DOMINIUM

June 30, 2026

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

Ms. Merideth:

Thank you for the opportunity to provide comments on the North Carolina Housing Finance Agency's 2026 QAP. The recommendations below are intended for the Agency's consideration as it develops the 2027 QAP.

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

1. Comment: Raise or eliminate the maximum project development costs and total replacement costs limits – 2026 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.

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.

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

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 operating costs. 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. 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 already allowed by HUD. Should the Agency decide not to eliminate the approval requirement entirely, we would alternatively ask the Agency to revisit the existing $75 cap on annual rent increases. Rather than a flat dollar amount, we would encourage the Agency to adopt a percentage-based cap, which would better account for differences in rent levels across the state and allow rents to keep pace with rising

operating costs over time. By going to a percentage of current rent, you could eliminate instances where smaller units with lower AMI's (studio or 1BR units) could be rent-burdened by a $75 increase. We would also ask that owners of stabilized properties that have already received final IRS Forms 8609 be permitted to request a waiver of the cap, particularly where (i) the property is a rehabilitation deal that has historically underperformed and where substantial rehabilitation work has materially repositioned the property in the market, or (ii) a change in utility structure (such as a shift in who pays for utilities) results in a corresponding adjustment to the utility allowance and resulting rent.

3. Comment: Increase the developer fee for rehab projects – 2026 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. The Plan currently caps the rehab developer fee at twenty-eight and one-half percent (28.5%) of PDC line item 4, compared to a flat per-unit cap of $24,000 for new construction. As currently structured, PDC line item 4 does not include acquisition costs, meaning rehab developers cannot earn fee on the acquisition basis of a transaction even though acquisition price — not rehabilitation scope — is often the largest and least controllable cost driver on a preservation deal. Other state housing finance agencies calculate developer fee against total development cost inclusive of acquisition basis rather than excluding it. We would encourage the Agency to expand PDC line 4 to include a portion of acquisition costs so the developer fee for rehab projects scales with the full cost of the transaction, not solely the rehabilitation construction scope. 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.

4. Comment: Increase the maximum allowable percentage of deferred developer fee, with a reduction in points for amounts deferred above 50% – 2026 QAP, Sec. VI.B.5.

Reasoning: The Plan currently limits deferred developer fee to fifty percent (50%) of the total developer fee as of the full application. We would ask the Agency to allow deferral of up to seventy-five percent (75%) of the developer fee, with a reduction in points applied to amounts deferred above fifty percent (50%), similar to the tiered approach the Agency has used previously for deferrals between twenty-five percent (25%) and fifty percent (50%). This added flexibility would help close funding gaps without requiring additional public resources. We would also encourage the Agency to consider measuring the deferral limit, in addition to or instead of a percentage of total developer fee, as a dollar-based contingency (for example, developers must have a minimum of $1,000,000 paid developer fee) so that larger projects are not unduly constrained by a strict percentage cap when a larger absolute cushion is needed to ensure feasibility.

5. Comment: Defer the requirement for final architectural plans and specifications until after closing – **Appendix B, Sec. I.B & I.C.**

Reasoning: At the time of full application, no developer has fully completed architectural plans, as plans are not finalized until the project has gone through local government plan review and permitting. Requiring substantially complete plans and specifications prior to closing creates a significant bottleneck to production, since final,

permitted plans are often not available until shortly before, or even after, closing. Other state agencies do not require Agency-level review or approval of final architectural plans and specifications before closing. Instead, those agencies require only a conceptual site plan, a plan and cost report, and, for rehabilitation projects, a physical needs assessment at the application stage, relying on the local government's own building permit process — rather than a separate Agency design review — as evidence that final plans have been completed and approved. We would ask the Agency to adopt a similar approach: requiring only a conceptual plan and cost report at full application and closing, and accepting evidence of an issued local building permit in place of a separate Agency-level review of final, permitted plans and specifications, so long as the Applicant continues to meet all Plan requirements throughout the local government plan review and permitting process. So long as a project is meeting the requirements of the Agency, owners should not be required to submit fully permitted final plans and then face a delay in closing while the Agency conducts its review.

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

Sincerely,



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