Chris Austin

From: Taylor M. Brown [TMBrown@integral-online.com]
Sent: Thursday, October 24, 2013 10:36 AM
To: rentalhelp
Cc: Scott Farmer; Bob Kucab; Daryl Jones
Subject: Draft 2014 QAP Comments

Dear NCHFA:

After reviewing the draft 2014 Qualified Allocation Plan, we have the following two recommendations:

1. Make The Redevelopment Category its own set-aside category and not be subject to the number of projects or tax credit limitations in the New Construction Project category, thereby awarding the 2 highest scoring projects under the Redevelopment Set-Aside.

- ➢ Redevelopment projects should be able to compete in the Redevelopment Set-Aside and in the New Construction Set-Aside.

Rationale:

- Redevelopment projects usually have more substantial costs associated with them due to their location or the scope they seek to accomplish. Therefore, they should not compete with projects on solely a geographic basis.

- Redevelopment Projects require a significant commitment of resources from the local government which:
  - ➢ Leverages NCHFA tax credits by insuring the use of local government support
  - ➢ Helps align the interest of NCHFA with local governments

- Redevelopment projects often use funding from other sources, including historic tax credits, thereby leveraging the effect of LIHTCs.

- Redevelopment projects serve as significant economic catalysts in the older, blighted communities.

- Redevelopment projects help raise the property value in communities that otherwise would not be candidates for a new construction projects, thereby increasing local tax revenue beyond the subject property.

2. Remove the "percent share" provision that would apply to Metro counties and go back to Metro rules as laid out in the 2012 QAP.

Rationale:

- The QAP currently outlines NCHFA's goals and desires for projects through its point and tiebreaker system. This system creates a hierarchy of criteria such as locational relationship to tenant services, income targeting, and leveraging tax credits by awarding projects with the least tax credits per unit. The system is then designed to allow projects to compete based on their ability to fulfill these criteria the best. By limiting projects to tax credits on a per capita basis, you are limiting competition in the Metro Category which will inherently lead to funding of projects that are not the best fit of NCHFA's goals.

- The per capita award limit is only being applied to the Metro Category. If this is a good policy, why is it only being applied to 1 of the 4 Geographic Categories?

- It is our understanding that NCHFA will allow projects to be funded beyond the “percentage share” only if another county has not used its per capita tax credits. This leaves a very real risk that a county’s top ranked project will not be funded if it is larger than the county’s percentage share thereby giving an advantage to smaller projects. This is less than ideal due to:
  - Smaller projects have less economies of scale and therefore limit the overall impact and leverage LIHTCs will have in the communities they serve.
  - Urban areas typically have higher demand for affordable housing due to the cost of living in these areas versus the socioeconomic condition of their populations therefore larger projects should not be discouraged in these areas.

- Many municipalities have made long term revitalization plans and executed agreements with HUD and other funding sources based on the pre-2013 QAP. These agreements contain specific timetables and delivery dates that will be impossible to achieve under the 2014 draft QAP. Likewise, developers have been cultivating projects based on the pre-2013 QAP.
  - If NCHFA does not want to return to 2012’s Metro rules, we ask that the implementation of the “percentage cap” be held off for two years so that developers and local municipalities have adequate time to plan for these changes.

We greatly appreciate this opportunity to provide comments on the 2014 QAP and we hope that our recommendations will be given every possible consideration.

Sincerely,

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