October 7, 2025

North Carolina Housing Finance Agency
Attn: Scott Farmer, Sandy Harris, Tara Hall
3508 Bush Street
Raleigh, NC 27609

RE: Comments on the First Draft of 2026 NCHFA QAP

Dear Scott, Sandy, and Tara:

On behalf of DHIC, Inc. (DHIC), we are pleased to submit the following comments on the first draft of the 2026 Qualified Allocation Plan (QAP). We appreciate our many years of partnership with the NCHFA in producing and preserving affordable housing for North Carolinians and hope that these comments will assist you in the challenging task of fairly allocating the limited pool of Low-Income Housing Tax Credits.

Although we still believe that the comments we provided before the draft 2026 QAP was released are applicable, we are limiting our comments here to specific changes made in the redlined draft of the 2026 QAP:

2025 Section	Change	Reason
IV.C.1.(b)	**Increase the total replacement cost limit to $340,000/unit. Provide exemption for historic adaptive re-use projects.**	There are already many cost containment mechanisms within the QAP (e.g., vertical construction cost limits, project credit cap). This additional mechanism unduly penalizes projects with market land costs in high value locations, which are often ideal for affordable housing. Total development costs at $340,000 per unit is a 5% increase over the average TRC for the 2025 4% bond awards (average was $324,000). Adaptive re-use projects can be uniquely complex and costly (which is the reason that there is a historic tax credit to incentivize it) and should be evaluated by NCHFA on a case-by-case basis.
IV.C.1.(b)	**Increase cost caps to $135,000 (Chart A) and $150,000 (Chart B)**	In the two years since the vertical construction cost cap was reintroduced, construction costs have increased by ~5% annually. Increasing these caps as proposed here reflects the reality of construction cost increases.
IV.A.1(a)(iv)	**Remove the requirement that all projects submit a "Notice of Real Property Acquisition" form**	Previously, the Notice of Real Property Acquisition form was only required for applications seeking Rental Production Program (RPP) funds. We are unsure why this form needs to be submitted when: (1) the application is for 4% credits where RPP is unavailable, and (2) the application for 9% credits does not include a request for RPP and/or federal funds. We are concerned that the Notice of Ral Property Acquisition Form submission could trigger a restriction on choice limiting activities for each project.
IV.A.1(b)(iii)	**Remove the draft language in this section and specify "interstate" as an Incompatible Use.**	We recognize and appreciate NCHFA's commitment to safety and quality of life for residents of tax credit developments in North Carolina. We suggest that the "Site Suitability" section be updated in two ways for clarity and fairness. First, the word "interstate" should be listed under the section titled "A parcel or right of way within 500 feet containing any of the following." Second, the draft language of "roads with a posted limit of 55 mph or greater" should be eliminated since it is redundant with interstates and unfairly penalizes sites in locations that may have higher speed limits but do not have excessive noise or safety risks.

II.G.2	**Change the return allocation language for 2025 projects.**	Across the state, permitting and construction timelines have continued to lengthen—an unfortunate reality that is largely beyond developers' control. As currently structured, the QAP risks leaving 2025 projects in limbo for an entire year. Consider a developer moving forward with a 2025 project today. If permitting delays push into Q4 2026, a tax credit investor will decline to close due to uncertainty around placing the project in service by the end of 2027. Because the developer would have no opportunity to return the credits in Q4 2026, a project that is otherwise shovel-ready could be forced to stall from late 2026 until Q4 2027—when credits could finally be returned and a new investor might be willing to re-engage. To avoid this situation, we recommend either reverting to the previous credit return timing or reinstating the ability to return a 2025 allocation in exchange for a 2027 allocation: *"An owner who received an award of 9% tax credits in 2025 is eligible to receive an allocation of 2027 tax credits equal to or less than the amount of the original tax credits awarded to the project. The Owner must request an allocation of 2027 credits between November 1, 2026 and December 31, 2026. The allocation will not count against the 2027 Principal limit. An owner who received an award of 9% tax credits in 2025 is also eligible to receive an allocation of 2028 tax credits equal to or less than the amount of the original tax credits awarded to the project. The Owner must request an allocation of 2028 credits between November 1, 2027 and December 31, 2027. The allocation will not count against the 2028 Principal limit."*