[redacted]

From: David Ames [redacted]
Sent: Friday, November 1, 2019 1:17 PM
To: McMillan, Chris 6-9196
Subject: SC Draft QAP
Attachments: SC QAP 103119 Comments.pdf

Sir, I am enclosing comments that I believe are important to my community and for that matter, the entire coastline of South Carolina. Cost of development, environment, land costs, parcel size, and need for employees are reasons why I and others make these recommendations. I would appreciate your consideration of their merits.

As chair of the Public Planning Committee, which focuses on affordable housing, I am acutely aware of the barriers to adding affordable housing stock. Having access to 9% and non-copmpetitve tax credits would improve our chances. I urge SC Housing to make this possible. Thank you.

Respectfully,

David Ames
Town Council
Hilton Head Island

SCHousing
2020 Draft Qualified Allocation Plan
Comments - October 30, 2019

Again, thank you for the opportunity to make recommendations to the 2020 Qualified Allocation Plan. It has certainly been productive for us to view southern Beaufort County development opportunities through the lens of the drafts of this plan. Given our acute need for affordable housing development here, as evidenced by only three awards of tax credits in southern Beaufort County in the past 10 years, one of which was for preservation of an existing tax credit property, we remain concerned about the following items in the Plan:

V. THRESHOLD PARTICIPATION CRITERIA - K. Mandatory Site Requirements - i. Wetlands

Given the famine of sites of the size and criteria needed to produce affordable housing at prices that allow the transaction to work here, we respectfully request a change in the percent buildable provision of this criterion. Wetland areas, which can and are desirable to be nearly entirely preserved on most sites, factor into density calculations. To go to the added time and expense to subdivide them away from the buildable site in order to achieve the 80% buildable threshold has the simultaneous impact of reducing the density allowable on the balance of the site, meaning a variance or rezoning, again timely and expensive, may be required. Wetlands provide protected green space, buffers, a passive, visual engagement with nature, and an authentic Lowcountry living experience similar to those affordable to the affluent. Please allow the financial and development standard requirements set this buildable parameter instead of an arbitrary percentage.

V. THRESHOLD PARTICIPATION CRITERIA - L. Market Requirements - 2. Market Advantage

This criterion has a significant detrimental impact on proposed developments attempting to locate themselves in areas where the tax credit rents are significantly below the market rents. For instance, in an area where the tax credit rents are at or near the market rents, all other things (including demand as a priority consideration) being equal, the 10% market advantage should serve the property well in leasing up and maintaining an advantage in its market. However, here in southern Beaufort County, our maximum 60% tax credit rents have the following approximate advantage to market already:

Unit Size	Market Rent (net of utilities)	Max 60% Rent (net of utilities)	Difference $
Studio	$950	$766	$184
One Bedroom	$1275	$816	$459
Two Bedroom	$1400	$969	$431
Three Bedroom	$1550	$1114	$436

In Beaufort County, Fair Market Rents actually decreased this year, even though rents in the market have increased. That's why Payment Standards are used by the Housing Authority. Within a certain range, the Housing Authority may set rents in excess of the Fair Market Rents

in an effort to make Housing Choice Vouchers more accurately reflect market rents. Were the proposed southern Beaufort County tax credit development to apply the 10% market advantage to FMRs for 15 years as required by this criterion, the impact to the development would be as follows:

Number of Units	Unit Size	Max 60% Rent	90% of FMR	Difference per year	Difference over Initial Compliance Period
34	One Bedroom	$816	$739	$31,416	$471,240
32	Two Bedroom	$969	$832	$52,608	$789,120
24	Three Bedroom	$1114	$1107	$2,016	$30,240
				$86,040	$1,290,600

Note: These estimates assume a family development, with 25% three-bedroom apartments, rounded up to the nearest even number. The balance of apartments, up to the max allowable total of 90 units, is split evenly with the extra pair skewed to one-bedroom apartments where the variance is less.

