



October 11, 2024

North Carolina Housing Finance Agency
Attn: Tara Hall, Manager of Rental Development
3508 Bush Street
Raleigh, NC 27609

Via E-mail – rentalhelp@nchfa.com

Ms. Hall:

Thank you for the opportunity to provide comments on the North Carolina Housing Finance Agency's Draft 2025 QAP.

We continue to appreciate the leadership of the Agency and ask you to consider the comments below:

1. **Comment:** Consider removing Agency approval for rent adjustments at tax credit properties – **2025 Draft QAP, Sec. VII.B.3.**

Reasoning: We understand and appreciate the Agency's goal of ensuring resident stability at tax credit properties. The federal government has intentionally not imposed statutory limits on rent adjustments at LIHTC properties. While HUD occasionally imposes caps, it is generally accepted that for LIHTC communities to remain affordable over an extended time they must be able to adjust rents to account for inflating costs and insurance. Without confidence that owners can afford to properly maintain the property and pay their costs, financial partners will be hesitant to provide funding for tax credit developments in North Carolina, reducing the number of affordable homes being built in the state. LIHTC rents are already controlled, by the program's design, to be less than market-rate rents. This balances resident stability with the property's long-term survival as affordable. We ask you to consider removing tax credit properties from requiring approval to set rents allowed by HUD.

2. **Comment:** Eliminate the 200-unit maximum unit count limit on bond projects – **2025 Draft QAP, Sec. IV.E.3.**

Reasoning: The Agency's current cap of 200 units on bond projects holds back the development of projects that can rapidly help meet the state's housing needs and are also financially feasible. North Carolina has a shortage of over 200,000 affordable rental homes and bond projects are the most efficient way for the state to meet this need. Bond projects can make efficient use of tax-exempt bonds and tax credits to produce larger numbers of affordable homes in a single project. In areas where large projects may exceed market needs, we would encourage the Agency to lift the cap, but develop a system for determining if a project's size is indeed viable in the market. A 200-unit cap across the board, however, is the difference between a developer adding 250 affordable homes or withdrawing a project from consideration entirely.

3. **Comment:** Consider raising or eliminating the maximum project development costs – **2025 Draft QAP, Sec. IV.C.1.**

Reasoning: While construction costs have stabilized a bit, they remain sticky at high pricing. Penalizing applications for higher costs is a hurdle for affordable housing in the current construction environment. As written, the cost cap on project development costs would limit a developer's ability to adequately source and fund projects without facing a penalty. This limit will lead to developers either choosing not to submit shovel-ready projects or cutting construction costs in units and amenities, impacting resident experience. The advantage of having a well-constructed building that can withstand the test of time is a worthy investment of the state's resources.

4. **Comment:** Consider increasing the maximum allowable percentage of deferred developer fee – **2025 Draft QAP, Sec. VI.B.5.**

Reasoning: We appreciate the Agency increasing the developer fee to \$23,000 per unit to help bring more equity into projects. The current maximum deferral of 50% is artificially holding back shovel-ready projects that would be financially feasible if they could only defer additional fee. The Agency can create an appropriate check and balance to prevent excessive pay-outs by requiring the fee must be deferred over a certain amount. We would also encourage the removal of the penalty for deferring more than 25% of the fee. Allowing a higher fee and deferral helps generate equity to bring more federal resources to the state, makes more developments feasible, and creates more homes for the state’s residents—all at no added cost to the state.

5. **Comment:** Clarify that tax-exempt bond projects can use the rents in effect at the time of their pre-application – **2025 Draft QAP, Sec. IV.2.d.**

Reasoning: Currently, the QAP says market studies must use prior years rents unless rent and income limits are published before the 9% preliminary application deadline in January. The section does not distinguish requirements between 9% and 4% bond projects. The Agency also accepts applications for 4% bond projects later in the year after January. We would encourage the Agency to clarify that 4% bond projects can use published rent and income limits—even if they are published after January in the year—if they are available ahead of subsequent preliminary bond application submittal.

Thank you for your consideration of these comments. We look forward to our continued partnership with the Agency.

Sincerely,



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