

Johnson, Leanne 6-9248

From: Nicholson, Laura 6-9190
Sent: Wednesday, October 26, 2016 9:45 AM
To: Johnson, Leanne 6-9248
Subject: FW: 2017-2018 QAP and Manual Comments

Please post to the 2017 QAP comments section on the web.

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-----Original Message-----

From: Brad Queener [mailto:brad@bradleydevelopers.com]
Sent: Tuesday, October 25, 2016 6:56 PM
To: Nicholson, Laura 6-9190
Cc: Brad Queener
Subject: 2017-2018 QAP and Manual Comments

Laura -

Hope all is well. My comments on the above:

Limiting Entertainment Venues to only Public Libraries adds a great deal of weight to arguably the least important, and I would imagine, the least utilized of all of the Services. While it may sound noble to include Libraries, I would imagine if you asked 100 people to name their top 10 Entertainment Venues, I would be surprised if libraries were even mentioned. And I would also be surprised if those 100 people stated proximity to a library as being important or necessary, especially when compared to shopping, schools, doctor, restaurants, etc. The "entertainment" value of a library is the books themselves, not the library, and there are many many ways to obtain free books (schools, book mobiles, online). I would recommend either leaving the Entertainment Venues as - is (with the understanding that some appeals may be likely, which is the purpose of the appeals process), removing Entertainment Venues entirely, or removing Entertainment Venues entirely and adding Public Libraries to the Public Park or Playground section.

Removing YMCA's from the Public Park or Playground takes away one of the most versatile and affordable services included in the QAP. For Seniors and Adults, the YMCA offers a variety of social and fitness programs including aquatic exercise, fitness programs, chronic disease management and lifestyle management assistance. For children, the YMCA offers after schools programs, child care and sports leagues (soccer, basketball, flag football, etc). I can tell you from experience (my children were very active participants) that the sports leagues are extremely popular with families and children from all walks of life. The YMCA offers financial assistance to those adults, children and families who cannot afford the stated fees for the programs. YMCA's offer something to everyone (children, adults, seniors) and are an extremely popular asset to the community.

Market Advantage - I would argue that an increase of the market advantage from 25% to 35% is extreme and assumes that interest rates will remain low and that credit prices will remain high (neither of which would seem likely). Coupled with construction costs that, surprisingly, continue to rise, this will make some other wise feasible deals, infeasible. The median income of South Carolina is approximately \$44,000 per year, roughly the same as Laurens County. An additional 10% reduction in rents would approximate \$40 - \$50 per unit/per month. Assuming a \$40 per unit/per month average rent reduction, a permanent loan interest rate of 5.5%, a 48 unit apartment community's permanent loan would be reduced by approximately \$280K. This also would unfairly harm senior developments, smaller developments and those developments located in lower income counties. Excepting taxes, and in some counties, insurance, the base operating costs of an apartment community do not vary greatly. There are certain operating costs that are the same no matter if you are in Dillon County or Greenville County, and a 10% reduction in rents would negatively impact the lower income county the most. Please consider leaving the market advantage at 25%, or perhaps an incremental increase to 30%.

Market Advantage - If an applicant does not request to increase rents from the initial application rents, then the Authority should not need to have the rents reviewed by a 3rd party market analyst, since, in a declining market, the Authority will allow the rents as submitted in the initial application. The Authority has set the floor rents as the initial application rents, if the applicant isn't asking to increase rents, then having them reviewed by the 3rd party market analyst is unnecessary. The Authority may also want to make clear who is responsible for the cost of the 3rd party review.

The increase of a minimum of 8 camera video security system (to 12) with 6 cameras (to 10) seems to be arbitrary. A single building, 3 story senior development would not require the same number of cameras as a 72 unit family development containing multiple buildings. What about townhouse, duplex or single family developments? Would each house require a camera? Perhaps a requirement of X numbers of cameras per building with a minimum of X cameras regardless of development size would be more appropriate.

The sliding scale for the basis boost will discourage, if not eliminate entirely, the submission of any developments under 49 units. Additionally, this appears to be counter intuitive, as larger deals are better able to spread costs over more units (both operational and development). There are basic amounts of site work that most done whether a development is 32 units or 72 units, costs do not necessarily increase proportionally. Same for such items an elevator, gazebo, playground, etc, and for soft costs such as attorney fees, survey, appraisal, market study, etc, etc, etc. If the Authority's goal is to reduce credit allocations, then reduce allowable maximum cost per unit. I would recommend removing the land value (which should be supported by the appraisal) from this calculation, as it is not basis eligible and would possibly penalize a superior site.

Please consider the overall impact, and unintended consequences, of the proposed increase in market advantage in conjunction with the sliding scale for the basis boost. Individually, each poses its own set of concerns, collectively, they may prevent a good number of deals from being feasible.

Thank you for the opportunity to comment.

Brad

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