



FAIRFAX COUNTY

FAIRFAX COUNTY
REDEVELOPMENT AND HOUSING
AUTHORITY

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March XX, 2008

The Honorable Gerald E. Connolly
Fairfax County Board of Supervisors
12000 Government Center Parkway, Suite 530
Fairfax, Virginia 22035-0079

Dear Chairman Connolly:

I am writing on behalf of the Affordable Housing Advisory Committee to express our concern about a policy recently adopted by the Virginia Housing Development Authority (VHDA) which could negatively impact Fairfax County's ability to use tax-exempt bonds and low-income housing tax credits to finance the production of affordable housing.

VHDA is now placing significant restrictions on a financing practice that has, unfortunately, come to be called "bond burning" in projects with 4 percent low-income tax credits. This is a financing practice by which affordable housing developers use tax-exempt bonds to, in effect, maximize private equity investment in a tax credit project. This has been the only financing structure that works for some developments in high-cost jurisdictions like Fairfax County. For example, the Fairfax County Redevelopment and Housing Authority (FCRHA) has used this financing mechanism for non-FCRHA projects such as Hollybrooke III, with AHC, Inc. (Mason District, 50 units), and for its own projects such as Herndon Harbor House (120 units, Dranesville District) and the proposed Olley Glen development (90 units, Braddock District). Restricting this practice could potentially necessitate larger local contributions to projects using low-income housing tax credits in Fairfax County, and could render some projects altogether infeasible.

Many other affordable housing developers in Northern Virginia are seriously concerned and have expressed this to VHDA. The Affordable Housing Advisory Committee requests that the Board of Supervisors ask the VHDA Board to reconsider its position on this important issue.

Thank you for your attention to this matter and for your continued outstanding leadership on affordable housing in Fairfax County.

Sincerely,

Conrad E. Egan
Co-Chairman, Fairfax County Affordable Housing Advisory Committee

cc: Fairfax County Board of Supervisors; Fairfax County Redevelopment and Housing Authority; Fairfax County Planning Commission; Fairfax County Affordable Housing Advisory Committee; Anthony Griffin, County Executive; Verdiana Haywood, Deputy County Executive; Robert Stalzer, Deputy County Executive; Paula C. Sampson, Director, Department of Housing and Community Development; James P. Zook, Director, Department of Planning and Zoning