



October 14, 2021

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

Subject: 2022 QAP 1st draft comments

Ms. Hall,

Thank you for your many years of partnership bringing much-needed affordable housing to our mountain communities. For each of the past three annual cycles, NCHFA responded appropriately to the devastation wrought by Hurricane Florence by reserving 12.5% of the state's annual tax credits for eastern counties impacted by Hurricane Florence. Hurricane and tropical storm damage is indeed less common in our mountain communities than the coast, but our most vulnerable residents are no less impacted when a federally-recognized disaster brings devastation to the mountains.

On August 17, 2021, Tropical Storm Fred brought historic flooding that resulted in the tragic deaths of 6 Haywood County residents as well as over 700 flood impacted homes in Haywood County alone, with total property damage likely to exceed \$1 billion. Fred was declared a major disaster by the federal government on Sept 8, 2021, with Individual Assistance designated for Haywood, Transylvania, and Buncombe Counties. The last time the federal government made such a declaration including Individual Assistance in North Carolina was Hurricane Florence.

The proposal for a boost in tax credits for disaster-impacted counties in the QAP has already been submitted for consideration by a wide array of County and State officials representing Haywood, Transylvania, and Buncombe Counties. We strongly urge NCHFA to reinstate the Disaster Recovery section eliminated from the 1st draft of the 2022 QAP with the following revisions:

- Revise QAP Section II.B.3.(a) "Additional Tax Credits" such that Ten percent (10%) of tax credits available will be added to the West region before the Rehabilitation Set-Aside and before any allocations under the New Construction Set-Aside.
- Add Buncombe, Haywood, and Transylvania Counties to QAP Section II.B.3.(b) "County Award Limits" such that no less than two awards will be made in Buncombe County in the Metro region and no less than one award each will be made in Haywood and Transylvania Counties in the West Region.



- Add Buncombe, Haywood, and Transylvania Counties to the chart in QAP Section II.B.3.c. "Disaster Recovery Funds"

In addition to the recommendation for an appropriate response to disaster recovery in our mountain communities, we recommend the following for consideration:

Section IV. A.1.(b)ii. – Eliminate the Shopping category as a primary amenity. Proximity to the short list of shopping establishments (heavily weighted towards discount retailers) is not indicative of sites that would be good locations for affordable housing. The primary shopping amenity requirement can be particularly limiting in finding sites in high opportunity areas, and instead, incentivizes finding sites at suburban fringes. In lieu of using driving distance from NCHFA-designated amenities that results in nearly all tax credit applications having a "perfect site score", we recommend that the Agency consider more holistic site-scoring metrics, such as Enterprise Community Partners' Opportunity 360. This metric would create greater stratification in scoring among tax credit applications, and is already in use in several states' QAPs such as Georgia and Kentucky.

Section II.E.1.(a). – Increase the maximum awards to any one principal to \$2,400,000. Since the award limit for one project is \$1,200,000, and Principals are limited to 2 new construction awards, the current cap of \$2 million serves as a disincentive for a principal to fully leverage a potential 2nd tax credit award.

Finally, we echo comments made by Solstice Partners regarding the QCT/DDA boost. The current competition set up by the QAP puts projects in competition based on efficient use of their total credit request (currently the 2nd tiebreaker) and caps a project's potential tax credit award at \$1.2 million. This effectively disallows QCT/DDA-eligible 9% projects from utilizing the 30% boost in credits. If a separate track were created to evaluate QCT and DDA projects, or if QCT/DDA projects were evaluated on credits/unit **before** they utilize the 30% boost (with the 30% boost also not counted towards the \$1.2 million project maximum), it would help North Carolina better align with the federal tax credit program objectives.

Thank you for your many years of partnership and for your consideration of these recommendations.

Sincerely,



Geoffrey Barton
Director of Real Estate Development
Mountain Housing Opportunities