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## Beyond Buildings.

August 13, 2018

North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609

Re: 2019 Draft North Carolina QAP

Dear NCHFA,

Thank you for the opportunity to provide comments for consideration in finalizing the 2019 QAP. Please find below our comments we request the Agency consider:

1. We would like to suggest providing only 1 option for 30% AMI units in High Income Counties, and that would be 15% of total units for 2 points. If the single option for points isn't desired, then please consider reducing the 25% and 15% requirements to 20% for 2 points and 10% for 1 point. As mentioned in years past, these units are extremely detrimental to a deal's overall financial feasibility, especially with syndication markets continuing to tighten, interest rates increasing and construction costs continuing to increase.
2. Please consider adjusting the percentages for 1-BR units for Olmstead Settlement Initiative points to account for increased deal size of 84 units. Standard efficient building designs typically push unit counts into the 4- or 6-unit count multiple. The previous percentages allowed for this efficient design with 80-unit max designs. The below chart is our recommendation, with rationale to support:
  - a. 7.5% of 84 max units = 6.3 (7 units rounded). Adjust the percentage down to 7% (5.88, or 6 units). Otherwise, designs will push units at this level up to at least 9 units, or 10.7% of total...greater than the 2-point option.
  - b. 10% of 84 max units = 8.4 (9 units rounded). This percentage is fine or adjust the percentage down to 9.5% to allow 8 units, or designs will again push this level up to 12 units, or 11.9%.
  - c. 15% of 84 units = 12.6 (13 units rounded). Adjust the percentage down to 14.25% (11.97, or 12 units). Otherwise, designs will push this level up to 16 units, or 19.04%.

If adjusted, the minimum 1-BR units at each point level would be 6 units, 8 or 9 units, and 12 units.

3. We really like the Applicant Bonus Point and appreciate it being kept in the draft for 2019. We would encourage considering 2 points in this section and allowing those points to be split if an applicant so

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desires. This would create more stratification of application scores as some applicants may select to put 2 points on a single application, split the points on 2 applications, and have some applications with no bonus points. Having 2 bonus points could also lessen the effect of missing the credits per unit average, which is proposed to be decreased from 5% to 4%, a change that will also further stratify application scores.

4. If applicants are going to propose using RPP, then some consideration should be made for those deals that can show full repayment in 20, 30 or 35 years, or at a minimum show a balloon payment of less than half the original principal amount repayable via refinance (back-end valuation) at loan term. At a minimum, those who show back-end value, using Agency determined valuation measures (NOI cap rate, discount rates, etc) capable of refinancing RPP at term should be given priority. For those that can meet certain minimum repayment terms, the Agency could provide for points to help minimize the reliance on the tie-breaker.
  - a. If there is a concern with applicants increasing rents to afford repayment of the RPP and be eligible for points, then the Agency could require minimum market advantage and/or capture rate requirements when RPP is requested. There is no downside to applicants modifying their deal structure to achieve Agency set market advantage and capture rate aspects.

Thanks again for this opportunity to provide comments on the draft 2019 QAP. Should the Agency have any questions as it relates to our comments above, please do not hesitate to call or email any time.

Sincerely,

Tab Bullard, VP of Development

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