

August 21, 2014

Mr. Chris Austin  
NC Housing Finance Agency  
Attn.: Rental Investment  
3508 Bush Street  
Raleigh, NC 27609

Mr. Austin:

Thank you for inviting comments for consideration of inclusion in the 2015 Qualified Allocation Plan.

1. For projects nearing the end of their initial 15-year compliance period, accept applications well in advance of the expiration of the compliance period (Section IV H.1.(b). This would provide for more timely and effective re-capitalization planning by developers and investors as well as provide advantages in the tenant qualification requirements if a new compliance period begins immediately upon termination of existing period. This could be accomplished through the Agency providing a reservation for a forward commitment and following up with the allocation in a subsequent year.
2. Loan Underwriting Standards (Section VI B (1)(b). Underwriting to a 1.15 DCR at time of application with the implications of restricting credits reserved, loan sizing, etc. does not provide for a sufficient safety valve to accommodate unforeseen changing circumstances between reservation and placed-in-service. Changes in market conditions, income levels, the equity market, development costs, and operating expense projections can all erode DCR. Would suggest that initial underwriting be at a 1.20 DCR with perhaps adjustment down to 1.15 at time of cost certification and application for 8609's. For projects in lower income, or slow income growth markets, deep targeting, or of smaller size, perhaps a 1.20 DCR should be the permanent DCR target.
3. Targeting Plans (Section IV.F.4). This a laudable goal, however it can be a lot of wasted effort and disruptive to the project's success if either knowing going in that the local lead agency is not going to be strong partner in the process or, is later discovered their capabilities are lacking.

Some administrative issues, which may or may warrant inclusion in the QAP, but would be helpful:

1. Post on website or use the Rental Help email distribution list to disseminate important dates and information which may now only be transmitted directly to awardees.
2. Provide formal documentation (such as amendment of Carryover Allocation), if credits are reduced by the Agency subsequent to award and prior to review of cost certification.

Please give me a call if you desire clarification on any of these points.

Sincerely,



Chuck Newcomer  
Vice President, Risk Management