October 16, 2013

Mark Shelburn
North Carolina Housing Finance Agency
2508 Bush Street
Raleigh, NC 27609

Re: North Carolina Draft 2014 Qualified Allocation Plan

Dear Mr. Shelburn:

The National Housing Trust is a national nonprofit organization formed to preserve and revitalize affordable homes to better the quality of life for the families and elderly who live there. The National Housing Trust engages in housing preservation through real estate development, lending and public policy. Over the past decade, NHT and our affiliate, NHT-Enterprise Preservation Corporation, have preserved more than 25,000 affordable apartments in all types of communities, leveraging more than $1 billion in financing.

We are committed to this work because saving affordable housing is the essential first step in addressing our nation's housing dilemma. Preservation is integral to building and maintaining sustainable, economically vibrant and healthy communities.

We appreciate the opportunity to comment on North Carolina's draft 2014 Qualified Allocation Plan. The Trust fully acknowledges and appreciates the entire set of preservation policies and programs established by the North Carolina Housing Finance Agency. The comments below refer directly and specifically to NCHFA's draft QAP as it relates to the tax credit program and are in no way meant to imply a lack of appreciation for your other successful preservation programs and policies or the current challenges in the tax credit market.

In summary, we urge NCHFA to:

- Maintain its ***10% set-aside*** for proposals involving the preservation and rehabilitation of existing multifamily rental housing in the final 2014 QAP.
- ***Balance the allocation of tax credits for new construction and the preservation of existing housing,*** particularly where existing housing is principally occupied by low income minority households.
- ***Maintain the green building incentives in the final QAP.***
- ***Consider working with state utilities to develop energy efficiency programs for multifamily housing.***

Unleashing Utility Resources to Energy Retrofit Affordable Multifamily Housing

UTILITY-FUNDED ENERGY EFFICIENCY PROGRAMS: AN UNTAPPED RESOURCE FOR AFFORDABLE HOUSING

Key Takeaways:

- Utility-funded energy efficiency programs are a significant source of resources for building retrofits that remain largely untapped by the multifamily sector.
- Total nationwide annual spending on utility energy efficiency programs could reach as much as $12 billion by 2020.
- Reaching under-served markets, such as affordable multifamily housing, will be necessary if utilities are to achieve higher spending and energy savings goals.
- In several states, utilities are partnering with housing agencies and affordable housing owners to help shape and administer successful multifamily retrofit programs.

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If multifamily energy retrofits are to occur at scale, utilities will need to develop energy efficiency programs that address the unique nature of the multifamily sector. While nationwide data is unavailable, most utility-funded programs typically focus first on single-family and small rental properties rather than multifamily properties (5 units or more).[1]

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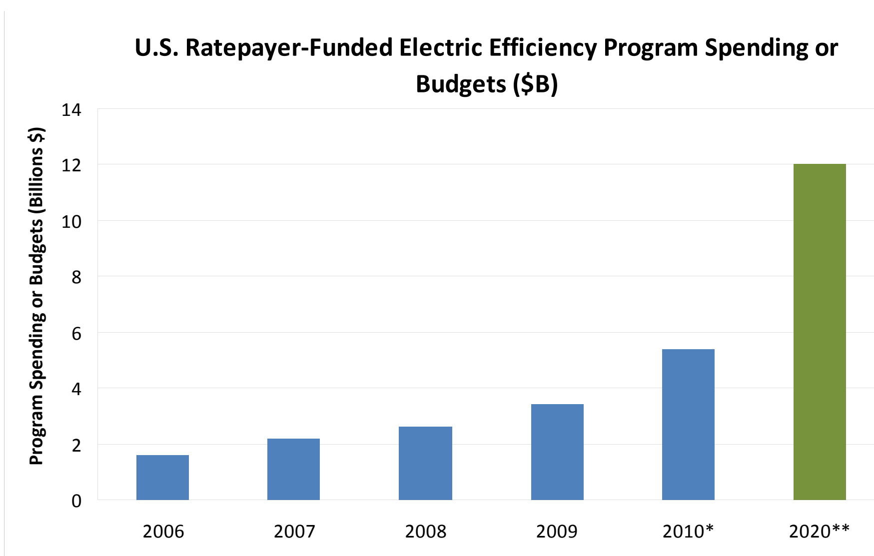

