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September 6, 2013

via email to: rentalhelp@nchfa.com

NC Housing Finance Agency
Attention: Rental Investment
3508 Bush Street
Raleigh, NC 27609

RE: Comments 2014 Qualified Allocation Plan

To whom it may concern:

Thank you for making time to catch up on Miller Valentine Group's (MVG) annual progress, future plans and current events surrounding the affordable housing industry. As we shared in our meeting, MVG is now operating in multiple states and was ranked 17th in the nation last year, by Affordable Housing Finance Magazine, for our 392 tax credit housing unit starts.

As you know, we have been participating in the North Carolina affordable housing program since 1998 with our most recent development being the Enclave that opened its doors in August of 2012. Including market-rate assets, MVG is operating eleven (11) properties in North Carolina, all of which are managed by our resident District Manager, whose office is located in Charlotte. MVG remains steadfast in its commitment to serve the housing needs of North Carolina by improving the quality of life throughout the communities in which we operate.

MVG's geographic footprint and track record of securing competitive housing credits provides us with a unique perspective on Qualified Allocation Plans. We recognize that it is a very difficult job to balance stakeholder interests in allocating increasingly scarce resources and applaud the NC Housing Finance Agency (NCHFA) for its continued commitment to transparency and willingness to explore ways to improve upon their allocating process year over year. In an effort to share some of our insights and ideas, we have provided some comments and suggestions for your consideration below.

While we understand and appreciate the intent of taking the allocating process to a more objective set of criteria in the 2012 round, we recommend NCHFA consider bringing subjective criteria back into the process. Given the complex nature of the affordable housing development process (and commercial real estate generally), it is our experience that the richest developments are those that are measured and awarded on merits that simply do not factor into a purely objective process. Having administered a primarily subjective process in years past, NCHFA's staff has significant experience evaluating multifamily real estate and has demonstrated a capacity for administering such a system fairly and consistently. MVG would recommend that NCHFA continue to utilize quantifiably objective criteria in its allocating process to help shape the overall pool of applicants, while affording themselves the opportunity to apply subjective tie-breakers in order to ensure that the credits are being allocated in the most meaningful manner possible.

With nearly 90% of the application scoring perfect in site score and moving on to the tiebreakers, we feel that there is an opportunity to implement some additional selection criteria to ensure only the most qualified applications are considered for funding. We would encourage NCHFA to consider the following ideas on ways to bolster the current objective components of the allocation process.

Private/Public Partnership

- Points would be awarded for being a part of a previously established local revitalization plan. In order to discourage gamesmanship among the development community, we would encourage NCHFA to require that these plans have been in place for at least 6 months before application submission.
- Points would be awarded based on the amount of local public investment in the financing of an application and would be calculated based on the % of investment compared to the overall sourcing of said application.

Development Experience/Expertise

- In an effort to encourage participation by the most qualified development partners in the industry, we recommend that NCFA consider adding a points category that measures an applicant's development sponsor by the number of 8609's they have received over a period of time (ie. 5-10 years).
- To better leverage the housing credit resources, we recommend that NCHFA (re)implement finance partner letters of intent that verify the financing assumptions in an application. In order to create a more level playing field, it is our experience that the more firm the commitment letter is required to be, the more time and scrutiny is expended on the part of the financial partner. While it isn't necessarily practical to have a full blown underwriting take place prior to application, having a required certification that the syndicator/lender has presented the deal to their internal committee/screening and that the syndicator/lender has preliminarily approved the sponsor and development would certainly add validity to the financial assumptions.

- MVG would respectfully request that NCHFA consider removing the points given to Developer's who maintain a principal office in North Carolina. While, statistically, this criteria has not hindered out of state sponsors from participating in the allocation process it does require that additional parties are brought into development teams for no other purpose than to leverage their physical address. It is our opinion that this creates inefficiencies and doesn't necessarily bolster the overall capabilities and/or quality of the development team.

Site Market/Demographics

- We have found that other agencies have implemented criteria based on readily available Census information. We encourage NCHFA to consider implementing economic criteria based on this information to further differentiate those developments that are satisfying the intent of the public policy.
- Since NCHFA already requires Market Studies as part of its application process, this information could be used to more objectively narrow the range of competitive applicants. By way of example, NCFA may only consider applicants in markets with an overall occupancy of x% and a demonstrated rental rate advantage of y% when comparing the proforma rates to those of the comparable market rate product.
- We encourage NCHFA to consider reducing the minimum setbacks from rail and power lines to 100ft. Furthermore, we would request that NCHFA consider implementing a process by which sponsors may mitigate such negative features. For example, a sponsor who committed to providing the appropriate level of noise mitigation would not be adversely affected by the presence of an adjacent railway.

Thank you for the opportunity to share some general thoughts and ideas about how to improve the 2014 QAP. We look forward to the hearings and further discussion about next year's process.

Yours truly,

Brian McGeady
Director of Multi-Family Development