Chris Austin

From: Holly Douglas [holly@hollidaydev.com]
Sent: Friday, August 22, 2014 1:35 PM
To: rentalhelp
Subject: Comments for 2015 QAP

To Whom it May Concern:

Please accept the following comments under consideration when revising the 2015 Qualified Application Plan.

1. For the past few years, the determinant of awards has been lowest credits per unit. This has in essence created what many describe as a "race to the bottom", with developers competing to thin construction numbers and make aggressive assumptions to win a deal. Meanwhile, the costs of construction has steadily increased as the multifamily sector has surged back. It will be several years before the impact of this policy may be seen in construction quality- but ultimately this rule creates a situation in which developers are pushed to choose the lowest bidder and continue to look for ways to cut corners to get hard cost numbers down. Additionally, this makes the land price a critical component of the deal's chances to be funded. You can only push construction numbers so low and stay within QAP guidelines, and you can only defer so much fee- so ultimately the next cut comes in land price. Sites in better locations within the market will be passed over for those in lesser location due solely to price. Smaller deals lose out to larger deals because the economies of scale aren't present, perhaps encouraging developers to propose more units than the market can really bear or avoid smaller/rural markets where a larger deal isn't feasible- even if a smaller one could benefit the community.

   I believe these are all unintended consequences, and I understand the desire for more efficient use of resources. However, to make this the **sole** determinant of whether a deal is funded or not will ultimately hinder the quality of proposals both in terms of scope and location within the market.

2. Given that risk of lower equity pricing, higher perm and construction financing rates, increasing construction costs, etc. are fully passed through to the developer, it would seem logical to allow the developer to take full advantage of higher equity pricing if they're able to obtain it rather than capping the advantage at $150k. We do our best to make intelligent assumptions, but market conditions can change greatly from the time final apps are submitted to closing. The downside can be much greater than this number, so why is the upside capped, even when it's clearly needed?