Chris Austin

Thank you for taking the time to meet with us last Wednesday in reference to Banc of America Community Development Corporation's (BACDC) new development model and our desire to partner with other developers to develop affordable housing in North Carolina utilizing the competitive 9% low income housing tax credit program.

BACDC is a North Carolina developer and as such we have had great success in developing affordable housing utilizing 9% LIHTC throughout the country as well as the ULI award winning 9% development, First Ward Place, here in Charlotte. As discussed, most recently we were looking to partner with a non North Carolina developer. In reviewing the 2013 QAP we realized that we are lacking some of the key requirements to submit a competitive 9% application. Specifically, we have not developed a 9% project in North Carolina during the past 5 years. However, we have developed 9% deals in other states within the last 2 years and most recently we just broke ground on a 9% deal in Florida. We understand that the NC 2013 QAP is written to allow only NC 9% developments to meet the qualifying criteria and that 9% developments completed outside of NC over the past 5 years are not recognized as qualifying projects by NCHFA in this 2013 QAP. The second issue is that given our new development model, which was designed as a direct result of new banking regulations, BACDC will no longer act as the managing member of the development and/or ownership partnerships we enter into. Below is a diagram of the new development structure we were discussing and what we were hoping NCHFA will take into consideration as you prepare for future year QAP's.

It is important to note that in the new development model, BACDC provides 50% of all the standard debt and tax credit guarantees through construction completion and stabilization of the property's performance, typically 90 days at 90% occupancy and a 1.20 debt coverage ratio. We understand that NCHFA requires the developer to remain in the deal for at least two years after completion of construction. BACDC does not have a problem extending the length of time it stays within a deal as long as there is a definitive automatic withdrawal allowed once agreed upon hurdles are met as defined in the partnership agreements. BACDC partners only with credit worthy, well established affordable/mixed income housing developers who become the long term owner of the projects and also are capable of providing debt and tax credit guarantees.

A sample of the type of structure we had proposed is a follows: (The managing member of the Development Entity and General Partnership may or may not be a NC based organization. The General Partner could be the developer and we could eliminate the developer legal entity which would be procured by the ownership entity to perform the developer responsibilities.) The structure below is typical of what we are doing in other states where we are developing projects utilizing 9% credits.
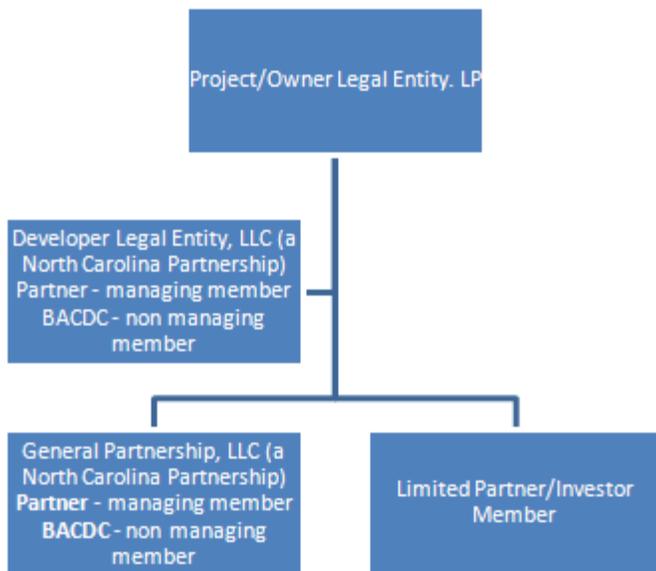
We realize we will not be able to submit a competitive application this year for our project in Asheville and we appreciate your consideration of the above structure for future year QAP's.

Again, thank you for your time. We look forward to developing more affordable projects in North Carolina.

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