



August 31, 2015

North Carolina Housing Finance Agency
Low Income Housing Tax Credit Program
Attn: Scott Farmer
3508 Bush Street
Raleigh, NC 27609

Subject: Suggested Revisions for the 2016 North Carolina QAP

Dear Scott,

As a long-standing participant in the North Carolina Low Income Housing Tax Credit Program, the Charlotte-Mecklenburg Housing Partnership would like to submit some suggested revisions for the 2016 QAP. Additionally, we have reviewed the comments discussed at the NC Developers Council and have indicated general support for a few of the suggestions at the end of this letter.

For 2016, we respectfully suggest that NCHFA consider the following revisions:

1. Remove the cap on nonprofit organizations participation in the LIHTC allocation. NC remains the only state that applies this limitation to nonprofit participants and we continue to believe that this is contrary to the spirit of the LIHTC program.
2. Keep the recent modification to the scoring system that allows for bonus points if located near a qualifying bus/transit stop. This provides well deserved support for Transit Oriented Development sites and should remain in the QAP.
3. Limit the number of awards to any one Principal can be awarded to a maximum of three (3) total awards, but do not set limits within any particular set-aside.
4. Remove "credits per unit" as the tie among projects with identical scores. This encourages lower quality construction and less expensive land acquisition in areas that may be sub-optimal. Also, communities with higher land and development costs are at an automatic disadvantage.
5. Given the lack of State tax credits, eliminate the threshold of units at very low income. While we understand and support the importance of this set-a-side, it will be extremely difficult to find enough subsidy to fund these units. Alternatively, utilize other funding as suggested in NC Non-Profit Alliance letter to make up for the subsidy shortfall.
6. Award at least two projects each year in large metropolitan cities, assuming a score at 60 or above (if bonus points are allowed).
7. Allow developers to apply for tax-exempt bond allocations year round instead of twice a year. This allows more flexibility to layer funding that may come from local sources on an



unpredictable calendar basis. South Carolina is an example of a nearby state that provides year round applications (with the exception of two bye-months).

8. For tax exempt bond allocations, consider allowing organizations to change the unit mix or structure of the project if interest rates dramatically change from time of submission to time of award. This would save NCHFA review time and the organization both time and money in having to reapply based on the current economic conditions.
9. 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.
10. VI(1)(a) - Loan Underwriting Standards. The current language requires that all expenses be escalated at 3%. However, this results in a higher expense load for management fees than what will actually be incurred. Since management fees are calculated as a % of revenue, they should be escalated at the same rate as revenue (2%).
11. Design Standards Parking: Remove NCHFA required approval for parking variations from standard and instead defer to local ordinance as indicated by plan approval by local jurisdiction.

CMHP Comments to Items Discussed at the NC Developer Council Meeting

CMHP is in favor of several suggestions that came from the NC Developer Council meeting and we would like to express our support. However, there were also several suggestions that we are not in favor of or don't feel like there is sufficient information to provide commentary on. Below are the items that would receive support from CMHP. If any exceptions exist, we have noted.

1. Section IV(D)(1)(a) – Principal Requirements for 9% Tax Credits. *We endorse this as worded.*

Proposed Language:

In order to be eligible for an award of 9% Tax Credits, at least one Principal must have successfully developed, operated and maintained in compliance one Tax Credit project in North Carolina. The project must have been placed in service between January 1, 2009 and January 1, 2015. Such Principal must:

- (i) be identified in the preliminary application as the Applicant under Section III(C)(5),
- (ii) become a general partner or managing member of the ownership entity,
- (iii) remain responsible, to the federal standard of “material participation”, for overseeing the project and operation of the project for a period of ten (10) years after placed in service,
- (iv) provide guarantees to the extent of any other member or partner, and
- (v) be the Agency's initial, primary point of contact for the project.



2. Section VI(B)(7)(a) – Developer Fees. *We endorse this as worded.*

Proposed Language:

Developer fees shall be the greater of \$600,000 or \$13,000 per unit for new construction projects, and twenty-eight percent point five (28.5%) of PDC line item 4 for rehabilitation projects, both being set at award.

3. Site Scoring, Neighborhood Characteristics. *In general, we are in favor of adding a new tier worth up to 18 points, but the language “high-end” should be revised to “quality”.*

Proposed Language

NEIGHBORHOOD CHARACTERISTICS (MAXIMUM 18 POINTS)

Excellent: 18 points if the trend of real estate development within a Half Mile indicates being an area currently targeted for a substantial amount of high-end, market-rate investment, including at least some new or recent construction

Good: 15 points if structures within a Half Mile are well maintained or the site qualifies as a Redevelopment Project (see Section II(B)(2)(b))

Fair: 6 points if structures within a Half Mile are not well maintained and there are visible signs of deterioration

Poor: 0 points if structures within a Half Mile are Blighted or have physical security modifications (e.g. barbed wire fencing or bars on windows)

4. Site Scoring, Census Tract Data. *We are in support of this concept with regard to family projects, but often higher AMI is not a good differentiator for senior project sites as there are many areas where preservation of housing for seniors in existing neighborhoods is needed, but AMI for the CT is still low (but potentially rising).*

Proposed Language

(iv) CENSUS TRACT DATA (MAXIMUM 10 POINTS)

(two points for each increment group over 64.1% in the first map below)

(two points for being outside of either a “Severely Distressed” area or MSA county)

Thank you in advance for taking the time to review our suggestions. CMHP looks forward to seeing the draft of the 2016 QAP. Please let us know if you would like to discuss our recommendations.

Sincerely,

Julie A Porter
President

Charlotte Mecklenburg Housing Partnership