



October 13, 2023

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

Dear Ms. Hall,

Thank you for the opportunity to provide feedback on the QAP for the 2024 application cycle. These are the items we believe are the most critical. See below:

- **Subject 1: IV. SELECTION CRITERIA AND THRESHOLD REQUIREMENTS**
  - Description 1: We believe that the updated amenity scoring for secondary amenities minimizes the criteria that differentiates great projects from good projects to a minor detail that disproportionately represents project success.
    - **Comment:** I think the 20-point for secondary amenities will really affect senior apps-- especially in rural towns. - Tom Urquhart made a comment that is very much in line with my thoughts- I would actually lower that to 15, if not lower.
    - **Reasoning:** We believe that the difference of 0.5 miles does not necessarily ensure that residents have all their daily needs within an easy driving distance and driving 2 miles to a Senior Center or Doctor's Office, for instance, is not a big deal.
    - **Recommendation:** We kindly request that the Agency consider upholding the previous max scoring criteria of 12 points instead of 20. And I would take this a step further and add in 2 additional "Service" line items so that a bank, a service station, and a restaurant could all count as amenities since those are places people tend to frequent on a daily or weekly basis. This would open up land opportunities for Developers that may not have a Senior Center or Park for instance, but is still a good site for apartments and might be reasonably priced. If you do increase the points in this section, please add the additional categories and limit it to 15 points so there will be more sites available. The costs are outrageous now and we need more reasonable land options.
    - **Recommendation:** We kindly request that you allow a bus stop without a cover and/or sidewalk to score at least 2 points. Folks can still get to these and make use of the service. It's still a valuable service for someone without a vehicle or who has a vehicle being serviced.

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- **Recommendation: Allow privately owned grocery stores such as ethnic stores as eligible secondary amenities to provide more diversity and inclusion. You could require certain items/staples to be available there? Additionally, consider allowing privately owned pharmacies and do not require the stores to sell general merchandise under the Secondary Amenities for Pharmacy. Especially if we already have a CVS or Walmart (national chain) as a Primary Pharmacy and Shopping. Consider allowing a Goodwill store and possibly a Habitat Restore as a shopping amenity.**

- **Subject 2: TIEBREAKER CRITERIA**

- Description: Third Tiebreaker: Earliest preliminary application submittal.
  - Comment: What is the earliest date that we could submit the application? Are you going to allow people to make any changes after the applications are submitted once they realize their mistakes before the true deadline?
  - Reasoning: The pressure of this tightened deadline will not result in application accuracy or quality, or more importantly project quality. What is the point of having a deadline if it's actually due a week before to win? This deadline is already so close to Christmas and New Year's Day, and this is an important time for families. Sometimes we are awaiting signatures on Site Control documents and Brokers and Sellers also like to enjoy their time off for the holiday season. It's already difficult for Sellers to put their property under contract until December or January since we do not find out about awards until August. It would be very difficult to get an award for a project that has a purchase contract signed with multiple heirs because those are very difficult to get signed quickly. This tightened deadline could potentially result in more mistakes in the applications and therefore, more work on the Agency Staff/Reviewers. Additionally, this may best serve an inexperienced or out-of-state developer who is only submitting 1 application. This hurts experienced Developers who are submitting multiple applications and experienced Consultants who are working with multiple Developers to submit high-quality applications.
  - **Recommendation: We urge the Agency to please remove the third tiebreaker.**
  - **Recommendation: Consider adding a Tiebreaker for the award to go to the project that was submitted by the same Developer in the previous round, (maybe only if they do not have more than 1 project tax credit or bond project that has not closed that was initially awarded 2 or more years prior to be fair to others). These sites are very hard to keep under site control in this environment and to preserve them for affordable housing, so this would be a worthy tiebreaker to try to award the site that may end up not being an option for affordable housing if not funded the 2<sup>nd</sup> time around.**
  - **Recommendation: Move the 2<sup>nd</sup> Tiebreaker to 3<sup>rd</sup> Tiebreaker and add in the 2<sup>nd</sup> Tiebreaker above about sites submitted the 2<sup>nd</sup> consecutive year in a row (unless the developer has more than 1 project not closed from 2 years prior).**

- **Description :** Fourth Tiebreaker-The project with the lowest average income targeting at the time of preliminary application submission.
  - **Comment:** Basing this on the preliminary application is difficult because Developers have not had a market study so it would be better for this to be at Full application or at least allow changes due to market adjustments. Will this be allowable?
  - **Reasoning:** We need a market review to make the final decision about targeting. We need to be able to make changes prior to the full application.
  - **Recommendation: Base this on the full application instead of the preliminary application.**
  
