LINCOLN AVENUE COMMUNITIES

June 25, 2026

Tara Meredith
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Dear Ms. Meredith:

Thank you for the opportunity to contribute this feedback, which we hope will inform the development of the State of North Carolina's 2027 Draft Qualified Allocation Plan. We look forward to collaborating with the North Carolina Housing Finance Agency (NCHFA / the Agency) as you develop your affordable housing priorities. Lincoln Avenue Communities (LAC) is a mission-driven affordable housing developer currently active in twenty-seven states. In North Carolina, we are focused on developing ground-up new construction affordable housing and preservation of existing affordable housing using a combination of 9 percent LIHTCs and 4 percent LIHTCs with tax-exempt bonds (TEBs).

With the enactment of the One Big Beautiful Bill (OB3) in July of 2025 and the imminent enactment of the 21st Century ROAD to Housing Act (HR 6644) there are significant new policy and market dynamics at play that are cause to revisiting core QAP priorities and strategies in 2027. Most notably, for the past several years, NCHFA had experienced a significant oversubscription of private-activity bonds. This in turn drove several policy decisions in how the agency chose to mete out scarce resources, which it generally did so by emphasizing and prioritizing new housing supply. With the enactment of the 25% test and NCHFA's subsequent implementation of the test in the 2026 QAP, the PAB environment is no longer oversubscribed in North Carolina. At the same time, market dynamics including higher interest rates and declining tax credit equity pricing have made it more difficult to finance new construction projects in North Carolina without significant new influxes of subordinate financing.

We believe that these conditions call for a reassessment (at least in the short-term) on how NCHFA deploys its private activity bonds and related policies to emphasize and incentivize preservation developments across the state utilizing the 4% LIHTC program. This is all the more important given the potential changes the State Legislature is considering which may further constrain the ability for developers to utilize the non-profit tax abatement in the state to preserve rent and income restricted rental housing.[1]

Utilizing data from the National Housing Preservation Database, we have identified at least 94 at-risk[2] LIHTC properties across the state providing homes for more than 2247 households that will reach year thirty of their compliance period over the next five years and are at risk of imminently losing their affordability restrictions if they are not recapitalized with LIHTCs or other resources. Additionally, there are hundreds of additional properties across the state that have completed their initial tax credit compliance period (Year 15) that are in need of recapitalization. Without concerted action, these

[1] See appendix for an analysis of NC HB 1042 and its impact on preservation in North Carolina.
[2] Based on our analysis of multifamily acquisition market trends, we define "at risk" as properties that contain 50+ units and are within five years of the expiration of the extended use restrictions. If the properties have other subsidies that extend their affordability restriction beyond the LURA we use the latest subsidy expiration date.

properties are at risk of degrading physically and financially and/or being sold owners that may seek to opt-out of affordability restrictions in the future.[3]

Developer Fees [Highest Priority Comment]

Acquisition Rehabilitation Projects

An increasing number of post Year 15 LIHTC properties are being marketed for sale to conventional multifamily owners, often backed by private-equity, whose business plan is to hold on to the properties until the approach Year 30 where they can decontrolled from their affordability restrictions or sold to a party that intends to decontrol. The most marketable assets for this strategy are first generation LIHTC communities in strong-markets where there is a significant rent advantage to market. Given the vintage of these properties the ratio of acquisition costs (which tend to be higher due to the strength of the market and rent advantage) to rehabilitation costs (which tend to be lower because of their recent vintage and professional management) tends to skew higher than that of Section 8 and USDA RD communities.

The QAP as currently drafted has a *significant disincentive* against preserving recent vintage LIHTC communities, which we believe are amongst the highest risk affordable housing properties in the state for loss of affordability. The specific disincentive is how NCSHFA has structured developer fee for Rehabilitation projects. The current methodology (28.5% of PDC line 4) has not increased since it was adopted in 2020. In the intervening years, ratio of acquisition costs to rehabilitation costs has increased significantly but is not accounted for in the QAP. In fact, the current methodology for calculating developer fees for rehabilitation projects results in a below market developer fee because it *fully omits* acquisition basis as well as other costs in eligible basis (e.g., GC overhead, GC profit, PMP, developer fees).

