Coalition for Smarter Growth
DC • MD • VA

April 13, 2017

Dr. Danilo Pelletiere
Housing Development Advisor, Office of the Director
Department of Housing and Community Development
1800 Martin Luther King Jr. Avenue SE
Washington DC 20020 via: QAP.input@dc.gov

RE: Comments on the 2017 DHCD Low Income Housing Tax Credit Qualified Allocation Plan (DRAFT)

Dear Dr. Pelletiere:

Please accept these comments on behalf of the Coalition for Smarter Growth. We are a regional organization based in the District of Columbia focused on ensuring transportation and development decisions are made with genuine community involvement and accommodate growth while revitalizing communities, providing more housing and travel choices, and conserving our natural and historic areas.

First, we wish to express our enthusiastic support for awarding points for an extended restriction period. Per this section of the draft QAP:

> Extended Use Restriction (Maximum 5 Points)
> Applications documenting that the owner will maintain the low-income units in compliance for a designated period beyond the standard 30-year extended use period will be awarded prioritization scoring points. Maximum points will be awarded to projects that *commit to affordability in perpetuity*.[emphasis added]

We recommend that "in perpetuity" be given additional points above the maximum 5 points. We support favoring in perpetuity extended use restrictions for several reasons, explained below.

We have conducted research, including organizing a day-long experts' roundtable, on permanent affordability restrictions for DC affordable housing investments, and recently released our publication resulting from these efforts. The findings from our investigation show that in perpetuity leverages the District's investments in affordable housing by avoiding future losses from expiring use restrictions. Our findings show that this approach is feasible for the District, as demonstrated by the City of Boston's successful longstanding practice on using in perpetuity restrictions. Both DC and Boston are high cost housing market cities, which allow for market acceptance of this higher level use restriction.

Attracting investors is unlikely to be hindered by permanent affordability restrictions. Long-term restrictions of 40, 50, or longer are treated the same in the financing market, so the public can realize the added benefit of in perpetuity restrictions without being penalized by investors. Further, addressing recapitalization needs are separate from the use restriction terms and should not be conflated. The District will continue to be committed to supporting affordable housing projects with recapitalization resources as they are needed, regardless of the use term. In perpetuity restrictions avoid the District confronting the twin challenges of recapitalization needs, and an expiring use restriction on an affordable housing project that puts the homes at risk to converting to higher-priced market rates. Within an in perpetuity restriction, the District can devote all of its resources to recapitalization to preserve those affordable homes instead of attempt to compete with higher market values for the site.

Second, we would like to object to any awarding points, let alone a large number of points up to 8, for projects awarded by DMPED. DMPED public land dispositions are subject to requirements that the project use all of the value of the land before seeking outside subsidy. We do not believe that a public land disposition should be awarded additional points for additional subsidy since it already has received substantial subsidy. Giving substantial preference to DMPED dispositions risks undermining the requirement that the land value be maximized to subsidize the affordability of the affordable units. Only after the land value has been maximized to fully fund affordability requirements, is a public land disposition project ripe for consideration for additional subsidy. At this point, the merits of the project should be the basis for competing for additional funding, not the fact that it originated as a public land disposition.

For reference, we have included the language we object to in the QAP below:

> Preference for Projects with District Land (Maximum 8 Points)
> Projects will receive a five point preference if: (1) they are part of the redevelopment of a site formerly owned by the District of Columbia; and (2) the site was awarded to the applicant through a competitive disposition process. This includes dispositions managed by DHCD's Property Acquisition and Disposition Division (PADD), the Deputy Mayor for Planning and Economic Development (DMPED), and the DCHA, among others.

Thank you for your consideration.

Sincerely,

Cheryl Cort
Policy Director