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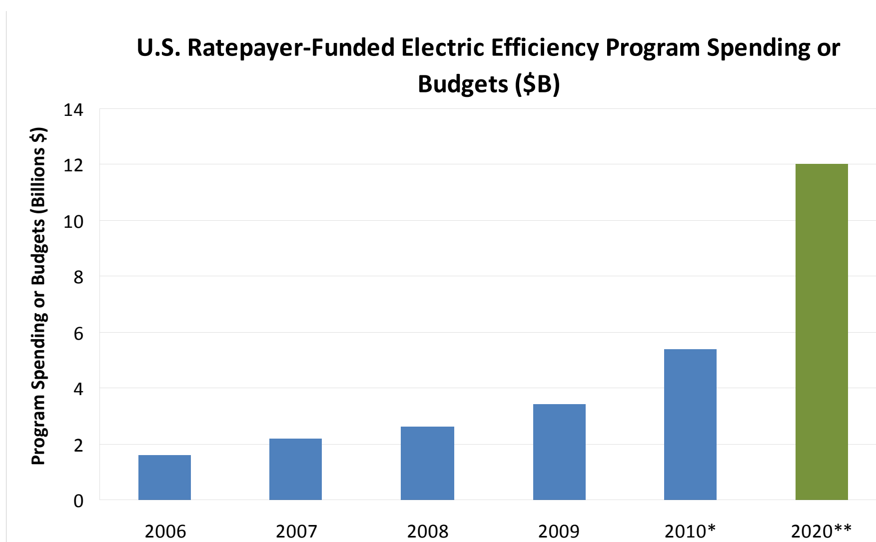

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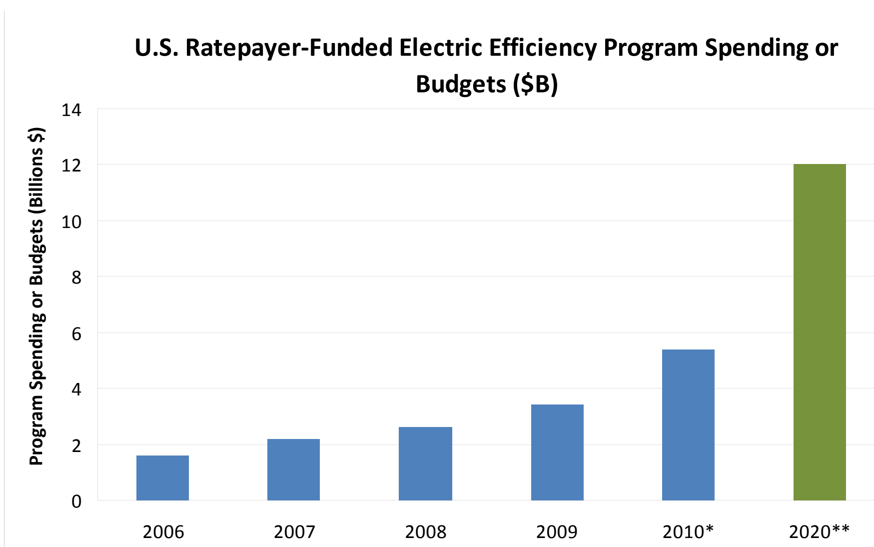

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Iowa

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New Jersey

New Jersey's largest utility, PSE&G, and the New Jersey Housing and Mortgage Finance Agency (NJHMFA) have collaborated to develop an innovative multifamily housing energy retrofit program. PSE&G's Residential Multifamily Housing Program provides upfront interest-free financing and grant incentives to cover the cost of eligible energy efficiency improvements.

PSE&G worked closely with NJHMFA to develop strategies to address the unique needs of affordable multifamily housing. Highlights of the program include the following:

- Incentives eliminate or significantly reduce the owner's contribution to the construction costs. Owners have the option of repaying the zero interest loans through energy savings and on their utility bill.
- Participating owners who may be unfamiliar with how to procure energy efficiency services receive ongoing guidance and technical assistance for soliciting contractor bids.
- To gain access to potential customers, PSE&G relied on NJHMFA's help to reach multifamily owners. The program has been fully prescribed to date.

