East Carolina Community
Development Inc.

Making Progress Possible

November 2, 2015

Mr. Scott Farmer
Director of Rental Investment
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27605

Re: 2016 NCHFA 2016 QAP Comments

Dear Mr. Farmer:

I am writing to provide our comments regarding the draft 2016 Qualified Allocation Plan. Thank you for the opportunity to submit comments and for your consideration on this matter.

1. The non-profit ceiling of 20% should be eliminated. Once the 10% minimum is met, allow the remainder of non-profits to complete against the for-profits all in the same pool. This structure is similar to what is used by many other housing finance agencies.

2. All additional equity should be allowed to stay with the project. This will make LIHTC projects more financial sound over the life of the project, and will also allow the projects to borrow debt at lower rates because Loan to Value Ratios are more favorable.

3. If a non-profit and a for-profit are allowed to partner and compete in the non-profit set-aside, they should also be allowed to partner and choose to compete as a for-profit.

4. Larger department stores often lease space within their stores to independent third party services, such as Physicians and banks. If the service is offered by a third party vendor, separate and independent from the store used as the primary amenity, it is unfair to prohibit its use as a secondary amenity for purposes of site scoring solely based on the location of their leased space. What difference should it make if a physician chooses to lease his office inside of an anchor store or in the same shopping center adjacent to the anchor store?

5. If you have a grocery store that contains more than one amenity within it, allow the applicant to receive points for all the amenities located within that same store. We understand the Agency's stance on preferring them to be separate as two options for

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the same service is always preferential, so we propose you allow additional points for those secondary options while still giving the applicant credit for what is contained within the same building as the primary amenity.

6. We support allowing the usage of a grocery store not named if it meets a minimum square footage requirement, similar to what is required by other states. This will allow for the addition of food co-ops that are often located in food deserts and service the LIHTC population.

7. Shopping and Pharmacy should be combined as in 2015 because the QAP requires pharmacies are required to have general merchandise anyway.

8. Points for NC Principal and General Contractor should be restored to encourage economic benefits within our state. Some of the strongest selling points of the LIHTC program to our elected officials is the secondary economic benefit and job creation to their jurisdiction. Most LIHTC lobbying groups use economic impact in their lobbying efforts for LIHTC funding. That overall economic impact to the state of NC is going to be greatly reduced if these efforts shifted to other states.

9. We understand and appreciate the points awarded for public transport (uncovered or covered) because it encourages development in metro inner-city areas that likely otherwise wouldn't be offered the ability to score max points. Since scheduled public transit is rarely ever offered in rural areas, we request that you consider an alternate point system that might offer rural areas an ability to make up points when they are lacking a separate grocery, shopping, and pharmacy, as public transit did for many metro areas. Many rural counties will never receive a LIHTC allocation with the current point system because they simply don't have all required amenities within one mile. We propose two options for you to obtain this:
    a. For DDF, QCT and rural areas with populations less than 25,000, please consider awarding projects even if they don't reach max amenity points.
    b. Option 2 – for DDF, QCT and rural areas, please consider offering these areas the ability to make up points by awarding points for other things in those areas, such as parks, recreation areas, and an on demand public transit option.

    In summary, we are requesting as an alternate way be offered to score max amenity points for DDF, QCT and rural areas that under the current system are prohibited from ever reaching max points. It will serve as an incentive to develop in NC's poorest most rural areas that lack many amenities.

10. There should be a different scoring point structure for DDF and QCT where site amenities are further than the mile stated criteria. The purpose of the HUD Designation for QCT and DDT is to encourage development in blighted poor areas, however the manner of which the QAP ranks LIHTC sites often prohibits development in those same areas where it should be encouraged.

11. The very system that the QAP created to encourage cost efficiencies by awarding those projects with the lowest tax credits per unit has created unintended consequences by forcing developers to substantially reduce their developer fees in order to remain competitive. Many times the teams that serve as both contractor and developer are able to continue to reduce developer fees lower and lower because they have the flexibility to earn builder's profits in addition to the developer fees. The stand-alone Developers and non-profits who do not also act as General Contractor are at a disadvantage because they do not have the flexibility to earn income off of the deal in ways other than developer fee. This system, in and of itself, is creating the Wal-Mart effect in the LIHTC industry in NC, driving out smaller developers that cannot cut developer fees as steeply as those that develop several projects annually and earn incomes off of deals in ways other than developer fees

12. Regarding Credit per Unit Average – "Given Region" should be changed to "County" because costs to develop can vary substantially among counties within the same region. For example, Orange County received a 2015 allocation of tax credits despite tax credits per unit being a great deal higher than its peers in its region. Based on the proposed 2016 system, Orange County would have received negative points, thus reducing the project's competitiveness. It is our fear that the credit per unit average based on a specific region as a whole will effectively prohibit development in those counties high land prices.

13. Due to the complicated process of structuring a 4% bond, please consider a rolling application process as done in many other states.

14. We support Mark Morgan's comment - For bond deals only, expenses per unit should be lowered on a sliding scale with larger developments allowed to use a lesser expenses per unit. This will encourage 4% bond usage.

Respectfully submitted,

Keith D. Walker
President & CEO
East Carolina Community Development, Inc.
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