



To: SC Housing Staff
Date: August 16, 2022
Subject: 2023 QAP Comments

Hello,

NHE, Inc. would like to offer the following comments related to the 2023 Draft Qualified Allocation Plan.

Junior Developer Applicants

We are in support of the Junior Developer concept from the previous year's QAP. We feel that the concept gives less experienced developers and non-profits the ability to participate in the 9% Tax Credit program even when the Previous Experience section is more stringent. By building up the capabilities of more developers and non-profits within the State of South Carolina, we are encouraging the development of more affordable housing. Additionally, as the roster of experienced developers grows, the quality of competition and access to quality sites will increase.

Annual Operating Expenses

We are supportive of the added language to Item P(6) on Page 13. We feel that the adding the ability for annual operating expenses to be governed by the Current Year's operating expense range is a reasonable approach to underwriting operating expenses.

Appendix C1 – 9% LIHTC

Section IV(A)

We would like to see the Palmetto Opportunity Index (POI) be re-incorporated into the Site Scoring section in some form or fashion. The Palmetto Opportunity Index worked well to identify the best census tracts where residents of affordable housing would have access to the best schools, hospitals, etc. If the reaction from the development community was that there was too much emphasis on the POI and that the points for POI were largely driving the 9% competition, then our suggestion would be to lower the overall amount of points associated with POI rather than eliminate those points altogether. If the previous score of 30 points is too many points, then even at some other point level the POI scoring will still accomplish the task of helping differentiate applications so there is not a clustering of applications at the top of the list with all the same scores.

We feel that Section IV(A) should have multiple different avenues to get the points necessary to be competitive in the 9% application cycle. A project may have a location that lends itself to receiving a high score using the driving distances but does not have a good POI score. Another

project may have a location that is a combination of both, moderately good driving distance score and moderately good POI score. Still another project may have a location that has a strong POI score but does not have a strong POI score. All three (3) projects may receive the same or similar score but have different attributes that make them attractive to the development team or prospective tenants.

The goal is to provide a combination of scoring criteria that does not prioritize a single scoring dimension. Utilizing a mixture of scoring criteria such as POI and driving, avoids the pitfall of rating certain sites or locations as being all or nothing . By providing different options for receiving a strong site score, SC Housing would be opening up more of the State to be potential development opportunities.

Other components that could be layered in site scoring could include proximity to public transit lines, and/or Walkscore, which is already utilized in North Carolina.

Alternatively, you could make the POI score section 41 points to match the driving distance section and developers choose which scoring rubric they would like their site to be scored under. Again, it gives developers more sites to feel competitive with.

Section IV(I)

We feel that the Supportive Housing section should be removed from the QAP or the AMI targeting should be increased to 30% AMI. The 20% AMI targeting group is very difficult to find qualified tenants for.

Appendix C2 – Tax Exempt Bonds

Section III – Ranking

NHE feels strongly that the ranking criteria established for Tax Exempt Bond projects that need State Tax Credits (STC) will not award projects that will promote the highest value or greatest public benefit. The existing criteria will strongly benefit projects that can deliver housing units built at the lowest construction standard possible while still meeting SC Housing design criteria. Additionally, the criteria is putting locations where land and construction will be less expensive at a distinct advantage over metropolitan areas and “infill” sites.

Metropolitan areas and “infill” sites are generally more desirable sites than sites that may be less expensive to purchase but are not located near shopping, services and/or public transportation. By applying one metric, least amount of state resources, across the whole ranking system the applications that are awarded and encouraged to apply will be tailored towards the one variable that ensures success, low cost. Incentivizing low costs is going to push development of affordable housing projects to the urban growth boundary of each metropolitan area in the State.

This will allow developers to get the rents necessary to make the underwriting work on a project while purchasing land at a lower cost basis. These sites will be far from services, existing infrastructure, public transportation and other amenities that prospective tenants will need once moving in.

