



September 30, 2022

North Carolina Housing Finance Agency  
Attn: Scott Farmer, Tara Hall, and Russ Griffin  
3508 Bush Street  
Raleigh, NC 27609

RE: Comments on the First Draft of 2023 NCHFA QAP & Draft of Appendix B

Thank you for the continued support you have provided for the development of affordable housing throughout North Carolina and for the opportunity to comment on the 2023 Qualified Allocation Plan. DHIC would like to respectfully submit the following comments for your consideration:

### **Construction Cost Limits and Timeline**

Construction costs have risen substantially with constraints on materials and labors. Previous cost limits are not achievable in today's market and material delays are lengthening construction timelines. Additionally, some sites that would otherwise be outstanding locations for affordable housing require structured parking, which can't be built within existing cost limits. Many municipalities are also struggling to review projects in a timely fashion, creating additional pressures on placed in service deadlines. Recommendations:

- Increase cost limits to \$155,000 per unit.
- Create additional cost limit of \$30,000 per unit for structured parking.
- Change total rehab cost limits to a Rehab cost limit of \$65,000 per unit.
- Allow projects the option to elect forward allocation of credits to prevent PIS deadline issues.

### **High Priority Set-Aside**

As evidenced in the presentation at the beginning of the NC Housing conference, parts of North Carolina have received a significant influx of population while other parts of the state have lost population. This has exacerbated housing affordability in many areas. Recommendation:

- Create a separate set-aside for high-demand locations prior to the geographic set-asides; or
- Award a range of points based on existing affordable housing shortages.

### **Overall Application Scoring**

Every year, there are a number of projects that are decided based on tiebreakers. Tiebreakers should be avoided to the extent possible and awards should be decided by the merits of individual projects. Because there is no perfect project, it should be impossible to achieve a perfect application score. Creating additional scoring options would aid in differentiating projects. Recommendations:

- Allow uncapped site scoring so that applications can exceed the current site score maximum. This would rank projects with more amenities above those that currently can only achieve the maximum site score.
- Remove Walk Score as a scoring criterion. It is not updated frequently enough and relies on third party users to maintain information.
- In lieu of Walk Score, create a similar matrix to the drivable amenities but for distances of ¼ miles and ½ mile to measure walkability.

- Provide additional points if the project is located in a Transit-Oriented Development overlay or similar priority area.
- Expand the Shopping category to include shopping centers containing multiple stores stocked with a variety of goods. Alternately, identify the required variety of goods and let applicants document a store that may not be on the list, but has the required items.
- Please consider adding Goodwill (GCF) stores to Shopping as they offer a wide variety of goods, including clothing, furniture, home products, etc.
- Provide a range of points to projects based on the proximity of available employment using a metric like HUD's Job Proximity Index (<https://hudgis-hud.opendata.arcgis.com/datasets/HUD::jobs-proximity-index/explore?location=35.445404%2C58.263970%2C4.00>).
- Award points for Land Cost line item of less than \$5,000 for purchase or ground lease of land.
- Provide a range of points based on poverty rate of the project's census tract with more points available to projects with a lower poverty rate.

### **Developer Fee**

The developer fee paid in projects acts as both an incentive to the developer and a risk mitigation measure for tax credit equity and debt. Please consider increasing developer fees. Recommendation:

- Developer fees may not exceed the lesser of 1) 15% of Total Development Cost; or 2) \$25,000 per unit for the first 50 units, \$20,000 per unit for units 51-100, and \$15,000 per unit for any units more than 100.

### **Per Project Credit Limit**

- With construction costs and interest rates rising, please consider increasing the per project award limit to \$1.4 million. This will necessarily result in fewer awarded projects, but will also result in projects that are not as highly leveraged and better able to close and start on time.

### **Comments to Draft Appendix B**

- Retaining Walls
  - The 25-foot rule for retaining walls severely constrains site developability across the state. Please consider eliminating it with the requirement that any retaining walls supporting the residential building receive the certification of an accredited professional engineer.
- Exterior Design and Materials
  - Requiring 30-year minimum warranty on all roofing now will result in significant price increase, especially in projects that require use of TPO roofing material.
- Interior Design
  - 19 Vinyl/rubber base can only be installed on walls with metal framing or masonry/block walls – please consider allowing it in areas such as fitness rooms, mechanical closets, etc.
- Common and Site Amenity Provisions
  - Instead of requiring a Gazebo for senior projects, can you offer the option of a **Gazebo OR a covered porch?** Finding an appropriate space for a Gazebo is difficult in some urban, in-fill sites and if the point of the requirement is to offer a covered amenity space that offers fresh air, a screened porch provides that.
  - Allow developers to provide free, WiFi in the Multi-Purpose Room in lieu of a resident computer center with a minimum of 2 computers.

- Parking
  - Reduce the required parking for Family projects to one parking space per unit for sites in a Transit-Oriented Development overlay district or within a .25-mile proximity to a transit station serving more than one route.
  
- Sitework and Landscaping
  - Requiring all ID signs have brick or stone columns is limiting. We have installed some really attractive signs (free-standing and actually on a building in an urban location). Could change the wording to say that signs posts/columns cannot be made of wood or materials that need more maintenance.

Thank you and please reach out to us if you have any questions.