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

Re: 2027 Qualified Allocation Plan — QAP Comment Submission

Dear NCHFA Staff,

Standard Communities appreciates the opportunity to share feedback ahead of the 2027 QAP development cycle. We are an affordable housing developer active in North Carolina, focused on the acquisition, rehabilitation, and new construction of affordable housing financed with LIHTC and tax-exempt bonds with a portfolio that includes 29,000 units located in 22 states, 216 of which are in North Carolina. An additional 500+ are in various stages of predevelopment in the state, 341 of which are expected to break ground Q3 of 2026. The comments below reflect what we have experienced working within the current framework and are offered in the hope that they are useful as the Agency thinks through the next cycle.

1. Bond Allocation Ceiling for 4% Deals

We want to start by acknowledging the Agency's proactive response to the One Big Beautiful Bill Act's reduction of the private activity bond financing threshold from 50% to 25%. The Appendix M guidance in the 2026 QAP, which sets a ceiling at the greater of 30% of aggregate basis or maximum permanent supportable debt, reflects a thoughtful approach that already goes beyond the federal minimum and is consistent with how peer states have implemented the change.

As the Agency formalizes this framework in the 2027 QAP, we would encourage consideration of one additional step: establishing a higher ceiling for deals that can support a larger bond allocation. Several states have adopted tiered structures that allow requests above their standard floor when the project's financing supports it. California and Tennessee allow allocations up to 40% of aggregate basis where permanent financing supports the larger amount and recycled bonds are not available. Maryland similarly permits allocations above its standard threshold subject to a hard cap. This would improve a project’s financial viability as it enables developers access to cheaper debt.

2. Construction Document Submission Timelines

The current QAP does not specify when construction-related materials need to be submitted before construction loan closing. Appendix B lays out a thorough and well-organized list of what is required at each stage, including the full Awarded Project Plan Requirements under Section I(C), but the only timing requirement is that final plans and

specifications be submitted and approved before site work or construction begins. There is no deadline tied to the construction loan closing date.

The content requirements are already well-defined in Appendix B; the gap is in timing. We would recommend the 2027 QAP address this by:

- Requiring that all Awarded Project Plan documents listed in Appendix B Section I(C) be uploaded to NCHFA no later than 60 days before the anticipated construction loan closing date.
- Providing a checklist within the application guidelines that tracks receipt and Agency approval status for each required item, so developers, lenders, and Agency staff are all on the same page well before closing.

Adding this structure benefits everyone. Development teams get a clear runway to pull materials together properly. Agency staff get enough time to do a real design review rather than a compressed one. And lenders get fewer surprises late in the closing process. A 60-day window is workable for most deal timelines and would make the overall process meaningfully more predictable.

3. Developer Fee: Percentage-Based Calculation and Deferral Flexibility

The current $24,000 per unit developer fee cap increasingly does not reflect how bond-financed deals are structured and underwritten. In a 4% LIHTC transaction, the developer fee is tied to total development costs and serves two purposes: it compensates the developer for the risk of executing the deal, and when deferred, it is often a critical piece of the gap financing that makes the project work. Maximizing developer fees—within the bounds of tax law, regulation, and reasonable underwriting—is a proven way to generate additional LIHTC-eligible basis. That, in turn, increases tax credit equity proceeds, helps fill project gaps, and reduces the need for limited soft sources like Rental Housing Works. This is especially meaningful for tax-exempt bond transactions because 4% credits are capped on an eligible basis rather than the annual state LIHTC ceiling, and in most cases, developers will defer a substantial portion of the fee—often 50% to 75%—to help close project gaps.

We would encourage the Agency to consider the following for the 2027 QAP:

- Moving to a percentage-based developer fee calculation for 4% bond deals, at a minimum of 15% of eligible basis or total development costs, either in place of or as an alternative ceiling alongside the per-unit cap.
- Expanding the allowable deferred developer fee beyond the current 25% limit without triggering negative points, as long as the developer can show the deferred amount will be repaid from cash flow within 15 years and the deferred fee qualifies to remain on an eligible basis under IRS requirements.

- Many HFAs across the country have already moved to higher developer fee limits for bond deals, including Arizona (19%), Florida (18%), Iowa (18%), Kentucky (20%), North Dakota (20%), Ohio (20%), Oklahoma (20%), Tennessee (25%), West Virginia (18%), and Wisconsin (20%) to accelerate production. If NCHFA chose to take a similar path, the agency could require developers to defer any fee above 15%.

When construction costs are elevated and financing gaps are real, the deferred fee is one of the few tools available to keep a feasible deal from falling apart. The current point penalty for higher deferrals screens out viable projects that could serve NC residents

4. Unit Cap: Above-200-Unit Approvals for 4% Bond Deals

The current QAP caps projects at 200 units but allows the Agency to approve larger projects on a case-by-case basis. We appreciate that flexibility exists. The issue is that neither QAP nor any additional exhibit provide direct guidance on what criteria the Agency uses to evaluate those requests, which makes it difficult for development teams to assess whether pursuing a larger deal is realistic before committing meaningful predevelopment resources to it.

For 4% bond-financed new construction in the Metro region, where large developable sites often require higher unit counts to absorb land costs and achieve feasibility, this is a practical constraint. We also recognize that unit caps serve a resource-distribution function in the 9% program that does not apply to 4% bond deals in the same way. A 9% deal draws from a finite competitive credit pool, so unit caps serve a real distribution function. A 4% bond deal generates credits based on eligible basis and does not compete for a fixed allocation. A larger 4% deal does not displace another project from receiving credits.

We would ask the Agency to consider publishing clear criteria for above-200-unit approvals in the 2027 QAP or related program guidance, specifically what market conditions, feasibility thresholds, and site characteristics support approval of a larger project. For 4% bond deals, codifying a higher standard threshold, such as 250 units, with a transparent waiver pathway above that level would give development teams a clearer picture of what is achievable and allow the Agency to evaluate requests against a consistent standard.

5. Rent Increase Requirements: Appendix F Section H

The current Appendix F Section H requires all rent increases at tax credit properties to go through an Agency approval process, with increases above $25 requiring additional justification and increases above $50 subject to a hard cap on what can be passed to in-place unassisted tenants. We believe the Agency's tenant protection goals can be fully preserved with a more targeted framework, and we offer the following for consideration.

For the 2027 QAP, we would encourage the Agency to consider the following:

- Exempting fully LIHTC properties from the Section H approval requirement entirely, or replacing approval with a streamlined notification process. LIHTC rents are already capped by statute and cannot exceed program limits regardless of what an owner submits. An additional approval layer on top of that is largely redundant.
- Replacing the fixed dollar thresholds with percentage-based triggers. Fixed dollar caps are more restrictive in percentage terms for larger units at higher AMI tiers, where the gap between current rents and the maximum allowable LIHTC rent is greatest and where owners have the most legitimate basis for adjustments as AMIs rise year over year.
- Clarifying explicitly that units turning over can be leased at the maximum allowable LIHTC rent for that unit type without going through the approval process, as long as a current market study supports the rent level. The tenant protection rationale applies to in-place residents facing mid-tenancy increases, not to new tenants being leased at program-compliant rents.

Taken together, these changes would reduce administrative burden for owners and Agency staff while keeping the protections that actually matter in place for the residents they are designed to protect.

Thank you again for the opportunity to weigh in. We welcome the opportunity to discuss any of these points further. Please feel free to contact Feras Qumseya at fqumseya@standard-communities.com with questions or to schedule a follow-up conversation

Respectfully submitted,



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