From:	Thompson Gooding
To:	TaxCreditQuestions
Cc:	Travis Ismir; Bryant Thagard
Subject:	[External] Comments on 2023 Draft QAP
Date:	Friday, August 26, 2022 2:43:31 PM

Thank you for the opportunity to review and comment on the draft 2023 QAP. Please find our comments below:

Comments to Section III Threshold:

- No deadlines are listed for initial and/or full applications. Please consider including these deadlines in the QAP. In previous years, the schedule is published separately on the Authority's website, but generally very late in the process.
- We applaud the Authority's decision to require a Phase I application as a matter of prudent due diligence. However, we would ask that the Authority reconsider the requirement for a Geotech report. All but the absolute worst soil conditions can be addressed with cut and fill and/or foundation design, and requiring a Geotech report that the application stage is premature.
- For Section E.1 regarding qualifications and the definition of Principal, please consider how this definition applies to entities with no majority owner. For example, an entity with three partners each holding 33.33% of the ownership, there would be no partners which meet the definition of Principal as currently written, as none of the partners holds a majority interest.
- For Section G, please consider reverting to the previous language regarding required previous experience. Successful delivery of four out of state projects or two in-state projects (and therefore presumably some familiarity between SC Housing and the applicant), should be plenty to establish qualifications. Further, if there are concerns with such developers (compliance, liquidity, etc.), those can be analyzed directly, but separately from a simple quantity of projects.
- Also for Section G, please consider adjusting the requirement for the experienced entity to have held a controlling stake in the previous projects. Many developers and owners gain sufficient experience with much less than 50% ownership.
- For Section H.3, please clarify if SC Housing will require a copy of the requisite certification at application. In the 2021 9% round (under the same provision), we were asked to provide this during underwriting with the implication that it was wrongfully missing from the application, although the language as written does not require this to be submitted. Please include the same in the application checklist, if required.
- Similarly for Section I, the provision states that SC Housing will assess financial capacity based on the applicant's financial statements, but the provision does not require that financial statements be submitted or clarify when they are submitted – at initial application, with the full application, or after award. Please include the same in the application checklist, if required.
- Section M.3 states that "Applications awarded in 2022 may utilize the average income minimum set-aside." and that "Projects may not contain market-rate units." Please clarify whether this is a total prohibition on market-rate units, or if this is intended to only apply to income-averaging projects, as it falls under the income averaging section.
- For Section O.3, please consider whether or not this provision should apply to over-income

households. We have run into situations where a total prohibition on permanent displacement results in a reduced ability to create new tax credit units or prevents a developer from putting a low income household that needs such assistance into a tax credit unit because an over-income household that does not need the assistance is holding that unit and cannot be displaced.

- For Section P.6 please consider waivers from this OpEx range, if there are special circumstances which apply to a project. This range also does not take into consideration projects that pay more tenant utilities and therefore may have higher OpEX, but this is offset by a corresponding lack of utility allowances.
- For Section P.9, please consider allowing at least a portion of interim income during construction to count as a source of funds for rehabilitation projects which will maintain some level of occupancy during construction, especially if the project has rental assistance.
- For Section P.10.c, please consider not including loans from local governments or their affiliated entities which qualify for points from this calculation in the deferred fee limitation. This has been an issue in previous years.

For Appendix C1 – 9% LIHTC

- Please consider allowing more than one award per county, especially in urban and other areas with great affordable housing needs. One project per year will not address significant affordable housing needs across an entire county. Geographic distribution can be incentivized based on recent awards in previous years and/or data on underserved areas, but even within a county there may be more than one area that needs housing and/or has not received a recent award. Greenville County comes to mind.
- Under A. Distance to Amenities, please consider also allowing walking distance Google Maps directions.
- In the definition of “Full Service Grocery”, please consider removing the requirement that a facility be part of a chain. There may be legitimate grocery stores that meet the other requirements listed that should not be excluded simply due to their independent status.
- Please consider eliminating the minimum size requirement for the grocery store. In addition to this being difficult to confirm, many grocery stores, especially those located under residential buildings, may not meet the minimum size requirement but still offer a full range and variety of foods. Trader Joes and Aldi comes to mind.
- In the definition of “Shopping”, please consider adding a square-foot definition/minimum for both big box stores and shopping malls, as this is open to interpretation. This seems more critical than a square foot minimum for grocery stores.
- Please consider re-inserting the Affordable Housing Shortage points. This is the greatest measure of need and a much better way to distribute projects geographically than a single award per county. Suggest keeping the points for counties with no awards within the past X years.
- Is the intent that projects in counties that did not receive an award in 2018 and 2019, but may have received an award in each year since, are eligible for 5 points? Should this be changed to projects in counties that have not received an award in 2018 or later?
- For Other Types of Tax Credits points:
    - 1) Should there be a minimum amount of funding here? As written, a $1.00 tax credit would be eligible for 5 points, but would not make any material difference to a

multimillion dollar project.
    - 2) Would other non-credit sources not be equally valuable here? Low interest loans and other non-credit grants would have the same effect without any burden to a project.
- Under G. Leveraging, please consider reducing the $1,000/unit minimum back to $1. Many communities will not have the resources to commit $1,000/unit in funding, but we often see a waiver of fees for affordable housing projects that in the past have allowed us to claim 1 point. I believe this new requirement will hurt rural communities, especially ones that support affordable housing.
- For Supportive Housing points, please clarify whether or not the applicant must actually provide supportive services (and the requirements for these services), or simply set these units at the appropriate income levels. The QAP is not clear on this, and we have received questions from the agency about this during underwriting.
- The evaluation of rehabilitation applications section does not have well-defined scoring criteria, and appears very subjective. Please consider a more well-defined scoring rubric here.

For Appendix C2 (Is this the same as the Tax Credit Manual referenced for 4% bond projects in the Threshold Section? The Tax Credit Manual is published in the draft QAP as Appendix E, but does not address bond issues.)

- Please consider including these deadlines in the QAP. In previous years, the schedule is published separately on the Authority's website, but generally very late in the process.
- For Section II.A.1, please consider including these deadlines in the QAP. In previous years, the schedule was also published separately on the Authority's website, but generally very late in the process.
- For Section II.B, please consider re-inserting the language "utilizing 4% non-competitive tax credits" deleted from the current draft.
- For Section II.B.4, please clarify that the intent is to keep the 25% three-bedroom requirement but remove the 10% one-bedroom requirement that applies to 9% projects. As written, this language upholds the 3BR requirement, but does not modify the 9% provisions to remove or otherwise address the 1BR requirement.
- Please reconsider the as-proposed methodology of ensuring efficient use of resources as described in Section III. As written, the provision for utilizing the fewest state resources per heated residential square foot creates an incentive to build as cheaply as possible. The measures for lowest state resources per bedroom, lowest proportion of state resources to total project costs, and lowest state resources per tenant (and possibly other methods) are much better ways to incentivize efficient use of the limited state resources, without a direct incentive to build as cheaply as possible.

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