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May 15, 2012

Mr. Ed Yandell
Tennessee Housing Development Agency
404 James Robertson Parkway
Suite 1200
Nashville, TN 37219

Dear Mr. Yandell:

The National Housing & Rehabilitation Association's ("NH&RA") Tennessee Developers Council ("TDC") is pleased to provide the Tennessee Housing Development Agency ("THDA") with the following follow-up comments on the Agency's proposed Areas of Strategic Focus with regards to the 2013 Qualified Allocation Plan ("QAP") for the allocation of low-income housing tax credits ("LIHTCs"). TDC hopes this feedback will assist the Agency in formulating policy proposals that will strengthen and improve the allocation process for both THDA and its developer stakeholders.

Stratification of Scoring System

TDC is pleased that THDA is committed to creating more diversity and clarity in the QAP's scoring system and believe that if successfully implemented will create more accountability and lessen the reliance on tiebreakers. We would like to draw your attention to the following practical issues as you consider language for the QAP.

Visitability

We concur with THDA that unit "visitability"[1] is a beneficial feature that should be encouraged in low-income housing when practically feasible. Unfortunately, incorporating some of the accessibility features into existing properties that are undergoing a rehabilitation can be economically infeasible or in some cases physically impossible. For instance, including interior doors with 32 inches or more of clear passage space or fully accessible bathrooms is relatively easy and usually cost neutral on new construction since the developer is building from the ground up. To retrofit accessibility features in an existing space may require changing unit lay-

[1] A visitability criteria, sometimes called 'Basic Home Access' or 'Inclusive Home Design', can be defined as meaningful policy requiring a few essential features in every new home 1) one zero-step entrance, 2) interior doors, including bathrooms, with 32 inches or more of clear passage space, and 3) at least a half bath (preferably a full bath) on the main floor.

outs, rerouting plumbing, and other costly scope of work issues. Depending on the location of load bearing walls or other features it may simply be impossible. We recommend that THDA study and evaluate the additional costs associated with adopting a visitability standard, for new construction and rehabilitation, prior to making a final recommendation to the Board.

Separate Scoring Criteria for New Construction and Preservation/Acquisition Rehabilitation

TDC generally supports a scoring mechanism for the 9% LIHTC competition that takes into account the differences between new construction and acquisition rehabilitation projects. There are several approaches THDA might take depending on whether there is a Preservation/Rehab set-aside and if so, how it is sized. TDC requests that THDA provide the opportunity to comment on this topic further once the set-asides have been determined.

Bifurcating the QAP to Differentiate 9% and 4% Transactions

We also urge the Agency to consider bifurcating the QAP to more clearly distinguish between provisions that are specific to the allocation of LIHTCs for the 9% program and credits that are allocated in conjunction with the tax-exempt bond program. The 9% program and tax exempt bond program target different types of properties with different needs. TDC believes that some requirements that are appropriate for the 9% program are overly burdensome for the 4% tax exempt bond program because of the difference in project economics. By design, bond transactions generate relatively little tax credit equity and are relatively debt heavy. Combined with restricted rents, unless significant sources of gap financing are made available these transactions, they can only support a relatively scaled back scope of work. This is especially relevant for construction, rehabilitation, environmental, visitability and sustainable/green/efficiency related expenses for bond transactions. Additionally, we urge THDA to add language in the QAP that clearly states that when there are policy differences conflicts between the QAP and Bond Program Description (BPD), that language in the BPD take precedence if tax exempt bonds and LIHTCs are utilized.

