LAUREL STREET
RESIDENTIAL

August 22, 2014

Mr. Scott Farmer
Director of Rental Investments
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Re: Request for Changes to Consider for the 2015 Qualified Allocation Plan (QAP)

Dear Mr. Farmer:

Laurel Street Residential is honored to have worked with the North Carolina Housing Finance Agency (NCHFA) to develop affordable housing for low income families across the state. On behalf of the Laurel Street Residential team, I would like to thank you for the opportunity to share suggestions for inclusion in the 2015 QAP.

Attached please find a list of our suggestions. We have always found the QAP to be an effective guide to producing affordable housing in the state, and we believe these suggestions would only enhance the QAP as a tool.

Sincerely,

Lee Cochran
Vice President

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Laurel Street Residential - Suggestions for Inclusion in 2015 QAP

	Focus Area	Requested Change	Rationale
1	Agency Designated Basis Boost	Keep current language	We support NCHFA's use of the Agency Designated 115% Basis Boost to provide some additional project support should the fixed 9% rate not be extended. We support continuing to include this provision in the 2015 QAP.
2	Redevelopment Projects	Change the set-aside requirement for Redevelopment Projects to ensure that one Redevelopment Project is awarded in each Geographic Region for a total of four (4) Redevelopment Projects.	The set-aside for Redevelopment Projects allows local jurisdictions to use the tax-credit program to accomplish their broader redevelopment goals. Awarding one Redevelopment Project to each Geographic Region would distribute Redevelopment Projects throughout the state rather than the current process where redevelopment awards potentially could be concentrated in one region.
3	Principal Limits	Add language so that tax credits awarded for a Redevelopment Project do not count against the Principal Limit. The allowance would apply to a maximum of one (1) project per Principal. In the event a Principal is involved in multiple Redevelopment projects, the allowance would apply to the Redevelopment Project with the smallest award of 9% tax credits.	Redevelopment Projects often need to be submitted in multiple years prior to receiving funding. This challenge limits the ability of developers to manage their pipeline and could potentially limit a local jurisdiction's ability to find a development partner. If one Redevelopment Project does not count against the developer's Principal Limit, developers would be more likely to pursue an award for a Redevelopment Project over multiple years as is often required.
4	Principal Limits	Change the total maximum awards to any one Principal to a total of $2,500,000 in tax-credits.	Due to the loss of the State Tax Credit, the amount of credits requested per unit is likely to rise which will decrease the number of units that a developer can be awarded under the current Principal Limit. Increasing the Principal Limit would allow developers to compete for the same number of units as when the State Tax Credit was available.

Laurel Street Residential - Suggestions for Inclusion in 2015 QAP (Cont.)

	Focus Area	Requested Change	Rationale
5	Project Cost Limits	Raise all cost limits in Section IV.C. 1.(a) by $6,000 per unit.	Current construction costs for multi-family construction indicate these limits should increase. In addition, the credits per unit tie-breaker acts as a strong incentive to keep total development costs per unit low which lessens the need for an aggressive construction cost cap. Raising this cap would allow more flexibility in the development budget even while the Total Development Budget stays constrained by the credit per unit tie-breaker.
6	Use of Additional Contingency as Additional Developer Fee	Keep current language, but measure the cost overruns based on the final approved uses	Developers are allowed to take unused contingency as additional developer fee. However, cost overruns should be defined as costs in excess of the final uses approved by NCHFA at the beginning of construction, not the uses in the full-tax credit application.

Laurel Street Residential - Suggestions for Inclusion in 2015 QAP – Appendix B

	Focus Area	Requested Change	Rationale
1	Design Document Standards	Keep current language.	We support the design requirements for application submissions as currently outlined.
2	Design Points	Please provide a list of minimum design features required to obtain maximum design points.	Design criteria for score evaluation is currently vague, which encourages developers to add more design features than may be desired or required by NCHFA. Providing a specific set of criteria will assist developers in managing costs and providing the features that the Agency is most interested in seeing.
3	Medicine Cabinets	Allow for the inclusion of a minimum of two drawers in the bathroom cabinet in lieu of the required medicine cabinet.	Market experience indicates that residents use and appreciate cabinet drawers more than the typical medicine cabinet.
4	Clarify Tenant Storage Areas Required for Senior Developments	Interior Design and Materials and Required Site Amenities sections both currently reference storage area requirements. Clarify that only one 16 square foot storage area per unit is required for senior projects, and allow this storage to be located interior to the unit (in addition to other closets currently required) or in storage units in a centralized building location.	The current language is unclear, and some building designs may accommodate this storage within the unit. Market experience indicates that residents would use and appreciate this design where possible.
5	Leasing Offices/Clubhouse Amenity Location	Allow leasing office/community space to be co-located within a residential building, so long as accessible by all residents.	Market design standards have evolved away from traditional, suburban garden style configurations, to allow for the integration of community amenities within residential building where appropriate. It is most often seen in senior and urban developments.