THE HOUSING PARTNERSHIP

October 10, 2019

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

Subject: Comments on the 2020 North Carolina QAP Draft 2

Dear Chris,

Thank you for hosting the QAP Public Hearing and the Developer Session at the HousingWorks conference. We felt that both had healthy discussions of important topics for the success of housing development in 2020. We are supportive of all of the major changes to the first draft, and particularly want to express our appreciation and support for the removal of the nonprofit allocation cap.

Below are our recommendations for changes in the final QAP, in order of priority.

Maximum Project Development Costs (p18, IV, C, 1, b)
We request that the agency add "Applications for tax-exempt bond volume may request a waiver from the agency with a letter of written support from the municipality and a clearly demonstrated need". This addition would enable the agency to evaluate unique circumstances that are high priority to the local municipalities and approve at the agency and board's discretion on a case by case basis.

Development Costs Chart B (p18, IV, C, 1, a)
After further discussions with other developers, we continue to feel that instituting a separate cost chart for the Metro region is appropriate for the NC QAP. Costs are not equal statewide, and the developments in the high cost areas are those that will see the largest quality decline if a separate chart is not instituted. Metro deals are already limited on the amount of credits they can obtain per deal and per unit, and this increase should not result in a decline in the number of units produced within the set-aside. The figures below are based on the Draft 2 limits and reasonable adjustments based on the total project limit noted in C1b.

	Chart A	**Chart B**
Non-Metro	$80,000	$91,000
Metro	$86,000	$97,000

Chart B, bullet three should be modified as follows: "Development Challenges resulting from being within or adjacent to a central business district or publicly funded light rail station". Additionally, we recommend a fifth bullet: "Congregate style conditioned corridor buildings with elevators and at least four stories".

Loan Underwriting Standards / Management Fee (p 28 – VI, B, 1, a)
CMHP continues to request that the online tool be adjusted to calculate the management fee 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.

Targeting Program (p22, 5)
We propose that this paragraph be modified to be "10% of LIHTC units" instead of total units.

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Calculated Allocation Fee

We continue to request that the allocation fee be based on **requested tax credits x 10 (for the number of years in the credit period)**, not on total qualifying basis. For example, a project with a qualifying basis of $10,000,000 requesting only $800,000 in annual allocation would pay $67,200 ($800,000 x 10 x 0.84%) instead of $84,000 ($10,000,000 x 0.84%). This helps ensure that the allocation requested matches the actual allocation received.

Square Footage changes (p 16 – IV,2,d)

For the Square Footage proposal, we continue to request a materiality provision (e.g. 5% change) or simply that the agency must approve any decreases and the market study must be updated. Changes during the permitting/design process can result in required changes and we would like to ensure there is a path to approve reasonable requests.

RPP Debt Sizing (p18, 2)

We recommend the debt sizing for RPP loans be based on the greater of 1.15 DSCR or $500/unit/year for deals 50 units and less. This functionality allows smaller deals to be able to utilize RPP and provide lower targeting, but maintain sufficient cash flow to manage operational risk.

Thank you in advance for taking the time to review our suggestions for the 2020 Final QAP. Please let us know if you would like to discuss our recommendations.

Sincerely,

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