October 16, 2026

To the attention of:
Tara Meredith
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609-7509
Sent via e-mail to: rentalhelp@nchfa.com

LAC comments to NCHFA's 2027 First Draft QAP

Dear Ms. Meredith,

Thank you for the opportunity to comment on the First Draft of the State of North Carolina's 2027 Qualified Allocation Plan. Lincoln Avenue Communities (LAC) is a mission-driven affordable housing developer currently active in thirty-four states and serving more than 35,000 units nationwide. In North Carolina, we are focused on developing ground-up new construction affordable housing and preserving existing affordable housing using a combination of 9% LIHTCs and 4% LIHTCs with tax-exempt bonds (TEBs).

We appreciate the North Carolina Housing Finance Agency's (hereinafter "NCHFA: or "the Agency") responsiveness to feedback and offer the following comments on the First Draft.

Developer Fees: Section VI(B), pg. 33

Each incremental dollar of developer fee generates an additional increment of federal tax credit equity. That equity is what absorbs current rising construction costs, elevated interest rates and increased operating expenses. This effect is further magnified by the continued decline in tax credit equity pricing, with CohnReznick's latest 2026 October survey indicating that median pricing is approaching $0.82 per dollar of tax credit[1]. We appreciate that NCHFA has increased the per-unit developer fee limit for new construction projects in the First Draft (Section VI(B)(7)(a)), and we recommend that the Agency go one step further, and that it apply the same reasoning to rehabilitation projects, where the fee methodology has not changed since 2020.

Fee limits that fail to keep pace with market conditions ultimately constrain the equity available to close financing gaps rather than meaningfully limiting developer compensation. The impact of this constraint differs significantly between 9% and 4% LIHTC projects. Unlike 9% projects, 4% transactions aren't constrained by a competitive credit allocation, but rather by eligible basis and project underwriting. Applying a developer fee limit calibrated to 9% projects can therefore impose an unnecessary constraint on the financial feasibility of 4% transactions.

[1] CohnReznick October 2026 Median LIHTC Equity survey

Preservation (HIGHEST PRIORITY COMMENT)

This constraint applies with greater force to acquisition of rehabilitation projects. Because the current methodology — 28.5% of PDC line item 4 — omits acquisition basis entirely, as well as other costs included in eligible basis such as general contractor overhead and profit, it produces a below-market developer fee precisely on the asset class most at risk of losing affordability: high-quality, first-generation LIHTC communities approaching the end of their thirty-year extended use period. The ratio of acquisition costs to rehabilitation costs on these properties has risen substantially, and the current QAP does not account for it. The result is a significant disincentive to preserving recent-vintage LIHTC communities in North Carolina. We therefore recommend that NCHFA increase the developer fee percentage from 28.5% to 32% and, at a minimum, expand the cost base under PDC Line 4 to include a portion of the acquisition basis, general contractor fees, and contingency costs. This would bring the developer fee calculation more closely in line with the broader cost base NCHFA already uses to calculate architects' fees under Section VI(B)(9).

New construction

We appreciate that NCHFA has increased the per-unit developer fee limit for new construction projects from $24,000 to $26,000. For the reasons described in this section, we urge the Agency to go further and raise the per-unit developer fee limit to at least $30,000 for new construction and/or establish a separate, higher limit for projects financed with 4% LIHTCs and tax-exempt bonds.

Deferred developer fee

With regards to deferred developer fees (Section VI(B)(5)(b)), the first draft continues to limit the deferred portion to fifty percent (50%) of the total as of full application (pg. 33). We encourage NCHFA to permit deferred developer fees in excess of 50% on 4% LIHTC developments where the development can demonstrate that the entire amount will be paid within fifteen years and that the fee meets the standards required by the IRS to stay in basis. Deferral above this threshold is routinely accepted by investors on 4% transactions and is often the difference between a feasible and an infeasible preservation deal.

