2022 NCHFA QAP Comments

Average Income Designation

We request that the agency remove language stipulating that election of average income designation at full application submission is irrevocable (Sec IV. B. 3(d)), and instead allows final commitment of income restriction status to remain open until filing of 8609 as required by Section 42. Following recent IRS Proposed Rulemaking related to Average Income last fall, we have heard from several tax credit investors who have expressed concern about the implications of compliance issues brought on if the proposed IRS regulations are finalized. Syndicators have indicated to us that many fund investors have expressed concerns with investing in AI while this proposed IRS rule is unresolved as it has raised significant compliance related concerns should the rule become finalized. We recognize the value in the Average Income designation both in making projects financially viable in addition to helping serve more households at the lowest income ranges. But until there is clarity on the IRS's guidance on Average Income, we believe projects would be best served with the ability to shift income designation to 40/60 or 20/50 set-asides up until the filing of 8609 as is consistent with current Section 42.

Credit Recycling

We are pleased to see the ability to return 19 and 20 credits for an equal amount of 2022 credits with no penalty recognizing the unprecedented volatility our industry has seen in the past year and a half. We would suggest that clearer language could be used in the final bullet point of the section to indicate that for individual projects while recycling credits an owner cannot request additional credits for that project rather than the current language which states, "The Agency will not consider increased uses".

Developer Bonus Point

While we believe that the developer bonus point has an outsized importance in an application's viability and is not helpful in identifying or awarding projects with the most merit, we are pleased to see the removal of being able to stack two points on a single application. This further emphasized the importance of the bonus point which made the application process even more reliant on a variable unrelated to the housing being created. In the future we would prefer to see a QAP scoring rubric in which the bonus point is not a common differentiating factor .

Credit Average

We agree with the removal of points associated with submitting an application with a credit per unit request within a certain range of other applications in a region. This disincentivizes developers to go after other non-tax credit funding sources as it can push a credit request out of a region's average.

Site Evaluation

We ask that the Agency convene a group of affordable housing professionals to reassess the scoring criteria related to site amenities for future QAPs. As the QAP is currently structured, the vast majority of applications achieve a tied site score which in turn puts an out-sized importance on variables less related to a development's site-related variables. We believe a reassessment of the site scoring criteria could greatly benefit the QAP to make projects less likely to achieve tied scores and create opportunities to differentiate one project from another. While a full discussion of how to reassess this scoring criteria is vital we believe applications can be meaningfully differentiated by variables including:

- Neighborhood attributes that correlate with positive housing outcomes
- Proximity to amenities
- Walkability to amenities
- Reasonable transit access

Beyond site related differentiation there is an opportunity to more fully address the importance of both equitable distribution of unit creation from community to community as well as adding units in communities most impacted by housing affordability challenges. Because this is a broad request, we recognize the time and input necessary to implement a shift in site evaluation. We would be happy to work with NCHFA Board and Staff as well as other interested affordable housing practitioners to convene a working group to address this comment.

Tiebreakers

Notwithstanding the sentiment from the section above in which we advocate for a new assessment rubric in the QAP which minimizes the possibility of tie scores, we have a few suggestions on improved tiebreakers. A first tiebreaker which takes both recent unit production and housing needs of a community into account would be a more wholistic metric to both distribute units geographically from year to year while also being sensitive to communities with acute housing affordability challenges. We would suggest the metric of "Cost burdened renters per unit created". The metric would take county level American Community Survey data on the number of cost-burdened rental households and divide that by the number of units created in the county in the past five years. The higher the number, the greater the housing need in context to the amount units created recently.

Finally, if the intent of the currently proposed second tiebreaker is to reward a measure of economy the measure should be total development cost per unit rather than credits per unit.

This would lead to the most efficient use of all available funding sources rather than just the federal credit.

Sincerely,

Fred G Mills Jr