Amenities

THDA can create additional stratification within the application pool by expanding the points available and menu of options for project specific amenities. This approach provides benefits to the residents while giving the developer the option to competitively select the amenities that are most feasible for their proposed project. Items to consider might include: enhanced-parking features, dishwashers, in unit laundry/hook-ups, security features (e.g. key-card access, security cameras, on-site security), renewable energy / utility efficiency features (e.g. solar panels, wind-turbines, grey-water systems, etc…), and community resources (e.g. computer room, fitness center, free-wifi, club house, playgrounds, etc).[2]

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[2] The Indiana Housing and Community Development Authority has compiled a very comprehensive set of project amenities that THDA might consider as a reference for the 2013 QAP. See pg. 33-36 of the IHCDA 2012-13 QAP: http://www.in.gov/ihcda/files/2012-2013_QAP_FINAL_Print_Version.pdf

THDA should also consider adopting more meaningful and difficult to achieve radii when scoring for proximity of non-project amenities in the Development Location and Housing Needs section of the QAP. These radii used could also be amenity specific as well rather than adopt a one size fits all approach. Amenities could also be more meaningfully targeted for product type. For example, proximity to a public school should carry more weight for a family project while proximity to a Medicaid/Medicare accepting health facility could carry more weight for an elderly project. As we have stated in previous comments, less ambiguous definitions of what qualifies as an amenity should also be provided. Additionally, we believe that any points claimed in the application should be based on existing, verifiable amenities in the project locale.

Prior Performance of the Development Team

TDC supports enhancing the accountability of developers and property managers participating in the LIHTC program. We support the creation of more robust mechanisms to monitor and enforce program compliance including expanding "prior performance" criteria and increasing the "look-back" period for "sponsor characteristics/prior performance" points from one to five years. We observe that clearly defining any event or activities that would constitute a "bad act" is paramount so as to be fair and avoid any unintended consequences and urge THDA to consider the following observations.

In particular, it is important that the Agency delineate between deliberate or malicious acts of malfeasance and more minor curable offenses that are often out of the developer's control and might fall into the category of "technical defaults". For example, if a 3rd party property manager were to mistakenly rent a unit targeted to families at 50% of AMI to an over income family this could be construed in the "Prior Performance of Development Team / Certification of Property Manager" policy paper as a "Failure to fulfill commitments made in the initial application for points". This issue might easily be cured by the partnership and would not seem to warrant what would amount to a five year ban from the program. Similarly, points might be claimed in the application for local amenities like grocery stores, libraries, police stations, etc…that after the application may not materialize due to the concern moving, going out of business, etc…Likewise, even hard commitments of local funds might not materialize should local political leadership change or budget cuts be implemented.

TDC recommends that developers be able to claim prior performance points if, in THDA's sole discretion, the "bad act" was non-malicious and out of the control of the developer and, if appropriate, cured or are in the process of being cured.

TDC further recommends that THDA require applicants to disclose all states where they have LIHTC experience and release THDA to verify their prior LIHTC performance directly with other housing finance agencies. To create more accountability and protect the integrity and good standing of THDA's LIHTC program, we believe that THDA should have the full discretion to evaluate an applicant's out of state performance. However, recognizing that compliance enforcement varies from state to state, THDA should be judicious in its evaluation of infractions identified in other states and hold the applicant to the "Tennessee" standard and/or to evaluate as to whether the applicant is in overall "good standing" with other state agencies. Finally, recommend that all disqualified developers be presented the opportunity to appeal the circumstances of their eligibility to THDA staff.[3]

Disclosures

Because members of "development team" are not necessarily the same members of the ownership entity / general partnership we believe it is important to clearly define who precisely should be evaluated for prior performance. At a minimum, TDC recommends that THDA require applicants to fully disclose in the application of all members of the general partnership (as currently required in Attachment 22) as well all consulting relationships. We recommend that applicants provide a copy of the consulting arrangement as an attachment to the application and warrantee that the agreement is the complete extent of the engagement. Depending on the nature of the relationship between consultants and the development/ownership team, THDA may feel it is more appropriate to define certain consulting relationships as related parties or part of the development team, especially as it applies prior participation, management certification and/or tax credit allocation limitations.

Certification of Property Manager

TDC supports expanding efforts to monitor the experience of LIHTC property management companies. One option for the agency to consider is requiring or incentivizing an executive manager at the property management company to certify under the National Affordable Housing Professional (NAHP) Certification process, which is managed by the National Affordable Housing Management Association (NAHMA). The NAHP is the only professional certification program with stringent requirements dedicated solely to affordable housing property management.

