

**October 5, 2023**

North Carolina Housing Finance Agency

Attn: Tara Hall and Scott Farmer

3508 Bush Street

Raleigh, NC 27609

**RE: 2024 QAP Comments – First Draft**

Thank you for the opportunity to provide comments on the first draft of the 2024 QAP. We always appreciate the thoughtfulness in updating the state's QAP and your commitment to affordable housing in and the residents of the Tar Heel State. Based on our review, we ask for consideration of the following:

**Tiebreakers**

1. We kindly request that the Agency eliminate the second tiebreaker, which awards a project with the highest percentage of non-Agency awarded and non-related party funding. The rationale is below:
  - a. This has an adverse effect on potential 4% bond deals, which often utilize and need soft funds for viability. Many municipalities are limited in their funding sources, and we are concerned it could lead to less funding available for 4% deals. Consequently, it could result in less units being brought online for this funding round because of this reason.
  - b. It will create a race to secure secondary funding even if the funding is not needed for a proposed development. We are concerned with financial manipulation to secure secondary funding just to win an award.
  - c. If this is to remain in the 2024 QAP, we request more guidance as to what counts. For example, would land donation be considered a funding source or municipal fee waivers?
  - d. Some counties/municipalities do not offer soft funding for developments, which leaves them at a disadvantage.
  - e. Does the agency consider the Golden Leaf funding to be agency funding?
2. We kindly request the third tiebreaker be removed. Our reasoning is below:
  - a. This tiebreaker does nothing to advance affordable housing in the state and does nothing to ensure that applications submitted are well vetted and sound.
  - b. We also wish to know how this would be monitored by the agency. For example, will a winning application be determined simply because an applicant submitted it ten seconds before a competitor?
  - c. What is the window for submitting applications? Will the agency lay this out or will it be a long submittal window for preliminary applications?
3. The third tiebreaker has a goal of deeper income targeting, which we applaud. However, by committing to this at a preliminary application, it forces developers to commit to AMI targeting without a full market analysis. We request it be moved to final application to accommodate for market adjustments.

4. Suggested Tiebreakers to replace the second and third tiebreakers include:
  - a. Lowest Capture Rate by project. This would allow for more of a need-based tiebreaker that could tie a project to an area with the strongest demand for affordable housing.
  - b. Lowest poverty rate in the census tract. This signifies that the agency wishes to locate housing in areas of opportunity and helps distinguish key indicators at a smaller geographic level than county data.
  - c. Economic growth in a PMA. Population growth, jobs per capita, job growth, and other economic indicators help highlight a strong market and need for housing.
  - d. Census Tracts or PMAS with the fewest LIHTC developments over “X” years. This would allow for a greater distribution of developments over an area and indicates a stronger potential market.

**Additional comments for the 2024 Draft QAP:**

1. We applaud the updated amenity scoring and believe that this will help distinguish great projects from good projects. It also ensures residents have all their daily needs within an easy walking or driving distance.
  - a. One suggestion – offer an opportunity for an applicant to demonstrate that there is transportation to and from a senior center for full points in that subcategory. Senior Centers are rarer than schools, and we fear that this may discourage senior developments in the 2024 round.
2. We request the max tax credit award per project be increased from \$1,200,000 to \$1,250,000. This small increase allows developments to have more financial viability and gets the state closer to its peers, many of whom have max awards closer to \$1,500,000.

Thank you for the opportunity to support the residents of North Carolina. We appreciate your time and consideration on the topics above and we are looking forward to working with you on a successful 2024 application cycle.

Sincerely,



Jacob Gill

**Development Manager**

Wallick Asset Management LLC