

## Chris Austin

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**From:** Mike Byron <mbyron@pedcor.net>  
**Sent:** Tuesday, September 26, 2017 11:43 AM  
**To:** rentalhelp  
**Cc:** Phil Stoffregen; Jared Houser  
**Subject:** Public Comments to the North Carolina 2018 QAP - NCHFA

Please accept these comments below from Pedcor Investments (“Pedcor”) for the 2018 Draft QAP. Pedcor is primarily focused on the 4% tax-exempt bond application and award process. As such, the majority of our comments below relate to what we feel are the most necessary proposed revisions related to the 4% tax-exempt bond process.

1. Deadlines and the 4% Tax-Exempt Bond Application Process. Within each of the last 5 years it is my understanding that the state of North Carolina has yet to utilize all of its bond volume, capped annually at over \$1 billion, for the 4% tax-exempt bond deals.

We believe that the application process and its current deadlines play a role in the relatively fewer number of 4% applications and awards. Currently, the 4% application deadlines of January and July are the only times to apply all year. It would be very helpful and it would most certainly lead to more deals in the 4% tax-exempt bond application process, if there were more than two (2) deadlines with which to apply to NCHFA. It would be more beneficial for all developers if NCHFA were to open up the 4% tax-exempt bond application process to a rolling, month to month process, or at the very least a quarterly process. We feel strongly that having more than two deadlines for the 4% tax-exempt bond deals would ultimately lead to a much needed increase in the amount of affordable housing units throughout the state.

As an example, the current deadline for preliminary applications is January 19, 2018. What if a developer finds a site on which to move forward on January 20, 2018 (one day after the deadline to apply)? That developer would have to wait until on or around mid-July before filing a preliminary application, and the tax credits for that application wouldn’t be awarded until January 2019. Trying to find a seller to meet that long (one full year) of a due diligence period, in hot markets like Charlotte, Durham and Raleigh is unreasonable and highly unlikely. Sellers just don’t agree to long due diligence periods in hot markets.

Additionally, to apply in say, January, and then to not receive notice of a tax credit award until August (8 months) is again a very difficult time frame to work with when dealing with buying property from a seller, particularly when (again) dealing in hot markets like Charlotte, Durham or Raleigh. A lot of developers draft purchase contracts to be contingent on or with a condition precedent to the awarding of tax credits. Many developers have been told time and time again by sellers that a suggested time frame of 8 months of due diligence while waiting on a tax credit award is just too long and/or too risky. Most sellers these days don’t want to wait and purchasers are told time and again to “just buy it.” As a developer, It is far riskier to just purchase land outright and wait on a potential award of tax credits. Conversely, it is also very risky for a seller of a piece of land to sell to a purchaser who has to wait and exercise a long due diligence period contingent on the award of tax credits. It would simplify and greatly help if the NCHFA review process could be tightened or shortened considerably after applying to accommodate the realities of the local real estate markets.

2. Developer Fee. Eliminate the developer fee limitation (\$1,900,000 for tax-exempt bond projects) or increase the per unit cap on new construction projects to \$15,000 per unit, or up to \$3MM for larger deals. If the deal can be underwritten as it is with a higher developer fee, or higher per unit costs, then why must it be arbitrarily capped? The increased developer fee will increase basis and will add to the ability to have more units (affordable) and/or a higher grade of product. Fees can be deferred to create a larger capital source in the face of soft funds decreasing and the availability of such declining.
3. Parking Requirements. Each city, town or community in North Carolina is vastly different than the other. As such, the parking requirements for each city, town or community in North Carolina is different. With these differences in mind, NCHFA should set its parking requirements to simply satisfy the local requirements and standards, rather than set the parking standards to a particularly broad statewide parking count based on a minimum parking spaces per unit basis. Just as an example, the parking requirements and standards in metropolitan North Carolina are vastly different than the parking requirements and standards in rural communities throughout North Carolina.

Thank you.

Mike

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