The exclusion of acquisition basis in the developer fee calculation in particular disfavors some of the most at-risk preservation assets (high quality year 15 LIHTC assets). We suggest NCHFA adopt a flat 15% developer fee on eligible basis for acquisition rehabilitation projects. If NCHFA would prefer to retain its existing approach to developer fee on rehabilitation projects we recommend either raising the fee percentage from 28.5% to 32% and/or including additional line-items in PDC line 4 including some portion of acquisition basis, GC fees, and contingency. We regularly underwrite preservation transactions that are not financially viable and 4% LIHTC transactions because of the current methodology but would pencil with our recommend developer fee. This change is urgently needed to preserve the first generation of LIHTC properties that are now nearing the end of their thirty-year extended-use period and are at risk of converting to market. A flat 15% developer fee for 4% LIHTC preservation transactions is the industry standard amongst HFAs and, in fact, many HFAs recognizing the dynamics highlighted

[3] To better understand the factors driving preservation risk we urge NCHFA staff to review Fairview Housing Partners "Developing a Preservation Risk Mitigation Methodology" policy brief: https://www.linkedin.com/pulse/developing-preservation-risk-mitigation-methodology-thom-amdur-vwsxe/?trackingId=f74amwm4IpR4nnkSixQwzA%3D%3D

above have higher flat developer fee percentages (inclusive of rehabilitation and acquisition basis)[4] We have attached an appendix to these comments a case-study to illustrate the impact of this policy.

New Construction Projects

We appreciate that NCHFA increased the per unit developer fee limit for new construction projects from $23,000 per unit to $24,000 per unit in the 2026 QAP. This is a move in the right direction; however, we urge NCHFA to consider a further increase, at least for projects financed using 4% LIHTCs and TEBs to improve transactional feasibility.

As noted above, most states permit a flat developer fee percentage of at least 15% and many states in the region have higher developer fees for 4% transactions. The additional eligible basis generated results in an additional increment of federal tax credit equity that helps fill financing gaps and offsets rising construction costs, inflationary interest rates and operating expenses. If NCHFA wishes to continue having a hard dollar per unit developer fee limit, we suggest raising it to at least $30,000 per unit for new construction projects.

Deferred Developer Fee

We encourage NCHFA to allow deferred developer fees in excess of 50% on 4% LIHTC developments if the development can demonstrate the entire amount will be paid within 15 years and meets the standards required by the IRS to stay in basis.

Recycling Private Activity Bond Volume Cap

We encourage NCHFA to consider setting up a multifamily private activity bond recycling program as soon as possible. This will allow HFAs like NCHFA to conserve PAB volume cap as demand for affordable housing increases and facilitate interest rate reductions for a larger portion of the capital stack of a multifamily bond project. On a traditional 4% TEB transaction, as the capital stack is structured to be scaled to the new 30% test and an increasing amount of the debt proceeds are replaced with taxable debt. In normal yield-curve environments taxable debt carries a higher interest rate, reducing the amount of debt proceeds available to finance affordable housing.

Establishing a multifamily residential rental housing bond recycling program benefits multiple stakeholders including:

1. The borrower, who benefits with lower interest rates and increased proceeds.
2. The state HFA, which benefits from larger issuances and increased fees associated with large transactions.
3. And most importantly, low-income individuals and families will benefit from increased affordable housing production.

[4] Maximum Developer Fee Policies for 4% LIHTC transactions:
25% - Tennessee
20% - Kentucky, Ohio, North Dakota, Oklahoma, Wisconsin
19% - Arizona
18% - Florida, Iowa, West Virginia

Establishing a bond recycling program today positions agencies for future. The 2008 Housing and Economic Recovery Act (HERA) which authorizes the reuse or "recycling" of multifamily private activity bond volume cap to finance new affordable multifamily rental housing projects under certain conditions. Such "recycled" bond volume does not entitle the new project to which it is allocated to qualify for 4% low-income housing tax credits; however, as stated above it produces a much lower borrowing rate in many transactions, enhanced feasibility. There are several due diligence steps an HFA must evaluate before enacting a recycling program – the most important being whether the issuer has issued a sufficient volume of tax-exempt bond in previous years that there are sufficient projected pay downs or pay offs that volume that can be recycled and justify the costs of setting up a program.

