

# MCCORMACK BARON SALAZAR

October 23, 2014

Mr. Scott Farmer  
Director of Rental Investment  
North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609

Re: Comments to First Draft of QAP-2015

Dear Mr. Farmer:

Thank you for this opportunity to submit the following comments to consider as the Agency drafts the 2015 North Carolina Qualified Allocation Plan (QAP). We direct our comments in this correspondence to the program requirements in Section IV D.1 in the First Draft of the 2015 QAP related to Development Experience.

The Development Experience threshold requirement in Section IV. D. 1 (a) requires that in order to be eligible for a 9% Tax Credit award a Principal must have "successfully developed, operated and maintained in compliance one Tax Credit project in North Carolina. The project must have been placed in service between December January 1, 2008 and January 1, 2014." In other words, no matter the depth of experience the Principal has with the **federal** LIHTC program in other states, the Principal can never be the sole Principal in North Carolina in the future for a 9% award if the Principal has never participated in North Carolina for a 9% award in the past. Under this requirement, a principal who has placed in service only one project in North Carolina between 2008 and 2014 is effectively deemed more experienced and eligible, but a Principal who has placed in service multiple projects in other states during the same timeframe is effectively deemed less experienced and ineligible.

One of the purposes of the Qualified Allocation Plan is to set forth selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions. This section in the draft 2015 QAP has unintended consequences particularly for local units of government seeking to (a) initiate and sponsor an affordable housing project as part of a neighborhood revitalization or redevelopment effort and (b) select the best qualified development organization to help implement such project. The scale, objectives, or requirements of the government sponsored project may require a development organization with the depth and experience that is found outside of the State of North Carolina. A local unit of government should be free to choose the best qualified development organization especially in a fair and open selection process. As currently drafted, a Principal who is ineligible under the NCHFA QAP must partner with an eligible Principal in order to be eligible; however, this creates unnecessary alliances, produces inefficiencies, and makes an already complex undertaking even more complex.

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North Carolina Housing Finance Agency

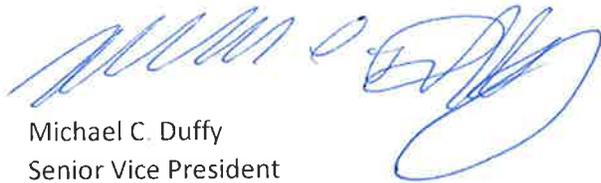
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Our recommendation is to amend this section to allow units of local government to freely choose the best qualified development organization for a government initiated and sponsored 9% Tax Credit Redevelopment Project, as defined in the QAP. Principals with demonstrated and successful experience in other states with the federal 9% or 4% Tax Credit should be able to participate in North Carolina regardless of their lack of specific North Carolina state experience if they have been selected by a unit of local government to assist with the implementation of a government sponsored Redevelopment Project.

In addition, Principals selected by a local unit of government to work on a Redevelopment Project should receive the 5 points allowed in Section IV D.1 (d) and not be penalized for lack of North Carolina experience or for not having their principal office in North Carolina.

Thank you for the opportunity to submit these comments and for your careful consideration.

Sincerely,



Michael C. Duffy  
Senior Vice President  
Project Finance