

Tara Hall

From: Thomas Urquhart <TWUrquhart@urquhartdevelopment.com>
Sent: Wednesday, October 8, 2025 9:26 AM
To: Tara Hall; Daphne Baker; Scott Farmer
Cc: Julia Bryan; Davis Ray - WynnefieldForward; Craig Stone - WynnefieldForward
Subject: EXTERNAL: Comments on proposed 2026 QAP
Attachments: Urquhart Development Comments on 2026 NC QAP.pdf

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Tara, Daphne, and Scott:

Attached are my comments about the proposed 2026 QAP.

I apologize for the late delivery.

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Appreciation for NCHFA Policy Adjustments

I want to express my gratitude to the North Carolina Housing Finance Agency (NCHFA) for increasing the allowable distances to amenities for affordable housing projects. This change will enable us to identify a greater number of potential sites that still meet the requirements for affordable housing development. In addition, I wholeheartedly agree with the allocation of an additional 12% of the LIHTC set aside to the West Region.

Request to Raise the Maximum Amount of Low-Income Housing Tax Credits per Project Limit

I respectfully request that the project limit for Low-Income Housing Tax Credits be raised from the current amount of \$1,300,000 to at least \$1,500,000. The existing cap has the effect of reducing the number of units in a project. With the current limit, the size of the project is so low effective management becomes difficult.

Concerns About Maximum Development Cost (MDC)

I am concerned that the current MDC is set below the actual cost to develop. The fact is, the proposed maximum development cost of \$280,000 is less than the average of \$291,389 for the 2025 projects with 9% allocations.

If the NCHFA wants to have an MDC, I would recommend that the limit be raised to \$320,000 for low-income and moderate-income counties. I would recommend that the high-income counties have a \$340,000 cap on MDC per unit. I note that the three applications exceeding \$320,000 per unit in MDC which received allocations in 2025 were in Gaston, Mecklenburg, and Wake counties. Consideration should be given to allowing these counties to have a higher MDC/unit of \$340,000. This is not unreasonable because of the cost of land and development per unit in those counties.

The MDC needs to incorporate the increased costs of the Build America, Buy America Act's provisions for those applications using Federal Funds. I would recommend adding at least \$15,000 per unit for the projects using Federal Funds, making the MDC limit higher for projects that use Federal Funds.

It appears to me that asking for Federal funds could be financially detrimental given the LIHTC per project limit. The Build America, Buy America Act provisions might raise the cost of construction to the point at which the project limit of LIHTC may make any but the smallest project infeasible.

Given the complexities of setting a fair MDC, the best route would be to not have an MDC limit. Allow the other limits in the QAP to control MDC.

Reducing the Total Costs of Development

The NCHFA could reduce the average cost of development by modifying Appendix B Design Quality Standards and Requirements to eliminate the Energy Star standards. This is particularly true because there will be no tax credits allowed for Energy Star construction.

I understand that the additional direct cost of going from the currently required building code to Energy Star standards is more than \$5,000 per unit. It seems to me that Energy Star standards simply do not result in enough savings on electric bills to be worth the additional costs to residents—or to the project. I believe the additional rent that would have to be charged would exceed any Energy Star savings reflected in the residents' electricity bills. I do not think it can be worth the costs just to be able to say, "We develop to Energy Star standards."

Concerns about Operating Costs Minimum

The proposed Operating Costs Minimum is too low by a large margin, in my opinion. The 2025 projects allocated LIHTC have an average of \$5,121 per unit per year in expenses not including property taxes and tenant services. Therefore, I think the minimum should be at least \$5,200/unit/year.

I would recommend that the NCHFA collaborate with its management division which has audits for all the LIHTC projects. Checking the actual operating costs of the existing inventory would clarify actual costs that could guide the NCHFA on this matter.

Recommendation for Automatic Basis Boost

Though I make this recommendation last, I think it is extremely important. I have attached a spreadsheet that I believe confirms my conclusions.

I believe the NCHFA should revise the Qualified Allocation Plan (QAP) Section II (E) (3) which governs the agency's ability to grant a basis boost. I would recommend all projects located in Low-Income and Moderate-Income counties should automatically receive a basis boost, with the specific amount determined by the individual financing needs of each proposed project. According to my calculations, projects in Low-Income counties will not be financially feasible without a basis boost even with maximum RPP. Moderate-Income counties will also require a basis boost for project feasibility. And some High-Income counties may also need a basis boost.

Essentially, I recommend that the NCHFA be empowered to award a basis boost to any 9% project. I believe any project could need additional equity to make up for the reduced amount of WHLP available in 2026.

Basis boost flexibility would be a tool the NCHFA could use as needed, with little consequence if alternative financing such as WHLP becomes available. The NCHFA would have complete discretion about how much, if any, basis boost to grant. If basis boost flexibility by the NCHFA leads to the development of fewer units, so be it. I believe it is more responsible to have fewer projects that are financially sound rather than more projects that are not sound.

The spreadsheet that follows shows that projected sources and uses (in NCHFA format) for a 48-unit family project in a Low-Income county would have a Deferred Developer Fee greater than \$1,500,000. Not many developers will be able to find alternative financing in this amount in a Low-Income county. A larger project such as a 60-unit project has even higher Deferred Developer Fee.

The inputs to make this spreadsheet were close to what the averages were for the approved 2025 application. This included construction costs, mortgage interest rates, and value of the credits. With a basis boost the project would be financially feasible.

Low-Income County - 48-Unit Family Project
Using numbers close to 2025 approvals for all significant variables

48-Unit family project Low-Income County with no basis boost Source	FHA Financing Amount	Conventional Financing Amount	Non Amortizing	Rate %	Term Years	Amortization Period years	FHA Annual Debt Service	Conv. Annual Debt Service
Bank Loan	\$2,862,100	\$2,513,700		6.000%	40/18	40/35	\$192,705	\$192,707
Local Government Loan - specify	\$0	0						
RD 515 Loan	\$0	\$0						
RD 538 Loan	\$0	\$0						
AHP	\$0	\$0						
Other Loan 1 - RPP	\$0	\$0						
Other Loan 2 - specify	\$0	\$0						
Other Loan 3 - specify	\$0	\$0						
Tax Exempt Bonds	\$0	\$0						
NC Workforce Housing Loan	\$0	\$0		0.000%	30	30	\$0	\$0
Equity: Federal LIHTC	\$9,422,456	\$9,308,669						
Non-Repayable Grant	\$0	\$0						
Deferred Developer Fee	\$1,565,091	\$1,881,735						
Owner Investment	\$0	\$0						
Other - Specify:	\$0	\$0						
Total Sources	\$13,849,647	\$13,704,103						