

Tara Hall

From: McCauley, Rich <McCauleyR@richmancapital.com>
Sent: Friday, October 15, 2021 8:47 AM
To: RentalHelp; Tara Hall; Scott Farmer
Subject: Comments re 2022 QAP and Income Averaging projects

To NCHFA:

I would like to echo what I think you've probably heard from several fellow syndicators with regard to income Averaging. Our firm is getting major pushback from equity investors on any deals with Income Averaging. Since IA's inception, investors have had concerns over the "cliff test" and recapture risk related to IA, and the IRS guidance that came out earlier this year only exacerbated their concerns. This isn't just knocking a couple of cents off equity pricing on IA deals, it's a no-go issue that substantially limits the amount of equity available for North Carolina deals that have IA. Investors are largely avoiding deals with IA, and with all of the 4% deals without IA that are hitting the market there are plenty of other deals to invest in. Some other states are allowing developers to opt out of IA set-asides in order to alleviate this situation until the IRS can provide better guidance to mitigate the recapture risk of IA. We respectfully request that NCHFA allow developers with 2020 and 2021 allocations with IA to re-align the set-asides to 60% in order to remove the IA taint on these deals. Looking forward, for the same reasons the 2022 QAP should not require an irrevocable election to use IA at time of application unless better IRS guidance resolves the recapture issue prior to when applications are due. Otherwise, the issue of attracting equity to North Carolina deals with IA will continue into next year. If you would like to discuss this further I am happy to discuss at your convenience. Thank you.

Rich



Rich McCauley | Executive Vice President
LIHTC Syndication and Affordable Housing Financing
The Richman Group Affordable Housing Corporation | mccauleyr@richmancapital.com
777 West Putnam Avenue | Greenwich, CT, 06830 | P • 203.413.0336
Cell: 914-420-1784
www.therichmangroup.com