

October 15, 2021

Credits Per Unit is Not a Race to the Bottom

Thanks very much for removing the average credits per unit and for spreading the principal points over two properties. That takes some of the lottery out of the allocations.

The lowest credits per unit is not a race to the bottom. I support the tie breaker of credits per unit since the race to the bottom concerns have already addressed by the QAP's after the 2016 debacle which the following changes:

- 1) Limits were added to the pricing of credits,
- 2) Minimum construction costs were added,
- 3) Threshold requires reasonable financing assumptions,
- 4) Requiring no more than 25% of the developer fee to be differed.

These QAP items do a great job since they all roll up into the sources and uses where the application needs to show less than 25% differed developer fee. If you apply those changes to many of the 2016 stuck deals, many of them would have worked.

If you want to be extra safe, you could add minimum credits per unit and minimum interest rate/terms assumptions for the debt. These small tweaks are items many in the industry could agree with.

I have been making the argument that with the QAP changes post 2016, the guardrails are in the system so I would suggest leaving the credits per unit as the tie breaker. As Scott always says, "how do you want to lose?" I would rather loose by someone producing good affordable housing with less credits provided the end complex best serves the tenants. That way the overall state produces more units of much needed affordable housing.

Any target number you pick to have us compete will result in the same requirement to try to be lower, higher or what ever other numbers means you win. It is just part of the competitive aspect of getting credits. The other routes leads to the old HUD allocation processes which came down to more of who you know and who you hire to pull the stings to get you allocations. I would rather stay with the competitive Section 42 allocations methods. My suggestion is leave in the credits per unit.

Sincerely,

Richard Angino

Third Wave Housing