Proposals for changes from the 2014 Qualified Allocation Plan (QAP) for the 2015 QAP for North Carolina

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In the following I have used the 2014 QAP as my guide and shown the location of the changes by leaving in the identifying Section, paragraph and sub-paragraph headers. I have underlined my proposed changes and put my logic in side parenthesis.

II. SET-ASIDES, AWARD LIMITATIONS AND COUNTY DESIGNATIONS

A. REHABILITATION SET-ASIDE

proposals to increase, decrease, and/or substantially re-configure residential units. (Added the word decrease to the changes in a project that put it in new construction set-aside. The logic is that a change in the number of units should make this change whether up or down.)

2. PROJECT LIMIT

The maximum award to any one project will be $1,000,000. The Agency may exceed this limit in order to meet other goals in this QAP.

(Added the preceding sentence to give the Agency the right to award additional credits to a project to meet other goals of the QAP.)

3. AGENCY-DESIGNATED BASIS BOOST

The Agency shall allow a boost in basis up to 30% for all projects located in a Low-Income county as defined Section II (F)(2). Or as an alternative: The Agency shall allow a basis boost in all counties where the Area Median Income (AMI) as show by HUD for 2015 as less than $52,000 per year for a family of four.

(Proposed change is making projects more feasible in the Low Income Counties of NC. They will need significantly more LIHTC equity than the most affluent counties. The alternative has the problem of the fact that the Income Limits are published after the application is submitted so a developer could be surprised by a project that no longer qualifies for the Agency-Designated Basis Boost or not pursue a project in a county where the County Median Income falls below the standard in 2015 and therefore is eligible. An alternative would be to base this on the 2014 incomes. If the 2014 incomes are used then the qualifying counties could be listed in the QAP.)

IV. SELECTION CRITERIA AND THRESHOLD REQUIREMENTS

2. TENANT RENT LEVELS (MAXIMUM 5 POINTS)

The application may earn points under one of the following scenarios:

(a) If the project is in a High Income county:

- Five (5) points will be awarded if at least ten percent (10%) of qualified low-income units will be affordable at or below 40% of AMI combined with ten percent (10%) affordable at 50% of AMI.

(b) If the project is in a Moderate Income county:

- Five (5) points will be awarded if at least ten percent (10%) of qualified low-income units will be affordable to and occupied by households with incomes at or below fifty percent (50%) of county median income.

(c) All projects in a Low Income county will receive five (5) points.

(Proposed changes in this to reflect the radical decease in the NC LIHTC Credits or loan)

C. PROJECT DEVELOPMENT COSTS AND RPP LIMITATIONS

1. MAXIMUM PROJECT DEVELOPMENT COSTS (NEGATIVE 20 POINTS)

Chart A		**Chart B**	
$65,000	-10	$77,000	-10
$75,000	-20	$91,000	-20

(Made changes to reflect the effects of inflation on the costs and the effect of changes in the building codes that are going to increase building costs)

2. RESTRICTIONS ON RPP AWARDS

(a) Projects requesting RPP funds must submit the Agency's "Notice of Real Property Acquisition" form with the preliminary application and may not:

(i) request RPP funds in excess of the following amounts per unit- $15,000 in High Income counties; $20,000 in Moderate Income counties; $30,000 in Low Income counties,

(Proposed Change is the maximum amount per unit of the award for Low Income counties to $30,000.)

5. TIEBREAKER CRITERIA

(a) First Tiebreaker: The project requesting the least amount of federal tax credits plus RPP per unit based on the Agency's equity needs analysis. The tax credit amount considered for this calculation will be the ten year total. The calculation will be done using the amount of credits that would be awarded assuming no Agency Designated Basis Boost. The amount of credits that are awarded for those counties receiving the Agency Designated Basis Boost will be reduced to the amount that would have been approved absent any Basis Boost for the purposes of this calculation

(Proposed Change in the first tie breaker to reflect the difficulties for the lower income counties. These counties will simply need more Federal LIHTC equity per unit and therefore more LIHTC than will higher income counties.)

VI. GENERAL REQUIREMENTS

B. UNDERWRITING THRESHOLD REQUIREMENTS

1. LOAN UNDERWRITING STANDARDS

(a) All projects will be underwritten assuming a constant seven percent (7%) vacancy and must reflect a 1.15 Debt Coverage Ratio (DCR) for fifteen (15) years.

(Changed the time for which a 1.15 DSC is needed from 20 years to fifteen years. The logic here is make smaller projects more feasible since these will not be able to access 40 year federally insured financing)

2. OPERATING EXPENSES

(a) New construction (excluding adaptive reuse): minimum of $3,450 per unit per year not including taxes, reserves and resident support services.

(b) Renovation (includes rehabilitation and adaptive reuse): minimum of $3,550 per unit per year not including taxes, reserves and resident support services.

(Changed the minimum amount of expenses to more accurately reflect actual current operating expenses)

(a) Operating Reserve: Required for all projects except those receiving loan funds from RD. The operating reserve will be six month's debt service and operating expenses (four months for tax-exempt bond projects), and must be maintained for the duration of the extended use period.

(Removed the $1,500 minimum since I believe that this is no longer a possibility even for RD projects)

9. ARCHITECTS' FEES

The architects' fees, including design and inspection fees, shall be limited to three percent (3%) of the total hard costs plus general requirements, overhead, profit and construction contingency (total of lines 2 through 10 on the PDC description). This amount does not include engineering costs. The Agency may allow higher fees for projects including equity from Historic Credits in their sources of funds.

(Made a change in the amount of the fees to reflect the addition cost of Architectural Services for historic preservation projects.)

I would also like to propose that any application which proposes to include water and/or sewer in the rent provide a calculation for the cost of the utility backed up with estimates of usage and the provider's rate schedule. I see some applications have very low expenses and are including water and sewer in the rents. This would apply to the electricity costs for any project that was going to include electricity in its rent.