THE PENDERGRAPH COMPANIES

DEVELOPMENT ▪ CONSTRUCTION ▪ MANAGEMENT

Comments to the draft 2018 QAP 10/27/17

1. There must be a mechanism for dealing with the 2016 tax credit awards that are struggling with increased construction costs. The additional credits allocated in early 2017 only addressed the tax credit pricing and interest rate issues. Now those developments are facing the tremendous increase in construction costs. The best option would be that those applications receive up to $125,000 additional credits per project (from the 2018 pool) to assist in covering the increase in construction costs. Whatever additional credits are received would count against the developer in 2018 and reduce their credit cap, similar to how the additional credits allocated earlier in 2017 counted against the developer cap for 2017.

2. There should not be a requirement that developers who received 2016 credits re-apply for 2018 credits. The 2016 and 2018 QAPs are substantially different (mileage, poverty rate, targeting etc…), and the county cap and developer cap also come into play. Developers who received 2016 credits have likely already purchased the land (some with NCHFA carryover loans and some with other types of loans) and have already either received various permits or have otherwise been working with the cities, counties and permitting agencies.

3. There is no doubt that construction costs (materials and labor) have risen drastically due to storms, hurricanes, fires etc... In 2018, the floor for hard costs should be $73,000 per unit and the ceiling should be $80,000 per unit.

4. The points for average credits per unit should in no way create any downward pressure on construction costs entered into in the tax credit application. Any downward pressure (like the verbiage in the second draft of the 2018 QAP) results in averages that are much lower than the true cost to build the units. The verbiage in the 2017 QAP, although not perfect, is much better than the verbiage in the current draft of the 2018 QAP.

5. The discretionary 1 point per developer should be removed. It diminishes competition, the best developments do not necessarily get awarded and may result in lower quality developments.

6. The number of units funded each year should be less important than the financial feasibility of the unit. Quality is better than Quantity. Or at least a Quality/Quantity balance is better than pure Quantity.