



TO: North Carolina Capital Facilities Finance Agency

FROM: The Affordable Housing Task Force

DATE: August 29, 2017

RE: 2018 QAP

The Affordable Housing Task Force is a group of business leaders, government officials (City, County and Housing Authority), and housing developers (both affordable and market rate) who have come together on a voluntary basis to address the issue of the critical need for more affordable housing, specifically in the Charlotte area. The mission of the Task Force is to “explore “innovative and sustainable” affordable housing strategies that reduce free market barriers and more fully enable the capacity of the private sector as well as current organizations to meet the housing needs of every family in the Charlotte region. We will operate as a think-tank and will make our recommendations to the City, County and others.”

One area of focus of the Task Force has been to explore ways to expand the use of tax-exempt bonds and 4% tax credits as a way to provide financing for additional affordable units. As part of that process, we gathered from those who work in the affordable housing arena a number of suggestions, which are relevant to the 2018 QAP. Please consider these comments as you continue to develop the 2018 QAP. Our group focused on ways to make the tax exempt bond /4% tax credit process (referred to herein as the 4% process) more available for both new construction and rehab projects, given the nearly unlimited resource currently available in North Carolina. We recognize that the 9% process, given its competitive nature, must be more rigid in order to allocate that scarce resource in a process that is fair and transparent. In the 4% arena, however, we believe that some flexibility and alternative approaches could make that a much stronger tool in providing critically needed affordable housing throughout the State.

These items are our most critical suggestions for the 2018 QAP for tax-exempt bond - 4% tax credit deals.

1. Section III, Deadlines, Application and Fees. The number one suggestion from the Task Force in order to increase the amount of affordable housing units through tax exempt bond/4% tax credit financing is to separate the 4% application process from the 9% process, and permit applications for 4% transactions much more frequently. Ideally, the Task Force would propose a rolling process that allows an applicant to file its application as soon as certain key elements are in place (control of the property, inducement resolution, completed application, for example). Because this is not a limited resource (and in fact, a large amount of this resource goes unused each year), taking applications on an on-going basis would greatly enhance the ability of developers to find suitable land or existing facilities needing rehabilitation, and proceed with the acquisition and financing without having to wait on the two cycles. In the alternative, allowing applications to be filed monthly or at least quarterly would be helpful. Only allowing applications twice a year results in missed opportunities.

2. Section IV, Item E, Unit Mix and Project Size. Remove the limit on the size of new construction projects, or in the alternate permit them to be larger (such as 250-300 units in Metro Region counties) particularly if the proposed transaction involves market rate units. Our members are



interested in mixed income apartment complexes, which also accomplish the goals of the tax exempt bond program; permitting larger projects will allow a significant reduction in per unit operating costs. There is sufficient volume cap available to support larger projects with a larger bond size.

3. Section VI, Item B.7. Developer Fee. Eliminate the developer fee limitation, or in the alternate increase it to at least \$15,000 per unit and \$3 million total for larger deals. Tax-exempt bond/4% deals involve substantially more development work. Another proposal is to apply the development fee limitation only to the development of affordable units, so that the development fee limitation does not apply to the portion of the project that is not affordable housing. This is particularly needed for adaptive reuse projects that include multiple uses.

4. Appendix B. Design Requirements. Revise the design criteria to permit more flexibility for urban and infill projects. One suggestion was to have a separate category with design conditions for "Urban Conditions", where there is flexibility in the following areas:

- A. Parking requirements: have parking requirements tied to local zoning requirements rather than a set number of spaces.
- B. Allow direct proximity to an existing park or school where there are large open areas to count as an amenity.
- C. Eliminate the exterior storage closet requirements. Eliminate or provide flexibility on minimum interior design features (such as specific closet sizes) in order to allow for smaller minimum sizes – have the minimum square feet control.
- D. Increase the limit on acquisition cost as a percentage of total replacement costs to 75% to reflect more current market conditions.



Exhibit A
Members of the Evergreen Team

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