

Tara Hall

From: Dan Levine <Dan.Levine@self-help.org>
Sent: Friday, September 30, 2022 4:16 PM
To: Tara Hall; Scott Farmer
Cc: Daniel Bullock; Emma Haney
Subject: 2023 QAP Comments from Self-Help

Tara and Scott (Cc Self-Help project manager Daniel, who helped me draft these comments, and our project management director Emma),

Thank you and your colleagues for all NCHFA does to support affordable housing in our state. Thanks also for sharing your time and expertise at this year's housing conference; it was fantastic to be back together in person this year. I am writing to share Self-Help's comments on the draft 2023 QAP. We appreciate the opportunity to provide this input, and are grateful NCHFA takes public comments seriously and has made an increasing number of positive changes to the QAP in recent years. We offer for your consideration the following suggestions:

SCORING

- We would like to see a scoring system that better distinguishes among applications, as a system in which almost every project gets a near-perfect score does not go far enough to distinguish great developments from good ones. We hope NCHFA will consider substantial changes to the scoring system this QAP or soon after that further differentiate projects, starting at the site scoring stage, while allowing for urban sites to better compete with suburban greenfield garden-style apartments even if the site score is not perfect. We recognize the need to minimize subjective criteria, so possible additional scoring criteria could include items like:
 - Greater emphasis on deeper income targeting to encourage more units for households at tiers of less than <30%, 40% AMI, et al. particularly for 9% projects where more equity can be leveraged.
 - Greater emphasis on resident outcomes, with higher points going to applicant groups who can show service provision and emphasize working with communities of color, organizations founded from within or who serve communities of color, and other demographics least likely to be well-served by the marketplace.
 - Greater emphasis on targeting highest needs, with higher points going to projects willing to target groups with greater housing needs, such as homeless populations, those with disabilities, Veterans, etc.
 - Supplier diversity – points for projects with a lead MWBE architect, civil engineer and/or general contractor, or who make significant commitments to hiring a certain percentage of MWBE sub-contractors, vendors, and service providers.
 - Green standards – points for binding commitment to third-party green certifications beyond Energy Star.
 - Negative points for projects in areas with little/no recent increase in rent-burdened population and/or positive points for projects in areas with increasing rent-burdened populations.
- For Walk Score to be a fair tool, we believe the points awarded need to be differentiated by size of community, similar to the Amenity Distance measures for small towns.
- Please consider eliminating the Shopping category as a primary amenity for scoring or expanding what counts under this category. Shops like Goodwill offer price-accessible shopping options and small, rural downtowns often include independent and small regional stores that can include access to the kinds of goods we believe the category is trying to assess.

PRINCIPALS

- The principal limit of no more than two new construction projects should apply solely to 9% deals, as should the completion date requirement, so the state can get more 4% bond deals under construction.

- Increase the non-profit set-aside, since all else being equal nonprofit organizations are more likely based on their missions to provide extended affordability periods after LIHTC requirements expire and operate projects as affordable indefinitely or for their full lifecycles. Our anecdotal observation is that, especially in recent years, more for-profit developers are flipping their LIHTC projects to market rate when compliance periods end.
- Add further protections via Rights of First Refusal to preserve long-term affordability beyond the compliance period and to protect nonprofit partners' interest (e.g., require LOIs from equity investors to include ROFR language).

COSTS

- Set a substantially higher cost per unit cap for Metro areas, which generally have higher construction costs for regulatory and market reasons regardless of whether a project is Chart B eligible. Please also consider extending the suspension of maximum project development costs for the 2023 cycle.
- Increasing the maximum allowed contingency (perhaps to 10% on new construction) and/or allowing greater construction escalation to be held in project budgets would help alleviate post-award budget issues.

OTHER

- Increasing the distance allowed between parcels on scattered site projects would create more viable locations, particularly for projects to reach the unit scale to make 4% financially feasible and increase the number of units produced.
- Consider population growth in allocating credits across regions, as the current approach ignores major demographic trends. For example, the Metro counties accounted for ~68% of North Carolina's population growth from 2010-2020, and yet many Metro counties can only effectively get one 9% award a year. In 2021, 25% of new construction 9% projects were funded in counties with populations that have fallen since 2010.
- It seems that our state's more rural communities are more likely to have the resources to access the Redevelop Designation benefits as they are more likely to: 1. Lack the capacity to do specific area planning or initiate projects, and 2. Feel like they can't afford to donate land, waive SDCs or impact fees, or make a \$250k grant.

APPENDIX B

- Provide a separate cost per unit limit for projects with (necessary) structured parking in downtown/urban areas where such parking is appropriate, perhaps limiting this to a couple-few projects per year across the state.
- Automatic reductions to parking ratios should be available for urban sites and sites with frequent public transit, as well as for developments with a unit mix emphasizing smaller bedroom counts where fewer cars per unit are likely.
- Eliminate or edit the new prohibition of retaining walls being near foundations, as it could pose a major challenge to more urban locations. For example, Willard Street Apartments would not have been allowed under the language of the draft 2023 QAP. Perhaps one solution would be to require an additional certification from a structural engineer or similar "iron clad" approach?

Thank you for your attention.

Sincerely,

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