

**T Ronald Brown: Research & Analysis**

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To: Mr. Chris Austin  
Director of Rental Investment  
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From: T.Ronald Brown

Subject: 2019 QAP

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Thank you for the opportunity to make some observations on the proposed 2019 QAP. Changes to the QAP seldom impact the marketability of proposed LIHTC projects; however, this year, the concept of Income Averaging may do so.

Briefly, I believe that if income averaging is utilized, that - initially - the units targeted to households at the 80 percent of AMI level should be set to be affordable to households at the 60 percent of AMI level. Thus, firstly, the 60 and 80 percent units would (most likely) be set at the same level at lease-up (and a greater proportion of the projects's units would collect those higher rents than hitherto). This will serve to assist the marketing and marketability of the project as a whole - offering fewer different rent levels for the same unit type, and offering more "affordable" units at the top end. Secondly, beyond the initial lease-up period, those units targeted to households at the 80 percent level could revert to being affordable at the 80 percent level (that is, subject to the 80 percent of income maximum rents). Thus, from, year two onwards, those units could be leased at potentially higher rents (not subject to the initial 60 percent maximum) to existing tenants who could afford those rents (assuming that those units were leased to tenants who have incomes in the target [80 percent] income range). Under this scenario, I believe that projects that use Income Averaging would be both relatively more marketable at the outset, and more viable in the short-to-medium term than might otherwise be the case.

Please do not hesitate to contact me if you have any questions or comments.