reapply during the subsequent application periods within the program year. All applicants must score at least 60 points on the application in order to be qualified for funding. All qualified applications will then be ranked based on score and the highest scoring applicants will receive a funding commitment from DHCD based on project needs, up to the amount of funds available for the application period. If the full amount of available funding is not committed, it is carried forward into the next application period, as needed, to be made available to proposals meeting threshold requirements and scoring at least 60 points.

Applicants that have outstanding audit or monitoring findings, unresolved IRS findings, and/or applicants not in compliance with previous DHCD agreements are ineligible for funding. Eligible applicants must be qualified developers of affordable housing. All funds are intended for use with other types of financing including, but not limited to, low income housing tax credits, bond financing, and other public and private funds. Please note that NHTF compliance requirements apply. Other funding source requirements must be compatible with NHTF program requirements.

Describe how the resources will be allocated among funding categories: All of the NHTF project funding will be allocate to rental new construction or rehabilitation to either create new affordable units or to preserve existing affordable units.

Describe threshold factors and grant sizes: All proposals must meet threshold requirements for funding. These include:

- Eligible project type
- Eligible activity type
- Eligible applicant (no outstanding findings)
- If new construction must include universal design features
- Proposal meets uniform relocation requirements
- Proposal meets accessibility requirements
- Must score at least 60 points

Maximum funding amounts are \$800,000 for special needs projects and \$700,000 for all other eligible projects.

What are the outcomes measures expected as a result of the method of distribution?:

DHCD anticipates funding approximately three to four affordable housing projects, roughly 30 targeted units as a result of the competitive application process. The actual types, number of units, size, composition of projects will be based on this competitive process and will vary based on overall quantitative and quality of the proposal received,

the local housing markets, and relative local need. Based on statewide trends and housing markets DHCD expects that most of the funded projects will include units targeting special need populations.

Geographic Distribution (Action Plan 50)

The Commonwealth is extremely diverse in its racial and ethnic composition, and there are numerous areas across the state with concentrated populations, including African American, Hispanic, Asian, and others. The Commonwealth’s methods of distribution selects projects and proposals targeted at meeting priority local needs and requires that proposed projects affirmatively further fair housing.

There are concentrations of poverty in every region of the state. This concentration varies based on local factors. The Commonwealth’s methods of distribution will select project proposals that address these needs within the context of local and regional needs. Please see individual program guidelines for details.

Affordable Housing (Action Plan 55)

Approximately 30 households and at least 30 units will be assisted with the NHTF resource. Please note this is an estimate based on funding approximately three projects that include ten units targeted to extremely low-income households with approximately half or more of those units being targeted to special need populations. The actual number of projects and units are highly dependent upon the proposals received and the local markets where these projects are located.

2016 – 2017 Action Plan Goals: Number of Households Assisted		
Population	Previous Goal	New Goal (with NHTF)
Homeless*	3,700	3,700
Non-Homeless	386	401
Special Needs	183	198
Total	4,269	4,299

*Includes shelter assistance.

2016 – 2017 Action Plan Goals: Number of Households Assisted		
Type of Activity	Previous Goal	New Goal (with NHTF)
Rental Assistance	550	550
Production of New Units	73	88
Rehab of Existing Units	469	484
Acquisition of Existing Units	103	103
Total	1,195	1,225

Homeless and Other Special Needs Activities (Action Plan 65)

The ASNH program (funding source HOME funds) provides a preference for projects that include units targeted to extremely low-income households and/or units targeted to special need populations. DHCD will use the ASNH application process to award NHTF, giving a preference for projects including special needs units.

Barriers to Affordable Housing (Action Plan 75)

DHCD works with multiple partners across the state to promote fair housing measures. These measures collectively help to improve conditions across the Commonwealth. NHTF resources will support project development that furthers fair housing efforts in Virginia. All proposed projects are required to submit a site and neighborhood standards review which assesses the project location and how the project will contribute to the deconcentrating of poverty and minority populations. DHCD requires that the site and neighborhood standards review be signed by the local government official.

