



August 25, 2025

Tara Hall
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Dear Ms. Hall:

Thank you for the opportunity to contribute this feedback, which we hope will inform the development of the State of North Carolina's 2026 Draft Qualified Allocation Plan. We look forward to collaborating with the North Carolina Housing Finance Agency (NCHFA / the Agency) as you develop your affordable housing priorities. Lincoln Avenue Communities (LAC) is a mission-driven affordable housing developer currently active in twenty-seven states. In North Carolina, we are focused on developing ground-up new construction affordable housing and preservation of existing affordable housing using a combination of 9 percent LIHTCs and 4 percent LIHTCs with tax-exempt bonds (TEBs).

Implementing the Big Beautiful Bill Act

We celebrate the recent legislative changes enacted by Congress expanding the LIHTC (i.e., the expansion of the 9% LIHTC and the reduction of the aggregate basis test to 25%). We believe it is critical that NCHFA and the development community collaborate closely to take affirmative steps to demonstrate to Congress that this historic in the LIHTC will result in a substantial expansion of housing production (both New Construction and Preservation). We believe this is the perfect time to revisit how NCHFA administers key aspects of the program to promote cost-efficient development that maximizes production. To this end, we recommend the following changes:

Clarify Mission Priorities in QAP Introduction

We recommend NCHFA incorporate into its QAP a new mission statement that prioritizes:

- Administration of program resources in a fair and transparent fashion in compliance with 26 U.S.C. §42 (m) and relevant state law.
- Maximize the production of new affordable housing units in the markets where they are most needed. Where possible the QAP should incentivize economies of scale to minimize per-unit soft-cost.
- Maximize the preservation of existing affordable housing rental units prioritizing properties with existing income and use-restrictions including but not limited to post-year 15 LIHTC properties, post-year 30 LIHTC properties as well as properties with HUD and/or USDA Rural Housing Rental Assistance. Consideration should be given to address the risk of loss of affordability, physical conditions, and efficient deployment of resources.
- Balances diligence with administrative efficiency and streamlining to reduce development timelines from application through the issuance of IRS form 8609.
- Prioritizes, when possible, policies that reduce financing gaps through policies that reduce total development costs or increase private investment.

- Streamline processes to eliminate duplicative processes that may also be undertaken by other agencies and/or financial counterparties.

Create a Separate 4% QAP

A growing trend amongst state housing finance agencies around the country is to develop separate Qualified Allocation Plans for the 9% and 4% LIHTC programs. This allows HFAs to carefully calibrate their policies and procedures for each program separately without triggering unintended consequences for the other program. Peer agencies with separate QAPs including Ohio, Iowa, Tennessee¹ and New Mexico². We recognize that NCHFA differentiates aspects of its programs already; however, we believe there are opportunities to further streamline these documents.

Maximizing the Impact of the 25% Test

The new 25% test should allow North Carolina to substantially expand affordable housing production. To achieve the balance needed to increase housing supply while ensuring that bonds are being used efficiently, we believe that NCHFA should take several proactive steps:

1. The North Carolina Federal Tax Reform Allocation Committee, NCHFA and local issuers should consider prioritizing a greater proportion of PAB allocations to multifamily affordable housing developments over other housing and economic development uses.
2. NCHFA and local issuers should establish a cap on the percentage of volume cap that can be requested per multifamily affordable housing project. NCHFA should allow sufficient PABs for developers to meet the requirements of the 25% test and give a cushion to ensure that there are necessary funds available to pencil deals. ***We strongly urge North Carolina to consider implementing a cap of 30% of aggregate basis on private activity bonds per multifamily affordable housing project.*** If desired, NCHFA can also adopt waiver language that would allow developers at its full discretion to exceed this cap if it is deemed necessary to achieve permanent financing.³
3. Recognizing that some multifamily bonds are issued by conduit issuers, we suggest NCHFA also adopt complementary policies as it relates to the administration of the state's LIHTC QAP. This should include guidance in the QAP that where NCHFA is not the bond issuer, it will not consider LIHTC allocations for private-activity bond financed projects that utilize bonds in excess of a 30% of aggregate basis. Additionally, to help developers offset potential lost debt proceeds from having a higher proportion of taxable debt as a result of this policy change, we further recommend NCHFA allow 4% LIHTC transactions to qualify for a higher developer fee. This would help compensate for the additional financial risk the transaction will undertake and will help generate additional tax credit equity proceeds. Further details are provided below.

¹ Tennessee Housing Development Agency administers its 4% bond program in its Bond Program Description.

² New Mexico Mortgage Finance Agency has indicated that it will adopt separate QAPs for the 4% & 9% programs in its 2026 program year.

³ North Carolina may consider as a template Georgia Department of Community Affairs (DCA) policy language stated in their 2024-25 QAP that tax credits will be withheld for "projects that request more than 5% of the federal requirement." Additionally, the Georgia DCA QAP contains language that states tax credits will be withheld "for projects that show a price less than the reasonable fair market price for tax credits."

Recycling Private Activity Bond Volume Cap

We encourage NCHFA to consider setting up a multifamily private activity bond recycling program as soon as possible. This will allow HFAs like NCHFA to conserve PAB volume cap as demand for affordable housing increases and facilitate interest rate reductions for a larger portion of the capital stack of a multifamily bond project. On a traditional 4% TEB transaction, as the capital stack is structured to be scaled to the new 30% test and an increasing amount of the debt proceeds are replaced with taxable debt. In normal yield-curve environments taxable debt carries a higher interest rate, reducing the amount of debt proceeds available to finance affordable housing.

Establishing a multifamily residential rental housing bond recycling program benefits multiple stakeholders including:

1. The borrower, who benefits with lower interest rates and increased proceeds.
2. The state HFA, which benefits from larger issuances and increased fees associated with large transactions.
3. And most importantly, low-income individuals and families will benefit from increased affordable housing production.