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with NCHFA on the drafting of its 2027 Low-Income Housing Tax Credit QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 646-585-5526 or tamdur@lincolnavenue.com.

Regards,



Thom Amdur
Executive Vice President, Policy & Impact

Cc: Scott Farmer

About Lincoln Avenue Communities

Lincoln Avenue Communities is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 33 states, with a portfolio of 209 properties comprising 33,000+ units.

Appendix 1: Case Study

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LINCOLN AVENUE COMMUNITIES

North Carolina QAP: Basis Maximization Strategy

June 2026

Increasing Preservation and Reducing the Need for 4% Soft Funds Through Basis Maximization Strategies

(Background & Overview)

Background

- The compelling financial attribute of the 4 percent LIHTC program is the “as of right” credits that come with meeting the IRC Section 142 requirements along with meeting the threshold requirements set forth in NCHFA’s QAP.
- While Private Activity Bond (PAB) volume cap is a limited resource, the credits associated with Tax Exempt Bond (TEB) transactions are only limited by underwriting and the amount of eligible basis. This is a significant difference from the 9 percent LIHTC program where the allocation of annual credit authority is capped.
- To combat escalating construction costs, inflation and rising interest rates and ensure the preservation of affordable communities developed under the LIHTC program in North Carolina, NCHFA should take affirmative steps to allow bond transactions to maximize eligible basis to leverage the maximum amount of LIHTCs within the constraints of the law.

Increasing Preservation and Reducing the Need for 4% Soft Funds Through Basis Maximization Strategies (Continued)

(Background & Overview)

Fill Project Gaps By Leveraging Additional Developer Fees

- The IRS permits the inclusion of developer fees in eligible basis because these fees serve as the primary form of compensation for LIHTC developers. They pay for overhead of essential functions, including accounting, human resources, information technology, asset management, insurance and legal fees and many others.
- Developer fees serve as the primary form of reimbursement for pre-development costs and resident services and are a de-facto construction contingency, much drawn on today as construction costs skyrocket.
- Even small increases in developer fees for bond transactions can fill significant project funding gaps. This is a policy strategy that has been deployed by many states HFAs in recent years to great success.
- With the implementation of the 25% test, a larger developer fee would allow NCHFA to leverage additional eligible basis and 4% credits to ensure financial feasibility and stretch tax exemption bond allocation to fund more projects.
- The additional tax credit equity generated by the increased developer fee on preservation projects will result in feasibility, not developer enrichment, and could be accompanied by a requirement to defer developer in excess of a certain amount (75% of total developer fee as an example).

Acquisition Rehab Case Study – Non Basis Boost

Project Overview: 120 Unit Acquisition Rehab of The Grove at Cary Park located in the Cary, NC. 100% of the units are income restricted to 60% AMI. Construction costs are $60k/unit and purchase price costs are $206k/unit. The project is not located within a QCT/DDA and the tax credit equity pricing is $0.83.

Scenario A: Current Developer Fee Calculation and Tax-Exempt First Mortgage

Sources	Permanent	*Per Unit*
First Mortgage	$ 18,087,575	150,730
Seller Note	4,750,000	39,583
Construction Period CFO	1,104,754	9,206
LIHTC 1st Installment	2,363,482	19,696
LIHTC 2nd Installment	8,272,188	68,935
LIHTC 3rd Installment	1,181,741	9,848
Deferred Developer Fee	3,006,756	25,056
Total Sources	**$38,766,596**	**$323,055**

Uses	Permanent	Per Unit
Acquisition	$ 24,745,000	206,208
Construction Hard Costs	8,182,795	68,190
Project Soft Costs	765,500	6,379
Tax Credit Fees	164,410	1,370
Bond Costs	271,107	2,259
Bridge Loan Costs	633,123	5,276
Permanent Loan Costs	279,207	2,327
Construction Loan Costs	1,133,254	9,444
Closing Costs	170,438	1,420
Escrows and Reserves	521,763	4,348
Developer Fee	1,900,000	15,833
Total Uses	**$38,766,596**	**$323,055**
(GAP)/Paid DF	**($1,106,756)**	

