

**MINUTES OF THE PUBLIC HEARING
November 8, 2017**

The Idaho Housing and Finance Association (“IHFA”) held a public hearing in The Payette Room of The Hampton Inn and Suites at 495 S. Capitol Blvd., Boise, ID on November 8 at 9:30 a.m. The purpose was to hear comments on amendments to the 2017 Qualified Allocation Plan.

GUESTS PRESENT:

Kathryn Almberg	The Housing Company
Raquel Guglielmetti	Mountain West Bank
Blake Jumper	The Housing Company
Tim Lopez	El Ada Community Action Partnership
Bob Reed	Boise City/Ada County Housing Authority
Jennifer Rogers	The Housing Company
Mike Sanders	El Ada Community Action Partnership
Rick Skinner	Skinner-Fawcett
Nick Sutton	Mountain West Bank
Greg Urrutia	New Beginnings Housing
John Vance	Northwest Real Estate Capital Corporation
Cindy Williams	Idaho-Nevada CDFI

PRESENT VIA TELEPHONE:

Maryann Prescott	Whitewater Development
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STAFF PRESENT:

Diana Baker, Project Finance Program Assistant/Recorder
Greg Blake, Chief Information Officer
Jack Hawkins, HOME Programs Manager
Jeff Holmes, Housing Compliance Auditor
Katie Kilgrew, Housing Compliance Manager
Jeri Kirkpatrick, HOME Technical Assistance Officer
Cory Phelps, Vice President, Project Finance Department
Brian Poe, HOME Multifamily Finance Officer
Teresa Rickenbach, Multifamily Finance / Closing Officer
Rick Skinner, Skinner-Fawcett
Ernie Watkins, Sr. Multifamily Administrator

OPENING REMARKS:

Mr. Phelps opened the Hearing at 9:30 a.m. by introducing himself and welcoming guests. He explained that the purpose of the hearing was to take comment that specifically relates to the amended 2017 Low Income Housing Tax Credit Allocation Plan that is posted on the Association’s website specifically relating to Exhibit I. He provided background about the requirement in the 2017 QAP that required developers to use Housing Trust Funds to construct Permanent Supportive Housing units in order to receive 2 points. As applications were received and staff got into the details, they found that this requirement is in direct violation with certain HUD regulations. This was presented to IHFA’s Board and discussed. The conclusion was the Board was simply not comfortable with awarding the current round without fixing the inconsistency. Therefore, the proposed amendments are to simply remove the requirement to use Housing Trust Funds (“HTF”)

and put in special housing needs preference populations that will allow those applicants who relied on our guidance to continue to use the HTF or HOME funds. The last comment is also pertaining to affirmative marketing and outlines that Continuum of Care ("COC") cannot be used as the *sole* referral source for a project. The amendments to correct the inconsistencies are being done as outlined in Section 14 and consistent with IRS regulations. Mr. Phelps then opened the hearing for testimony.

TESTIMONY OF GREG URRUTIA:

Based on the language in the proposed 2018 Plan, Mr. Urrutia didn't know whether there is a need to expand the definition of Permanent Supportive Housing that includes transitional housing and how that impacts HOME funding. Together with wide expansion and clarification of the targeted population in the previously submitted applications with regard to amendments and modifications, he strongly believes this amendment should not provide opportunities to increase scoring or rankings under a tie breaker, and that no changes should be allowed to the tax credit requested amount for scoring purposes. He cautioned that timeliness is very important in addressing this amendment for two reasons: For some developers site control is a timing issue which could be expiring; and even more importantly, in the current construction economy it is the delayed ability to get projects to bid in the beginning of next year, which could significantly impact costing. There is also the unavailability of sub-contractors. In the Amendment, if you allow some modifications, please be very clear as to the information you need. If we are asked to modify our applications, do we do that with just a simple letter that is application wide, or do we need to go in and modify those sections of our application that would be changed. He supports the action to remove Continuum of Care as the only source of referrals for permanent supportive housing. There are a lot of sources for referrals that are not necessarily tied into COC that are worthy of consideration.

