

October 16, 2017

Laura Nicholson

SCSHFDA

300-C Outlet Pointe Blvd

Columbia, SC 29201

**RE: Comments to the proposed 2018 Technical Amendments**

Dear Laura,

We are in receipt of the Technical Amendments to the 2017-2018 Tax Credit Manual and QAP. We would like to comment on the following:

**Technical Amendments Tax Credit Manual**

4.b. Maximum tax credits on a sliding scale and No HOME FUNDS in every market outside of the 3 major cities (Greenville, Charleston and Columbia). This will cause less units to be built across the state. The larger the deal, the better the economy of scale and the number of credits per unit drops and you can build more units. The proformas I ran reflect a **reduction** in units from proposed 2017 applications to what I'd be able to turn in for 2018. For example:

Anderson – 56 to 48 units

Manning – 56 to 52 units

Sumter – 56 to 44 units

I request ALL applicants to receive the maximum of \$800,000 per project with the continued national increase in construction costs and lower credit pricing. How does the State plan to work with developers to fill this funding gap?

7. No State HOME funds. Based on the same proformas above, 3 out of 4 of our proformas do not work and could not be submitted in the 2018 cycle. The rural and lower rent counties will suffer and the State will only see applicants in the major markets: Greenville, Columbia and Charleston. Most markets across the State will not qualify for the State program. How will you expect to see applicants in the Under Served pool of funds?

**Technical Amendments to QAP**

4. Remove the requirement to notify City or County Council Members. This notification increases the NIMBY argument by raising early awareness to potentially uneducated Councilmen/women

who are not in our districts. I've had a few contact me telling me my proposed project is not in their district and even they were wondering why they were receiving notification.

6. Market Study Criteria. Currently reflects a 35% Market Rate Advantage. While we strive to keep our rents affordable; restricting our annual credits and the increases in construction costs with NO HOME funds causes major funding gaps and large deferred developer fees. Asking us to reduce the development budget but not allowing us to charge market rents doesn't work financially. How is the financing gap to be filled?

**Additional comments (not on the Technical Amendments)**

Operating Expenses. As of now the 2017-2018 Manual proposes a ceiling on operating expenses of \$4,400/unit. The developers I represent (or am part owner) currently own and operate 9 apartment communities in SC since 2009 and 8 out of 9 currently exceed this requirement. I suggest operating expenses to be able to increase to \$4,600 for 2018. (Please see chart of past history). On average the developer runs \$4,547 per unit across all 9 properties.

Construction. Please see direct comments from construction employees who are working on these specific units. They are trying to find cost savings in a market with rising costs everywhere.

Construction Cost Limits. There has been a substantial increase in Construction Costs over the last 12-18 months. We are anticipating a greater increase in costs and shortage of labor with the recent hurricane damage in Texas, Florida and Puerto Rico. What steps are being taken by the State to help with these rising costs? There needs to be a break in mandatory and/or optional design requirements to allow some cost savings QAP Services.

Miscellaneous. Allow the inclusion of Dollar Stores and/or Daycares for point items. Allow FORM 2 to have 2 options per service, not limit this to only a few services. This does not cause any extra work for anyone except the applicant. If the point is to have the closest site, don't allow a clerical error to cause points to be reduced.

If the State has created proformas or gathered information different than what we have expressed above we'd love the opportunity to FOIA request. What has the State done to look into rising construction costs? I feel the combination of all the above creates most of the state as ineligible for the 2018 program as currently proposed.

Sincerely,

Sarah Niemann

Niemann Consulting, Inc.

## Sarah Niemann

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**From:** Robert Byington <rbyington@s8darchitects.com>  
**Sent:** Wednesday, October 18, 2017 11:59 AM  
**To:** Devin Blankenship; Sarah Niemann; Ray Dotson; Kevin Bass  
**Subject:** RE: South Carolina Public Hearing

Devin,

Sorry...been working on the pricing set!

The main issue I see with regard to cost is the area calculations. Net leasable is not a real world number; heated or gross is however. QAP form and QAP do not jive...i.e., form has "Heated Area" which is taken to mean "Net-Leasable"

11. Mandatory Design Criteria- For ALL Development Types (pages 15-17) Item 15. Each unit must be equipped with a 5 lb ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Fire extinguisher must be either clearly visible to the tenant or if contained in a cabinet/pantry area must have proper signage identifying the location. **Do we really want these signs posted in the apartments. The tenants will know where the fire extinguisher is if they live there won't they?**

QAP

16. Wall switch controlled Energy Star rated overhead lighting is required in all rooms. **EnergyStar fixtures use pin-based lamps which are much more expensive Use regular fixtures with LED lamps.**

18. Fluorescent lighting is required in the kitchen. **Why?? LED's would work here too!**

11. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty. **Wording should be changed to "algae resistant." Shingles manufacturers don't list their product as "Anti-Fungal" and can be confusing to subs when pricing/purchasing.**

34. Gutter and downspout systems complete with splash blocks will be supplied surrounding all residential buildings. **QAP should include option to pipe water underground 5' minimum away from building.**