Scenario B: Developer Fee Based on 18% Developer Fee and Tax-Exempt First Mortgage

Sources	Permanent	*Per Unit*
First Mortgage	$ 18,087,575	150,730
Seller Note	4,750,000	39,583
Construction Period CFO	1,104,754	9,206
LIHTC 1st Installment	2,651,209	22,093
LIHTC 2nd Installment	9,279,232	77,327
LIHTC 3rd Installment	1,325,605	11,047
Deferred Developer Fee	5,906,184	49,218
Total Sources	**$43,104,658**	**$359,205**

Uses	Permanent	Per Unit
Acquisition	$ 24,745,000	206,208
Construction Hard Costs	8,182,795	68,190
Project Soft Costs	765,500	6,379
Tax Credit Fees	180,876	1,507
Bond Costs	284,108	2,368
Bridge Loan Costs	629,122	5,243
Permanent Loan Costs	279,207	2,327
Construction Loan Costs	1,133,254	9,444
Closing Costs	170,438	1,420
Escrows and Reserves	521,763	4,348
Developer Fee	6,212,596	51,772
Total Uses	**$43,104,658**	**$359,205**
(GAP)/Paid DF	**$306,413**	
Additional Tax Credit Equity Generated	**$1,438,634**	

- **Scenario A** shows the original pro-forma assumptions, utilizing NCHFA's current developer fee methodology and a fully tax-exempt first mortgage.
- *Conclusion:* **Project is infeasible** without a material amount of additional soft financing sources.

- **Scenario B** shows the original pro-forma assumptions, utilizing a developer fee equal to 18% of Total Development Costs excluding Developer Fee, Land and Reserves and a fully tax-exempt first mortgage. This generates an additional $1.4MM of tax credit equity, which eliminates the financing gap.
- *Conclusion:* **Project is feasible,** with the additional tax credit equity generated by the developer fee. The Developer is still deferring 95% of the developer fee.

Acquisition Rehab Case Study – Basis Boost

Project Overview: 120 Unit Acquisition Rehab of The Grove at Cary Park located in the Cary, NC. 100% of the units are income restricted to 60% AMI. Construction costs are $60k/unit and purchase price costs are $206k/unit. The project is located within a QCT / DDA and the tax credit equity pricing is $0.83.

Scenario C: Current Developer Fee Calculation and Tax-Exempt First Mortgage

Sources	Permanent	*Per Unit*
First Mortgage	$ 18,087,575	150,730
Seller Note	4,750,000	39,583
Construction Period CFO	1,104,754	9,206
LIHTC 1st Installment	2,617,165	21,810
LIHTC 2nd Installment	9,160,077	76,334
LIHTC 3rd Installment	1,308,582	10,905
Deferred Developer Fee	1,748,320	14,569
Total Sources	**$38,776,573**	**$323,138**

Uses	Permanent	Per Unit
Acquisition	$ 24,745,000	206,208
Construction Hard Costs	8,182,795	68,190
Project Soft Costs	765,500	6,379
Tax Credit Fees	178,928	1,491
Bond Costs	271,126	2,259
Bridge Loan Costs	628,563	5,238
Permanent Loan Costs	279,207	2,327
Construction Loan Costs	1,133,254	9,444
Closing Costs	170,438	1,420
Escrows and Reserves	521,763	4,348
Developer Fee	1,900,000	15,833
Total Uses	**$38,776,573**	**$323,138**
(GAP)/Paid DF	**$151,680**	

Scenario D: Developer Fee Based on 18% Developer Fee and Tax-Exempt First Mortgage

Sources	Permanent	*Per Unit*
First Mortgage	$ 18,087,575	150,730
Seller Note	4,750,000	39,583
Construction Period CFO	1,104,754	9,206
LIHTC 1st Installment	2,910,366	24,253
LIHTC 2nd Installment	10,186,279	84,886
LIHTC 3rd Installment	1,455,183	12,127
Deferred Developer Fee	4,647,419	38,728
Total Sources	**$43,141,676**	**$359,514**

