Comments for the 2023 QAP

- **LIHTC Award Limitations:**
  - Need to increase the tax credit award limit per developer to $3 million. The current caps are reducing the number of units per development. Smaller developments cost more per unit to build than larger because of economies of scale. This penalizes in state developers that have focused on providing affordable housing in SC for decades because the smaller and limited number of deals at a $2 million cap are not sufficient volume for them to focus in their home state, they are required to go to other states to fill that.

- **Mandatory Site Requirements:**
  - The Authority needs to reinstate the limitation of not funding new construction developments within a specified distance 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. Also, by continuing to fund deals in the same area year after year, and sometimes in very close proximity to each other, leaves the local community feeling "inundated" with affordable housing. We suggest 2 mile radius of separation from the previously funded development to the new proposal.

- **Maximum LIHTCs Per Unit:**
  - We suggest the Authority establish an amount of LIHTCs per unit based on the trends over the past few years and adjust the amount each year using an inflation factor. When you survey syndicators and if the amount proposed per unit is too low for that year, then SC Housing should reserve the right to increase it above the proposed cap as needed.
  - The Authority needs to establish the LIHTC per unit cap at the time the QAP is signed so that developers can determine early on if a development is going to be financially feasible.

- **Annual Operating Expenses:**
  - The range of expenses needs to be increased each year with an inflation factor.
  - The Authority should allow placed in-service applications to use the operating expense parameter outlined in the current QAP and not require a developer to use operating expenses that are two years old.

- **Syndication Information:**
  - The Authority needs to provide an allowed range of syndication rates that will be allowed by the time the QAP is signed so that developers can determine early on if a development is going to be financially feasible.

- **Positive Site Characteristics:**
  - Eliminate the POI and go back to a distance matrix for items. The POI has proven to be very problematic by focusing all developers in the same few census tracts across the state. The census tracts that are currently targeted by the POI are the highest income areas. This coupled with multiple deals being applied for in the same census tracts at the same time and year after year are bringing out the NIMBY advocates in force and

making a bad name for LIHTC developers and SC Housing. The following are some suggested new site criteria:

1. Create a site distance matrix to needed services such as grocery stores, pharmacy, convenient store/gas stations, and medical services (hospitals, urgent care, general practices only).
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 to 5 years. This would help spread the credits around the state to places that need affordable housing.
3. Priority on adaptive re-use. Examples would be utilizing old abandoned hotels, grocery stores, shopping malls, etc. This would help spruce up the communities and in turn gain support for affordable housing in municipalities and reduce NIMBY.

- **Funding Sources:**
    - The Authority should consider increasing the percentage from 70% to 80% for other funding sources. 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.

- **Revitalization or Local Policies:**
    - Lower the points for revitalization. 5 points for a revitalization plan and 3 points for affordable housing policies.

- **Supportive Housing:**
    - Eliminate 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 keep 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.

Appendix B- Mandatory Design Criteria:

- **Page 11- Building Foundations, Slabs and Radon:** Requiring Radon Resistant New Construction Practices to be used in all Radon Zones seems excessive. Adding Radon detecting systems raises the costs of construction. Only require Radon Practices be used in Zone 1.

- **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.
- **Page 1- Change Order:** The requirement for all Change Orders to be approved by SCSHFDA prior to the work being started adds another delay to getting these jobs constructed. This is a greater burden that the Lenders or Investors require. SCSHFDA needs to recognize the increasing governmental oversight only causes costs to go up and further delays completion of these transactions. We cannot afford to halt construction for up to two (2) weeks while SCSHFDA considers a Change Order request and to have a subcontractor stop their scope of work waiting on this approval is burdensome.

Appendix C – Palmetto Opportunity Index:

- Eliminate POI as this has done nothing but to congregate developments in the same areas for 3 years. We are building on top of each other, municipalities are complaining about the number of developments in the same areas and asking why is this happening, you are creating bidding wars for the same tract of land which is increasing land costs. The POI is focusing us on high income areas which increases nimby. POI is also driving us to very specific census tracts. When you box us into an area, that is where we will go to find sites. This causes bidding wars and drives up the prices we pay for sites. Also, we cannot simply go across the street into a different census tract, even if that one scores only 1 point less. 1 point can be the difference between an award and no award. If you keep POI it needs to be scaled back.

- 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.

Exhibit L:

- Re-instate exhbit L to keep track of the development and construction progress on funded deals.

Credit Awards:

- For 2022 deals, we do not need to be awarded 2022 credits in December of 2022, roll those credits over to January of the following year so that we have 2023 credits. Municipalities, work force and material delays are causing deals to take longer than 2 years to be developed and constructed. If we can be awarded credits in July of 2022, that gives ample time for

development and construction, but timeline does not indicate that July is when credits will be awarded.
- For 2023 deals, consider the same strategy listed above.

Return/Recycle Credits:
- An owner who received an award of 9% tax credits in 2020 or 2021 is eligible to receive an allocation of 2022 tax credits equal to or less than the amount of the original tax credits awarded to the project. The Owner must request an allocation of 2022 credits between October 1, 2021 and December 31, 2021. The allocation will not count against the 2022 Principal limit. The following will apply to those owners requesting a new tax credit allocation:
- Owners will return their allocation for an allocation of 2022 tax credits.
- Projects must comply with the requirements in the Qualified Allocation Plan for the original allocation and all representations made in the original awarded application (unless otherwise waived by the Agency).
- Projects should not be able to apply for additional credits without being able to demonstrate a hardship that would have been very difficult to forsee and demonstrating that the additional credits are critical to the development. There should be a cap of 8% above the original credit request on the amount of additional credits that will be awarded to any deal under any circumstance.
- If credits are returned there should be a penalty unless it is due to an circumstance outside the developers control such as blockage or interference from a municipality, state or federal agency, lawsuit, etc. NC once had that you had to "sit out" an application cycle if you had to return or roll over credits. Also should change debarment policy to remove debarment for 3 years for not meeting PIS requirements.

Rehabilitation:
- Rehab deals need to have their own scoring criteria that is not the same as the 9% scoring criteria. Under this scoring criteria, put highest priority on expiring LIHTC deals.

Qualified Contract:
- Eliminate negative points for participating in a qualified contract. This could be considered a "taking" since the developers complied with the terms of the QAP and rules in the year that each deal was funded, only to be penalized for future applications for doing what was allowed under federal law at the time the development was awarded. This will prevent LIHTC deals from becoming old with hazardous conditions for residents, like the old HUD deals. It will keep the LIHTC pool clean and up to date.

Site Location:
- Require accurate site addresses and GPS coordinates on preliminary applications.

Urban/Rural vs. A/B Counties:
- For STC scoring, the definition of Urban/Rural and A/B counties needs to be consistent with one another. This will eliminate dual scoring challenges.

Contribution Points:
- Need to increase the amount of money it takes to get 1 point. $60 for a 60 unit development is too easy and the jump from $60 to $120,000 for 2 points is too large.

Innovation Set Aside:
- SCSHFDA should not provide any Preferences (Innovation) that further require the real estate asset to divert income to provide services other than for housing.

Operating Reserves:

- Operating Reserves should not have to be funded until Conversion of the Perm Loan consistent with what our Lenders and Investors require. By having to establish prior to the PIS Application just requires us to incur another cost against the Constr Loan thus incurring a greater interest carry.