September 23, 2026

Kim Wilbourne
Housing Tax Credit Manager
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd. Columbia, South Carolina 29210

RE: Comments for 2027 Qualified Allocation Plan

Dear Ms. Wilbourne:

We are writing regarding the 2027 Qualified Allocation Plan comment period. After reviewing the most recent draft of the 2027 QAP, we would like to make a few comments for consideration in the next revision regarding the below:

1. The financial underwriting requirement set forth in Section IV requiring that projected annual operating expenses be between $3,500 and $6,000 per unit, per year.

   RECOMMENDATION: Add an exception to this guideline for all properties which are subsidized by a project based rental subsidy contract from HUD, since HUD approves the budgets each year and the rents for these properties. The expenses for HUD subsidized properties are often higher and this allows a higher standard of management, maintenance and experienced personnel at the communities.

2. The financial underwriting requirement set forth in Section IV requiring that developments without repayable debt, the initial annual cash flow per unit not exceed $1,100 per unit in the first year.

   RECOMMENDATION: If financial projections show cash flow trending downward after the first year, the projected cash flow must show at least one year within the compliance period where the annual cash flow per unit does not exceed $1,100 per unit. This is due to some projects having projections trending downward with the SC Housing requirements of the escalators of revenue and expenses.

3. Scoring criteria for preventing the conversion of units to market rate and/or the loss of government housing resources, specifically properties with a federal or rural development project-based assistance contract on at least 90% of the units reflecting a remaining term of less than three (3) years set forth in Appendix C1.V.A.

RECOMMENDATION: Change this criteria or add a new criteria for 10 points for a development with a federal or rural development project based assistance contract on at least 90% of the units reflecting a remaining term of less than 5 years on their HAP contract, Regulatory Agreement or Use Agreement.

Item 1

Section IV of the QAP provides that projected annual operating expenses must be between $3,500 and

$6,000 per unit, per year, excluding reserves. We propose that the QAP provide additional flexibility regarding annual operating expense limitations. At a minimum, there should be an exception for HUD subsidized properties that are required to include resident utilities and other additional operating costs as part of the rental structure.

We noticed that the most recent draft of the QAP adjusted expenses from $4,000 and $6,000 to $3,500 and $6,000 per unit, per year, excluding reserves. While this increase is helpful, there are several important factors supporting the request for additional flexibility regarding operating expense limitations. First, there are many different types of existing affordable housing projects in South Carolina that are older and operate under various HUD programs that make it difficult to maintain lower operating expenses. For example, there are several HUD subsidized properties that require basic utilities, such as water, sewer, gas, trash, and electricity, to all be included in the residents' rent and therefore also included as operating expenses. These properties inherently operate with higher expenses due to HUD program requirements and should not be penalized under a universal operating expense cap.

Additionally, with the volatility of the current insurance market, insurance costs continue to increase. It is important for all properties, but especially properties with non-profit general partners, to be able to maintain quality insurance coverage in the event of a loss or claim. On smaller properties with fewer units, insurance can cost between $800 and $1,000 per unit alone.

In order to recruit and maintain qualified and long-term employees, it is difficult to provide high quality benefits, such as 401(k) and health insurance, if operating expenses are capped at a certain amount. It also discourages the ability to increase payroll that aids in retaining employees, which is a long-term benefit to the Projects.

Since HUD is approving the budgets each year, including the rent increases, it would seem practical to exclude the project based HUD subsidized communities from this requirement.

Item 2

Section IV of the QAP provides that for developments without repayable debt, the initial projected annual cash flow per unit may not exceed $1,100. We propose that this requirement be modified to provide an exception for developments with downward trending cash flow projections due to the required underwriting assumptions of income increasing at 2% annually and expenses increasing at 3% annually.

For these developments, the projected annual cash flow limitation should instead be evaluated based on projected cash flow in Year 20 to ensure the long-term financial sustainability of the development.

Due to the underwriting requirement for income to increase by 2% annually and expenses to increase by 3% annually, year after year the gap between income and expenses narrows. As a result, developments with lower initial cash flow often become financially infeasible over time. Allowing developments with downward trending cash flow to exceed the $1,100 limitation in the early years would help ensure long- term operational stability and feasibility.

Not having a mortgage on a property is a great way for some smaller properties to be financially feasible; however, the current requirement prohibits that from being a viable option. We recommend requiring one year within the compliance period where the annual cash flow per unit does not exceed $1,100 per unit.

Item 3

In Appendix C1.V.A, there is a scoring requirement for the prevention of the conversion of units to market rate and/or the loss of government housing resources, specifically properties with a federal or rural development project-based assistance contract on at least 90% of the units reflecting a remaining term of less than (3) years for 10 points.

While we understand why the requirement is based off the project-based assistance contract, we propose this scoring requirement be inclusive of the affordability requirements as defined by the Regulatory Agreement or the Use Agreement of the property. For example, some development's project-based assistance contracts expire before the regulatory agreement is set to expire and must be renewed. For very old properties that are in desperate need of a rehab, the current owners often do not have the funds to continue to the maintain the property long-term, thus putting the property at risk of losing its affordability even though the project-based assistance contract is still intact. The current owner would be forced to sell or convert the property to market rate. Therefore, we suggest that the scoring requirement set forth in Appendix C1.V.A be inclusive of the project-based assistance contract (HAP), the Regulatory Agreement or the Use Agreement as evidence of preventing the conversion of units to market rate and/or the loss of government housing resources. It is also important to look at communities that have less than 5

years on these documents, as the planning, application and execution process often takes several years, furthering the risk of losing the affordability of the property.

We appreciate the Authority's continued efforts to balance responsible underwriting standards with the practical realities of developing and preserving affordable housing throughout South Carolina. We believe the above revisions would provide additional flexibility while continuing to support financially sound developments.

Thank you so much for your consideration regarding our comments. Should you have any questions, please feel free to reach out via email at [redacted] or to my cell at [redacted].

Sincerely,



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Cc: Cissy Watson, President & CEO, Mansermar Development, Inc.
Mark Kemp, President, Rebuild America, Inc.