

Mark Shelburne

From: Scott Farmer
Sent: Tuesday, October 16, 2012 9:46 AM
To: Chris Austin; Mark Shelburne
Subject: FW: Recommended Changes to the 2013 QAP

From: Bill Steele [mailto:bill.steele@steelegrp.com]
Sent: Tuesday, October 16, 2012 9:30 AM
To: Scott Farmer
Subject: Recommended Changes to the 2013 QAP

Dear Mr. Farmer:

The current proposed changes to 2013 QAP will negatively impact the opportunity for future City and Housing Authority Redevelopment Projects to use the Low Income Housing Tax Credit Program as a resources to improve existing housing, convert an historic building to housing or build new housing. Listed below are recommended changes to the draft of the 2013 Qualified Allocation Plan (the rules for the NCHFA LIHTC Program) to improve the chances of funding for City and Housing Authority projects in established neighborhoods.

(IV A 1 (b) (ii) Amenities) The NCHFA in order to provide projects located in an inner city neighborhood a fair chance of being funded should increase the distance to grocery and drug stores or eliminate the distance scoring for inner City projects such as a renovation of an existing public housing development or adaptive reuse of an historic building or new construction part of a community revitalization plan. The 2012 QAP favored projects in suburban areas of cities by giving the most site points to projects that were 1/2 mile from a grocery store and drug store. The draft of the 2013 QAP contains the same site scoring. This language will makes it impossible for historic schools often located in established neighborhoods, historic buildings near downtowns, historic mills in older neighborhoods, older public housing communities and land in redevelopment areas of a City that may be suitable for multi family housing to receive a high enough score to be funded. HUD is promoting the Rental Assistance Demonstration (RAD) Program and Choice Neighborhoods which both encourage Housing Authorities to seek LIHTC as a source to renovate existing public housing or build new public housing. Unless the distance requirement is changed for renovation or adaptive reuse projects located in established neighborhoods will not be funded.

(II D 1 (a) Nonprofit Set Aside) There should be no limits on the credits available to nonprofits. The NCHFA should fund the projects that receive the highest score regardless of whether they have been submitted by a nonprofit or for profit developer. The draft QAP limits Nonprofits to 10% of the states tax credit ceiling. In past QAP's there have been no limit on credits allocated to nonprofits.

(IV D 1 (d) (i) Development Experience, Principal in 10 Awards 2006-2012)) The 5 points for placing 10 projects in service form 2006 to 2012 should be eliminated because it gives larger tax credit developers an undue advantage in scoring over nonprofit and smaller for profit developers.

The 2013 QAP for the very first time proposes to award 5 points to developers who have placed ten (10), 9% credit projects in service between 2006 and 2012. This set of points only benefits the larger for profit developers at the expense of nonprofit developers and some small for profit developers. Most nonprofits do not have the capacity to submit their own LIHTC project because they may not have placed a LIHTC between 2006 and 2012. This will require that they team up with an experienced LIHTC developer.

In previous QAP's only one half of the credits for a project in a redevelopment area counted against the developers credit limit. Section II E 3. Redevelopment Plan (b) of the 2013 QAP has been changed to state that all the credits awarded to a redevelopment project will count against a developers credit limit of \$1,800,000. Inner City Redevelopment Projects which are often located in Qualified Census Tracts use the more credits and based on the proposed site scores for 2013 QAP have the least chance of being funded. The NCHFA rules require inexperienced applicants that have not placed one project in service between 2006-2012 team up with experienced LIHTC developers who will become a principal of the ownership entity. This rule can make it much harder for nonprofits to find experienced developers for redevelopment projects when all the credits are counted against their credit cap.. The NCHFA should only count 50% of the credits awarded for a redevelopment project

against a developers annual credit limit. This will help Cities and Housing Authorities attract experienced tax credit developers to assist them with adaptive reuse and redevelopment projects.

IV A 1 (b) (i) Neighborhood Characteristics allows a site that qualifies as a Redevelopment Project to receive 18 points. The use of the term Redevelopment Area needs to be clarified to state that the NCHFA is not referring to the NCGS 160A-513 definition of a Redevelopment Area as set forth by State Statute. The NCHFA should use the term Revitalization Area and define the characteristics of a Revitalization Area in order for an applicant to qualify for the 18 Points. The HUD Choice Neighborhood program has specific requirements for what qualifies as a Choice Neighborhood and should also be considered as a qualifying for the 18 points.

Restore Mortgage Subsidy Points for all projects that receive funding from the local government, a land gift and/or long term lease for less than \$10 annually, based on appraisal, waiver of local government fees based on the calculated cost to the project provided by the local government. This will help encourage more investment in affordable housing. Points for Mortgage subsidy should include Choice Neighborhood development funds, funds from the local government, contributions of fees and land by Local Governments.

The NCHFA should support a City's Revitalization Plan for an established neighborhood and help facilitate the improvement of the neighborhood by awarding 5 points for a city initiated LIHTC project. To be considered a City sponsored project the City must have contributed at a minimum of \$50,000 for up front development costs necessary to submit the LIHTC application. The projects redevelopment cost paid by the City must be verified by a letter from the City listing the expenditures paid by the City. The City must also agree to provide a \$250,000 grant or 2% low interest loan for a minimum term of 20 years. In lieu of a \$250,000 loan or grant the City may provide property valued at a minimum of \$250,000 or a reduction in City fees valued at \$250,000. The City may also accomplish the \$250,000 project contribution by combining funding through a grant or loan, land contribution and/or reduction in fees

(IV F 6 Tiebreaker) The NCHFA should not use Federal Credits as a Tie Breaker or only count the per unit credits requested without consideration of the Basis Boost, Historic Credits and Credits generated by a Community Facility. The NCHFA's use of the amount of Federal Credits requested per unit places affordable housing developed in Redevelopment Areas (Revitalization Areas) and Adaptive Reuse (historic projects) at a competitive disadvantage because these project are often located in QCT's which are eligible for the credits up to 130% of Eligible Basis and Historic Tax Credits.

(IV F 6 Tiebreaker) The NCHFA should consider a new Tiebreaker based on amenities within 1/2 mile, 1 mile and 2 miles from the site. For example important family amenities would be a day care, schools, supervised after school programs at City Recreational Facility, Boys and/or Girls Clubs, YMCA and/or YWCA, nearby medical offices such as a general practitioner, nearby Dentist, nearby public park or recreational facility. Important senior amenities may be a Senior Center, Meals on Wheels site, City recreational facility offering senior programs, general practitioner or doctor offices specializing in diseases most common to seniors. Applicants can provide google maps showing the location and distance to these amenities. The NCHFA can give 3 points for amenities within 1/2 mile of the site, 2 points for amenities within 1 mile of the site and 1 point for amenities within 2 miles of the site.

I hope you will seriously consider these recommendations. Thank you.

Sincerely,

William P. Steele, Jr.

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Principal



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