

[REDACTED]

From: Holly Douglas [REDACTED]
Sent: Tuesday, September 21, 2021 3:11 PM
To: TaxCreditQuestions
Subject: [External] Comments to 2022 draft QAP

Good afternoon,

Please see below initial comments/questions regarding the draft 2022 QAP:

1. For points under the Leveraging section, please consider granting ability to use other soft sources with interest rates higher than 1% as long as they are below market interest rates (2-3%)
2. We request applicants be asked to put whether or not a CCRP (and include an estimated CCRP score) into their own self score at preliminary application, with the understanding it will need to be verified by Authority for final scoring. Self scores are common in other states, and it is understood that they are open to confirmation/scrutiny by the state agency. CCRP is tied to geographic site location as the other prelim scoring categories are, and applicants know whether or not they're in one at the time they submit. The self score could be amended at final app submission if more information was learned by the applicant between preliminary and full app.
3. 20% supportive housing unit rents are below social security payments in most counties, meaning even living below the poverty line you may be over-income at that threshold. There is also the strong likelihood having units at this AMI introduces a level of need and care exceeding that of a typical LIHTC resident. Based on conversations with HA's, state service providers, and management companies, 20%AMI is almost a special needs population in the sense one qualifying at this level likely cannot support all their other basic needs. This in turn creates a mgmt and operating expense burden. From a practical standpoint, I think targeting this deeply could create long-term issues without significant supportive services budgets, operating budget subsidy, etc. Please consider raising this to 30% AMI, and if not, raising the operating expense threshold to accommodate.

Taking one example, if I understand this correctly: Someone at 20%AMI in Sumter County can make no more than \$7620/year. If they rent a 1BR under a master meter scenario at 20%AMI, they have only \$498 a month to live on. That is approximately \$16 a day to cover all of their food, toiletries/household goods, transit costs / gas if you have a car (which I assume you don't, b/c you can't afford it?), healthcare/medicine, phone bill/cable/internet if you have that, and any other basic necessities. This does not consider any discretionary spending...

I just ask this is something that is taken under consideration. Long-term, I feel this is setting properties and owners up for challenges the budgets are not sized for/mgmt is equipped for/ 9% program wasn't necessarily intended for.

4. The max credit award needs to increase unless the intent is to incentivize smaller deals; this cap would not cover two mid-large unit count developments in the current market. The 2021 round had very few deals with requests under \$750k, and these deals were all under 50 units....so in essence, this cap allows two smaller deals (approx 40-48 units) or one "bigger" one with excess cap but not enough for 2nd deal.
5. Please explain how excess credits that may remain in one set aside once all possible deals in that set aside are used will be re-allocated (ex. if not all rehab credits expended as with the 2021 cycle, where do they flow? Group A or B?)
6. There are only two CORES certified organizations in South Carolina, and both actively compete in the 9% and 4% programs. This seems like an inherent conflict of interest to require all applicants/developers seeking points in that category to partner with one of two groups and/or become certified themselves? Please consider expanding the social

service organizations one may contract with. Briefly reviewing the application process, it may not be possible for smaller groups to meet the threshold for CORES certification.

7. See highlighted excerpt from page 15 Section K, item 2c: How will this be determined? Is there any benchmark or guidance on this item that can be provided, and if not, is this something that can be reviewed by Authority in advance of submitting a full application?

Sites where the Authority determines the slope/terrain is not acceptable for affordable housing development as indicated by combined site and site preparation costs that exceed the cost of comparable existing buildable land in the area.

8. Please confirm tie breaker #3 pertains to Funding Sources, i.e. winner of tie breaker would be development with lowest % of total Authority awarded sources(?)

9. Please consider increasing the developer fee for rehabs from the capped amount of \$650,000. Rehabs are no less work, time and expense than a new construction development, and particularly if there is a credit cap in place it seems like a disincentive to submit a rehab over a new construction application. Even if the developer is on both the seller and buyer side, to rehab/resyndicate, one is selling 99% of your interest back into an LP/ third party partnership, waiving QC rights that are not currently waived for the to-be-rehabbed property, and forgoing the opportunity cost of letting a development ride out the remainder of the compliance period. Developer fees are the primary means of covering payroll, pursuit costs, pre-development expenses for new deals, deficit safeguard (now up to 50% in a QAP that gives points for minimizing use of Authority resources)...It should not simply be perceived as a gross amount netted back to the development team.

10. Please be as prompt as possible in getting the syndication range for both federal and state tax credits out, as this materially impacts a deal's feasibility and some of the scoring considerations. The new proposed legislation increasing the amount of credits available is likely to impact pricing...

11. Our market analyst is a sounding board from the deal's inception on unit mix, targeting, and other key considerations. We often change our deal structure based on his initial input. We are unclear why the Authority wishes to take over this third party if it already has a list of approved analysts?

Thank you in advance for your time and consideration.

Respectfully,
Holly Douglas

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