



165 S. French Broad Ave.
Asheville, NC 28801



Charlotte Housing Authority

Building Community, People & Partnerships

400 East Blvd.
Charlotte, NC 28203



330 E. Main St.
Durham, NC 27701



700 N. Jefferson Ave.
Goldsboro, NC 27530



450 N. Church St.
Greensboro, NC 27401

August 30, 2018

Scott Farmer
NC Housing Finance Agency
3508 Bush St.
Raleigh, NC 27609

Re: 2019 QAP Comments

Dear Mr. Farmer,

Thank you for the opportunity to provide comments on the 2019 North Carolina Low Income Housing Tax Credit Qualified Allocation Plan (QAP). Please consider the following comments to the NC QAP from Asheville, Charlotte, Durham, Goldsboro and Greensboro Housing Authorities to expand affordable housing opportunities to those with the most need in communities across North Carolina. Please find below our joint comments to the 2019 QAP.

- **Set-Asides, Award Limitations and County Designations – Redevelopment Projects - Section II (B.2.a) (page 6 of 34) (Greensboro)**, As of the preliminary application deadline, a unit of local government formally adopted a plan to address the deterioration (if any) in the Half-Mile area and approved one or more of the following for the project. We request an adjustment to the language stating that “the project is part of the Rental Assistance Demonstration (RAD) program and any other HUD-approved action causing Redevelopment and/or Public Housing Revitalization, i.e. Section 18 (demolition, disposition, mixed-finance development approvals) at the time of the full application submission under the US Department of Housing and Urban Development (HUD).”
- **Set-Asides, award Limitations and County Designations – Redevelopment Projects - Section II (B.2.b.v) (page 5 of 34), (Durham)**, Instead of Rental Assistance Demonstration (RAD) redevelopment projects receiving an allocation based on the scenario listed, consider giving RAD redevelopment projects priority and a set-aside in the QAP, especially those that are part of a comprehensive adopted revitalization plan.

- The RAD program is a U.S. Housing and Urban Development program that gives a unique opportunity for Public Housing Authorities (PHAs) to leverage their developments asset by maximizing the Low Income Housing Tax Credit tool. With PHAs already serving the largest percentage of extremely low-income families (< 30% of AMI), and the need to de-concentrate low-income and disabled residents by creating mix-income communities, the LIHTC tool is one of the only tools that will allow us to serve these households.
- **Deadlines, Application and Fees – Application and Award Schedule - Section III (A.) (page 9 of 34), (Durham)**, Accept and award bond/4% LIHTC applications on a monthly rolling basis, instead of only accepting (on a rolling basis) and award biennially (July and December). This will provide more flexibility to schedule multiple projects, seek and obtain financing for projects, and stagger projects to be in different stages instead of numerous projects starting simultaneously. With multiple projects starting concurrently, a strain is placed on limited resources for oversight and implementation of projects.
- **Other Awards and Returned Allocations- Section II (G.2.) (Page 9 of 34) (Charlotte)**, This request is offered to distinguish between the 9% and 4% tax credit IRS guidelines. A project with the 9% criteria may experience issues with placed in service dates that a 4% project would not experience. Distinguishing between the two credit programs will allow projects with different financing structures to move forward independently.
- **Deadlines, Application and Fees – Application, Allocation, Monitoring and Penalty Fees - Section III. (B.6) (page 9 of 34), (Durham)**, Remove/strike the change to charge properties utilizing income averaging \$1,200/unit compared to non-income averaging properties only paying \$900. Income averaging is a strategy that will assist some properties to keep tenants that other would not be income-eligible to reside on LIHTC projects, and since it's a federal mandate, developments that utilize this provision may be financially impacted negatively by this increased cost.
- **Deadlines, Application and Fees – Application, Allocation, Monitoring and Penalty Fees - Section III (B.9.) (page 9 of 34) (Goldsboro)**, It states that if receiving HOME or NHTF funds, entities will have to pay an additional fee to cover the cost of the environmental review which would be contracted directly with the Agency. This may incur an increased cost compared to if the entity contracted for it directly. This may also unintentionally hurt PHAs attempting to apply for projects.
- **Selection Criteria and Threshold Requirements – Site Evaluation - Section IV (1.b.iv.) (page 11 of 34), (Durham)**, Restore the site bonus points for most desirable real estate investment and most appropriate for housing amongst application. Development Ventures Inc. (DVI) will develop several projects that are very desirable RE opportunities and suitable for housing. In the City of Durham, with rising rents and real estate commanding some of the state's highest prices, providing affordable housing in these areas will housing that is in high demand as well satisfy social, diverse, and equitable goals supported by the City Council.
- **Selection Criteria and Threshold Requirements – Site Evaluation - Section IV (A.1.ii.) (page 12 of 34), (Goldsboro)**, We have concerns that consideration must be given for the diversity within

the state that parameters may hurt both rural and urban developers. For example, a decrease in the mileage limitation from <2 to <1.5 will adversely impact rural development while the limitation on per unit costs of \$90,000 could negate the ability of urban developers to make projects work.

- **Project Development Costs, RPP Limitations, and WHLP - Section IV (C.1.) (page 17 of 34) (Charlotte)**, We request that the hard cap on construction of \$90,000 be eliminated or, if not, that it be increased to \$138,000 (based on FCC of a project completed 1st quarter 2019).
 - Construction costs in metro areas are higher than the costs in non-metro areas; we are an outlier and would ask that the NCHFA consider adopting a different limit for the metro areas. Additionally, construction costs have seen significant jumps due to changes in tariffs and even immigration policies coming out of the current administration. The current market is extremely aggressive given the level of building that is underway. We believe that the \$90,000 is unachievable based on a comparable project completed in 2019.

- **General Requirements - Concentration - Section VI - (A.5.) (page 27 of 34) (Greensboro)**, The Agency may make an exception for projects in economically distressed areas which have community revitalization plans with public funds committed to support the effort. We request an adjustment to the aforementioned language to include projects that are defined as Redevelopment and/or Public Housing revitalization per QAP Section II.B.2.

- **Underwriting Threshold Requirements - Section VI (7.) (Page 30 of 34) (Charlotte)**, We request an elimination of the cap on bond project developer fees. Bond projects are generally market driven and capping the fee can deter private developers from participating in the creation of affordable housing as a component of their projects. The nature of a bond project is debt driven. If the project can raise the private equity and debt that is supplemented by the tax credits, the fee should be set by the financial structure's ability to carry the developer's fee.

- **(Goldsboro)** While NCHFA did make some considerations for RAD, we respectfully request that a set-aside or some additional specifications for the RAD program be considered to aid in support of HUDs programs—for Public Housing Agencies and their development partners.

Sincerely,



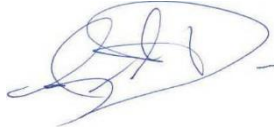
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Chief Operating Officer
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