Mr. Hawkins provided insight in that HOME can be used for transitional housing as defined by HUD. It was the Permanent Supportive Housing definition that did not allow us to use HOME. Housing Trust Funds cannot be used for Permanent Supportive Housing as defined in Exhibit I. Homeless is not a preference as defined in the Consolidated Plan of 2015, only the other three, namely the 30% AMI, elderly or disabled. HOME has no problem using COC as a referral source; just make sure it is not your only source. Any other referral sources will take care of that issue.

To provide clarity, Mr. Phelps noted that the only changes that will be allowed are the changes that comply with these three specific amendments to Exhibit I. Mr. Phelps envisions a one page sheet being sent out that asks what preference population are you going use to continue to keep the HOME or HTF. This is not meant to allow people to change their applications outside of these three issues that we are correcting because of inconsistencies as revised within the QAP due to HUD regulations.

Mr. Phelps further explained that there were a number of applications received that chose to use HTF, and to be clear, if we don't make this amendment and allow you to come in with a preference population that is not allowable with HTF funds, we can't give you those HTF funds. Without making these amendments, we are basically requiring you to use a funding source you cannot use, because you can't use it as currently stated in 6.4.16 and Exhibit I due to the homeless definition.

TESTIMONY OF BOB REED:

Mr. Reed asked if HOME funds can be used as a source for homeless.

Mr. Phelps stated it cannot, but it can if it is transitional housing.

Mr. Reed asked for clarity regarding the homeless issue that HUD says is not allowed to be used for homeless.

Mr. Hawkins referred to the Consolidated Plan in which there are only three preferences and Homeless is not one of those, making that the issue. If the category Homeless had been a preference in the Consolidated Plan then it could have been used for homeless units, but it is not.

Mr. Reed explained that last year there were HOME funds allocated for the New Path development that is 100% homeless.

Mr. Phelps explained that New Path is defined as 'chronically homeless', which is a different definition than 'homeless'. In studying chronically homeless we think it will not be an issue, but we intend to follow up and get more guidance from HUD.

Mr. Reed felt the way the RFP was announced back then was in using the same definition we were all using this time around for the tax credit program and that they somewhat mirrored one another. He feels developers have been confused between 'Homeless' and 'Chronically Homeless with a Disability', but New Path was based on a homeless picture altogether.

Mr. Phelps agreed that IHFA is aware of that definition in the 2016 QAP, and is working through that.

Mr. Reed reiterated that developers are looking at the definition from last year thinking it was great, and New Path broke ground, and this year it is flipped around, but developers are looking at the same issue for which HOME funds cannot be used. His concern is that when given a plan at the beginning of an application round that is expected to be followed, they go through quite a bit of pre-development costs for the application, make the changes, and then later the scoring criteria is changed to accommodate a glitch. It can put some developers at a disadvantage by changing the Plan after the round has begun. The original Exhibit I said we had to comply with all of these issues, but now we can pick and choose what we want in order to make this thing work. He realizes it is a 'no-win' situation, but it does put developers at risk by changing it now in the middle of the game. Mr. Reed had a meeting later in the day to try and explain to his Board the fact that he just spent a ton of money on pre-development costs, but now the rules have changed which could very well bump his application out. He used an example of a round being in progress when he realizes he forgot two pages that should have been included, and there is no way IHFA will accept those two other pages. What is happening now is almost that same thing and the concern he has is that the rules are now changed and he is not sure of the impact it will have on him personally, or how many other people will be impacted.

TESTIMONY OF TIM LOPEZ:

Mr. Lopez provided very emotional and respectful testimony as to the change in not being able to use HTF funds to fund homeless units. He understands the need for consistency as far as regulatory issues are concerned, but he does not believe the change is fair. If there is a change that affects everyone across the board positively or negatively he would not be testifying. He described the effect of the communication sent out from Cory two weeks before the application deadline that explained a conflict between the Consolidated Plan and Housing Trust Fund dollars. This posed a challenge to some of the applicants and would be no problem if we had started the process with those changes. Mr. Lopez can support the regulatory change, but disagrees with the Housing Trust Fund change. He presented a paper that listed estimated scores with and without waivers as well as ranking, federal credits and credits per unit. In reviewing the second part of the matrix regarding post waivers, it is apparent the change took away the level playing field for

