October 14, 2026

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

RE: Draft 2027 Qualified Allocation Plan Comments

Dear NCHFA Staff,

We respectfully submit the following comments on the draft 2027 Qualified Allocation Plan. Our recommendations aim to improve the financial feasibility of acquisition and rehabilitation projects while maintaining safe, durable, accessible housing and preserving long-term affordability.

1. Increase the per-project tax credit limit — Section II(E)(2)

We recommend increasing the per-project 9% tax credit limit from $1.5 million to $1.65 million. The current limit constrains the feasibility of larger developments, particularly in metropolitan areas where development costs are higher. Increasing the limit would better support projects approaching 120 units and allow developers to deliver more affordable homes through the 9% program.

2. Exclude acquisition costs from the rehabilitation cost cap — Section IV(H)(1)(i)

We request that acquisition costs be excluded from the $190,000-per-unit total replacement cost limit applicable to the rehabilitation set-aside.

Acquiring an existing property and rehabilitating it serve different purposes. Acquisition secures the property for continued affordable use, while rehabilitation addresses its physical condition and long-term viability. Including both within the same cap can prevent a project from qualifying even when its rehabilitation scope is reasonable and necessary.
This is particularly challenging when the Agency requires additional improvements to building systems, accessibility, energy efficiency, or site amenities. Those improvements must compete with acquisition costs within the same limit.

We recommend revising this provision to exclude acquisition costs from the cap, while retaining appraisal review, acquisition-cost limitations, and financial underwriting. We also request a clearly defined waiver process for projects with documented extraordinary rehabilitation costs, including costs arising from Agency-required work.

3. Expand and strengthen the rehabilitation set-aside — Section II(A)

We request that the Agency establish a minimum allocation for rehabilitation rather than limiting the category to "up to" 10% of available credits. We also encourage the Agency to consider increasing the allocation based on demonstrated eligible preservation demand.

Preservation projects protect existing affordable homes and address aging building systems. A more predictable allocation would support a viable rehabilitation pipeline and provide applicants with a more meaningful opportunity to compete.

4. Evaluate preservation need across eligible property types — Section IV(H)(3)(a)

We request that the Agency evaluate distressed federally assisted properties and properties with prior tax credit allocations based on comparable preservation criteria.
The current language gives highest priority to distressed housing with a prior tax credit allocation. However, federally assisted properties without prior tax credit allocations may also have substantial capital needs and serve residents with limited housing alternatives.
We recommend considering physical condition, resident needs, affordability at risk, and the necessity of rehabilitation across both eligible property types.

5. Recognize acquisitions necessary for preservation — Section IV(H)(3)(c)–(d)

We support safeguards against transactions whose principal purpose is to subsidize an ownership transfer. However, an acquisition may be necessary to bring an experienced preservation owner into a property, secure financing, complete substantial rehabilitation, and extend affordability.

We request that the Agency distinguish these preservation transactions from transfers that primarily benefit sellers. Documented preservation benefits, including protection of rental assistance and prevention of conversion to market-rate housing, should be considered in every evaluation rather than only when earlier criteria do not determine the outcome.

6. Clarify the tax-exempt bond feasibility determination — Section IV(H)(1)(e)

We request published guidance explaining how the Agency determines whether a rehabilitation project is feasible using tax-exempt bonds.

The guidance should identify the underwriting assumptions and documentation required to demonstrate an unresolved funding gap. A clear standard would help applicants assess eligibility before incurring substantial application expenses.

7. Provide a documented alternative-compliance process for rehabilitation — Appendix B, Section V

We support the Appendix B provision recognizing that existing apartments generally do not need to be physically altered to meet new construction standards.

We request additional guidance explaining how this flexibility applies when replacement components interact with existing building dimensions or systems. Applicants should be able to propose equivalent alternatives supported by the project architect or engineer when literal compliance is impractical, while maintaining applicable code, life-safety, and accessibility requirements.

Requests should be reviewed early enough for applicants to incorporate the Agency's determination into their rehabilitation scope and budget.

8. Support for the proposed developer fee increase

We support the proposed increase in the developer fee limit to $26,000 per unit. This adjustment better reflects the complexity, time, and resources required to develop and rehabilitate affordable housing and will help support project feasibility.

Thank you for considering these recommendations and for your continued work to support affordable housing throughout North Carolina.