



Kim Wilbourne

LIHTC MANAGER

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RE: 2025 QAP Comments

Thank you for the opportunity to provide feedback on the 2025 Draft QAP. We appreciate your consideration of these comments.

1. Tax Exempt Bond Process & Scoring

We support the suggestion offered at the roundtable workshop of including a pre-application process for the tax-exempt projects. Doing so would give the Authority a jump start on screening applications and allow developers to minimize the outlay of resources prior to understanding the likelihood of receiving an award.

Further, we support a formal scoring process similar to the 9% scoring criteria for the TEB applications. Scoring applications solely based on state resources per square foot does not encourage responsible development. Developers who provide realistic construction cost numbers in their application or who take on more complex projects should not be penalized with low scores and an inability to get projects funded. Replacing this system with scoring that reflects the quality of the proposed development would result in better projects. While much of the scoring could be like the 9% scoring criteria, we suggest reducing the points available for location-based criteria (i.e. distance to amenities) for TEB projects. Since many TEB projects are existing rehabilitations, the location of these projects is not something that can be changed, therefore disadvantaging existing affordable housing assets that require renovation.

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The leveraging category is a better method for rewarding projects that limit state resources rather than the resources per square foot method currently used for the TEB applications. However, we would encourage the Authority to not be so prescriptive in what counts towards leveraging points. For example, projects that leverage seller financing should be eligible for points in this category. Sellers and owners should be incentivized to fill funding gaps through their own resources so that these projects can be completed, and without eligibility for additional points this incentive does not exist.

2. Using Income from Operations During Construction as a Source

Please consider allowing income generated by a property undergoing tenant in-place renovations during the construction and rent up period to be used as a funding source. Using income from operations during construction is an effective way to leverage an additional source and therefore reduce the ask of the Authority. Occupied property's often have significant cash flow while construction is taking place because certain large expenses, such as insurance, real estate taxes, and interest, are funded up front in the development budget. Rather than pull net operating income out of the property, responsible owners wishing maximize investment in the property, should be able and even encouraged to leverage this cash flow as a source. This is common practice and widely accepted by lenders, investors, and other state agencies. Should the Authority be concerned with placing undue strain on the property's operations, then any amount used as a source could be subject to Authority underwriting and approval.

3. Set-asides for Housing Authorities

We support using a special scoring set-aside for projects that involve the renovation/refinancing of public housing assets, whether those are current Public Housing Authority stock or standalone HAP properties. These developments are often larger in scale and substantial in need and may not be able to compete with other more typical renovations. The State should ensure that this public resource receives proper investment.

4. Development Design Criteria – Water Shut off Valves

The Appendix B Development Design Criteria requires that “all units have an individual water shut off valve in the unit.” This is extremely cost prohibitive on renovations and takes limited budget away from other more pressing needs (i.e. systems and roof replacements and energy efficiency upgrades). To achieve a middle ground, the Authority could suggest providing a shut off valve per plumbing stack, which would establish greater water control while not placing undue burden on limited construction budgets.



5. Development Design Criteria – Ceiling Fans

The Appendix B Development Design Criteria requires that all living rooms and bedrooms have a ceiling fan. When renovation projects include the addition of central air conditioning in all rooms, installing ceiling fans in addition to the central AC is not necessary. Much like the shut off valves, this is a costly requirement that is not necessary nor an efficient use of limited resources.

While the Authority does allow for waivers of design requirements, in our experience these waivers are not granted at the application stage. This therefore inflates construction cost prior to any substantive review of building design.

6. 2024 Tax Exempt Bond Round Reports

We suggest leniency on the required resubmission of reports for developers who are re-submitting applications in the October round for tax exempt bonds. These reports will most likely need to be updated yet again prior to closing. We appreciate that 2025 Appendix B does not require that these reports be provided at application, and we suggest the same standard be applied to the October round.

Thank you again for your consideration. Please reach out should you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads "R.B. Coats, III". The signature is written in a cursive style with a large, stylized "R" and "C".

R.B. Coats, III,

President, CEO

The Banyan Foundation, Inc.