possibly two applications. He felt it also gave a very distinct advantage to other applications that probably did not score high enough to have gotten funding consideration before the change. Mr. Lopez did not accuse anyone of showing preferential consideration, but it is hard to not consider that as a possibility when it had that effect. He noted that he is not saying the change is wrong or illegal, but he does not feel the change is ethical, and feels there were other ways the discrepancy could have been fixed. These applications are very expensive to put together and are potentially fundable. He is shocked that in dealing with the large homeless problem in our city for years, that population did not happen to make it into the Consolidated Plan as a special needs population. That is an oversight which can be corrected. However, the QAP was specific on page 56 that to get those 2 points one must use HTF, and now other applications will move ahead all because of 2 points. Mr. Lopez hopes IHFA will consider whether the change is fair and implement the changes for the next funding round.

TESTIMONY OF JOHN VANCE:

Mr. Vance agrees with what other people said, and feels this process should not allow an opportunity to change ranking, especially when everyone knows they can possibly move up or down the list in ranking. If a project received the 2 points for the PSH units as their application was submitted, will that change anything if we choose to change from the homeless population to one of the other groups to keep our funding the same. He feels that simply checking a box is not really the full scope of what will happen, and it needs to be understood what kind of timing allows the developers to come up with new plans as far as the supportive services. He is not sure if seven business days is enough time other than selecting a category and putting together a proper plan in conjunction with IHFA.

A general comment from Mr. Vance was about the number of waivers and blanket waivers. He does not think it proper to be loose with the waiver process and that IHFA should give less waivers. He thinks it was clear shortly after the email from Cory that the intended amendment should have been the proper process, but if IHFA is not very stringent on the rules and the waiver process, the QAP rules are not really enforced on a level playing field.

ADJOURNMENT:

There being no further business to discuss, the hearing was adjourned at 10:01 a.m.

WRITTEN TESTIMONY FROM G. A. HAAN DEVELOPMENT:

This company writes in an unsigned letter that the Plan in its current form has required and encouraged the use of HTF and HOME resources to fund Permanent Supportive Housing targeted exclusively for homeless or potentially homeless individuals and families. However, HOME and HTF regulations limit the use of these resources to Special Needs Housing ("SHN") preference populations as identified in Idaho's Consolidated Plan, which does not currently include homeless persons as a preference population for permanent rental housing. Their letter cites HUD regulations with resolution to the conflict as quoted in the planned change to Exhibit I, Permanent Supportive Housing, in the QAP. Further quoting their letter, "While our organization understands regulatory conflicts, we feel this is merely a smoke screen for a discrepancy that could be resolved by clarifying the definition of the population the project will serve. Besides the regulatory conflict, why change the need to use HTF now?"

They state they are also in receipt of the document titled, "HTF Dollars Not Required in Constructing SHN Units in the August 2018 round that was sent on July 21, approximately two

weeks prior to the application deadline. They are concerned the document was not supplied concurrently with the clarifications, and it was received at a point in the application process when there was not sufficient time to make changes or decide whether to submit, as funds were already spent. They feel that receiving a document at the last minute that substantially affects the application process gives the appearance of preferential treatment to one or more applicants.

It is the intent of G.A. Haan Development to apply for funds on a fair playing field and they do not consider the process has been fair. They request IHFA go back to the original QAP intent, which G.A. Haan allows for the regulatory conflict to be adjusted, but would require the use of HTF/HOME resources for special needs housing populations. If IHFA fails to keep the QAP in its original form, they request reimbursement for their application cost.

They provided the same matrix supplied by Mr. Lopez which is included with their letter and made a part of these Minutes.

TESTIMONY FROM GREG URRUTIA:

Mr. Urrutia provided written testimony that compliments his earlier personal testimony. He thanked the Association for the opportunity to provide comments regarding the proposed amendments to Exhibit I of the LIHTC Qualified Allocation Plan, and appreciates IHFA's proactive efforts to adjust the plan to meet regulatory compliance requirements. Based on the language included in the proposed 2018 Plan, he asks if there needs to be an expansion of the category to include transitional housing. Also, because of a slight expansion and clarification of target population in previously submitted applications, this amendment should not provide opportunity to increase existing application scores and/or rankings under the tie breaker. No changes should be allowed to the tax credit requested amount for scoring purposes.

