The Fayetteville CNI Implementation Team supports NCHFA's efforts to preserve and expand affordable housing opportunities throughout North Carolina and appreciates the Agency's continued recognition of public-housing revitalization and Choice Neighborhoods redevelopment activities. The comments below are intended to ensure that the final QAP remains aligned with federal mixed-income redevelopment policies and does not inadvertently create barriers to implementing HUD-supported neighborhood transformation initiatives.

Section IV(E)(1): Mixed-Income Redevelopment and Market-Rate Units

Current Draft QAP Language:

"Ten (-10) points will be subtracted from any full application that includes market-rate units."

The proposed market-rate unit penalty may unintentionally discourage implementation of mixed-income redevelopment strategies that are central to HUD-sponsored neighborhood revitalization programs. Programs such as Choice Neighborhoods, HOPE VI, and certain RAD redevelopments are specifically designed to reduce concentrations of poverty through the creation of economically integrated communities that include a range of income levels.

In these developments, unrestricted market-rate units are not incidental to the project. They are often a fundamental component of an approved redevelopment strategy intended to support long-term neighborhood stabilization, economic integration, and sustainable operations. Applying a scoring penalty solely because a project includes market-rate units may create a conflict between state allocation policy and federally approved and required mixed-income redevelopment objectives.

The Murchison Transformation Plan illustrates this circumstance, as several phases incorporate unrestricted units as part of the approved housing strategy.

Proposed Language

"The ten-point penalty shall not apply to market-rate units included in a project that is part of a HUD Choice Neighborhoods Initiative, Choice Neighborhoods Transformation Plan, RAD redevelopment, HOPE VI redevelopment, or other comprehensive public-housing revitalization initiative where the Applicant demonstrates that the unrestricted units are an integral component of the approved or submitted mixed-income redevelopment strategy."

Section IV(B)(3): Income Averaging and Mixed-Income Redevelopment

Current Draft QAP Language:

The draft QAP permits Income Averaging elections subject to certain requirements, including a prohibition on market-rate units.

The restriction on market-rate units within an Income Averaging development may unintentionally limit the ability of mixed-income revitalization projects to utilize a financing tool specifically authorized to increase flexibility in affordable housing production.

Comprehensive public-housing revitalization efforts frequently combine replacement housing, income-restricted units serving multiple affordability levels, workforce housing, and unrestricted market-rate units within a single redevelopment phase. In these circumstances, the presence of market-rate units supports broader redevelopment goals and does not diminish the affordability commitments associated with the Income Averaging election.

The prohibition may therefore create an unnecessary obstacle to implementing federally approved mixed-income housing strategies while providing little additional policy benefit.

Proposed Language

"The prohibition on market-rate units within an Income Averaging development shall not apply to projects undertaken pursuant to a HUD Choice Neighborhoods Initiative, Choice Neighborhoods Transformation Plan, RAD redevelopment, HOPE VI redevelopment, or other comprehensive public-housing revitalization initiative, provided that the Income Averaging election applies only to qualified low-income units and the development otherwise complies with all applicable federal tax-credit requirements."

Section IV(A)(2): Market Analysis Standards

Current Draft QAP Language:

The draft QAP requires market analysts and the Agency to evaluate proposed developments based on factors including capture rate, absorption rate, vacancy rates at comparable properties, and effects on existing or awarded affordable-housing developments.

We support rigorous market feasibility standards. However, conventional market-study methodologies do not always reflect the unique demand characteristics of public-housing revitalization projects.

Many redevelopment projects include replacement housing, right-to-return obligations, project-based rental assistance, or other federal requirements that materially affect demand, lease-up, and absorption. As a result, applying traditional market metrics without consideration of these factors may overstate certain risks or understate demonstrated demand.

Clarifying how replacement housing and federally supported units may be evaluated would improve consistency while preserving NCHFA's ability to assess overall project feasibility.

Proposed Language

"In evaluating a public-housing redevelopment, RAD transaction, or HUD Choice Neighborhoods project, the Agency and its market analyst may separately evaluate replacement-housing units, project-based assisted units, other income-restricted units, and unrestricted units. Existing resident households with rights of return, replacement-housing obligations, and committed federal rental assistance may be considered in evaluating demand, absorption, capture rates, and potential impacts on existing properties. Separate phases of an approved or submitted comprehensive redevelopment plan may be evaluated within the context of the overall redevelopment strategy and phasing schedule."

