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SCSHFDA
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RE: Comments for the 2023 QAP Draft #3

QAP:

Page 9:

J. Mandatory Site Requirements, Item 2.e: Please clarify if applications for new construction developments located within one mile of a 2020, 2021 or 2022 awarded development is meant for 9% LIHTC applications only or if this criterion counts for bond applications submitted as well?

Page 11:

L. Targeting, Public Housing Agency Waiting List and Average Income, Section 3: Applications awarded in 2023 may utilize the average income minimum set-aside but may not contain market rate units. Please clarify if the Authority allows market rate units in the regular 20/50 and 40/60 set-asides.

M. Mandatory Design Criteria: Allowing developers in the competitive 9% program to submit waivers for items they don't want to do will lower the overall development cost. Tie Breaker Criteria on page 29, item C gives preference to developments with the lowest total development costs per heated square feet and on page 3, Ranking for State Tax Credits also incentives having the least amount of state resources for four (4) different criteria. Allowing developers in the 9% competitive program to request waivers of mandatory design will allow developers to manipulate the scoring system and creating an unfair scoring advantage. It's understandable that rehab developments may need waivers as they may not be able to do some design criteria based on the existing configuration of the development. However, all new construction developments should be required to do all mandatory items and request a waiver **only** if a City/County municipality has existing rules and regulations in place that specifically do not allow the mandatory criteria and the developer should be required to submit a letter from the City/County stating such.

If the waiver language remains in the final QAP then (1) waivers should only be requested after application scoring or (2) if a developer is allowed a waiver, then that waiver should be immediately posted to the tax credit webpage and an email blast sent out so that all developers can take advantage of the same waiver.

Appendix C1- 9% LIHTC

Page 21:

B. Set-Asides, Item 3. General New Construction, second bullet: What is the reasoning for considering the "redevelopment of entirely vacant residential buildings" new construction? Vacant residential buildings have already been used for housing and as such would these not be considered rehabilitation?

Page 23:

Item A. Distance to Amenities: We suggest that the distance to amenities revert back to the initial draft QAP. Pushing sites closer to amenities in Group A put sites back in commercial areas where land is more expensive. The Group B, which are the more rural counties, may not have amenities located as close together as they are in the more urban areas and thereby would warrant being located a little further out.

Page 24:

Full-Service Grocery definition: Please eliminate the minimum square footage that a store has to be. As long as the store is a chain store and meets the other requirements what difference does the size of the store make. In rural areas you may have smaller sized chain stores and the square footage is irrelevant as long as the store meets the other requirement listed.

In addition, we appreciate that the size of the grocery store was reduced but again question why the size of the store makes a difference as long as it a grocery store that carries all of the required items listed in the QAP. Please eliminate the minimum size of the grocery store.

Page 26:

Item 3. Points for Qualified Contract: The Authority is awarding 5 points to development teams that have not requested a qualified contact. Section 42 of the Code allows developers to utilize the qualified contract process and as such developers should be allowed to do such without being penalized by the Authority. When the Authority put the criteria in the 2020 QAP comments were made that the criteria should apply only to 2020 developments and forward as developers did not anticipate not being able to utilize the qualified contract process. Going back retroactively and penalizing developers is not a fair business practice. We request that this point item be reworded to begin with developments awarded credits in 2020 and forward.

In addition, the way this section is written it appears to imply that if a property is sold/transferred to a new owner who obligates themselves to uphold the LURA as part of the property transfer

decides at some point in the future to utilize the Qualified Contract Process then the Authority would not award 5 points to the initial owner. If this is the case, we request that the language be reworded in this section so that it is clear the initial owner will not be held liable for future actions of the new owner, which are beyond the initial owner's control.

Page 27:

Item E. Other Types of Tax Credits: The Authority is incentivizing developers to pursue other types of tax; however, on page 33-34 and pages 36-37 the developer is penalized in the state tax credit tie breaker for having any other state resources in the development which would include state historic credits, state abandoned building credits, state textile mill credits, State DMH funding etc. Penalizing a developer for having other state funding and leveraging the federal and state credits needed to fund the development is counterproductive.

Please clarify how a developer can obtain points for having Brownfields Cleanup Credits but not be disqualified for environmental issues like having a VCC Agreement?

Lastly, please indicate what documents/exhibits the Authority will require to be submitted with the full application if the developer is taking points for Other Types of Tax Credits.

Page 29:

Item I. Supportive Housing: Please consider increasing the Supportive Housing targeting to persons at 30% AMI and lowering the targeting of the units to 7% or 5% of the total units. Also, please clarify that if units cannot be rented to eligible tenants after 90 days that units can convert to a 50% or 60% AMI unit so that there are no long-term vacant units in the development. We suggest that the developer provide supporting documents to the Authority to verify that attempts were made to lease to tenants through a variety of avenues before the unit converts to a higher income unit. It is understood that a waiting list of eligible tenants would be maintained and that the next available vacant unit would be targeted to a Supportive Housing tenant once a unit becomes available. Targeting such a high percentage of units at 20% puts a financial stress on the development and requires developers to maximize the 50% and 60% rents in order to cover the operating costs of the 20% units.

Item V. Tie Breaker Criteria, Item C: Awarding projects with the lowest total development cost per heated square feet creates a race to the bottom and provides unrealistic costs just to get an award. We suggest the criteria be changed from lowest total development costs to "closet to the average" total development costs.

Appendix C2- Tax Exempt Bonds

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III. Ranking

The Authority has created a race to the bottom as was done in 2020 for the 9% program. In 2020 the Authority funded developments that had unrealistic low costs. As a result, the Authority took back the

2020 credits and reallocated additional credits to make developments work financially. Encouraging developers to "race to the bottom" with their costs just to be awarded tax credits is not good for the program or industry. We request the Authority rank developments by cost, excluding land, to determine the average development cost. Any developments falling above or below the average cost would lose points based on a standard deviation.

Appendix C3- State LIHTC

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III. Ranking

Same comment as above.