Comments to 2015 North Carolina QAP:

General: Unfortunately, as we all know, the North Carolina state credit has been severely diminished and will not be a substantial permanent source of funding in 2015 as it has been in the past. Because of this, we believe that the QAP may have to change substantially in parts for 2015.

Agency Designated Basis Boost: Because of the reduced North Carolina state credit, increase the basis boost to up to 30% for all projects. Any basis boost (for DDA's, QCT's or HFA designated areas) should not penalize the applicant in any tiebreaker situation. Because of the reduced State Credit, the basis boost may be the only way projects can be developed in certain areas of North Carolina.

Award Limits by County and Region: Keep Regions as is. Change 1 per County. Based on population. For example: Over 500,000, 4 projects. Over 300,000, 3 projects. Over 100,000, 2 projects. Less than 100,000, 1 project.

Rent Affordability: We think that there will need to be big changes to this section. Because of the reduced North Carolina state credit, we think that the only required targeting should be the maximum federal targeting: 60% for tax credit units and 50% for HOME/RPP units. Of course if a project needs to have deeper targeting to satisfy the requirements of a local lender or other government program that is fine, but there should be no points associated with tenant rent levels. This is one of our strongest comments.

RPP Limits: Keep as is. As a side note, developments should not be penalized for applying for RPP funds. The 2014 QAP tiebreaker effectively penalized applicants applying for RPP funds. The 2013 QAP effectively rewarded applicants for using RPP funds and almost everyone requested it, whether they needed the funds or not. We do not think that RPP funds should be a part of the tiebreaker whatsoever; neither as a penalty or a reward.

Project Team Disqualifications: If a developer had to turn credits back in to the Agency, and the Agency was able to recycle the credits, the developer should be barred from participating in the program for at least 1 year. If a developer had to turn credits back in to the Agency, and the Agency was unable to recycle the credits, the developer should be barred from participating in the program for at least 3 years.

Unit Mix and Project Size: Larger projects use more credits. We think that the maximum number of units for any project in the East, West or Central regions should be 72 units. In the Metro region, the maximum should be 96 units. In the Rehab set-aside the maximum should be 72 units. Larger rehab projects should be required to utilize tax exempt bonds and 4% credits.

Tiebreakers: Eliminate the tiebreaker of least amount of credits (plus RPP funds, plus basis boost credits) per unit. Developer Fees and Construction Costs should be deemed to be the fees stated in the QAP for any tiebreaker situations. For example, an applicant should not be allowed to artificially reduce construction costs or development fees in order to keep basis and credits low. It is important for the integrity of our program.

Design Criteria: Threshold only. No points. Also, with losing the State Credit, less stringent design criteria would help the financial feasibility of the developments and keep rents as low as possible. We ask that the Agency really truly consider this.

Additional Contingency: North Carolina developer fees are some of the lowest in the Country. The maximum developer fees should be increased or the additional contingency/additional developer fee should be automatic and not dependent on whether there were or were not cost overruns. Nevertheless, if cost overruns result in deferred developer fees over 50% of the total developer fee or deferred fees that are unable to be repaid in 10 years then the additional developer fee should not be allowed.

Misc: Management companies and construction companies must submit a copy of their valid and current NC license.

Tax Exempt Bonds: RPP Funds should be available for tax exempt bond developments. Additionally, if no RPP funds are allowed for bond deals, then eliminate the requirement that at least 10% of the units be set-aside for 50% AMI.