Other Actions (Action Plan 85)

The NHTF resources will be aligned with existing strategies to:

- Address obstacles to meeting underserved needs in Virginia
- Help foster and maintain affordable housing in the Commonwealth
- Reduce lead-based paint hazards
- Reduce the number of poverty-level families
- Develop institutional structures
- Enhance coordination between public and private housing and social service agencies

NHTF Funding Priorities (i.e., State’s Method of Distribution)

The State is responsible for distributing NHTF according to its housing priority needs. In addition to revising the *Methods of Distribution* (see above), the State must also respond to the following questions:

Will the State distribute NHTF resources through grants to subgrantees?

No. The State will allocate these resources through its ASNH application review process to developers.

Will the State distribute NHTF resources by selecting applications submitted by eligible recipients? If yes, describe all the eligibility requirements for applicants as defined in §93.2 –definition of a recipient.

Yes, eligibility requirements are as follows:

- *Must be* an organization, agency, or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity)
- *Must be* owner or developer of proposed project
- *Must agree to* comply with NHTF requirements and all cross-cutting federal requirements

- Must demonstrate the financial capacity to undertake and manage the project development and long-term compliance)
- Must have experience with development and management of similar projects (project type, funding/regulatory requirements, and target population)

Will the State distribute NHTF resources by selecting applications submitted by eligible recipients? If yes, describe all the criteria that will be used to select applications and the relative important of these criteria. At minimum, as required in §91.320 (k) (5) (i), the selection criteria must include the following:

Yes, the State will select applications using a competitive application process that evaluates proposals on the criteria listed below. Please note there are several individual measures included under each of these basic criteria:

- Meeting critical local need (worth 40 points)
- Feasibility – likelihood of projects coming to a timely, successful completion and likelihood of compliance through affordability period (worth 30 points)
- Developer capacity –ability to successfully complete projects and deliver affordable housing (worth 30 points)
- Minimum of 60 out of 100 points required as threshold for funding

Please see comments following each required selection criteria:

Priority based on geographic diversity

Virginia's project selection process is an open and competitive application where eligible applicants submit project proposals and all proposals meeting threshold requirements are reviewed and scored. Priority and scoring preferences are given to high quality projects meeting the highest needs based on income targeting and local market needs. Please see the methods of distribution for more details. This is covered under the “meeting critical local need” (above).

Applicant's ability to obligate NHTF resources

Overall project readiness is evaluated under elements of feasibility (see above). The State application review process is design to score projects relatively higher based on the degree to which the project is positioned to proceed in a timely manner.

Applicant's ability to undertake eligible activities in timely manner

Overall development team capacity is evaluated under elements of capacity (see above). The State application review process is design to score applications relatively higher based on the degree to which the development team has demonstrated success with similar projects. Project management's experience managing similar projects is also a scoring criteria under overall Capacity.

For rental housing, the extent to which the project has Federal, State, or local project-based rental assistance so rents are affordable to extremely low-income households
Applications including rental assistance receive points under the Need criteria (above).

For rental housing, the duration of the units affordability period
The program design requires 30 years of affordability. The State is not currently considering affordability beyond the required 30 years.

The merits of the application in meeting the State's priority housing needs
Project must include units targeted at 30 percent or below to be eligible. Those project also including units targeted to special need population will receive scoring preference under the Need criteria (above). In addition, applicants receive points under Need (above) for green-building certification, universal design elements, exceeding accessibility (504) requirements, and access to community based services.

The extent to which application makes use of non-federal funding sources
Typically projects require multiple funding sources in order to cash flow. Applications are evaluated based on the degree to which the requested funds are needed in the project, the degree to which other funding commitments are in place, and the degree to which these funds will help to leverage other resources. Project's that leverage a diversity of resources will be given a scoring preference.

Recipient Application Requirements

Will the State require that all recipient applications contain a description of the eligible activities to be conducted with NHTF resources as required in § 91.200 –Eligible activities?

Yes [X] No []

Will the State require that each eligible recipient certify that housing assisted with NHTF resources will comply with NTHF requirements?

Yes [X] No []

Performance Goals and Benchmarks - § 91.320 (k) (5) (iii)

The plan must include performance goals and benchmarks against which the State will measure its progress, consistent with the State's goals established at § 91. 315(b)(2). To comply with this requirement, the State will include NHTF housing goals in the housing table on SP 45 (Goals) and AP 20 (Goals and Objectives) screens of the eCon Planning Suite in IDIS.