- **Subject 3: Project credit cap of \$1,200,000**
  - **Description:** Project cap of \$1,200,000 per project.
    - **Comment:** It is nearly impossible to build an 84-unit project and definitely a 120-unit project in the Metro areas. Also, when there are projects in a QCT or DDA, they really get no benefit whatsoever of getting the 30% boost, which is not what the intention of the tax credit program was for these areas to promote redevelopment and infill development.
    - **Reasoning:** We cannot maximize our deals and cover escalating costs. Some projects can support 60-70 units, but we must limit them to 48 because of the credit cap. Being able to distribute cost across more units allows us to build better projects. Sites cannot capitalize on basis boost potential if the boost would result in the credits being over \$1,200,000 which is almost always the case.
    - **Recommendation: Either increase the project credit cap to \$1,300,000 for all projects or consider increasing the credit cap to \$1,500,000 for projects in DDAs/QCTs. The other option is to agree to have a set aside for DDA/QCT projects and fund 4 (one from each pool) up to \$1,500,000 in credits.**

**Subject 4: Construction Costs per unit cap.**

- **Description:** Construction cost cap of \$130,000 per unit in Chart A and \$145,000 per unit in Chart B.
  - **Comment:** I agree with most folks that project cost caps are not a good idea, especially in today's environment.
  - **Reasoning:** The costs in the construction industry are fluctuating a lot and there is still a lot of uncertainty about costs, availability, and labor. Additionally, most of the costs in the metro region are higher and many of the soft financing sources require additional green-building and design measures. Other areas have labor shortages.
  - **Recommendation: Please consider eliminating the construction costs cap.**

### Subject 5: Principal Limits

- Description: The maximum awards to any one Principal will be a total of \$2,000,000 in tax credits, including all set asides.
  - Comment: With the project cap of \$1,200,000, it would make sense for you to increase this to \$2,400,000 so 2 projects could fully be funded.
  - **Recommendation: Please consider increasing the Principal cap to \$2,400,000 or \$2,200,000 at a minimum.**

### Subject 6: Regarding any scoring items in the QAP

- Description: Scoring items in general throughout the QAP
  - Comment: In the last round, decisions were made thinking that the scoring was going to be based on the full app, when the awards were actually based on the preliminary apps, resulting in a lot of site and design changes, market study changes, and time and if we had known, developers would not have focused on those items between preliminary and full.
  - **Recommendation: Make it clear at what point each provision of the QAP will be scored-either preliminary or full application.**

### Subject 7: Developer Fees

- Description: Developer fees can be up to \$22,500
  - Comment: We appreciate you increasing this.
  - Reasoning: Since most developers are only getting 1 project per year or every other year, this is helpful and also when we have to defer 25% of the fee and use the fee for cost contingencies.
  - **Recommendation: Please leave this change in the QAP.**

### Subject 8: Income Averaging

- Description: New requirement to make at least 10% of the units at 30% AMI.
  - Comment: We already have the requirement for targeting points to meet the 25% at or below the AMI level for each High, Moderate or Low-income county.
  - Reasoning: When we can only have 4 bands of financing, it will be difficult in moderate-income counties, to have 40% AMI, 50% AMI for HOME and also 60% and 80%. Having 30% AMI will hurt these moderate-income and low-income counties that have extremely low rents already. They may be choosing to use 40% and 70% income bands along with 50% and 60%.
  - **Recommendation: Please consider removing this 30% AMI requirement.**

## Subject 9: Golden Leaf Affordable Workforce Housing Initiative

- Description: Available funds for certain counties through the Golden Leaf Initiative.
  - Comment: Can you clarify that you meant if someone adds this funding source to their Full Application and there are not enough funds left, they will be eliminated from the competition? Can the Agency choose to change the funds to RPP or WHLP so the project can be funded potentially if those funds are available? Can this decision be made at full app after developers see the submittals?
  - Reasoning: This will be important in making the decision to add these funds.
  - **Recommendation: Consider changing the language to Requesting a Golden Leaf may make an application ineligible under Section VI\*B)(6)(e) if the Agency has inadequate funds from available programs.**
  
- **Subject 10: Appendix B Graded Slopes**
  - Description: Appendix B Section II.E.10 about slopes and retaining walls.
  - Reasoning: Please consider permanently suspending the rule stating retaining walls and graded slopes may not be closer than 15 feet from any building. As written, this rule is vague and needs more clarity. In areas where topography is an inherent variable such as the western part of the State, this rule would elicit an even greater burden in finding suitable sites and creating cost effective site designs. Design professionals may be able to make this work with innovative techniques.
  - **Recommendation: Please eliminate this rule or provide more information.**

Thank you for allowing us this opportunity and we truly appreciate your partnership over the years. If you have any questions or would like to discuss further, please contact me at (919) 741-9328 or email me at [traci@halconcompanies.com](mailto:traci@halconcompanies.com) .

Thank you for your consideration,



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