TAFT MILLS GROUP

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October 9, 2025

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

RE: 2026 Draft QAP – Comments for Consideration

Dear Scott, Sandy & Tara,

Thank you for allowing us and others the opportunity to provide feedback as it pertains to changes proposed in the first draft of the 2026 Qualified Allocation Plan ("QAP"). Please consider the following:

- **Maximum Project Development Cost Cap**: The proposed cap of the Total Replacement Cost ("TRC") of $280K is insufficient based on present cost and market conditions and should be reconsidered. As a point for consideration, the average TRC of the 2025 LIHTC-funded (new construction) deals was, as best we can tell, +/- $291K per unit. The presently proposed $280K cap represents a +/-$11K per unit reduction in TRC from the aforementioned '25 average of $291K. Also, it's worth noting that roughly 1/3 of the '25-funded new-construction deals are well above $300K per unit (with an average of $330K per unit).

  In an environment of looming cost increases tied to tariffs, continued labor shortages, and increased pressure to use US-made products, an all-inclusive cost cap, in general, is less than ideal. However, if staff feels it is necessary to insert a cost cap, we suggest a cap of, at a minimum, $350K.

  In addition, we feel strongly that the cost of land should not be included in the aforementioned $350K cap (or any cap, for that matter). Land cost, as you are aware, varies greatly based on numerous factors (proximity to amenities, market size/desirability, etc.). Including the cost of land in the TRC calculation will inevitably penalize developments in highly desirable areas where affordable housing may be in short supply.

- **Credit Cap Increase**: Please consider increasing the per-project credit limit from $1.3mm to $1.6mm. In the absence of WHLP funding during the 2026 LIHTC cycle, many proposed developments, even with deferring 50% of the development fee, will not be financially feasible.

  A higher credit per deal limit will also allow projects to include more units within the cap. More units in a project will generally lead to a lower cost per unit as fixed costs are spread among more units and construction costs may be more efficient.

- **Encourage Activity in the Western Pool:** In addition to the incentives (Bonus Point and CDBG-DR Funds) already proposed to encourage additional submissions in the counties impacted by

Tropical Storm Helene, please consider waiving the Principal Limit cap for any applications submitted in the affected counties. Furthermore, we would suggest NCHFA allowing an additional developer bonus point (in addition to the two already allowed) that can only be used in the counties listed in the Disaster Recovery Funds section of the QAP.

This change, coupled with the incentives already proposed, will almost certainly increase the number of applications submitted in the region and, as a result, will ensure that all of the credits allocated to this region are fully utilized. It will also further strengthen NCHFA's commitment to assist in the ongoing recovery efforts in the region by providing much-needed affordable housing.

- **Deferred Design-Build Plan Review**: We respectfully request that design-build services, primarily fire sprinkler and site lighting design, be allowed to be submitted after and independent of the initial plan review. Our contracts with local utility providers and sub-contractors are often inclusive of design services and these designs are not always ready until after the start of construction. Because the fire and site lighting plans are presently required as part of the agency's initial plan review, we often have our engineers duplicate the work at an earlier stage in an effort to avoid a delayed start. This process often causes conflicts (timing delays and cost increases) between what was designed early-stage to adhere to NCHFA's requirements and the timing of the design-build process that often happens once construction has started (or is well underway).

Thank you in advance for your consideration of our suggestions above. Should you need any additional details/insight, please don't hesitate to contact me at dustin@taftmillsgroup.com.

Warmest Regards,

Dustin T. Mills
President