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South Carolina State Housing Finance and Development Authority
Attn: Kim Wilbourne
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RE: Comment for 2023 Qualified Allocation Plan

SCORING FOR REHABILITATION APPLICATIONS

Nearly 23,000 low and very-low income households in South Carolina currently rely on Project-Based Rental Assistance from HUD (“PBRA”). This form of subsidy provides an estimated $190,000,000 in annual federal assistance which directly offsets the renting expense of households with the very lowest incomes – typically ranging between 0% to 30% of AMI. No other form of governmental assistance provides the help which is so desperately needed by families in this income strata. For example, in the 300 PBRA units our company currently owns within the state <u>the average tenant makes less than 15% of AMI and pays only $132/month for rent and utilities.</u> Many households pay only utilities ($0 monthly rent) because their incomes are too low. No new housing (including new construction LIHTC developments) is being developed which can effectively meet the needs of this population on a long-term basis.

Most of these PBRA developments were built over 30 years ago and are in need of substantial rehabilitation – either now or in the near future. If these PBRA contracts are allowed to lapse through expiration of the contract or termination by HUD due to deteriorated physical conditions, these resources would be permanently lost. For this reason, we commend SC Housing’s consistent commitment to supporting the rehabilitation of PBRA developments with 9% LIHTC allocations since it is a highly efficient use of LIHTC resources and delivers by far the greatest “bang for the buck” in terms of overall public benefit.

The new scoring system for rehabilitation applications outlined in the September 12, 2023 draft of the 2023 QAP proposes to place expiring PBRA developments on an equal priority with developments that were first built only 15+ years ago under the LIHTC program – regardless of whether such development would preserve PBRA resources. <u>The first priority for rehabilitation properties in the 2023 QAP should be those with a PBRA contract.</u>

We propose a revision to the new scoring system for rehabilitation developments which would (1) account for the uniquely high value which PBRA developments represent to the lowest-income residents of the state, and (2) assist in highlighting the highest priority rehabilitation developments in a funding round. We ask that SC Housing consider the following:

1. **<u>Increase the number of points for preservation of PBRA:</u>**

   For the reasons detailed above, we believe that PBRA developments represent the highest-value use for rehabilitation funding since they provide quality housing to households who quite literally have no other options. The preservation of these federal subsidies should be of primary importance and the points allocated to properties with PBRA should be adjusted accordingly. We suggest that this be made a 15-point category.

2. **<u>Split the two scoring categories into separate sections:</u>**

   Prevention of the <u>conversion of existing affordable housing to market rate</u> and <u>preservation of federal subsidy</u> refers to two separate forms of affordable housing preservation. Both represent a value to the affordable housing needs of the state and the two are not mutually exclusive. Allowing applicants to receive points under both categories would assist in ensuring that the highest-risk properties have the greatest chance to receive funding. Consider the following as a policy objective:

   (a) Applications which are <u>both</u> eligible to request a qualified contract <u>and</u> would prevent the loss of expiring PBRA in more than 90% of units should represent an <u>extremely high-priority</u> and receive the most points.

   (b) Applications which <u>will not</u> be eligible to request a qualified contract for another 2 years, but <u>do</u> prevent the loss of expiring PBRA in more than 90% of units represent a <u>similarly high value</u>, but less than (a) above.

   (c) Applications which <u>are not</u> eligible to request a qualified contract in the near future, but <u>do</u> prevent the loss of expiring PBRA in more than 90% of units represent a <u>high value</u> for rehabilitation, but less than both (a) and (b) above.

Suggested language which splits Appendix C1 Section VI(A) of the 2023 Draft QAP into separate sections consistent with the above comments is provided below:

A. Preventing loss of government housing resources (max. 15 points):

   - 15 points for developments with a federal project-based assistance contract on at least 90% of the units reflecting a remaining term of less than three (3) years.
   - 10 points for development with a federal project-based assistance contract on less than 90% of the units reflecting a remaining term of less than three (3) years.

B. Preventing of the conversion of units to market rate (max. 10 points):

   - 10 points for developments which the owner is eligible to request a qualified contract currently
   - 5 points for developments which the owner is eligible to request a qualified contract within the next two (2) years.