Chris Austin

From: Stephen Brock <stephen@brockvi.com>
Sent: Thursday, October 22, 2015 11:55 AM
To: rentalhelp; Chris Austin
Subject: QAP comments - 3

Dear NCHFA:

I generally like the First Draft of the QAP and applaud the agency on creating a bit more variety in scoring. A few comments:

*Amenities - one per building — per one developer's comment, I do NOT support concept of additional points for having amenities in same building (ie, Kmart, Walmart, etc). While convenient for tenants, it does not support the concept of selection/variety and it poses risk over time that that one business (and multiple services) could close or be relocated….eventually, that happens to many big box stores. Kmart is esp weak right now.

*Amenity Direction Maps — Google Maps does not always cooperate. Sometimes there is no ability to adjust it to the particular route needed, especially when the starting or end point is interior, undeveloped land. I've seen times where Google Maps doesn't even recognize a road. I would request that an exception process be available in such cases — perhaps reviewed with an NCHFA staff member in advance to Prelim Apps.

*Credits Per Unit Average — Please consider further criteria that it not be just the credits per unit on Full Apps, but those Full Apps that pass threshold and underwriting viability review. Even better would be to take the top 90% as measured by total score of screened apps. Extremely low credits on an app that is not viable should not influence the average. The effect would be magnified if allowing 2 or more apps per property.

*Credits Per Unit Average part II — Please consider grading on a bell curve instead of linear. Being 10 or 15% below the average, though sounding benign, is a deeply discounted deal. Being in lowest 10 to 15% of apps, on the other hand, may not push developers as hard to stretch deals, though they will still push. The result may be more responsibly sourced but deals and generally strike a better balance.

*Olmstead points — the current language technically reads that targeted % of 1BR units be exact. Please clarify in the language whether the % of units are in ranges….for example, 5.00 - 7.49% = 1 point, 7.5 - 9.99% = 2 points, and 10.00% or more = 3 points.

*Two apps per property — I absolutely support one app per property. Two or more would become burdensome for the Agency and complicate/skew credits/unit scoring. Pick a plan and take your chances, as it should be.

*Applicant email — I'd like to suggest that the application system capture one or even two additional email addresses that would be CC'd on all NCHFA email correspondence to the Applicant. Often, information requests from NCHFA have short turn around times and the Applicant may be on vacation or otherwise indisposed. Having two or three people on copy would help everyone.

*Max costs/unit — the max cost/unit is unnecessary…competition factors will more than drive that down to lowest possible level.

*Zoning — per one developer's comment, zoning should NOT be required at Prelim App….having in place at Full App is the correct timing. The QAP criteria is not finalized until Dec so requiring zoning by Jan on sites would be absurd.

*OPEX mins — I believe there should be two sets of OPEX mins….one for dev paid water/sewer and one for tenant paid.

*OPEX taxes — I believe applicants need to show their real estate tax calculation (though I would not require a letter from tax assessor as they won't sign it). Some seem unrealistically low….I saw one for $5,000 on an 80 unit family property.

*Additional tax credit equity — I strongly support letting developers take ALL additional equity realized. I understand the rationale for the current policy, however, this was in place BEFORE the current policy of lowest credits per unit that ultimately — and not really by the developer's choice — drive aggressive numbers. There are few, if any, other ways to realize significant favorability on a deal to offset the significant downside risk after awards are announced — especially now in an environment of rising construction prices. Developers need some sort of upside facility.

*Additional equity timing — If NCHFA keeps current policy to take back part of additional tax credit equity, then I strongly support changing the timing of such. Analyzing and taking back additional equity realized after awards but before bidding and additional refinement is completed is too soon in the process. This is simply making key decisions on partial information in a way that creates only downside and no upside or offset for developers. Instead, taking back additional equity should be done when the change request is submitted to sign construction contract and costs — esp site work — are much more accurate. We apply for it with our best efforts and judgement and NCHFA agrees…let it be there until it's known with more certainty that it's not needed. Everyone's writing in big deferred fees now anyway….please don't penalize further.

Regards,

Stephen