

Chris Austin

From: Jim Smith <jsmith@dugginssmith.com>
Sent: Friday, September 01, 2017 1:45 PM
To: Scott Farmer; Chris Austin
Cc: Murray Duggins
Subject: FW: Draft QAP

Good morning Scott and Chris.

First of all, Mr. Duggins and myself would like to thank you again for taking the time to meet with us and to hear our concerns. We know and understand that the agency is in a tough spot in regards to distinguishing one application from another. However, as we discussed, United wants competition to prevail, and if one application beats out another, it's merit based not happenstance. If the goal is to spread or distribute the awards to more developers then there is not much to say. Unfortunately, the result of the potential QAP changes will only serve to water down and nullify the expertise that many developers bring to the table. These are the developers that have been in the business for a long time, the developers in which affordable housing is all they do, and the developers that perform more than one part of the deal; i.e. development, construction, and management. These are the developers that due to the strength of their business model and their relationships with subcontractors and suppliers have been able to consistently deliver quality affordable housing for less than others. It's hard to argue the fact, that these past few years the agency has delivered more affordable housing units while still maintaining the quality. There is merit in making the credits go further and delivering more affordable housing, whereas, delivering less affordable housing with more developers seems questionable.

Please understand, that United is not adverse to more developers being involved, losing a deal, or not getting a deal at all. Obviously, there is much time, energy, effort, and resources committed to pursuing a deal, and we want to earn our share of the awards, yet would prefer not to lose a deal just because. Therefore, the following are United's comments and suggestions in regards to the first draft of the QAP.

- United would like to see the 2.5% of average not materialize, as this becomes so narrow, that it becomes a crapshoot. We would also recommend that the (2) points for being within 5% of the average be modified to include 7.5% below the average. So a developer would receive (2) points if they fell somewhere between 5% above the average and 7.5% below the average. It seems a bit backwards that one would receive more points and potentially a deal by being 5% above the average to one who is 6% below the average. (once again, there is merit and benefit in freeing up more credits for the agency to produce more units)
- United would recommend that the one point applicant bonus point be removed (not merit based).
- United would like to see the cap remain at \$1,800,000 and the per project max also remain at \$1,000,000.
- In regards to the project size, if deemed a small town, United would like to see that the max. size moved to 64 units. Market should decide the amount of units, however, we understand that there is a distinction between the metro and the other regions already, from 100 units to 80 units. Therefore 64 units represents 80% of the 80 unit max in the other regions, as does 80 units represent 80% of the max for the metro.
- In regards to the min. expenses being raised by \$200, United would recommend that the agency would have the flexibility to determine a lesser amount if a management agent can show portfolio wide a lesser amount.

If you should have any questions or comments, feel free to email or give me a call at (910)485-6600.

Thank you for your time and consideration.

Sincerely,

Jim Smith
Murray Duggins

From: Jim Smith
Sent: Monday, August 14, 2017 2:18 PM
To: 'Chris Austin' <claustin@nchfa.com>
Cc: Murray Duggins <mod@murrayduggins.com>; Scott Farmer <bsfarmer@nchfa.com>
Subject: RE: Draft QAP

Thank you Chris!
This works just fine. We know your time is valuable, so we will be brief.
Thanks again and take care.
Jim

From: Chris Austin [<mailto:claustin@nchfa.com>]
Sent: Monday, August 14, 2017 1:56 PM
To: Jim Smith <jsmith@dugginssmith.com>
Cc: Murray Duggins <mod@murrayduggins.com>; Scott Farmer <bsfarmer@nchfa.com>
Subject: RE: Draft QAP

Jim,
We have you scheduled for next Tuesday, August 22nd at 10:30. If that time doesn't work for you please let me know.

From: Jim Smith [<mailto:jsmith@dugginssmith.com>]
Sent: Saturday, August 12, 2017 1:55 PM
To: Chris Austin <claustin@nchfa.com>
Cc: Murray Duggins <mod@murrayduggins.com>; Scott Farmer <bsfarmer@nchfa.com>
Subject: FW: Draft QAP

Good afternoon Chris.

We are pleased with the award of McArthur Park and, as always, very appreciative of the good work that NCHFA does. I know that the new QAP is just the initial draft, however, I wanted to see if you could spend a few minutes with Mr. Duggins and myself, at your convenience, the week of August 21st. As we discussed before, the piece of the QAP that deals with the average or "sweet spot" is a concern for us, however, looking at the potential changes to the QAP in the initial draft, that now contemplates another point for being within 2.5% of the average is a real concern for us. Therefore, this is such a concern for us that we would like to share our concerns with you and Scott or Suma or anyone else that you feel necessary. The idea that one development that is 2.5% over the average would outscore another development that is 3% under the average would defy logic...this would be splitting hairs and make our award process a total crapshoot. If this sounds farfetched, it's not. This is exactly what happened to us this past cycle. We submitted two deals, one in Fayetteville and one in Zebulon. We submitted them both with exactly the same site and construction numbers, however, our Zebulon deal had a little less cost in fees than our Fayetteville deal, which resulted in Fayetteville at \$10,417/CPU getting two points and Zebulon at \$10,031/CPU getting one point.

Thank you for your time and consideration, and we look forward to hearing from you.

Jim Smith