Comments on the Draft 2022 Qualified Allocation Plan

Page 3:

- **Market Study:**
  - The Authority should continue with a third-party review of the market study provided with the full application and not order the market study themselves.
  - The developer orders a market study to determine the market in the proposed project area prior to submitting a preliminary application. The lender/equity partner may also order their own market study. The Authority proposing to order a market study increases the cost of the development by now having multiple market studies done. What issue is the Authority trying to resolve by ordering the market study?
  - What will the turn-around time be for a market study to be completed if the Authority orders the study? Delays in getting the market study back delays a developer's ability to complete a full application.
  - In order for the developer to prepare a full application, the developer will have to discuss the market area as well as the number of units and proposed rents with the analyst otherwise how will a market analyst be able to prepare the market study since none of this information is currently included with the initial application submission? Will the developer be able to freely discuss issues with the market analyst in order to get a market study completed?
  - With the Authority ordering the market study the developer does not have the opportunity to see the capture rate or absorption rate in order to make adjustments to rent levels, unit mix, number of units prior to submitting a full application. A reduction in the number of units could also affect the amount of land needing to be optioned which is done as part of the preliminary application.
  - If the Authority orders the market study this is just one more burden or task that the Authority would be taking on when the staff is already taxed with the current volume of LIHTC, Bonds, SRDP, etc.

Page 4:

- **LIHTC Award Limitations:**
  - Need to increase the tax credit award limit per developer to $2 million and credits per development to $1.2 million as the proposed $1.5 million cap does not allow for 2 developments to be funded. Keeping the cap at $1.5 million will decrease the number of units per development that can be built based on current construction costs. In 2021, the average credits per unit in Group A was $13,671 and for Group B it was $15,339; therefore, the per unit development cost and tax credits per unit on smaller deals is higher than on larger deals so you are getting less value per unit in awarding a bunch of smaller developments. Below is the average LIHTC request and average number of units from 2021 new construction Group A and Group B counties which shows you cannot get 2 developments with the $1.5 credit cap:

	Group A:	Group B:
Average LIHTC request:	$1,066,378	$843,697
Average number of units:	78	55

  - The proposed cap limit will also not allow a developer to have a 3rd development with a nonprofit or junior developer. If the plan is to give the nonprofit/junior partner a chance to learn the tax credit process then there should be a limit on the awarded and/or open awards a nonprofit/junior partner has at one time.

- What is the definition of a junior developer and at what point does the junior developer become a senior developer?

Page 10:

- **Market Study:** As previously mentioned, developers should order their own market studies from the approved list of market analysts and the Authority use a third-party market analyst reviewer to review the studies submitted.

Page 14:

- **Required Capacity**:
  - The Authority has increased the financial documents required for submission to beyond what conventional lenders and syndicators require who are providing millions in loan funds. What is the problem the Authority is trying to solve by requesting audited statements, global debt schedules and complete REOs? The cost of preparing what is proposed is very expensive and not necessary to determined financial capacity.
  - Why do developers who have loans/grants with SC Housing need to provide a list of such as the Authority should have a list of loans/grants that developers have with them. In addition, you are not asking out of state developers to provide a list of what loans/grants they have with other states which means you are scrutinizing developers who have worked in SC more so than other developers. This requirement needs to be eliminated.
  - We suggest going back to requiring reviewed or compiled financial statements and putting bench marks for minimum net worth of Five Million Dollars ($5,000,000.00) and minimum liquid assets of One Million Dollars $1,000,000.00) to determine capacity.

Page 15:

- **Mandatory Site Requirements:**
  - The Authority needs to reinstate the limitation of not funding new construction developments within one half (1/2) mile of a previously funded development that has not yet placed in service and reached 90% physical occupancy. Funding developments within close proximity without allowing the market time to absorb new product before funding another new development can over saturate a market and create lease up issues for new developments.
  - Item 2.c- the Authority added "as indicated by combined site and site preparation costs that exceed the cost of comparable existing buildable land in the area". How does the Authority plan to obtain this information in order to perform such an analysis? What exactly do you plan to compare? Are you taking zoning classification, unit density, and similar building type into consideration for this analysis?

