

**AFFORDABLE HOUSING COALITION OF SOUTH CAROLINA
QUALIFIED ALLOCATION PLAN RECOMMENDATIONS
2017-2018 CYCLE**

The Affordable Housing Coalition of South Carolina is dedicated to the creation, preservation and improvement of affordable housing for all South Carolina. Our members represent the leaders of the affordable housing industry, including: financial institutions, government agencies, community development corporations, private foundations, construction companies, management companies, the real estate industry, and individuals committed to the mission of the Coalition. The Coalition strives to serve the citizens of South Carolina who are in need of affordable housing options and generate opportunities for the development of these options.

The Coalition submits the following recommendations to the 2017-18 Qualified Allocation Plan in order to strengthen the program and generate more housing units:

~~QAP PRIORITIZED LIST~~

**~~October 3, 2016 Affordable Housing Coalition of South Carolina
Recommendations to the QAP for 2017 and 2018
10-25-16~~**

~~1. **Loss of Basis Boost** – ~~3~~ ~~(S)~~ The Coalition recommends the basis boost be lowered to 20% in the General Pool, Non Profit Pool, and Urban Pool (if the Urban Pool is added). This recommendation is in direct correlation with the market advantage recommendation from item 2 below. The loss of the boost, if combined with the higher market advantage would promote developers to drastically drop rents and utilize cheaper construction methods and materials, which would result in lower quality and eventual degradation of the perception of the program.~~

~~1. —~~

~~a. 30% use of Basis Boost = 3 points~~

~~b. 20% use of Basis Boost = 2 points~~

~~c. 10% use of Basis Boost = 1 point~~

~~1. The QAP Subcommittee of the AHC recommends that the Basis Boost be lowered to 20% in the General Pool, Non Profit Pool, and Urban Pool (if the Urban Pool is added). This recommendation is in direct connection with the recommendation for Item 2 below dealing with Market Advantage. The loss of the boost, if combined with the higher market advantage would promote developers to drastically drop rents and build the developments for less, a potentially catastrophic event for many deals throughout the program.~~

~~2. **MARKET ADVANTAGE** - ~~issues (S) Higher, Hurts Elderly deals, 1 & 2 BR units less rents, more square footage, increasing operating expenses for underwriting this year.~~~~

~~Higher market advantage hurts existing tax credit deals in the market. The older properties are already competing with newer properties. Newer properties with lower rents will entice tenants to move to the newer properties and cause undue burden on the existing tax credit properties. The Coalition recommends leaving the market advantage at the 2016 level. Or, as an alternate, remove other LIHTC deals from the market advantage comparison and only compare to conventional deals in the PMA.~~

3. SITE AMENITY OPTIONS – The Coalition supports the change recommended by SC Housing that alternate site amenity options be allowed in the application. This gives a good site a second chance for consideration if the first (closer) amenity is found to be noncompliant with the QAP by SC Housing.

4. PUBLICATION OF CLARIFICATION INFORMATION - In order for all program applicants to have access to the same information to be utilized in site self-scoring, the Coalition recommends that SC Housing immediately publish any decisions or determinations based on specific questions by developers that are made after the publication of the QAP and Manual. All requests for clarification and the ensuing responses should be in writing and posted on the SC Housing website or distributed via email to all requesting parties. Questions regarding sites should not be addressed within 30 days of the application deadline.

5. ENTERTAINMENT OPTIONS/VENUES – The Coalition recommends that the 2017-18 QAP reinstate the entertainment venues allowed in 2016-17. Limiting the options exclusively to libraries causes the site selection to be mainly decided on the proximity of a site to a library. With only 193 libraries in the state, and many of those strictly in urban infill areas with little to no available land for new construction, developers will all be drawn to the same properties. This will result in a “bidding war” for these limited sites, causing land costs to skyrocket. This would not be a prudent move for the LIHTC program in SC.

In addition to reinstating the 2016-17 entertainment venues offered, the Coalition recommends that more detailed and specific descriptions be provided for each entertainment venue/option. For example, in order to be included should museums be open five days a week; would libraries have to be permanent, dedicated facilities or could part-time facilities or book mobiles be included.

