



August 31, 2018

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

RE: 2019 QAP First Draft Comments

Dear Mr. Farmer,

On behalf of Woda Cooper Companies, Inc., we are pleased to submit the following comments regarding the First draft of the 2019 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. Income Averaging

We applaud NCHFA's decision to include the Income Averaging approach in the 2019 QAP. We think this will be an approach that could be very helpful for certain applications that could benefit from such diversity in income ranges. This will also allow the LIHTC program

to reach a segment of the population which had not previously been served but is in need of affordable housing.

3. Maximum Development Costs

We concur with adding a range of what the hard construction costs should be, i.e. “Lines 5 and 6 of the PDC description must total at least \$65,000 per unit and cannot exceed \$90,000 per unit.”

However, penalizing applications that claim more than \$78,000 in such hard construction costs does not add any value to the application, nor does it benefit the residents. It simply means that the developer has to “guess” what these construction costs are going to be a year in advance. In the past few years such costs have been extremely volatile, essentially rising at an unprecedented pace; therefore, making it extremely difficult for developers to balance the budget after tax credits have been awarded.

If there was no limit beyond which negative points are assessed, then developers could build in more contingency as one should as a responsible developer. We would still want to keep our total costs under control in order to score the maximum points under the tax credits requested per unit average. Any developer claiming excessive construction costs will not be within the tax credit per unit average bands which rewards developers for submitting responsibly priced applications. Thus developers will not be inclined to submit applications that have artificially high construction costs

While theoretically an applicant can submit costs higher than the \$78,000 limit, in reality, no application is going to be funded after receiving -10 points for exceeding the limit.

We recommend that NCHFA provide a range for such costs (e.g. \$70,000 to \$85,000) and eliminate the negative points for being over the \$78,000 threshold.

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,



Denis Blackburne
Senior Vice President – Development
Woda Cooper Companies, Inc.

Cc: Chris Austin, NCHFA
David Cooper, Jr., Woda Cooper Companies, Inc.
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