BRINSHORE   Raleigh Housing Authority

December 5th, 2025

North Carolina Housing Finance Agency
Attn: Tara Meredith
tmeredith@nchfa.com

Re: RHA/Brinshore 2026 QAP – Comments

Dear Tara Meredith and NCHFA Staff,

Thank you for the opportunity to provide comments on the 2nd Draft of the 2026 QAP. On behalf of the Raleigh Housing Authority and Brinshore Development, we are pleased to submit the following comments:

- **Section II. B 2. (b) (v)** – **NEW CONSTRUCTION SET-ASIDES** - We recommend expanding the language to include HUD repositioning projects such as Rental Assistance Demonstration (RAD), Section 18, and RAD/Section 18 Blends.

- **Section II. E. 2. – PROJECT LIMIT –** We recommend an increase to the maximum 9% credit award to $1.8MM. The One Big Beautiful Bill increases each state's allocation of 9% credits by 12% starting in 2026. Providing additional credits will help more deals to be financially viable, leverage additional sources, and expand housing options to more parts of the state. Please see Exhibit A for more detailed comments on the maximum 9% credit award.

- **Section II. D. 2. – CHOICE NEIGHBORHOOS IMPLEMENTATION SET-ASIDE**: We recommend expanding eligibility and to redefine as a **"CNI/HUD APPROVED REPOSITIONING PROGRAM SET-ASIDE".** This would allow Rental Assistance Demonstration (RAD) conversions and other repositioning efforts such as Section 18 Demolition/Disposition and RAD/Section 18 blend transactions to be included.

  PHAs across North Carolina are under increasing pressure to reposition aging public housing portfolios. Many agencies are actively pursuing RAD or Section 18 conversions as part of strategic asset management plans. Expanding eligibility would provide a clearer and more equitable pathway for these agencies to compete for LIHTC resources necessary to implement these conversions.

  Using similar eligibility parameters under the 2025 QAP—such as requiring an approved RAD Commitment to Enter into a Housing Assistance Payment Contract ("CHAP") or Section 18 application—ensures that only projects with demonstrated readiness and federal commitment are eligible, which maintains the program integrity while broadening access. Further, projects that can demonstrate commitments from other resources at the time of full application could be prioritized. Examples of qualifying resources may include, but are not limited to: publicly donated land, philanthropic grants and below market loans, soft or gap financing commitments from a local municipality or county or grant and loan funding contributions from an affiliate or instrumentality of the sponsoring PHA. These leveraged resources not only enhance project viability but also mirror the type of collaborative, multi-layered investment and community revitalization goals under the CNI.

- **Section IV. A. 1. b. ii. - AMENITIES –** We recommend adding NC State Farmers Public Market to the list of Primary Amenities under the Shopping category. The market is open year-round, six days a week. It has more than 75 acres of indoor/outdoor shops featuring household items, a garden center, clothing, fresh foods, home décor, linens and multiple restaurants.

- **Section IV. A. 1. b. ii. – AMENITIES -** Recommend adding Glenwood South Pharmacy & Market to the list of Primary Amenities under the Shopping category. They are a full-service market, with cleaning supplies, groceries, household items, paper goods, fresh foods, and refrigerated groceries. It is comparable to a DGX, which is on NCHFA's approved Shopping establishments.

- **Section IV. C 1. (b)** – **MAXIMUM TOTAL DEVELOPMENT COSTS** - We recommend removing the language that limits total replacement cost to $350,000 per unit and replacing with a more flexible cost limit structure. Please see Exhibit B for more detailed comments on development cost limits.

- **Section IV. (E) 4. – UNIT MIX AND PROJECT SIZE –** We recommend that NCHFA expand this language to include areas located within the Raleigh Transit Overlay District and/or a transit-oriented development region as defined in the Wake County Transit Plan.

Thank you for your consideration.

