

Second comments to the Draft QAP

We were present on the conference call-in today for the Public Hearing and would like to add additional comments.

Overall comment: by removing the basis boost in many areas, proformas do not work. There is a large funding gap in many locations, including some counties where rents are healthy. If the states response is to increase rents, I have the following comments:

1. Were market studies done on these areas prior to the Draft QAP to see if higher rents are achievable? If so, we'd like to see copies of these sample areas. We conversations held with market analysts who told the State rents could go higher in most/all markets?
2. The Housing Study commissioned by the State actually states that most of the current renters are overburdened with housing expenses. Please explain how increasing rents helps this population?
3. The economy is currently in a good state. That means rents are decent. However, raising rents assumes the economy will remain the same and tenants can afford these increases. What if we move towards a recession (which is currently forecasted)? Families will have less income, therefore will not be able to afford higher rents. This goes against the definition of affordable housing.
4. We should not be placing our properties at market rate rents. We do not have the same amenities as most market rate properties (i.e., pools, garages, car washes, etc.). We also do not have the same finishes interior and exterior as market rate properties.

Developer Fee – There was not enough adjustment to the second draft on the developer fee. While we agree to a sliding scale in fee, we believe the amounts currently listed are just too low compared to the national standards. Why is the state interested in limiting the developer fee when the very first place syndication/debt partners look to fill a potential funding gap is developer fee? Has the State consulted with debt and equity providers on how this will be perceived in a lending situation? As example, one unplanned retaining wall could cost \$200,000 in deferred fee or construction could continue to rise and the initial cost budget is no longer adequate to complete a project 12-18 months past application. Developer fee is rarely fully funded and placing a further limitation on how much developers can be awarded, stresses the very companies that are applying to build this housing. Staff is needed to create, construct, work and manage properties. Applications can also take 1-3 years to be awarded (i.e. We have submitted 1 application that past 2 years and still not funded). Additionally, the risk is just not worth the reward. If projects are to be underwritten at high syndication, high rents, high debt then you are stressing proformas and increasing risk for developers.

Credits per unit – while we appreciate increasing the credits from \$15,000 to \$15,500/unit is great, we are not finding our proformas to be credit limited. I am unable to get my development budget to max out credits. The better benefit would be a basis boost per county.

Wetlands. Current draft shows that no wetlands can be present on a site. There are many good sites out there that have wetlands and can be successfully incorporated. Please considering allowing the site to be 80% buildable.

Negative site points page 24. There are many sites out there that have a 35 feet electric easement that carries electricity to other properties on a property boundary or sewer line (in many cases, its both and

that's why the easement is slightly larger). It doesn't mean those are poor sites, unbuildable or are not at least 80% buildable (like the wetlands requirement). Please consider increasing this distance from 25 feet to 36 feet. (this item currently loses 5 points)

Page 13. Required capacity. There are many items that are new to this draft that determine a developer's team financial capacity. Is there a way to have the development team approved PRIOR to application? Without this prior knowledge, developers could be wasting time, man power, etc. on applications only to be disqualified once apps are reviewed.

Page 12. Management experience. Since the management company must now be identified and held accountable inside the application, we would like to request this is handled prior to application submission, perhaps no later than Jan 15th for approval. These applications cost time and money and applicants need to know they can submit and not be disqualified due to management prior to applications being due.

Basis boost. Please consider allowing counties not in Group A to have a basis boost. The numbers we have ran reflect a financing gap that is greater than a \$500,000 HOME award. How does the State plan to fill this gap as these areas do not have soft funding? Most of South Carolina is rural with low rents, no soft money and no State Credits.

Syndication rate for points (page 26). Please consider removing this item from points. All developers will turn in applications at 93 cents per the scoring criteria. In few markets, that is achievable, in most it is not. This scoring item stresses a proforma and developers are unable to see the future and predict with accuracy what credit pricing will be when projects are awarded/underwritten. Not to mention, this syndication will be a letter of intent and not binding in any way until further underwriting is concluded.

HOME award. Is there a minimum or maximum to the HOME award? Page 28 of the draft QAP states 15 points for a \$500,000 HOME award. This needs to be expanded and needs more detail to comment. What are the terms? Can a request be made for more or less than \$500,000? If the intent is to force all applicants to take this funding (as per scoring suggests) what happens to the few projects who do not need this funding source? We'd like more clarification on this item to be able to submit comments.

If there is a limit to the credits that can be requested, why is there limits on cost containment in scoring? The QAP is full of contradictions (i.e. energy star vs cost containment, hiring extra third-party professionals/consultant's vs cost containment, etc). Does the State want quality long term housing that will last 30 years or is it interested in the cheapest product so it can award more units across the State? We believe the State needs to look long term, not the short gain. The limits on credits will naturally limit construction so let that be the determining value.

We are also concerned on the lack of the applicant to participate in the review/appeal scoring process. If we are considered "partners" as the State keeps mentioning, why are we not treated as such during the review/appeal process if questions arise based off of our applications? Partners work together, not separate. These applications cost thousands of dollars, time has been invested and communities have supported these projects and are hopeful for new affordable housing in their areas. We would like the opportunity to be in person while our project is being discussed with the Review Committee and/or Hearing Review officer. Allowing all sides to be heard presents a more open communication where all

parties feel they have been heard and a fair review of the application. The language the State has currently proposed in the draft QAP leaves no recourse for the developer.

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