Chris Austin

From: Stephanie Norris [stephanie@spauldingnorris.com]
Sent: Friday, September 07, 2012 2:24 PM
To: rentalhelp
Subject: 2013 QAP Comments

NCHFA Staff

First, I want to sincerely thank you for your passion for providing quality housing and the lengths you go to to work with the development community, which makes this a common effort. Everyone says how good the NCHFA Staff is to work with in improving upon and maintaining a great housing program, as compared to other state agency. Of course, I agree. To be honest with you, this is partly why I focus on NC and have not made other states a priority for myself or SNW, even as much as my partners (Oscar) pushes me to do so. In this same vein, thank you being receptive to my comments and those of my colleagues. My comments for the 2013 QAP are provided below.

Site Scoring
Traffic Control: The 2012 QAP requirement states, "the site will receive 3 points if traffic controls allow for safe and convenient access to the site; for example right turn only when exiting the site would not receive receive points ".

Comment: Clearly, the goals of this criteria are in conflict with each other. By design, right in/out access is used as a traffic control measure that enhances safety both for the drivers exiting the site, as well as, the drivers in the public right-of-way. As an example, S. College Road in Wilmington and similar roads in the area are controlled by NCDOT. NCDOT has imposed the use of medians and median cross-overs to improve the safety of travelers in both highly developed commercial and residential areas. This is a typical design that inherently allows for convenient, safe access, specifically to Lockwood Village and other developments along S. College Road. Access would actually be impeded if drivers had to cross multiple lanes of traffic to exit or enter the property. Further, the amenities (grocery and pharmacy) that are within 0.5 miles of the Lockwood Village site would only be accessed by the right out movement onto S. College Road. In this particular case study, there is no logical reason for the deduction or the need for a full access driveway. Given the location of Lockwood Village, visibility and marketability is not diminished by a right in/out access. For these reasons, we believe the criteria should either be amended to remove the deduction for right turn only, or completely eliminated.

Tax Credit (Equity) Pricing
Underwriting Criteria: The May 8, 2012, email from NCHFA Staff set a range for tax credit pricing for all regions.

Comment: The tax credit pricing range does not accurately account for, or differentiate between, a project in a high income county versus a low income county. During the preparation of the applications for Lockwood Village, we had several conversations with equity investors to establish the Sources. Our investors indicated that pricing in New Hanover County, specifically Wilmington, would be higher than a more rural town or county. Although we do not disagree with the establishment of a range within various regions for underwriting purposes, additional consideration should be given to those projects in areas like Wilmington (i.e. high income county or municipalities with a certain population). One alternative may be to allow the submission a letter from a syndicator for that specific project or locality.

Comment: Our other issue with the release of the May 8 email was with the timing. By the time the range was set, the opportunity to adjust rents had passed. This kept us from being able to more deeply target our rents to 30% AMI households. Conversely, had we already set our rents to target 30% AMI residents, the tax credit pricing range established on May 8 would have effectively killed the deal. Our suggestion would be to announce the range before the deadline for market-related project revisions.

Comment: We understand that the Agency wants to be aware of and capture any additional equity, due to increased pricing, to reduce loans/debt to the project before allowing any of the extra equity to be used to reduce deferred developer fee. As you may know, most projects cannot begin repaying deferred fee until operation year 3 or 4, and equity providers typically set the repayment at years 12 or 13, instead of year 15 as allowed by the tax code. This makes it very challenging to repay the entire amount of a deferred fee before it becomes a taxable event. While we do not disagree with the concept of using the additional equity to reduce loans, we would ask that this equity is split between the loans and deferred fee.

County Award Limits

Award Limits: Per the 2012 QAP, $1M is the new construction award limit for counties in the East, Central and West regions.

Comment: Since the emphasis with the 2012 cycle was to reduce the number of tax credits per unit requested, it seems to reason that the County Award limits should also be reduced, in order to achieve an equitable distribution of projects to all, or most, NC counties.

County Exclusions:

Comment: Going forward, please consider limiting the exclusion of a particular county to “new” construction projects, as acquisition/rehab projects would not create an over-supply of demand and adversely impact existing properties. And if possible, allow an application that targets a different population (i.e. 2012 award = Family then a 2013 application for Elderly and/or rehab project would be accepted).

Thanks again for the opportunity to comment. I look forward to receiving the draft QAP and seeing you all at the upcoming Housing Conference. Have a nice weekend.

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