The goals and objectives have been completed to include the NHTF resource has been completed. Please see page nine of this document for the 2016 – 2017 (year 4 of a five year Consolidated Plan) goal. It is anticipated that 2017 – 2018 funding levels, goals, and objectives to be consistent with those proposed for the 2016 – 2017 Action Plan.

Other Requirements

Maximum Per-unit Development Subsidy Amount- § 91.320(k)(5) and § 93.300(a)
The State must establish its own maximum limitations on the total amount of HTF funds that can be invested per-unit for development of non-luxury housing. The limits must be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the project. The State may choose to develop its own limits or adopt limits used in other federal programs such as HOME or Low-Income Housing Tax Credit and must submit them with its HTF allocation plan. The State must submit a description of how the HTF maximum per-unit development subsidy amounts were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements.

Indicate below what maximum per-unit development subsidy limits the State will use for its FY 2016 HTF program.

[] State developed its own maximum per-unit development subsidy limits and the limits are attached.

[X] State adopted limits used in other federal programs and the limits are attached.

Rehabilitation Standards - § 91.320(k)(5)(iv) and § 93.301(b)

If the State intends to use its HTF funds for housing being rehabilitated, it must establish rehabilitation standards that all HTF-assisted housing undergoing rehabilitation must meet at the time of project completion in accordance with § 93.301(b). The standards must provide enough details on what work is required, how that work should be performed and what materials should be used. The State's standards may refer to applicable codes or may establish requirements that exceed the minimum requirements of the codes. At a minimum, the rehabilitation standards must address:

- *Health and safety;*
- *Major systems;*
- *Lead-Based Paint;*
- *Accessibility;*
- *Disaster Mitigation;*
- *State and local Codes, Ordinances, and Zoning Requirements; and*
- *Inspectable Areas and Observable Deficiencies from HUD's Uniform Physical Condition Standards identified by HUD as applicable to HTF-assisted housing.*

Indicate below if the State will use HTF funds for rehabilitation of housing.

[X] The State plans to use HTF funds for the rehabilitation of housing and has attached its rehabilitation standards.

[] The State will not use HTF funds for rehabilitation of housing.

Resale and/or Recapture Provisions- § 91.320(k)(5)(v) and § 93.304(f)

If the State intends to use HTF funds to assist first-time homebuyers, it must set forth the guidelines for resale or recapture and obtain HUD specific, written approval, as required in §93.304(f). Approval of the consolidated plan or annual action plan under § 91.500 or the failure to disapprove the consolidated plan or annual action plan does not satisfy the requirement for specific HUD approval for resale or recapture guidelines. Indicate below if the State intends to use HTF funds for first-time homebuyers.

[] The State will use HTF funds to assist first-time homebuyers and has attached the applicable resale/recapture provisions.

[X] The State will not use HTF funds to assist first-time homebuyers.

HTF Affordable Homeownership Limits- § 91.320(k)(5)(vi) and § 93.305

HTF funds may only be invested for the provision of modest housing for homeownership. This means the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the median purchase price for the area for newly constructed or standard housing. If the State plans to use HTF funds for homebuyer assistance, and does not use the HTF affordable homeownership limits established by HUD, it must determine 95 percent of the median purchase price for single family housing for designated areas across the State. If the State will determine its own affordable homeownership limits, it must determine the limits using the methodology described in § 93.305(a)(2).

Indicate below if the State will use HTF funds for homeownership housing and what affordable homeownership limits it will use.

[] The State will use HTF funds for homeownership housing and will use the HUD issued limits.

[] The State will use HTF funds for homeownership housing and has determined its own affordable homeownership limits and the limits are attached.

[X] The State will not use HTF funds for homeownership housing.

State Limited Beneficiaries or Preferences- § 91.320(k)(5)(vii)

The State may limit the beneficiaries or give preferences to a particular segment of the extremely low-income population only if described in the action plan. Any limitation or preference must not violate non-discrimination requirements at § 93.350 and the State must not limit or give preferences to students. The State may also allow rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3), only if such limitation or preference is described in the action plan.

Indicate below if the State will limit beneficiaries or give preferences to a particular segment of the extremely low-income population.

[X] The State will limit beneficiaries and/or give preferences to special need populations of the extremely low-income population. Special need populations have also been identified in the action plan.

