



Lee Cochran  
Senior Vice President

tel 704.561.5230  
lcochran@laurelstreetres.com

September 4, 2015

Mr. Scott Farmer  
Director of Rental Investments  
North Carolina Housing Finance Agency  
3508 Bush Street  
Raleigh, NC 27609

Re: Request for Changes to Consider for the 2016 Qualified Allocation Plan (QAP)

Dear Mr. Farmer:

Laurel Street Residential is honored to have worked with the North Carolina Housing Finance Agency (NCHFA) to develop affordable housing for low income families across the state. On behalf of the Laurel Street Residential team, I would like to thank you for the opportunity to share suggestions for inclusion in the 2016 QAP.

Attached please find a list of our suggestions. We have always found the QAP to be an effective guide to producing affordable housing in the state, and we believe these suggestions would only enhance the QAP as a tool.

Sincerely,

Lee Cochran  
Vice President

**Laurel Street Residential - Suggestions for Inclusion in 2015 QAP**

	QAP Section	Suggested Change
1	<b>Section II(B)(2)</b> Redevelopment Projects	Change the set-aside requirement for Redevelopment Projects to ensure that one Redevelopment Project is awarded in each Geographic Region for a total of four (4) Redevelopment Projects. This would distribute Redevelopment Projects throughout the state rather than the current process where redevelopment awards potentially could be concentrated in one region.
2	<b>Section II(E)(3)</b> Agency Designated Basis Boost	Keep current language - We support NCHFA's use of the Agency Designated 115% Basis Boost to provide some additional project support should the fixed 9% rate not be extended. We support continuing to include this provision in the 2016 QAP.
3	<b>Section IV(A)(1)(b)</b> Criteria for Site Score Evaluation	<b><i>See Attachment #1 for proposed changes to site scoring criteria</i></b>
4	<b>Section IV(D)(1)(a)</b> Development Experience	In order to be eligible for an award of 9% Tax Credits, at least one Principal must have successfully developed, operated and maintained in compliance one Tax Credit project in North Carolina. The project must have been placed in service between January 1, 2009 and January 1, 2015. Such Principal must: <ul style="list-style-type: none"> <li>(i) be identified in the preliminary application as the Applicant under Section III(C)(5),</li> <li>(ii) become a general partner or managing member of the ownership entity,</li> <li>(iii) remain responsible, to the federal standard of "material participation", for overseeing the project and operation of the project for a period of ten (10) years after placed in service,</li> <li>(iv) provide guarantees to the extent of any other member or partner, and</li> <li>(v) be the Agency's initial, primary point of contact for the project.</li> </ul>

5	<b>Section IV</b> Selection Criteria	<p><b><i>Proposed new scoring criteria. If adopted, credits per unit should be removed as the First Tiebreaker Criteria</i></b></p> <p>The Agency will calculate the average federal tax credits plus RPP per unit requested among new construction full applications (the tax credit amount will be the ten year total) and deduct or award points based on the following matrix:</p> <table border="1" data-bbox="548 457 1047 762"> <tr> <td>more than 20% of the average</td> <td>-4</td> </tr> <tr> <td>between 15% and 20% over</td> <td>-3</td> </tr> <tr> <td>between 10% and 15% over</td> <td>-3</td> </tr> <tr> <td>between 5% and 10% over</td> <td>-1</td> </tr> <tr> <td>within 5% of the average</td> <td>0</td> </tr> <tr> <td>between 5% and 10% under</td> <td>+1</td> </tr> <tr> <td>between 10% and 15% under</td> <td>+2</td> </tr> <tr> <td>between 15% and 20% under</td> <td>+3</td> </tr> <tr> <td>less than 20% of the average</td> <td>+4</td> </tr> </table>	more than 20% of the average	-4	between 15% and 20% over	-3	between 10% and 15% over	-3	between 5% and 10% over	-1	within 5% of the average	0	between 5% and 10% under	+1	between 10% and 15% under	+2	between 15% and 20% under	+3	less than 20% of the average	+4
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6	<b>Section IV</b> Selection Criteria	<p><b><i>See Attachment #2 for proposed new Selection Criteria for loans and grants from either federal or local housing development sources</i></b></p>																		
7	<b>Section VI(B)(7)(a)</b> Developer Fees	<p>Add a minimum developer fee of \$600,000 for new construction projects to ensure that small projects have a reasonable contingency built into their overall development budget.</p>																		

