

Harmon, Amy 6-8713

From: Nicholson, Laura 6-9190
Sent: Monday, October 23, 2017 9:30 AM
To: Harmon, Amy 6-8713
Subject: FW: 2018 QAP Comments

Please add these 2018 tax credit comments to the web. Thanks.



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From: James Cox [<mailto:jcox@jesholdings.com>]
Sent: Friday, October 20, 2017 3:49 PM
To: Nicholson, Laura 6-9190
Subject: 2018 QAP Comments

Laura -

Below are my comments regarding the changes / updates to the 2018 QAP and Tax Credit Manual.

Tax Credit Manual:

1. HOME funds should not be eliminated, at least not for underserved set-aside. The underserved areas have very limited ability to service conventional bank debt. Rates have increase 100-150 basis points in the last two years. If HOME is not available for projects in these areas, I think these areas will remain underserved because projects simply will not be feasible there.
2. I would encourage the agency to reinstate the 30% credit boost for all deals.
3. I would also bring back the per project credit caps from the 2017 application round.

The combination of reduced credit caps, reduced boost for non-QCT located projects, softening in credit pricing and increased construction cost is too much at the same time. This has caused a number of projects we have worked on in the past few years to become unreasonable and we will have to drop them if the proposed changes remain. Also, we have seen construction cost increases of 10%-15% in the last 12-18 months and expect them to increase and additional 15%-20% in the next year due to the hurricanes and political issues. One of the adjustments we have looked at to try and salvage these projects is increasing rents and increasing debt. Neither is desirable because it puts a burden on some of these projects that they can't sustain. They could get awarded and built, but would likely have serious operating issues once in service. These deals become so tight from an operation standpoint there is some pushback from investors on their desire to be involved long term.

QAP:

1. I would eliminate the FEMA point. This is eliminating certain areas from potential new construction projects. In the last two rounds only two new construction projects have been awarded in those 10 counties. There are areas within these counties that meet all the agency's desirable characteristics, but the loss of one point makes them uncompetitive.

2. I would also suggest eliminating the requirement to send letters to state legislator and senator. The local officials are who should know about the projects proposed in their jurisdictions. Alerting state officials about projects that they know nothing about and are just proposals at application time is unnecessary.

There is still a lot of unknowns on the construction cost and credit pricing sides and tightening caps and reductions in multiple areas at one time will lead to some real problems down the road.

Thanks,
James Cox
JES Holdings, LLC.

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