

NORTH CAROLINA

HOUSING

FINANCE

AGENCY

Developers' Workshop

Topics Covered:

1. Returning 2007 and 2008 allocations
2. Other changes for the draft 2009 QAP
3. Property tax legislation
4. Design scoring and requirements
5. Additional green ideas/suggestions

Will take questions during, comments at the end

2007 & 2008 Projects

- Substantial changes
- Based on input from developers and syndicators/investors
- Goal is assisting with equity in an unprecedented market
- Agency committed to seeing projects succeed
- Owners should attend equity session tomorrow

2007 & 2008 projects, con't

Returning allocation allows:

- More time, placed in service deadline is 2011
- Possible 30% basis boost (for those outside QCTs/DDAs)
- 2007 projects may use 9% minimum LIHTC rate regardless of lock-in

How '07-'08 Returns Will Work

- Not a competition
- 2008 projects must pay allocation fee and return COA by Dec. 1st
- Request will be a basic form
- Submission deadline also Dec. 1st; expect to announce awards by March
- Technically will keep current allocation until have 2009 award

How Returns Will Work, con't

- Costs may not change
- Retain '07 or '08 STC and RPP awards
- Agency may reduce bank debt and/or RPP
- Projects must comply with initial application and '07 or '08 QAP

How Returns Will Work, con't

- Only fee will be allocation:
 - calculate as if a 2009 app (e.g. \$31,000)
 - less amount already paid (e.g. \$30,000)
 - owe difference (e.g. \$1,000)
- New carryover agreement unless PIS in 2009
- 2008 projects will have another year to meet 10% test

Other QAP Changes

- Disclaimers:
 - entire document still a draft
 - not covering everything
- Focus is on what developers need to know for application
- Listed roughly in order of appearance in QAP

Award Limits

- Increase maximum award amounts for:
 - project to \$1.3 million
 - county to \$2.5 million
- Will not count '07-'08 returns against Principal or county cap

Rehabilitation

- Move preservation set-aside into rehab
 - no separate limits for what had been preservation deals
 - expect similar outcomes
- Proposals to both build new units and rehab existing may be split into two applications
- Must have < \$110,000/unit in total costs; rehab work as set by Agency

30% Basis Boost

- For 2009 applications:
 - high % of costs not in eligible basis
 - primarily expensive land, also site work
- Allows sites that were not feasible before
- Amount at Agency's discretion, may be < 30%

30% Basis Boost, con't

- Must submit with pre-application:
 - appraisal if requesting because of land
 - geological survey if for site work
- Sites owned by related parties or local gov'ts are eligible
- Projects with market-rate units are ineligible
- Notify which projects will qualify in March

Mortgage Subsidy & RPP

- AFR at 40 years no longer an option for mortgage subsidy points
- RPP repayment must have pro-rata split with any local gov't lender
 - repayment calculated based on 1.15 DCR
 - split requirement was new for 2008

Project Development Costs

- Only includes Line 5, “Construction of New Building(s)”
- \$60,000/unit = -10 points
- \$69,000/unit = -20 points
- Excludes on-site improvements, overhead, etc.
- Agency will approve costs for historic projects

Project Devel. Costs, con't

- “Chart B” projects:
 - single family houses or duplexes
 - mobility impairment housing
 - central business district
 - public housing redevelopment
 - steel, concrete, and 4 stories
- \$71,000/unit = -10 points
- \$85,000/unit = -20 points

Underwriting Assumptions

- Rent escalation is 2%, expenses is 3%
- Operating expense is \$3,000/unit for new, \$3,200 for renovation
- Hard cost contingency is 5% for new, 10% for renovation
- Agency may set maximum equity price
- Goal is for 2009 projects to secure equity

Additional Contingency

- Application may include greater of:
 - \$500/unit or
 - \$30,000
- Available for any project cost
- If not needed for overruns, may be taken as increased developer fee
- Less than amount in 1st draft because of hard cost contingency increase

Design

- Energy Star required for new, extent feasible for rehab & adaptive re-use
- Not new: Agency must approve final plans before starting construction
- More on design in the next session

Questions?