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RE: Comments on the 2022 NCHFA QAP

Thank you for the continued support you have provided for the development of affordable housing throughout North Carolina and for the opportunity to comment on the 2022 Qualified Allocation Plan. DHIC would like to respectfully submit the following comments for your consideration:

Construction Cost Limits

Construction costs have risen substantially with constraints on materials and labors. The current cost limits are not achievable in today's market and material delays are lengthening construction timelines. There is a real discrepancy between construction costs in Metro regions compared to non-Metro. Additionally, some sites that would otherwise be outstanding locations for affordable housing require structured parking. Recommendations:

- Increase cost limits based on construction cost data or feedback from third party contractors
- Separate cost limits for Metro counties
- Additional cost limit for projects with structured parking
- Change cost limits from Cost per Unit to Cost per SF

Water/Sewer Capacity

Some municipalities will not confirm capacity without a project already engaged in the site planning approval process and able to generate specific data about water/sewer usage. The municipalities are only willing to commit to the availability of water and sewer and not capacity. Recommendation:

- Change utility language to require the availability of water and sewer and not the capacity.

Overall Application Scoring

Every year, there are a number of projects that are decided based on tiebreakers. Tiebreakers should be avoided to the extent possible and awards should be decided by the merits of individual projects. Several neighboring states routinely have large scoring disparities between awarded projects based on criteria in the QAP. Recommendation:

- Provide more options to differentiate scoring. Possible criteria could include: project readiness, designation of priority areas (revitalization area, opportunity zones, redevelopment

area, etc.), funding related commitments that reduce overall credit requests (e.g. land donation, fee waivers, local subsidy), deeper income targeting, points for projects in areas with increasing rent-burdened populations, energy standards, and resident services.

Credits Per Unit

Using credits per unit as a determining factor for application scoring adds an additional level of uncertainty to the application process without discernible benefit. While this no longer produces a “race to the bottom” as it had at times in the past, it is not a meaningful differentiating factor. As an example, a project can miss out on an award for a credit request that is too low because of inexpensive land or local subsidy. Recommendations:

- Eliminate the use of credits per unit as scoring criteria.
- If NCHFA determines that it is necessary to control the credits per unit, do so by implementing a credits per unit cap that varies with project size. This would allow projects to use the calculated credits up to the cap.

2020 Awards

Increases in construction pricing have led to large financing gaps on projects awarded in the 2020 round. In order to keep projects on track, additional funds are needed to help fill these gaps and make the projects whole without severely overleveraging them or asking for drastic rent increases.

Recommendation:

- Forward allocate credits to fill the gap on 2020 projects.

And finally, penalties for returning credits for new allocation should not prohibit applying for 4% deal in the following year.

Thank you and please reach out to us if you have any questions.