



WODA COOPER COMPANIES

August 26, 2022

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

RE: 2023 Draft QAP Comments

Dear Ms. Wilbourne:

On behalf of Woda Cooper Companies, Inc., thank you for allowing us the opportunity to provide constructive feedback regarding the 2023 Draft QAP.

1. III. Threshold Participation Criteria – F. Developer Award Limit.

The developer award limit is a great addition to the QAP to ensure an equitable distribution of state resources across developers. With the increased Award Limitations, this policy will help ensure no one developer receives a disproportionate amount of credits.

2. III. Threshold Participation Criteria – P3.

While we applaud SC Housing's decision to increase developer fees on 9% developments for units above 49, they are still below what is provided in neighboring Georgia. Georgia's latest QAP allows for a developer fee of \$27,500/unit for the first 50 units, \$22,000/unit for units 51-70, and \$16,500/unit for units 71 and above. This is an 83% disparity on the first 50 units and puts a true burden on SC developers in a time of rampant inflation.

3. Appendix C1 Section I B. Award Limitations.

While we applaud SC Housing's decision to increase the award limitation to \$3,000,000, we recommend SC Housing implement a project limitation of \$2,000,000 as well. If a single project can request up to \$3,000,000 in tax credits, this could lead to an inefficient use of valuable resources. Additionally, if a high percentage of the credit ceiling is allocated to a single project, this will limit the distribution of tax credits throughout South Carolina.

We commend SC Housing's decision to limit awarded new construction projects to one per county. This ensures a more equitable distribution of tax credits throughout South Carolina.

4. Appendix C1 Section III B. Set-Asides.

The increase to the rehabilitation set-aside will stymie creation of new affordable housing, resulting in fewer South Carolinians being served by the program. Rehabilitation developments can be financed more easily than new construction developments through the tax-exempt bond program due to their lower total development costs. The 2022 set-aside percentages should be restored so that new construction is prioritized in the 9% program.

5. Appendix C1 Section IV A. Distance to Amenities.

Compared to the 2019 QAP, we commend SC Housing's decision to increase the driving distance to amenities. This will enable more real estate in South Carolina to score highly on the driving distance to amenities which will, in effect, minimize bidding wars that have been seen recently. There should not be concern over too many applications having the same score because the other categories, including job access, other types of tax credits, leveraging, and revitalization will assist in differentiating the applications.

The requirement that the full-service grocery store must be part of a chain disadvantages local small businesses with no discernable benefit to future residents and this should be removed. A non-chain grocery store meeting all the remaining requirements of this section should be perceived as providing equal value.

6. Appendix C1 Section IV E. Other Types of Tax Credits.

We applaud SC Housing's desire to leverage its scarce federal and state housing tax credits with other tax credits that are available. This ensures developers do not simply depend on housing tax credits to finance their deals.

We suggest the language be updated to state "Applications will earn 5 points if they are eligible to receive another type of tax credit excluding 9% LIHTCs and the State Low Income Housing Tax Credit." Tax credits like the historic tax credit and the abandoned building tax credit would not be awarded by time of application to SC Housing. Rather, eligibility should be determined by time of application and these tax credits will be received at a later date, typically after construction is complete.

7. Appendix C3 – State LIHTC.

Projects that incorporate market-rate units should be ineligible for the state tax credit.

Alternatively, if mixed-income projects are permitted to utilize the state tax credit, the applicant should be required to underwrite the market-rate component separately from the low-income component, and the state tax credit should be limited to what is necessary to make the low-income portion of the project financially feasible. With the

2022 state tax credit legislation, this credit is a scarce resource that should be reserved to impact low-income residents and should not be used as a means of additional equity for developers to be able to construct unrestricted market-rate units that will not serve low-income households.

In mixed income developments, Georgia requires the percentage of total development costs covered by LIHTC equity (Federal + State) must be less than or equal to the percentage of low-income units. Given the scarcity of the South Carolina state credit compared to the Georgia state credit, we believe a stricter requirement in South Carolina is warranted. Permitting LIHTC equity to cover 100% of low-income units would, in essence, indirectly subsidize market rate construction through the portion of the permanent first mortgage that can be supported by the low-income rents.

8. Appendix E Section V D. Recycling Credits.

We commend SC Housing's inclusion of language pertaining to the recycling of tax credits in the QAP. Compared to past years, the pre-construction and construction processes are taking an extended period of time. This policy will enable more developments to be completed within the required timeline and as a result will serve more South Carolinians and low-income households.

We request the language be updated to provide clarification on the following item as it relates to recycling credits: would multiple instances of recycling tax credits decrease award eligibility by 1 each or 1 total?

Thank you again for this opportunity to provide feedback and we look forward to working together further with the Authority to bring high quality affordable housing to the great people of South Carolina.

Sincerely,



Parker Zee, Vice President of Development
Woda Cooper Development, Inc.