Mr. Scott Farmer
Director, Rental Investment
North Carolina Housing Finance Agency
3508 Bush St
Raleigh NC 27609

Mr. Farmer:

I am writing to you today in response to the draft 2013 Qualified Application Plan (QAP) rules for the Low Income Tax Credit Applications (LIHTC).

This year there are notable changes that will negatively impact the City of Dunn's opportunity to obtain funding for the Harnett Training Center project, which is our effort to renovate a Rosenwald School (a historic site for Dunn and the State of North Carolina) into much needed senior housing:

(IV A 1 (b) (ii) Amenities)

Request: In order to provide projects located in an inner city neighborhood a fair chance of being funded, the NCHFA should either increase the distance to grocery and drug stores or eliminate the distance scoring for inner City projects (such as a renovation of an existing public housing development or adaptive reuse of an historic building or new construction part of a community revitalization plan).

Reasoning: The 2012 QAP favored projects in suburban areas of cities by giving the most site points to projects that were 1/2 mile from a grocery store and drug store. The draft of the 2013 QAP contains the same site scoring, making it impossible for historic schools often located in established neighborhoods, historic buildings near downtowns, historic mills in older neighborhoods, older public housing communities and land in redevelopment areas of a City that may be suitable for multi-family housing to receive a high enough score to be funded. HUD is promoting the Rental Assistance Demonstration (RAD) Program and Choice Neighborhoods, which both encourage Housing Authorities to seek LIHTC as a source to renovate existing public housing or build new public housing. Unless the distance requirement is changed for renovation or adaptive reuse, projects located in established neighborhoods will not be funded.

(II D 1 (a) Nonprofit Set Aside)

Request: There should be no limits on the credits available to nonprofits. The NCHFA should fund projects receiving the highest scores, regardless of whether they have been submitted by a nonprofit or a for-profit developer.

Reasoning: The draft QAP limits nonprofits to 10% of the state's tax credit ceiling. In the past, there were no limits on credits allocated to nonprofits.

(IV D 1 (d) (i) Development Experience, Principal in 10 Awards 2006-2012))

Request: The 5 points for placing ten projects in service from 2006 to 2012 should be eliminated because it gives larger tax credit developers an undue advantage in scoring over nonprofit and smaller for profit developers.

Reasoning: The 2013 QAP for the very first time proposes to award 5 points to developers who have placed ten 9% credit projects in service between 2006 and 2012. This set of points only benefits the larger for-profit developers at the expense of nonprofit developers and some small for profit developers. Most nonprofits do not have the capacity to submit their own LIHTC project because they may not have placed a LIHTC between 2006 and 2012. This will require that they team up with an experienced LIHTC developer.

Section II E 3. Redevelopment Plan (b)

Request: In previous QAP's only one half of the credits for a project in a redevelopment area counted against the developer's credit limit. The 2013 QAP has been changed to state that all the credits awarded to a redevelopment project will count against a developer's credit limit of $1,800,000. Inner city redevelopment projects, often located in Qualified Census Tracts, use the most credits and based on the proposed site scores for 2013 QAP, have the least chance of being funded. The NCHFA rules require inexperienced applicants that have not placed one project in service between 2006-2012 pair up with an experienced LIHTC developer, which will become a principal of the ownership entity.

Reasoning: This rule can make it much harder for nonprofits to find experienced developers for redevelopment projects when all the credits are counted against their credit cap. The NCHFA should only count 50% of the credits awarded for a redevelopment project against a developers annual credit limit. This will help Cities and Housing Authorities attract experienced tax credit developers to assist them with adaptive reuse and redevelopment projects.

IV A 1 (b) (i) Neighborhood Characteristics

Request: The 2013 QAP allows a site that qualifies as a Redevelopment Project to receive 18 points. The use of the term "Redevelopment Area" needs to be clarified to state that the NCHFA is not referring to the NCGS 160A-513 definition of a Redevelopment Area as set forth by State Statute. The NCHFA should use the term Revitalization Area and define the characteristics of a Revitalization Area in order for an applicant to qualify for the 18 Points.

Reasoning: The HUD Choice Neighborhood program has specific requirements for what qualifies as a Choice Neighborhood and should also be considered as a qualifying for the 18 points.

Mortgage Subsidy Points

Request: Restore Mortgage Subsidy Points for all projects receiving funding from the local government, a land gift and/or long term lease for less than $10 annually, based on appraisal, waiver of local government fees based on the calculated cost to the project provided by the local government.

Reasoning: This will help encourage more investment in affordable housing. Points for Mortgage Subsidy should include Choice Neighborhood development funds, funds from the local government, contributions of fees and land by Local Governments.

City Revitalization Plans

Request: The NCHFA should support a City's Revitalization Plan for an established neighborhood and help facilitate the improvement of the neighborhood by awarding 5 points for a city-initiated LIHTC project.

Reasoning: To be considered a City-sponsored project, the City must have contributed at a minimum of $50,000 for up-front development costs necessary to submit the LIHTC application. The City must verify its portion of the redevelopment cost by submitting a letter listing the specific expenditures paid for by the City. The City must also agree to provide one of the following: a $250,000 grant or 2% low interest loan for a minimum term of 20 years; property valued at a minimum of $250,000; a reduction in City fees valued at $250,000; or combining funding through a grant or loan, land contribution and/or reduction in fees, with an aggregate value of $250,000.

(IV F 6 Tiebreaker)

Request: The NCHFA should not use Federal Credits as a Tie Breaker or only count the per unit credits requested without consideration of the Basis Boost, Historic Credits and Credits generated by a Community Facility.

Reasoning: The NCHFA's use of the amount of Federal Credits requested per unit places affordable housing developed in Redevelopment Areas (revitalization areas) and Adaptive Reuse (historic projects) at a competitive disadvantage because these project are often located in QCT's which are eligible for the credits up to 130% of Eligible Basis and Historic Tax Credits.

Proposed alternative: Initiate a new Tiebreaker based on important family and senior citizen amenities within 1/2 mile, 1 mile and 2 miles from the site. Examples of family amenities may include: day cares; schools; supervised after-school programs at a City Recreational Facility, Boys and/or Girls Clubs, YMCA and/or YWCA; nearby medical offices such as a general practitioner or dentist; and/or a nearby public park or recreational facility. Examples of senior amenities may include: a Senior Center; Meals on Wheels site; City recreational facility offering senior programs; and/or general practitioner or doctor's offices specializing in diseases most common to seniors. Applicants can provide Google maps showing the location and distance to these amenities. The NCHFA can give 3 points for amenities within 1/2 mile of the site, 2 points for amenities within 1 mile of the site and 1 point for amenities within 2 miles of the site.