



January 17, 2019

Ms. Tori Haynes, Planner
James City County
101-A Mounts Bay Road
Williamsburg, VA 23185

**RE: Powhatan Terrace
1676-1678 Jamestown Road
James City County, VA
JCC Case Number Z-19-0001**

Dear Ms. Haynes:

As requested, this letter shall further explain the reasons behind the request by Housing Partnerships, Inc. to modify the original Proffer #19 in the requested rezoning case. This modification would change three of the dwelling units from affordable “for sale” units to affordable rental units.

Housing Partnerships is developing the Powhatan Terrace project with the use of Low-Income Housing Tax Credits (LIHTC), a program administered in the Commonwealth by the Virginia Housing Development Authority (VHDA). LIHTC is an affordable housing program focused on rental housing supply and it is the primary financial vehicle through which new affordable housing is built in the United States. Housing Partnerships is excited that, if the project qualifies for the LIHTC program, Powhatan Terrace will be developed with rents targeted to households in the range of 40%, 50% and 60% of Area Median Income. While a relatively small project, Powhatan Terrace can address some of the affordable and workforce housing needs in James City County, and be developed and owned with the participation of a non-profit corporation that has been working in JCC since the mid-1980's.

Housing Partnerships has engaged Virginia Community Development Corporation (VCDC) to assist and advise with the LIHTC application and implementation process. VCDC, a 501(c)(3) non-profit corporation, is Virginia's oldest and largest manager of tax credit equity funds. VCDC's mission is to “serve as a leader in the development of innovative affordable housing and revitalization of Virginia's communities by acting as a catalyst for creative and profitable private sector investments and by empowering non-profit and other providers throughout the Commonwealth.”

With VCDC's able consultation and assistance, Housing Partnerships is designing a strong project for the competitive LIHTC application process, which has a deadline this year of March 14, 2019. However, the three “for sale” units will likely result in detrimental scoring for the application, and the potential for disqualification of the project. The reasons for this are numerous, but include the following:

- The 3 for-sale units will not qualify for the LIHTC program, and effectively must be separated from the remainder of the project.

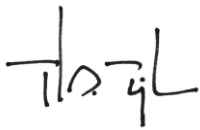
- The 3 for-sale unit parcels must be subdivided from the property, so they are not part of the parcel submitted with the LIHTC application. Since this subdivision will not take place until the property is closed and project financing is finalized (after successful LIHTC award), this would likely result in preventing an award of all points available in the application scoring process for “full plan of development” points sought in the application itself.
- The 3 for-sale units will need to be developed by a separate legal entity, and all costs for those units segregated from the costs for the remainder of the project.
- All development costs for the 3 for-sale units would have to be financed by a separate financial institution, with the risk borne by Housing Partnerships.
- If developed as proffered, the 3 for-sale units may not qualify for conventional mortgage programs (VA, FHA, etc.) by first-time or moderate-income buyers. These mortgage programs usually discourage or disqualify home ownership within projects containing high numbers of rental units. In Powhatan Terrace, the ratio would be 92% rental (33 units) and 8% ownership (3 units). While these 3 units may qualify for financing by a community bank, the underwriting of moderate-income buyers would likely be unattractive for conventional bank financing.

Our experienced advisors at VCDC, after consultation with VHDA, have advised us that the 3 for-sale units will put a high risk on the successful outcome for Powhatan Terrace in the very competitive LIHTC process. Further, Housing Partnerships, as a 34-year-old non-profit in the community, would be very reluctant to take on the added risk of the financial burden for the for-sale units.

The easiest and most efficient solution is to revise proffer to allow all 36 units to be rental which will provide quality, affordable housing to low-income households at or below the 60% AMI level as designed by the LIHTC program.

Thank you for your assistance with this request and with this project.

Sincerely,



Thomas G. Tingle, AIA, President
GuernseyTingle

CC: Brandie Weiler, Executive Director, Housing Partnerships, Inc.
Curtis Baker, Board Chairman, Housing Partnerships, Inc.
Sterling Nichols, JTR Properties, LLC
Chris Sterling, VP & COO, Virginia Community Development Corporation