

Chris Austin

From: Greg Mayo <gmayo@CAHEC.com>
Sent: Wednesday, January 25, 2017 11:39 AM
To: Chris Austin
Subject: 2017 QAP Amendment for 2016 Awards

While appreciative of NCHFA's efforts to assist projects awarded in credits in 2017, I request that NCHFA reconsider section H. (e) and the requirement for a minimum deferred developer fee of 25%. Increasing the deferred developer fee beyond amount in the original application is contrary to the goal of attracting and securing investor equity for these projects. From an investor's perspective, the developer fee is viewed as a contingency that can be used to offset construction costs, to support operations during lease-up, and to resize permanent debt for interest rate increases or lower than projected net operating income. Investors are acutely aware of rising construction costs and interest rate swings and are seeking investment opportunities with a lower risk profile. By increasing deferred developer fee, NCHFA is potentially increasing the risk associated with the project. Riskier projects may not find equity in the current market or receive equity offers that are discounted for the risk. The repayment of the deferred developer fee from cash flow will also reduce the tax benefits delivered to investors thus requiring a further reduction the equity. Please also note that the investor underwriting does reflect actual construction costs, not just the application costs, which means that the investor underwritten deferred developer will be higher than NCHFA's calculation since construction costs are trending higher than the application numbers.

For the above reasons, I encourage NCHFA reconsider the requirement for a minimum deferred developer fee of 25%. I believe that the deferred development fee requirement undermines efforts to attract equity for these projects.

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