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From: Holly Douglas [redacted]
Sent: Monday, June 26, 2023 2:45 PM
To: Julie Pope; Wilbourne, Kim 6-9083
Subject: [External] Comments/questions for QAP roundtable discussoin

Good afternoon Julie and Kim,

Please see below comments/questions regarding the 2024 QAP. This is based on the 2023 final and assumption 2024 would likely closely mirror it.

This is not all encompassing but is more than I am sure I can ask or say on the call tomorrow via zoom. Pls let me know if submitting this way allows y'all to address some of these during the call or if I need to also ask via chat function tomorrow? If so, I'll pick just a couple.

Globally, it would be great if the Authority could start posting written comments/questions on the QAPs again,or if they were previously posted and removed to repost them. Esp if there are Authority responses to the questions. Seeing others' comments/inquiries has always been useful. The Q&A section was always a helpful reference point and should also help cut back on # of times Authority has to answer redundant questions. I think it also creates a sense of more transparency, particularly if an answer to one individual's question could possibly help others.

I will participate in the AHC comment submission, but these are just from our company.

1. Income Averaging-- Please consider an income averaging approach that mirrors the guidance provided by the IRS last year. This will allow more people to live in workforce/affordable housing, eliminate the "cliff" these deals are subject to for approvals, and it also means for a rehab no one has to be displaced. The federal guidelines have become very workable and we have the benefit of seeing how other states have put this into practice. Fully appreciate there should be greater compliance paid by owner who makes this election. But this is a win/win for our residents and the properties navigating different economic environments.

2. Developer Award Cap- Please consider raising the developer cap for the 2024 round. It is likely 2024 is more robust than prior cycles, and many groups have the bandwidth for more than the current # of deals permitted for award. Two deals with the amount of credits coming in next year seems light, esp if folks have all collectively sat out for 2023 and now have a gap in production.

3. Negative site traits- How would this be quantified? Excerpt from pg 8, Section J, Item 1c:
Sites where the Authority determines the slope/terrain is not acceptable for affordable housing development as indicated by combined site and site preparation costs that exceed the cost of comparable existing buildable land in the area.

4. Negative points, Regarding distance to RR-- some of the most valuable and appropriate land for MF in Charleston, Richland, Lexington and Greenville counties (to name a few) are in close proximity to the railroad. In Greenville, the rail road bisects downtown and runs through the epicenter of the highest growth areas of town. Noise parameters of QAP based on the prescribed distance would be extremely hard to overcome. The RR also cuts through the city's targeted AH neighborhoods such as Southernside and Unity Park. Is there a way to offset this item if you are in an area such as these, or other high barrier to entry locations like Charleston peninsula ?

5. Operating Expenses-- These are through the roof on so many fronts. Insurance pupa is up 4-5x historical in coastal areas....payroll has jumped exponentially as well. We have not been given a budget from any of the mgmt companies we work for in the last 12 months that fit within the current underwriting parameters....unfortunately I think this range

needs to increase. Would be happy to do survey of our third party managed properties to help determine what the range should be in this inflationary market.

6. Syndication rates- Authority should provide a floor for STC and fed rate. Consideration of geographic location, strength of sponsor and pay in timing could be factors in evaluating if a deal falls below the floor, but the mkt is fairly established at this point....outlier pricing far below the average hurts all participants to the program.

7. Award limitations by county--- Why limit # senior deals per county? There is a huge demand for senior housing in SC, and sometimes senior is more realistic on smaller sites. pls consider eliminating this restriction.

Assume one per county rule is out for 2024 since no round in 2023?

8. The jobs points category can arbitrarily knock out some great locations (losing 6-10 points can be a deal killer depending on other apps), and it can be manipulated pretty easily by dropping the pin here or there....consider reducing points associated with this item if not eliminating entirely.

9. Supportive Housing units-- pls explain why 20%? 30% checks a lot of housing and subsidy boxes, and the 20% concerns voiced for several years remain valid. At this affordability level, social services should be a budgeted item/mandate. If someone is paying $160/month for rent, they cannot afford other basic provisions.

10. Other funding sources-- if a sponsor can source funding at 3-5% money when market rate debt is 7.5-8%, this is still a benefit to the deal and reduces need for state resources. 2% is below the cost of capital for all non-profits that lend to affordable housing. At minimum, sliding scale points should be awarded if below-mkt rate debt can be used as a source and is 200 bps or more below mkt. rates at time of full app.

11. Tie Breaker-- to have the first competitive tie breaker that is within developer control set as lowest cost PSF is setting deals up for failure. It creates a race to the bottom and can be manipulated. It sets senior deals up to automatically fall out vs. a similar request for family bc of unit sizes...this has been tried and failed in NC. It is also a dangerous standard in the inflationary market we're in. Pls evaluate more nuanced ways to contain costs...

I understand this cannot likely change for STC prioritization or 4% deals if JBRC now has final say on bond awarded deals, but it should not be the only meaningful tiebreaker for the 9% program overall. 9% and 4% deals are very different, and the 9% deals don't even have to have STC....so how the tie breaker goes there should be more within the purview of the Authority, and currently that seems to be mirroring directives of JBRC/legislature to max out the STC (which is another reason to put a floor on STC pricing)

Thank you in advance for your consideration. Look forward to the forum tomorrow.

Kindly,
Holly

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