



To: NCHFA

From: Richard Angino

Date: 09-04-2015

Re: QAP comments for 2016

I like 99.9% of the QAP and only have the following clear suggestions:

Coalition Discussions and the Tie Breaker - My personal opinion after the various Coalition discussion meetings is that the best option to allocated credits is to keep the current system that uses the credits per unit as the tie breaker. Credits per unit is the final result of all of the other decisions and assumptions the applicant has used in the application and it reflects how effeicently the credits are used by the property. It is no different than when we choose to go with the lowest drywall installer's bid. You pick the lowest offer that has reasonable assumptions. NCHFA's underwriting process already makes sure the applications are reasonable. If our goal is to produce the most amount of affordable housing units for North Carolina's workforce, then shouldn't NCHFA continue its practice of awarding credits to the most efficient developers?

I didn't see any huge group of developers who are supporting any other option. Any other proposals turn the allocation process into a beauty contest or use systems which socially engineer the allocation of the credits. Too many of the idea proposals limit innovation, set up new walls to protect a certain group of developers and/or try to establish comfortable minimums which most can meet just doing business as usual.

Elevators – The language in the elevator rule needs to be cleaned up to correctly reflect what I have heard is the concern from Russ. I would propose the following language:

“For family buildings with more than two stories above any floors which can be accessed at ground level via ADA pathways, there shall be one elevator required for the first 40 units and a second elevator required in buildings with 41 and greater units. Family complexes which are not required per the above language to have elevators, shall be allowed to include elevators in their design to make any non ground floors accessible and senior friendly. For senior buildings with any floor above a ground accessible floor, there shall be one elevator required for the first 40 units and a second elevator required for buildings with 41 and greater units.

The current language can be read that any building less than 60 units needs one elevator even if it is a garden style walkup or family property. Since all of the Family Garden Style applications were not kicked out for threshold this year, I am assuming it needs to be cleaned up so it is clear what type of buildings are required to have elevators and how many.

Construction Costs – The minimum cost per unit should not be raised above the current levels in the QAP. The only reasons I heard at the coalition meetings to raise them was from some developers who like their current building/unit designs and don't want to change them to reduce the costs to build units closer to the minimum cost levels. The minimums cost levels should never be set at a level that is easy for everyone to hit or we are not efficiently allocating the scarce resource that credits have become.

Bond Costs- The calculation of the allocation fees for bond transactions should be based on credits not basis since in the current QAP, bond transactions effectively pay fees on the per unit level which are close to three times the amounts paid by the 9% transactions on a per unit basis. Bond transactions are very tough to financially structure and paying extra fees makes no sense since there is no increase cost of administering the credits for bonds transactions when they are locally induced.

Parking- The amount of parking per unit should be the same for senior and family properties and should be based on the unit mix of the property. The state's demographics are changing and many of the properties under family applications have a good amount of folks over 55 living at their properties. Over 30% of our population is over 60 years old and that shows up in the tenant demographics of our properties. At the same time, the folks over 60 years old are still driving later into life than they did in the 1970's. With this in mind, I suggest we phase in parking space requirements such as I have seen many cities require which is:

- 1 parking spot for each efficiency/studio unit,
- 1.5 parking spaces for one and two bedroom units, and
- 2 parking spaces for each three and four bedroom units.

There should be allowances for parking to be provided off site or shared and at smaller amounts if the property is located in city centers or is mass transit based. The State of North Carolina has been rolling out various green initiatives such as storm water controls, reducing heat sinks and getting people to use alternative methods of commuting which are contrary to NCHFA's two parking spots per unit minimum. The current QAP is producing Home Depot like parking lots at the family properties which just sit empty. Our income restrictions discourages having roommates living together which normally produces several cars per unit situations at market rate properties.

Distance to Amenities. I have seen some proposals to reduce the distances to ½ mile and I encourage you to please not reduce the requirements below one mile. If anything, the lowest distance should be 1 ½ miles for family properties. The current system gives perfect scores to properties which backup to a Wal-Mart parking lot, but I don't know many tenants that want their kids to play outside with the playground backing up to a Wal-Mart parking lot. I also keep hearing concerns from lenders and equity

providers about the many new complexes in North Carolina that are now being built in commercial locations instead of traditional residential neighborhoods. In the past, most of the zoning changes were from other types of residential zoned land to multi-family, but now we are competing with the big box stores for land zoned retail and business. They have concerns on how we are going to keep properties full in the long term when you can hear the drive thru speakers from the nearby Walgreens throughout many properties since they are so close to retail establishments. This land is also very expensive and generally land at 1.25 miles is \$35,000 per acre versus the under one mile land which is \$120,000+ per acre. These higher costs force us to build ever taller buildings which is not a good result for our tenants. At the moment, this state has more people needing affordable housing than the units we are producing, so the tenants don't have a choice but to live in one of these three story walkup complexes located in a commercial district, but we should have the option to produce lower density complexes in quieter neighborhoods.

