



THE PENDERGRAPH COMPANIES  
DEVELOPMENT ■ CONSTRUCTION ■ MANAGEMENT

**MEMORANDUM**

To: Chris Austin and Scott Farmer

From: Frankie Pendergraph

Date: October 12, 2015

Re: **Comments to 1<sup>st</sup> Draft of the 2016 North Carolina QAP**

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1. Add language that for underwriting purposes, and for purposes of calculating credits per unit, the full development fee as calculated per the QAP will be used.
2. Add a requirement that the listed general contractor sign a certification that they have visited the site, reviewed the plans and that site and all construction costs listed in the TC Application are reasonable and sufficient.
3. Any increase in TC equity should not be analyzed (resulting in potential reduction of credits or other sources) until after permits and firm site bids have been obtained. We do not know the extent of local and state permitting agencies requirements until after the final tax credit application and award. These requirements can significantly impact site and infrastructure costs.
4. Owners and management companies should not have to ask for NCHFA permission to increase rents, if such increase is within the projected 2% annual increase as underwritten. Also, the rents for the first year of operations is often 2-3 years after the initial application when rents are established. Unfortunately costs are not frozen at that time and therefore rents should be allowed to increase at the 2% annual rate. First year real estate taxes are also an issue because County tax departments want to see a full year of operations as a Section 42 property.

Thank you for your consideration of these comments.