Tara Hall

From:	Scott Farmer
Sent:	Thursday, July 21, 2022 7:43 AM
To:	Tara Hall
Cc:	Suma Dunham
Subject:	FW: 5 Free Ways to Maximize Affordable Housing Development in North Carolina
Attachments:	NC Report Card - 5 Free Ways.docx

Include this as a QAP comment

From: Jones, Jordan <Jordan.Jones@Dominiuminc.com>
Sent: Wednesday, July 20, 2022 4:32 PM
To: Suma Dunham <skdunham@nchfa.com>
Cc: Scott Farmer <bsfarmer@nchfa.com>; Sween, Terry <tsween@Dominiuminc.com>; Hodges, Matt <Matthew.Hodges@Dominiuminc.com>
Subject: 5 Free Ways to Maximize Affordable Housing Development in North Carolina

Good afternoon Suma,

As discussed during our call earlier today, Dominium has a set of 5 suggestions we make to states related to maximizing the amount of affordable housing that can be developed with tax-exempt bonds. The reason we emphasize these 5 ways is because they can be implemented at no additional cost to the state and are good practices to institute especially when there's such a high demand on tax-exempt bonds.

Please see the attached, and I would be interested in hearing your feedback.

In the document:

- The first column lists the method
- The second column lists the rationale
- The third column lists whether or not North Carolina has implemented the strategy or not.

Jordan Jones

Government Relations Associate
Development,
DOMINIUM
375 Northridge Rd Suite 500 | Atlanta, GA 30350
Phone (404)-254-6068
DOMINIUMAPARTMENTS.COM |

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5 **FREE*** Ways to Maximize Housing Unit Production

* Requires NO State Appropriation to Achieve

	FREE Way to Maximize Housing Units	Rationale	North Carolina's Report Card
1	**Limit the % of Private Activity Bonds (PABs) on each development**	*Federal LIHTC statutes require that at least 50% of each development be financed through Federal Private Activity Bonds. States can elect to limit use of PABs above that requirement to maximize the number of developments achieved through their annual allotment. A 5% cushion above the Federal requirement has proved adequate. (Note: Current proposals can change the Federal requirement to 25%; Enacting a requirement of 5% above the Federal will allow a state to always maximize production and meet the Federal requirement)*	X
2	**Incentivize Developers to achieve longer or deeper affordability by awarding PABs to projects that meet additional requirements.**	*By requiring Developers to compete on level of affordability, States can achieve higher quality developments that achieve specific quality goals. For example, states could award bonds first to developments that will preserve existing affordable housing or provide housing targeted at lower income residents, like 50% AMI rather than the required 60% AMI. (Note: DCA has a scoring incentive for "Deeper Targeting Through Rent Restrictions", but they currently are not ranking applicants based how deeper and more long-term affordability)*	✓
3	**Increase the Allowed Developer Fee**	*Developer Fees count toward allowable basis for the award of Federal Tax Credits, which provides critical Federal funding to each development. Developers often defer these fees, contributing the fee to make the development work. By increasing the allowable fee, States increase the Federal funding to developments in their states and increase the number of housing units possible.*	✓
4	**Focus Private Activity Bond Allocation on Multifamily Development**	*While Private Activity Bonds can be used for multiple purposes, they only draw Federal Tax Credits when allocated for Multifamily Housing. Given historic low interest rates, the tax-exempt feature of PABs is of little economic value to states and PAB users; other forms of debt are of equal or lower cost than PABs. States can maximize Federal housing funding by targeting all or a majority of annual PAB allocations to Multifamily Housing and use alternate funding sources for Single Family Housing and other PAB uses.*	X
5	**Allow Bond Recycling**	*Current Federal LIHTC statutes allow states to reuse PABs within their allotted allocation. PABs allotted to Multifamily Housing may be reused if their term full tax-exempt financing is not used. This can trigger additional Federal tax credits to support additional multifamily developments in the state. Many Multifamily developments only use the PABs for a short period of time, during construction for example, and then convert to alternative sources of debt financing.*	X