DOMINIUM

October 8, 2025

North Carolina Housing Finance Agency
Attn: Tara Hall, Manager of Rental Development
3508 Bush Street
Raleigh, NC 27609

Ms. Hall:

Thank you for the opportunity to provide comments on the North Carolina Housing Finance Agency's Draft 2026 QAP.

We continue to appreciate the leadership of the Agency and ask you to consider the comments below:

1. Comment: Implement a 30% cap on private activity bond usage for 4% projects – **2026 Draft QAP, Sec. V**

   Reasoning: The federal changes to the 25% test create an opportunity for the Agency to significantly expand its affordable housing creation. To maximize the benefit of these changes, we would encourage the Agency to formally adopt a policy limiting bond issuance for 4% projects to no more than 30% of aggregate basis. This allows sufficient bonds for projects to meet the 25% test and give a cushion. In cases where bonds are issued by conduit issuers, we would also suggest the Agency include in the QAP that when NCHFA is not the bond issuer, it will not consider allocating LIHTC for 4% projects that use more than 30% of bonds. The Agency can include language to retain its ability to waive that cap and restrictions if it is financially necessary for a project.

2. Comment: Raise or eliminate the maximum project development costs and total replacement costs limits – **2026 Draft QAP, Sec. IV.C.1.**

   Reasoning: Penalizing applications for higher costs is another hurdle for affordable housing creation in the current economic and trade policy environment. As written, the cost cap on project development costs would limit a developer's ability to adequately source and fund projects without facing a penalty.

   In addition, the proposed cap on replacement costs is significantly below what the majority of 4% bond projects are realistically facing in the current environment. 4% bond projects face added costs due to legal, bond, structuring, and agency fees and average anywhere north of $400,000/unit in replacement costs, as defined by Agency calculations. We support efforts at cost containment to keep the LIHTC program efficient but do not recommend a fixed cap for all project types. If the Agency does set a fixed limit, we would encourage you to allow projects to receive waivers if construction type or market conditions require it, and also recommend revising the Agency's calculation of replacement costs to exclude the cost of land.

   As part of continued cost containment efforts, we would encourage the Agency to also engage with stakeholders and determine dated architectural or design standards that are unnecessarily contributing to higher costs in LIHTC projects and rehabs.

3. Comment: Remove Agency approval for rent adjustments at tax credit properties – **2026 Draft QAP, Sec. VII.B.3.**

   Reasoning: We understand and appreciate the Agency's goal of ensuring resident stability at tax credit properties. While HUD occasionally imposes caps, it is generally accepted that for LIHTC communities to remain affordable over an extended time they must be able to adjust rents to account for inflating costs and insurance. Without confidence that owners can afford to properly maintain the property and pay their costs, financial partners will be hesitant to provide future funding for tax credit projects in North Carolina, reducing the number of affordable homes being built. LIHTC rents are already controlled, by the program's design, to be less than market-rate rents. This balances resident stability with the property's long-term survival as affordable. We ask you to consider removing tax credit properties from requiring approval to set rents allowed by HUD.

4. Comment: Increase the developer fee for rehab projects – **2026 Draft QAP, Sec. VI.B.7.**

   Reasoning: We appreciate the Agency increasing the developer fee for new construction projects. We would encourage the Agency to review the developer fee structure for rehab projects and increase the fee. Given that fee can only realistically be generated by hard costs, the current structure generates less developer fee for rehabs and is far below other states' fee standards. That means rehab projects have less fee available to defer and help feasibility, generate less federal equity, and are even harder to execute. With North Carolina's increasing need for preservation, and limited resources to do so, increasing the developer fee for rehabs will help the state preserve affordable housing.

Dominium would also like to reiterate our support for the following changes and urge their inclusion in the final QAP:

- Increasing the developer fee for new construction projects and removing the penalty for deferring more than 25% of the fee will bring more federal resources to the state and make more developments feasible.

Thank you for your consideration of these comments. We look forward to our continued partnership with the Agency.

Sincerely,

John Rodriguez
Government Relations Manager
Dominium
John.Rodriguez@dominiuminc.com