Regards,

Kenya Pleasant
Chief Real Estate Development Officer
Raleigh Housing Authority

Sarah Jones-Anderson
Senior Vice President of Development
Brinshore Development

Exhibit A: Section II. E. 2. Project Limit – 9% Tax Credits

We would like to acknowledge and express our support for increasing the 9% tax credit cap from $1.3MM to $1.5MM. We propose that NCHFA consider raising the cap to $1.8MM per project. Additional tax credits have an outsized impact in terms of affordable units made possible due to economies of scale advantages. Every affordable housing project has high fixed costs related to land and/or site work, mandatory due diligence, and financing. Using an illustrative example of a 44-unit project, we found that an additional $500,000 of credits enabled the same project to support 73 units. The 29 additional affordable units made possible are achieved at a cost of just $17,241 in tax credits per unit, underscoring the tremendous value created by increasing the cap.

Beginning in 2026, every state will receive a 12% increase in 9% federal low-income housing tax credits. This added capacity helps counterbalance the effect of larger awards, which ensure that the projects funded are more efficient and less likely to experience delays due to funding gaps. Without large soft funding resources to cover these gaps, the $1.3MM annual tax credit gap makes it difficult to build a 9% new construction project in North Carolina that is larger than 40 – 45 units. Projects of this size are particularly inefficient because of the high fixed costs to both develop and manage a single property relative to the number of households served. Increasing the annual tax credit cap by $500,000/38% will increase the feasible 9% development size by 29 units/65.91%. The analysis below demonstrates this relationship:

If we do a back-of-the-envelope calculation with X as the number of units supported under a $1.3MM annual LIHTC allocation, we get the following:

<u>Current Scenario Approximation: $1,300,000 Annual 9% Credit Cap</u>

This illustrative example was created based on the Heritage Park Senior development in Raleigh, which was awarded 9% tax credits in 2025. We assume a LIHTC price of $0.83 per $1.00 in both scenarios.

Sources
$10,680,000 in Maximum Tax Credit Equity
$110,000/unit in Private First Loan Proceeds
$1,000,000 in Soft Funding
TOTAL = 11,680,000 + 110,000x

Uses
$220,000/unit in Variable Hard + Soft Costs
$1,250,000 in Site Work
$2,500,000 in Fixed Hard + Soft Costs
$1,500,000 in Financing Costs
$10,000/unit in Reserves
$24,000/unit in Developer Fee
Total = $5,250,000 + 254,000x

*Note that this scenario assumes voucher rents, a land donation, and the ability to raise at least $1MM in soft funds.

If we balance the equation and solve for X, we get the following:

11,680,000 + 110,000x = 5,250,000 + 254,000x
6,430,000 = 144,000x
X = Approximately 44 units

Proposed Scenario Approximation: $1,800,000 Annual 9% Credit Cap

Sources
$14,790,000 in Maximum Tax Credit Equity
$110,000/unit in Private First Loan Proceeds
$1,000,000 in Soft Funding
Total: 15,790,000 + 110,000x

Uses
$220,000/unit in Variable Hard + Soft Costs
$1,250,000 in Site Work
$2,500,000 in Fixed Hard + Soft Costs
$1,500,000 in Financing Costs
$10,000/unit in Reserves
$24,000/unit in Developer Fee
Total = $5,250,000 + 254,000x

*Note that this scenario assumes voucher rents, a land donation, and the ability to raise at least $1MM in soft funds.

If we balance the equation and solve for X, we get the following:

15,790,000 + 110,000x = 5,250,000 + 254,000x
10,540,000 = 144,000x
X = Approximately 73 units

By increasing the annual 9% tax credit allocation per project from $1.3MM to $1.8MM the feasible size of the illustrative 9% project increased from 44 units to 73 units**. This represents a 65.91% increase in affordable housing due to a 38.46% increase in funding.** Therefore, increasing the annual tax credit allocation is a highly efficient, value-creating fiscal policy.