Uses	Permanent	Per Unit
Acquisition	$ 24,745,000	206,208
Construction Hard Costs	8,182,795	68,190
Project Soft Costs	765,500	6,379
Tax Credit Fees	195,732	1,631
Bond Costs	284,185	2,368
Bridge Loan Costs	643,931	5,366
Permanent Loan Costs	279,207	2,327
Construction Loan Costs	1,133,254	9,444
Closing Costs	170,438	1,420
Escrows and Reserves	521,763	4,348
Developer Fee	6,217,950	51,816
Total Uses	**$43,139,755**	**$359,498**
(GAP)/Paid DF	**$1,570,531**	
Additional Tax Credit Equity Generated	**$1,466,003**	

- **Scenario A** shows the original pro-forma assumptions with a basis boost, utilizing NCHFA's current developer fee methodology and a fully tax-exempt first mortgage.
- *Conclusion:* **Project is borderline feasible,** no cushion for interest rate or cost increases.

- **Scenario B** shows the original pro-forma assumptions with a basis boost, utilizing a developer fee equal to 18% of Total Development Costs excluding Developer Fee, Land and Reserves and a fully tax-exempt first mortgage. With the basis boost, this generates an additional $1.5MM of tax credit equity, which puts the project in a strong financial position.
- *Conclusion:* **Project is highly feasible and will likely be resyndicated,** with the additional tax credit equity generated by the developer fee. The Developer is still deferring 75% of the developer fee.

Acquisition Rehab Case Study – Summary

– As demonstrated in the Grove at Cary Park case study, the additional tax credit equity generated by an increased developer fee on acquisition-rehabilitation projects is the difference in

– The additional tax credit equity generated does not result in developer enrichment, as in both cases of the increased developer fee, the developer is deferring over 75% of the developer fee, which will be repaid from cash flow during the 15-year initial compliance period.

– Strengthened feasibility will allow developers to be more creative with financing structures, potentially resulting in reduced bond allocation requests on acquisition-rehabilitation projects and an ability to fund more projects with NCHFA's annual allocation.

– An increase in the developer fee will make preservation developers more competitive in the acquisitions market, resulting in more affordable communities being recapitalized and preserved in the extended use period.

State Developer Fee Comparison

Developer Fee Limits for 4% LIHTC Transactions by State

Source: State QAPs, LAC Research

State	Max Developer Fee %	Notes
Tennessee	25%	
Kentucky	20%	
Ohio	20%	
Florida	18%	
South Carolina	15%	
Virginia	15%	
North Carolina (NCHFA)	~5.5%	Based on Preservation Case Study (Developer Fee as a Percentage of TDC less Developer Fee, Land, and Reserves

As construction cost and interest rates have increased and competition from non-preservation purchasers have made acquisition costs of LIHTC communities more expensive, many states have reexamined their developer fee calculations in order to help close the gap, resulting in more units built and preserved.

LINCOLN AVENUE COMMUNITIES

Appendix 2: POLICY MEMORANDUM

Unintended Consequences of House Bill 1042 for Operators of LIHTC Affordable Housing Subject to an NCHFA Use Agreement

RE: House Bill 1042 Recommended Technical Amendments to Preserve the Tax Exemption for LIHTC Properties Already Restricted by NCHFA

Executive Summary

We understand the General Assembly's interest, through House Bill 1042, in better targeting the property tax exemption to properties with genuine, enforceable long-term affordability obligations. That is a reasonable objective. As currently drafted, however, the bill produces several unintended consequences for operators of government-supported affordable housing including Low-Income Housing Tax Credit (LIHTC) properties that are already subject to a recorded North Carolina Housing Finance Agency (NCHFA) regulatory agreement. The most significant of those consequences is a drafting feature in Section 2(c)(2)(a) that, read literally, terminates the exemption at the end of the federal compliance period (year 15), notwithstanding NCHFA's 30-year recorded affordability restrictions. That single feature is sufficient to make new LIHTC deals in North Carolina unfinanceable and to push existing post-year-15 properties toward foreclosure. The issues identified below can be resolved through narrow technical amendments without disturbing the bill's anti-abuse objectives.

