

September 15, 2023

North Carolina Housing Finance Agency
Attn: Tara Hall, Scott Farmer
3508 Bush Street
Raleigh, NC 27609

RE: 2024 QAP Draft comments

Thank you for all that you do to support affordable housing and the developer community of North Carolina. I am writing to share Self-Help's comments on the draft 2024 QAP. We appreciate the opportunity to provide this input, and are grateful that NCHFA takes public comments seriously and has made an increasing number of positive changes to the QAP in recent years.

We offer for your consideration the following suggestions on the 2024 QAP:

TIMING

- We would like to request an earlier release of the annual QAP to give applicants more than 1-2 months to assess that year's adjusted criteria. Maybe consider multi-year cycles or committing to things like scoring criteria updates only every 2 years.

SCORING

- We would like to see a scoring system that better distinguishes among applications, as a system in which almost every project gets a near-perfect score does not go far enough to distinguish great developments from good ones. We hope NCHFA will consider substantial changes to the scoring system this QAP or soon after that further differentiate projects, starting at the site scoring stage, while allowing for urban sites to better compete with suburban greenfield garden style apartments even if the site score is not perfect. We recognize the need to minimize subjective criteria, so possible additional scoring criteria could include items like:
 - Greater emphasis on resident outcomes, with higher points going to applicant groups who can show service provision and emphasize working with communities of color, organizations founded from within or who serve communities of color and other demographics least likely to be served by the marketplace.
 - Greater emphasis on targeting highest needs, with higher points going to projects willing to target groups with greater housing needs, homeless populations, those with disabilities, Veterans, etc.
 - Points for strong multi-modal transportation options, like extra points for bus/train stops with at least 30-minute service, onsite bike-sharing services, etc.
 - Supplier diversity – points for projects with a lead MWBE architect, civil engineer and/or general contractor, or who make significant commitments to hiring a certain percentage of MWBE subcontractors, vendors, and service providers.
 - Green standards – points for binding commitment to third-party green certifications beyond Energy Star.

- Negative points for projects in areas with little/no recent increase in rent-burdened population and/or positive points for projects in areas with increasing rent-burdened populations.
- Keep existing 1st tiebreaker (ratio of highest cost burden low-income residents per 9% units) and reintroduce the tiebreaker used in the 2017-2020 QAP (census tract with lowest poverty rate) as a 2nd tiebreaker.
- Please consider eliminating the Shopping category as a primary amenity for scoring or expanding what counts under this category. Stores like Goodwill offer price-accessible shopping options, and small, rural downtowns often include stores that can include access to the kinds of goods we believe the category is trying to assess.
- Expand what counts as a second primary amenity as this can limit rural applications. Possibilities include licensed childcare providers, community and technical colleges, or as an example from other states, community assets like a traditional town square, post-office, weekly farmer's market (Kansas).

PRINCIPALS

- The principal limit of no more than two new construction projects should apply solely to 9% deals, as should the completion date requirement, so the state can get more 4% bond deals under construction.
- Increase the non-profit set-aside, since all else being equal nonprofit organizations are more likely based on their missions to provide extended affordability periods after LIHTC requirements expire and operate projects as affordable indefinitely or for their full lifecycles. Our anecdotal observation is that, especially in recent years, more for-profit developers are flipping their LIHTC projects to market rate when compliance periods end. Consider alternatives employed in other states' QAPs such as awarding a bonus point for non-profit involvement in ownership (Georgia) or providing points for developers that offer an option or right-of-first-refusal to a non-profit partner (Virginia).
- Add further protections via Rights of First Refusal to preserve long-term affordability beyond the compliance period and to protect nonprofit partners' interest (e.g., require LOIs from equity investors to include ROFR language).