Establishing a bond recycling program today positions agencies for future. The 2008 Housing and Economic Recovery Act (HERA) which authorizes the reuse or “recycling” of multifamily private activity bond volume cap to finance new affordable multifamily rental housing projects under certain conditions. Such “recycled” bond volume does not entitle the new project to which it is allocated to qualify for 4% low-income housing tax credits; however, as stated above it produces a much lower borrowing rate in many transactions, enhanced feasibility. There are several due diligence steps an HFA must evaluate before enacting a recycling program – the most important being whether the issuer has issued a sufficient volume of tax-exempt bond in previous years that there are sufficient projected pay downs or pay offs that volume that can be recycled and justify the costs of setting up a program.

General QAP Comments

Developer Fees [Highest Priority Comment]

New Construction Projects

We appreciate that NCHFA increased the per unit developer fee limit for new construction projects from \$22,500 to \$23,000 per unit in the 2025 QAP. This was a move in the right direction; however, we urge NCHFA to consider a further increase, at least for projects financed using 4% LIHTCs and TEBs to improve transactional feasibility.

Most states permit a flat developer fee percentage of at least 15% and many states in the region have higher developer fees for 4% transactions.⁴ The additional eligible basis generated results in an additional increment of federal tax credit equity that helps fill financing gaps and offsets rising

⁴ Maximum Developer Fee Policies for 4% LIHTC transactions:

25% - Tennessee

20% - Kentucky, Ohio, North Dakota, Oklahoma, Wisconsin

19% - Arizona

18% - Florida, Iowa, West Virginia

construction costs, inflationary interest rates and operating expenses. If NCHFA wishes to continue having a hard dollar per unit developer fee limit, we suggest raising it to at least \$26,000 per unit for new construction projects.

Rehabilitation Projects

As NCHFA considers further updates to the QAP, we strongly encourage the agency to follow the precedent it adopted in 2024 for new construction projects and increase the allowable developer fee for rehabilitation projects in 2025. The methodology for calculating developer fees for rehabilitation projects results in a below market developer fee, fully omitting acquisition basis as well as other costs in eligible basis (e.g., GC overhead, GC profit, PMP, developer fees). In effect, developer fees can only be generated by hard construction costs. While the percentage *appears* to be high (28.5%), when normalized to include excluded eligible basis is below market and results making many affordable housing preservation opportunities financially infeasible. This change is urgently needed to preserve the first generation of LIHTC properties that are now nearing the end of their thirty-year extended-use period and are at risk of converting to market.

Development Experience

Per the 2025 Draft QAP, to be eligible for a 9% LIHTCs, at least one Principal must have successfully developed, operated, and maintained in compliance either one 9% LIHTC Project in North Carolina or six separate 9% tax credit projects totaling more than 200 units. The projects must have been placed in service between 1/1/2017 and 1/1/2024. The principal must become a GP or managing member of the ownership entity, remain responsible for overseeing the project and operation for at least two years.

We recognize that successful LIHTC development experience is one of the most positive indicators for future success of a development team. We believe that positive development experience with the 4% LIHTC program should be given equal footing with 9% LIHTC experience. In our experience, 4% LIHTC transactions tend to be more challenging than 9% LIHTC developments. This is due to the typical scale of 4% LIHTC projects, the increased leverage, and the additional steps necessary to secure private activity bonds such as the TEFRA hearing, bond inducement and the placement of the bonds.

Under the current QAP policy, successful 4% LIHTC experience is not recognized when considering a 9% LIHTC applicants experience. We believe this creates an unnecessary impediment from attracting the qualified and experienced 4% LIHTC developers from participating in the 9% program and that limits capital investment in North Carolina, discourages diversity within the affordable housing ecosystem and concentrates risk amongst a small pool of developers. As fiduciaries of the state limited affordable housing resources, NCHFA should further develop experience policies that encourage the nation's most experienced and best-capitalized affordable housing developers to invest in North Carolina. Likewise, as industry stewards with a long-term outlook, it should also develop experience policies that welcome and assist next generation, emerging and MWB development companies to invest in the state.

In addition to the points made above, there are several additional flaws with the experience policy as currently administered:

- It is very difficult for both experienced developers that may lack *local* tax credit experience as well as emerging developers of color from gaining the necessary experience to compete.



- It sets too high a bar for out of state experience.
- It discounts experience with the 4% LIHTCs; which, if anything, is more valuable experience given the scale and difficulty of the transactions, compared to 9% transactions.
- It discounts relevant experience that professionals may have earned (either in state and/or out of state) performing the function of the developer if they were not principal of the company. An individual may have led the successful development of thousands of units of affordable housing as an employee of another firm and receive no credit under the current policy if they switch firms.
- It conflates development experience with guarantor capacity. While both are important indicators of success, they should be evaluated.

We recommend that NCHFA consider the following policy changes in its QAP:

- Treat in-state and out-of-state experience with parity. If NCHFA requires a higher standard of experience for out of state developers, we suggest 3-5 properties placed in service (over the past 5 years) is sufficient.
- Allow experience from 4% LIHTC transactions to count towards the experience requirement for 9% developments and vice versa.
- Allow an “inexperienced” developer to submit applications to earn experience (but potentially limit the number of awards for first time developers)

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with NCHFA on the drafting of its 2026 Low-Income Housing Tax Credit QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 646-585-5526 or tamdur@lincolnavenue.com.

Regards,

Thom Amdur

Senior Vice President, Policy & Impact

Cc: Scott Farmer

About Lincoln Avenue Communities

Lincoln Avenue Communities is one of the nation’s fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 30 states, with a portfolio of 170 properties comprising 30,500+ units.