Background

HB 1042 would replace the existing nonprofit low- and moderate-income housing exemption in G.S. 105-278.6(a)(8) (as applied to rental housing) with a new G.S. 105-278.7A. The new statute conditions the exemption on either (i) "government-supported" affordable rental housing owned by an eligible nonprofit or an eligible joint venture, or (ii) non-government-supported housing 100% owned by a qualifying nonprofit with a recorded 15-year deed restriction. Section 2(c)(2)(a) is the LIHTC qualifying path, requiring an eligible joint venture "that receives low-income housing credits pursuant to section 42 of the Code and that is in compliance with any applicable regulatory requirements as determined by the North Carolina Housing Finance Agency. Ownership is determined as of the date the certificate of occupancy is issued." The bill would be effective for taxes imposed on or after July 1, 2026, with all currently exempt properties required to reapply by December 31, 2026.

North Carolina faces a significant and growing affordable rental housing gap that touches every region of the State, and the regulated affordable stock—primarily LIHTC properties monitored by NCHFA under recorded 30-year use restrictions—serves both growing urban centers and rural counties where the preservation of existing units is often the only practical pathway to maintaining affordable supply. A meaningful share of that stock is already in the back half of its extended use period, where preservation depends on stable operating economics. Unintended consequences in HB 1042 that destabilize the existing exemption framework therefore put preservation of existing affordable units, not just new production, at material risk.

Every LIHTC development in North Carolina is subject to (a) a recorded Land Use Restriction Agreement and Extended Use Agreement enforceable by the State for 30 years from initial occupancy; (b) annual tenant-file, rent, and income compliance monitoring by NCHFA; and (c) IRS oversight and recapture exposure. The nonprofit-led joint venture structure the legislative staff describes as "standard" for LIHTC is the structure Section 2(c)(2)(a) is intended to permit.

Unintended Consequences for NCHFA-Restricted Properties

1. Section 2(c)(2)(a)'s present-tense "receives" language creates a year-15 cliff that endangers financing for LIHTC properties and pushes post-year-15 properties toward foreclosure. Section 2(c)(2)(a) limits eligibility to a joint venture "that receives low-income housing credits pursuant to section 42 of the Code." Federal LIHTC delivers credits to investors over a 10-year period, with a 15-year IRS compliance period; after year 15, the property no longer "receives" credits in any sense. NCHFA's recorded affordability restrictions, by contrast, run for 30 years. Read literally, the bill terminates the exemption at year 15 (and arguably as early as year 11), even though the property remains under enforceable rent and income restrictions monitored by NCHFA for another 15 years.

2. New construction will be left with a funding gap. Permanent lenders on LIHTC deals underwrite a balloon refinance or sale at year 16–18. The lender must be able to assume that the borrower can refinance the permanent loan or sell to a successor owner whose operating economics support the original debt. If the property tax exemption disappears at year 15, year-16 stabilized NOI drops by the full property tax burden—typically enough either to make refinance impossible (the property cannot support enough debt to pay off the original loan) or to make sale impossible at any price that retires the loan. This analysis will reduce the mortgages new LIHTC development can qualify for leaving a financing gap for projects. That gap will need to be filled either by new State or Local government resources, or the projects will not be built. If the legislation passes as drafted it threatens to drastically reduce the production of new LIHTC restricted affordable housing.

3. Existing properties in NCHFA Extended Use will be pushed toward foreclosure. Properties placed in service in 2011 or earlier are now in years 16–30 of their NCHFA extended use periods. Those properties carry recorded deed restrictions enforceable by NCHFA through year 30, with rent and income limits in place. Under the bill, properties that currently qualify for the exemption would lose their exemption, not because they ceased being affordable, but because they no longer "receive" credits. Their operating economics deteriorate by the full incremental tax burden. For many of these older communities with thin debt service coverage, the additional tax burden is foreclosure-triggering. The capital providers investing in these post-year-15 communities were not investing in a "loophole"; they were investing in the preservation of true deed-restricted affordable housing monitored by NCHFA. Businesses across every sector decide where to deploy capital in part on whether a state honors the rules that were on the books when the investment was made. Imposing the new framework on properties already in operation sends a signal well beyond affordable housing that North Carolina is willing to change the rules for projects already capitalized in reliance on them, and that signal matters whenever the State asks employers, developers, manufacturers, or other long-horizon investors to commit capital here.

