

Richard Angino – Third Wave Housing

Credits per Unit - Leave the 2017 QAP 5.0% or increase it to 7.5% for the credits per unit when comparing to averages

Per my prior comments related to the credits per unit points, I thought it would be helpful to show the numbers behind the logic. I am attaching an analysis for two counties which are in the same Income Designations (high, moderate, low), so they have access to the same tools. The only difference is the county Area Median Incomes and the resulting allowable rents which lead to the maximum loan amounts. The only way apples to apples properties in these counties with the same Income Designations can make up the difference is by asking for more credits which results in more credits per unit and less “Credits per Unit” points.

In this example, you will notice that only a \$1,000 difference in AMI’s results in a shortfall which requires more than 3.5% of extra credits to make up the difference. As you are aware, some of the counties within these Income Designations have differences in AMI’s which can be more than \$10,000. In the central region for example, the High Income Designations ranges from \$58,100 to \$80,200.

Making the percentage too narrow for these Credits Per Units points favors the metro bedroom counties since they tend to have the higher median incomes within these Income Designations. This leaves many of the less affluent counties at a distinct disadvantage which means they need to reach for higher risk debt and equity options to make up the difference in order to have a chance to win an allocation of Housing Tax Credits which I don’t believe is NCHFA’s intention.

Please feel free to call me if you have any questions.

Margin For Credits Per Unit

Assumptions:

| | | |
|-----------------|----|-----|
| Number of Units | 80 | |
| -One Bedroom | 20 | 25% |
| -Two Bedroom | 40 | 50% |
| -Three Bedroom | 20 | 25% |

| | | |
|----------------------|-------|----------------------|
| Loan: | | |
| -Rate | 6.25% | |
| -Amortization | 30 | |
| -Debt Coverage Ratio | 1.2 | * debt based on this |

| | | |
|----------------------|-------|-------------|
| Expenses Per Unit: | | |
| -Operating Expenses | 3,600 | |
| -Taxes | 250 | |
| -Replacement Reserve | 250 | |
| Total Expenses | 4,100 | 342 Monthly |

| | |
|-------------------|------------------|
| Utility Allowance | Total UA-Monthly |
| \$ 75 | \$ 1,500 |
| \$ 100 | \$ 4,000 |
| \$ 125 | \$ 2,500 |
| | Average |
| | \$ 8,000 |
| | \$ 100 |

| | |
|---------------------------|--------|
| Credit Assumption | |
| -Average Credits Per Unit | 10,000 |

Calculations for maximum loan amounts (shown as per unit):

| County | Median Income | 60% Max Rents | Less: UA | Collected Rent | 7% Less: Vacancy | Less: Expenses | NOI | Debt Service * | Loan Amount | Per Unit Difference |
|------------|---------------|------------------|----------|-------------------|---------------------|----------------|--------|-------------------|----------------|------------------------|
| County One | 56,000 | \$ 754 | \$ (100) | \$ 654 | \$ (46) | (342) | \$ 921 | \$ 768 | \$124,710 | |
| County Two | 55,000 | \$ 741 | \$ (100) | \$ 641 | \$ (45) | (342) | \$ 895 | \$ 746 | \$121,191 | (\$3,519) |

Calculations for the resulting extra credits to make up the difference (shown as per unit):

| | |
|---|-----------|
| Loan Difference: | (\$3,519) |
| Credits to Make Up Difference | |
| Extra Equity Needed | \$3,519 |
| Equity Pricing | \$ 0.95 |
| Extra Credits Needed (Annual) | 370 |
| Average Credit Per Unit | 10,000 |
| Percent of Credits Needed to Make up the Difference | 3.7% |

Underlying Calculations

| | | | | | | | | | |
|------------------|-------------|--------|--------|--------|---------------|-----------|-----------|-----------|----------|
| Tenants | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Factor (60% AMI) | | 0.42 | 0.48 | 0.54 | 0.60 | 0.65 | 0.70 | 0.74 | 0.79 |
| County One | Max Incomes | 23,525 | 26,899 | 30,273 | 33,600 | 36,309 | 39,018 | 41,679 | 44,388 |
| County Two | Max Incomes | 23,105 | 26,419 | 29,733 | 33,000 | 35,661 | 38,321 | 40,935 | 43,595 |
| Max Rents | | 1 BR | 2 BR | 3 Br | Monthly Rents | | | | |
| | | 1 BR | 2 BR | 3 Br | 1 BR | 2 BR | 3 Br | Total | per unit |
| County One | | 630 | 757 | 874 | \$ 12,606 | \$ 30,273 | \$ 17,477 | \$ 60,356 | \$ 754 |
| County Two | | 619 | 743 | 858 | \$ 12,381 | \$ 29,733 | \$ 17,165 | \$ 59,279 | \$ 741 |

| | | | | | | | | | |
|------------------------|-------|---------|-------|-------|-------|-------|-------|-------|--------|
| AMI Factor Calculation | | 60% AMI | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 AMI |
| Cabarrus County | 29700 | 33960 | 38220 | 42420 | 45840 | 49260 | 52620 | 56040 | 70,700 |
| | 0.42 | 0.48 | 0.54 | 0.60 | 0.65 | 0.70 | 0.74 | 0.79 | |