North Carolina Nonprofit Developers Alliance

August 22, 2014

The North Carolina Non-Profit Developers Alliance represents four of North Carolina's most active non-profit affordable housing developers. We appreciate the opportunity to offer comments for the 2015 North Carolina QAP. We note with approval the principal and project award limits continued in the 2014 QAP, as well as the increase in distance to grocery stores to 1 mile.

For 2015, we also respectfully suggest the following:

1. **Remove the Cap on Nonprofits Participation** – NC remains the only state we can find in the entire nation with what amounts to an 80% set-aside available to for-profit developers. We believe this is contrary to the spirit of the LIHTC program and should be changed to provide at least an even playing field.

2. **Revise Site Scoring Criteria and Importance of the Credits/Unit Tiebreaker** – The current scoring system produces a very high percentage of perfect site scores; as a result, awards usually come down to the credits/unit tiebreaker which is unpopular, results in lower quality, and is not equitable across the state due to varying land and development costs. In addition, the current site scoring results in developers paying a premium for sites that meet the criteria.

Option A -We suggest as an alternative adding 2-3 additional scoring criteria that are directly related to community services/amenities needed by residents. Some considerations:

a. Use a method similar to that of the South Carolina 2014 QAP, (page 4 table as an example)
b. For family developments use public schools, libraries and parks, and for seniors developments medical facilities, banks, and parks.
c. If there is concern these will negate the importance of the shopping criteria, make them a basic eligibility requirement.

Option B - We suggest as an alternative giving developers the opportunity to "make up" points when a site is not within a mile of the grocery/pharmacy in a method similar to that presented in the South Carolina 2014 QAP, page 4. Under this concept no site could earn more than the current 27 maximum amenities points, but sites that are well located near additional amenities would not be eliminated from consideration.

	≤ .5	**≤ 1**
Bus/light rail/transit stop with frequent service	6	3
Public School	2	1
Library	2	1
Community/Senior Center	2	1
Health Care	2	1
Park/Recreation	2	1
Bank, Restaurant, Gas, etc.	2	1
Mall/Strip Center	2	1

3. **Encourage More Redevelopment/Infill** – The current standards for redevelopment projects are confusing. For example, we don't understand what the Agency envisions for a plan that addresses deterioration of the area. Is this 1/2 mile measured on a Google Maps driving basis or is it a radius type of measurement. Redevelopment projects can have a transformative impact on in-town neighborhoods and therefore we suggest that the number of such projects be increased to 6 per cycle. Further, there should be no requirement for the project to be City-initiated since this requirement may stifle private sector initiatives at a particular site that will enhance a City-initiated plan. In sum, our recommendations are as follows:

    a. Require that the tax credit site be located in or within a 1/4 mile radius of a City-designated redevelopment area.
    b. Increase the redevelopment project set-aside from 3 to 6 per cycle.
    c. Remove requirement for City-initiated redevelopment. As long as the site is located in or close to a City designated redevelopment area, it should not matter who started the work.
    d. Redevelopment projects should automatically meet the amenities requirement as long as they are within 1/4 mile of a transit stop that offers regular service.

4. **Promote Transit Oriented Development** – Bus service, light rail and other types of transit are extremely important for lower income residents. Under the current QAP, a project proposed in a TOD would likely not be funded due to its proximity to a current railroad corridor. We therefore suggest that for the Metro region, removal of the current scoring penalty for proximity to railroad tracks if the site is planned for a documented official TOD area.

   We think that the best way to reward sites that are located on transit lines is under the site scoring criterion. If the QAP sets forth additional criteria under the site scoring, smaller towns without transit would not be disadvantaged.

5. **Addressing the impact of the Loss of the State Tax Credit –** Even with the WHLP program it will be more difficult to structure deals. Could TCAP funds that have been returned to the state be directed into the 2015 tax credit cycle? It would be helpful if the Agency reported on the status of these funds. It may even be necessary to revisit the 10% set aside for the homeless and disabled as much as we support such efforts. Similarly, while non-profits have typically skewed incomes and rents deeper than many other developers, we are unsure whether we can continue to do so.

6. **Maximize Leverage:** NCHFA should not predetermine the amount that an investor will pay for credits. If nothing is done to correct the credit per unit tie breaker than it will need to stay in to level the field – but if the importance of the credit per unit tie breaker can be eliminated, then pricing should be open market and if developers exceed the proposed range they will be required to submit a letter from the investor. Given the loss of the STC it doesn't make sense to force projects to underwrite to less equity than they could get.

7. **Other thoughts:**

    a. Provide a way to create an equal chance of getting funded in communities with high impact fees that substantially increase credits/unit required.
    b. Specifically address where to include the payment and performance bond in the development costs.
    c. Define "high traffic corridor" or remove this from list of negative influences.
    d. Create a small set-a-side for re-syndication of Year 15 projects, but only if developer has a positive track record of compliance and management.

Thank you for the opportunity to provide you with our thinking. We look forward to reviewing the comments of other interested parties.

Jointly submitted by:

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