He stresses that timeliness is important in addressing the amendment because site control documents may be expiring, and in the current economy, delayed ability to get construction bids early next year will result in higher project costs and potential unavailability of subcontractors.

New Beginnings Housing asks that IHFA clarify exactly what information needs to be amended to address the change. Is a letter detailing a targeting change acceptable, or do all sections of the application need to be modified and replaced.

Mr. Urrutia supports broadening acceptable referral sources for the permanent supportive housing units which allows for the opportunity to affirmatively market the units and expand the potential beneficiaries. He is happy to visit with IHFA further regarding these issues.

WRITTEN TESTIMONY OF TOM MANNSCHRECK:

Mr. Mannschreck expressed his concerns regarding IHFA's proposal to retroactively amend the approved 2017 Qualified Allocation Plan to correct what the Association now perceives to be a small provision inconsistent with federal law. He cites his reasons as follows:

- a) The QAP has been carefully drafted by staff, thoughtfully gone over and commented upon by the development community which in Idaho is very positive in their relationship with IHFA staff,
- b) The 2017 Plan has been approved by IHFA's Board and signed by the Governor, as required by Section 42,

- c) In reliance on the approved 2017 QAP, all developers have made their business decisions regarding things relevant for the August 2017 applications which have been submitted, and including the availability of capital resources, and
- d) Developers have the expectation and right to rely on requirements set forth within an approved QAP.

The proposed change is now proposed to be made retroactively after all applications have been submitted, listing of the developers, the developments, self-scoring, and the IHFA resources requested. Anyone can view much of these applications. Mr. Mannschreck feels the proposed language allows a very short window of time for any developer who used capital sources of HOME and HTF to retroactively amend their applications, knowing they have the right to review information from all other applications already submitted which cannot be amended. He feels the potential for a funding result not consistent with the previously approved 2017 QAP seems very high and thinks there is a very high probability of developer dissatisfaction, with a potential for possible litigation if this proposal is implemented.

Mr. Mannschreck applauds IHFA for admitting that a provision in the QAP does not technically meet the legal requirements. He provided a possible solution to keep the integrity of the existing plan, as well the integrity of the 15 applications that were filed with complete reliance on the existing plan. His solution follows:

- a) Take the language proposed for the 2017 retroactive QAP amendment and include it in the discussion process for the 2018 QAP. In that way all developers and interested parties have the right to evaluate and comment, which is consistent with the requirements of Section 42 and the long established and correct business practices followed by IHFA.
- b) Underwrite the 2017 applications submitted which utilize both HOME and HTF as capital sources. If the applications meet all other requirements under the 2017 Plan, except for the disallowed capital stack components which would otherwise fund, consider a forward allocation of 2018 credits for those particular applications. In this way those who in good faith submitted their applications pursuant to the 2017 Plan are not disadvantaged.
- c) If IHFA chooses to make a forward allocation with 2018 credits for the applications in question, that fact can be publicized for the development community showing the decrease of 2018 9 percent credits, and all developers who did not utilize these two sources of capital will have plenty of time going forward to fine tune their business plans to meet the requirements of the 2018 Plan.

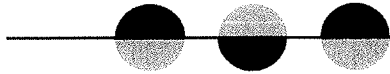
He cited an example in that The Pacific Companies, Thomas Development Co., and Northwest Integrity Housing Co. submitted the Cottonwood Meadows application in a round which did not fund. While the reasons for the non funding of the Cottonwood Meadows application was a form produced by IHFA staff to calculate development costs (the form was supposed to be in conformance with HUD 221 regulations and, in fact, was not), that set of circumstances led to a forward allocation to Cottonwood Meadows because of an inappropriate application of provisions of the then applicable Plan by IHFA staff.

It seems to Mr. Mannschreck that the HOME/HTF situation is somewhat similar and he strongly suggests the methodology he proposed regarding possible forward allocation, as opposed to the unquestionable disruption and possible litigation risk associated with the proposed retroactive amendment, is a much wiser course.

Mr. Mannschreck's comments are attached and made a part of these Minutes.

