

SC Housing

RE: 2025 2<sup>nd</sup> Draft QAP Comments

Thank you for the opportunity to submit comments on the 2025 2<sup>nd</sup> Draft QAP. We appreciate the work that SC Housing's staff has put into the draft. Several changes are positive. Positive revisions include lowering the maximum amount of credits for 9% awards and limiting new construction awards to one award per county. These revisions will facilitate funding more developments and development will be more evenly distributed across the state.

Below are our comments and questions:

#### Appendix C1 (9% LIHTC)

- General Comment
  - o Will the Agency please show how the state LIHTCs will be allocated? It isn't clear if the state LIHTCs in the 9% round will be allocated in conjunction with the set-aside percentages or if the High Demand New Construction could use all of the state credits before it gets to other set-asides.
- Section II. Application Groupings, Set-Asides and Requirements
  - o D) We request that SC Housing consider putting a cap on the number of units for rehab applications. There appears to be a 101-unit rehab project that will win 9% awards asking for the full \$2,500,000. The amount of credits this project could possibly receive would have funded at least 3 other projects which would have resulted in more units being rehabbed across the state. That project could compete as a 4% with state LIHTCs as well whereas the other 9% applications have too few units to have another path for a rehab award. We suggest the maximum number of units for a rehab property be 69 or 70 units since 70 units is the floor for submitting a 4% application. The lowered maximum LIHTCs per project will help but a clear unit ceiling would ensure that projects with no other funding mechanisms receive awards.
  - o G) We request SC Housing reconsider restoring the statewide basis boost. This would make more projects feasible and would help incentivize developers to develop projects outside of QCTs which would facilitate affordable housing in areas with less poverty.
- Section V. Evaluation of Rehabilitation Applications
  - o A) We request that applicants be able to claim points for BOTH eligibility to request a qualified contract currently AND having 3 years or less remaining on a federal project-

based assistance contract on at least 90% of the units. Projects meeting these two qualifications will inherently be at least 45 years old as the award of federal project-based assistance contracts ended in the early 1980s. If these projects received prior LIHTCs, it likely would have been in the late 1990s or early 2000s with a very limited scope of work. These projects are at risk of losing BOTH project-based assistance AND affordability restrictions. Allowing rehab projects that meet both qualifications incentives developers to seek 9% awards to properly rehab these properties and renew the project-based assistance contracts ensuring these properties remain viable affordable properties for the next 30 years. **This would also create more variance in scoring and less applications going to a tiebreaker.**

- C) We appreciate incentivizing prior year applications. We request consideration expand to include a point for each time an applicant has submitted either a 4% or 9% application for the same property within the last 5 years and not be limited to only a tiebreaker criteria. This rewards developers who clearly have intent to rehab properties with pressing physical needs.
- D) We request that SC Housing not use CCRP as a point category for rehab properties. Many smaller communities do not have CCRPs, and this will steer the awards to larger communities. CCRPs are irrelevant for rehab properties as the property is already in place and needs a rehab. The presence of a CCRP shouldn't be the determining factor in whether an existing project receives a tax credit allocation. This will also have the potential to create a massive tiebreaker in conjunction with the point for properties that lost in the prior year through the tiebreaker. Based on the scoring from 9/23/24, there could be as many as 6 properties that will get the tiebreaker point that do not have CCRPs. Those 6 properties will all score 20 along with any property that is in a CCRP and scores 10 in point category A. This could lead to 6+ properties in a tiebreaker with the top score.
- E) We appreciate the move from a lottery tiebreaker to the proximity to amenities tiebreaker, which we view to be a more policy-based tiebreaker. However, the proximity to amenities tiebreaker could result in more recently rehabbed projects winning tax credit awards over older projects with much more pressing capital needs. We propose that SC Housing consider a tiebreaker system that prioritizes properties that have not been rehabbed in the recent past (i.e., prioritizing a project that received a rehab in 2000 vs. a project that was rehabbed in 2010). Older properties have far greater capital needs to remain viable than a property that was built or rehabbed 15-20 years ago. These properties inherently have more capital needs to be addressed to preserve safe, decent and affordable housing. We believe that prioritizing less recently rehabbed properties will more effectively promote preservation of affordable housing.

Below is our proposal for how points might be awarded to prioritize projects with more pressing capital needs:

Year Last Building Placed in Service	Points Available
After 2005	1
2000 – 2005	3
Before 1999	5

#### Appendix C2 & C3 (Tax-Exempt Bonds & State LIHTCs)

- The current scoring for both Tax-Exempt Bonds & State LIHTCs is the same. Current scoring rewards projects with larger bedroom mixes and square footages. This emphasis inadvertently hinders rehab and new construction of elderly properties. An overwhelming majority of elderly properties, especially existing elderly properties, are studio and 1-bedroom units that are generally less than 700 square feet. In the 2023 4% LIHTC/Tax Exempt Bond Round, the preliminary rankings showed the highest-ranking elderly project was 18<sup>th</sup> out of 33 applications. In the 2023 4% round, all applications for elderly projects submitted were new construction, which received a 10% adjustment to the state resource calculation and these applications for elderly projects were still non-competitive. We would request that SC Housing consider an additional scoring adjustment for applications for elderly projects similar to the USDA-designated rural areas and new construction adjustments.

#### Appendix E (Tax Credit Manual)

- Section III (Developments Receiving a Bond Ceiling Allocation)
  - o The following language is unclear and could be interpreted as being due at the time of initial application. Please clarify when the items listed in this section are due.

“The following documents will be due as listed on the TEB Schedule posted on the Authority’s website at the time of application:”

We very much appreciate your consideration of our comments. We look forward to continuing our work in providing South Carolina residents with access to affordable housing.



Craig Cobb, Vice President