## Chris Austin

**From:** stephen@brockvi.com
**Sent:** Sunday, August 19, 2018 9:14 AM
**To:** RentalHelp
**Subject:** 2019 QAP Comments

To NCHFA Staff and Board:

I am writing to express support for the first draft of the 2019 QAP. This draft represents the least amount of change from the previous year that I can recall. Over the years, I have said that settling in on stable policy and competition parameters is important and extremely valuable to developers as they can pursue properties and know they have a good likelihood of being competitive from one year to the next. So much of what we (and perhaps more importantly, our partners such as realtors, municipalities, architects, etc) pursue as potential development is ultimately unproductive and this greatly helps.

Of course, the Agency should embrace change when the economy or other circumstances warrant it. However, the economy is steady and this is a good time to reflect stability as shown here. Major changes should be given 2 years notice, if/when possible.

Specific items:

**Developer Bonus Point** — I strongly support this as it gives developers a bit more control of their destiny when so much of it (the site itself, zoning density, impact fees, UAs, costs, rents, etc) is outside of our control.

**CPU Avg Points** — I also support the Credits Per Unit Avg points. This lets the collective market tell us (and reward) what the normal, responsible range of development costs are. It rightly penalizes overly aggressive, lowball numbers and irresponsibly high costs. However, I do not believe 4% and 8% are the right levels….5% and 10% seem right. While these are 1 and 2 percentage point changes, they are really 20% tightening of the range. **Moving to 4% and 8% won't change any developer's behavior or decisions at all** b/c the same forces still apply. Instead, it will just be a tighter, crueler line that penalizes some in a more random fashion even though their costs/credits are still in a responsible and realistic range. I strongly urge the Agency to go back to 5% and 10%….we have a lot of constraints on what we design and the CPU Avg points keep adequate pressure on costs. With that pressure already in place, I believe we just need to keep rewarding developers who are in line. As an alternative, I could see doing 8% for 1 point but keep 2 points at 5%.

**OPEX** — I believe the min OPEX of $3,800/unit for adaptive reuse should be modified to consider non-historic buildings that have no (or minimal) interior, heated corridors. Such buildings do not have higher operating costs than a new construction project and as such should be assigned to the $3,600/unit min level. This could be especially helpful on the 4% side. Keep the $350/unit RR, if necessary.

**Small Town Scoring** — I've never supported this concept and now, especially see no reason to increase max distance to 2 miles. 1 mile is still 1 mile and 2 miles is still 2 miles, regardless of where you live. In my experience, a town of 10,000 or less is a small geographic area and, for these purposes, not really any different than a commercial node of a city or suburb where retail amenities are clustered. Further, they are, by definition, not rapidly growing or overly developed areas. Hence, there is usually plenty of very affordable land around the supermarket and still within 1 mile of the other amenities.

If Small Towns are allowed this extra distance, perhaps they should be limited on number of units per development to 40 or so to reflect their inherent nature and ensure they don't start to take a disproportionate toll on larger areas.

Best,

Stephen Brock
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