Page 17:

- **Maximum LIHTCs Per Unit:**
  - We suggest the Authority establish an amount of LIHTCs per unit based on the trends over the past few years (See LIHTC Award Limit comments above) and adjust the amount each year using an inflation factor,(we suggest a minimum of 6%). When you survey syndicators and if the amount per unit is too low you can increase it above the proposed inflation factor as needed.
  - If an amount is not established in the QAP, then the Authority needs to provide this information as soon as possible so that developers can determine early on if a development is going to be financially feasible.

Page 18:

- **Basis Boost:** Does the entire state need to have a basis boost when all developments are eligible for state tax credits? The combination of state and federal tax credits has eliminated the need to have a statewide basis boost.

Page 19:

- **Annual Operating Expenses:**
  - The range of expenses needs to be increased each year with an inflation factor. Expenses are not staying stagnant so why does the operating expense range remaining unchanged?
  - The additional point criteria to provide a CORE service provider is not a free service to the development but there is no increase in the operating expense range to cover this additional expense. When the Authority added the requirement for the developer to upload the monthly water bills into the Authority's compliance database, for a minimum of 5 years, there was also no increase in operating costs. This is a recurring job function that someone must perform every month which comes at a cost to the development operations however there was no increase to the operating cost range. If additional services are going to be required, then the Authority needs to increase the operating costs parameters to allow for these extra services to be performed. The increase in operating costs will reduce NOI and subsequent debt which pushes the need for equity higher.

Page 22:

- **Syndication Information:** The Authority needs to provide this information as soon as possible so that developers can determine early on if a development is going to be financially feasible. This needs to be a range and not an absolute number.
- **Positive Site Characteristics:** The Authority added language "award 40 points to the application with the highest total in each group" and "award points to the remaining applications based on their score relative to the highest scoring application in their group". Why is there a need to further define points based on a percentage of a higher scoring development when it doesn't change the scoring order of developments? This is just another calculation that adds no benefit but requires additional calculation by staff and could be subject to mathematical errors. You have given individual points to each census tract which should be sufficient without giving additional points relative to the highest scoring development. We suggest that the POI points be 10% of the POI score. That way there isn't an additional calculation that could result in a possible scoring error but decreases the absolute importance of the POI index so that developers are not fighting over a finite number of available sites.
- **Suggested Additional Site Scoring Criteria:** To keep developers from concentrating on areas directed by the POI we suggest adding additional scoring criteria. There are very limited sites in the high scoring census tracts and it creates a bidding war among developers and artificially inflates the cost of the land which is a waste of resources. Following are some suggested new site criteria:
  1. Create a site distance matrix to needed services such as grocery stores and pharmacies. It is important for lower and extremely low- income tenants to be able to walk to vital services especially if they only have one or no cars per household.
  2. Add more points to areas that have not been funded in the past 5 years. We suggest a point matrix for areas that haven't been funded in the past 2, 3, and 5 years. This would help spread the credits around the state to places that need affordable housing but have no chance of getting funded under the current POI scale.

Page 24:

- **Funding Sources:** The Authority should consider increasing the percentage from 70% to 80% for other funding sources particularly since the Operating Expenses will be increased with CORE Service Providers and Utility Usage Monitoring requirements. Typically, other money obtained is loaned to the development which causes the developer to increase rent to cover the cost of additional debt service. The Authority has produced reports stating that most tenants are rent over-burdened but asking developers to find 30% of their funding from other sources, especially when they are loan funds, just continues the trend of having tenants pay more for rent and having them be rent over-burdened.
- **Sustainable Building:** Why was the High-Performance Building Council of the BIA of Central SC eliminated? We suggest this be added back as a viable option.

Page 25-26:

- **Revitalization or Local Policies:**
  - Please consider adding points for demonstrating that the locality has invested revitalization funds in the past two (2) years within the area and/or has plans and budgeted for investing revitalization funds in the area over the next two (2) years.
  - Item H.1.c. third bullet states "There was a detailed investigation into the community's history, economics, and demographics. The local built environment and public services were assessed, and plans made to improve them where necessary". What does this section mean and what is expected to be supplied to meet this point criteria? Please rewrite this statement so that the meaning of what you are looking for is clear.

