

Chris Austin

From: Stephen Drake <Stephen@broadcraftconstruction.com>
Sent: Saturday, October 21, 2017 10:38 AM
To: Chris Austin
Subject: 2018 QAP Concerns

Mr. Chris Austin,

I hope you are doing well. I wanted to bring up a few very important concerns I had regarding the 2018 QAP and recent revisions.

First I feel the maximum project development cost is too low, even with the recent revision to increase to \$73,000. I urge you to consider moving this number upward to at least \$75,000. Costs of materials have jumped significantly and so has labor. I am pricing projects right now and costs to build have escalated at a rate I have never seen. Leaving the project maximum at \$73,000 will very likely create shortfalls and issues with getting quality projects built in the 2018 round.

Secondly, I am concerned with the points awarded in Section IV.F.2. "Credits per Unit Average Calculation". This creates a situation where developers will most likely push general contractors quoting jobs to builder cheaper than reasonably possible and this will very likely mean compromised construction quality and using subcontractors that are honestly not qualified to execute their scopes of work on a project. I would also like to state that using these unqualified subcontractors will not only result in compromised quality, but could also create project delays in completing the project which could be very painful in the end for developers and general contractors alike. On the developer side of the coin I think this point system will create overly aggressive proformas and a situation that is much like a race to the bottom. Construction costs are incredibly dynamic right now and I can see developers and contractors providing aggressive numbers during the application process only to see a cost increase, perhaps a significant one, just before actual construction. I know it is important to the Agency and all of us wanting to provide quality affordable housing in NC to get the most bang for the buck out of the tax credit pool, but I feel that using this point system creates more problems than benefits. So long it is known by developers and contractors both that award decisions will be weighted strongly (perhaps note this in Section 1.A "Selection Criteria"?) on efficient use of tax credits perhaps there would be no reason to have a point system.

Respectfully yours-

Stephen Drake
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