Underwriting Threshold Requirements: Section VI(B)(4)(a) & (b), pg. 32

Operating Reserve

Section VI(B)(4)(a) requires an operating reserve equal to the greater of $1,500 per unit or six months of debt service and operating expenses, with the latter reduced to four months for tax-exempt bond projects. Unlike the replacement reserve, which is funded through operations, the operating reserve must be capitalized at or before closing from the project's available financing sources, including equity, soft debt, or deferred developer fee. For 4% LIHTC transactions, every dollar allocated to the operating reserve is a dollar unavailable to fund construction, effectively widening the financing gap by the same amount. While the QAP permits the operating reserve to be funded through deferred developer fees,

this flexibility is constrained by the 50% deferral cap under Section VI(B)(5)(b), as well as the requirement that deferred fees be repaid only after all required replacement reserve deposits have been made. These provisions limit the effectiveness of developer fee deferral as a means of satisfying the operating reserve requirement. We respectfully request that NCHFA consider reducing the operating reserve requirement to three months of debt service and operating expenses, consistent with the requirements we have observed from lenders and equity investors on comparable transactions.

We would also note that the $1,500 per-unit alternative is unlikely ever to be the operative standard. Because the expense input is drawn from the project's underwritten operating budget, and because Section VI(B)(2) sets minimum operating expenses at $4,200 per unit per year for new construction and $4,400 for renovation, six months of the new construction minimum alone is $2,100 per unit before any debt service. We would welcome the Agency's confirmation of whether "operating expenses" for purposes of the reserve calculation is intended to track the Section VI(B)(2) minimums or the project's full underwritten operating budget.

Replacement Reserve Escalation

Section VI(B)(4)(b) requires replacement reserves to escalate by four percent (4%) annually. This sits in tension with the Agency's own underwriting assumptions, which hold rent growth to two percent (2%) and operating expense growth to three percent (3%) under Section VI(B)(1)(a). Escalating reserves faster than the revenue available to fund them compresses cash flow over the term and reduces supportable loan proceeds. We recommend that the replacement reserve escalator be set at three percent (3%), consistent with the Agency's operating expense assumption, AHIC's 2026 updated underwriting guidelines[2] and with prevailing debt and equity underwriting standards. At a minimum, we request a waiver process permitting a lower escalator where the project's lender and equity investor have approved it.

Unit Mix and Project Size: Section IV(E)(5), pg. 24

New Section IV(E)(5) requires all new construction projects to contain one-bedroom units representing at least 15% of total units. While we understand the Agency's objective, we are concerned that imposing a uniform threshold may unnecessarily constrain developers' ability to respond to local housing needs. We supported the prior framework, under which one-bedroom units were incentivized through scoring rather than mandated as a threshold requirement. The proposed 15% minimum could disadvantage family-oriented developments, where market demand and the Agency-commissioned market study may support a greater concentration of two- and three-bedroom units.

North Carolina experienced one of the largest increases nationwide in homelessness among families with children. According to the 2025 Point-in-Time Count, the number of individuals experiencing homelessness in households with at least one adult and one child increased by 24.2% between 2024 and

[2] 2026_AHIC_Underwriting_Guidelines.pdf

2025[3]. Requiring developers to allocate a fixed share of units to one-bedroom apartments, regardless of demonstrated demand, could reduce the availability of larger units for families, undermine project feasibility, and ultimately result in developments that are less responsive to the housing needs of the communities they serve. We respectfully request that NCHFA limit the threshold to 10%, or, alternatively, allow a lower one-bedroom share when supported by the project's Agency-commissioned market study. This would preserve the Agency's objective of encouraging a diverse unit mix while allowing developments to respond to demonstrated local demand.

Build America, Buy America: Section IV(C)(2)(a), pg. 20 & Appendix G, pg. 2

The First Draft will require applicants to submit a "Build America, Buy America Applicant Acknowledgement and Certification" and preliminary information for a BABA Construction Materials and Manufactured Products Spreadsheet with the preliminary application. LAC understands the rationale behind this provision, however, in practice, the timelines associated with obtaining manufacturer certifications for construction materials and manufactured products often do not align with preliminary application deadlines. Manufacturers themselves may be unable to confirm compliance with certain BABA requirements until specific materials are ordered and sourced, making it difficult for developers to provide the necessary documentation so early in the development process.