~~2.~~ **6. URBAN POOL** – The Coalition does ~~questions (Need more info)~~ not support the creation of a set-aside pool for urban areas, especially with the narrow scope currently provided in the draft QAP. As currently outlined, this new set-aside eliminates, as an example, the City of Greenville based on the published population requirement. In addition, if municipalities are willing to put significant amounts of soft money in to deals, then most likely bond financing would be more appropriate. This would allow the utilization of another funding source resulting in the creation of additional housing units rather than putting more burden on the 9% tax credit program. At a minimum the population criteria should be lowered to 55,000 to include Greenville and North Charleston as those areas are certainly considered urban in South Carolina.

~~a. →100k or more in population~~

~~b. Must donate cash or land, waiver of fees above aff hsg allowed~~

~~c. Grants and forgivable loans~~

~~d. Scaled participation 5% to 10% 2pts of total sources, waiver of fees 11% to 20%
5pts ≥8pts~~

~~e. Only one deal~~

7. REHAB POOL – The Coalition recommends that only LIHTC properties should be allowed in the rehab pool or that 10 points should be provided for preservation of LIHTC

properties. All parties should be good stewards of the LIHTC program and it is important to preserve existing LIHTC properties so that these properties do not deteriorate and become a nuisance to the community when they are the end of their compliance periods and the limited partners want to exit.

8. SPECIAL USE PERMITS - The Coalition supports the removal of the requirement that special use permits be in place at time of application and define that this does not require further action or vote by city/county councils/ planning commissions or zoning boards.

9. APPEALS - The Coalition supports the expanded appeals process that was implemented in the 2015-16 QAP. To further refine the process, the Coalition recommends that better definitions be provided within the QAP and manual and that SC Housing publish all decisions as outlined in item 4 of these recommendations. This will contribute to more accurate information to developers that should reduce the need for appeals. In addition, we request expanded information on the process, such as who reviews the information and makes the final decision, and allow developers to present information to the reviewing party.

~~a.~~ **10. DOUBLE JEOPARDY** - In reviewing funding options, there are not any realistic options to replace HOME funds if they were requested but not received. Therefore, the Coalition does not support alternate funding options. This could create a scenario where developers “play games” and the agency is forced in to a situation to try and make these applications work. The Coalition understands concerns from previous years when only one developer applied for HOME funds. It is suggested that the agency publicize what applications receive HOME funds. This will allow developers to determine if they have a good chance of receiving HOME funds.

11. PROXIMITY TO RAILROADS – The Coalition does not support a more stringent require than required by HUD. In addition, this requirement will have a negative impact on urban sites that generally have more rail traffic and will make them less competitive and more difficult to locate.

~~a.~~ **12. CONSTRUCTION COSTS** – The Coalition recommends increasing rehab cost to \$120,000 per unit. We recommend leaving new construction costs at current levels with a set benchmark and the option to adjust in the second year of the cycle if costs continue to increase.

13. LARGER DEALS – ~~Side by side and phase II issues (X) Does agency want our recommendation on this?~~ The Coalition understands that there is concern that smaller deals consume more credits per unit because of economy of scale. If there is a preference now for larger deals, then scoring needs to be adjusted to accommodate this preference, awarding points for larger deals, rather than making changes to underwriting or financing.

14. NONPROFIT LIQUIDITY – The Coalition recommends that nonprofit developers be granted the same allowance as for-profit developers in regards to pooling resources to meet the financial liquidity requirements. At a time when South Carolina nonprofits are being squeezed out of the LIHTC market in their own state, it would seem that we would want to create opportunities for them to participate in the program rather than create impediments to their participation.

15. **OPERATIONAL COSTS** – The Coalition supports the proposed increase.

~~12. Solar issues (X) (Received 0 points)~~

~~*Cap credits based on deal size. Some developers are doing small deals and using all \$750k in credits. Other developers are doing larger deals and also using the same \$750k in credits.~~

~~*Chris mentioned possibly requiring the GC to cost certify.~~

~~(S) Sub discussion will be required on this item due to complexity.~~

~~(X) Suggested for eliminating from our list of recommendations from the committee.~~

~~————— Posting Tomorrow, comments thru 10/27, public hearing on 10/27~~