**Laurel Street Residential - Suggestions for Inclusion in 2015 QAP – Appendix B**

	Focus Area	Requested Change
1	<b>New Provision</b>	Add a process to the preliminary tax-credit application to request waivers to Appendix B requirements that are not appropriate for a specific development. The Agency would have discretion as to whether to grant the waivers. This will allow projects to make the decision to submit a full application knowing if the waiver has been approved.
2	<b>Section IV(G)</b> <b>[Main QAP]</b> Design Standards	Please provide a list of minimum design features required to obtain maximum design points. Design criteria for score evaluation is currently vague, which encourages developers to add more design features than may be desired or required by NCHFA. Providing a specific set of criteria will assist developers in managing costs and providing the features that the Agency is most interested in seeing.
3	<b>Section I.</b> Design Document Standards	Keep current language - We support the design requirements for application submissions as currently outlined.
4	<b>Section II(C)</b> Interior Design and Materials  and  <b>Section V(A)</b> Required Site Amenities	Clarify the requirements for Tenant Storage Areas in Senior Developments  The <i>Interior Design and Materials</i> and <i>Required Site Amenities</i> sections both reference a storage area requirement for senior projects. Clarify that only one 16 square foot storage area per unit is required for senior projects.  Additionally, allow this single storage area to be located either inside the unit (in addition to other closets currently required) or in storage units in a centralized building location for senior projects. Market experience indicates that residents would appreciate storage areas inside their units where that design is possible.
5	<b>Section II(E)</b> Bathrooms	Allow for the inclusion of a minimum of two drawers in the bathroom cabinet in lieu of the required medicine cabinet. Market experience indicates that residents use and appreciate cabinet drawers more than the typical medicine cabinet.

6	<b>Section V(E)</b> Community/ Office Spaces	Allow leasing office/community space to be co-located within a residential building, so long as accessible by all residents. Market design standards have evolved away from traditional, suburban garden style configurations, to allow for the integration of community amenities within residential building where appropriate. It is most often seen in senior and urban developments.

**Attachment #1 - Section IV(A)(1)(b) - Criteria for Site Score Evaluation**

(i) NEIGHBORHOOD CHARACTERISTICS (MAXIMUM 18 POINTS)

Excellent: 18 points if the trend of real estate development within a Half Mile indicates being an area currently targeted for a substantial amount of high-end, market-rate investment, including at least some new or recent construction

Good: 15 points if structures within a Half Mile are well maintained or the site qualifies as a Redevelopment Project (see Section II(B)(2)(b))

Fair: 6 points if structures within a Half Mile are not well maintained and there are visible signs of deterioration

Poor: 0 points if structures within a Half Mile are Blighted or have physical security modifications (e.g. barbed wire fencing or bars on windows)

Half Mile: The half mile radius from the approximate center of the site (does not apply to Amenities below).

Blighted: A structure that is abandoned, deteriorated substantially beyond normal wear and tear, a public nuisance, or appears to violate minimum health and safety standards.

(ii) AMENITIES (MAXIMUM 48 POINTS)

Other than applications with tribally-appropriated funds (described at the end of this subsection), points will be determined according to the matrix below. In order for an amenity to be eligible for points, the application must include documentation required by the Agency of meeting the applicable criteria. In all cases the establishment **must be open to the general public and operating as of the preliminary application deadline.**

Primary Amenities (max 30 points)	driving distance in miles			
	≤ 1	≤ 2	≤ 3	> 4
Grocery	12 pts.	9 pts.	6 pts.	0 pts.
Shopping	6 pts.	4 pts.	2 pts.	0 pts.
Pharmacy	6 pts.	4 pts.	2 pts.	0 pts.
Secondary Amenities (max 21 points)	≤ 1	≤ 2	≤ 3	> 4
Second Primary Amenity	3 pts.	2 pts.	1 pt.	0 pts.
Third Primary Amenity	3 pts.	2 pts.	1 pt.	0 pts.
Other Service	3 pts.	2 pts.	1 pt.	0 pts.
Second Other Service	3 pts.	2 pts.	1 pt.	0 pts.
Healthcare	3 pts.	2 pts.	1 pt.	0 pts.
Public Facility	3 pts.	2 pts.	1 pt.	0 pts.
Second Public Facility	3 pts.	2 pts.	1 pt.	0 pts.
Bus/Transit Stop	3 pts.	2 pts.	1 pt.	0 pts.

For example, an application will receive 4 points if the driving distance between the site and a pharmacy is greater than 1 mile but not more than 2 miles.

The driving distance will be the mileage as calculated by Google Maps and must be a drivable route as of the preliminary application deadline. The measurement will be:

- the point closest to the site entrance to or from
- the point closest to the amenity entrance.

Driveways, access easements, and other distances in excess of 500 feet between the nearest residential building of the proposed project and road shown on Google Maps will be included in the driving distance. For scattered site projects, the measurement will be from the location with the longest driving distance(s).

The following establishments qualify as a Grocery:

Aldi	Food Lion	Kroger	Super Target
	Fresh Air Galaxy		
Bi-Lo	Food Centers	Lowes Foods	Trader Joe's
Bo's Food Stores	The Fresh Market	Piggly Wiggly	Walmart Express
			Walmart
Bloom	Harris Teeter	Publix	Neighborhood Market
Compare Foods	IGA	Red & White	Walmart Supercenter
Earth Fare	Ingle's Market	Sav-Mor	Whole Foods
Family Foods	Just \$ave	Save-A-Lot	

The following establishments qualify as Shopping:

Big Lot's	Kmart	Walmart
Dollar General	Maxway	Walmart Express*
		Walmart
Dollar Tree	Roses'	Supercenter*
Family Dollar	Target	
Fred's Super Dollar	Super Target*	

\*these will not count as Shopping if also being awarded points as a Grocery

To qualify as a Pharmacy the establishment must have general merchandise items for sale (not including pharmacies within hospitals).