THDA may also consider implementing an approved property management company list that requires management companies to meet multifamily and/or Section 42 management experience criteria. An experience benchmark to consider might be current or previous experience of principals managing a portfolio of 3-5 LIHTC or other assisted properties or 1,500+ multifamily units. Experience requirements could be increased if the management company has outstanding 8823s or other compliance issues as determined by THDA. THDA might also consider modeling its certification program on the Virginia Housing Development Authorities Certified Management Agent Program.[4] Any certification process, and in particular enforcement actions, should be narrowly construed solely to items reasonably in the control of the property management company. TDC appreciates the opportunity to work closely with THDA as it crafts this policy further.

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[3] For informational purposes, see attachment for how other states address.

[4] See appendix for further details.
http://www.vhda.com/BusinessPartners/MFDevelopers/LIHTCProgram/LowIncome%20Housing%20Tax%20Credit%20Program/Cert-Man-Agent-Program.pdf

Energy Efficiency

TDC supports the Agency's proposal to encourage energy efficient design through the adoption of an energy efficient utility allowance. We believe this approach will incentivize many owners to incorporate more cost-effective utility efficient design features into their projects by allowing them to capture energy savings in the form of increased net rents while keeping the net burden on the resident. TDC also looks forward to working closely with THDA in developing a more robust utility allowance calculator for future allocation rounds.

Income Targeting

TDC recognizes the shortage of affordable housing for person's making 50% or less of AMI in Tennessee and understands the need to develop innovative solutions to house everyone in need. The Agency should account for certain constraints when considering additional scoring criteria for deeper income targeting.

We commend THDA for its proposal to enforce a debt service coverage ratio of 1.10 for properties seeking deep income targeting points; however, we observe that there are implementation challenges. In order to enforce this requirement THDA must be able to accurately predict the proposed project's revenue and expenses. While THDA does underwrite all applicants, it is not clear to us that it would do so using an achievable rent (i.e. the rents that the project can attain taking into account both market conditions and rent in the primary market area and income restrictions). This is a critical metric but based on our understanding is not currently required in THDA's market study guidelines. In many localities, the market place does not support the maximum allowable tax credit rent. Our affiliate the National Council of Affordable Housing Market Analysts (NCAHMA) has authored a white paper on determining market rent which we are attaching to this letter as an appendix.

Additionally, we observe that deep-income targeting may favor certain kinds of projects and financing mechanisms that tend to favor preservation over new construction development. As a general rule, public housing and properties with project-based rental assistance (primarily Section 8) will more easily be able to target residents at 50% AMI. Should THDA implement separate scoring criteria for new construction and preservation, THDA may want to consider having different set-aside's for units for households with incomes no higher than 50% of area median income to score points in this category.

Market Study Process / Policy

TDC strongly supports proposed changes to the market study process that would make the market study a threshold requirement. A market study should be reviewed in its entirety and we strongly oppose assigning points to specific components of the market study, such as occupancy or capture rates. For the document to be effective, the reviewer must take into account all the components of the report and draw their own conclusion. We recommend that market study be considered throughout the allocation process. Applications that are not feasible should be disqualified at the outset. The Agency should also use its full discretion and professional opinion to disqualify properties that meet initial market thresholds at the time of allocation based on market demand if it runs the risk of over allocating in particular markets.

THDA can further improve its market study process by adopting the National Council of Affordable Housing Market Analysts (NCAHMA)'s Model Content Standards for Market Studies for Rental Housing[5] as its market study requirement. Requiring market analysts to comply with these standards, in conjunction with the use NCAHMA's Market Study Terminology[6] and Market Study Index[7] will create a more consistent and reliable product. At last count, these standards have been adopted in part or whole by more than half the housing finance agencies and have also been adopted as the best practice of the Affordable Housing Investors Council, the trade association for tax credit investors. Further accountability can be created by requiring or incentivizing market analysts on THDA's approved list to maintain NCAHMA's member designation, which includes annual continuing education requirements and regular peer review.[8]

Leveraging

In most states, additional sources of funding are necessary to supplement LIHTC equity and permanent financing for affordable housing. We understand that THDA is seeking to create additional scoring criteria to encourage leveraging additional funds to:

1.) help spread THDA LIHTCs further,
2.) demonstrate local support and,
3.) further stratify/differentiate application scores.