36. At a minimum, all development must meet the 2006 International Energy Conservation Code. **Should be change to read "All properties should meet current International Energy Conservation Code as requirement by the state and local jurisdiction."**

Best Regards,

Robert

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**From:** Devin Blankenship [<mailto:devin@prestwickcompanies.com>]  
**Sent:** Monday, October 16, 2017 4:09 PM  
**To:** Robert Byington <rbyington@s8darchitects.com>  
**Subject:** FW: South Carolina Public Hearing  
**Importance:** High

## Sarah Niemann

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**From:** Jd bailey <[jd@prestwickcompanies.com](mailto:jd@prestwickcompanies.com)>  
**Sent:** Wednesday, October 18, 2017 11:00 AM  
**To:** Ray Dotson; Jeremiah Westly; Paul Jordan  
**Cc:** Devin Blankenship; Sarah Niemann ([skn33@bellsouth.net](mailto:skn33@bellsouth.net))  
**Subject:** RE: South Carolina Public Hearing

More suggestions:

1. Change back to particle bd. Substrata for plastic laminate tops as per mfg. suggestion
2. Delete the requirement for fax machine – a bit outdated

Thanks,

JD Bailey | Chief Estimator  
Prestwick Companies  
3715 Northside Parkway, NW  
Building 400, Suite 120  
Atlanta, GA 30327  
404-949-3884 (o)



**Prestwick**  
companies

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**From:** Ray Dotson  
**Sent:** Wednesday, October 18, 2017 10:03 AM  
**To:** Jd bailey <[jd@prestwickcompanies.com](mailto:jd@prestwickcompanies.com)>; Jeremiah Westly <[jeremiah@prestwickcompanies.com](mailto:jeremiah@prestwickcompanies.com)>; Paul Jordan <[paul@prestwickcompanies.com](mailto:paul@prestwickcompanies.com)>  
**Cc:** Devin Blankenship <[devin@prestwickcompanies.com](mailto:devin@prestwickcompanies.com)>; Sarah Niemann ([skn33@bellsouth.net](mailto:skn33@bellsouth.net)) <[skn33@bellsouth.net](mailto:skn33@bellsouth.net)>  
**Subject:** RE: South Carolina Public Hearing

JD and Paul,

Devin and Sarah needs all comments by 11 am today.

Ray

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**From:** Jd bailey  
**Sent:** Wednesday, October 18, 2017 9:05 AM  
**To:** Ray Dotson <[ray@prestwickcompanies.com](mailto:ray@prestwickcompanies.com)>; Jeremiah Westly <[jeremiah@prestwickcompanies.com](mailto:jeremiah@prestwickcompanies.com)>; Paul Jordan <[paul@prestwickcompanies.com](mailto:paul@prestwickcompanies.com)>  
**Cc:** Devin Blankenship <[devin@prestwickcompanies.com](mailto:devin@prestwickcompanies.com)>  
**Subject:** RE: South Carolina Public Hearing

**Sarah Niemann**

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**From:** TaxCreditApps <TaxCreditApps@VHDA.com>  
**Sent:** Friday, October 06, 2017 3:34 PM  
**Subject:** LIHTC Announcement - Cost Limits

Dear Interested Parties:

We wanted to inform you of action we have taken regarding cost limits in the rental Housing Credit program administered by VHDA. As you know, the program includes per unit limits on the total development cost (including land) of Housing Credit projects. These costs are broken down by geographic region and by new construction versus rehabilitation, with additional upward adjustments for developments with structured parking and developments with certain expenditures related to dehumidification systems. The limits are updated annually based upon cost factors published by Marshall & Swift. We normally update the limits at the close of the 4<sup>th</sup> quarter each year, although the Qualified Allocation Plan (QAP) that governs our administration of the Program allows us to do this as early as the beginning of the fourth calendar quarter, October 1.

We have been contacted by numerous developers concerning developments experiencing issues with their project costs relative to the cost limits. We believe that these are legitimate issues driven in large part by the substantial increase in construction costs that has occurred over the last 12-18 months. We have observed the same issue on the lending side with construction costs across the Commonwealth. We further anticipate an increase in building material costs and a shortage of construction labor resulting from rebuilding efforts in Texas, Florida and elsewhere resulting from the recent hurricanes.

As a result we have updated our cost limits. These revised limits reflect a 15% increase over all the existing limits (including structured parking and excluding dehumidification), for the reasons stated above. This level of increase represents an upward deviation from the Marshall & Swift factors, but we believe this adjustment accurately reflects the true construction costs in Virginia. The new limits are provided below. The increased limits will be applied for all applications received going forward, and they will be applied as we review the feasibility of projects that received 2017 credits.

INNER NORTHERN VA		OUTER NORTHERN VA		BALANCE OF STATE	
NEW CONST	ACQ/REHAB	NEW CONST	ACQ/REHAB	NEW CONST	ACQ/REHAB
\$448,656	\$391,684	\$333,288	\$235,011	\$249,254	\$192,281

**Structured Parking \$49,851**

Please feel free to me if you have any questions.

Sincerely,  
JD Bondurant

JD Bondurant  
Director of LIHTC Programs