

MC Morgan & Associates, Inc.

P.O. Box 16038
High Point, North Carolina 27261

September 16, 2016

Mr. Chris Austin
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Re: Comments for 2017 Qualified Allocation Plan

Dear Chris:

Thank you for the opportunity to offer comments on the Qualified Allocation Plan (QAP). **We consider the DRAFT 2017 QAP a well-conceived plan.**

- 1) Please consider keeping the 2016 TENANT RENT LEVELS. In combination with the requirements under OLMSTEAD SETTLEMENT the rent spread has become a real issue. 60% rents are increasingly subsidizing the 30% and 40% rents. The 30% and 40% rents are usually lower than the operating expenses for the unit. We suggest that you keep the 2016 rent levels and assign the points listed in 2017 QAP DRAFT to those rent levels.
- 2) Please consider increasing the cap in non-metro counties to 2 projects per county or 1 million in credits per county.
- 3) Please consider removing the SECOND TIEBREAK as the LOWEST AVERAGE INCOME TARGETING. This tiebreak seems to be in conflict with other QAP priorities like lower land and development cost.
- 4) Please consider removing SITE BONUS POINTS or consider using it as the SECOND TIEBREAKER.
- 5) Please consider an inflation mechanism within the 2017 QAP. If an increase in fees is warranted, then developer fee and construction cost should be increased at the same percentage.
- 6) Please consider reducing the number of years required to maintain a minimum 1.15 DCR from 20 years to 15 years for projects without RPP.
- 7) For BOND DEALS, please consider the following: The developer fee cap should be lifted. Syndication and development cost caps should be increased to match industry trends. The minimum expense limit of \$3,600 should be on a sliding scale, i.e. 100-180 units at \$3,200 per unit, 180-300 units at \$2,600 per unit, etc. Applications should be accepted on a quarterly basis versus bi-annually.
- 8) Please consider scoring family and elderly developments separately in the CREDITS PER UNIT AVERAGE category.

Thank you for your consideration.

Mark C. Morgan, CCIM
President
MC Morgan & Associates, Inc.