



THE SHERBERT GROUP
INTEGRATED TAX CREDIT SOLUTIONS

October 15, 2021

North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Re: First Draft 2022 QAP Comments

We've received some feedback from developers that we work with that we'd like to share for consideration regarding the 2022 Draft QAP.

Project Development Costs Limitations (Page 18)

Cost Limitations:

The Agency will assess negative points to applications listing more than the following in lines 5 and 6 of the Project Development Costs (PDC) description, as outlined in Chart A.

Comments:

This policy results in two critical issues: One, decreased incentive for developers to go beyond the bare minimum when investing in each unit and two, limits the impact of tax credit dollars on affordable housing development. This policy influences developers to simply use materials and finishes that are less expensive, less durable, and less aesthetically pleasing. In the end, disincentivizing going above the maximum development costs this has a detrimental effect on the resident. Furthermore, this requirement is inconsistent with what we've seen work in other markets where development costs mandates are more flexible.

Consider raising the allowable per unit cost cap. This policy detracts from aesthetic and structural quality of the unit and thus inhibits the ability to provide the best quality product within the scope of affordable housing.

Cost review on historic adaptive re-use projects:

The Agency will review proposed costs for historic adaptive re-use projects and approve the amount during the full application review process but in no case can lines 5 and 6 of the PDC exceed \$130,000 per unit.

Comments:

Consider extending the review process to include workforce and senior housing. Construction prices have increased but the Project Development Cost limits have not increased to match construction pricing. If cost reviews are reserved specifically for historic adaptive reuse projects, developers of senior and workforce housing will be forced to build developments that are lower quality than what residents deserve.

Supporting Data:

Examples from one of our clients suggesting that construction costs have increased and are in many cases higher than the cost caps currently being utilized by NCHFA:

Type of Development	City	State	Number Of Units	Construction Type	Year of Pricing	Hard Costs	Hard Cost Per Unit
Senior 55+	McDonough	GA	182	Double Loaded Corridor	2021	27,165,691	149,262
Family	Nashville	TN	261	3 Story walk up	2018	36,321,159	139,162
Family	McDonough	GA	288	3 Story walk up	2021	38,442,711	133,482
Senior 55+	Lawrenceville	GA	240	Double Loaded Corridor	2020	31,160,871	129,837
Family	Phoenix	AZ	308	3 Story walk up	2021	39,730,455	128,995
Senior 55+	Newnan	GA	202	Double Loaded Corridor	2021	23,571,600	116,691
Senior 55+	Covington	GA	198	Double Loaded Corridor	2019	21,245,368	107,300
Senior 55+	Lithonia	GA	238	Double Loaded Corridor	2019	25,189,014	105,836
Senior 55+	Dacula	GA	240	Double Loaded Corridor	2020	24,475,047	101,979

Identity of Interest / Contract Management Fee (Page 32)

Identity of Interest:

Where an identity of interest exists between the owner and contractor, the contractor profit and overhead shall be limited to eight percent (8%) (6% profit, 2% overhead).

Comment:

It would be helpful if the QAP provided more clarity on what qualifies as an identity of interest, as it is not currently defined.

Thank you for your consideration and the opportunity to provide comments.

Sincerely,

The Sherbert Group