Massachusetts

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Low Income Housing Tax Credits and Preservation in Washington

Our nation faces a serious shortage of housing for low- and moderate-income families. Over the last decade, more than 15% of our affordable housing nationwide has been lost to market-rate conversion, deterioration, and demolition. Critical affordable housing units are at risk in North Carolina (see table). These affordable apartments currently provide homes for some of North Carolina's lowest-income families and elderly citizens. By prioritizing preservation, North Carolina's Qualified Allocation Plan can provide the incentives necessary to prevent the loss of this indispensable affordable housing. Property owners, nonprofit organizations, developers, and local governments depend on state housing finance agencies to provide the financial and technical assistance necessary to preserve affordable housing for future generations.

Assisted properties in Washington

Project-based Section 8 properties with contracts expiring by 2018:

- 17,335 assisted units in 458 properties
- 62% of which are owned by for-profit owners

Preserving and rehabilitating existing housing has proven to be a cost-effective method to provide rental housing to low-income families and seniors. Nationwide, rehabilitation projects require almost 40% less tax credit equity per unit than new construction developments. In addition, preservation prolongs federal investment in affordable housing properties. As such, states around the nation have recognized that preservation is a common sense response to America's affordable housing shortage, and have prioritized preservation and rehabilitation in their QAPs. Forty-six state agencies prioritize competitive 9% tax credits for preservation by creating set-asides or awarding points to proposals that involve the preservation and rehabilitation of existing affordable housing. This trend has led to increased preservation each year, with more than 65,000 affordable units preserved nationwide in 2007, a 300% increase from 2000.

We strongly support NCHFA's efforts to encourage preservation by setting aside 10% of North Carolina's competitive tax credits for preservation and rehabilitation proposals. North Carolina's past preservation efforts have been highly successful. From 2003 – 2012, approximately 2,000 apartments were preserved in North Carolina with 9% and 4% Low Income Housing Tax Credits. We urge NCHFA to maintain its 10% set-aside for proposals involving the preservation and rehabilitation of existing multifamily rental housing in the final 2014 QAP.

Preservation is a cost-effective policy

In 2012, the per-unit cost of preservation projects in North Carolina was 20% less that of new construction projects

Affordable Housing Helps Build Sustainable Communities

The continuing loss of affordable apartments is aggravated by the recent foreclosure crisis. The result affects more than just the families residing in at-risk properties or those being foreclosed upon. It destabilizes entire neighborhoods and threatens the sustainability of communities in North Carolina and across the country. Preserving existing affordable housing provides an opportunity to reinvest in and improve our communities while protecting historic investments made by federal and state governments.

While the National Housing Trust supports the incentives included in NCHFA's draft QAP which encourage projects that are part of community revitalization plans, we respectfully suggest that the renovation of housing in distressed areas should remain a priority, even absent such a plan. That standard may be more appropriate for new construction than rehabilitation. By including community revitalization incentives, NCHFA acknowledges that affordable housing is part of well-functioning, sustainable communities. However, we respectfully suggest that NCHFA should be careful not to prioritize certain projects accompanied by community revitalization plans at the expense of preservation projects absent such plans. Preservation and improvement of existing housing not only helps maintain sustainable communities in strong markets, it often catalyzes investment and development in struggling neighborhoods. We believe tax credit allocation policies should reflect an appropriate balance of affordable housing in different types of communities and not inadvertently create a barrier to using the Housing Credit to preserve existing affordable housing in distressed communities serving racial minorities and households living in poverty.

Benefits of Transit-Connected Affordable Homes

With the new transportation resources available through the recent economic stimulus bill, and with the understanding that affordable housing is often at risk due to gentrification and redevelopment when transit nodes are created, we urge NCHFA to closely monitor the affect that increasing demand for transit might have on affordable housing in North Carolina.