The language in Act 202 appears to be purposely vague regarding the ranking criteria, “*The state housing authority must establish uniform criteria for allocating the South Carolina housing tax credit to eligible projects pursuant to a competitive process that promotes highest value and greatest public benefit*”. What exactly is valuable and a public benefit is left for SC State Housing to decide and explain to the Joint Bond Review Committee. We believe an argument can be made for any of the following criterion to be established as a value to not only the State of South Carolina but also to the tenants who these projects will serve.

The criteria proposed will reward projects that can start construction quickly, helping to immediately tackle the affordability crisis ongoing in South Carolina. Additionally, the criteria will incentivize projects that have engaged with the local community, benefiting the local residents as well as the proposed development. Greater communication will provide for better projects and more buy in from the local community. Other criteria include site specific incentives so that projects are located in areas of opportunity and areas that are close to services. The demand and need for affordable housing in South Carolina is largely in the major metropolitan areas of this State. Consideration needs to be given to projects that are located in these areas or the ranking criteria will not favor projects located in Charleston, Greenville and Columbia. These areas have historically been more expensive to build in because of local design standards and land costs. Nonetheless, these areas still deserve and need affordable housing. By prioritizing the lowest cost projects, we believe that SC State Housing will begin to see multiple projects with the same level of construction.

NHE looks forward to working with SC State Housing staff to address any questions or concerns that follow the review of the criteria listed below along with the comments presented previously in this document.

Suggested Additional Ranking Criteria

Readiness to Proceed – points for each of the following:

- Soil Report/Geotech subsurface report
- 100% CD drawing set, civil and architectural – these take several months to create and typically sort out any potential design issues with the site. These go way beyond the preliminary set submitted with the application. They demonstrate thoughtfulness and readiness to proceed in a timely manner.
- Document evidence that plans have been submitted to the local jurisdiction to received permits – (could be letter from local jurisdiction, email confirmation of receipt, etc.)

- Stormwater Approval from SC DHEC – max points if this can be submitted with an application, this is received after full review and approval of stormwater, grading and civil. This demonstrates the site is ‘shovel ready’.

Commitment to the project

Provide points or preference for sites where land has already been purchased by affordable development team

Non-profit partner and/or evidence of tax abatement

This makes efficient use of limited affordable housing funding resources, since tax abatements stretch dollars further.

Local dollars supporting the project (dollars or land value)

Provide points or preference for projects that show local financial support. This also makes efficient use of limited affordable housing funding resources.

Evidence of multiple community meetings

Provide points or preference for projects that can demonstrate multiple meetings with local community and neighborhood. Demonstrates best practices to give our affordable housing development industry a good name, efforts to interact with community.

Letters of support

Letter of support from local municipality, city council members, mayor, city manager, SC State House, SC State Senate. The affordable housing programs need political support at the state level to survive and thrive. As a coalition, all stakeholders should make an effort to support projects that have a high level of impact in political support.

Opportunity Zone

Provide points or preference to sites located in an Opportunity Zone. This incentive is already in the 9% program.

Jobs score

Apply a Jobs score to sites similar to what is done in the 9% program. This ranking criteria would encourage projects located into areas with job opportunities.

Distance to CBD

Provide points or preference to sites that are in or near the Central Business District which has been notoriously difficult to develop for affordable housing and where workforce housing for hospitality (restaurants & hotels) is needed most. Most CBDs around SC have also experienced gentrification and loss of affordable housing for workers. Also adds benefits of walkability and transportation options. These are more impactful than suburban developments.

Provide 1 point for projects within 2 miles from City Hall.

Walkscore/Walkability

North Carolina now uses a Walkscore as a scoring component, simple, easy to use score from an independent website

Public Transportation

Provide 3 points to sites that ¼ mile from a Bus Stop; Provide 1 point to sites that are within ½ mile from Bus Stop.

Sincerely,

NHE, Inc.
Taylor Davis, President