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

October 10, 2025

RE: 2026 Draft QAP Comments

Dear Scott, Sandy, and Tara:

Below, please find our suggestions and comments to NCHFA's upcoming QAP. Thank you in advance for your time and consideration.

Section II – Set-Asides & Award Limits

We recommend adding the following clarification under Section II(E) Award Limitations:

For award limitation purposes, a Combination Development's 4% and 9% components shall count as one award to the principal if located on the same or contiguous site(s) and submitted under a single development plan.

This clarification ensures that Combination Developments are not double-counted toward per-principal award limits. It aligns with the intent of encouraging coordinated, phased, or "twinning/hybrid" developments without penalizing sponsors pursuing integrated financing structures.

Section III.C.3 .

We recommend amending the language in Section III.C.3 to "Only one 4% or 9% active application can be submitted per site (new construction or rehabilitation), unless combined 4% and 9% applications are submitted for the same site at the same time."

Section IV – Selection & Threshold

We recommend adding the following language to address Combination Developments:

For Combination Developments, shared improvements (parking, utilities, community building, open space, stormwater, off-sites, etc.) may be included in either component or prorated between components based on a reasonable allocation method (e.g., residential square footage, unit count, or cost causation). The method utilized must be disclosed, used consistently across the application set, and include a letter of compliance from an attorney or CPA.

We recommend adding an additional subsection under IV(F) titled "(IV(F)(X) Combination Developments". If implemented, the above suggested amendments can be captured within this new section instead of the previously referenced sections.

- a. *Cost & basis allocations: Require a schedule showing how shared costs are attributed to each component.*
- b. *Operating budgets: Permit proportionate allocation of common-area O&M and management fees; require a memo explaining staffing and services splits if a single Mgmt. Agent serves both.*
- c. *Amenities/Fair housing: Prohibit amenity segregation by credit type; amenities must be comparable and available to all qualified residents.*
- d. *Timing: Acknowledge differing placed-in-service and bond/credit timelines; allow coordinated but non-identical schedules.*
- e. *Compliance file setup: Require a cross-reference exhibit tying the two projects to the same development plan for monitoring.*

This will provide a clear blueprint of requirements for combination application submissions.

We recommend adding the following clarifications under IV(F)(5) & IV(F)(7):

For Combination Developments, developer fee caps, DDF percentage limits, and 15-year DDF pay-out tests are applied per component.

Section IV.C.1.(b)

We respectfully oppose the proposed \$280,000 per-unit Total Development Cost (TDC) cap in Section IV.C.1.(b) of the Draft 2026 QAP. While we appreciate NCHFA's intent to promote cost efficiency and prudent allocation of limited tax credits, we believe other caps adequately achieve this objective. The proposed fixed cap does not reflect current market realities and risks excluding otherwise viable, high-quality developments from consideration.

Construction costs in North Carolina have risen significantly over the past two years due to sustained inflation in labor, materials, insurance, and interest rates. TDC's routinely exceed \$300,000, especially in urban areas such as Asheville, Raleigh, Charlotte, and Wilmington where land, infrastructure, and local design standards drive costs upward. Setting an inflexible statewide cap at \$280,000 fails to account for these geographic and programmatic variations. Maintaining flexibility in the TDC limit will better align the QAP with market conditions, ensure equitable competition across regions, and support the development of durable, sustainable, and inclusive housing throughout North Carolina.

Section IV.F.7(b)

We respectfully oppose the addition of the proposed second tiebreaker in the Draft 2026 QAP, which provides preference for the 9% applications that request highest number of units. This framework inadvertently penalizes developments using fewer HFA resources/tax credits that can leverage non-HFA resources. This further increases the total amount of housing credits that such larger project would naturally generate which in turn goes unused as they exceed the tax credit cap of \$1.3 million.

Recommended alternative tiebreakers:

- Any project that is a combination development (both 9% and 4%) or, that is part of a phased development, as described in the application.
- Any project structured as a public-private partnership (PPP) in which a public entity (for example, a local housing authority or other governmental agency) participates in ownership, financing, land provision, or ongoing subsidy.
- A project utilizing an innovative financing structure intended to most efficiently and effectively allow for the highest number of newly constructed affordable housing units.

Section VIII – Definitions

We recommend adding the following definition:

Combination Development: Two related but independently financed projects on the same or contiguous site(s) under a single development plan, where one component seeks 9% Credits and the other seeks 4% Credits with tax-exempt bonds. Shared infrastructure/amenities may be proportionally allocated.

Sincerely,

Harmony Housing Affordable Development Inc



Paul Marfione
Vice President of Business Development