

Ms. Laura Nicholson
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Subject: Comments to and Freedom of Information Request on the Technical Amendments to the 2017-2018 Tax Credit Manual & QAP

I have looked at the proposed 2018 Technical Amendments to both the Tax Credit Manual and QAP and have many questions and concerns. In my meeting with you and your underwriting staff prior to the 2017-2018 Tax Credit Manual and QAP being finalized, we discussed the following issues and concerns:

1. Construction costs increasing annually at a 5 to 6 percent rate and other development costs increasing at a 2 percent rate. (If you haven't done the math, that's a \$200,000 to \$250,000 increase just on hard construction costs). These cost increases don't include what cities/municipalities are doing to our construction cost by requiring us to solve their infrastructure problems or not issue building permits.
2. Operating expenses at that time were averaging \$3,900 to \$4,400 with an average annual increase around 3.4 percent. (I assume you "SC Housing" are now going back to the same old thought process that you can make the deal work on PAPER by reducing your REAL operating cost down until you can justify enough debt to make it look like it will work and stay under a 50% developer deferral)
3. The average tenant income profile for tax credit properties in South Carolina was at that time between \$15,000 (50%) and \$21,000 (60%). This was also confirmed by a HUD report that SC Housing had received prior to our meeting. (Low Income tenants

can't afford the \$550 to \$725 rents you cause by your current proposed and unrealistic underwriting requirements)

At the conclusion of the meeting you and your staff agreed that all of these issues were reasonably accurate. I at least assume you and your staff agreed because shortly after the meeting the agency increased the tax credit amount on each of your stair step caps. Now with tax credit pricing down, cost of construction going up, operating cost going up, tenant utilities going up, rents and median income remaining stagnate you now think it best to not have a cost increase in either the total development costs or tax credit caps. In fact you feel it was necessary to reduce the tax credit caps as well as the basis boost on some of the Set-A-Sides. You are already putting a big rent burden on Low Income Tenants with your low tax credit caps but when you add in a reduction in basis boost you will push rents past affordability. On a typical 40 unit project the loss of basis boost will cause a \$60.00 plus increase on an already high rent. I can't wait to see how you justify this.

I have more comments and questions but will wait to ask them at the public hearing. In the mean time I would like to request under the Freedom of Information Act any and all information used/gathered to cause the agency to not properly address construction/development cost increases which resulted in reducing the tax credit caps for 2018. This would include any and all materials obtained from third party consultants or any other outside sources as well as any spreadsheet calculations or development models the agency's underwriting staff used to make these determinations.

Randy Aldridge, President
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