[] The State will not limit beneficiaries and/or give preferences to any segments of the extremely low-income population.

Refinancing of Existing Debt- § 91.320(k)(5)(viii) and § 93.201(b)

If the State will use HTF funds for refinancing of existing debt, it must establish refinancing guidelines and include them in its consolidated plan. The State's refinancing guidelines must describe the conditions under which it will refinance existing debt. At a minimum, the guidelines must demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. Refinancing of existing debt is only eligible if it is necessary to reduce the overall housing costs and to make the housing more affordable.

Indicate below if the State will permit the refinancing of existing debt.

[] The State will permit the refinancing of existing debt and the conditions under which the State will refinance existing debt are attached.

[X] The State will not permit the refinancing of existing debt.

DHCD will accept written comments through the close of business on August 5, 2016 at the following address:

Virginia Department of Housing and Community Development
Attention: Lyndsi Austin
Main Street Centre
600 East Main Street, Suite 300
Richmond, Virginia 23219

Comments may also be sent through email at: lyndsi.austin@dhcd.virginia.gov

Written Comments and DHCD Response

DHCD received five sets of written comments on the substantial amendment including the National Housing Trust Fund (NHTF). The following is DHCD response followed by comments received.

Alignment of Applications and Other Funding Sources

DHCD will implement a consolidated application that will leverage the existing Affordable and Special Needs Housing (ASNH) application process to allocate HOME, State Housing Trust Funds, and National Housing Trust funds.

Allow Operating Assistance

Operating assistance will not be allowable for the 2016 – 2017 program year due to the relatively low funding level of the program and the lack of guidance from HUD related to the administration of operating assistance within the scope of the NHTF program. DHCD will re-consider including operating assistance for the 2017 – 2018 program year.

Development/Capital Subsidy Only

Virginia's 2016 – 2017 NHTF will provide development/capital subsidy in the form of low-interest deferred principle loans to projects selected through a competitive application process.

Allow Layering of Multiple Resources

Typically affordable housing projects, especially those targeting 30 percent or below AMI require multiple resources. Projects will receive scoring preference where local and other resources are leveraged.

Only Exemplary Projects

The application review process is structured to select those projects based on the following criteria: project readiness, developer experience, developer financial capacity, and the project's ability to be critical local needs.

Target to Special Needs Populations

DHCD received comments that ranged from suggesting that 100 percent of the funds be targeted to special needs populations to comments recommending that the focus be solely those at or below 30 percent or below AMI.

Based on comments, needs assessments, HUD regulations, and policy priorities, all of the projects and assisted units will target 30 percent or below AMI and at least half of these units will be targeted to special need population including intellectual and development disabilities, physical and sensory disabilities, serious mental illness, and or chronic homelessness. This includes a preference for units targeted to the Department of Justice (DOJ) Settlement population. All new construction must include universal design elements and projects that exceed Section 504 requirements will receive scoring preference.

Rents Affordable to Extremely Low-Income Renters

DHCD will provide a preference for projects that make units affordable to those at or below 30 percent AMI. This includes a preference for projects with dedicated rent subsidies (assistance).

Communities of Opportunity

DHCD will require that all applicants include a site and neighborhood standards assessment, assessing the neighborhood and the impact the project will have on deconcentrating racial/ethnic minorities and poverty. While this does not include a quantitative scoring incentive for projects located in communities of opportunity, DHCD will continue to explore options for including a scoring preference in future applications rounds.

Do Not Fund Homebuyer Projects

Funding levels and local market demand do not support homebuyer development at the required 30 percent or below AMI at this time. DHCD will re-evaluate the possibility of allowing homebuyer development for the 2017 – 2018 program year.

Include Department of Behavioral Health and Development Services (DBHDS) Staff in Application Reviews

DHCD will consult as needed with DBHDS on proposed projects.

Reduce Unit Costs and Increase Number of Assisted Units

Based on assisting an estimated 3 projects (30 units) the average amount per unit would be less than \$100,000. This is well under the HUD subsidy limits for the HOME program and could be significantly less than \$100,000 as the actual number of projects and units will vary based on applications received and the local markets where these projects are located.

The projection of three projects (30 units) is based conservatively on applications funded through the Affordable and Special Needs Housing program. DHCD will apply a

scoring preference favoring projects leveraging other resources. DHCD anticipates that highly leveraged projects may result in an overall higher number of assisted units.

