

City of Charleston

JOHN J. TECKLENBURG

MAYOR

September 8, 2021

Ms. Bonita Shropshire, Executive Director
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd.
Columbia, SC 29210

Dear Ms. Shropshire:

The City of Charleston greatly appreciates its partnership with SC Housing. The need to create and preserve affordable housing continues to grow, and leveraging resources and partnerships is critical to produce the number of homes needed.

In Charleston, the affordable housing crisis is dire. According to recent analysis, the City of Charleston will need an additional 16,351 affordable homes by 2030 to meet the needs of our residents. The analysis also found that 42% of Charleston households are cost burdened. Developing affordable housing in the City of Charleston also costs more than in other areas of South Carolina. Charleston is unique in its market, history, geography, and environment. Land acquisition is a major challenge in our City. These factors can make a project more difficult to gain approval for support through SC Housing.

Operating costs are also greater in Charleston. The cost of living in Charleston and other urban areas is higher than other parts of the State, which requires employees to be paid more and results in higher operating expenses. Insurance is more expensive in Charleston and other coastal areas due to flood and wind risks.

This combination of these factors, plus others, have historically made it challenging for SC Housing resources to flow to the City of Charleston. In discussion with affordable housing developers and in reviewing the 2022 Draft QAP, we have identified a variety of ways that SC Housing can assist with enhancing the creation of affordable housing in Charleston and other urban areas. We encourage you to consider the following recommendations:

- **Establish an Urban Set Aside**

Establishing a set aside for the large population centers of the State (i.e. City of Charleston, City of Greenville, City of Columbia, etc.) would help higher cost cities with the greatest need compete for tax credits. Developments located within those cities would compete for their own set-aside tax credits.

While we are supportive of the increased set-aside for High-Demand New Construction for Group counties (*Page 8 – B1*), this does not adequately address the needs of urban cities. When higher cost counties are lumped together, it is helpful in terms of winning a tax credit award because those counties generally face similar circumstances to development. However, the benefit generally goes to areas in the county that are just outside of the “City”.

For instance, areas just outside of City of Charleston proper have the benefit of the area median income of the MSA, but do not have similar regulations or costs. As a result, these areas tend to win awards due to fewer constraints (entitlements, type of construction, overall development costs, and operating expenses) than trying to develop that same project in the city.

Specific request - Create set-aside for urban populations with comparatively higher per square foot construction costs and those who respond to Boards of Architectural Review and/or Design Review Boards.

- **Remove cleanup language**

The draft QAP includes new language that automatically disqualifies sites requiring the “execution of voluntary or involuntary cleanup agreements with DHEC or other third party organizations as noted in a Phase II environmental assessment report (unless fully completed)” (*Page 15-16, K2d*). While the rest of the 2022 Draft QAP clearly shows markups, this major change was not marked up. *This language should be removed from the QAP and replaced with language that allows these sites to be redeveloped for affordable housing. There is a proven track record for this type of redevelopment across the country.*

Especially in urban areas, it is inevitable that environmental concerns may be present in a number of projects given the limited amount of sites available to affordable housing developers. By allowing such sites (i) a developer is making a commitment to clean up the site and (ii) it is for the betterment of the surrounding property and the environment.

In addition, the developer is required to complete the application based on what the future development is prior to taking title in order to enter into a VCC program. Therefore, this requirement logistically is not feasible in relation to acquisitions.

In the past, a site in need of environmental remediation could be considered (even though remediation or clean-up program was not complete) as long as there is evidence the site can be remediated. New language could require evidence that the site can be remediated, to include either a site management plan or letter from a professional environmental engineer.

- **Delete revision to maximum awards per county**

The 2022 Draft QAP reduces the maximum number of awards made to Charleston and other high demand counties by reducing new construction awards from three to two, and projects targeting older persons from two to one (*Page 5 – E2, E3*).

We can assure you the need in Charleston has not decreased and urge you to delete this revision to maintain the previous maximum award levels. This will make the QAP more equitable and ensure affordable housing needs are being met in high demand counties.

- **Provide greater consideration for projects with local support**

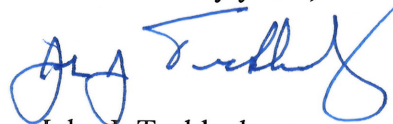
If we are going to meet our affordable housing needs throughout South Carolina we need local government to step up and provide financial support. SC Housing cannot and should not do it alone.

We encourage revision to the QAP to provide additional points for projects where local support is provided; an increase from 5 to 10 points would make clear to local governments that they play an important role in the creation of affordable housing (*Page 25 – G1*).

- **Allow developers to hire local appraisers**
We appreciate that the 2022 Draft QAP allows developers to hire their own appraisers, rather than relying solely on SC Housing hired appraisers (*Page 14 – I*). Allowing developers to hire their own, local appraisers could help to create more accurate appraisals due to local market expertise.
- **Retain existing position on proximity to 100 or 500 year flood zones**
We thank you for removing language from last year's Draft QAP that would have potentially disqualified sites located within 50 feet of either a FEMA-designated 100 or 500-year flood zone. Eliminating sites from affordable housing development that have remedies to potential flooding issues limits the amount of affordable housing we can build in South Carolina. This is especially important in the coastal communities in South Carolina.
- **Provide design flexibility in urban/infill locations**
Denser, urban areas like Charleston result in less space and greater constraints to develop affordable housing. We encourage greater design flexibility in the QAP for urban/infill locations, including less parking requirements, smaller unit sizes, and a lower ratio of three bedroom units.
- **Explore allowing the forward allocation of tax credits**
Due to the historic, environmental, and geographic constraints in the City of Charleston, certain projects may require an extended review time. We encourage you to explore allowing developers to forward allocate tax credits.

Thank you for all the work you do to increase affordable housing in the State of South Carolina. We look forward to working together towards our shared goals to support the people of Charleston and the State. Please contact Geona Shaw Johnson at [REDACTED] with any questions or concerns.

Most sincerely yours,



John J. Tecklenburg
Mayor, City of Charleston

Copy to: Geona Shaw Johnson
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