Public Comment Draft
September 17, 2026

Virginia Private Activity Bond Allocation Guidelines

Local Housing Authority (LHA) Allocation

Section-by-Section Description of Proposed Revisions

I DEFINITIONS

1.1. Definitions

New and revised definitions have been added to enable clearer linkage between the Low-Income Housing Tax Credit process and the application for LHA and Governor's Discretionary Pool Applications (discussed below).

- New definitions include "42(m) Letter", "Reservation Letter" and "25% Test," which tie directly to Virginia Housing's application and approval process for 4 Percent LIHTCs.
- In addition, the definition of "Eligibility" has been revised to make clear that, generally, DHCD expects applicants to use 4 Percent LIHTCs in conjunction with tax exempt financing, with applicants seeking another financing arrangement required to meet with DHCD before submitting an application.

II PROGRAM OVERVIEW

2.1. Introduction

No Significant Changes.

2.2. Availability of Bonds

DHCD is seeking to align its process for LHA Pool and Governor's Discretionary Pool allocations to facilitate faster, more streamlined processing, mindful that the application to DHCD is often sequenced behind other important steps in arranging project financing supported by 4 Percent LIHTCs and locally issued tax-exempt bonds. As such, DHCD intends to provide a relatively longer "Round 1" application time period in the first quarter of the calendar year, with potential to extend into the second quarter, deliberately seeking to align with Virginia Housing's timing and process for determining project eligibility for 4 Percent LIHTCs and the resulting 42(m) Letter. Further discussion of these timeline and application changes is set forth below, under 3.2., Threshold Requirements.

2.3. Additional Allocation Conditions (*formerly, "*Allocation Size Limits")

The size limitations have been eliminated for Round 1 applications in favor of scoring criteria for infrequent issuers and efficiency of resources used.

In addition, applicants are now permitted to amend a pending application to provide updated documentation needed to secure an allocation (discussed below). The intention is to permit applicants to submit "near-qualifying" applications that can be scored and made ready during the pendency of a 4 Percent LIHTC application with Virginia Housing.

2.4. Carryforward Allocation.

No Significant Changes.

<u>III ELIGIBILITY</u>

3.1. Eligible Use of Funds

This section has been revised to make clear DHCD's expectation that, generally, project applications will be using 4 Percent LIHTCs as part of the financing and that, for applications attaining financing and affordability requirements through other means, a pre-application meeting with DHCD is required.

3.2. Threshold Requirements (Minimum Criteria)

While generally maintaining the six core prerequisites for submitting an application, this Section 3.2. provides clearer information regarding expectations for qualifying documentation. It should be read together with a new Appendix A describing documentation and organizational requirements for applications.

In addition, the Threshold Requirements have been amended to eliminate the requirement to certify alignment with the Consolidated Plan submitted to HUD by localities or the Commonwealth, depending on the locality.

DHCD also is revising the process for submission of applications in a manner designed to better align timing and process with the contemporaneous process for qualifying for 4 Percent LIHTCs through Virginia Housing.

- The revision to Section 3.2.5. now permits an applicant to submit an application containing all materials demonstrating Threshold Requirements, provided that the applicant will be permitted to exclude from the initial application the "42(m) Letter" required to demonstrate eligibility for 4 Percent LIHTCs, so long as the applicant affirms it has submitted an application to Virginia Housing which has been acknowledged.
- The revision then permits an applicant to provide up to two additional submissions under Section 3.3.5.:
    - A "Reservation Letter" from Virginia Housing evidencing completion of the eligibility review of the project; and
    - The final "42(m) Letter" providing Virginia Housing formal approval for the 4 Percent LIHTCs.

DHCD's objective is to permit applicants to have both a 4 Percent Virginia Housing application and an LHA Pool or Governor's Discretionary Pool application proceeding on a simultaneous, rather than sequential, path – thus allowing a faster overall timeline for obtaining tax-exempt project financing allocation.

It should be noted that DHCD's *receipt of an application and receipt of a Reservation Letter supplement <u>does not</u> assure that an LHA or Governor's Discretionary Pool allocation ultimately will be made.*

3.3. NEW: Conditional Eligibility Letter

This new section provides an interim process step for applications that meet all Threshold Requirements (Minimum Criteria) other than having the final 42(m) Letter. It provides DHCD with the discretion to issue a “Conditional Eligibility Letter” advising applicants that its application is complete and qualifying but for the final 42(m) Letter. While it does not in any way assure that DHCD will finally allocate bond issuance authority, it does provide applicants with information that submission of the final 42(m) Letter would be the only step needed to have a complete and qualifying application.

DHCD intends this interim process step to allow it to complete its review of the application and more promptly issue Allocation Award Certificates following receipt of the final 42(m) Letter.

It should be noted that DHCD’s decision to issue a Conditional Eligibility letter *does not* *assure that an LHA or Governor’s Discretionary Pool allocation ultimately will be made.*

3.4. Effective Period of Allocation

No Significant Changes

3.5. State Guidelines to Change as Federal Law Determines Eligibility

No Significant Changes

IV ADDITIONAL CRITERIA

4.1. Reporting Requirements for Allocations

No Significant Changes

V APPLICATION REVIEW AND EVALUATION

5.1. Dates and Submission Timeline

Changes made to reflect new approach to Round 1 application cycle and follow-on timeline for applications and decisions

5.2. Scoring Criteria

DHCD is proposing significant changes to Scoring Criteria to streamline the application process and documentation requirements, to provide clearer instructions for qualifying documentation and to encourage a broader distribution of participating local housing issuers and project sponsors. Key changes include the following:

- Clear Description of Project Need
  - Eliminating the “Job Creation” and “Renter Cost Burden” criteria and scoring, based on concerns regarding rigor and timeliness of data
  - Adding a new narrative submission regarding project need, with focus on whether the project meets a Locality’s previously identified housing need
  - Adding a new scoring category providing positive points for an application from a Local Housing Authority that has not received an allocation of LHA Pool or Governor’s

Discretionary Pool authority within recent years for a project in its geographic jurisdiction

- Demonstration of Readiness
  - Tightening certain documentation requirements
  - Adding credit for developers with demonstrated experience completing LIHTC projects both within and outside of the Commonwealth of Virginia
- Efficiency for Project Allocation Request
  - Adding an optional narrative explaining the cost-per-unit of the project and any context or conditions
  - Tightening the documentation requirements for leveraging of other Federal, state or local financial resources and adding an optional narrative
  - Significantly revising the "Bond Request Size" category:
    - Creating higher "Aggregate Basis" limits (up to 45 percent), with higher scores for lower Aggregate Basis
    - Requiring applicants to provide a detailed "Sources and Uses" table for both construction and permanent financing phases
    - Providing favorable scores for projects to the extent tax-exempt bond proceeds are used beyond the construction period for permanent financing over the life of the affordability restrictions
    - Requiring an explanation of projects using tax-exempt bonds above the 25% minimum "aggregate basis" for construction-only financing.

5.3. Other Scoring Criteria

Deleted

5.4. DHCD Discretion Regarding Allocation Decisions and Recommendations (formerly, Tiebreaker Criteria)

Confirming DHCD's discretion to determine whether to grant or recommend allocation of PAB Authority.

5.5. Scoring Rubric

See discussion above, under 5.2.

5.6. Project Approval

No Significant Changes

VI EFFECTIVE PERIOD OF GUIDELINES

Date changes to reflect 2027 effective date.

VII APPENDIX

Deletion of former Appendices A and B. Addition of new Appendix A: Documentation Requirements