Energy Efficiency

VAHCDO encourages DHCD to prioritize projects that have efficiency standards that will reduce the rental costs and increase long-term affordability.

The project selection process will give scoring preference to those projects that will be third-party certified as meeting this standard.

The following was submitted by the Virginia Housing Alliance, which coordinated a National Housing Trust Fund Input Session held on June 16, 2016.

NHTF Pre-Luncheon Input Notes 6.16.16

- Will NHTF funds be used to make tax credit units affordable without vouchers?
 - DHCD hopes this may be possible
- Will NHTF application line up with TC application?
 - DHCD is working toward this but timing + application deadline are tricky

Prioritization of selection criteria:

- Affordability under 30% AMI is going to be impossible without operating assistance
- Length of affordability should be 30 years – standard
- Geographic diversity should not be highly prioritized, as limited amount will mean so few projects
- Federal assistance will be necessary, don't penalize projects for this
- Funding rehab of existing units (in RAD or CNI) may be a good fit for NHTF \$\$
- Preference for projects with donation of land or other local resources
- Consider combination/layering with PSH funds & auxiliary funds
- Making sure projects are exemplary
 - Experienced developer
 - Priority needs

Types of projects + areas of greatest need:

- PSH
- Considering having some operating assistance set-asides
- DOJ populations

- Use these funds to add a few ELI units to a tax credit development (DHCD> this would trigger more fed. Regulations)
- Senior housing (SSI population < 15% AMI)
- Don't get hung up on HUD requirement overhang
 - Strong projects should already meet many of these requirements

Homeownership assistance:

- This money should not *ever* go towards rental assistance
- **Clarification:** only 1st time owners would be eligible
- Homeownership would only work with ownership vouchers

Application alignment:

- Yes- align with home application period
 - Create a singular application
 - This allows for more thorough consideration of project + applicant merits
- Have a single application
 - More rigorous consideration of what projects can sustain (fed vs. state overhang requirements)

Priority populations:

- Have a single application that gives merit to project merit not population served
- NHTF funds could be used to target a particular population if state determines the need exists to address needs of certain populations (veterans, chronically homeless)
- Targeting populations can risk overemphasizing certain groups and certain solutions
- Virginia can't use these funds to avoid use of state funds
- Green building standards?
 - Are always part of DHCD funded projects
- ELI vs. poverty line rent setting
 - Ed > renters must be ELI, but rents can be set at 30% of poverty level, which in 84% of FMRs would mean cost burden on renter
 - Determination of poverty line & determination of ELI require different processes + these differences have varying impact for communities & renters

July 21, 2016
Lyndsi Austin
Virginia Department of Housing and Community Development
600 E Main Street
Richmond, VA 2321

Re: Comments on the Virginia Allocation Plan for National Housing Trust Funds

Dear Ms. Austin,

The Northern Virginia Affordable Housing Alliance, as a convener of housing and community development organizations, is writing to provide comments regarding Virginia's \$3.1 million allocation of the National Housing Trust Fund (NHTF) dollars. We ask that the Department of Housing and Community (DHCD) considers the following recommendations, developed collaboratively, for the state's NHTF allocation plan:

Align NHTF with the state housing trust fund application. DHCD has done an excellent job of administering the state's housing trust fund dollars which are coordinated with other state programs including LIHTC. Using the same portal for NHTF funding would promote an efficient and user-friendly process. While the legislation that created the fund did envision a process similar to the HOME program, not everyone applying for NHTF funds will use HOME funding, so we believe aligning with the state's housing trust fund portal and process is a better choice.

Maintain the goal of the NHTF by focusing on extremely low income households. There has been discussion of serving persons with intellectual and/or developmental disabilities with this funding. While this is a worthy objective, we feel that based on the inherent challenges of providing housing for those earning less than 30% of AMI, the additional requirements for ID/DD and the need for extensive services is restrictive and costly. Applicants may choose to serve this population, but it should not be a requirement to receive funding.

Using NHTF funds for capital not rental subsidy. The goal of the NHTF is to expand the supply of rental housing affordable to extremely low income households. We believe, and the language in the regulations strongly supports the directive that this funding be used for capital for new construction or preservation. There have however been public comments requesting that NHTF funding be used for rental subsidies. While rental subsidies in the form of vouchers or other local assistance will certainly be needed to cover expenses, we do not believe that the intent of the fund was to be a source of rental subsidy for existing units.

