To: Chris Austin – NCHFA

From: Richard Angino

Date: August 24, 2020

Re: Comment on Second Draft of the 2020 NCHFA QAP

Removing Poverty Rate as Tie Breaker is Smart Move

Thank you very much for removing the prior first tiebreaker of "The project in the census tract with the lowest percentage of families below the poverty rate (see Appendix H for listing of poverty rates by census tract)" Given all of the current push to address social inequalities and the damage of 50 years of redlining programs, it is the right thing to do since this tie breaker had removed tax credits as a tool for many cities to fix some of these neighborhoods.

Below are my thoughts on why lowest poverty rate tie breaker didn't work:

1. If the goal is to put affordable housing in the hottest "high opportunity" neighborhoods, Winston Salem is an example of where placing tax credits into properties located in census tracts with the lowest poverty rates doesn't work. A majority of our new high-end apartments are located in the "Innovation Corridor" section of downtown with **over half a billion dollars of funds invested** in this area. There has been close to **2,000 new units in the last five years** built in this census tract with rents ranging from $1,200 to $2,800. It is **walkable to thousands of jobs**, as well as, **walkable to the city's central bus hub to thousands of other jobs** in the region. The city is pushing hard to make sure some affordable housing is included in this neighborhood growth since the current apartments are only affordable to folks making 140% of the area median income. Seems like a great place to use tax credits, but the **census tract's poverty rate is 44%**.
2. I understand the Texas case issue, but steering properties towards low poverty rate census tracts by tripping the Federal fair housing rules is not the proper way to address the concern. The federal fair housing rules have not changed and this is still redlining as it has been explained to me by several folks who are very familiar with the red lining rules in federal fair housing regulations.

With the above in mind, we don't have the Texas issue in North Carolina since the QAP was already steering the credits into "High Opportunity" neighborhoods since the short list of NCHFA approved grocery stores are only located in higher income areas. When was the last time that Trader Joes, Whole Foods, Publix or Fresh Market were located in a location which is not consider a hot growth place to live? If NCHFA's goal is to keep the new tax credit properties out of food deserts, the market has already done this since many of these grocers have closed their existing locations in what they consider "Less Profitable" locations.

Expand Shopping Options

If NCHFA truly wants new tax credit properties to be built in "High Opportunity" neighborhoods, I would suggest that you remove the rule that requires tax credit properties to be near the following shopping which is considered "low income" shopping:

Big Lots	Kmart	Target
Dollar General	Maxway	Super Target
Dollar Tree	Ollie's Bargain Outlet	Walmart
Family Dollar	Roses	Walmart Supercenter
Fred's Super Dollar	Roses Express	

Right now this list of approved Shopping Amenities doesn't fit our tenant demographics which are working folks with access to a car and making between $18,000 to $46,000. Our tenants are generally not folks who have no option but to shop at dollar stores, but the QAP requires developers to find properties close to these low-end shopping options. Our tenants shop at Belks, TJ Max, CostCo and Amazon just like everyone else so the list should be removed or expanded since few of the "High Opportunity" locations you are targeting have dollar stores or Kmarts.

Increase Distances or Remove Distances

Thank you for increasing the distance to amenities top 1.25 miles. In a time when we are trying to spend less to build more, paying the very high purchase prices for "QAP distance" lots makes no sense for affordable housing. There are many examples of lots being $100,000 per acre within the QAP distances and other lots at 1.5 miles which are $20,000 per acre. It would be great if we could save the half a million dollars and put that back into building units. You already have language is the QAP which would make sure these parcels are not in the middle of nowhere.

Opening up the locations by increasing the distance even more or removing it would also address the concentration of tax credit properties which are all following the dollar stores. It would allow us to put our properties in **residential** neighborhoods instead of being next to the Tractor Supply. Ask any tenant at one of the Walmart parking lot tax credit properties if they like to have their kids playing on the playground beside the Walmart parking lot. I am sure they would rather be in walkable residential neighborhoods.

Remove or Increase the Hard Cost per Unit

Given that you have the credits per unit range points and the minimums, please remove the Hard Cost restrictions since they are not needed. The market drives what it costs to build these properties and the Agency setting limits is only hurting our tenants as developers have to strip the complexes to fit into the cost brackets which don't reflect the actual construction costs in North Carolina. The next step is for folks is to start removing the laundry hook-ups which cost $2,000 per unit to meet you cost containment goals. North Carolina is already in the bottom 30% of cost per unit per the national state agency group's numbers so please let us continue to build quality housing by removing the cost brackets.

You control the end product…if you want us to build three bedroom / one bath to compete per the QAP, we have no choice but to build three bedroom / one bath even if it is bad for our tenants and the industry. This is what happened to HUD product when the Federal Government required developers to strip out amenities to "keep cost down" and we all know how bad that product has aged.

If you can't remove the ranges, please increase the maximums more than the proposed so that folks can build complexes we can be proud of as an industry. It would be nice if building costs had increased at the inflation levels for the past ten years, but then we wouldn't be having this extreme shortage of affordable housing we are having as a nation right now. There is four years of difference between the costs you are seeing in today's 8609s and what it will cost us to build six months after we get an allocation for the 2021 applications.

As for the historic cost limits, the cap is a non-starter since that is not feasible for 9% historic properties where it simply just cost more than the cap you have set. You need to be in the $120,000 just to get folks to consider mixing historic with 9% credits. The large bond historic properties are not comps since they have the economics of scale which cannot be realized with the 60 to 80 unit 9% historic property. I agree that you are not seeing applications above that because no one would spend $25,000 on an application that produces 9% credits which are under the tax credit per unit range just so you have a sample of applications that don't win.

Reduce the Parking per Unit

Please reduce the parking restrictions to 1.5 spaces per unit. We have cameras on all of our properties and even at 1.5, we can see tons of parking spaces that have never been used. Let this be a local and property by property item that is figured out with the local building offices. I am getting tired of folks asking if we are having occupancy issues since our parking lots are not full. We and other developers would be more than willing to show you the long term footage showing. These unused spaces are a waste of tax credit dollars, bad for stormwater and not good for the environment. If you have concerns about overflow parking, please let us provide some stone parking spaces which lets the water pass through.

Remove Energy Star 3.0 requirement

This is a great way to cause all of us to have new mold issues which is not good for anyone. Please leave it at Energy Star 2.0 or come up with some additional funds to put in real air changing systems, humidity controls and reserves for the lawsuits. We just have too many tenants that **don't run** their systems as the units get tighter which leads to moisture issues. This is compounded by the QAP which requires systems to be sized way too big for Energy Start 2.0 so they short cycle and don't remove the moisture in the air. If our tenants are not uncomfortably hot or cold, they save money by not using electricity. These extreme rules are made for folks living in their 4,000 square foot houses so that they feel good about themselves being Green. This program is not for 80 units of affordable housing unless we want our cost per unit to move to the top 50% of the states as we add the systems needed to keep the air quality in these Tupperware sealed units. When you do the math, there is no material savings in the tenants' electricity cost moving from 2.0 to 3.0 so why add the additional costs to affordable housing.