TO: Scott Farmer and Staff, NORTH CAROLINA HOUSING FINANCE AGENCY

FROM: Brad Parker, GREENWAY RESIDENTIAL DEVELOPMENT COMPANY

RE: 2013 QAP Comments

DATE: OCTOBER 4, 2012

To follow are my comments on the draft 2013 NCHFA QAP. I know everyone at the agency has a tough job every year working on the new QAP and dealing with all the comments from the rest of us. I hope my following comments are helpful in your consideration of finalizing the 2013 QAP.

1) **ALLOCATION OF BOND CAP:** Under eligibility for an award, an applicant is required to restrict 10% of the rents and incomes to the 50% test or 5% to the 40% test. In the current environment, this is problematic for the economics of bond financed projects because these projects are much more income dependent than a 9% project. Without the availability of 100% of the units at the 60% income and rent restrictions, the amount of debt is reduced resulting in a deal that does not have enough cushion for investor interest. I would suggest that this requirement be removed for this year in hopes that pricing and other factors for bond projects would be more favorable next year.

2) **DESIGN SCORE/TIE BREAKER:** For 2013, I would like to see some relevance returned to the design score. I have always been very proud of the affordable housing I have developed in NC and felt that NC had an edge over many other states because of the good looking, long lasting projects being created for the ages. Furthermore, higher design standards are not only better for our residents, but also are very important in positively perpetuating affordable housing in North Carolina. I will provide a zoning example. When I am zoning a new site for affordable housing, it is very helpful that I can show the local municipality other well designed affordable housing projects Greenway has done in North Carolina and that the existing affordable housing projects look good in that community. Consequently, I will just like to see a little value returned to design scoring. I believe duking it out in tie breakers based solely on costs are going to result in an inferior product and then begin to create a negative perception of the North Carolina program. I just cannot emphasize enough how important it is to show local and state officials and attractive developments. This goes a long way for our program.

3) **Basis Boost:** My initial reaction to doing away with the basis boost is now more projects will get funded each year. So the first thing I did was analyze the impact removing the basis boost would have on projects I was considering for 2013. In addition, I developed some hypothetical proformas to evaluate the economic impact on projects in various North Carolina markets. In many instances this created a major gap that was barely covered by the reduced RPP amount of $800,000 per project. (This is further compounded by the potential decline in equity pricing.) In addition, this created projects that were 100% rent and income restricted at the 60% AMI and many times close to maximum rents. Perhaps I am missing the point and this year the Agency is steering tax credits to very select markets when compared to past QAPs. If so, I get it. If not, and the Agency wants to spread credits across the state, the basis boost might still be important to the economics of projects in many NC markets. I also found it is very hard to make an elderly project work in any market without the boost due to the lower rent limits that will actually be supported by a market study.

Thank you for your time and consideration. I would be happy to discuss any of these points further at your convenience.