



DEVELOPMENT
CONSTRUCTION
MANAGEMENT

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October 30, 2017

North Carolina Housing Finance Authority
Attention Scott Farmer
3508 Bush Street
Raleigh, NC 27609-7509

RE: 2018 QAP Second Draft Comments

Dear Mr. Farmer,

On behalf of The Woda Group, Inc., we are pleased to submit the following comments regarding the Second draft of the 2018 North Carolina Housing Finance Agency Qualified Allocation Plan (QAP). We hope these comments will assist the North Carolina Housing Finance Agency (NCHFA) in facilitating the development, rehabilitation, and financing of low- to moderate-income housing.

1. *Applicant Bonus Point: An Applicant is entitled one bonus point which can be awarded to one application as part of the full application submission. No application can receive more than one bonus point. No Principal or Applicant is entitled to more than one bonus point for all applications in which they may be involved. If a Principal is part of an application in which he/she is not the Applicant but that application receives a Bonus Point, the Principal will not be entitled to use a Bonus Point as an Applicant on another application. Should an Applicant or Principal use a bonus point on two or more applications, the Agency will determine which application receives the bonus point.*

The purpose of the QAP is to influence behavior by creating scoring criteria that ultimately benefits the residents. For example, a large portion of the scoring rewards projects for proximity to certain amenities which improves the quality of life for the residents. By doing so, NCHFA has indicated standards for what constitutes a good development. However, the bonus point is not tied to any benefit for residents, and therefore does not incentivize any value to the residents. Thus, we respectfully request NCHFA remove the bonus point from consideration and consider maintaining a scoring system that links points to improving the quality of life of residents.

2. *Credit Per Unit Average: The Agency will calculate the average federal tax credits per low-income unit requested on a Geographic set aside basis among new construction full applications and award points based on the following:*

Between 4% and 8% below the average 3 points
Between the average and 4% below the average 2 points
No more than 4% above the average 1 point

The way the revised proposal is worded, maximum points will be allocated to applications that are slightly below the average tax credits requested per unit of the respective geographic region and/or Metro pool. Being more than 8% below the average results in no points being awarded. 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.

The Second 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 recommend that NCHFA remove this scoring criteria and replace it with the following:

CREDITS PER UNIT AVERAGE (-5 POINTS)

Any new construction full application with a Credits per Unit Request below \$9,500 or above \$11,500 will receive negative 5 points.

However, as per the QAP Workshop held last week at the NC Housing Conference, NCHFA asked developers to confirm which scoring we preferred

- a) as per the current 2018 draft or
- b) as per the 2017 QAP

We do not like any of the two choices and prefer our recommendation above. But if we had to select between a) or b) above we would choose criteria a) as per the current 2018 draft being circulated. As the bands are tighter, applications being awarded these points will most likely be fewer, hence allowing for other applications to be awarded funding based on the merits of the development and the strength of the project and the site amenities, and not just being arbitrarily awarded based on if or if not the amount of credits requested per unit happen to be within a mathematical average. The fact that there are more points awarded for being below an average will also mean there will be less incentive to collude in trying to impact the average.

Please feel free to contact me at (912) 224-2169 if you have any questions. We greatly value this opportunity to provide feedback as we find it important to creating good public policy.

Sincerely,

A handwritten signature in blue ink, appearing to read "Denis Blackburne".

Denis Blackburne, Senior Vice President
The Woda Group, Inc.

Cc: Jeffrey J. Woda, President, The Woda Group, Inc.
David Cooper, Jr., Principal, The Woda Group, Inc.
Chris Austin, NCHFA