4. Locking ownership eligibility to the date of the certificate of occupancy creates needless preservation risk over the 30-year compliance period. Section 2(c)(2)(a) provides that "Ownership is

determined as of the date the certificate of occupancy is issued." Nonprofit partners evolve over the 30 years a NCHFA regulatory agreement remains in force—missions shift, capacity changes, mergers and dissolutions occur, successor entities form. Any of those events could disqualify a property that the property still qualifies for on every other dimension—affordability, rent and income limits, NCHFA compliance. The same defect cuts the other way: a property that did not have a nonprofit at C of O cannot bring one in mid-stream as part of a preservation transaction, even where doing so would extend deed-restricted affordability that would otherwise be lost. Eligibility should be tested as of the year for which the exemption is claimed, not frozen at C of O.

5. The reapplication and annual recertification regime duplicates NCHFA's existing 30-year compliance framework. The bill requires every currently exempt rental property to reapply by December 31, 2026 and to submit annual applications with anonymized rent rolls and tenant income data, verified at least every two years. NCHFA already monitors these communities' compliance with their affordable housing deed restrictions for the full 30-year extended use period. Layering a parallel county-level filing imposes administrative cost for both the project and the counties without improving compliance. It also creates the risk that an otherwise NCHFA-compliant property loses its exemption through a clerical defect. A defensible approach is to permit LIHTC owners to satisfy the application and annual compliance requirements by attaching the most recent NCHFA annual compliance certification.

Recommended Amendments

- **Tie eligibility to the NCHFA regulatory agreement, not to the federal credit period.** Amend Section 2(c)(2)(a) to read "that received or receives low-income housing credits pursuant to section 42 of the Code," and add a clarifying provision confirming that eligibility under this subsection is sustained for the full term of the property's recorded NCHFA Land Use Restriction Agreement or Extended Use Agreement. This aligns the property tax exemption with the period during which NCHFA is monitoring and enforcing affordability.
- **Permit NCHFA-monitored properties to satisfy the application and annual compliance requirements** through submission of the most recent NCHFA annual compliance certification, in lieu of separate county-level rent and income filings.
- **Allow nonprofit substitution and mid-stream nonprofit additions over the term of the NCHFA agreement.** Amend Section 2(c)(2)(a) to confirm that ownership eligibility is determined as of the year for which the exemption is claimed (not solely as of the certificate of occupancy date), provided the property is owned by an eligible joint venture, remains in compliance with its NCHFA regulatory agreement, and the substitute or added nonprofit satisfies the requirements of an eligible nonprofit corporation. This preserves the bill's anti-abuse purpose while preventing predictable nonprofit life-cycle events from terminating an otherwise-qualifying property's exemption.

Conclusion

The exemption for NCHFA-restricted affordable rental housing should be preserved for properties with genuine, enforceable long-term affordability obligations. NCHFA-monitored LIHTC properties fit precisely

that definition, as NCHFA enforces 30 years of affordability on each of them. Aligning the exemption with NCHFA's regulatory term—rather than with the federal credit period—closes the targeted abuse while preserving the financing assumptions on which both new construction and existing preservation depend.

The same year-15 cliff and retroactive effective date concerns apply with equal force to Section 8 project-based and USDA Rural Housing properties relying on the existing exemption. Beyond the specific drafting issues, two broader points warrant the Committee's attention: capital allocations and business decisions on these properties were made under the law as it stood, and making the new framework retroactive raises a basic fairness concern that will be priced into future investment in North Carolina; and forcing a critical mass of existing properties into distress at the same time raises real economic contagion risk through preservation losses, displacement, and the foreclosure-driven hit to local tax bases the bill's fiscal note does not contemplate.