We believe that the 1 percent leverage threshold proposed in the March 27 Board Package is a benchmark that would be relatively easy for most applicants to meet. This benchmark would encourage some degree of leverage; however, we do not believe it would, from a practical perspective, truly differentiate applications from a scoring perspective. The threshold is small enough that it may even encourage self-financing the leverage via a donation to a non-profit or agency, which might then be directed to the project.

THDA's desire to require developers to secure "binding commitments" from funding sources may also be challenging from a practical perspective. We have already observed some potential "political" challenges in our comments pertaining to "prior performance". Additionally, it is our experience that many municipalities or sources will not contractually commit their funds to an applicant until the LIHTCs (typically the largest and most critical source of financing) are allocated and secured.

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[5] Available for download at:
http://www.housingonline.com/Documents/Model%20Content%20Standards%20(Dec%202007%20Final).pdf

[6] Available for download at:
http://www.housingonline.com/Documents/Market%20Study%20Terminology%2012022010.pdf

[7] Available for download at:
http://www.housingonline.com/Documents/NCAHMA%20Market%20Study%20Index%2009202010%20(Updated).pdf

[8] Additional details about the NCAHMA Member Designation is available at:
http://www.housingonline.com/NCAHMAMemberDesignation.aspx

The March 27 board package would seem to disqualify many forms of leverage including grants or soft loans from non-governmental entities like non-profits and/or foundations as well as developer or 3rd party bridge-equity or soft financing. It is also unclear to TDC whether other sources of leverage including rental assistance, historic tax credits, new markets tax credits, tax-increment financing, public housing operating or capital funds, government insured or guaranteed loans, subsidized interest rates, seller contribution of the site, utility company incentives, payment in lieu of taxes, donated or subsidized site contributions (installation of sidewalks, streetlights, access roads, etc…) or local tax or fee waivers would be eligible.

TDC continues to support the spirit of this proposal; however, given the challenges described above we urge the agency to consider temporarily tabling this proposal to allow time for further study and discussion of alternative approaches that encourage the more efficient use of the agency's scarce resources.

Expediting the Review Process

TDC recognizes that the cure review process has been a cumbersome and at times controversial process for Agency staff, THDA Board members, and applicants. We appreciate the Agency's inclination to expedite and shorten the process. If the Agency moves towards an Initial Review process, we would urge the Agency to dictate this procedure in a very clear, precise manner. For instance, what would constitute a "major incompletion"? Would a developer that submitted a document that is complete save for a missing signature be penalized? We are confident that the Agency will mitigate future issues by clear and thorough definitions in the new review process.

Supportive Services

TDC supports moving units targeted to larger families from the special needs set-aside to its own scoring criteria. We also believe that there are other vulnerable special needs populations, beyond the homeless, that should be considered under the revised special needs set-aside. Other segments that could benefit from special needs housing are the frail elderly, disabled persons, individuals transitioning out of incarceration or the foster system, victims of domestic abuse, grand-family households, and others.

Preservation/Rehab Set Aside

As mentioned in previous TDC comments to THDA, whenever possible, TDC tries to build consensus on policy issues facing our members. When there is no consensus we try to present to THDA the varying perspectives in a concise and neutral fashion. Because TDC's membership is comprised of affordable housing developers that focus on both acquisition-rehabilitation and new construction, with a diverse array of business functions, the issue of developing a preservation set-aside is particularly controversial. TDC hopes to meet with the Agency on an informal basis within the next month to allow developer members from both sides to present challenges and issues with the proposed rehabilitation set aside and to discuss potential public policy measures to account for these differences in opinion.

Other Topics

Related Parties Rules/Vertically Integrated Firms

Expanding upon earlier comments on July 18, 2011 and September 12, 2011 we recommend THDA revisit fee structures for vertically integrated development companies. The present QAP sets the maximum developer fee at 15% of eligible basis and the maximum Contractor profit at 14% of eligible costs. However, when the developer and contractor are related (many companies create operational efficiencies by vertically integrating design, development, management and/or building functions) the maximum combined fee that can be taken is 25% (4% less than if the functions of development and general contracting were separate).

