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Via Email Submission

On behalf of Dominium, thank you for the opportunity to provide comments on the North Carolina Housing Finance Agency 2023 Draft Qualified Allocation Plan. With almost 50 years of experience helping communities achieve successful affordable housing solutions, Dominium's overriding objective is to build and improve properties that people are proud to call home.

To do this, these are the comments we believe NCHFA should take into consideration:

<u>Introduction (Pg. 4)</u>

- QAP Mandate:
    - The agency will use various selection criteria in determining allocation of tax credits.
- Comment
    - Consider adding a project's shovel readiness to the list of selection criteria. There are other forms of evidence a developer can exhibit to showcase their readiness to proceed. If the intent of the agency is to prioritize projects in a way that allows for resources to lead to the development of affordable housing as soon as is reasonably possible, the following suggestions help achieve that:
        - An application for land disturbance permits submitted
        - A formal site plan and entitlement approvals applied for
        - Architectural plans such as elevations for each proposed building and clubhouse
        - Will serve Letter
    - Rationale
        - Given the current environment of LIHTC, both 4% and 9% credits are becoming incredibly scarce resources. By evaluating the shovel readiness of a project, NCHFA would be ensuring that these scarce resources are prioritized for projects that exhibit the most readiness to begin construction pending their financial commitment from the agency. Affordable housing is in high demand and low supply, so the resources should be allocated to those who can house North Carolina's families in quality affordable housing the soonest.

Project Development Costs Limitations (Pg.18)

- QAP Mandate:
  - The Agency will assess negative points to applications listing more than the following in lines 5 and 6 of the Project Development Costs (PDC) description, as outlined in Chart A below. Furthermore, projects cannot exceed a to be determined cost cap on a per unit basis.
- Comment:
  - Consider adopting a cost cap just for line 5 based on one of the two following metrics:
    1. Per square foot cost cap: Consider a cost cap of $206 per square foot.
    2. Consider a per unit cap of $170,000k per unit.
- Rationale:
  - NCHFA's commitment to striving for excellence in the creation of affordable housing is admirable and Dominium shares that same goal. This policy makes it difficult to build an aesthetically pleasing product that is structurally firm enough to withstand the test of time. The LIHTC program is meant to produce housing that will be affordable for at least 30 years. The properties in the program should remain high quality throughout their entire life cycle and raising the cost cap would allow developers to do that. We want to provide the best quality product within the scope of affordable housing. Furthermore, the current cost caps deter developers from building units that can meet the needs of families (2 Bedroom+ units) as these units are bigger and thus are more expensive to construct. Units for families are some of the most in demanded affordable units.

Unit Mix and Project Size (Pg.22)

- QAP Mandate:
  - The agency will not allow for new construction tax exempt bond projects to exceed 200 units unless approved by the Agency prior to the preliminary application submission.
- Comment
  - Consider removing the limit on the size of new construction tax exempt bond deals.
- Rationale
  - Bond projects are very complex and typically have very high fixed costs due to the multiple layers of financing involved. By increasing the size of the transactions this allows for the fixed costs that are incurred regardless of transaction size to be used to generate more units per $ spent on said fixed costs. Additionally, using tax exempt bonds for affordable housing is the only use that brings in the federal government subsidy through the LIHTC program. That federal subsidy ends up translating into job creation and increased economic benefits in the communities where these projects are built. States should remove barriers to accessing that federal subsidy and incentivize higher unit production at the most responsible cost.
  - Linked here are two studies conducted by the Florida State University Center for Economic Forecasting and Analysis as well as the, University of South Carolina's Darla Moore School of Business Research Economist, Dr. Van Nessen. These studies both measure the economic impact associated with LIHTC housing.

Developer Fee

- QAP Mandate
  - Developer fees shall be up to $15,000 per unit for new construction projects and twenty-eight point five percent (28.5%) of PDC line item 4 rehabilitation projects, both being ser award.
- Comment
  - Change developer fee levels for new construction deals from a fixed cost to 15 percent of total development cost
- Rationale
  - Increasing the allowable developer fee for a project increases the eligible basis developers can claim on their projects which leads to the project generating more federal tax credits. By increasing developer fee, NCHFA would be leveraging the LIHTC program at a greater scale by bringing in more federal subsidy into the state to build affordable housing. The National Council of State Housing Agencies best practices recommends 15% being the allowable developer fee. States that are currently in line with this policy include South Carolina, Virginia, Indiana, Maryland, and Alabama. There are also states that allow developer fee in excess of 15% like Kentucky and Ohio.

In closing, Dominium greatly appreciates your consideration of our comments and looks forward to working with you to create quality affordable housing opportunities for the citizens of North Carolina.

If you have any questions or would like to discuss any of these items further, please do not hesitate to contact Jordan Jones at (404)254-6068 or via email at jordan.jones@dominiuminc.com at any time.

Sincerely,

Terry Sween

Vice President and Project Partner

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