2023 QAP Comments:

Mandatory Design Requirements:

Item O Rehabs – The Authority will put existing developments leaving the 15 year compliance period in a very difficult situation with the current 20 year minimum on submitting a resyndication. Most affordable deals after 15 years have significant rehab needs even if the properties have been maintained and are clean. In addition to the rehab need of the properties, the following items will cause affordable developments to leave the program as a result of year 20 minimum:

1. Most Limited Partners have strong exit language and purchasing the LP interest can be too much for many General Partners or developments to support. If a General Partner is able to resyndicate the development, often the limited partner will not require their interest be purchased if they can syndicate the new development.
2. If the GP and LP want to part ways, a resyndication can generate the funds necessary to purchase the LP interest.
3. If the GP is not able to submit for a resyndication until year 20, most LP's will not wait that long and will force an exit which means if the GP is unable to come up with the cash to purchase the LP interest, the asset will be sold. Many buyers of older tax credit deals are not in the affordable space and do not intend to keep the assets affordable.
4. Many existing mortgages have terms between 16 and 18 years. If a GP can't resyndicate they may have issues getting a new loan on a property that has not had material improvements since original construction.
5. In the last few years we have been able to refinance without resyndication and purchase the LP interest because interest rates have been so low. With rates on the rise, we are no longer able to make those numbers work so without a resydication we will be forced to do a QC or sell the asset to cover the LP interest.

Affordability- QC penalty: Points are given to "any application where no member of the Development Team has had an ownership interest in any property that requested a qualified contract unless the owner can prove that the property was sold or transferred by the member to the owner requesting the qualified contract before September 18, 2019; or the member was contractually obligated to request the qualified contract prior to September 18, 2019, as verified by an independent third party and the Authority's review of the applicable documentation." We request that this language be restructured and only apply for those developments funded in 2020 and going forward. There are reasons developers submit for QC's that actually ensure long term affordability including leasing to tenants who may be slightly outside of 60% AMI, allowing targeted affordable (see examples of partnerships between affordable housing groups and hospital systems or teacher organizations), etc. Other examples exist in adjacent states where a property has gone through a QC and redeveloped to increase density but maintain a percentage of affordable units. To retroactively penalize developers for exercising an established right under Section 42 is onerous and overly broad based. If the only option to do QC is to be forced to do a QC, you'll ultimately lose more affordable units as almost any operating agreement will have language that in some way allows an LP to compel the partnership to seek a QC. Limiting a developer's option to rehabilitate, resyndicate, or remove the LP then seek a QC leaves few options for the GP and LP in a Year 15 deal.

Size Requirements - Rehabs:

Rehabs should not be limited to size in either A or B counties but especially 60 units in the B counties appears low. Many older affordable deals are mid 60-unit size deals. For these developments they will no longer qualify for a 9% resyndication and bond size is limited to 70 units or more.

Grocery Store – There are a number of non-chain grocery stores in South Carolina that are full service grocery stores.

Public Facility –

Language in the QAP says a greenway or trailhead does not qualify. Would this for example mean in Greenville the Swamp Rabbit Trail would not qualify? Market rate apartment, single family and commercial businesses are all chasing locations near the Swamp Rabbit Trail, the Authority would really be missing out on some great sites with this language. I would assume there are similar trail systems in other cities in South Carolina and I'm not sure we want to exclude these. Better defining what qualifies as a greenway would make sense versus eliminating this as an option all together.

Drivable Route to Amenity:

Please clarify if the direction of the "drivable" route matters – from site to amenity or amenity or site, or confirm it does not matter. It would make the most sense to measure in either direction as North Carolina allows.

Supportive Housing Units – please raise the supportive housing units AMI to 30%, or please explain why 20%AMI units would be the target. This puts many households who desperately need housing over-income.

Developer Fee Bond Deals – remove the $3,000,000 cap on fee. This will generate more basis, more federal credits and if the intention is to stretch the State Tax Credit this will help with that. Developers can defer more fee while still generating the basis. There is established precedent for this in many other states. It will create a source for transaction that does not burden the state.

III. Ranking – the four items that are state resources per (1) sqft, (2) bedroom, (3) total cost, (4) potential tenant – how will this be ranked? The average of all four? Is it weighted with the first (resources per sqft) down to the last? Please clarify if these are to remain as-is.

However, having these four items will undoubtedly cause developers to play games to try and "rank." This has happened in previous cycles with similar language, in South Carolina and other states. The bedroom and potential tenant item will cause developers to focus their developments on these scoring criteria rather than what makes sense for the development and market area. If the Authority is looking to maximize the resources on a deal, then pick the sq. ft. or the total cost, but not all four of these as it will just create non-ideal developments.

Overall the "race to the bottom" or "cheapest development wins" tends to creates issues with poorly constructed developments, cheap land (not good areas or real estate), poorly built projects, etc. It's important that new LIHTC properties are built to last and not overly value engineered…The Authority should recognize this will almost certainly happen under the proposed 2023 QAP guidance.

Appendix C3 – State LIHTC:

General Requirements Item C. *Claiming the STC each year during the credit period depends on the project remaining in compliance with Sections I(A)(1) and I(A)(3) above plus all other applicable LIHTC requirements*. Item I(A)(3) is the report the applicant is to provide demonstrating how the STC benefits the resident. How is this an ongoing requirement? Does this report need to be submitted to SC Housing every year of the compliance period and the credit availability be dependent on the authorities review of this report? If this is correct, I do not know that State Tax Credit Syndicators will purchase the full 10 years of state credits as needed to develop the community.

Recycling Credit Fee – this fee seems excessive in the current market where many deals are taking longer to close than historically. In most situations, the reasons for the delay in closings - supply chain, city permit review time, etc. are not something the developer could have prevented. The fee will just add to a development's financial hardship.

Waiting until 90 days before PIS deadline to be able to submit for recycling seems to kick the can for deals that know far in advance they would need to recycle the credits due to impending deadlines. It would be best for both sponsors and the Authority to be able to plan for this by allowing sponsors to put the recycling request in at the time they knew it would be needed. Similarly, would it not make sense to tie 10% deadline to this as well? If it is known to the sponsor that the time table to meet the PIS deadline will be tight even at the time 10% deadline is approaching, why not allow the recycle to occur then and give the development adequate time. This would also allow the Authority to better anticipate how many credits are coming back in any given cycle in a more timely manner.