Page 27:

- **Supportive Housing:**
  - We suggest eliminating targeting for 20% units. Trying to find tenants that meet the 20% limits is challenging and in many counties tenants who are on Social Security and SSI are over income for these units. In addition, it is very difficult if not impossible for these tenants to pay deposits for water and electric connections, first month's rent plus a security deposit. If you want to continue targeting extremely low-income tenants, we suggest targeting 30% so that we can serve DMH and DDSN clients.
  - The points for supportive housing targeting should be lowered from 10 to 5 points
  - If you plan to keep the tenant targeting at 20%, we suggest lowering the percentage of total units targeting 20% income tenants from 10% to 5% of the total units.
  - The ability to operate tax credit developments is dependent on the rents generated to pay the debt and operating expenses. Having 20% units with no rental subsidy creates "free units" as they do not generate enough rent to cover their operating expenses. In turn the developer must increase the rents of other units to higher rent levels to help cover operating costs. You already target units at 30%, 40% and 50% rents which depending on the structure can create stress on the financial operations of the development. Pushing rents to the 20% level adds even more financial stress to developments.
- **CORES Certification:**
  - Based on research only 2 states have this requirement with 1 of the two starting it this year. The two states also do not have CORE certified providers as the sole service providers, they allow other service providers to be used to provide services. The Authority should allow other qualified providers to provide services to the development.
  - There are only 2 CORE certified providers currently listed for South Carolina one of which, if not both, are active in the Authority's LIHTC and Bond programs. If this certification

was more prevalent among service provider groups, then it could be understandable to require this certification but since that is not the case the Authority seems to be reaching into an area that is not necessary. With only 2 certified groups working in SC it will be difficult to negotiate fees for services when there is limited competition. In addition, these two development groups are automatically ensured the 5 points if they participate in SC.

- It was mentioned in the meeting that CORE certification was a best practice but in reviewing NCSHAs best practices for state housing authorities it is not mentioned. Also, cannot find that HUD has stated CORES certification as a best practice either. Why is there such an emphasis being placed on having only a CORE provider as a qualified service provider?
- The time requirement listed of 15 minutes per week per unit would require a provider to be on site 22 hours a week for a 90-unit development which is excessive. Most of the tenants in developments work and are not home during the day to engage with a service provider. Putting a time requirement on a service provider is overreaching and should not be a function of the Authority. If a CORE provider or any other service provider is engaged/contracted with it should be up to the developer and service provider to determine the amount of time needed at a development. We request that the Authority remove the time requirement.
- Please remove this CORES program for points until SC Housing has had time to fully research this program, its potential benefits and costs, and to allow other providers of services to participate.

- **Tie Breaker Criteria:** Item D, tenant ownership, is an IRS 42m requirement so encouraging a developer to not provide tenant ownership goes against Section 42 of the Code. The language for item D should remain unchanged from 2021 and left in its current position of tie breaker criteria.

Appendix B- Mandatory Design Criteria:

- **Page 2- Item B.1.t. Full Parcel Survey:** Providing a full parcel survey at application submission is an unnecessary expense prior to an award being made and should not be required until the submission of final plans and specifications. For preliminary plans that are submitted at full application submission an architect/engineer should be allowed to use GIS, USGS or existing surveys to provide preliminary information.
- **Page 7- Item 9. Breezeways and Stairways:** Requiring a 48" minimum clear path of travel through building breezeways and public/common use stairways will push the breezeways to 10 feet wide from stud to stud. Typically, developments are 9 feet wide in these areas and have been acceptable. The Authority needs to have the minimum clear path of travel in line with ADA requirements.
- **Page 8- Item 2.e.:** What is the definition of high rise, more than 2 floors, three floors?
- **Page 9- Laundry Facilities:** For the past several years developers have provided comments as to how many washer/dyers should be in the laundry facility based on usage. This year the Authority is requiring that all washer/dryer hookups be installed in the laundry room however only one washer and one dryer needs to be installed. This is not practical for any development other than those where the developer installs a washer/dryer in each unit. Having an empty laundry room with only one washer and one dryer is not sensible for a LIHTC or bond development. We suggest the Authority use the following criteria and/or contact laundry providers to see what they suggest:

  30 units or less: 2 washers and 2 dryers
  31-60 units: 3 washers and 3 dryers
  61-100 units: 4 washers and 4 dryers

