

## Chris Austin

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**From:** Flanagan, Brian <Brian.Flanagan@rbc.com>  
**Sent:** Friday, September 01, 2017 3:29 PM  
**To:** rentalhelp  
**Subject:** 2018 Draft QAP Comments

RBC Comments of the First Draft of the 2018 QAP.

Section IV – Site Amenities. Please consider increasing the driving distance to amenities by .5 mile - 1.0 mile. Real Estate prices are increasing across the State as LIHTC developers are continually competing with developers in every asset class for sites. The increase in driving distance will allow more sites to score and will still attract investor's interest.

Cost per Unit – I honestly don't know the right answer here. Should the Cost per unit increase more than \$2,000/unit from last year, should there only be a Cost per unit Floor or should Counties in your High Income designation have their own Cost per Unit? We asked one of our 3<sup>rd</sup> party construction inspection firms to summarize the issues they're seeing in NC. Their response is Construction Costs have increased 6% - 8% (overall) over the past year and current conditions are driven by:

- a. NC is experiencing a surge in new construction activity in across most asset types, especially Multi-Family, mostly in Metro areas but the effects cross into Suburban and even Rural Markets
- b. The labor forces historically utilize immigrant workers who rely on their ability to return home and reenter the US. Due to the crackdown on illegal immigration the number of immigrant workers are down significantly due to their inability to travel in and out of the US.
- c. The ability to obtain materials has also become more difficult due to a lack of labor force, abundance of new projects and inability to keep up with demand; further increasing the cost of construction, general conditions, site maintenance and overhead.
- d. New and/or revised Zoning, building, life-safety and handicapped accessibility codes are further inundating projects with increased requirements, delays and costs.

Operating Reserves – with increased leverage ratio and must-pay debt service obligations on 4% deals we agree with your change to bring the Operating Reserve to 6/6.

Thanks,

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