

Susan Dewey
Executive Director
Virginia Housing Development Authority
601 S. Belvidere Street
Richmond, Virginia 23220

September 14, 2018

Re: Proposed 2019-2020 Qualified Allocation Plan

Dear Executive Director Dewey:

We are writing to express our strong support for language included in the latest draft of your 2019-2020 Qualified Allocation Plan regarding qualified contracts.

We represent developers, syndicators, lenders and other program participants who are committed to the ongoing success of the Housing Credit program and the long-term preservation of affordable housing. As you well know, our nation faces an affordable housing crisis that strains low-income households and the communities in which they live. There are just not enough affordable housing units. To help address this crisis, we not only need to devote more resources, but we must do a better job of preserving existing affordable housing.

The most effective and least costly means of preserving the existing stock of affordable housing is to prevent the loss of Housing Credit units through the qualified contract process. Across the nation, thousands of units are being lost annually as a result of conversions of Housing Credit properties to market after only 15 years of affordability. In many cases, these units are being lost in areas that have acute affordable housing shortages.

Your draft 2019-2020 QAP directly and forcefully addresses this threat by requiring all new applicants for Housing Credits to waive their rights to utilize the qualified contract prices. Just as importantly, the draft QAP would make ineligible for future allocations any applicant that includes a principal that requests to utilize the qualified contract process beginning next year for existing properties. This proposal recognizes that entities which seek to take advantage of the qualified contract provision, effectively reducing the supply of affordable housing, should not be able to avail themselves of subsidies to create more affordable housing. Having been given clear notice of VHDA policy, their actions to remove apartment units from the affordable housing stock will forfeit their privilege to participate in the Housing Credit program.

We strongly support this proposal and suggest that you may want to broaden the concept to require applicants to disclose principals who have taken action to reduce the supply of affordable housing through the qualified contract process in other states as well after January 1, 2019. Applicants in such cases also should be sanctioned, perhaps to a lesser degree with a reduction in points. We also urge you to clarify that all of these proposals apply to 4% Housing

Credits that accompany bond financed developments, as well as 4% and 9% Housing Credits received through the capped allocation.

We also endorse your proposal to disqualify any applicant that includes a principal that was involved in a foreclosure that was undertaken as part of an arrangement to avoid the extended use agreement. Again, we recommend that this be applied to applicants who have undertaken such arrangements in other states as well.

We want to point out that our concern about the qualified contract issue not only relates to the loss of affordable units, but also to the very future of the Housing Credit program. The 4% bond program is particularly vulnerable since it has twice been proposed to be repealed in legislation approved by the House Ways and Means Committee. Congress expects an efficient and effective administration of the Housing Credit program which was designed to provide federal subsidies in return for 30 years of affordability. Congress did not intend the qualified contract provision to be a means of market conversion after only 15 years of affordability, and widespread use of qualified contracts for that purpose undermines the future of this valuable program.

VHDA's proposals are not only helping to protect affordable housing units in Virginia but also helping to protect the larger integrity of the Housing Credit program. Thank you for your continued work to address housing affordability in Virginia and your efforts to promote preservation of affordable housing.

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