Tara Hall

From: Cathy Connors <cathy.connors@solsticepartners.net>
Sent: Wednesday, August 11, 2021 10:55 AM
To: Tara Hall
Cc: Scott Farmer
Subject: 2022 QAP

Hi Tara,

Hope you are well!

I would like to share some thoughts on proposed changes to the 2022 QAP and would like them to be considered during the overall review of the QAP for 2022.

> I think it makes sense to have a separate credits per unit calculation for projects that are located in QCTs or DDAs and qualify for 130% credits. The reason is pretty simple. The projects that are located in the QCTs or DDAs typically NEED those extra credits to make the deal viable and why the 130% boost was enacted in the first place. But, the way the QAP reads now, all projects, regardless of whether you are in a DDA/QCT or not, compete in the same pool and so if you ARE in a QCT/DDA, you MUST cut your credit request in order to compete with all of the projects. What happens is that knocks a lot of good projects that are needed in rural, hard to develop areas, completely out of the competition. If the projects in each region were separated by 100% credits and 130% credits and they competed against each other, it would allow: 1) the projects that are entitled to the 130% credits to keep and use those credits; 2) allow more projects in the rural and hard to develop areas to compete fairly; and 3) spread the allocation of tax credits into areas of the State who are now getting shut out through no fault of their own. Because most of the areas that are able to receive the 130% have a very low median income, and therefore, very low rents…you absolutely need the 130% to make the deal work. The competition, from a credits per unit request, is more "apples to apples" if you separate the two from each other.
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> Another topic I would like to comment on is the developer bonus points. I know there is a lot of push back from the developer community to eliminate the bonus points, but I am in favor of keeping the bonus points. I, like many developers, have been doing this a long time and I have watched as different strategies have cycled through over the years. All of us are in pursuit of tax credit deal that will work and be an enhancement and bring beautiful, affordable housing to a very fortunate community. However, developers approach that goal in different ways. I have very good friends in the community who do NOT agree with my thoughts and that's okay. We have an excellent field of developers who have been doing this a long time and have produced great projects all over the state. Because we have such a strong field of developers, we all bring to the table very good projects each application cycle. I like that the developer fee points allow the developer to choose the project they hope to get funded by placing a point or 2 points on a project. We have all tried, for years, to come up with ways to lessen the tie breakers, but to date, we have not been successful and are still dealing with tie breakers every year. The developer points are a good way for developers to "pick" their favorite and then keep their fingers crossed. The developer points DO NOT guarantee an award, so I have always been and remain in favor of keeping the developer bonus point(s).
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> The 3rd and final comment I would like to make is regarding the sharp rise in construction costs and Section F.2. Credits Per Unit Average in the QAP. As you know, we are seeing construction costs like we have never seen before and they are staying, for the most part, at those high levels over a record number of months with no end in sight. Because of the craziness around costs, I believe developers are struggling to know what construction numbers to use in their proforma. Should we be conservative and use the high

construction numbers we know are realistic today? Or do we use more "normal" numbers and keep our fingers crossed the costs will come back down? I know a number of developers who are asking that same question so that brings me to the credit per unit average. Right now, you must be within +/- 4% of all other applications within the region in order NOT to get penalized and lose a point. Before the pandemic, I think it was a lot easier to know what numbers to use because we could look at our most recent construction contract, add a little cushion to be conservative and submit those numbers in the application KNOWING those numbers were as accurate as we could get in the current construction environment. Once the pandemic hit and the construction costs soared to heights we have never seen been, that all went out the window. If folks are being honest, I think everyone would have to admit they have NO IDEA what construction numbers will be realistic for many months to come. As a result, I would propose to eliminate the credits per unit average section in the QAP.

Thanks so much for your consideration.

Take care,
Cathy

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