

HOUSING NORTH CAROLINA

To: The North Carolina Federal Tax Reform Allocation Committee

From: Housing North Carolina, a coalition of concerned affordable housing developers

Date: January 17, 2012

Re: 2012 North Carolina Qualified Allocation Plan

Housing North Carolina is a newly formed development coalition comprised of over 20 North Carolina developers of affordable multifamily housing. The group was formed for the main purpose of having a unified voice that can speak on behalf of the development community as it relates to affordable housing matters in the State of North Carolina. The group was also formed to share information, collaborate on issues and generally promote affordable housing in the State of North Carolina. The overriding mission of Housing North Carolina is to provide as many much needed affordable housing units in North Carolina as possible.

We commend the North Carolina Housing Finance Agency for making the most changes to the Qualified Allocation Plan than they have ever made. The QAP has come a long way in 2012 but there are still areas where it needs improvement.

- **Preference Points for In-State Sponsors:** We agree with the draft QAP language regarding preference points for In-State Sponsors. However, we believe that the term “Principal Office” should be more clearly defined to reflect that the Principal Office is the State in which the Sponsor has filed income tax returns for the previous three years. If an out of state sponsor enters into a joint venture with an in-state sponsor, the in-state sponsor should be the controlling entity and must own at least 51% of the general partner or managing member interest and shall receive the same percentage of the developer fee.
- **Mortgage Subsidy Points:** Mortgage subsidy points should be eliminated from the QAP. Mortgage subsidies are not needed to make a development financially feasible. They can assist at times, but can also be detrimental with the additional requirements inherent therewith. Mortgage subsidies can certainly be utilized if the sponsor so chooses, however there should not be points awarded for using them. Currently, the QAP provides that mortgage subsidy points are only available in the Metro set-aside area. The Metro areas can support rents that are sufficient to retire the debt without any mortgage subsidies. The mortgage subsidy points should be removed from all geographic set-aside areas.
- **Non-Profit Set-Aside:** The amount of credits allocated to developments involving non-profit sponsors is currently limited to no more than 20% of the total credits available.

This 20% amount is not limited by geographic region. The 20% should be limited by the four geographic regions within the State of North Carolina: West, Central, East and Metro, such that no more than 20% of the credits available in each geographic region are available for developments involving non-profit sponsors.

- **Principal Limits:** The total credits available to any one Sponsor are currently limited to \$1,500,000. In the past, the limit had been set at 10% of the total credits available in the State which is the equivalent of around \$2,100,000. Over the past few years that amount has been adjusted downward along with the amount of the developer fee. We are requesting that the cap be increased to \$1,800,000. Also, if individuals have joint ventured in the past and want to submit separate deals, they should be able to provide documentation to the Agency that demonstrates that they are separate entities and the credits should not be counted against both individuals. Additionally, in the case of a joint venture, the credits should be pro-rated based on the amount of the developer fee received by each individual. As the QAP is currently written, there is no incentive for established in-state developers to joint venture with new developers or non-profits.
- **Number of Developments:** It should not matter if a Sponsor is awarded one deal or four deals, as long as the Sponsor remains under the Principal Limit. There is a difference between a 50-unit deal and a 100-unit deal.

Thank you for your time today. Our group would like to be notified of future Committee meetings. We look forward to working with the Committee to provide much needed affordable housing units to the citizens of the State of North Carolina.