Carolina Project Equities LLC

8450 Falls of Neuse Road ● Raleigh, NC 27615 ● (919) 844-0444 (phone) ● (919) 844-5599 (fax)

August 30, 2013

Mr. Scott Farmer
North Carolina Housing Finance Agency
C/O Rental Investment
3508 Bush Street
Raleigh, NC 27609

Re: 2014 Qualified Allocation Plan (QAP)

Dear Scott,

Thank you for this opportunity to provide comments for the 2014 QAP. We appreciate the Agency's willingness to consider suggestions made by the development community. To this end, I have the following comments:

1) With respect to County Award Limits, the Agency typically incorporates into the QAP a list of counties that will not be eligible for an award of tax credits. We believe that applications which propose a second phase should be exempt from this exclusion, if supported by the market study. Second phase developments typically can benefit from economies of scale with regard to construction and professional services, if used on a continued basis. The community where the development is situated also benefits from a substantial impact to the community without longer durations of construction disruption in the neighborhood.

2) The most recent version of the Maximum Project Development Cost negative point structure was incorporated in the QAP in 2009. Since over five (5) years have transpired since its incorporation, we recommend that the threshold amounts be increased to the following: Chart A - $65,000 (-10 points), $74,000 (-20 points) and Chart B – $76,000 (-10 points), $90,000 (-20 points). After this point, we suggest that it should be indexed for inflation using the Consumer Price Index, a standard 3% or other standard measure.

3) With respect to equity pricing, we feel the applicant should have more flexibility with respect to equity price utilized in the full application. We understand the Agency's need to be conservative and not allow applicants to underwrite at equity pricing that they will never materialize. However, conversely, applicants should also not be able to use equity pricing that is artificially low, potentially allowing the applicant to receive more credits than are necessary for the development. Additionally, this lack of flexibility with equity pricing can also create a situation where the applicant is forced to submit an application that he knows will result in having to come back the Agency as required under the Post-Award Processes and Requirement, Section A.1(a). I think we can all agree that it is in all parties' best interest for applicants to push for the best pricing possible for their respective development. The QAP should allow for such flexibility.

4) Development teams do their best to anticipate all of the factors that will affect a development from the concept to the completion but inevitably, there will be some unexpected and there unbudgeted issues. The last QAP only allows for a maximum increase in uses of 2% or the development team will have to approach the Agency for approval as required under Post Award Processes and Requirements. Given the scope of these developments, a 2% margin of error seems too narrow. We suggest that this margin be increased to 5%.

5) Underwriting Threshold Requirements specify under 6(d) that "Applicants may only include one set of proposed funding sources" and that "A project will be ineligible for allocation if any of the listed funding sources will not be available in the amount or under the terms described in the application." We recommend that this section also specify that it applies to RPP funds.

Again, thank you for this opportunity to provide input for the 2014 QAP. I look forward reading the first draft.

Sincerely,

Mark Ellen Tipton

Mark E. Tipton
Vice President - Development