Michelle Sizer

From: Chris Austin
Sent: Wednesday, October 17, 2012 10:47 AM
To: Scott Farmer; Mark Shelburne
Subject: Fwd: NCHFA Rental Investment Group's Broadcast Emails
Attachments: 2013 QAP Comments_ JOIN llc.pdf

Hello Chris,

It was a pleasure to meet you at the LIHTC Public Meeting last week. Thank you for the opportunity to publicly voice our praise and concerns surrounding the current version of the 2013 QAP. It seems that you and your staff were open to suggestions and committed to maximizing the effectiveness of the LIHTC for the residents of our state, which is very appreciated.

Please find my comments concerning the 2013 NC LIHTC QAP attached to this email for review.

My early comments focus heavily upon the rules surrounding the tax exempt bond allocation and the allocation process. As you had mentioned when we spoke on Tuesday, North Carolina is not using much of its bond capacity and I hope that my comments give the NCHFA some insight as to why that may be the case.

In my case, I have been working with the City of Raleigh and HRI Properties to put together an affordable live/work artist housing development in downtown Raleigh. While the current site would not qualify for the 9% (due to its low site score), we have been trying to make the project financing work using the 4% bonds.

In order though to make the bonds work, and achieve our goal of making 100% accessible to folks making under 60% of the AMI, we are having to find multiple sources of funding to make the project pencil. Finding these multiple funding sources takes considerable time and energy, and does not make sense for our companies unless we were able to receive higher compensation for our time.

Since the 4% bonds are non-competitive, it seems that increasing the compensation caps only for projects that use the 4% bonds would encourage more developers to seek these credits to finance their projects.

I would love to hear your reaction to this suggestion, as adapting these rules would make this project feasible for our company to move forward with this project in Raleigh.

Thank you for your time,

Vann

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October 15, 2012

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DEVELOPMENT CONSULTING COMPLIANCE

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RE: Public Comment – 2013 Qualified Allocation Plan (QAP)

Dear NCHFA,

I would like to address the following concerns prior to the issuance of the 2013 NC Low Income Housing Tax Credit (LIHTC) QAP. It is my opinion that the following concerns referenced below are not in line with national best practices, and I have made recommendations for the Agency's consideration as it applies to the QAP for allocating both 4% and 9% Low Income Housing Tax Credits.

Comments on 2013 QAP as it applies to 4% LIHTC's, otherwise known as Tax-Exempt Bonds:

1. **Allow for increased Compensation on 4% LIHTC Projects**
    a. Concern: North Carolina's 4% LIHTC's are underutilized by developers as compared with other states. In some states, like New York, developers are incentivized, through zoning, to build affordable housing by offering developers increased FAR allowances on projects that include affordable housing. This incentive, though, only makes projects pencil when very high rents for market rate housing can be expected. Unfortunately in North Carolina, the rental housing market, even in downtown metro areas like Raleigh or Charlotte, do not yet yield high enough rents for planning departments to write this into zoning code.
    As such, in order to effectively utilize 4% LIHTC's in rental markets like those found in North Carolina, multiple other funding sources must be included in the project financing in order for the project to pencil. Finding and combining these multiple sources of funding is time consuming and costly for developers, making these projects very difficult and expensive to execute.
    While 9% LIHTC are a scarce and limited resource allocated to states based on population, 4% LIHTC are new federal resources brought into a State only by utilizing Multifamily Tax Exempt Bonds as requested by developers. While restricting compensation levels for developers seeking to utilize 9% LIHTC's allows the NCHFA to more effectively distribute these limited tax credits, maintaining the same compensation restrictions for non-competitive 4% LIHTC's discourages developers from utilizing these rarely accessed, yet readily available Federal Tax Credits.

    b. Recommendation: In order to increase the volume of tax exempt bonds utilized in North Carolina, I recommend that NCHFA follows the model of many other states and allow developers, architects and consultants to receive compensation closer to market rate, for their time and efforts. Therefore I recommend that the NCHFA increases limits on compensation for projects financed with 4% LIHTC Bonds in the following way:
        i. Change Cap on Developer fees from $12,000 per unit to 15% of total development costs.
        ii. Increase Architect's Fee's to 7% of total hard costs

iii. Allow for syndication costs of up to 10% for privately placed syndications and 15% for publically placed syndications

These recommendations are based off of the Project Limits that apply to both the 9% and 4% LIHTC from the 2013 QAP of the Louisiana Housing Corporation (pg. 22). While rental rates in Louisiana are similar to those found in NC, 4% bond financing is much more frequently utilized. Therefore I believe the LHC's QAP could be used as a model to increase the utilization and generation of 4% LIHTCs for the NCHFA.

