

DHCA Responses to Comments on 2009 Proposed Action Plan

DHCA released the draft Action Plan for public comment on March 6, 2009 and met the same day with the Advisory Board to get their input. A number of comments were received from members of the Advisory Group and the public, including objections to some of the proposed changes. Based on those comments, DHCA decided to revisit some of our suggestions prior to the March 23, 2009 public hearing, and posted a revised "2nd draft" Action Plan on our website on April 1, 2009. Additional public comments were received through April 22, 2009 pursuant to the Citizen Participation Plan.

The following is a summary of the comments made and DHCA's response.

Comments were received both in favor and opposed to the proposal to require communities with in-active revolving loan funds to contribute at least twenty percent of the RLF balance on hand when applying for CDBG funds. One concern raised was that rural communities have less loan activity, and would get put on 'in-active' status by the Department.

Response: It's important that RLFs remain active in their community and keep those funds active. DHCA believes that if a community is seeking CDBG funds and there is currently an in-active loan fund in that community that a 20% match is fair to assist that local project.

Comments were received that the proposal to eliminate all set asides would include the 1% for technical assistance for the Small Business Development Center.

Response: The DHCA did not intend to eliminate this funding and will continue to fund this activity.

Comments were received opposing the proposal that grants would be made to towns and sub-granted to either VEDA or VHFA to make and service loans, and that this proposal needed more detail, and concerns that communities would no longer keep 50% of loan repayments. A similar proposal that was made last year was met with strong objections.

Response: The DHCA was not proposing any change to the 50%/50% split of loan payments; however based on comments received after March 6 Advisory Group meeting, the DHCA substantially modified this proposal.

Comments received were generally in support of allowing the Agency to waive the 10% equity match required for non-profits receiving CDBG funds for job creation and/or retention, and allow the funds to be grants instead of loans. An additional comment was made that profit motivated businesses should be required to provide an equity match.

Response: In these current and difficult economic times, DHCA believes that there should be an ability to waive the 10% equity match.

Comments received were generally in favor of the proposal to waive the required credit analysis if the applicant is receiving funding from a bank, VEDA, or RD, or if an analysis

has already been done. One person commented that small businesses can't afford to pay \$500 or more for a credit analysis that would equal 5 "points" on a microloan of just \$10,000, and could shut down the RLF's ability to make loans.

Response: DHCA determined there was no reason to force applicant's to have multiple credit analyses.

Comments received were in favor of the proposals to reduce VCDP reporting requirements and to implement a risk-based monitoring system that would reduce the burden of reporting and potentially limit monitoring to once every three years.

Response: DHCA determined that the best use of its resources and the resources of grant award winners was to implement a risk-based system. As stated this idea received favorable comments.

Comments were received both in favor and against the proposal to increase the maximum amount per job created or retained to \$50,000, which is the federal cap. The gist of the comments opposed were that job 'retention' is not defined so DHCA has no meaningful way to judge whether a job is at risk, no analysis of the fiscal and economic impacts has been done, and without guidelines, it provides a larger incentive for low wage jobs. An additional suggestion was made to consider applying the cap program-wide instead of to each grant.

Response: DHCA believes that raising the maximum amount per job created or retained from \$40,000 to the federal limit of \$50,000 is warranted. This \$10,000 difference will provide greater flexibility and allow the department to serve more at risk companies in this difficult time.

Comments received were generally in favor of eliminating all set asides, but in favor of a target for Planning Grants higher than three percent. The main point of the comments was that Planning Grants historically have led to stronger Implementation Grants, and inadequate funding would disrupt the traditional 'bottom up' community development process that results in superior applications. A few people suggested a target of \$360,000.

Response: DHCA believes that setting a 3% target for Planning Grants is warranted. The department originally proposed eliminating the planning grant set aside in its entirety. The department feels that many Planning Grants will rise to the top of funding on their own merits.

Comments received were generally in favor of eliminating all set asides, except for strong objections to eliminating the \$100,000 set aside for Home Access funds due to waiting lists, and strong community support for this program, and because Home Access involves a basic need for persons with disabilities.

Response: DHCA originally eliminated set asides for Home Access. After public comments were received showing the need for these funds the department re-instituted this set aside.

Comments were received in support of the DHCA's proposal to increase the maximum Implementation Grant to \$1 million and multi-year grant to \$1.25 million, provided that

additional criteria for such grants be added such as perpetual affordability and targeting low to very low income households, use of smart growth principals, energy efficiency, and for economic development grants requiring that low income people be employed for at least five years. One person suggested having no cap to allow the best projects to be funded. One person said be careful about increasing grants when resources are dwindling.

Response: With the increased difficulty in finding a number of sources to fund projects, DHCA believed that a higher threshold for delivering grants is warranted.

An attendee at the Public Hearing spoke against having only 3 fixed rounds for CDBG applications, preferring as much flexibility as possible.

Response: DHCA believes that there is currently flexibility with the program. Applicants have the ability to apply for an Emergency Response if the funding is needed immediately.

DHCA Response to New Suggestions

The Citizen Participation Plan requires the DHCA to hear views on the State's housing and community needs and on our past performance under the Consolidated Plan. The following is a summary of comments were received relating to existing Consolidated Plan priorities and the DHCA's response:

A recommendation was made to remove the priority for Innovative Kitchens that was added last year on the opinion that well researched proposals would be highly competitive and should compete on equal footing with other applications.

Response: Innovation Kitchens is a priority. No direct set asides are attached to this.

A recommendation was made to allow CDBG funds to be sub-grants, instead of loans, to profit and non-profit entities for economic development on the opinion that the current economic downtown requires maximum flexibility and a more aggressive response to assist new business expansions and save existing businesses. One person spoke in favor of this at the Public Hearing, and suggested DHCA consider a sunset provision if that would make it more viable.

Response: DHCA believes that loans to profit entities are the best use of CDBG dollars. This allows these dollars to be re-utilized again for economic development.

Several similar comments were made recommending that DHCA delete the requirement that CDBG applicants using the LIHTC program must have LIHTC approval in hand before applying. This requirement was instituted in 2007 and formalized in 2008. The main argument was that the requirement will complicate the process and delay development of affordable housing, in particular because of the reduced number of funding rounds for CDBG. In addition, comments said that LIHTC is oversubscribed as is, and given the economic conditions and availability of recovery funds, that more flexibility

rather than barriers are needed. One person said if DHCA wants applicants to access VHFA underwriting, then an agreement should be worked out that would make those services available to all housing applicants.

Response: Currently there is great demand for CDBG dollars. Requests outstrip funding that is available. When the LIHTC is a funding source in a VCDP housing application it is usually providing the majority of the funding need for the housing project to move forward. When a housing application is considered by the VCDP prior to receiving approval from VHFA for the LIHC, legitimate questions are raised as to whether the application is ready to be funded by VCDP. Often, in these instances, a decision is made not to fund the application. This results in requiring a re-submittal at a later date. Because the CDBG funds are oversubscribed, we believe LIHTC should be in place prior to the submission of an application.