



September 26, 2012

via email

Mark Shelburne
Counsel and Policy Coordinator
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, NC 27609

Re: Comments to draft QAP-2013

Dear Mr. Shelburne:

Thank you for this opportunity to submit the following comments to consider as the Agency drafts the 2013 North Carolina Qualified Allocation Plan (QAP). We direct our comments in this correspondence to the program requirements and process in the 2012 QAP related to the allocation of private activity tax-exempt bonds and 4% credits.

Application Cycle

We recommend the Agency consider a more frequent processing cycle for applicants requesting 4% credits and private activity tax-exempt bonds. We recommend a change from the current semiannual cycle to a rolling or monthly cycle. A more frequent application cycle allows for a more efficient project development schedule by the applicant and seems to be consistent with the practices of other state bond and 4% programs.

Developer Fee Limit

We recommend the developer fee maximum cap be removed or be significantly adjusted upward for applicants requesting 4% credits and bonds. While a developer fee maximum cap makes sense when allocating a limited allocation of 9% credits, a cap and especially the current cap as described in the 2012 QAP does not rationally apply to the "As of Right" and theoretically unlimited 4% credits and to realities of the underlying project structures. Bond and 4% projects are more often substantially larger than 9% projects because of the financial complexity and fixed costs associated with assembling the projects. The current cap of \$12,000 per unit or project maximum of \$1,500,000 allows a developer to budget the maximum per unit fee up to 125 units. Under this formula, the maximum per unit developer fee begins to decrease for any project exceeding 125 units. For example, the allowable per unit developer fee for a 300-unit project decreases to \$5,000 per unit under the current QAP. While an aggregate fee of \$1,500,000 seems like a reasonable return, this amount does not reflect the real risk of undertaking larger projects and is not adequate from an investor underwriting perspective to absorb financial risk for these projects.

Developer Experience

The Agency should clarify the “Developer Experience” requirements as described in the 2012 QAP to not be interpreted as a threshold requirement for 4% credit and bond applications. Whether the Agency has the authority to limit applicants to only those applicants who have previously worked in the state is debatable along with the policy objective the language is trying to advance. More importantly, the current “Experience” language is not an accurate measurement of a developer’s capacity to undertake a bond and 4% credit project. The language is an even more awkward requirement for allocating “As of Right” 4% credits obtained in a non-competitive process.

Thank you for your consideration of these comments.

Sincerely,

Kevin Drexel
Senior Development Manager