Dear Scott and Chris,

Greenway Residential Development has the following comments regarding the proposed revisions to the First Draft of the 2018 QAP posted July 31, 2017:

1. **Principal and Project Award Limits:** At the current project size limit for the Metro Region, the 2017 tax credit award limit of $1,000,000 was insufficient to support a project with 120 units. Consequently, the Metro credit award limit needs to be increased to $1,200,000. Given the need to increase the maximum award for the Metro counties and comments below regarding not reducing the "Small Town" unit size to 48 units, the principal maximum should remain at $1,800,000 or be increased to better account for Metro projects.

2. **Agency Designated Basis Boost:** This is a good idea to reinstate at this time.

3. **The distance for maximum amenity points in a Small Town has been reduced to 1.5 miles**: While this is a definite step in the right direction, sites in "Small Towns" should compete directly with sites in the rest of the state. From participating in SCSHFDA's tax credit program every year where there are more amenity points than North Carolina and where no preference is given to small towns, it is just as hard to find a site in a "small town" as in a larger municipality. Sometimes it is easier to find higher scoring sites in small towns because the amenities in town are obviously closer together. Where large municipalities would have a scoring advantage over small towns is if more than one of the same amenity type could be counted for points.

4. **Project Size:** Project size should be dictated by the local market (market study) and not an arbitrary unit cap. Many markets across the state with less than 10,000 people can easily support a project greater than 48 units. I have personally been involved in many projects over 48 units in small towns in North Carolina that are all performing fine. In one instance this even involved developing 192 units (three phases) in a town with a population of 5,000 people. All phases are still preforming fine. Another problem with a 48 unit project is it is hard to staff (part-time site manager and maintenance person) and in many cases economic feasibility suffers on a project this small. In instances where the market in a "small town" will support more than 48 units, fewer viable sites can be considered in that market due to the restriction on project size to only 48 units.

5. **Credits Per Unit Average:** Changing the calculation of the federal tax credits per low-income unit from 5.0% to 2.5% and from 10% to 7.5% below the average creates too narrow of a band when site work costs are taken into consideration. Most projects are more likely to fall into a

more narrow cost band when compared on just the cost of bricks and sticks alone. However, a project with a challenging site coupled with off-site requirements from a local municipality would have a more difficult time competing. **General Comment:** Since the credits per unit scoring was a primary factor in receiving an award in 2017, the randomness of this scoring process needs to be reconsidered. Is this really the best way for projects to compete for tax credits?

6. **Applicant Bonus Point:** When the advantages and disadvantages of this point scoring criteria are weighed, it seems another unknown factor created by a point scoring category has emerged. I do not want to lose a good project based on where someone else decided to take a bonus point. The applicant bonus point could also shore up point scoring disparities between projects creating more instances to utilize the tie breakers instead of fewer instances.

7. **Operating Expenses:** Minimum per unit operating expenses should at least be increased $200 per unit.

8. **Operating Reserve for Tax-Exempt Bond Projects:** As we all know tax-exempt bond projects are much more dependent on debt than equity when compared to a 9% tax credit project. Given that most new construction tax-exempt bond projects are much larger than 9% tax credit projects, increasing an operating reserve from 4 to 6 months has a much greater impact on the economics of the bond project. When the burden of this additional reserve requirement is placed on a tax-exempt bond project, the project has to incur much more debt relatively speaking to a 9% project to fund the operating reserve. So while it may appear increasing the reserve will make the project sounder, it actually could be less sound due to the corresponding increase in debt. More debt means higher rents for the project and less market advantage which is imperative for the ongoing success of a tax-exempt bond project.

Thanks,

Brad Parker