

Chris Austin

From: Traci Dusenbury <tdusenbury@halconcompanies.com>
Sent: Thursday, September 21, 2017 10:50 AM
To: Chris Austin
Subject: 2018 QAP comments

Chris,

Thank you, as always, for your and staff's thoughtful consideration of changes in the First Draft of the 2018 Proposed QAP.

Regarding this draft of the 2018 proposed QAP, I have the following comments:

- 1) I agree with the 1 bonus point per developer.
- 2) I agree with reversing the 2 tiebreakers.
- 3) To help cash flow, please consider changing the tenant rent levels for RPP to 2 points for 10% at the lowest percentage level, 30% for high income counties and 1 point for 5% at 30%, please do this for low, moderate and high income counties. This will help the projects work better and enable us to distribute units between 50% and 60% more easily.
- 4) Please only increase the minimum operating costs by \$200/unit if you decrease the required replacement reserves to 3% instead of 4%. I cannot make my projects work with the additional operating costs and cap on deferred fee. Even if you don't increase the operating costs, I would urge you to decrease the replacement reserves to 3% as many lenders I have worked with are fine with this and it enables us to increase our permanent loans/leveraging.
- 5) Please consider increasing the WHLP for a high-income county to 8% or a maximum of \$800,000. I ran numbers for an 80-unit project in a metro area and it would not work with all of the new parameters, with only 25% deferred fee, and without additional WHLP or RPP. You could say a maximum of the lower of 8% or \$800,000 minus any local government contributions you get. This way the money will go further and the projects that can't get local government funds can still be feasible. We already discussed that all metro counties are not equal.
- 6) Please eliminate the restriction on small towns only having 48 units. These small projects are very difficult to make work in areas with very low rents. Please increase this back to 80 units and let them be competitive if the market study says the project is feasible. At a minimum, make this a much higher number (72 units). In looking at submittals, most projects that had 48 units were in larger markets (Cary, Charlotte, Raleigh) with higher rents. Deals that were funded in small towns ranged from 60-72 units.
- 7) Please let amenities for small towns stay at 2 miles. This requirement will be more difficult every year to meet and we may lose good projects/sites, when 2 miles is more than sufficient for residents who want a high-quality, affordable home. In a small town, 2 miles is excellent. From what I've seen, it's sometimes more difficult to find a doctor's office or park/school, so 2 miles was perfect. I would also like for you to add another "service" for 3 points as I believe it's beneficial to have more services close by than some of the other things listed. For instance, a convenience store/gas station, multiple restaurants and a bank are more beneficial to my family as we visit those daily vs. a doctor's office that you only visit hopefully once a year.
- 8) Please consider increasing the developer fee to \$13,500/unit and to 30% of PDC for rehabs. All of the fees for NCHFA increase on an annual basis, so may be a good idea if the developer fee per unit is also increased equally especially as projects are being limited for developers.
- 9) If you still want to cap the amount of additional credits developers can receive based on current market pricing at the time of award, please at least consider letting developers keeping up to \$200,000 in additional credits this year, especially since these past few rounds have been extremely tough on the development community. If they receive less, they must suffer those consequences as well.
- 10) Question of clarification, under V.B.4. Shouldn't the first point have "or" at the end as folks who are part of an application, once placed in service can become Applicants in their own right? Or would this fall under the last sentence, the Agency will determine who can be considered involved?

11) I'll leave the construction maximums to the construction professionals to comment on.

12) I agree with separating out the building permit costs. (although please note local governments will not give letters or estimates of these until you have submitted the final plans), so estimates will have to be based on current plans and published local government fee charts.

Thank you for your consideration.

Traci



Traci N. Dusenbury
Developer / Owner

(804) 320-1367 office
(919) 741-9328 cell
(757) 257-2272 fax

tdusenbury@halconcompanies.com
14313 Derby Ridge Court, Midlothian VA 23113

development | real estate | consulting