

October 15, 2021

North Carolina Housing Finance Authority
Attn: Tara Hall and Scott Farmer
3508 Bush Street
Raleigh, NC 27609
rentalhelp@nchfa.com

RE: 2022 QAP Review

Thank you for the opportunity to provide questions for the upcoming second 2022 QAP draft.

Income Averaging

Please consider providing flexibility to applications in prior and future QAP rounds to allow for the revocation of the Income Averaging selection and to revert to traditional LIHTC 60% or 50% set-asides.

Although income averaging is a great opportunity to support deeper income targeting and missing middle families, the industry is bound by flawed IRS guidance that has significantly constricted the investor market. The IRS has acknowledged these flaws; however, their timing of releasing new guidance is not in keeping with the industry's timing to close. Many state agencies have taken the position of supporting the ability for developers to work in good faith to fund their projects and deliver much need housing units to the market. We ask that NCHFA offer the same support to the numerous stakeholders all impacted by the IRS's flawed guidance.

North Carolina Statistics:

2021 Projects Awarded:

35 projects | 2,518 units
\$30,875,242 credits | \$20,214,000 RPP | \$25,000,000 CDBG

2021 Projects with Income Averaging:

28 projects | 1,979 units
\$24,841,935 credits | \$15,700,000 RPP | \$20,000,000 CDBG

The above statistics show that this is a statewide community impact- nearly 2,000 units may not be delivered to the market in the next few years.

Secondarily, should these tax credits go back into the system for reallocation, the potential rate of inflation will not allow those awards to be as efficient, thereby further reducing and delaying the number of units to be delivered to families in North Carolina.

With the additional possible return of 2019/2020 credits, not identifying alternative solutions to the income averaging selection creates a compounding effect to the nondelivered units during a period of high inflationary pressures when affordable housing is needed most.

This was an unfortunate outcome of a well-intended proposal, which everyone strove to support. Until the guidance is fully vetted, we cannot risk the unintended consequences of the loss of much needed affordable housing pipeline in North Carolina.

Tiebreaker

Please consider a floor on the lowest tax credits per unit tiebreaker.

We are pleased to see the 4%+/- target removed; however, a race to the bottom has created a number of problems in the past as it relates to cutting corners on development.

Please consider adding language that supports the lowest tax credits per unit in combination with the additional favorable financing outside of the first position lien.

Thank you again for your partnership and dedication to the program. We appreciate your consideration and look forward to working with you on a successful 2022 application cycle!

Best,



Jennifer Lampman
Vice President of Development
Wallick Asset Management LLC