September 7, 2012

Mr. Scott Farmer
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

RE: 2013 Qualified Allocation Plan

Dear Scott:

I wanted to offer my comments for consideration in the 2013 NC Qualified Allocation Plan. My comments are more general in scope and they do not directly relate to any specific scoring items within the QAP. This past year there were a number of perfect scores for site, since there were defined characteristics to determine the sites suitability. I like the idea of defining the characteristics which make up a good site, but I believe the specific distance to the shopping actually limits the ability of developers to find sites that have the potential tenant's best interests in mind. I am of the belief that there are really probably only four grades for sites (A,B,C,D) and the overall site scores should probably be distributed over a bell curve.

After the site score, I think that it should come down to the lowest amount of credits needed per unit. I like this approach versus any type of specific local money contribution because it gives the developer the latitude to come up with creative and progressive financing solutions to lower the total amount of credits needed.

I am not a fan of requiring the developer or the contractor to be North Carolina based. I believe that this type of protectionist policy lowers competition and further decreases the quality of the affordable housing that is being built and operated in the state. I like competing on a level playing field.

I also wanted to mention that there is a potential issue with the STC Loan and RPP Loans being a soft commitment. If a developer is able to garner a higher equity price for a project than what is being underwritten by the agency then the development could see its STC Loan reduced or RPP loan reduced. I understand the intent behind this policy, but I believe that it could lead to some issues during the construction process should there be some unforeseen issues during construction. After Hurricane Katrina we saw massive increases in construction pricing throughout the Southeast. On a number of projects these massive increases were able to be covered by increases in the equity pricing or falling loan rates which allowed for resizing of the permanent mortgage. Should a similar situation arise in the future, there would not be an outlet for the developer to recover the lost costs.

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