We are concerned that this new requirement could result in applications being deemed incomplete or noncompliant for reasons largely outside the applicant's control, well before construction specifications and supply chains have been finalized. We respectfully request that NCHFA return BABA documentation to a post-award compliance condition. A workable middle course would be to require a short applicant acknowledgement and certification of intent to comply at preliminary application, with the detailed construction materials and manufactured products spreadsheet due at a defined post-award milestone when the information is both available and reliable.

Design Quality Standards: Appendix B

In-Unit Data Cabling

We appreciate NCHFA's removal of the obsolete telephone jack, cable jack and demarcation box requirements from Appendix B. The replacement language, however, still require a CAT5E or CAT6 connection in every living room and every bedroom (Appendix B, Sections II(I), III(B)(1) and V(B)). In our experience, residents rely almost exclusively on in-unit wireless networks. We strongly recommend removing or limiting this requirement to a single CAT6 drop to the living room or a central location as with current WiFi technology, cabling all rooms adds significant and unnecessary labor and material costs and does not provide a significant improvement in the service provided to residents.

Accessibility Provisions

[3] NCHFA - 2025 Point-in-Time

Appendix B states that its requirements are based on the ICC A117.1-2017 standard. LAC designs and operates fully accessible communities and supports that standard. In several respects, however, Appendix B imposes requirements beyond A117.1-2017, and it is those increments that drive unit square footage and cost inflation. We urge NCHFA to eliminate the following requirements:

- Appendix B Section II(E)(11), and Section VII, prohibit any overlapping elements or fixtures and expressly exclude floor space beneath toilets and vanities.
- Appendix B Section II(C)(20) requires a 67-inch clear turning space into and throughout all usable areas of the kitchen, the accessible bathroom, laundry rooms and closets. This is broader in scope than the standard, which requires turning space in specified locations rather than throughout a space.
- Section VII requires that five percent (5%) of units be Type A units with roll-in showers in addition to the mobility-impaired units already required by federal and state law.
- The requirement for a 30-inch by 52-inch clear floor space beyond the swing of the door in all bathrooms of Type B units (Section II(E)(11)).

Each of these provisions exceeds ICC A117.1-2017, which Appendix B identifies as its basis. We see no demonstrated accessibility benefit that justifies the additional cost, and we ask that they be removed so that North Carolina's design standards align fully and exclusively with the national standard, and that the number of accessible units required not exceed those thresholds.

Separately, Appendix B provides that "in the event new requirements are issued, projects are expected to comply with the most recent ANSI requirements." Because a new edition may be issued at any point between application and construction, this creates unbounded cost exposure. We request that compliance be tied to the standard in effect at the time of construction permitting.

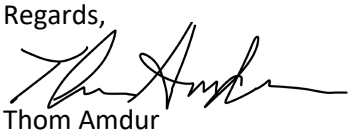
Rent Increases: Section VII(B)(3), pg. 36 & Appendix F

We understand that Appendix F provides that where a rent increase of more than $50 is approved, no more than $50 may be passed through to in-place unassisted tenants per year. While we appreciate the Agency's intention to protect residents from significant rent increases, we find a flat dollar limit too restrictive. For example, on a unit renting at $1,700 per month, a $50 increase represents less than 3%, below the operating expense escalation assumption NCHFA itself applies under Section VI(B)(1)(a). Over time, this discrepancy between allowable rent increases and rising operating expenses erodes property operating margins, limiting resources available for maintenance and capital improvements, and ultimately undermining the long-term financial sustainability and quality of our developments. We respectfully request that NCHFA replace the flat $50 annual increase limit with a percentage-based standard, consistent with the metric-based thresholds Appendix F already applies to the approval process, that reflects market conditions and documented operating cost increases, while remaining subject to applicable federal rent limits and Agency approval.

Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with NCHFA on the drafting of its 2027 Low-Income Housing Tax Credit First Draft QAP, and we are grateful for the Agency's continued engagement with the development community. We welcome the opportunity to discuss these comments with you further at your convenience and to answer any questions you may have. I can be reached at 646-585-5526 or tamdur@lincolnavenue.com.

Regards,



Thom Amdur
Executive Vice President, Policy & Impact
Cc: Daniel Andrea Wilson, Jordan Richter, David Root.
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 serving residents across 34 states.