We appreciate the opportunity to participate in the public comment process, and we look forward to receiving the state's draft allocation plan. Working together with other interested parties in the Commonwealth, we are grateful for both the state and national trust fund dollars that provide the critical resources to preserve and build housing for extremely low income households.

Sincerely,

AHC, Inc., Walter Webdale, CEO

Alexandria Housing Development Corporation, Jon Frederick Executive Director (Alexandria)

Arlington Partnership for Affordable Housing, Nina Janopaul, CEO (Arlington)

Carpenter's Shelter, Shannon Steene, Executive Director (Alexandria)

Coalition for Smarter Growth, Stewart Schwartz, Executive Director (regional)

Conrad Egan, national housing advocate and NVAHA Board member

Cornerstones, Inc., Michael Scheurer, VP Housing and Community Development (Reston)

Culpepper Gardens, Linda Kelleher, Executive Director

Good Shepherd Housing and Family Services, David Levine, CEO

Habitat for Humanity Northern Virginia, Jon Smoot, Executive Director (regional)

New Hope Housing, Pam Michell, Executive Director (regional)

Northern Virginia Affordable Housing Alliance, Michelle Krockner, Executive Director

Rebuilding Together Alexandria, Katharine Dixon, CEO (Alexandria)

Wesley Housing Development Corporation, Shelley Murphy, CEO (regional)

Thank you for the opportunity to provide DBHDS' input in the development of the allocation plan for Virginia's National Housing Trust Fund. Staff here from our Developmental Services, Behavioral Health, and Recovery Services Divisions/Offices met together and discussed this exciting opportunity.

DBHDS requests that DHCD consider:

- Directing the full expenditure of \$3.1 M in NHTF dollars for supportive housing (e.g., integrated, independent housing with appropriate supports and permanent supportive housing) for people with disabilities (Developmental Disability, Serious Mental Illness, and/or Substance Use Disorders).
- Providing a preference for projects that house individuals that are transitioning from the least integrated setting(s) or literal homelessness and in the target populations referenced above.
- Allowing DBHDS designated staff to participate in the application review process for the use of these funds.
- Using 30% of the NHTF dollars for Operating Cost Assistance for projects serving target populations outlined above.

Thank you for your consideration, and please let us know of any future opportunities to inform the development of your plan.

August 5, 2016



Virginia Department of Housing and Community Development
Attn: Lyndsi Austin
Main Street Centre
600 East Main Street, Suite 300
Richmond, VA 23219

**RE: Virginia Housing Alliance's Public Comment on the
Allocation Plan for the National Housing Trust Fund**

Dear Ms. Austin,

On behalf of the Virginia Housing Alliance (VHA), the Virginia Association of Housing and Community Development Officials (VAHCD), and Virginia Poverty Law Center (VPLC), I am pleased to submit the following comments on the use and priorities within the National Housing Trust Fund (NHTF) to the Department of Housing and Community Development (DHCD). The Alliance has been a long-time advocate for the capitalization of the NHTF since it was first established under the Housing and Economic Recovery Act in 2008. We are appreciative of DHCD's willingness to partner with us to help educate and elicit feedback from our membership in this process, most recently at our pre-luncheon forum on the NHTF in June 2016. In preparing our comments, VHA staff consulted with members of our Board of Directors, Leadership Council, and Legislative Committee which includes a diverse group of housing providers, homeless service providers and consumer advocates for low income Virginians. VHA asks that DHCD consider the following in its final 2016 National Housing Trust Fund Allocation Plan:

Combined Application with Other Housing Programs

There is consensus within our membership recognizing the value of combined or unified applications for housing related programs to align application periods and ease administrative burden both on DHCD and applicants. The plan to combine applications for the NHTF, the Affordable and Special Needs Housing, and the Virginia Housing Trust Fund in the fall of 2016 is a step in the right direction. Additionally, VHA encourages DHCD to time application periods to best align with other funding opportunities that applicants are likely to utilize, namely the Low Income House Tax Credit Program (LIHTC) administered by the Virginia Housing Development Authority. When possible, DHCD should strive to complete the awards under NHTF in time that applicants for LIHTC can use the award to enhance their scoring or vice versa if the NHTF application period were to move to the spring.

