Chris Austin

From: stephen@brockvi.com
Sent: Thursday, August 31, 2017 4:44 PM
To: rentalhelp
Subject: 2018 QAP comments

All, below are my comments re the first draft of the 2018 QAP.

Points of Emphasis

Credits Per Unit Avg: being within 5.0% is smart policy and confirms responsible and realistic project design by being within a reasonable tolerance….2.5%, however, is just lucky and most awards should not come down to blind luck. It is an unreasonable tolerance as it does not account for a valid range of normal project costs with normal and acceptable site/condition variations that are out of the developer's control. Often, scale/unit count is also out of a developer's control due to site size and allowable density. Further, a 2.5% vs 5% range does not equate to a significant number of extra funded deals/units. Please eliminate 2.5% level.

Applicant Bonus Point: This too would be another wild card turning this whole thing in to a lottery instead of earned….it's not how I want to lose. Please eliminate.

Income Targeting: Current income targeting is too deep. Some units' rents don't cover their OPEX per unit share (esp with proposed increased OPEX mins) and are a major drag on DCR, thus using more credits (and less deals). I suggest reducing by half of current levels, especially in light of lower credit pricing and potentially increased OPEX mins. Or, at least push some of the 30% and 40% AMI units up to 40% and 50% respectively.

Site Score - Secondary Amenities: Points for "Retail" (shopping centers only) should be increased by 3 points as they offer multiple services…more is more. Likewise, "Services" should be broken up in to separate scoring line items for each of bank, restaurant, and gas station with convenience store. For each of these items implemented, I would suggest increasing max Secondary Amenities point level accordingly. If none of these are implemented, I suggest increasing max Secondary Amenities to 14 or even 16 points anyway as 12 is relatively easy to achieve.

Other comments

Developer Cap: I think any Principal who took extra credits to help one of their 2016 deals should be limited to 1 deal in 2018….and no deals if they took extra credits on 2 or more deals. Or, simply reduce their cap by the amount of extra credits they took. It's not their fault, but they took more out of the 2017 pie and should pay it forward.

OPEX Mins 1: There should be 2 sets of minimums, dependent on who is paying water/sewer.

OPEX Mins 2: I do not support the $200 increase OPEX mins. If necessary, I suggest raising by $100 ….$200 is too much and has a drastic effect on DCR, credits, etc. Pressure must remain on management to run efficiently. If increased, I would also suggest putting some of the increase in to RRs.

OPEX Mins 3: Adaptive reuse that has no interior heated hallways should be at new construction OPEX minimums.

Basis Boost: I support this, especially in light of deep income targeting, increase in OPEX mins, etc. I might even increase to 30%….there's no harm if keeping credits per unit average points. New construction in certain counties such as Forsyth, Cumberland and Guilford where rents are lower than their Co Income Designation suggest are currently very difficult underwrites and could use perhaps all of the 30% boost just to underwrite.

Per Project Limit: keep Rehab per project limit at $1.0MM (or even higher). Rehab projects have more variation and fixed parameters (unit count, building and site conditions, etc). Flexibility should remain to allow larger deals in need of deep rehab.

Prelim App Plans: Providing full elevations and floor plans at Pre App seems excessive. Architects work very hard to deliver these and then they change significantly. Perhaps it would be better to limit Pre App drawings to site plan (with stories on each building noted) plus typical elevations and unit floor plans for market analyst and other Pre App purposes. Let everyone concentrate on site plan at this stage as building plans will change.

Regards,

Stephen Brock