

FUNDING SOURCES WITH POTENTIAL APPLICABILITY TO AFFORDABLE HOUSING AT HUNTING TOWERS

REHABILITATION

There are a variety of funding sources that can be used for the rehabilitation (with or without acquisition) of affordable rental housing. The extent to which they can be used for the units that IDI has proposed to sell to a City-designated non-profit entity will depend on a number of factors, including whether or not the non-profit entity can take ownership of the units prior to the rehabilitation, and act as developer for the rehabilitation of those units.

Funding Provided by or through the City of Alexandria

Dedicated Real Property Tax Revenue and General Obligation Bonds. Since FY 2006, the City has dedicated one cent on the real property tax rate to support the development and preservation of affordable housing. This revenue stream yields more than \$3 million in dedicated funds each year, with the bulk of the anticipated revenue used to service general obligation bond debt. General obligation bonds are [municipal bonds secured](#) by the taxing and borrowing power of the municipality issuing them. In November 2005, City Council authorized an allocation of up to \$22.1 million in bonds. The initial authorization is fully subscribed, with more than 200 units acquired using GO bonds, sometimes in conjunction with other funding sources. Based on funding approved to date, staff estimates that another \$6.9 million in projects can be funded without exceeding the debt service capacity of the dedicated one cent in real property tax revenues.

Housing Opportunities Fund (HOF). The Housing Opportunities Fund was created in 2002 to support the development and preservation (including predevelopment costs) of affordable rental and sales housing in the City of Alexandria. The HOF is funded at \$1 million per year from the General Fund, Housing Trust Fund (described below) and federal HOME program (described below). Funding availability in FY 2008 is extremely limited.

Community Development Block Grant (CDBG). Federal grants under this program are provided annually on a formula basis to entitlement communities (cities with a population of 50,000 or more and urban counties with a population of at least 200,000). Alexandria receives approximately \$1.2 million per year in CDBG funding. Funds can be used as determined by the local jurisdiction for a variety of eligible community development activities. Alexandria uses its CDBG allocation almost exclusively for affordable housing activities. All available monies are committed to other activities for FY 2008.

HOME Investment Partnerships Program (HOME). HOME is the largest [Federal block grant](#) to States and local governments designed exclusively to create [affordable housing](#)

for low-income families. Alexandria receives approximately \$800,000 per year in HOME funding. All available monies are committed to other activities for FY 2008.

Housing Trust Fund (HTF). Developer contributions are placed in the City's Housing Trust Fund to support a variety of affordable housing activities. All available monies, as well as some anticipated developer contributions, are committed to other activities (including the Housing Opportunities Fund) for FY 2008.

Other Programs and Funding Sources

Taxable and Tax Exempt Bonds. Bonds may be issued by VHDA or ARHA, with some exempt from federal taxation, although taxable bonds must be used if combined with tax credits or some other federally subsidized housing programs. Typically, there are two types of bonds that can be used to facilitate affordable housing: affordable multifamily rental bonds (a type of private-activity bond) and 501(c) (3) bonds for nonprofit developers. A portion of the units must be reserved for households with incomes up to 50% or 60% of median.

Low Income Housing Tax Credit (LIHTC). The LIHTC program was created under the [Tax Reform Act of 1986](#) (TRA86) to attract private investment in affordable housing production by offering a dollar for dollar reduction or credit which can be applied to an investor's tax liability (typical investors are banks, insurance companies or other corporate institutions). The program is administered by state housing finance agencies (in Virginia, VHDA). States receive yearly allocations based on their populations (\$1.75 per capita). In Virginia, affordable housing developers submit project applications that are competitively scored based on a variety of criteria, with the highest ranking projects receiving credit awards, with these credits then sold to investors who provide equity. In 2006, VHDA established a non competitive pool (with up to 15% of the next year's credit allocation available) for Northern Virginia "preservation" projects. For 2008, VHDA staff has proposed making 5% (one-third of the 15% pool) available statewide, leaving only 10% reserved specifically for Northern Virginia.

Federal Home Loan Bank Affordable Housing Program. AHP awards provide direct subsidies or subsidized loans for homeownership or rental initiatives. Funds are directed to the Bank's member institutions, which work in partnership with affordable housing providers. AHP funds may be used for homeownership and rental housing, as well as special-needs housing such as single-room-occupancy (SRO) units for the homeless, transitional housing, supportive housing, and for units specially equipped for the disabled and elderly.

Multifamily SPARC (VHDA). An uninsured loan product designed to facilitate the construction or acquisition and/or rehabilitation of multifamily rental housing. This program provides [low-interest rate](#) financing to rental projects that address Virginia's most critical housing needs and meet the program's specific eligibility requirements. Multifamily SPARC targets affordable rental housing for the homeless, people with disabilities, and for preservation and revitalization projects. The SPARC Rental program

is funded by REACH Virginia subsidy funds. This funding provides low, fixed-rate, long-term permanent financing for rental housing. The terms are flexible and the pricing is fixed at a rate lower than the market rate, but higher than some direct government financing products.

REACH Virginia (VHDA). REACH provides nontraditional assistance to meet critical housing needs in Virginia, and is funded through an established percentage of annual excess net revenue. The FY06 commitment of approximately \$16 million in VHDA resources under the REACH Virginia initiative provided the opportunity to generate over \$165 million in subsidized financing for an array of housing opportunities throughout Virginia. This funding is expected to serve an estimated 5,000 households and supports housing for persons with disabilities, transitional housing for homeless families, and for homeownership opportunities for families in revitalized neighborhoods and in mixed-use/mixed-income communities.