Rents Affordable to Extremely Low Income Renters

VHA is pleased that the full NHTF allocation Virginia is receiving must be used to support extremely low income (ELI) renters with incomes at or below 30% of area median income since there are relatively few housing production programs serving this income level currently. The accepted national benchmark for determining whether housing is affordable to a family is whether they are spending no more than 30% of their income on their housing costs including utilities. This standard, commonly referred to as the Brooke Rule, is referenced in page six of the draft allocation plan under program goals. We feel this goal is critical to emphasize because the HUD statute allows for fixed rents at the higher of 30% of 30% of

AMI or 30% of Federal Poverty Level in NHTF units. While we recognize the importance of allowing developers to set predictable fixed rents in such deeply low income targeted projects with tight operating budgets, we recognize that this rule risks leaving renters with lower than 30% AMI incomes or those in high cost markets with a housing cost burden. The only reliable way to ensure that these units will be affordable to all tenants is to provide rental subsidies. To this end, DHCD should prioritize projects that have dedicated rental assistance in place to ensure affordability and thus meet DHCD's stated goal, whether through project based vouchers, local assistance or another reliable source.

Operating Assistance

VHA agrees with DHCD's plan to limit use of the NHTF to production and rehabilitation of rental units and not for operating assistance at the relatively modest allocation level in its first program year. As the program continues to develop, VHA encourages DHCD to give strong consideration to using a portion of the fund for operating assistance, especially if the state's allocation begins to grow significantly in the future. With the program's deep income targeting, there is a need for operating assistance as well as low interest construction loans in funded projects.

Per Unit Cost

In its first program year, DHCD projects the NHTF will support 30 units with roughly a \$3 million allocation which would result in a per unit cost of approximately \$100k. VHA recognizes the high costs associated with producing these affordable units but while this amount is below the caps for some other Federal housing programs, it is still substantially higher than the typical subsidy levels in most other affordable housing programs. VHA encourages DHCD to aim to support a greater number of units with this allocation to the extent possible. Greater leveraging with other programs and financing sources would stretch the NHTF farther, allow for better program outcomes, and support program sustainability on the Federal level. Priority should be given to projects with the greatest level of leveraging with other innovative sources whether they be tax credits, local funding matches, or the donation of land.

Special Needs Priority

The draft allocation plan states that special needs projects, those that are specifically targeting at least 20 percent of the total units to households with disabilities, will be given priority. Additionally, the plan states that projects that target units to Department of Justice Settlement (DOJ) population will be given special preference. DHCD anticipates that half of the units supported by the trust fund will be invested in special needs projects. VHA recognizes that there is a significant need in the state for special needs units at this income level and supports some level of preference being given to meet that need. While recognizing the housing needs for the disabilities community, we must also acknowledge the great need among other ELI renters, sometimes referred to as the "working poor." It is the position of VHA that while recognizing the needs of all populations, programs should also be designed and weighted to consider the relative sizes of each population of need. In terms of the current discussion, cost burdened extremely low income renter households are the largest portion of the population in need when compared with households that are headed by a person with a disability which comprises an estimated 31% of the overall ELI population nationally (*Technical Assistance Collaborative, Priced Out in 2014*) and when compared with those that fall under the DOJ settlement in need of affordable private market rental housing. While the state has worked towards transitioning an estimated 2,000 individuals with Developmental Disabilities (IDD) into integrated housing under the DOJ settlement agreement, the

National Low Income Housing Coalition estimates that as of this year there is a shortage of 165,000 units affordable and available to ELI renters in Virginia. It should also be noted that out of the 606 developmentally disabled Virginians that have transitioned into integrated community living from state training centers since 2011, only one individual has leased an apartment while the vast majority have moved into group homes or intermediate care facilities. (*Virginia Department of Behavioral Health and Developmental Services, Training Center Closures June 2016 Stakeholder Update*) In consideration of the relative sizes of these populations in need, we recommend that no more than half of the NHTF allocation go to special needs projects as anticipated by DHCD in the draft allocation plan and additionally, that no more than one third of the allocation go to projects that are dedicated to housing the DOJ population.