2. **Accept and Review 4% LIHTC Projects on a Rolling Basis**
    a. Concern: While North Carolina's 4% Low Income Housing Tax Credits are non-competitive, these credits are only allocated in two funding rounds, adding undue time for developers looking to utilize these credits as a small portion of their overall equity raise.
    b. Recommendation: In order to increase the number of 4% allocations, I would recommend that NCHFA follows the model of many other states and allow these applications to be received and reviewed on a rolling basis. Many states' housing authority, like LA and NY, will accept 4% applications at anytime during the year and will make a determination within 60 days.

Comments 2013 QAP as it applies to 9% LIHTC:

1. **Reinstate Mortgage Subsidy and Leverage Scoring.**
    a. Concern: Local municipalities are key partners in low-income housing development, and their financial commitment to projects allow limited LIHTC funds to be maximized.
    b. Recommendation: In order to both be consistent with the vision of local leaders and to maximize the NC LIHTC allocation, additional points should be given to projects with committed local funding.

2. **Add points for Site Selection to encourage Brownfield, Infill and Adaptive Re-Use development, especially in the Metro Region.**
    a. Concern: The current draft of the 2013 QAP puts additional restrictions on redevelopment sites, without giving additional points for redeveloping these cumbersome sites.
    b. Recommendations:
        i. Include point scoring for development projects on Brownfield, Infill or Adaptive Re-Use, similar to the 2013 PA QAP (pg 24) or 2013 LA QAP (Selection Criteria pg. 3).

3. **Change Site Selection Criteria point scoring to include more amenities, and locally owned grocery, pharmacy, or shopping retailers.**
    a. Concern: The current draft of the 2013 QAP only scores for proximity to named "big box" grocery, shopping or pharmacy retailers, discouraging many urban sites, as well as sites with proximity to local retailers. In addition, in order to promote the best practices of creating "Smart Growth" developments, low income housing should be placed in areas in which there is walk-able proximity to multiple amenities.
    b. Recommendation: Create a site selection point scoring with more generalized criteria for amenities, but list more amenities such as:
        i. Public Library
        ii. Public Park
        iii. Public Transportation
        iv. Bank or Credit Union (with live tellers)
        v. Hospital / Doctor's Office

vi. Public Elementary or Middle School
vii. Post Office
viii. Licensed Child Day Care Center or After School Care Center
ix. Dentist Office
x. Public Recreation or Community Center
xi. Places of Worship
xii. Fire Station
xiii. Police or Sheriff Station

This should be prioritized with 2 points for within 0.5 miles, 1 point for within 1 mile, and 0.5 point within 2 miles, to promote walk-ability. This can be modeled similar to the 2013 QAP's in TN, SC or LA.

4. **Include additional site selection point scoring for Green or Sustainable Building Certifications**
    a. Concern: As energy costs continue to rise, so will operations expenses for low-income housing developments.
    b. Recommendation: In order to ensure the long-term financial feasibility of these projects, points should be awarded to projects that outline a plan to obtain LEED, or Enterprise Green Communities certification. Points should also be awarded to projects that incorporate renewable energy systems, such as solar thermal, solar photovoltaic, wind or geothermal, into their design.

5. **Allow developers who have successfully delivered 9% LIHTC in other states to access the NC 9% LIHTC.**
    a. Concern: The current draft of the 2013 QAP effectively prevents developers who have successfully delivered 9% LIHTC projects in other states. This decreases competition, and prevents national best practices to be more readily adopted in NC.
    b. Recommendation: Change the criteria and allow developers who have successfully delivered and managed 9% LIHTC projects in other states, without compliance issues, to compete for the NC LIHTC.

6. **Remove the cap on non-profit developers.**
    a. Concern: The current draft of the 2013 QAP caps the amount of LIHTC allocated to Non-Profit developers to 20%.
    b. Recommendation: Remove this restriction from the QAP all together.

Thank you for your time and consideration,

Vann Joines

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