This policy unfairly penalizes vertically integrated development firms by limiting their fees and profits. We presume this discrepancy in fees was adopted by THDA as a means to protect against inappropriate inurnment; however, we contend that other policies in place already assure this goal. THDA's has already adopted a rigorous cost-certification procedure for related firms that ensure that related developer-contractors are held accountable. Many vertically integrated firms would argue that there are more protections and increased accountability when the contractor is related to the developer/owner because they know they will have to "live" with the project upon completion. It should also be noted that, many financing partners (investors and lenders) actually like the added security and accountability that can be provided with vertically integrated development firms.

Other Disclosures

Increasingly we are observing capitalization opportunities for developers where privately-held companies and/or funds invest in developer/ownership/general partner entities as passive investors. These investors have no operational control and play no role in the day to day operations of the developer entity but provide additional capitalization for future returns. The 2012 QAP currently requires all disclosure of members of the ownership entity and development entity through submissions of the Attachment 22 (Disclosure Form). Part VII of the QAP under Section A(6)(f) waives this requirement for individuals who are officers, directors of shareholders of a corporation that is publicly traded on a nationally recognized stock exchange or similar entity. TDC recommends this Waiver be extended to privately held passive investors in the ownership entities as well.

County Limits & Geographic Diversity

We believe that geographic diversity is an important goal of the program. At present the QAP sets a maximum amount of tax credits that can be allocated to developments in any one county (urban: $3,300,000; rural: $1,650,000). Since most counties have a mix of both urban and rural areas we suggest that it may be more appropriate to cap the maximum tax credits available by county on a sliding scale by population rather than the current methodology as defined in

Exhibit 1[9] of the QAP. Another approach would be to evenly divide allocation across the state's three grand divisions.

Once again, TDC deeply appreciates the opportunity to provide THDA with this feedback. We would be very happy to discuss any specifics you might have regarding these comments or other subjects of concern. Please feel free to contact me directly with any questions at 202-939-1753 or tamdur@housingonline.com.

Best Regards,

Thom Amdur
Executive Director

cc: Donna Duarte
Ted Fellman
Cheryl Jett
Ralph Perrey
Laura Sinclair
Judith Smith

About the Tennessee Developers Council

The Tennessee Developers Council is an independent council of the National Housing & Rehabilitation Association comprised of LIHTC and affordable multifamily developers (both private and non-profit) who work with the Tennessee Housing Development Agency. The Council convenes on a regular basis to share ideas, network, and provide a clear voice on key policy issues being considered by THDA and state legislators.

About National Housing & Rehabilitation Association

NH&RA is a national trade association comprised of professionals involved in the development, ownership, operation and finance of multifamily affordable housing. Formed in 1971, our members include developers, owners, property managers, debt and equity providers, attorneys, accountants, and other professionals involved in tax-advantaged real estate.

[9] Exhibit 1 notes that the Census classifies areas as rural that have a density of fewer than 500 people per square mile or fewer than 1000 people per square mile if not adjacent to an area with greater than 1000 people per square mile. THDA defines a county as rural if 50% or more of the total population is rural. Percent rural was determined by dividing the county's rural population by its total population.

Appendix 1

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CALCULATING MARKET RENT

DEVELOPED FOR
NATIONAL COUNCIL OF AFFORDABLE HOUSING MARKET ANALYSTS

By

Susan Burnett, Goldrush Realty Advisors, Oakland, CA

Introduction:

A market analysis for income properties, that is that includes rental units, requires an estimate of market rent. Depending on the purpose of the study, it could be an average market rent for all units in a defined market area, a weighted average market rent for all units, or for various unit types, ie., studios, one or two bedrooms, etc.

