Comments to the September 30, 2014 draft of the 2015 North Carolina QAP:

Agency Designated Basis Boost: We think it needs to be more clear that the total Agency designated basis boost is up to 30% (15% for targeting and 15% if the 9% is not locked).

Targeting: We think that in order to keep the developments financially feasible, the only targeting that should be required is 50% for HOME funds. All other units should be targeted at 60%. We think all points for targeting should be removed.

Contractor and Subcontractor Documentation: This has the potential to be overly burdensome. We understand what prompted the Agency to insert this requirement into the QAP; however, maybe it can be limited to contractors and the ownership entity should only have to certify to the best of its knowledge. There should definitely not be any affirmative requirement for an ownership entity to research the employment practices of subcontractors. However, if the requirement remains applicable to subcontractors, any certification should only be required prior to the subcontractor commencing work. It will be nearly impossible to obtain it at the tail end. This requirement should not be a condition to receiving 8609s. This has the potential to be a very big issue.

Smoke Free Housing: This has the potential to generate tenant lawsuits and loss of potential tenants. We think it should be voluntary and not mandatory.

Unit Mix: 120 units is too high for non-metro areas. The maximum units in non-metro areas should be 72 units. With the tiebreaker being credits per unit, developers will build more units to spread certain fixed costs. There will likely be an impulse to build more units than should be built.

Design Points: Eliminate Design Points and make all requirements threshold.

Additional Contingency/Developer Fee: We are in agreement with the change that the Agency has proposed.

Bond Transactions: Remove 50% targeting for bond transactions if HOME funds are not used. Not all bond transactions will have USDA rental assistance. Also, bond transactions should be eligible for up to $1,000,000 in HOME funds. If the project receives HOME funds then it would have to target at 50%. We also think the application dates for bond transactions should be rolling.

Tiebreaker: We are sure that you have heard these comments from several developers. The credits (plus RPP) per unit is not a good tiebreaker because: (i) it drives up rents, (ii) it encourages larger developments, (iii) it encourages higher debt, (iv) it results in higher real estate taxes per unit, (v) it encourages artificially reducing construction and development costs, (vi) it makes investors and lenders uneasy when developers reduce developer fees and construction profits, (vii) it creates less financially feasible developments and (viii) it makes the cost of living higher for the tenant.

Possible Replacement Tiebreakers:

1. Capture Rate by Development Type. Separate standards for Elderly and Family.
2. Proximity to amenities down to the ¼ mile.
3. Land cost per unit.