



To: Tara Hall

From: Ethan Sleeman

Re: 2026 QAP Comments

Thank you to Tara and the North Carolina Housing Finance Agency team for the opportunity to provide comments and recommendations for the 2026 QAP. I appreciate the hard work that goes into developing a fair and effective QAP, and thank you for your hard work. Based on experiences in the 2025 tax credit application cycle, I am making the following comments and suggestions for changes in the 2026 QAP.

1. I am advocating for eliminating 'Non-Agency Secondary Financing' as a tiebreaker (Section IV F 7) for 2026.

As an initial issue with the tiebreaker language, as written now, it is creating a situation where, in any county with a 1-project limit (i.e. non-Matro), local governments are functioning as the decision maker around project preference rather than the NCHFA. We recently had the experience of a local government making blanket loans to all projects in their jurisdiction to avoid that situation.

The Development finance Initiative has published several [high-quality blog posts](#) about the rising local government role in LIHTC capital stacks, and note the potential impact of the tiebreaker on the percentage of developments incorporating local \$ into their respective capital stacks. Their research also highlights the impact that the loss of WHLP dollars had on the massive surge in local government gap financing.

It appears unlikely that the WHLP program will be funded in 2026/2027. Data from 2022/2023 shows that with no WHLP in the picture, local governments will be left to provide the gap financing needed for projects. As such, it's likely that next cycle we will see an organic increase in demand for local government funding dollars, regardless of the QAP's incentivizing.

If the tiebreaker is maintained, giving developers an additional competitive incentive to maximize the local government sources in their capital stack, I anticipate that many will adjust their underwriting to show the largest possible gap that can be supported by local



government funds (it's the logical response to the incentive structure). This is something of a perverse incentive, and I think care needs to be taken as to whether that is a desirable policy outcome.

Given that agency resources are going to be significantly limited to begin with due to the likely absence of WHLP and ongoing questions about HOME and NHTF funds, and given the experience that many developers have had of agency financing being the limiting factor in award determination, I think that the 'market' correction next year will be for developers to search for non-agency sources regardless of the QAP. I fear that adding a competitive component will encourage developers to underwrite with the specific intention of maximizing local dollars, at the expense of local governments that are already stretched. I also worry about a concentration of development in highly-capitalized local governments, at the expense of smaller-budget municipalities.

2. I think that the NCHFA should return to allowing developers to put 2 bonus points on a single project (Section IV F 2). If the fundamental structure of the QAP remains the same for 2026, with all the same basic scoring criteria, this change would allow a developer to offset the outside impact of the Olmstead point on the competitive structure.

The reality of the current scoring structure is that those DHS priority counties are guaranteed to be more competitive than anywhere else in the state. With all projects scoring a perfect score and receiving a bonus point, then any Olmstead projects have a 1-point advantage over any other project. Giving a non-Olmstead project 2 bonus points would let them compete, and if a developer really loved their Olmstead project and wanted to give it 2, they'd still be able to retain an advantage.

3. The per-project award limit for LIHTC (Section II E 2) should at a minimum be lifted to at least 1.5 M, but **should be eliminated entirely**. If lifted to \$1.5 Million, the per-principal limit should be lifted accordingly to reflect 2 fully funded developments.
 - a. With ever-diminishing lending resources from the state and a challenging construction cost/interest rate climate, we're seeing the 'breakeven' size for a 9% LIHTC project with access to 1.3 million credits basically being 50-60 units. Raising the limit would offset the loss of the state level resources, take the pressure off of local governments to finance gaps, and allow for larger, more efficient developments especially in high-need metro areas.
 - b. This may mean fewer projects being funded, although the recent permanent increase in credit allocation could partially offset that challenge. But even setting



that aside, letting projects receive the amount of credit they're eligible for, rather than being artificially capped, would let those projects have much simpler capital stacks, close significantly faster, substantially reduce exposure to interest rate and construction cost volatility, and reduce the likelihood that projects keep coming back asking for additional credits and extensions for multiple years because they initially modelled a very precarious project initially.

- c. Scoring criteria that awarded points for total leveraging could help alleviate concerns about wild cost overrun and put the onus for figuring out the tradeoffs between project costs and credit volume onto developers.
4. The zoning requirement language in the QAP (Section IV A 1) should be expanded to clearly outline the degree of approvals required to be in place at Application. Historically this has been interpreted to mean that zoning approval, and any special use permits, project type approvals, etc. have been completed and issued prior to application. Having that explicitly outlined would reduce confusion.
5. The Retail amenity definition (Section IV b ii) should be expanded to include downtown retail that includes 4-6+ open retail establishments or any downtown commercial district with 4+ retail establishments. This would open up many small town downtowns to additional scoring opportunities and remains in-line with the underlying premise of this amenity as reflecting options for residents' retail shopping. This adjustment of retail definitions would help expand the number of tax-credit competitive sites in rural communities.
6. I would like to add an additional carve-out under Section IV B iii under incompatible uses, the 250 feet from rail rule, for sites that are adjacent or proximal to heavy rail but are within 1.5 miles of a heavy rail station with regular regional service. Light rail is currently excepted, presumably for commuting reasons, and in an effort to support TOD, recognizing the value of being near train commuting options should outweigh any negative externality of rail service. After all, communities statewide have regular train service through their towns, often right through neighborhoods, and that's a normal fact of life. Let's not limit great locations, especially near metro downtowns, with TOD potential due to this rule.
7. I believe that NCHFA should incorporate a one-project innovation set-aside that is location agnostic, and is focused on projects that have a compelling project narrative



and involve things like creative adaptive reuse, mixed-use efforts, non-conventional construction techniques, etc.

These projects would be required to meet threshold criteria but would be excepted from scoring criteria, would not have a construction cost minimum, and would be discretionary. Innovation in the program is essential, but the structure of NCHFA's review and process is such that, while tremendous at getting projects funded and closed, is not lending itself to innovation. This could facilitate creativity and enable 'proof of concept' projects that can be more widely adopted as their feasibility is demonstrated.

8. Tiebreaker 3 (Section IV F 7 c) should be revised to "The project with the lowest average income targeting as of full application submission". This will predicate the tiebreaker decision on the most realistic targeting that has incorporated market study adjustments, cost challenges, etc.

Thank you for the opportunity to submit comments and for your consideration of these items.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ethan J Sleeman', with a long horizontal flourish extending to the right.

Ethan J Sleeman

Owner, Long Run Development