Multi-family Housing Revenue Bonds. Bonds issued to finance construction of multi-family housing projects where a specified proportion of the units will be rented to moderate- and low-income families, in some cases specifically targeted toward elderly residents. These securities may provide financing either directly or through a [loans-to-lenders program](#), and may be secured, in whole or in part, by federal agency guarantees or subsidies.

Virginia Department of Housing and Community Development (VDHCD). Federal and State funds may be allocated for Affordable Housing Projects, as loans and grants, including predevelopment funds. These are frequently combined with VHDA loan products on hard to develop projects.

Washington Area Housing Partnership Trust Fund. The Trust Fund strives to increase and preserve the Washington region's supply of affordable homes by providing loans, grants and equity investments to locally supported affordable housing developments; increase the visibility of affordable housing by engaging new corporate champions; use its Board of Directors to help educate the region about affordable housing needs and opportunities; and encourage balanced growth by placing priority on increasing and preserving the supply of affordable housing near job and transportation centers. WAHP provides predevelopment, as well as conventional project loans, and sometimes partners with other mission-driven lenders on larger loans.

Unitarian Universalist Affordable Housing Corporation (UUAHC). The Unitarian Universalist Affordable Housing Corporation (UUAHC) is a community development loan fund that brings together socially responsible investments to finance affordable housing in the Washington DC/Baltimore region. UUAHC provides gap financing, and predevelopment funds. While the typical loan size is under \$600K, UUAHC can partner with other entities for larger commitments.

Enterprise Green Communities Funds. A grant and loan funding source to promote green design and building techniques and incorporation of green materials into affordable housing projects.

HOME PURCHASE

City Downpayment and Closing Cost Assistance

The City currently offers several programs that provide assistance with downpayment and closing costs. Income levels and assistance limits vary depending on funding source. The maximum loan under the two primary programs is \$30,000 - \$50,000¹. However, given that IDI has committed to make Hunting Towers units available to current Hunting Towers and Terrace residents at prices equal to the cost of renting, it is not anticipated that this level of assistance will be needed for the Hunting Towers units. Based on information provided to Housing staff, IDI does not envision the need for City downpayment assistance; however, staff considers it likely that many resident purchasers will need assistance with closing costs. Staff will work with IDI to determine an appropriate level of City assistance.

Virginia Housing Development Authority (VHDA) Financing Programs

VHDA First-Time Homebuyer Loans. VHDA offers a variety of loan products for first-time homebuyers, including fixed-rate, step rate, and interest only loan products, at interest rates that are usually lower than those offered by other mortgage lenders for similar loan products. Current maximum income limits for VHDA's first-time homebuyer programs are \$86,900 for a one- to two-person household and \$100,000 for a household of three or more persons. Eligible purchasers must not have owned a home within the past three years.

VHDA Flexible Alternative (FlexAlt) Loans. These VHDA loans can assist first-time homebuyers who exceed the income and sales price criteria for VHDA's first-time homebuyer programs, as well as buyers who do not meet the first-time homebuyer criteria. Income limits for FlexAlt loans are \$108,300 for one-person households and 135,400 for two or more persons.

Sponsoring Partnerships and Revitalizing Communities Program (SPARC). Provides reduced interest rate financing to low and moderate-income first-time homebuyers. SPARC funds are provided annually by the Virginia Housing Development Authority (VHDA). For the past several years, the City has applied for and received annual allocations of SPARC funds for households who qualify for the City's HAP or MIHP

¹ Under a third program, the Employee Homeownership Incentive Program (EHIP), employees of the City of Alexandria, the Alexandria City Public Schools, Constitutional offices and local offices of state government for which employee salaries are supplemented by the City are eligible for a \$5,000 home purchase loan that may be combined with any other homeownership assistance for which the employee may be eligible. This program is available to employees regardless of income, but sales price is limited to one and one-third times the City's average assessed value of residential property.

Programs. Additional SPARC funds may be available on a project-specific basis through a special allocation requested by a jurisdiction or development entity (such as IDI).

The FlexSPARC Program (Flexible Alternative Sponsoring Partnerships and Revitalizing Communities). FlexSPARC provides reduced interest rate financing to moderate income first-time homebuyers whose incomes exceed those of the Moderate Income Homeownership Program (MIHP) but meet income limits for the Virginia Housing Development Authority's (VHDA) Flexible Alternative loan programs. Current income limits are \$108,300 for a one-person household and \$135,400 for a household with two or more persons.

Eligible households may receive a reduced interest rate of 1% below the VHDA's Flexible Alternative Program loans as well as other benefits such as no mortgage insurance, no minimum down payment requirement, and no maximum purchase price. FlexSPARC funds are being provided by VHDA through a pilot program for a limited-time and are allocated to program participants on a first-come, first-served basis.

VHDA Home Stride Program. Home Stride provides deferred interest, deferred payment second-trust loans of up to \$25,000 to low and moderate-income home buyers. There are no payments and no interest for the first three years. The loan is then fully amortized at a fixed rate of 5% over the next 27 years.

Participants must use VHDA first-trust mortgage financing in order to use the Home Stride Program. The City's allocation is normally used for buyers participating in the City's downpayment assistance programs. Due to the number of units in Hunting Towers, a separate application for this project would be appropriate.