More than 100 units: to be determined by laundry provider, must provide a letter

- **Page 11- Site and Site Lighting:**
  - Item 6: Parking area site lighting required at an average footcandle of 1.5. There needs to be an exception allowed for areas where the municipality has a lower requirement for "dark skies".
- **Page 11- Building Foundations, Slabs and Radon:**
  - Requiring Radon Resistant New Construction Practices to be used in all Radon Zones seems excessive. It is understood that Radon Resistant New Construction Practices be used in Zones 1 & 2, our lenders are actually requiring such, but not for Zone 3 areas which is the classification for the majority of the state. We request that that Radon Resistant New Construction Practices be limited to sites located in Zones 1 & 2 only. Adding Radon detecting systems in areas that do not need them raises the cost of construction unnecessarily.
  - Should the draft requirement remain unchanged, what exactly is SC Housing imposing, the installation of piping only, installation of piping and monitoring system, do you want all developments to having a monitoring system plus the certified testing at project completion? Further clarification of this criteria, should it remain in the final QAP, needs to be provided.
- **Page 20- Plumbing:** Item 2 requires sub metering, readable, for all units in a high-rise development. If the owner is paying for the tenant's water this is an unnecessary cost and a waste of resources. The meter cost is about $180 so on a 60-unit development this would waste $10,800 dollars and on a 90-unit development $16,200. Consider amending this section if owner is paying for tenant's water.

Appendix C – Palmetto Opportunity Index:

When the final QAP is published please use continuous page numbering (1-12) for Appendix C to avoid confusion as to which pages go with which section since grouping information is not listed on the top of each page.

Ranking the census tracts highest to lowest should be based on buildable opportunities. When evaluating the top 15 census tracts listed in the POI most are located in "zero opportunity areas", for example- shipping yards, golf courses, heavily populated already established neighborhoods, heavy industrial areas or located ten to fifteen miles from any type of services. Tenants need access to services when they don't have their own transportation or need to rely on public transportation such as tenants at 20% and 30% AMI. When developing a scoring matrix and ranking census tracks with high scores the Authority needs to review the results and keep in mind who we are developing affordable housing for.

Appendix E – Tax Credit Manual:

- **Page E-1, Phase I Environmental Assessments:** ESA reports need to be provided with the full application submission. Waiting to receive an environmental report after awards are made and then taking away an award that cannot provide a clean Phase I or need to provide a Phase II report could delay getting funding obligated timely especially if the Authority takes back funds already awarded but it's too late to fund another development in the competition.

- **Page E-5, Rent Increases:** The Authority states "In addition to maintaining the applicable QAP market advantage requirement…." There is no longer a stated market advantage in the QAP. Is the required market advantage listed somewhere else?

Non-Competitive Tax Credits with Tax Exempt Bond Financing:

- Page E-5 Application Process: This section is confusing as to what relates to 4% credit requests only vs a request for 4% credits and bonds. Please restructure this section so that it is clearer.
- Accepting applications for 4% tax credit only requests from May to October limits a developer's ability to move forward in obtaining bond funding during the first part of the year and their ability to start construction during the Spring and Summer months which are the best for starting large construction developments due to weather conditions.
- What will the turn-around time be for reviewing 4% tax credit only requests and obtaining a 42m letter as the SFAA does not meet every month and there is a requirement to have a complete application package to SFAA 6 weeks prior to their meetings? With the proposed May-October submission schedule and depending on turn-around time a developer would not be able to meet the May or June SFAA agenda deadlines and since there has not been a July meeting the past few years the first SFAA meeting a developer could go to would be August. We request that the months for accepting applications for review be changed to January through June.
- Page E-6 top statement "After the development is Placed-In-Service the owner will submit a Final Cost Certification Package prepared and certified as to accuracy by a third-party Certified Public Accountant licensed by the South Carolina Board of Accountancy." Does this mean a full Placed-In-Service application package is not due for developments requesting 4% tax credits only and that only the Final Cost Certification Package from the CPA needs to be submitted?
- Page E-7 Fees: Is this the new fee structure for submitting bond applications? Based on this structure:
    - There is now a flat bond application fee of $4500?
    - The developer pays $4000 to the Authority for the Authority to order a market study for bond applications?
    - There are missing document fees for bond applications?
    - There are fees for plan reviews and construction inspections after an award is made- what award would that be for bonds?