Chris Austin

From: Scott Redinger <sredinger@saredinger.com>
Sent: Sunday, November 12, 2017 3:40 PM
To: Scott Farmer; Chris Austin
Subject: 2018 Draft QAP Comments

Rehab Applications Total Per Unit Replacement Cost Threshold Limit should be increase for historic buildings that were converted to apartments 15 years ago because:

It will cost more to rehab an historic building that received an allocation of historic credits 15 years ago for the adaptive reuse of the building to apartments than it would cost to rehab an apartment building that was built new 15 years ago. Because of the buildings features. Such as:

- Windows of buildings that received an allocation of historic Credits 15 years ago typically have much larger windows than an apartment building built new 15 years ago. When the historic building was converted to apartments 15 years ago the existing wood windows were replaced with compatible wood windows.
- Most of the common areas wood flooring was refinished, not covered with carpet or tile.
- The existing wood doors and trim also has to be retained and/or replaced with comparable wood doors and trim.

Applicants who apply for rehab credits and retain the historic features of an historic building can apply for an allocation of historic tax credits to help pay for rehab cost. However because the equity investors benefit of historic credits has expired in 15 years applicants requesting rehab credits for historic buildings can replace the windows with vinyl windows and carpet or VCT the wood floors in order to try to reduce the Total Per Unit Replacement cost. However an improvements to an historic building that does not meet NPS and SHPO requirements for buildings that were listed on the National Register of Historic buildings will eliminate any chance of receiving HTG equity for rehab cost.

Based on my experience of assisting 5 nonprofit clients with the adaptive reuse of historic schools to apartments for lower income seniors the Counties and Towns where the schools are located wanted to keep the school. The counties were willing to either agree to a long term minimal payment annual rent for example ($1.00) or give the school to my nonprofit client. If an applicant for a Rehab application for an historic building wants to retain the buildings listing on the National Register of Historic Buildings and proposed improvements to the building that sustains its historic rating the NCHFA should increase the Total Per Unit Replacement Cost for an Historic building.

Applicants applying for Rehab Credits that have a current HUD Section 8 Project Based Voucher HAO Contract should be given a priority for receiving a rehab credit allocation because they are at risk of losing the Section 8 Rental Assistance for their tenants if they are not able to ensure that the apartments continue to meet HUD HQS. Failure of an applicant to be able to continue to meet HUD HQS Standards will result in the displacement of existing tenants. Also it will result in the loose of the HUD PBV rental Assistance which is a significant sum of Federal Dollars available to ensure the continued long term 15 Year HAP Contract period.

New Construction Set Asides

- Based on my experience of assisting nonprofit applicants located in low income counties I think the Agency should change its New Construction Set Aside to between High, Moderate and Low income Counties not by geographic areas of the State. Why?
- Applicants applying for an allocation of credits in the low income counties have a tougher time competing with applicants applying for credits in Metro Cities located in Urban Counties .
- The rents in low income counties are significantly less than high income counties resulting in a lower Net Operating Income and the ability to support a loan from a private lender and even a RPP Loan.
- Applicants for LIHTC project in Rural Counties no longer have access to CDBG funds from the State Division of Community Services like an LIHTC Applicant for a Project in a metro City and County that still receives HUD CDBG and HOME funds does.
- It is much more difficult if not possible to reduce the credits per unit average in a low income county compared to High and Moderate Income Counties because operating expense monthly payments are the same but the income is less thus reducing the net Operating Income.
- You can also not build as many apartments in a low income county as you can in a Moderate or High Income County that will impact your total per unit amounts..

For Rehab applications the Total Per unit Replacement Cost should be based on the applicants location based on County Income Designations.

Thank you for your consideration of my comments. I thank God for the NCHFA's provision of affordable housing for low incomefamilies of NC>