



September 5, 2013

Mr. Scott Farmer
Director of Rental Investments
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Re: Request for Changes to Consider for the 2014 Qualified Allocation Plan (QAP)

Dear Mr. Farmer:

Laurel Street Residential is honored to have worked with the North Carolina Housing Finance Agency (NCHFA) to develop affordable housing for low income families across the state. On behalf of the Laurel Street Residential team, I would like to thank you for the opportunity to share suggestions for inclusion in the 2014 QAP.

Attached please find a list of our suggestions. We have always found the QAP to be an effective guide to producing affordable housing in the state, and we believe these suggestions would only enhance the QAP as a tool.

Sincerely,

A handwritten signature in blue ink that reads "Lee Cochran". The signature is fluid and cursive.

Lee Cochran
Vice President

Laurel Street Residential - Suggestions for Inclusion in 2014 QAP

	Focus Area	Requested Change	Rationale
1	HOPE VI Redevelopment Projects	Make awards of 2014 tax-credits and forward commitments of 2015 tax credits to HOPE VI projects that apply in the 2014 cycle provided such proposals meet all plan requirements. Set a limit for the total amount of 2014 tax-credits awarded to HOPE VI projects and make forward commitments of 2015 tax credits to the remaining HOPE VI project applications. HOPE VI applications submitted in the 2015 cycle will compete normally in the appropriate New Construction Geographic Region Set-asides.	Current HOPE VI grants were received and tax-credits for initial phases were awarded under a different set of site score criteria than exists today. When the site score criteria changed, these projects became uncompetitive for 9% tax-credits and were thus left without a method for completing their plans and fully expending their HOPE VI funds. With the sunset of the HOPE VI program, the goal for this provision would be to award enough tax-credits in the 2014 cycle through 2014 awards and 2015 forward commitments to complete all outstanding HOPE VI grants that need 9% tax-credit awards. The provision would no longer be needed in 2015. This language is similar to what was used in the 2005 and 2006 QAP to address HOPE VI projects.
2	Principal Limits	Change the total maximum awards to any one Principal to the lesser of 3 projects or \$2,300,000 in tax-credits.	Three projects is a reasonable maximum number of projects to any one developer to both fund the highest scoring projects but also avoid over-concentration of risk among too few developers. For projects in urban areas, \$2.3 million is a reasonable amount of tax-credits to fully fund 3 projects.
3	Underwriting Threshold Requirements	For projects with an approved Rental Assistance Demonstration (RAD) award, underwrite using the RAD rents.	The success of the RAD program relies on leveraging RAD with tax-credits and other funding sources. Underwriting to rents lower than RAD rents makes it more difficult to create viable RAD projects and thus hurts HUD's ability to attract new participants into the program. We recognize the risk involved if RAD contracts were ever de-funded, but it is a risk worth taking to support an innovative HUD program.

Laurel Street Residential - Suggestions for Inclusion in 2014 QAP (Cont.)

4	Amenities	Grant maximum points for Amenities (both Grocery Stores and Shopping/Pharmacy) within 1.5 miles for Redevelopment Projects that are well served by public transportation.	The QAP recognizes the important role tax-credits pay in Redevelopment in the Neighborhood Characteristics Section of the Site Score. However, many Redevelopment Projects have been historically underserved by retail and do not have grocery stores and shopping within 1 mile, which effectively makes a tax-credit award impossible despite the accommodation in the Neighborhood Characteristics section. In contrast, many Redevelopment Projects are well-served by public transportation that help residents access Grocery Stores and Shopping. If Redevelopment Projects are to effectively compete against other sites, the maximum distance to Grocery Stores and Shopping for a maximum Amenity score should not be eliminated, but it should be increased to 1.5 miles for Redevelopment Project if the Redevelopment Project is well-served by public transportation.
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