

Tara Hall

From: John Batey <jbatey@wha.net>
Sent: Thursday, August 17, 2023 3:52 PM
To: Tara Hall
Cc: Tyrone Garrett
Subject: RE: Question re 4% Bond Project

Hello Tara,

Thank you for the phone call yesterday and your invitation to submit our suggestions for the 2024 QAP. We feel the following modifications are reasonable and will result in a dramatic increase in the preservation and rehabilitation of affordable housing across the state.

1. Underwriting: Because the 2023 QAP is currently silent on the question of rent levels to be used for underwriting purposes on rehabilitation projects, WHA feels there is an opportunity to carve out a narrowly-focused policy that facilitates the use of the RAD program by public housing authorities seeking to preserve and modernize their existing stock of affordable housing. To that end, we propose the following modifications to your QAP paragraph on Project Based Section 8 Rental Assistance (new proposed language is in **RED**):

SECTION 8 PROJECT-BASED RENTAL ASSISTANCE For all new construction projects that propose to utilize Section 8 project-based rental assistance, the Agency will underwrite the rents according to the tax credit and HOME limits. These limits are based on data published annually by HUD. If the Section 8 contract administrator is willing to allow rents above these limits, the project may receive the additional revenue in practice, but Agency underwriting will use the lower revenue projections regardless of the length of the Section 8 contract. ~~Given the uncertainty of long term federal commitment to Section 8 rental assistance, the Agency considers underwriting to the more conservative revenue levels to best serve the project's long term financial viability.~~ **For all acquisition/rehabilitation projects carried out under the Rental Assistance Demonstration (RAD) program, the Agency recognizes HUD's intent to move public housing authority (PHA) assets from a traditional public housing funding model to a project-based voucher (PBV) system. To support this transition and facilitate the redevelopment of public housing authority assets, the Agency will underwrite rents on RAD acquisition/rehabilitation projects at the project-based voucher rent level for all PBV units. For the Agency to consider the higher PBV rents, PHAs providing project-based voucher assistance to their RAD conversions must agree by board resolution to provide the project with PBVs for a minimum of fifteen (15) years. All other acquisition/rehabilitation projects will have their rents underwritten at the tax credit and HOME limits.**

2. Appraisals: Once a project has undergone a RAD conversion and is no longer public housing, we are suggesting that the project be appraised based on the "as is" condition, and at the "market" rents for similar sized units in the area.

We hope these proposed modifications are agreeable to the HFA. As mentioned earlier, making these minor modifications will unlock numerous opportunities for the preservation and rehabilitation of affordable housing assets owned by North Carolina's public housing authorities. Without these changes, RAD conversions will face large funding gaps resulting from artificially-depressed loan amounts and equity contributions. Thank you for your time and consideration.

This message sent by...

John R. Batey, AICP