

Tara Hall

From: Scott Farmer
Sent: Monday, October 18, 2021 8:25 AM
To: Tara Hall
Subject: FW: 2022 QAP Comments

QAP Comment

From: Darren Swanson <Darren.Swanson@RedstoneEquity.com>
Sent: Friday, October 15, 2021 10:52 PM
To: Scott Farmer <bsfarmer@nchfa.com>
Subject: 2022 QAP Comments

Hi Scott

I hope you're well.

I wanted to send you a note to reinforce the syndication feedback that I'm sure you've already received from others. For the time being, the income averaging ("IA") election is creating challenges for allocated deals in NC to receive equity offers in the market due to the fact that not all investors are comfortable with the election. This has been the case since the IRS published their preliminary guidance a year ago which created terminal compliance concerns throughout the investor space. Regarding the 2022 QAP, I would recommend that we allow the 2020 and 2021 awarded deals to change their IA elections to the 40/60 set aside as needed to help facilitate their ability to more broadly attract an equity investor. Without this change, I expect sponsors will have much fewer investor options for their deals, resulting in deals that are financially infeasible. I would also strongly recommend that NCHFA eliminates the irrevocable election at the time of application until the IRS publishes final guidance that, hopefully, removes the compliance concerns that their draft language has led to.

If we leave flexibility for such elections, sponsors can remove IA from deals when the need arises, while including language in the LPA that allows for IA to come back into the deal by PIS, subject to investor approval of the final IRS guidance around IA. We believe this is the best way to manage this situation for the time being. We are huge advocates of IA as a policy as it is the most efficient way to provide housing to the most at risk families and seniors. We are hopeful the IRS will publish final guidance allowing the industry to more easily invest in deals utilizing IA.

I'd be happy to discuss this further as needed.

Regards
Darren



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