

**AFFORDABLE HOUSING COALITION OF SOUTH CAROLINA
2021 CYCLE QAP COMMITTEE
COMMENTS AND RECOMMENDATIONS TO SC HOUSING**

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Market Study

As developers look at areas for possible sites, they rely heavily on their market analysts to help verify the unit count, bedroom mix, rents, and other important aspects of the development to ensure the development will work in the chosen area and to determine if there is truly a need for the development in the market area.

Recommendation: Allow the developer continue to provide the market study with the application submission.

Alternate Recommendation: If SC Housing continues to maintain the commission of market studies, the Coalition recommends that the fee be reduced as \$6,000 per study is an unreasonable cost. In addition, language needs to be included to require market analysts to interact with developers to provide information pertinent to the application details.

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Deadlines

In order to manage time sensitive options and contracts, along with the required reports to be submitted with applications, a detailed schedule for application due dates is needed. In addition to scheduling requirements, developers need more details as to what is due with the Preliminary Application and Full Application submission.

Recommendation: Establish and provide a schedule for application due dates in the QAP or post a schedule at the time the final QAP is published. Provide more detailed information regarding what is required for the Preliminary Application and Full Application submittal.

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Section IV(B) Set-Asides

In the current draft, there are two set-asides for new construction and two for rehabs. Clarification is needed in the QAP regarding what happens with the excess credits when one set-aside runs low on credits. For example, do the excess credits go into a general "all deal" set-aside or flow to the next set-aside in the list?

Recommendation: Provide clarification in the QAP on how excess credits will be allocated as set-aside credits are allocated.

Regarding the two rehab set-asides, it is the consensus of our committee that a single set-aside where all rehab deals compete against one another, regardless of geographic location in the state, would be an improvement over the current draft. Generally, developers are not chasing counties when they submit a rehab, the deals "are where they are." If a property needs a resyndication, or if a developer is able to take a class C or B market-rate property and convert it to affordable, that would certainly be more beneficial than passing on that opportunity because of the county.

The current draft gives priority to rehabs in Group B counties and existing RD deals through the high-demand set-aside. The general rehab set-aside has the fewest credits allocated of any set-aside and includes more counties than the high-demand rehab with these fewer credits. The general set-aside rehab includes Group A counties which represent higher population and higher income counties that are losing more affordable housing and demand is higher. Preservation of existing tax credit deals for resyndication is critical. Many older LIHTC deals are counties located in the 27 counties from Groups A and C. If excess credits do not flow from high to general and the two set-asides are maintained, there could be a number of opportunities passed on in the general rehab set-aside.

Recommendation: Create a single set-aside where all rehab deals compete against each other regardless of geographic location.

Alternate Recommendation: Allow excess credits from the high demand rehab set-aside to flow into general demand rehab.

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Mandatory Site Requirements

Item K.2.c. - ***There needs to be an established benchmark for disqualification for slope/terrain.*** If no benchmark can be set the item should be deleted. An Applicant needs to know before money and time are spent on a site if the site will be disqualified due to slope/terrain

Item K.2.d - ***The language regarding the elimination of sites that require environmental remediation and that have not completed the remediation or required clean-up needs to be revised.*** Environmental concerns are inevitable and this requirement limits sites especially in urban areas. A site in need of environmental remediation should still be considered even if remediation or clean-up has not yet been completed as long as there is evidence the site can be remediated. Evidence of such should be included in the application, such as a site management plan or letter from a professional environmental engineer. In addition, sites with a VCC should be allowed.

Item K.2.e - ***The criteria of being within 50 feet of a wetland or 10- year or 500-year flood zone should be deleted.*** As a coastal state, having a 50-foot setback from a flood zone limits many possible sites from being developed. In addition, there are many possible sites that may have wetlands. The authority to regulate wetland criteria should be with the Army Corps of Engineers in conjunction with local municipalities.