G.A. Haan Development

Solutions in Affordable Housing



November 7, 2017

Cory Phelps
Vice President, Project Finance
Idaho Housing and Finance Association
P.O. Box 7899
Boise, ID 83707-1899

RE: Celebration Acres Apartments

Dear Mr. Phelps:

Our organization is responding to an email you sent on October 24, 2017 about the Notice of Amended 2017 QAP.

From emailed sent on October 24, 2017:

The Plan in its current form has required and encouraged the use of HTF and HOME resources to fund Permanent Support Housing targeted exclusively for homeless or potentially homeless individuals and families. However, HOME and HTF regulations limit the use of these resources to Special Needs Housing preference populations as identified in Idaho's Consolidated Plan (CP), which does not currently include homeless persons as a preference population for permanent rental housing (see HUD regulations 24 CFR parts 92.253(d)(3) for HOME and 93.303(d)(3) for HTF). In order to resolve this regulatory conflict, the following amendment is being planned:

Exhibit I: Permanent Supportive Housing: (1) Special Needs Housing preference populations are to be separately defined as individuals and families with incomes at or less than 30% AMI, or elderly (one household member age of 62 or greater), or households comprised of individuals and families with at least one person who is disabled, or households comprising individuals and families who are homeless (assuming that no HOME or HTF funds are used); (2) The requirement to use HTF resources to cover SNH unit development costs is to be removed.

While our organization understand regulatory conflicts, we feel this is merely a smoke screen for a discrepancy that could be resolved by clarifying the definition of the population the project will serve. Besides the regulatory conflict, why change the need to use HTF now?

We are also in receipt of the document titled, "HTF Dollars Not Required in Constructing SHN Units in August 2018 Round (HTF)" that was sent on July 21, 2017, or approximately two weeks prior to the due date of the application. Our concern is that the (HTF) document was not supplied concurrently with the clarifications, and that it was received at a point in the application process when there is not sufficient time to make changes or decide to submit, as funds were already spent. Receiving a document at the 11th

P.O. Box 556, 380 Franklin Street #104; Harbor Springs, MI 49740
Voice: (231) 526-7380; Fax: (231) 526-7390; www.haandev.com



Equal Opportunity Employer/Provider



hour that substantially affects the application process, gives the appearance of preferential treatment to one or applicants.

It is our intent to apply for funds on a fair playing field and considering these developments this process has been anything but fair, we request IFHA goes back to the **original QAP intent, which we allow for the regulator conflict to be adjusted but would require the use HTF/HOME resources for SNH population.** If Idaho Housing and Finance Association fails to keep the QAP in its original form, we would like reimbursement for our application cost.

Estimated score WITHOUT Waivers:

Total Credits						\$3,897,650
Project	Rank	Score	LIHTC Units	Federal Credits	Credits Per Unit	Credits Balance
Sky Ridge	4	94	44	\$907,863	\$20,633	\$2,989,787
Vineyard at Blvd	5	94	45	\$795,000	\$17,667	\$2,194,787
Blvd Point	6	94	36	\$950,000	\$26,389	\$1,244,787
Celebration Acres	7	93	25	\$451,551	\$18,062	\$793,236
Sandcrane Hill Aps	8	93	44	\$860,000	\$19,545	-\$66,764
Dunmore Apts	9	93	42	\$817,125	\$19,455	-\$883,889
Parkway TH	1	93	18	\$487,250	\$27,069	-\$1,371,139
Bonneville Apts	2	93	30	\$766,881	\$25,563	-\$2,138,020
Mercy Creek Apts	3	92	44	\$825,963	\$18,772	-\$2,963,983
Post Falls Senior	11	92	56	\$775,078	\$13,841	-\$3,739,061
Belvore Park Apts	10	92	42	\$726,171	\$17,290	-\$4,465,232
Van Englen Apt	12	91	27	\$300,317	\$11,123	-\$4,765,549
Cordes	13	90	40	\$1,000,000	\$25,000	-\$5,765,549
Brent Manor Apt	14	77	32	\$449,785	\$14,056	-\$6,215,334
Riverbay Apts	15	77	41	\$573,525	\$13,988	-\$6,788,859
				\$10,686,509		

