August 25, 2022

Kim Wilbourne
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd
Columbia, SC 29210

RE: Comments on the 2023 South Carolina Draft Qualified Allocation Plan

To whom it may concern:

We appreciate the opportunity to comment on this year's draft of the Qualified Allocation Plan. We appreciate the agency's consideration in seeking to develop the best plan for the whole state. We understand there are benefits and drawbacks to each decision. We ask that the state consider each of the comments below.

Threshold Section D.3. Geotechnical Soils Report – This is an item that has been included and not included over the years. It adds additional cost, and it often takes 60 days to receive. This is a third-party report that is quite difficult to get turned around in a quick time period. We ask that the agency consider moving this to a post-award obligation.

Threshold Section P.3 Maximum Developer Fee – This section determines Developer Fee as a lesser of 15% of eligible costs or $15,000/unit. To read it implies that $15,000/unit will approach or sometimes exceed 15% of eligible costs. But, reality is that $15,000/unit in this cost environment is only 5-6% of eligible costs. NCSHA and other state agencies use a 15% of eligible costs benchmark because it is understood there is not significant cash flow and back end value to these properties. A developer can earn an outsized Developer Fee to make up for these lost sources of revenue. But, market rate development fees are 4-5% of TDC, and they also receive significant cash flow and promoted interest generated through sales. The state's maximum Developer Fee is no longer outsized compared to market rate developments, and do not receive the back end values these developers enjoy. It does not make financial sense to consider completing an affordable housing development on a property where a developer could develop either. We encourage the agency to increase the fee by 30% or allow a Construction Management Fee that is 2% of Total Development Cost. This would allow development staff to be paid commensurately as construction timelines are getting longer and as costs continue to increase.

Threshold Section P.6. Annual Operating Expenses – We applaud and appreciate the agency's proposed change to this section. We request that the agency provides clarity to confirm developments being submitted in 2023 that were funded under previous QAP's are eligible to use 2023 operating expenses.

Appendix C1.1.B.2. Award Limitations – The proposed change only allows one award per county. There are multiple counties in desperate need of more affordable housing created than one 9% award per year. While the goal of this reduction in limitation may encourage more awards across the state, this hurts the biggest population areas with the greatest needs for affordable housing. Please consider keeping this limitation to two new construction projects per county.

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Appendix C1.3.B.2. Rehab Site Aside – The Rehab set aside was increased from 10-15% to 20-25%. There are already very few applicants in this set aside. There were only nine applicants in 2022 (no awards yet), seven in 2021 (four awarded), six in 2020 (five awarded). The applicants under this section will receive an unfair advantage compared to the competitiveness other set asides. Please consider keeping this category at the original limitations.

Appendix C1.4.A. Distance to Amenities – Please consider tightening the distances for scoring on the services listed. Developers need to know their site is competitive in scoring prior to application submission and this matrix leaves the door open for all applications to tie in scoring.

Appendix C1.4.A. Distance to Amenities – Please consider editing the definition of a Full-Service Grocery Store. It will be very difficult to confirm the sq footage of any grocery store. It is very possible when contacting the store management, they will not know how big the store would be. In addition, requiring a chain grocery store may eliminate markets in rural towns where the local store is family owned/operated or where an ethnic community may have a primary grocery store that services the community well and be ineligible for points.

Appendix C1.4.I Supportive Housing – Please consider increasing the set aside to 30% AMI from 20%. Even with the ability to use disability income, our investors are uncomfortable giving us any credit for these units. The financial market is much more comfortable having units set aside for 30% AMI. We further request a timeframe placed on this requirement during lease up (i.e. 90 days). It is possible this will hold up PIS applications if no qualifying applicants are in the market area.

Appendix C1.5 Tiebreaker Criteria – We would caution the agency using a lowest cost/unit or race to the bottom criteria as a tiebreaker. This leads to thin developments that are the only major risk to tax credit recapture and foreclosure. It is good for the agency and state to have healthy developments that are made with quality materials.

Appendix C3 State LIHTC – We desperately need more clarity on when state tax credits will be included, and when they won't, and when we can qualify for them. We understand there is much outside noise around this, but we just need a little more guidance. Specifically, please provide clarity around Section 5. We understand that there are $3 million in credits available per developer. But, can we only access state credits if we have requested $3 million on one development and there is still a gap? There is currently no tax credit cap per development.

We would encourage the agency to have us either provide two draft models - one that includes state credits, and one that does not, and the agency can pick whichever one it chooses to fund. Or, we can submit a federal credit application and the agency can work with the applicant to determine the appropriate number of federal and state credits for the development.

Appendix E.5. D. Recycling Credits – We understand the need for accountability. But, we would encourage the state to not penalize developers for needing to recycle credits in this extraordinary environment. You end up hurting your capable and long term partners because of an economy riddled with issues. Also, the state has recently allocated credits at the latest possible time in the year, making it increasingly more difficult to meet Placed in Service deadlines. We simply request that this not be included for this year's QAP.

Please also see our comments on Appendix B's Design Criteria:

III.C.2 – Please consider removing the requirement to have a covered drive on senior developments. Costs are extraordinary, and this would be a simple fix to minimize cost to the program.

III.H.9 – It is typical for floor assemblies to meet a STC 52 rating, and walls typically do not come close to this rating. Please consider revising the STC 54 requirement.

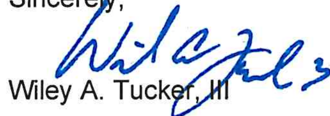
III.O.6 – We would encourage you all to consider using an air loss requirement in line with NGBS or Earthcraft instead of limiting duct board product. We have seen an increase of cost close to $500/unit by having to use galvanized metal instead of duct board, without a benefit to the resident and property.

III.P.6 – It is common for water lines to be run along open breezeways in garden style products. Please consider modifying this section.

III.R – The last few years have required to layer the Energy Star program with another green program like Earthcraft. Having to comply with both of these is quite difficult and adds cost to the development. We would encourage the agency to have Energy Star as an option within the Sustainable Building Section.

We appreciate the agency's partnership, and we look forward to delivering more quality, safe, affordable housing in the state.

Sincerely,



Wiley A. Tucker, III