A growing number of users of market studies for income-restricted projects require market analysts to determine whether a planned project's proposed income restricted rents are sufficiently below market rents for a comparable unit. In the consideration of an income restricted project, many investors, lenders, and state allocating agencies think that the units should have below-market rents to compensate for their limited pool of potential tenants. The below market rents are expected to assure that the units can compete effectively for tenants with market rate units. Typically, lenders and investors indicate that a proposed project should have rents that are at least 10% below the rents the project could attain on the free market. These users require that market rent be applied to specific unit types in a specific project. Thus, there is a need for a standardized definition.

Definition:

According to NCAHMA's definition, market rent is the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the open market considering its location, features, and amenities. Market rent should be adjusted for Concessions and owner paid utilities included in the rent.

Our organization's definition suggests that, at a minimum, all estimates of market rents should take into account the impact of concessions and differences in tenant utility costs. It often is necessary to adjust for other factors that have a direct impact on the rents charged within a market area.

Issues to Consider in Determining Market Rents

- Establishing Comparables: Comparable properties are those properties that compete in the same market and with the subject property. Typically they would be similar in location, age, design and amenities.

- Deriving adjustments: Whenever possible direct information from the market should be used. For example, there may be data available from apartment manager/leasing agents as to how they differentiate rents between units as to first or second story, street or interior view, amenities (w/d, fireplace, garage/carport vs. open parking, etc.) size differences, etc. Using charts that illustrate how the adjustments were quantified and applied are both helpful and frequently required. Most end users need the information to help them understand how the final market rent estimate was derived.

- Establishing Adjustments: Adjustments can be expressed as positive or negative and expressed mathematically to adjust the comparables to the subject to derive market rent. That is, either in percentages or $ per unit or $ per square foot.

Factors that Influence Market Rent Analysis

- Concessions: This term refers to discounts from asking rent for a particular unit, unit type or all units in a project. They can be specific to one project or prevalent in a given market. Market rent is modified by discounts. These can take the form of a free rent, free rent spread out over the term of a lease, a reduced deposit or gifts of appliances, club memberships, etc. Thus, market rent is asking or door rent, less concessions. When these adjustments are made, the rent is referred to as effective rent.

- Other Quantifiable Adjustments: Market rent for a particular unit/complex must consider any adjustments common in the subject market. Examples of adjustments are discussed below:

- Utilities: The determination of market rent must consider the utility structure. What utilities are available and which, if any, are included in the monthly rent.

- Amenities**:**
  Project Location: Rent for a unit will reflect location with a perceived better residential location commanding higher rent for a similar unit in a perceived lesser location.

  Project Design : This item could range from simple curb appeal, that is how appealing a project is from the street to ease of parking, floor plans and access to common areas for each unit.

Project Amenities: This item refers to common area amenities such as open space and recreational and parking facilities. These items are market specific as some amenities considered essential in some markets are of little value in others.

Unit Features: This item refers to in-unit conveniences such as appliances, type and quality, in-unit laundry, fireplaces, private outdoor spaces, decks and patios. As with project amenities, these items are frequently market specific.

Tenant Services: This item can include on site management during business hours or 24 hour seven day service, business centers, day care and after school services, concierge services such as laundry and dry cleaning pickup and delivery, etc. Even if there are separate charges for services, their availability leads to higher rents than those projects without the availability.

Potential Red Flags

In any analysis of the market or attainable rent for a particular project the adjusted rent must be considered relative to other competitive projects and in consideration of the history of the subject market and the analyst's experience.

- There is no precedent for the market rent estimated. This can be true if the rents are higher or lower than the prevailing market rents.
- None of the properties identified as competitive are in fact comparable to the subject in important ways, in particular; location, quality and quantity of unit and/or project amenities.
- When there are no directly competitive properties in a market area, for example, the subject is new construction in a market either without previous construction of rental units or no units have been built for some years. The analyst needs to address why this situation exists and if demand still exists how the comparability of the rents used in the analysis was determined.