This clarification would improve the applicability of market analyses to public-housing revitalization projects while maintaining the Agency's ability to evaluate overall feasibility and demand.

Section II(B)(2): Redevelopment Project Criteria

Suggested Narrative

The draft Redevelopment Project category appropriately encourages reinvestment in distressed communities through coordinated planning and public investment.

Comprehensive public-housing revitalization initiatives already require extensive planning, resident engagement, local-government participation, and documented investment commitments. Choice Neighborhoods Transformation Plans, HOPE VI plans, and similar federal redevelopment programs are specifically structured to achieve the same neighborhood revitalization objectives reflected in this section.

We encourage NCHFA to clarify that federally approved redevelopment plans may be used to demonstrate compliance with applicable redevelopment planning requirements, thereby avoiding duplicative documentation while maintaining the underlying policy objectives of the QAP.

Section IV(A)(1): Consideration of Funded Transformation Plan Improvements

Suggested Narrative

Site-selection criteria appropriately emphasize access to amenities, services, infrastructure, and economic opportunity. However, comprehensive neighborhood revitalization initiatives are often undertaken in areas that have historically lacked many of these characteristics.

Programs such as Choice Neighborhoods are specifically intended to address these deficiencies through coordinated housing, infrastructure, community facility, transportation, and economic development investments. Evaluating redevelopment projects solely on existing conditions may inadvertently disadvantage the very communities targeted for transformation and may not fully reflect the long-term public investments supporting the redevelopment effort.

We therefore encourage NCHFA to consider funded, committed, or under-construction improvements associated with an approved redevelopment plan when evaluating site characteristics.

Section II(D)(2): Choice Neighborhoods Set-Aside and Multiple Development Phases

The draft CNI set-aside provides for a forward commitment for no more than two applications and no more than one application per housing authority. It also requires a PHA with more than one application containing CNI funds to identify its priority project.

We support continuation of the CNI set-aside. However, because a Choice Neighborhoods Transformation Plan is typically implemented through multiple development phases and separate LIHTC transactions over several years, we request clarification that an award or forward commitment for one phase does not prevent another phase of the same HUD Choice Neighborhoods initiative from qualifying for the set-aside in a later QAP cycle.

The Murchison Housing Plan is specifically structured as a multiphase redevelopment. Clarifying this issue is important for long-term financing and sequencing decisions.

Proposed Language:

"For purposes of this subsection, the limitation of no more than one application per housing authority shall apply within a single QAP allocation cycle. An award or forward commitment to one phase of a HUD Choice Neighborhoods Initiative shall not preclude a subsequent phase of the same Choice Neighborhoods Transformation Plan from eligibility under this set-aside in a future QAP cycle, provided the subsequent application otherwise satisfies all applicable Plan requirements."

This clarification would preserve NCHFA's one-project-per-PHA limitation within a particular cycle while recognizing the multiyear nature of Choice Neighborhoods implementation.

Section V(A): Tax-Exempt Bond Priority for Public-Housing Revitalization

Current Draft QAP Language:

"Projects that serve as a component of an overall public housing revitalization effort."

We support placing public-housing revitalization projects in the priority category for multifamily tax-exempt bond authority.

We request that the final language expressly confirm that Choice Neighborhoods and RAD redevelopment qualify within this category.

Proposed Language:

"Projects that serve as a component of an overall public-housing revitalization effort, including projects undertaken pursuant to a HUD Choice Neighborhoods Initiative or Transformation Plan, RAD redevelopment plan, HOPE VI redevelopment, or other comprehensive PHA-led redevelopment initiative."

We would also appreciate confirmation that an eligible phase of the Murchison CNI Housing Plan may qualify for this priority when structured with tax-exempt bonds and 4% LIHTC.

These clarifications would provide greater certainty as FMHA, the City of Fayetteville, its development partners, HUD, and other stakeholders implement the Murchison Transformation Plan and related affordable-housing redevelopment activities.