



Halcon Companies appreciates the opportunity to comment on the proposed 2023 QAP. Our team has reviewed the Draft 2023 QAP and has prepared the following comments:

- Regarding the Cost Limits (Section IV, C1): Based on costs that our team has seen in a range of developments across the state of North Carolina, we would recommend that the Chart A Cost Limit be set at \$155,000. This will ensure that projects are able to submit realistic and accurate cost estimates, while also ensuring oversight and a reasonable cut-off for the Agency. In a volatile rising-cost landscape, setting the bar high will hopefully mean that developers can submit realistic cost estimates at application time.
- Regarding the Walk Score-Section IV, A1(v): The Walk Score is controversial, in part because it is a 'black box' of a requirement in that it is unclear to developers what the variables are that are being considered, in part because it is easily manipulated by requesting/submitting additional amenities, in part because it is specifically owned by a private real estate group with a specific profit motive for the data that it presents, and in part because anecdotal evidence shows it does not necessarily capture 'walkability' in a way that reflects lived experience in an area. We have sites beside of shopping centers and parks that have a low "Walk Score". For this reason, we request that you eliminate Section IV.(A)1.(v) Walk Score from the scoring criteria. Furthermore, we request that you eliminate it from Section IV(F)7, Tiebreaker Criteria as well.
 - If the primary goal of adding the Walk Score is to incorporate a 3rd party indicator of site strength, one option would be to leverage the Opportunity Index resources provided by the Brown University team through the Opportunity Atlas. This robust, peer reviewed data resource identifies areas that have historically been shown to produce beneficial long-term outcomes for young people who grow up in those communities. This is an essential policy goal that aligns with the goals (stated and implied) of the agency and is available at the Zip Code level. As a far more robust and widely recognized data tool, this would be a more verifiable indicator to use as the 3rd party item. The Opportunity Index also helps capture valuable data that is otherwise absent from the scoring found in the NCHFA QAP, such as school quality, friending outcomes, economic mobility potential, etc. and can help reward sites that have the potential to bring those benefits to residents. This could be used in lieu of Walk Score as a tiebreaker. For a simpler approach, returning "Census Tract Poverty Rate" to the tiebreaker would capture some of the same outcome goals as the Opp. Index while having a simpler database approach, and one that the development community is familiar with.
 - If the intent of the walk score is to reflect the proximity and convenience of amenities, then we would amplify other developers' recommendations that distance to primary amenities be used as the second tiebreaker item. This leverages a data point that is already being captured through the existing process and incentivizes proximity to amenities above and beyond threshold requirements.
- Another alternative for a scoring tool in place of the Walk Score, would be awarding 1 point for a site that is in a census tract that did not have a 9% project (or maybe even a 4% bond deal) funded in the previous round and 2 points for a site that is in a census tract that didn't have a

winning project in the past 2 years. This would help with trying to get developments in different areas. Alternatively, this could be used as a Tiebreaker as well.

- Another idea for differentiating the scores for sites is allowing 2 or 3 additional line items for a "Service" under Section IV. A.1(ii)-Amenities and allowing 2-3 additional secondary points. Alternatively, 1 "Service" could be under Primary Amenities. Since services can be restaurants, banks, or gas stations, these are amenities that residents will really use daily and the current QAP only gives credit for 1 "Service". The QAP should also make it clear that a "Coffee shop" is considered a Restaurant, so it will count under "Service". Another Amenity Category could be added called "Alternate Amenity" and score a point for a Goodwill or Consignment Shop, a Vet, a YMCA or gym, a hair salon/barber shop, etc. Adding this additional amenity class will help further differentiate sites and emphasize amenities that provide daily utility to residents.
- IV.A.1.(ii) Amenities-pg14 of 36, redefine "Scattered site projects" and allow parcels separated by more than a parcel or a road, specifically for bond projects. This would allow Counties that finally have an opportunity to utilize American Reinvestment Act funds to potentially support a bond project more opportunities for sites that that would work. If the sites are separated by more than a parcel, road, or stream/water feature, you could require two sets of site amenities, one on each parcel.
- Regarding the First Tiebreaker as outlined in IV.F.7. in the draft QAP: Halcon would amplify the suggestion made in the Public Meeting to normalize the number of units constructed in a county in the past 5 years by the number of cost-burdened rental households. This would help avoid any 'penalty' to large metro areas that have both the strongest development landscapes and the greatest housing need, while still helping to ensure that under-served counties receive consideration in the allocation process. NCHFA could also change the Second tiebreaker to a project that was already zoned at the time of the preliminary application or that was previously submitted and unfunded in the preceding round; this could help Developers who have tried previously with a given site to have a better chance instead of potentially losing an affordable housing opportunity because the land seller doesn't want to take a chance for another round of tax credits and help protect an affordable housing site that could end up going to an Investment Company preying on overburdened land/homeowners.
- In order to spread developments around the State or in different areas of a particular County that does not have much affordable housing, another idea is for the Agency to announce a list of census tracts in the State where NCHFA would like to see properties based on local government/consumer feedback, market studies/cap rates, lack of funded projects there over the past 5 years, etc. This list could come out by the 2nd draft of the QAP and each project in these census tracts could earn 1 extra point. Or alternatively, if you do not want it to be a scoring item, any projects in these census tracts, could win the Third Tiebreaker under Section IV.F. 7.
- We would not be opposed to Developers being allowed 2 bonus points, but please only allow one (1) to be assigned per project.
- We would be strongly opposed to going to the lowest credits per unit as a scoring criteria or tiebreaker.
- We would not be opposed to going back to the 1 or 2 points given to be within 4% or 8% range

