



Chris McMillan, Tax Credit and Bond Manager
Sara Martinez, Director of Development
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Boulevard
Columbia, SC 29210

October 25, 2019

Re: South Carolina Housing – Draft 2020 QAP

Dear Mr. McMillan and Ms. Martinez,

I am writing to provide an additional perspective regarding the Required Management Experience threshold items in the South Carolina 2020 Draft QAP. As you know, our organization focuses on dispositions of LIHTC, HUD, and RD properties across the country. We underwrite approximately 20-30 year 15 LIHTC properties per month to understand operations and property values. Based on our experience, we would suggest that the following proposed QAP requirements are aggressive:

- occupancy rates \geq 93% for all projects that have reached stabilization
- monthly collection of 95% of resident receivables (rents paid)

We review many LIHTC properties that have occupancies in the low 90s% range that are well managed communities and homes to many low income households. In fact, when we are looking at acquisition financing on our listings the occupancy threshold for Fannie/ Freddie's underwriting is 90% for 90 days. We would suggest that a 90% threshold would fall more in line with a stabilized occupancy rate. In regards to the 95% receivables item, it should be noted that many portfolios we review have properties that carry higher than 5% bad debt. We wouldn't suggest that this is a lack of management's attempt to collect but more so a factor of how fragile the LIHTC resident base is financially.

In conclusion, our experience would suggest us to use lower threshold limits for both of these items. Please let me know if you have any questions.

Regards,

A handwritten signature in blue ink that reads 'Derek DeHay'.

Derek DeHay

Director of NKF Affordable Housing