Bus Stop- This is a great add last year, but the rule should be broader. It matches up with many of the Governor's Green Programs. It would be great if most cities in the state had mass transit that ran every hour six days a week, but few do other than the big metros. The rule should take this into account and allow for cities that have mass transit, but more on a limited basis. Bus stops should be included as a method for tenants to get to stores and work provided the local schedules provide for services that runs on work days and have six or more stops scheduled per day from that bus stop location. The smaller cities who have added these transit lines are very proud of providing these services to their residents, but they don't have the volume of bus ridership and budgets to provide the 12 hours per day service. These cities should get credit for providing mass transit which allows tenants to reach work and/or services under the QAP. Our tenants know when the buses run and they work their schedules around these schedules.

Historic Preservation-The Governor's office has been pushing very hard for the preservation of historic properties to revitalize existing neighborhoods. As the Governor put it best at a recent historic rally at the Capital, we spend tons of state money to try to get corporations to move to North Carolina and the first thing the corporations do is visit the locations to see how the economy is doing in that area. They don't drive out the areas where the Wal-Marts, Outbacks and Harris Tweeters are located, but they drive to our downtowns. If they see boarded up buildings, they look elsewhere. My comments are as follows:

- The current QAP and underwriting process makes it very hard or impossible to do historic properties in our downtown cores areas. Many of the buildings which don't qualify as acceptable sites for affordable tax credits are being done for luxury tenants which doesn't make sense. If the location is good enough for \$1200 to \$2000 per month tenants, why are they unacceptable for affordable tenants? The current application process in the QAP for historic properties is very expensive compared to the new construction requirements.
- The process of approving historic properties could be lightened up by having some small requirement changes which would still give NCHFA enough information to make sure they are not approving "Bad" properties, but not require \$100,000 of work to submit an application. I know there is some concerns about environmental issues, but new construction properties can

have the same Phase One issues as historic, but the new construction are not required to do environmental reports for their applications. We could get third parties to issue letters addressing current conditions both structurally and environmentally without spending the funds needed for full reports which need to be redone for the debt and equity because they are stale by the closing date. We could also not require full permit grade exterior drawings for the application. NCHFA could get just as comfortable with the vision by receiving renderings and example photos without the architects having to produce perfect drawings at the application stage. The rehab of old apartments don't have to do this and they are covered by their less than perfect aspects in the Design Guidelines, so shouldn't historic properties also have some carve outs? NCHFA will have full drawings at the permitting stage for historic properties where spending \$50,000 on exterior elevations makes sense.

- There should be some leeway in the Design Guidelines for historic properties so that everything in all of the pages of the Design Guidelines are not threshold items which kick historic properties out the same as not having included the application fee or not having a signed purchase agreement. The recent years the affordable historic developers have seen too many historic properties removed for very small items related to the drawings that have very small costs or no real effect upon the usability of the buildings. Many of these items could be correctly with labels or comments to the underwriter that the architect/developer could address in five minutes. These items have no effect on the financial feasibility of the property and shouldn't be terminal to the whole application. It is real easy to be perfect when you just duplicate the same new construction buildings across 18 applications, but historic are each designed from scratch by architects who know the affordable business and the design guidelines very well and will build wonderful properties for our tenants.

Experience – There should be a way to appeal for experience qualification. The current Golden Ticket system has it flaws, in that, it has nothing to do with the person's history and/or experience in developing tax credit properties. There are several examples of people with Golden Tickets who have never read a partnership agreement and have inherited the Golden Ticket from a family member who did. There are also several individuals who have been deep into the nuts and bolts of building and running tax credit developments for 10 plus years on the senior executive level who can't get a Golden Ticket because they didn't own the company or get a K-1. Having no appeal process does nothing but protect a group of established developers and limit competition. Many of the current Golden Ticket groups originally spun off from established developers once staff members had enough real world experience and strength to have their own development shop. This constant evolution should be allowed like most other businesses in this economy and not restricted to only the owners of entities who were winning tax credit allocations five years ago. If you can put together a team of very qualified individuals from the tax credit world who have been making tax credit developments happen in North Carolina, you should be able to compete.

Those are my comments prior to the issuance of the first draft and I hope the changes a slight this year because we already have a very good and fair QAP.

Richard Angino