2026 NCHFA QAP Comments – 8/25/25

Submitted by Fred Mills Jr & Bobby Funk
Thank you for the opportunity to offer suggestions for the 2026 QAP.

DHHS Points

For several years, the DHHS bonus point has had an outsized impact on the range of communities seeking and receiving funding for affordable housing in the LIHTC program. From a brief analysis of 9% LIHTC awards between 2020 and 2024 in non-metro counties we estimate that the 12 DHHS counties accounted for 46% of program-wide unit production while being home to only 35% of non-metro cost-burdened rental households. When analyzed by Region, Western NC's three DHHS counties received 39% of total unit production across the region's 29 counties. Central NC's 4 DHHS counties saw 35% of total production across its 27 counties, and the East's 5 DHHS counties received 58% of total units from the 37 counties in Eastern regional set-aside.

We encourage NCHFA to discuss housing development in priority counties with the NC Department of Health and Human Services to determine whether goals outlined in the Olmstead Settlement have been achieved, and whether the DHHS point is an equitable tool to produce housing in the many communities with high volumes of cost burdened rental households. Additionally, in light of the "Ending Crime and Disorder on America's Streets" Executive Order issued in July, Section 2 (i) may make North Carolina's Olmstead Settlement subject to reversal and invalidate the policy being implemented by these bonus points.

Tiebreaker Recommendations

We again would strongly advocate inverting the current Second Tiebreaker to be the Lowest percentage of Agency sponsored subordinate debt request per unit (WHLP/RPP etc.). This would incentivize developers to maximize leverage of all other funding sources available without necessarily disadvantaging communities without local funding available as the 2024 and 2025 second tiebreaker did. We believe this will have the added benefit of extending Agency-sponsored funds to more projects.

Construction Cost Mitigation

In light of North Carolina's ongoing challenges to address rising construction cost and maximize unit production with limited resources we would advocate changes to the Appendix B to help mitigate construction costs. In particular, we would advocate removing the requirement for Energy Star Multifamily Certification and rather require buildings achieve a set HERS energy efficiency rating that was the standard several years ago in a previous iteration of Energy Star. We continually see the requirements for meeting the certification standard escalate, with increased costs of several thousand dollars per unit. We have also seen the building code catch up significantly to the standards outlined in Energy Star's certification. At the same time, the savings on utilities costs to tenants are relatively muted. And regardless of utility cost savings, any utilities costs borne by the tenant is factored into the total housing cost for a unit through annual utility analysis updates assuring tenants' total housing cost remain affordable to their income level.

Site Scoring

We would refer the Agency's team to our previous year's recommendations for implementing site scoring rubrics which reduce the likelihood of tied applications. We believe there are practical solutions to help the Agency to quantifiably differentiate sites and funding requests among the applicant pool.

Hurricane Helene

We were surprised by the relative lack of new construction 9% LIHTC awards allocated to HUD designated Most Impacted & Distressed Areas following Hurricane Helene with only two awards going to MID counties in the Western NC set-aside. We would encourage the Agency to work with GrowNC to identify ways to most efficiently allocate disaster recovery funds to new housing production in addition to implementing policies in the QAP to address communities that lost the most housing in the storm. The Agency may also consider awarding a bonus point to MID counties to further incentivize development in western NC.