WODA COOPER COMPANIES

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Tara Hall
Manager of Rental Development
North Carolina Housing Finance Agency
3508 Bush St.
Raleigh, NC 27609

RE: 2023 QAP 1st Draft Comments,

Ms. Hall,

On behalf of Woda Cooper Companies, Inc., we are pleased to submit the following comments on the 1st draft of the 2023 North Carolina Qualified Allocation Plan (QAP).

1. **Section IV(C)1 – Maximum Project Development Costs** – $130,000/unit would be an appropriate limit for Chart A**.** This figure is roughly 7% above where Woda Cooper submitted its 2022 9% applications and is contingent upon relative market stability compared to what was seen in the past 2 years. It would allow for a variety of development designs to be economically viable.

2. **Section IV(F)7 – Tiebreakers** – The second tiebreaker, highest Walk Score, is excellent public policy. Walk Score employs a holistic methodology to evaluate locations based on their proximity to essential amenities for everyday living including grocery stores, schools, and parks. For residents lacking cars and access to reliable public transportation, walkable proximity to amenities is paramount. While not as important as the value this metric provides to future residents, the Walk Score is an easy to view data point which is easy for developers to evaluate the viability of their applications.

3. **Section IV(F)7 – Tiebreakers** – Returning to a lowest credits/unit tiebreaker would be suboptimal and potentially detrimental to the stability of the LIHTC program in North Carolina in today's economic climate. The US-10 year treasury, the benchmark against which many permanent 1st mortgage rates are measured, has increased from 1.5% at the beginning of 2022 to over 3.7% today. Consequently, developments are able to support significantly less leverage. Concurrently, per the Producer Price Index report, the cost of goods used in residential construction have risen 19.4% year-over-year. These events combine to make LIHTC developments increasingly dependent upon LIHTC equity. A lowest credits/unit tiebreaker incentivizes developers to submit extremely thin developments which have limited contingency to address economic challenges which arise throughout the process. Absent additional resources, this will force developers to return credits to NCHFA which

ultimately reduces affordable housing production in the state. The existing project limit ensures the scarce 9% LIHTC resource is not used to over-subsidize projects.

4. **Section VII(B)7(b) – Developer Fee** – 4% LIHTC developments are more complex to close than 9% developments given the time and costs associated with a tax-exempt bond issuance. Consequently, the developer fees for 4% deals should be greater than those for a 9% development. We suggest that 4% developments be allowed to calculate the developer fee as 15% of total development costs, excluding developer fee. This additional developer fee will also help more 4% deals become financially feasible as the larger developer fee will increase eligible basis and therefore the amount of tax credits generated. Consequently, this revision will help augment affordable housing production through the state.

We appreciate the opportunity to provide feedback and look forward to future development of essential affordable housing.

Sincerely,

Garrett Ledonne

Garrett LeDonne
Woda Cooper Companies, Inc.

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