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To: RentalHelp
Subject: EXTERNAL: 2027 QAP Comments

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Comments on the First Draft of the 2027 Qualified Allocation Plan

Thank you for the opportunity to provide comments on the First Draft of the 2027 QAP. We appreciate the Agency's continued efforts to improve the allocation process.
We offer the following recommendations for consideration. Our comments are intended to promote responsible development, support growing communities, improve project feasibility, and make more efficient use of available tax credits.

1. Incorporate an Amenity-Based Tiebreaker

We recommend adding an amenity-based tiebreaker that considers a project's proximity to a public park, public school, full-service grocery store, and public library.
These amenities are already considered as part of the site scoring process. Using proximity to these same amenities as a tiebreaker would reinforce the Agency's existing priorities and provide an additional means of distinguishing projects with otherwise identical scores.
Additionally, making preliminary site scores and amenity proximity more meaningful in the selection process could provide developers with an earlier indication of their relative competitiveness. This added transparency may help developers make more informed decisions about whether to proceed with a full application, potentially reducing the number of applications submitted for sites that are unlikely to be competitive.
We believe this would be a practical way to prioritize developments that offer residents access to important community resources while also promoting a more efficient application process.

2. Maintain an Olmstead-Informed Geographic Priority Structure

We are concerned that removing the existing Olmstead-related geographic incentives without establishing a comparable replacement could unintentionally shift development activity toward counties identified in Appendix L.
While these counties may have significant affordable housing needs, many are very rural communities with smaller populations and more limited capacity to absorb repeated large-scale affordable housing developments.
Additionally, the current tiebreaker structure prioritizes projects with the greatest number of total units. When combined with increased emphasis on certain geographic areas, this could encourage developers to increase project sizes in smaller rural markets beyond what is sustainable for those communities.
We recommend maintaining the existing Olmstead counties as priority counties and replacing the structure with a similar geographic incentive that continues to direct development toward larger, growing counties where demand, population growth, and employment opportunities support additional affordable housing.

3. Increase the $1.5 Million Project Credit Cap

We recommend increasing the maximum tax credit award per project from $1.5 million to better reflect current development costs and the financing needs of affordable housing projects.
Construction costs, land costs, insurance, professional fees, and other development expenses have continued to increase. The existing cap can make it difficult to adequately finance projects, particularly those involving larger sites, more complex development conditions, or communities with limited alternative funding sources.
We encourage the Agency to evaluate an increased cap that reflects current development economics while maintaining appropriate project feasibility and cost controls.

4. Establish an Automatic Credit Refresh Process

We recommend implementing an automatic tax credit refresh mechanism rather than requiring developers to wait for the next QAP cycle.
The current timing can create uncertainty for investors and lenders when a project is approaching closing. Investors are often concerned that an anticipated credit adjustment may not be reflected in the applicable QAP or formally recognized by the Agency before closing. As a result, equity funding may be delayed or withheld until the investor receives an Agency comfort letter confirming the updated credit amount.
This creates unnecessary uncertainty and can delay closings, equity installments, and ultimately project execution.
An established automatic refresh process, with clearly defined eligibility requirements and adjustment parameters, would provide greater predictability for developers, investors, lenders, and the Agency. It would also reduce the need for project-specific correspondence and administrative intervention.

5. Expand Design and Construction Incentives for Agency Priorities

We recommend incorporating additional scoring opportunities for building materials, construction features, and other improvements that align with the Agency's long-term housing objectives.
The Agency already evaluates design quality and construction materials. However, the QAP could provide more specific incentives for features that improve the durability, efficiency, resiliency, and long-term operating performance of affordable housing developments.
We recognize that these improvements can increase initial development costs. However, incentivizing features that reduce future maintenance, replacement, and operating expenses can provide meaningful long-term benefits to both property owners and residents.
We would encourage the Agency to identify a defined list of priority features and award additional points for projects that incorporate them.

7. Incorporate Tax Credit Efficiency into the Scoring Criteria

We recommend adding a scoring incentive for projects that demonstrate efficient use of tax credits and leverage additional funding sources to reduce the amount of tax credits necessary to complete a development.
Projects that secure meaningful local government participation, private contributions or grants can reduce the overall demand on limited tax credit resources.

Closing Comments

We appreciate NCHFA's continued commitment to expanding and preserving affordable housing throughout North Carolina. We believe the recommendations above would help strengthen the QAP by encouraging thoughtful geographic distribution, responsible project sizing, improved development quality, greater financing predictability, and more efficient use of available resources.

Thank you for your consideration of these comments and for the Agency's continued engagement with the development community during the QAP process.

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