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Maximum LIHTCs Per Unit

By not including specific information in the draft QAP, SC Housing is not allowing developers to make a comment on a criterion that is crucial to the financial feasibility of an application. This ties into many facets of the development such as overall cost, soft funds and donations needed, etc. SC Housing needs to provide documented methodology for determining the unit credit amount and should be published no later than January 15, 2021.

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Annual Operating Expenses

If a nonprofit is involved in the development and the ability to obtain a substantial reduction or elimination of property taxes is achieved, the development would have a problem reaching the \$4,200 to \$4,700 threshold as the operating expenses would be substantially reduced. We recommend that language be added to consider the possible reduction in property taxes.

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Permanent Financing

By not including specific information in the draft QAP, SC Housing is not allowing developers to make a comment on a criterion that is crucial to the financial feasibility of an application. A survey of lenders and their interest rates should be conducted and the results published no later than January 15, 2021 in order for that information to be utilized in preparing applications.

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Syndication Information

By not including specific information in the draft QAP, SC Housing is not allowing developers to make a comment on a criterion that is crucial to the financial feasibility of an application. Providing information 30 days prior to an application submission is not recognizing the due diligence an applicant is required to do in compiling an application. Proposals are being worked on for many months prior to an application submission and part of the process includes working with lender/investment partners. In addition, syndication pricing is subject to many things such as location of the site, CRA eligibility, size of the development, pay-in of equity installments, etc. and is not a “one size fits all”. A survey of syndicators and their equity pricing should be conducted and the results published no later than January 15, 2021 in order to have accurate information in preparing applications.

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Funding Sources and Property Taxation

Clarification is needed as to whether applicants can receive 5 points and 2 points separately or if the 2 points are contingent on getting the 5 points.

We recommend that the 2 points be applicable only to those nonprofits participating and obtaining nonprofit pool credits.

With the numerous deep rent targeting incentives that the 2021 QAP has for targeting units at 20% and 30% of AMI we recommend that the percentage of other funds be 75% or 80% of the total.

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Supportive Housing

Targeting 10% of the total units at 20% AMI is aggressive. Targeting at this level for 35 years can make the development financially challenged. Development proposals have to be marketable to get investors' best equity pricing. We recommend that the 20% income and rent targeting be increased to 30%. We also recommend that the 10 points for this item be reduced to 5 points.

Appendix B Development Design Criteria

Reference pages for Appendix B should reflect B not E. For purposes of the comments to Appendix B, the references below are listed as Exhibit E since that is the current labeling of this Draft Appendix.

Page E-2- Application Plan Requirements

Geotechnical reports, full surveys, civil plans, landscape plans, etc. should not be required until an applicant knows that they have received an award of credits. The costs of preparing these documents for submission with an application that may or may not be funded is a waste of money and if the application is not funded the outlay of these costs cannot be recouped. We request that only preliminary plans be required at the time of application submission and full plans, including any reports, be provided after an award of credits is made.

Page E-9 Laundry Facilities

Laundry vendors will not over-supply machines for a property. Vendors consider the number of washer/dryer hook-ups provided in the individual units as well as the minimum income that a single machine needs to make when they determine how many washers/dryers are needed for the property. If a development has washer/dryer hookups in the units, which SC Housing requires,

1/3 or more of the tenants provide their own washer/dryer in their units. The number of washers and dryers required in the laundry room needs to be reduced.

Page E-12 Site and Site Lighting Item 6

Reflecting a maintained footcandle of 1.5 for all development parking, sidewalks, and exterior common areas has been added for 2021. Increasing the footcandle requirements increases the development costs as more power poles have to be installed and maintained. Increasing the footcandle requirement is also in violation of many local requirements that are making efforts to reduce light pollution. We recommend that the requirements for lighting be mandated by the City/County during their plan review of the development's lighting plan and/or maintain the 1 footcandle lighting requirement from previous years.

Page E-18 Item 11 Kitchen Lighting

Kitchen lighting must provide 30 footcandle minimum on all counter tops has been added for 2021. Due to wall cabinets blocking overhead lighting, under-cabinet lighting would need to be installed to achieve the footcandle requirement, thereby increasing costs. We recommend that this requirement be removed.