Exhibit B: Section IV. C 1. (b) Proposed Cost Limits

Expanding Categories of Cost Limits

A single $350,000 per-unit total replacement cost limit is often insufficient to support high quality affordable housing. We acknowledge and support the subtraction of land costs and the cost waiver process outlined in the second draft of the QAP. We recommend adopting an expanded set of cost limits to capture the known circumstances that raise project costs. This will reduce NCHFA's burden to screen cost waivers and provide more certainty to development teams. We recommend adopting a tiered and flexible cost-limit structure to account for new construction vs. rehab projects across three regions.

Virginia's 2025 Housing Credit Manual adopts one version of this approach to meet the variety of needs in their state:

- Virginia provides maximum costs per unit and per square foot. Developments only need to meet one set of cost limits. The per square foot option enables projects with commercial space, community space, and larger units to pass threshold requirements.
- Costs associated with desirable amenities may be removed from the cost limit. In Virginia, parking structures, acquisition, renewable electric energy systems and supportive service reserves may be removed from the total development calculation for purposes of meeting the cost limit.
- Virginia provides a maximum cost grid with different limits for new construction vs. rehab and three different geographic regions.

The following is presented on Page 15 of the Virginia Housing Federal Housing Credit Manual:

Cost Limits (Per Square Foot)	New Construction	Rehab
Northern Virginia and ASH	$497	$372
Richmond, Tidewater, NW/NC	$328	$241
Balance of State	$239	$192

Cost Limits (Per Unit)	New Construction	Rehab
Northern Virginia and ASH	$533,792	$449,063
Richmond, Tidewater, NW/NC	$315,423	$235,006
Balance of State	$288,464	$222,528

We recommend the following categories of cost limits for the 2026 North Carolina QAP:

- Three different geographic regions: Metro Counties, HUD-Identified or State-Identified Most Impacted and Distressed Areas (MID), and Balance of State
- Construction type: New Construction/Adaptive Reuse, Rehabilitation
- Deductions for land costs, amenity and community space, and tenant relocation expenses
- Provide two sets of costs limits: per square foot and per unit

This approach proactively accounts for predictable circumstances that increase costs to build affordable housing. By applying one cost limit to every transaction, new construction projects serving regions with inherently higher development costs are disproportionately penalized. Developers in these expensive markets would have to build substandard product in order to deliver any affordable housing for under

$350,000 per unit, which may not be marketable or durable. For example, other commenters have presented data to show that total replacement costs can reach $400,000 per unit in urban areas of North Carolina. Cost limit categories still allow the NCHFA to implement strong cost-control measures while ultimately supporting a more equitable distribution of affordable housing resources.

Setting Cost Limits

While we support cost discipline and agree that limits help ensure responsible use of public resources, we encourage NCHFA to consult with contractors, developers, and public housing authorities across different regions to establish cost limits that reflect current and realistic market conditions. In addition to the variable hard costs per unit, the proposed cost limit often cannot support the fixed costs required to complete an affordable housing transaction, especially with tax-exempt municipal bonds. Other commenters have adequately detailed these soft costs, including assorted insurance requirements, financing fees, and capitalized interest payments during construction.

Two realities of affordable housing development that have not been extensively covered in the current comments include tenant relocation expenses and community/amenity spaces. Brinshore Development specializes in repositioning public housing projects in partnership with public housing authorities, such as the Raleigh Housing Authority. At Brinshore, we have found that these projects often require temporary or permanent relocation of existing households in compliance with Uniform Relocation Act (URA) requirements. These costs are unavoidable, legally required, and ensure that residents are protected as obsolete, unsafe public housing is replaced or rehabilitated. Similarly, community rooms, service offices, and shared amenity spaces are commonly required by HUD programs, Choice Neighborhoods initiatives, and resident services contracts. These spaces are core components of modern affordable housing and are designed to support long-term stability and property performance.

We recommend that NCHFA adopt a tiered, flexible cost limit structure and exclude the costs associated with tenant relocation expenses and community/amenity space before determining the development's cost per unit or cost per square foot.