Providing affordable rental housing in areas with access to public transportation is an important strategy for encouraging community vitality, promoting diverse neighborhoods, and ensuring that low-income families have good access to jobs and services. Because transportation and housing are the two largest expenses for households across the country, it also helps ensure that low-income families are able to fit both of these necessities into their budgets. Rehabilitating existing housing near public transportation and maintaining its affordability prevents low-income families from being forced to move to the suburban fringe and reduces the need for sprawling development, which is likely to offer fewer affordable transportation options.

The Trust urges NCHFA to make preserving existing affordable housing near public transportation a priority for the state through its QAP by adding explicit points for transit proximity to the evaluation criteria.

Preservation is Environmentally Friendly

State and local agencies are increasingly encouraging, and in some cases requiring, affordable housing developers to adopt green building practices. Using green building strategies, preservation projects can deliver significant health, environmental, and financial benefits to lower-income families and communities. Green technologies promote energy and water conservation and provide long-term savings through reduced utility and maintenance costs, all while providing residents with a healthier living environment and reducing carbon emissions.

We enthusiastically support the green building incentives included in NCHFA's scoring criteria, and commend NCHFA for including consideration for green building practices, healthy building materials and energy efficient design features in North Carolina's QAP.

The Trust also encourages NCHFA to partner with North Carolina's utilities to make energy-efficiency programs more accessible to affordable, multifamily developments. A majority of states implement utility-funded energy efficiency programs, often paid for through charges included in customer utility rates. These programs are a significant and growing source of resources for residential energy retrofits that remain largely untapped by the multifamily sector. Utility energy efficiency program budgets have significantly increased since 2006 and could reach **$12 billion** nationwide by 2020. Reaching under-served markets, such as affordable multifamily housing, will be necessary if utilities are to achieve higher spending and energy saving goals. In several states, utilities are partnering with state housing agencies and affordable housing owners to develop successful multi-family energy efficiency retrofit programs for multifamily properties. **Energy efficiency upgrades in affordable rental housing are a cost-effective approach to lower operating expenses, maintain affordability for low-income households, reduce carbon emissions, and create healthier, more comfortable living environments for low-income families.**

Conclusion

It is fiscally prudent for states to balance tax credit allocations between new construction and preservation/rehabilitation. In addition to helping to build sustainable communities, preservation is significantly more cost-efficient and environmentally friendly than new construction. The National Housing Trust urges the North Carolina Housing Finance Agency to continue its support for sustainable communities and the preservation of North Carolina's existing affordable housing by maintaining the 10% set-aside for preservation in your final 2013 QAP.

Thank you for the opportunity to comment on this important issue in the State of North Carolina.
Sincerely,

Michael Bodaken
President

Iowa

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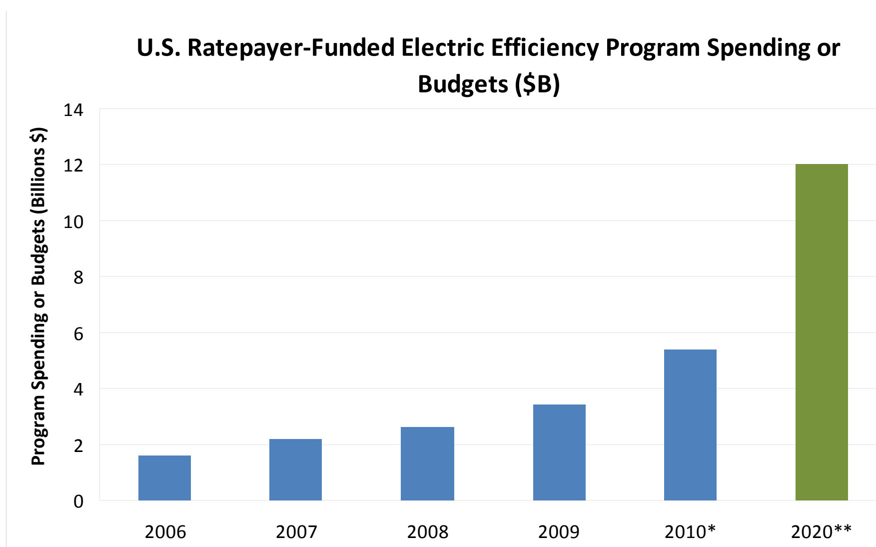

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