In some cases, a 10% market rent advantage, may not be necessary. Examples may include (1) a rehabilitation project that, in comparison to competing projects, will be similar in age, design, amenities, and tenant profile; (2) a new project with better amenities than any other in the primary market area, and (3) a market when there is limited supply and the restricted rates, although close to market, are affordable to the target tenant

Appendix 2

VHDA Certified Management Agent Program

Background

In September 2004, VHDA introduced a process for evaluating the performance of owners and management agents. This was discussed during the Tax Credit forums and became part of the 2005 QAP. The goal of this process was, and continues to be, to identify those owners and management agents who perform in an unsatisfactory manner. This process focuses on the operation of specific properties as they are inspected during the typical Asset Management inspection protocol. Once the operation, or management, of a property is determined to be unsatisfactory, the owner/agent will be given an opportunity to appeal the decision or correct the deficiencies within a specified time frame, at which time the unsatisfactory rating may be removed. An unsatisfactory rating could result in a loss of twenty-five points on the next tax credit application and could prevent future participation in VHDA programs.

As a result of this process, VHDA began to focus on those management agents and owners who have not operated properties in the VHDA portfolio in an acceptable manner. In some instances, this encouraged some owners and management agents to respond to and correct specific issues identified by VHDA. In another case, issues were not able to be resolved and the unsatisfactory rating remained in place.

Present

While the current process, which is primarily tax credit driven, has allowed VHDA to focus on those owners and management agents who perform in a less than acceptable manner, we feel that it is necessary to focus on the entire portfolio of VHDA properties and those owners and management agents responsible for the properties. During the past few years, it has become increasingly clear that the ***quality*** of the VHDA portfolio plays a crucial role in framing our stakeholders' views of VHDA and affordable housing. A property that is operated in a poor manner can have considerable impact on our ability to act as the leading mobilizing force for affordable housing in Virginia, and is contrary to our mission of helping low and moderate income Virginians attain ***quality*** affordable housing.

In our continuing effort to meet our mission, we will increase our focus on the ***quality*** of properties in the VHDA portfolio. Following the construction or renovation of a multifamily rental community, the most important factor of a property's success is quality management. Our goal is to see that the most capable and competent professional management agents in the industry manage properties in the VHDA portfolio, including tax credit only properties.

Looking Forward

To work towards our goal, we are introducing the VHDA Certified Management Agent Program. The process for becoming a VHDA Certified Management Agent will be initiated by an interested management company. This will include the completion of an application that will address a number of items relative to the management agent, its principals, the company's operations, the qualifications of its management staff, and agent's performance in managing multifamily properties. VHDA staff will review this application and make recommendations for approval, or disapproval, to the Director of Multifamily Development Programs and the Managing Director of Development.

Once a management agent is approved as a VHDA Certified Management Agent, this designation will be valid for a three-year period. In order to be considered for another three-year certification, an updated certification application will need to be submitted for VHDA approval. This will allow the agent to submit any new information that may be relevant and give VHDA the opportunity to review any changes, as well as evaluate the agent's performance over the past three years. During this three-year period, should any issues arise that could adversely impact the agent's ability to be re-certified, VHDA will document these issues and notify the agent that failure to address these issues in a manner acceptable to VHDA could jeopardize their ability to be re-certified or result in an unsatisfactory rating

Should a management agent not be approved, the agent will have an opportunity to appeal the decision, addressing those items resulting in disapproval. At VHDA's discretion, a conditional certification may be granted to allow the management agent the opportunity to resolve the issues. This conditional certification may be granted for one-year intervals.

While the VHDA Certified Management Agent certification is not *currently* mandatory, there may be incentives in the future for those owners who choose to use a VHDA Certified Management Agent. These may include the ability to participate in certain VHDA programs. (It should be noted that if an owner attempts to circumvent the process by retaining a certified management agent to obtain access to these programs only to release the agent shortly thereafter, the owner may be jeopardizing his/her ability to have access to these programs in the future.)

There is a limit to the resources available to develop affordable housing, whether it is the availability of low income housing tax credits or certain financing programs such as REACH, SPARC, or Tax Exempt Bonds. VHDA's strategy is to see that these resources are used wisely so that the properties in our portfolio will result in a quality product that is managed by sound, proactive, professional management agents. This will further VHDA's ability to meet our vision and mission of being the leading mobilizing force for affordable housing in Virginia and helping low and moderate income Virginians attain quality affordable housing.