of the average credits per unit of all projects submitted in each pool.

- Section VI(B)8-Consulting Fees-We request that you eliminate this section. We believe there should be a separate line item allowed in the Development Budget for Consulting Fees, outside of the total Development Fee. Consultants provide services sometimes that are not related to actual “development work” for the project. Consultants can provide environmental consulting, utility analyses consulting, financial consultation, political/zoning consulting, application consulting, etc., none of which is really “development”. Consultants just the same as an Architect, Engineer, Environmental Engineer, or Real Estate Agent should be able to be paid out of project costs. Many other States allow this. Virginia, for instance, actually encourages Applicants to work with an experienced Consultant when they submit applications for Agency loans. With the current economic environment and with construction costs so volatile, Investors and Lenders are requiring Developers to hold their development fee until the end or final draw, which can be 2 years into the project. This in turn does not allow the Developers to pay the Consultants for their work until then. Consultants must track down payment for invoices from work they did 2 years ago. Their pay, such as the Architect’s, Engineer’s, etc. should not be based on when Developer fee is paid. Their invoice should be covered by the initial closing as a project cost. I would urge you to please consider changing this.
- This is just a possible idea for differentiating scores and ensuring that awards go to Applicants who have the capacity to focus sufficiently on their NC development. Section IV.D.1.- Development Experience. Add (e) Developer Bonus points-add provision for 1 bonus point if the Applicant has had a 9% project funded in the past 2 years in any State. Additionally, add provision for up to 1 of the following bonus points if they qualify: 1) 1 bonus point if Applicant has less than 10 funded 9% or 4% projects in any State of which he or she is an Owner, from 2019, 2020, 2021 or 2022 that have not closed the construction and equity by time of preliminary (or full) application OR 2) 2 bonus points if the Applicant has less than 5 9% and 4% projects from 2019, 2020, 2021 or 2022 of which he/she is an Owner than have not closed the construction loan and/or equity by time of full application OR 3) 3 bonus points if the Applicant has less than 2 funded 9% and/or 4% projects in any State from 2019, 2020, 2021 or 2022 of which he/she is an Owner that have not closed the initial construction and equity yet.
- Section VII(B)7(b)–Developer Fee–We agree that 4% LIHTC developments are more complex to close than 9% developments given the time and costs associated with a tax-exempt bond issuance. Consequently, the developer fees for 4% deals should be greater than those for a 9% development. We suggest that 4% developments be allowed to calculate the developer fee as 15% of total development costs. This additional developer fee will also help more 4% deals become financially feasible as the larger developer fee will increase eligible basis and therefore the amount of tax credits generated. Consequently, this revision will help augment affordable housing production through the state. Additionally, the Developer fee for 9% projects should be increased to \$16,000/unit as overall inflation and other costs are increasing.
- Halcon would amplify comments from other developers that the NCHFA minimum parking requirement (Appendix B Section III F) be entirely removed and deferred to the municipality where the project is located. We recognize that the Current QAP language allows for properties to seek a waiver of the parking.

- Section II, (D)2-Choice Neighborhoods Implementation Set-Aside-change to one new construction project not to exceed \$1,200,000. Add language that an award in this section, will not count toward the 2 Redevelopment projects in Section II (B)2.
- Another potential idea to differentiate that some States are using is providing 1 additional point if 1 firm of the Development Team (Architect, Attorney, Consultant, Contractor, etc.) is a Certified MWBE/WOSB. Must be nationally certified or certified by the State of NC or another State in which the Applicant works. 2 additional points if an owner in the ownership entity has at least 20% ownership and is a certified MWBE/WOSB. The entity or Principal/Managing Member of the entity must have housing or related experience and be over 21 years of age. (Total of 3 points available here).

Thank you and we appreciate all that you and the staff have done to help developers this past year with the additional pandemic-related funds and project changes.

Thanks,
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