Yes, the variance on Three Bedroom apartments is nominal. However, the maximum amount of tax credits allowed per unit under the QAP coupled with the high development costs in southern Beaufort County and the greater demand for smaller apartments makes building more three-bedroom apartments unfeasible.

We request that the market advantage percentage be based on the greater of Fair Market Rents or Payment Standards, or that a standard of tax credit rents compared to market rents be first applied to determine whether additional market advantage must be added.

V. THRESHOLD PARTICIPATION CRITERIA - N. Size Requirements
Because of the costs to build in southern Beaufort County, and the ceiling on allowable credits per unit, we request the maximum development size be returned to the 100 units it was in the last draft. This will allow the fixed costs to be divided over more units.

V. THRESHOLD PARTICIPATION CRITERIA - R. Financial Underwriting - 2. Basis Boost
Please clarify that the basis boost will allow the corresponding additional tax credits which do not count toward the $15,500 per unit limit.

V. THRESHOLD PARTICIPATION CRITERIA - R. Financial Underwriting - 2. Deferred Development Fee
Please increase the percentage of the Fee which may be deferred to 50%. 25% is well below the industry standard, particularly affecting high development cost areas.

VI. NEW CONSTRUCTION SCORING CRITERIA - A. Positive Site Characteristics - 6. Food Desert
Many sites in southern Beaufort County are coming up as food deserts using the data source required, when, in fact, the number of grocery stores per capita here is extraordinarily high. This is producing the same detrimental results for us here as were the arbitrary distances. Either the information on the data site is dated, skewing it away from areas experiencing the massive growth we are experiencing, or the nature of living in the Lowcountry skews

residences toward the marshes and waterways and away from the high density commercial areas, or both. Whichever it is, another measurement point would be appreciated.

VI. NEW CONSTRUCTION SCORING CRITERIA - A. Positive Site Characteristics - 8. Transit
We are a Group A County which doesn't score at all in the transit criterion even though we have willing and well-funded support from our local transportation providers to increase services as apartments are delivered for use. We request that verifiable support for transportation be added to Group A's criterion and/or that Group A may benefit from internet connectivity as do Groups B and C.

VI. NEW CONSTRUCTION SCORING CRITERIA - D. Affordable Housing Shortage - 2. County that didn't receive credits during 2015-2019
We would like to repeat that our county has diverse and distinct primary market areas, the first being either north or south of the Broad River. Developments north of the Broad River have received tax credit allocations during the past five years. Only one development south of the Broad River has been awarded in the past five years, and that for a rehab of an existing tax credit development on Hilton Head Island, preserving but not adding units. Please change these points to be awarded to primary market areas as identified in the market study, and for new construction or additive affordable units only.

VI. NEW CONSTRUCTION SCORING CRITERIA - H. Revitalization
One of the municipalities in Beaufort County continues to benefit and utilize the Community Revitalization Plan it adopted more than ten years ago. A development in this municipality should be able to benefit from this plan which was well-written and well-executed and therefore still well-used!

As to Tax Exempt Bond Financed Projects Utilizing Non-Competitive Tax Credits, we request the following:

- Relief from the 90 unit maximum requirement. These developments are difficult, time-consuming and have far greater fixed financing costs than 9% developments. Therefore, financial feasibility rests in the ability to develop enough units to cover the upfront costs for this financing vehicle.
- Removal of the $2 Million cap on Development Fees. Again, these developments are complex. The $2 Million cap results in less development fee per unit than a like fee on a 9% development at 145 units or more, even though this development type is more complex in nature, doesn't deplete the supply of 9% competitive credits, and creates more affordable housing utilizing an underused resource.
- The maximum rent up period for a tax exempt bond financed development should be extended for developments of more than 100 units.
- Remove the requirement for equal debt service payments, so long as the amortization schedule/paydown and debt coverage ratios work. Some lenders produce an amortization schedule using a different rate of interest than the pay rate on the bonds, creating uneven payments.

Again, thank you for your efforts to create this much improved Qualified Allocation Plan. Please contact us if we may clarify any of these comments.