

Tara Hall

From: Hunter Snellings <Hunter.Snellings@HHAD.org>
Sent: Friday, August 16, 2024 12:23 PM
To: RentalHelp
Cc: Amie Cofini; Tanya Eastwood
Subject: EXTERNAL: Harmony Housing Affordable Development: Pre-Draft 2025 QAP Comments

CAUTION: This email originated from outside of NCHFA. Do not click links or open attachments unless you recognize the sender and know the content is safe.

On behalf of Harmony Housing Affordable Development, we would like to thank North Carolina Housing Finance Agency (NCHFA) for the opportunity to provide the following comments ahead of the release of the 2025 Qualified Allocation Plan (QAP):

Project Limit – 2024 QAP Section II.E.2: We first want to acknowledge and thank NCHFA for responding to the developer community's comments to the 2024 draft QAP by increasing the maximum 9% credit award from \$1,200,000 to \$1,300,000. We ask that NCHFA continue this effort in 2025, increasing the per 9% project credit limit from \$1,300,000 to \$1,500,000.

Maximum Project Development Costs – 2024 QAP Section IV.C.1(a): We request that the Agency either significantly increase the Project Development Cost (PDC) per unit limits in Chart A and Chart B or reduce the point penalty for exceeding these limits. We are finding it impossible to build quality new construction units in metropolitan areas for under \$130,000 per unit. Of the project costs within the developer's control, Hard Costs are lowest on this list, and maintaining low per unit cost caps and relatively high point penalties disincentivizes the use of high-quality materials, larger units, additional amenities, etc.

Loan Underwriting Standards – 2024 QAP Section VI.B.1(b): We request that the Agency lower the minimum underwritten vacancy rate to 5%, which is the minimum vacancy rate used by many lenders. When a market / project can support a lower vacancy rate, this can help leverage additional debt and improve the financial feasibility of a project.

Loan Underwriting Standards – 2024 QAP Section VI.B.1(b): We request that the Agency change the constraint on underwritten debt coverage ratio (DCR) from a 1.15x DCR for a period of 20 years to a 1.15x DCR for a period of 15 years. With income trended at 2% and expenses trended at 3%, loan sizing can be negatively impacted by looking at DCRs through proforma year 20. Additionally, most LIHTC projects will have a capital event at the end of year 15. We would also request that the Agency defer to RD loan underwriting and minimum DCRs for projects with RD loans.

Section 8 Project-Based Rental Assistance – 2024 QAP Section VI.B.13: We ask that the Agency underwrite to approved PBV payment standards. In a particularly difficult capital market environment, the additional rent proceeds from Project-Based Vouchers are a key driver of a project's ability to attract the permanent debt necessary to be viable. To ensure a project's long-term financial viability, we suggest that the Agency require as a component of its Post-Award Processes and Requirements, that projects electing to underwrite to PBV payment standards produce a valid AHAP contract showing at least a 15-year contract period prior to initial closing.

Thank you for your consideration,

Hunter Snellings | Senior Director of Development
Harmony Housing Affordable Development Inc. | www.hhad.org
Hunter.Snellings@hhad.org | o: 540.359.7069

* * * * *

NOTICE: This e-mail and any attachments contain confidential information that may be legally privileged. If you are not the intended recipient, you must not review, retransmit, print, copy, use or disseminate it. Please immediately notify us by return e-mail and delete it. If this e-mail contains a forwarded e-mail or is a reply to a prior email, the contents may not have been produced by the sender and therefore we are not responsible for its contents.

This notice is automatically appended to each e-mail. It is the recipient's responsibility to take measures to ensure that this e-mail is virus free, and no responsibility is accepted by HHAD for any loss or damage arising in any way from its use.

* * * * *