

## 2025 NCHFA QAP Comments

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### Overview

Thank you for the opportunity to offer suggestions for the 2025 QAP. Below we offer several suggested changes to scoring opportunities which will hopefully help differentiate good and great proposals in the 2025 LIHTC application process. We believe implementing these changes will lead to greater opportunities for developers to identify and quantify excellent sites available for multifamily housing development in North Carolina. We also believe these changes will help the Agency identify developments that make the most efficient use of scarce funding sources to maximize the policy goal of producing a high volume of high-quality affordable housing throughout the state.

### Site Scoring

We continue to advocate for a QAP drafted to reduce tied scores. We believe the 2024 QAP attempted to achieve these goals by increasing the maximum possible site score but may have had the unintentional effect of simply pushing developers to search in smaller windows of land opportunity. This also had the effect of making LIHTC development functionally impossible in several rural counties where certain site amenities are dispersed too widely to achieve a perfect score.

We recommend a scoring rubric which values sites that will be well positioned in their communities for marketability and will hopefully broaden the overall map of viable sites. Criteria should differentiate projects on measurable attributes such as location, cost efficiency, community housing need, household incomes being served, and communities which have been historically underrepresented with new housing. Below are several proposed changes which we believe will achieve these goals while providing more opportunities for applications to differentiate themselves without necessarily reducing the geographies in which viable applications can be located.

### Primary Amenities

Reduce Maximum points of Grocery, Shopping, Pharmacy, and reduce the incremental drop as distances increase. This will not disincentivize developers from identifying sites close to these amenities but will reduce the likelihood of having tied site scores when paired with the inclusion of other point opportunities proposed in later sections.

<i>Primary Amenities (maximum 18 points)</i>	$\leq 1.5$	$\leq 2$	$\leq 2.5$	$\leq 3.5$
Grocery	8pts.	7 pts.	6 pts.	5 pts.
Shopping	5 pts.	4 pts.	3 pts.	2 pts.
Pharmacy	5 pts.	4 pts.	3 pts.	2 pts.

### Additional Shopping Amenities

We recommend adding Tractor Supply, Lowes Home Improvement and Home Depot to the Shopping Amenities list. Each of these stores has expanded its offerings over the years, and

now provides a wide variety of retail home goods which are also found in other shopping amenities traditionally included in this category.

### Secondary Amenities

We suggest reducing the maximum secondary points to 21. If the net distance tool is implemented as discussed below, sites which are closer to a range of amenities will still be able to differentiate themselves. Additionally, this will reduce the potential disadvantage to rural communities where amenities are spread more widely.

### Total Overall Net Driving Distance Points

Measured from entrance to entrance driving distance from the development to each of nine<sup>1</sup> selected primary and secondary amenities. This would be categorized by region, and by large and small towns within each region. Each metro county would be considered individually. This would help the Agency differentiate sites which are otherwise relatively similar, incentivizing developments that are more centrally located and theoretically more walkable to community amenities.

#### Non-Metro Regions

- 3pts – The 2 applications with the shortest net distance to nine selected amenities in region (categorized by small town and large town meaning top 2 applications located in small towns and the top 2 applications in large towns will qualify for the points)
- 2pts – 3<sup>rd</sup> and 4<sup>th</sup> applications with the shortest net distance to nine selected amenities in region (separated by small town and large town)
- 1pt – 5<sup>th</sup> and 6<sup>th</sup> applications with the shortest net distance to nine amenities in region (separated by small town and large town)

#### Metro Region – Scored in each metro county separately

- 3pts – The 1 application with the shortest net distance to nine selected amenities in region (categorized by small town and large town meaning top 2 applications in small towns and large towns will qualify for the points)
- 2pts – The application with the 2<sup>nd</sup> shortest net distance to nine selected amenities in region (separated by small town and large town)
- 1pt – The application with the 3<sup>rd</sup> shortest net distance to nine amenities in region (separated by small town and large town)

### Additional Points to Encourage Geographic Representation

- 1 pt – Counties with no 9% developments in 10 years or more
- 2 pts – Counties with no 9% developments in 15 years or more

### Total Cost Per Unit Points

Categorized by Region and Family/Elderly. Each metro county is ranked individually due to the range of development costs in these communities.

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<sup>1</sup> We suggest calculating net distance using nine of the ten site amenities to not over burden a site with potentially one amenities which is significantly further away from a site, but still have the overall effect incentivizing applications which in general are closest to a wide range of amenities.

- 3 pts – The two Family applications and two Elderly application in each region with the lowest total development cost per unit
- 2 pts – The two Family applications and two Elderly applications in each region with the 3<sup>rd</sup> and 4<sup>th</sup> lowest total development cost per unit

For Metro Counties:

- 3 pts – The Family application and the Elderly application with the lowest total development cost per unit
- 2 pts – The Family application and the Elderly application with the second lowest total development cost per unit

### Standardize Credit Pricing County by County

In years when additional State subordinate debt funds are available, there may be a trend toward developers reducing anticipated credit pricing in their pro formas to justify higher levels of low/no interest loans from NCHFA. Recognizing that NCHFA has the best data on credit pricing that is achieved county by county, we suggest that NCHFA sets a minimum credit price in each county for underwriting to minimize the potential of exaggerating the need for NCHFA debt. Our suggested change to the second tiebreaker will likely have a similar effect.

### Tiebreaker Recommendations

- First Tiebreaker: County with the highest cost burdened low-income renters per 9% tax credit unit funded over the last 5 years
- Second Tiebreaker: Lowest percentage of Agency sponsored subordinate debt request per unit (WHLR/RPP). This would incentivize developers to maximize leverage of all other funding sources available without necessarily disadvantaging communities without local funding available as the 2024 second tiebreaker did.

### Plan Review

While plan review is not explicitly part of the QAP, we have recently experienced relatively long lead times waiting for plan review to be complete by NCHFA. Addressing comments from these reviews in some cases after designs are approved and permitted have in some cases recently caused some delays on recent projects. Reasonable timelines for plan reviews will continue to help keep projects on time.

### DHHS Points

We encourage NCHFA to discuss housing development in priority counties with the NC Department of Health and Human Services to determine whether goals outlined in the Olmstead Settlement have been achieved and/or are making substantial progress via the effect of the DHHS bonus point to the exclusion of other counties, and whether any current DHHS priority counties are no longer high priorities. For several years, the DHHS bonus point has had an outsized impact on the range of communities seeking and receiving funding for affordable housing in the LIHTC program.