Tara Hall

From: Dan Levine <Dan.Levine@self-help.org>
Sent: Thursday, October 14, 2021 8:54 AM
To: Tara Hall; Scott Farmer
Cc: Brika Eklund; Tucker Bartlett
Subject: Draft 2022 QAP Comments from Self-Help

Tara and Scott,

Thank you for all that you do to support affordable housing across our state. I am writing to share Self-Help's comments on the draft 2022 QAP. We appreciate the opportunity to provide this input, and are grateful that NCHFA takes public comments seriously and has made an increasing number of positive changes to the QAP in recent years.

We offer for your consideration the following suggestions on the 2022 QAP:

SCORING

- We would like to see a scoring system that better distinguishes among applications, as a system in which almost every project gets a near-perfect score does not go far enough to distinguish great developments from good ones. We hope NCHFA will consider substantial changes to the scoring system that further differentiate projects, starting at the site scoring stage, while allowing for urban sites to better compete with suburban greenfield garden style apartments even if the site score is not perfect. We recognize the need to minimize subjective criteria, so possible additional scoring criteria could include items like:
    - Project readiness – e.g., points for having local approval of site plan in place.
    - Deeper income targeting to encourage more units for households at tiers of less than <30%, 40% AMI, et al.
    - Negative points for developments proposing to serve households >60% AMI, since rents at these levels are market rents in most communities and not a significant housing need.
    - Binding commitments to extended affordability periods beyond typical LIHTC requirements.
    - Geographic targets, such as points for being in local, state or federal priority areas (e.g., federal Opportunity Zone or a local designated housing investment area).
    - Local support – points for funding commitments, land donation, fee waivers or other local private/philanthropic and public subsidy to reduce overall credit request and incentivize localities to further invest in affordable housing.
    - Tiered point levels for different poverty rates by census tract, with an emphasis on de-concentration.
    - Negative points for projects in areas with little/no recent increase in rent-burdened population and/or positive points for projects in areas with increasing rent-burdened populations.
    - Supplier diversity – points for projects with a lead MWBE architect, civil engineer and/or general contractor.
    - Green standards – points for binding commitment to third-party green certifications beyond Energy Star.
- If NCHFA cannot find a way to better distinguish applications per the prior comment, move to a random lottery of all applications that meet a certain scoring criteria rather than relying on almost imperceptibly fine grain or arbitrary differences in scores/tie-breakers for projects with near-perfect scores.
- Thank you for proposing the removal of credits per unit, which was a guessing game that was not beneficial for applicants or impact on the state's housing supply.

PRINCIPALS

- The principal limit of no more than two new construction projects should apply solely to 9% deals, as should the completion date requirement, so the state can get more 4% bond deals under construction.

- Increase the non-profit set-aside, since all else being equal nonprofit organizations are more likely based on their missions to provide extended affordability periods after LIHTC requirements expire.
- Add further protections via Rights of First Refusal to preserve long-term affordability beyond the compliance period and to protect nonprofit partners' interest (e.g., require LOIs from equity investors to include ROFR language).

COSTS

- Further raise cost limits, so they better reflect the reality of the current high and volatile construction market.
- Set a substantially higher cost per unit cap for Metro areas, which generally have higher construction costs for regulatory and market reasons regardless of whether a project is Chart B eligible.
- Provide a separate cost per unit limit for projects with (necessary) structured parking in downtown/urban areas where such parking is appropriate, perhaps limiting this to a couple-few projects per year across the state.
- Design and GC fee limits remain artificially low, and contingency limits are overly restrictive (for the latter, 10% would be more reasonable and would help avoid post-award budget problems).

OTHER

- Automatic reductions to parking ratios should be available for urban sites and sites with frequent public transit, as well as for developments with a unit mix emphasizing smaller bedroom counts where fewer cars per unit are likely.
- Consider population growth in allocating credits across regions, as the current approach ignores major demographic trends. For example, the Metro counties accounted for ~68% of North Carolina's population growth from 2010-2020, and yet many Metro counties can only effectively get one 9% award a year. In 2021, 25% of new construction 9% projects were funded in counties with populations that have fallen since 2010, and even though 38% of credits were allocated to Metro counties last year, only 32% of projects actually occurred in Metro counties because it's more expensive to buy land and build these counties.

Thank you for your attention, and for your ongoing commitment to the LIHTC program,

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Self-Help's mission is creating and protecting ownership and economic opportunity for all, especially people of color, women, rural residents and low-wealth families and communities.