

October 13, 2023

North Carolina Housing Finance Agency
Attn: Tara Hall, Manager of Rental Development
3508 Bush Street
Raleigh, NC 27609

Via E-mail – rentalhelp@nchfa.com

Ms. Hall:

Thank you for the opportunity to provide written comments to the North Carolina Housing Finance Agency's Draft 2024 QAP and its corresponding appendices.

We continue to appreciate the leadership of the Agency in solving North Carolina's housing crisis and urge you to consider the comments below:

1. **Comment:** Consider extending the waiver for maximum project development costs for 2024 – **Draft QAP, Sec. IV.C.1.**

Reasoning: Construction costs continue to remain inflated, and many outlooks show pricing will remain high in the near future. Just as the Agency recognized in 2023, pricing remains volatile, so it would create a significant hurdle for affordable housing development in the state if developers were penalized for building quality housing at current prices. As written, the cost cap on project development costs would limit a developer's ability to adequately source and fund projects without facing penalty on an application. We encourage the Agency to reinstate the waiver from 2023 for maximum project development costs for 2024.

2. **Comment:** Increase the maximum allowable percentage of the developer fee that can be deferred from 50% to 75% – **Draft QAP, Sec. VI.B.5.b.**

Reasoning: Given current interest rates and the housing market outlook, deferred developer fees have become a more significant source for affordable housing projects to secure the necessary equity to move forward. The current maximum deferral of 50% would discourage developers from moving forward on shovel-ready projects that would be financially feasible if not for the deferral cap. In addition, we encourage the Agency to remove the penalty for projects that defer more than 25% of their developer fee. This penalty creates another obstacle for housing development in the current market. Allowing developers to defer a higher percentage of their developer fee can help secure the necessary equity financing for a project, ensuring that the housing pipeline in the state remains strong even in the current market.

3. **Comment:** Consider removing the waiver requirements for projects that adhere to the local mandated parking requirements – **Appendix B, Sec. V.F.3.**

Reasoning: We believe municipalities understand what parking requirements best serve their area. While current guidelines allow for a waiver to use local parking requirements when they are below the Agency's requirements, removing the need for a waiver entirely would be one less threshold for the Agency to enforce. Allowing parking requirements to be determined by the developer and the municipality by default would increase efficiency and remove a hurdle for affordable housing projects moving forward.

4. Comment: Eliminate the 200-unit maximum unit count limit on tax-exempt bond projects – **Draft QAP, Sec. IV.E.3.**

Reasoning: Despite the current market, affordable housing developers have been able to sustain a pipeline of shovel-ready projects. While we understand the Agency’s concern with ensuring projects are not larger and more costly than is reasonable, the current cap of 200 units on tax-exempt bond projects will hinder the development of larger projects that are indeed financially feasible. North Carolina has a shortage of over 200,000 affordable rental homes and tax-exempt projects are an economical way for the state to close this gap because these projects add more units at once and spread fixed costs over a larger number of units. An arbitrary 200-unit cap, however, limits the ability of these developments to compete for land against market-rate developers who can make offers on parcels zoned for 200+ units without facing any caps. This maximum unit cap might be the difference between a developer adding 250 affordable units to meet the state’s needs or having to withdraw the project from consideration entirely.

5. Comment: Consider removing the requirement that all new construction projects must have an additional 5% of ADA-accessible units above federal and state requirements – **Draft QAP, Sec. IV.F.3.**

Reasoning: An additional requirement for ADA-accessible units beyond the state and federal guidelines adds more costs to affordable housing projects in a period where construction costs are already very inflated. Current ADA guidelines already result in a substantial number of accessible units built in projects by default. Alternatively, instead of removing the requirement entirely, we suggest that the Agency create a waiver for larger developments that are already providing a large number of accessible units under state and federal guidelines.

6. Comment: Consider removing the Targeting Program requirements for tax-exempt bond projects – **Draft QAP, Sec. V.B.1.**

Reasoning: Tax-exempt bond projects will naturally involve a greater number of units than it will for 9% projects, which are often smaller and aim to serve populations that would meet these targeting requirements. These targeting requirements create a large financial burden for larger scale tax-exempt bond developments because the rents that need to be underwritten to support these requirements are much lower than the HUD AMI rents. Tax-exempt bond deals are already facing significant financial challenges in the current market, and these targeting requirements makes these developments less feasible. Targeting affordability for vulnerable populations is an important goal that the Agency can achieve more efficiently through 9% projects which are the projects LIHTC intended to stimulate this type of targeted affordability.

7. Comment: Clarify the language regarding the full application site plan requirements for “existing topography of site” – **Appendix B, Sec. I.B.3.**

Reasoning: As written, the language seems to indicate that a final grading plan prepared by a civil engineer must be submitted as part of the site plans. Producing a final grading plan represents a significant use of time and money, costing roughly \$40,000 to \$60,000. Boundary surveys and conceptual site plans used to create a development budget provide substantial information on the level of sitework required and whether retaining walls are needed. We suggest that the Agency clarify whether conceptual site plans with topographical information meet the application requirements. If they not, we would recommend the Agency allow developers to submit a narrative description of proposed grading, sitework, and retaining walls written by a civil engineer.

8. Comment: Clarify how the priority list is applied for awarding allocations to tax-exempt bond projects and raise the priority of new construction projects – **Draft QAP, Sec. V.A.**

Reasoning: North Carolina has an urgent need for more affordable housing to be added to its existing stock. Ranking new construction projects at the end of the bond allocation priority list will slow down the construction of new units to meet the state’s housing needs. The Agency should consider raising the priority of new construction in bond allocation or creating a specific category of new construction (such as senior housing) that is placed higher on the list. In addition, it is unclear whether the priority list is applied per every funding round or whether it is applied on a yearly basis. The Agency should clarify if, for example, it will wait the entire year to see if any rehabilitation projects request bonds before funding new construction projects, or if in each funding round, the Agency will process applications down the entire priority list for that round.

Thank you for your consideration of these comments. We look forward to our continued partnership with the North Carolina Housing Finance Agency.

Sincerely,



Shaun Reinhardt
Vice President & Project Partner
Dominium – Southeast Region
Shaun.Reinhardt@dominiuminc.com



Terry Sween
Vice President & Project Partner
Dominium – Southeast Region
TSween@dominiuminc.com