Communities of Opportunity

One of our greatest challenges in our affordable housing programs over the next decade is to make progress in deconcentrating the pockets of poverty that characterize so many of our communities. The NHTF is an important new tool in this effort and this priority should be strongly reflected in the program's goals and project selection criteria. Stable and affordable housing plays an important role in economic mobility and improved health and education outcomes among other benefits for low income families and children. While we agree that stable housing that does not burden family budgets is very important, there are other important factors that also drive family success. Housing that is located in communities with well performing schools, access to public transit, jobs, and low crime rates also improve outcomes for low income families. VHA encourages DHCD to include quantitative scoring incentives for projects locating in communities of opportunity defined by the attributes listed above. Additionally, VHA supports DHCD's desire to fund mixed income housing projects.

Energy Efficiency

Energy efficiency shares an integral tie to housing affordability as well as carrying health and other non-energy benefits. VHA has been advocating for energy efficiency in affordable housing through its Multifamily Energy Efficiency Coalition established in 2015. VHA supports giving points to projects that build to green building standards as DHCD included in its allocation plan. Lower energy usage will save tenants money and ease a major burden on tight operating budgets for owners.

Thank you for your consideration of the Virginia Housing Alliance's positions in regards to the first program year of the National Housing Trust Fund.

Sincerely,

A handwritten signature in black ink, appearing to read "Zack Miller". The signature is fluid and cursive, written over a light blue horizontal line.

Zack Miller

Policy Director, Virginia Housing Alliance



237 Miller Avenue
Marion, VA 24354
lisa@marionrha.com
(276)-378-7990

August 4, 2016

Virginia Department of Housing and Community Development
Attention: Lyndsi Austin
Main Street Centre
600 East Main Street, Suite 300
Richmond, VA 23219

**RE: Virginia Association of Housing and Community Development Officials
comments on the Virginia National Housing Trust Fund Allocation**

Dear Ms. Austin:

On behalf of the Virginia Association of Housing and Community Development Officials (VAHCDO), we wish to extend our sincere appreciation and thanks for the collaboration and partnership between our membership and Department of Housing and Community Development (DHCD) in addressing Virginia's housing needs.

The comments provided represent the diverse statewide membership of our Association which is primarily comprised of redevelopment and housing authorities and units of local government that provide redevelopment, housing, and rental assistance. Please consider the following comments from our Association concerning National Housing Trust Fund (NHTF) allocation plan:

Prioritization towards the special needs. Although there is recognition of the need to address "special needs" population housing concerns, there continues to be a tremendous demand for affordable housing for the "working poor". Demand is significantly larger in almost all localities than demand from special needs population groups and recognition and future resources are needed to address these housing issues. This is clearly demonstrated in the April 4, 2016 presentation by Virginia Housing Coalition and Economic Development Researchers entitled "Describing Housing Production and Demand in the Commonwealth of Virginia."

Specifically, we would point to slide #9 entitled "Supply: Housing Availability" (households making less than 80% of AMI compared to number of housing units affordable to households making less than 80% of AMI as well as slide #15 entitled "Demand: More Affordable Housing" (cost burdened households making less than 120% of AMI). VAHCDO formally recommends that in future NHTF allocations, some portion be allocated to address this need.



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NHTF support of 30 units. VAHCDO recognizes the increasing costs of new construction and preservation of existing housing, however the Association is concerned with the perceived high cost per unit which may have negative implications concerning perceptions and sustainability. VAHCDO encourages reducing the cost per unit to expand the number of units supported.

Inability to use NHTF funds for rental assistance. Serving the “special needs” population requires some on-going rental assistance to support their housing stability to maintain rents at 30% or less. Even with no mortgage, some rent is needed for operations. Inability to use some portion of the fund to assist in addressing the rental assistance need places increasing pressure on the Housing Choice Voucher program that is currently underfunded, in high demand, and may not be available in some communities. VAHCDO encourages that, in future allocation plans, some portion of the fund be allocated to rental assistance.

Energy Efficiency. VAHCDO encourages prioritizing those projects that have energy efficiency standards which will reduce the rental costs and increase long term affordability.

VAHCDO again thanks you for the opportunity to submit these comments. Please feel free to contact me if you have any questions.

Sincerely,

Lisa R. Porter
President