

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 (VAHCDO), 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 dark ink, appearing to read "Zack Miller", with a stylized, cursive script.

Zack Miller

Policy Director, Virginia Housing Alliance