COSTS

- Please consider again extending or permanently eliminating the suspension of maximum project development costs for the 2024 cycle. If cost caps return, please consider setting substantially higher cost per unit caps for Metro areas, which generally have higher construction costs for regulatory and market reasons regardless of whether a project is Chart B eligible.
- Increasing the maximum allowed contingency (perhaps to 10% on new construction) and/or allowing greater construction escalation to be held in project budgets would help alleviate post-award budget issues.

APPLICATION

- Eliminate the requirement to provide water and sewer impact fee letters (Section VI.B.14.). The requirement to obtain these letters is left over from an era when the impact fee

amounts were subtracted from the leveraging to get a final leveraging score. Consider allowing applicants to get an estimate from their engineers to put in the budget, as we do for other line items.

- Eliminate the requirement to submit paper copies of the site and architectural plans for the full application and final permit plans for awarded projects (Appendix B Section I.B. and I.C.). More and more municipalities, as well as the North Carolina State Construction Office, have migrated to digital plan review for design review and permitting.

OTHER

- Increasing the distance allowed between parcels on scattered site projects would create more viable locations, particularly for projects to reach the unit scale to make 4% financially feasible and increase the number of units produced.
- Consider population growth in allocating credits across regions, as the current approach ignores major demographic trends. For example, the Metro counties accounted for ~68% of North Carolina's population growth from 2010-2020, and yet many Metro counties can only effectively get one 9% award a year. In 2021, 25% of new construction 9% projects were funded in counties with populations that have fallen since 2010.
- It seems that our State's more rural communities are less likely to have the resources to access the Redevelop Designation benefits as they are more likely to: 1. Lack the capacity to do specific area planning or initiate projects, and 2. Feel like they can't afford to donate land, waive SDCs or impact fees, or make a \$250k grant.

APPENDIX B

- Provide a separate cost per unit limit for projects with (necessary) structured parking in downtown/urban areas where such parking is appropriate.
- Eliminate minimum parking requirements and let project-specific parking needs be determined by the municipality. Alternatively, allow compact spaces to count towards the ratio, and/ or provide automatic reductions to parking ratios for urban sites and sites with frequent public transit, as well as for developments with a unit mix emphasizing smaller bedroom counts where fewer cars per unit are likely.
- Eliminate the new prohibition of retaining walls being near foundations, as it could pose a major challenge to more urban locations. For example, Willard Street Apartments would not have been allowed under the language of the draft 2024 QAP, Appendix B. Perhaps one solution would be to require an additional certification from a structural engineer or similar "iron clad" approach?
- Eliminate requirement to include fire sprinkler plans in the full plan sets for awarded projects submitted for final NCHFA review (Appendix B Section I.C). Fire sprinkler plans often undergo revisions during permit review and even during construction, and engaging design/build sprinkler contractors during construction is the industry standard practice for multifamily construction.
- Reduce minimum unit square footages, particularly 660 sq ft for a 1-bedroom unit. Appendix B Section II.C.1.
- Reduce minimum square footage for primary bedroom from 130 to 100. Appendix B Section II.D.1.

- Reduce minimum square footage for secondary bedroom from 110 to 90. Appendix B Section II.D.2.
- Reduce required average bedroom closet size from 7 linear ft to 5'-6". Appendix B Section II.D.2.
- Eliminate or reduce minimum kitchen countertop lengths, especially for 1 bedroom units. Appendix B Section II.F.5. Resulting unit layouts have excessively large kitchens.
- Eliminate requirement that sight/hearing impaired units also be Type A. Accessibility consultants have advised us that it is a better practice to have these as separate units since sight/hearing impairment does not necessarily overlap with other physical impairments accommodated by Type A units. Appendix B Section II.I.3.
- Consider eliminating water heater minimum sizes and the new proposed rule that would prohibit locating water heaters under air handlers (Appendix B Section III.A.5)

Thank you for your consideration,

Sincerely,

Daniel Bullock
Real Estate Project Manager
Self-Help

CC:
Dan Levine,
Director of Real Estate
Self-Help