To qualify as a Secondary Amenity, the establishment must meet the applicable requirement(s) below.

Second and Third Primary Amenity: Another Grocery, Shopping and/or Pharmacy (not used as Primary Amenity)

Other Service: A restaurant, bank/credit union, or gas station with convenience store

Healthcare: A hospital, urgent care business, general/family practice, or dentist (not to include orthodontist); does not include medical specialists or clinics within pharmacies

Public Facility: Any of the following:

- community or senior center with scheduled activities operated by a local government
- public park owned and maintained by a local government containing, at a minimum, playground equipment and/or walking/bike trails and listed on a map, website, or other official means
- library operated by a local government open at least five days a week

- public school (elementary, middle, or high school)

Bus/Transit Stop:

- in service as of the preliminary application date,
- on a fixed location and has a covered waiting area,
- served by a public transportation system six days a week, including every hour between 7:00AM and 7:00PM on weekdays, and
- within 0.25 miles walking distance of the proposed project site entrance using existing sidewalks and crosswalks.

A commitment of at least \$250,000 in tribally-appropriated funds (including through the Native American Housing Assistance and Self Determination Act) qualifies for 24 points, not to exceed the total for subsection (ii). The commitment must meet the requirements of Section VI(B)(6)(b).

(iii) SITE SUITABILITY (MAXIMUM 21 POINTS)

6 points if there is no Incompatible Use, which includes the following activities, conditions, or uses within the distance ranges specified:

Half Mile

- airports
- chemical or hazardous materials storage/disposal
- industrial or agricultural activities with environmental concerns (such as odors or pollution)
- commercial junk or salvage yards
- landfills currently in operation
- sources of excessive noise
- wastewater treatment facilities

A parcel or right of way within 500 feet containing any of the following:

- adult entertainment establishment
- electrical utility substation, whether active or not
- distribution facility
- factory or similar operation
- jail or prison
- large swamp

Any of the following within 250 feet of a proposed project building:

- frequently used railroad tracks
- high traffic corridor
- power transmission lines and tower

3 points if there are no negative features, design challenges, physical barriers, or other unusual and problematic circumstances that would impede project construction or adversely affect future tenants, including but not limited to: power transmission lines and towers, flood hazards, steep slopes, large boulders, ravines, year-round streams, wetlands, and other similar features (for adaptive reuse projects: suitability for residential use and difficulties posed by the building(s), such as limited parking, environmental problems or the need for excessive demolition)



- 3 points if the project would be visible to potential tenants using normal travel patterns
- 3 points if a proposed project building would be within 500 feet of at least two structures currently in use for residential, commercial, educational, or governmental purposes (excluding Blighted structures or Incompatible Uses)
- 3 points if there are single family homes, apartments, or other residential buildings for at least 10 households within a Half Mile
- 3 points if traffic controls allow for safe access to the site; for example limited sight distance (blind curve) or having to cross three or more lanes of traffic going the same direction when exiting the site would not receive points

**Attachment #2 - Section IV – New Scoring Criteria for Loans and Grants**

(a) Eligibility:

Only loans or grants from the following sources will qualify for points under this subsection (B)(2):

- (i) HOME Investment Partnership,
- (ii) Community Development Block Grant (CDBG) program funds, and
- (iii) other established local government housing development funds.

Applications including market-rate units will be ineligible for points under subsection (B)(2) unless the total housing expense for all market-rate units are at least ten percent (10%) higher than the maximum allowed for a unit at 60% area median income. Adjustments to the purchase price of the land by the seller, Agency loans, state credits and bond financing are not sources of mortgage subsidy. The amount provided by a local government will be reduced by the amount included in the project budget for any impact, tap or related fees charged by that local government and the cost of land sold by that local government.

(b) Required Terms:

In order to qualify for points under subsection (B)(2), loans must be listed as a source in the full application, comply with the requirements of Section VI(B)(6)(b), and have a term of at least twenty (20) years and an interest rate less than or equal to two percent (2%). See Section IV(C)(2) for a restriction on RPP loans for applications with local government financing.

(c) Metro Region:

Applications will earn points based on the total amount of qualifying funds committed per unit (excluding an employee/manager’s unit), as described below:

Funds/Unit	Points	Funds/Unit	Points
\$6,000	6	\$14,000	14
\$8,000	8	\$16,000	16
\$10,000	10	\$18,000	18
\$12,000	12	\$20,000	20

The calculation includes all units and amounts will not be rounded up. The funds-to-unit ratio approved by the lending source determines the score.

(d) [High, Moderate, and Low Income Counties or] East, Central and West Regions:

Applications will earn points based on the total amount of qualifying funds committed per unit (excluding an employee/manager’s unit), as described below:

Funds/Unit	Points	Funds/Unit	Points
\$3,000	10	\$6,000	16
\$4,000	12	\$7,000	18
\$5,000	14	\$8,000	20

The calculation includes all units and amounts will not be rounded up. The funds-to-unit ratio approved by the lending source determines the score.