



DEVELOPMENT
CONSTRUCTION
MANAGEMENT

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September 1, 2016

Mr. Scott Farmer
NC Housing Finance Agency
Attn: Rental Investment
3508 Bush Street
Raleigh, NC 27609

VIA EMAIL: rentalhelp@nchfa.com

Dear Mr. Farmer:

The Woda Group, Inc. appreciates the opportunity to provide comments to be considered for the State's 2017 QAP for the 9% LIHTC application round.

a) **The first Tiebreaker**

We had recommended in prior years that the first tiebreaker not be the amount of tax credits requested per unit. We therefore appreciate that the agency is considering including more point categories in the selection process.

In the initial 2017 Draft QAP it seems that nearly all applications will still be decided by the new tiebreaker. The proposed first tiebreaker being the application located in the census tract with the lowest poverty rate makes the site selection process extremely ambiguous. It would appear that if the first and therefore essentially the only tiebreaker is based on the poverty level in census tracts that developers will flock to census tracts with high income levels and with very little poverty. Such sites will score the best at the tiebreaker level and we understand the objective the agency is trying to achieve by avoiding concentration of poverty.

However, our fear is that the selection process will therefore focus on sites that will have higher land purchase prices than we have seen over the past years, trigger more NIMBY issues, may require more zoning changes or variance requests. It will also mean that many locations with medium poverty levels will be overlooked as not scoring well enough at the crucial tiebreaker level. Census tracts with higher poverty ratios will be completely ignored. Often these medium to high poverty areas need affordable housing more urgently than some of these other higher income locations that will benefit from the proposed revised QAP scoring.

We prefer there to be more scoring differentiation based on selection criteria and that if a tiebreaker is required it not be the lowest poverty level in a census tract.

b) Amount of tax credits requested per unit

The revised proposal will eliminate the undesired “race to the bottom” where ultimately developers would end up either cutting costs and claiming they could build a quality project without the appropriate matching budget.

However, the way the revised proposal is worded points will be allocated to applications that are the closest to the average tax credits requested per unit of the respective geographic region and/or Metro pool. Points being awarded whether you are above or below the average. This means that no recognition is given to applications that have sought out cheaper land costs, avoided topography that would incur additional site work costs, achieved additional local funding sources, etc. It pushes a developer to seek these points by being average, even slightly below average to score max points.

The initial QAP draft does not reward or encourage developers to find the right site, keep acquisition and construction costs low and under control, nor work hard to leverage additional funding and/or seek the best pricing for equity pricing and loans.

We would recommend that the point structure in place in 2016 be reinstated.

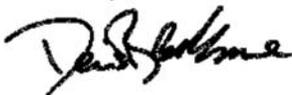
c) Site Bonus Points

By allowing “Up to 2 points to be awarded to the site(s) in a county deemed to be the most desirable real estate investment and most appropriate for housing amongst all applications in that county” makes it very difficult for a developer to select the right site. There is a lot of subjectivity in what is “deemed the most desirable real estate investment”. Furthermore, a lot of effort can go into finding a site that will score well in a tie-breaker situation (i.e. find a site that has a low purchase price with low construction costs, or in a census tract with low poverty if the new proposed first tie-breaker is maintained) only to be “jumped over” to a site deemed more appropriate. This does not seem like a fair way to select applications.

We recommend this new proposal to add such bonus points not be included in the 2017 QAP.

Thank you for your consideration of these comments.

Sincerely,



Denis Blackburne
Senior Vice President
The Woda Group, Inc.