Estimated Score WITH Waivers:

Total Credits						\$3,897,650
Project	Rank	Score	LIHTC Units	Federal Credits	Credits Per Unit	Credits Balance
Parkway TH	1	95	18	\$487,250	\$27,069	\$3,410,400
Bonneville Apts	2	95	30	\$766,881	\$25,563	\$2,643,519
Mercy Apts	3	94	44	\$825,963	\$18,772	\$1,817,556
Sky Ridge	4	94	44	\$907,863	\$20,633	\$909,693
Vineyard at Blvd	5	94	45	\$795,000	\$17,667	\$114,693
Blvd Point	6	94	36	\$950,000	\$26,389	-\$835,307
Celebration Acres	7	93	25	\$451,551	\$18,062	-\$1,286,858
Sand Hill Aps	8	93	44	\$860,000	\$19,545	-\$2,146,858
Dunmore Apts	9	93	42	\$817,125	\$19,455	-\$2,963,983
Belvore Park Apts	10	93	42	\$726,171	\$17,290	-\$3,690,154
Post Falls Senior	11	92	56	\$775,078	\$13,841	-\$4,465,232
Van Englen Apt	12	91	27	\$300,317	\$11,123	-\$4,765,549
Cordes	13	90	40	\$1,000,000	\$25,000	-\$5,765,549
Brent Manor Apt	14	77	32	\$449,785	\$14,056	-\$6,215,334
Riverbay Apts	15	77	41	\$573,525	\$13,988	-\$6,788,859
				\$10,686,509		

New Beginnings Housing,
an affordable housing provider LLC

November 8, 2017

Mr. Cory Phelps
Vice President
Idaho Housing and Finance Association
565 W. Myrtle Street
Boise, Idaho 83707

Re: 2017 LIHTC Qualified Allocation Plan
Amendment to Exhibit I
Public Comments

Dear Mr. Phelps:

Thank you for the opportunity to provide comments regarding the proposed amendments to Exhibit I of the Low-Income Housing Tax Credit Qualified Allocation Plan for the Year 2017. We appreciate IHFA's proactive efforts to adjust the plan to meet regulatory compliance requirements. Our comments are detailed below.

- 1) Based on the language included in the proposed 2018 Plan, does there need to be an expansion of this category to include transitional housing?
- 2) As a slight expansion and clarification of target population in previously submitted applications, this amendment should not provide opportunity to increase existing application scores and/or rankings under the tie breaker. No changes should be allowed to tax credit requested amount for scoring purposes.
- 3) Timeliness is important in addressing this amendment as follows:
 - a. Site control documents may be expiring
 - b. In the current economy, delayed ability to get construction bids early next year will result in higher project costs and potential unavailability of subcontractors.

Phone (208) 461-7663

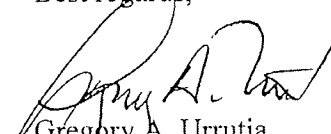
**1812 Madison Avenue
Nampa, Idaho 83687**

Fax (208) 461-7627

- 4) We ask that IHFA clarify exactly what information needs to be amended to address this change. For example, is letter detailing a targeting change acceptable, or do all sections of the application need to be modified and replaced.
- 5) We support broadening acceptable referral sources for the permanent supportive housing units, allowing the opportunity to affirmatively market the units and expand the potential beneficiaries.

We would be happy to visit with you further regarding these issues, or any others, at your convenience.

Best regards,



Gregory A. Urrutia
Manager



413. W. Idaho Street, Suite 200
Boise, Idaho 83702
(208) 343-8877
FAX (208) 343-8900
E-Mail: tdc@thomasdevelopment.com

November 3, 2017

Via Email: : coryph@ihfa.org

Mr. Cory Phelps
Vice President of Project Finance
Idaho Housing and Finance Association
565 W Myrtle St
Boise, ID 83702

RE: 2017 Qualified Allocation Plan Amendment

Dear Cory:

I am writing to express my concerns regarding IHFA's proposal to retroactively amend the approved 2017 Qualified Allocation Plan to correct what you now perceive to be a small provision inconsistent with Federal law.

