

# FGM Development, LLC

P.O. Box 6171  
Raleigh, North Carolina 27628  
919.755.9155

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North Carolina Housing Finance Agency  
Attn: Mr. Chris Austin  
3508 Bush Street  
Raleigh, NC 27609

Mr. Austin,

We appreciate the opportunity to submit comments regarding the 2016 QAP and look forward to working with you to ensure the program's continued success. Our comments are as follows:

- As a general comment, the NCHFA should post all preliminary and full applications on the NCHFA website.
- **Rehabilitation Projects:** These projects, with the exception of projects identified by U.S. Department of Agriculture, Rural Development, need more stringent requirements. Buildings are being rehabbed that financially don't make sense when resources have become more limited. Buildings that are clearly beyond reasonable repair should not be considered. Typically rehab projects cost more per unit, are less efficient and are more difficult to maintain than new construction.
- **Redevelopment Projects:** If there are not 3 redevelopment projects submitted in a cycle that are financially sound or make sense from a cost per unit perspective, there should not be a requirement to fund them. With a limited amount of resources we need to create as many units as possible at the least expense cost per unit. Projects could be awarded to fill the requirement, which would result in better projects being denied. The local government entity's redevelopment plan should ensure that when an awarded project is complete, it will be in compliance with the half mile blighted area rule (Section IV.A.1.(b)(i)).
- **Principal Limits:** There has been talk about lowering the principal limit. We do not agree with this change and recommend it stay at 1.8 million.
- **Targeting Plans:** Remove the 30-day vacancy hold requirement. Our portfolio shows few, if any, projects which currently have or have ever had the full 10% requirement occupied by targeted referrals. In theory, if the local lead agency has an abundance of referrals, the projects would have a lengthy targeted waiting list to pull applicants from immediately. The lead agency should be actively sending referrals to management. Management should not be required to contact the lead agency to notify of a vacancy, and then be forced to wait while the lead agency searches for referrals.

If the vacancy hold is not removed, any unit that is rent-ready should qualify for a vacancy loss from the Key program equal to the posted rent if no qualified targeted applicant is referred by the lead agency.

Require the lead agency to provide supportive services, as LIHTC communities are not properly equipped to deal with tenant issues that may arise.

- **RPP Funds:** Announce the amount of RPP funds that are going to be allocated for each region before preliminary submittal.
- **Zoning:** Disclose whether proper zoning is in place or not at the time the preliminary application list is released.
- **Amenities:** Distances to amenities should be different for projects in rural counties. It is far more difficult to find a suitable site near these amenities in rural areas compared to more urban, populated areas. The distance to an amenity in a rural area is not indicative of a lack of need for quality, affordable housing.

Do not make distances and availability of amenities the final deciding factor in determining site score. The agency should take each site and judge them individually, analyzing every aspect of the site and surrounding area.

There should be consideration for small, locally owned, farm to table type stores that are better serving the project area than a large scale chain denoted in the QAP. The agency should make a determination on a case by case basis if the amenity should qualify.

- **Site Suitability:** The agency should review each site and use their discretion as to the extent of negative features, challenges, barriers etc. in comparison to other sites in the region. The agency should provide further guidance on what a suitable site would entail.
- **Workforce Housing Loan Program:** This program was created by the North Carolina General Assembly to provide funds to a project after all development structure strategies and other available funds are exhausted. Only one application should be allowed per site and every county should be eligible. Projects that are in counties or cities that receive over one million dollars in HOME and CDBG funds should not be excluded if they show evidence that they have applied for the funds and were denied, or that year's allocations were previously dedicated to fund other projects.
- **Development Experience:** Set up a scoring system that gives additional points to experienced developers. The more NC projects a developer has successfully completed, the more points they receive.

There needs to be a better method of determining an "in-state" developer and contractor. (i.e. Developers and contractors should be required to disclose where they filed their federal tax returns for the last 3 years.)

- **Tiebreaker Criteria:** The lowest federal tax credits per unit, a.k.a. "the race to the bottom", needs to be removed. Use the revised site score points previously described with more agency discretion to determine the best projects. Projects should be awarded based on their long term

sustainability, need, and the quality of the end product. The current system is pushing developers in the other direction just to receive an award.

- **Equity Pricing:** If you remove the price cap for federal tax credits, less state and local dollars would be required. If the agency is going to continue to cap equity pricing, the cap price should be announced prior to the preliminary application deadline.

Thank you for your consideration.



Billy Guillet  
FGM Development, LLC