DOMINIUM

September 21, 2023

South Carolina State Housing Finance & Development Authority *Via E-mail – taxcreditquestions@schousing.com*
Attn: Kim Wilbourne, LIHTC Manager
300-C Outlet Pointe Blvd
Columbia, SC 29210

Ms. Wilbourne:

Thank you for the opportunity to provide written comments to the South Carolina State Housing Finance & Development Authority's Draft 2024 QAP and its corresponding appendices.

We continue to appreciate the leadership of SC Housing in solving South Carolina's housing crisis and urge you to consider the comments below:

1. <u>Comment</u>: Allow energy consumption models (ECMs) for use in utility allowance (UA) schedules – **Draft QAP, Sec. III.A.6**

   <u>Reasoning</u>: ECMs have proven to be a valuable way of minimizing utility costs for residents and reducing consumption of scarce resources, such as water. Many housing authorities have successfully implemented guidelines for using ECMs in UA schedules without sacrificing oversight. SC Housing can retain control over the qualifications needed for independent professionals developing ECMs, require documentation for approval, retain the right to disapprove of an ECM, and require that consumption data is obtained every year to calculate fair allowances annually. Dominium would gladly submit to that reporting and evaluation. Without ECMs, developments in South Carolina face higher expenses, increasing yearly requests that draw from federal and state credits that SC Housing could otherwise give to new developments.

2. <u>Comment</u>: Establish a "bond efficiency" cap to weigh bond-financed developments more equitably in ranking determinations – **Appendix C2, Section III**

   <u>Reasoning</u>: The current ranking system rewards "efficient" developments which use the fewest amount of state resources per residential square foot, per bedroom, per dollar of total project costs, and per tenant. The ranking considers both the tax-exempt bond allocation and state LIHTC allocation as state resources. However, bond-financed developments naturally have a larger bond allocation relative to their state LIHTC allocation, impacting how 'efficient' they rank, even though bond allocation is not a direct cost or budget impact to the state. A "bond efficiency" cap—where a development cannot exceed 55% of the reasonably expected aggregate basis—would acknowledge the unique financing of these developments and level the playing field for ranking their efficiency.

3. <u>Comment</u>: Consider allowing requests for waiver to lower reserve requirements from 6 months minimum to 3 months minimum, if approved by investor documents – **Draft QAP, Section III.O.2**

   <u>Reasoning</u>: A minimum of 3 months of projected operating expenses, must-pay debt service, and minimum per-unit replacement reserves would allow properties to maximize the use of their developer fees, reducing the amount of state credits they need to request. This practice is common across other state housing authorities which accept developer guarantees instead of mandatory minimum reserves, "taking into account the developer's demonstrated financial capacity and liquidity, its track record, and other guarantees it has outstanding."[1]

[1] (National Council of State Housing Agencies, 2017)

4. Comment: Consider removing the two (2)-award limit on 4% tax-exempt bond developments and clarify who qualifies as a "member of the Development Team" - **Appendix C2, Sec. II.B.9**

   Reasoning: Despite there being no funding rounds in 2023, developers still maintained a robust pipeline of affordable housing developments in South Carolina. Developers are ready to meet the housing needs of the state, but a yearly award limit would discourage moving forward on shovel-ready projects. Removing the limit would allow developers to access more bonds and incentivize the necessary development to meet South Carolina's housing shortage. The state's fiscal outlook is extremely important, and SC Housing can certainly support the state's fiscal objectives responsibly without the need for an award limit.

Dominium would also like to take this opportunity to thank SC Housing for implementing some of our earlier comments and reiterate our support for keeping these changes in the final version:

- Increasing the limitation from two (2) to three (3) applications per cycle in Appendix C2, Sec. II.B.9;
- Removing the one-mile radius limitation for new construction developments in the QAP Draft, Sec. III.J.2.e;
- Replacing the requirement that the 100% inspection be completed before allowing residents to move in with the requirement that the 100% inspection be requested within 60 days of the last building receiving its Certificate of Occupancy in Appendix E, Sec. III.A;
- Returning the rent increase language to the language used in 2023 in Appendix E, Sec. VI.B.

Thank you for your consideration of these comments. We look forward to our continued partnership with SC Housing.

Sincerely,

John Rodriguez
Government Relations Associate
Dominium – Southeast Region
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