THE HOUSING PARTNERSHIP

November 15, 2018

North Carolina Housing Finance Agency
Low Income Housing Tax Credit Program
Attn: Chris Austin
3508 Bush Street
Raleigh, NC 27609

Subject: Comments on the 2019 North Carolina QAP Draft 2

Dear Chris,

Enclosed are comments and suggestions that we feel will help strengthen the QAP for 2019. Thank you for considering these in your final revisions to the second draft.

Comments for New Provisions:

Income Averaging (p17, II, B, 3)
We request that market rate units be allowed in a project that utilizes income averaging. Particularly in urban metro areas where market rental rates are significantly higher than the 60-80% AMI rents, the use of income averaging can help make serving lower income residents possible in key job areas.

Maximum Project Development Costs (p17, II, C, 1)
The current cost of construction is extremely high in the metro areas and continues to rise. CMHP advocates for lifting of the cap altogether. Specifically, we request that the proposed addition to line B ("cannot exceed $90,000 per unit") be removed. This limitation could make bond deals (particularly in metro areas) prohibitive. Additionally, the text as proposed does not clearly state a separate cap if you are using Chart B. If the cap cannot be removed, we request that there be a waiver process for projects proposed in high cost markets.

"Twinning" of 9% and 4%
This is currently not explicitly allowed, but we would be in support of allowing twinning 9% and 4% deals.

Comments for Existing Provisions:

Non-Profit Limits (p7 - II, D ,2)
CMHP continues to feel that the limit on nonprofit organizations participation in the LIHTC allocation is contrary to the spirit of the LIHTC program. We advocate for removal of this provision.

Principal Limits (p8 - II, E,1)
In addition to the principal limit of $1.8MM, we propose a provision that limits the number of 9% awards to any one Principal to a maximum of three (3) total 9% awards, state-wide. This would not apply to bond-deals or any one specific set-aside.

Shopping Establishments List (p13 - IV, A, ii)
In addition to the existing list of shopping establishments, we propose that Home Depot and Lowes be listed as qualifying shopping establishments. Their product selection includes a wide variety of home goods that are comparable to the selections offered at dollar stores. Also, we propose that a town center or strip shopping center with a varied offering of smaller retail tenants that provides the same goods selections as those listed

under qualifying establishments should qualify with NCHFA approval prior to pre-application. Also, we request that Compare Food Express be added as a qualifying grocer.

Loan Underwriting Standards / Management Fee (p 28 – VI, B, 1, a)
CMHP proposes that the management fee should be separately calculated as a % of Gross Revenues for Years 2-20, just as it is in year 1. The current language escalates management fee at 3.00% along with the remainder of expenses, which results in a higher calculated management fee for years 2-20 since revenues are only growing at 2%. Although it seems to be a small change, it affects how much hard debt the project can support by impacting DSCR in Year 20. 20 years of higher escalation rate accumulates.

Calculated Allocation Fee
Request that the online tool calculate the fee based on **requested tax credits**, not on total qualifying basis.

Developer Fees (Page 30 – VI, B, 7, a)
CMHP is in support of the proposed changes to the developer fee caps for 2019.

Assist Feasibility of Smaller Developments in Metro Region
Currently, it is very difficult for projects smaller than 50 units to compete in the METRO market. The costs/unit are so high that they often cannot meet the per unit cost caps. Also, it is difficult for them to compete against larger projects in the credits/unit. Sites that qualify could be those that are in a DDA, QCT or census tract with poverty rate less than 3%. These measures could entice developers to go after more challenging sites that otherwise score well but would be difficult to bring to fruition (but provide housing in a great location).

1. Qualifying projects could be exempt from the development cost caps, or be subject to a different chart.
2. Qualifying projects could earn a higher developer fee of $20,000 per unit for developments less than 50 units that are in high opportunity, difficult development areas that may encounter high land costs or rezoning challenges due to location. Currently, the minimum LIHTC deal size is 24 units which generates a $312,000 developer fee ($13,000/unit). The amount of fee and the project location could be subject to pre-approval by NCHFA.

Thank you in advance for taking the time to review our suggestions. Please let us know if you would like to discuss our recommendations.

Sincerely,

Liz Ward
Vice President, Multi-Family Development
Charlotte-Mecklenburg Housing Partnership