Here are my reasons:

1. This Qualified Allocation Plan has, as has every single one for as long as I can remember, been carefully drafted by staff, thoughtfully gone over and commented upon by the development community which in this state is very collegial and positive in their relationship with IHFA staff.
2. The 2017 Plan has been approved by the Board and signed by the Governor, all as required by Section 42.
3. Relying on the approved 2017 Qualified Allocation Plan, all developers have made their business decisions regarding all things relevant for the August 2017 applications which have been submitted. Those decisions include a plethora of factors, including availability of capital resources.
4. Developers have the expectation and right to rely on requirements set forth within an approved Qualified Allocation Plan.
5. The proposed change is now proposed to be made retroactively after:
 - a. All 2017 applications have been submitted, listing the developers, the developments, the self-scoring, and the IHFA resources requested. Any developer or third party can view much of these applications.
 - b. The proposed language, as I see it, is a very short window to allow, at a minimum, any developer who used capital sources of HOME and HTF to retroactively amend their application, bearing in mind that they have the right to review salient information from all other applications already submitted which applications cannot be amended.

- c. The potential for a funding result not consistent with the previously approved 2017 Qualified Allocation Plan seems very high. I think there is a very high probability of developer dissatisfaction at a minimum and possible litigation if this proposal is implemented.

Good marks to IHFA staff for publicly admitting that a provision in the QAP does not technically meet the legal requirements. I applaud all for their honesty and integrity.

A possible solution to keep the integrity of the existing plan and the 15 applications filed in complete reliance on the existing plan is as follows:

- a. Take the language proposed for the 2017 retroactive Qualified Allocation Plan amendment and include it in the discussion process for the 2018 Qualified Allocation Plan, then all developers and interested parties have the right to evaluate and comment. This is entirely consistent with the requirements of Section 42 and the long established and correct business practice followed by IHFA.
- b. Underwrite the 2017 application or applications submitted, which utilize both HOME and HTF as capital sources. If the application or applications meet all other requirements under the 2017 Plan and but for the disallowed capital stack components, would otherwise fund, consider a forward allocation of 2018 credits for these particular applications.
- c. In that way, those who in good faith submitted their applications pursuant to the 2017 Plan are not disadvantaged.
- d. If IHFA chooses to make a forward allocation with 2018 credits for the application or applications in question, that fact can be publicized for the development community showing the concomitant decrease of 2018 9% credits, and all of us who did not utilize these two sources of capital will have plenty of time on a go forward basis to fine tune our business plans to meet the requirements of the 2018 Plan.

The Pacific Companies, Thomas Development Co., and Northwest Integrity Housing Co. submitted the Cottonwood Meadows application in a round which did not fund. While the reasons for the Cottonwood Meadows application not funding was a form produced by IHFA staff to calculate development costs which the form was supposed to be in conformance with the HUD 221 regulations, and in fact was not, nonetheless, that set of circumstances led to a forward allocation to Cottonwood Meadows because of an inappropriate application of provisions of the then applicable Plan by IHFA staff.

It seems to me that the HOME/HTF situation is somewhat similar and I strongly suggest the methodology I proposed regarding possible forward allocation as opposed to the unquestionable disruption and I believe litigation risk associated with the proposed retroactive amendment is a much wiser course.

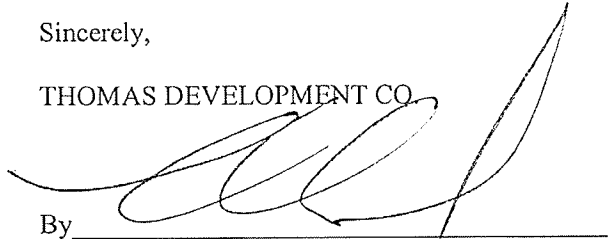
Mr. Cory Phelps
November 3, 2017
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I am available to discuss with you, legal counsel, or others if you feel it would be helpful.

Thank you, Cory.

Sincerely,

THOMAS DEVELOPMENT CO.



By _____
Thomas C. Mannschreck, President

TCM:bem

cc: Connie Hogland, Northwest Integrity Housing Co.
Thomas Development Co. Staff
Caleb Roope, The Pacific Companies
Claire Casazza, The Pacific Companies