

## Chris Austin

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**From:** Charlie Irick <Crick@flatironenterprises.com>  
**Sent:** Friday, September 01, 2017 11:45 AM  
**To:** Chris Austin  
**Cc:** Hollis Fitch  
**Subject:** 2018 QAP Comments

Good morning Chris,

Flatiron Partners respectfully submits the following comments concerning the 2018 NCHFA Qualified Allocation Plan:

1. Remove the Credit Per Unit Average Point Category. This could have a negative affect on projects that have other funding sources (AHP, CDBG, free land, waiving of fees, etc.), which causes the credit request to be lower than the average. That discourages developers from obtaining other permanent sources for their project. Also, projects of different sizes have different economies of scale. This would put smaller projects at a disadvantage. Our recommendation is to have set per project limits based on development size. For example, this is South Carolina's system:

Project Size

Credit Limit

i) 24 to 31 units	\$650,000 (rehabilitation only)
(ii) 32 to 36 units	\$675,000
(iii) 37 to 40 units	\$700,000
(iv) 41 to 44 units	\$725,000
(v) 45 to 48 units	\$750,000
(vi) 49 to 52 units	\$775,000
(vii) 53 units and above	\$800,000

2. Remove the census tract tiebreaker. This tiebreaker will completely eliminate large areas of ever receiving affordable housing. Also in many rural counties the towns with less than 25,000 often have the best schools. However, because the towns are representative of the population they often have a high percent of poverty thus eliminating them from participating in the LIHTC program. In some cases, the largest town in these counties often just have one census tract and unless there is a low level of poverty, these towns will not receive the needed affordable housing under this QAP.

Also, poverty levels of census tracts are not universally reflective of the need of affordable housing and the best sites for affordable housing. For instance in Hendersonville, Hendersonville High School is a highly rated high school in NC in terms of Quality Performance. The school is in and surrounded by census tracts with more than 30% poverty. Tie Breaker One results that this Henderson County census tract will never have a new LIHTC award therefore depriving low income residents an affordable option of living in a district with the best education in the county.

3. Remove the lowest credit per unit tiebreaker. This encourages developers to race to the bottom on quality and craftsmanship of affordable housing. Using the lowest credits per unit measurement as part of the competitive process is setting up developers/owners for failing projects that are not financially feasible.

4. If credit per unit request is going to remain a scoring item, we encourage NCHFA to add more scoring opportunities to break up the potential for ties in score. For example in Virginia, VHDA has many different scoring options that gives developers multiple ways to win. Examples are adding more amenity points, adding project based subsidy, proximity to public transportation, and census tracts with no other projects of similar type. Not all site and projects are the same and therefore we suggest having many scoring options which allow multiple paths to funding.

5. Remove the developer fee cap on tax-exempt bond projects. We have developed/developing multiple new construction tax-exempt bond projects in the southeast. In order for these projects to be financially feasible, they need to have a large amount of units and a lot of eligible basis. With the developer fee cap set this low, a large North Carolina new construction bond deal would leave a lot eligible basis and 4% tax credits on the table. We've found that these projects need the large developer fee to justify more equity dollars to the deal. Then, these projects defer a large portion of the developer fee as a source to the deal. We are doing this in South Carolina where the developer fee cap is 15% and in Virginia where the cap is 20%. These deals would not be happening if the developer fee cap was as low as it currently is in North Carolina's QAP.

Hollis and I are happy to discuss in detail any of the above suggestions. We appreciate the opportunity to comment on this year's QAP and look forward to developing more affordable housing in NC.

Thanks  
Charlie

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