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South Carolina State Housing Finance and Development Authority
Attn: Kim Wilbourne
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RE: Comments for 2027 Qualified Allocation Plan

RECOMMENDATAION:

REVISE SECTION (A) OF 9% REHABILITATION SCORING

We recommend revision of Section A of the competitive criteria for rehabilitation applications to separate points for qualified contract eligibility and project-based rental assistance. These two attributes evaluate very different aspects of preservation. Awarding points for QC-eligible properties may make sense to help keep older affordable developments in the program, but it shouldn't hold equal priority with project-based rental assistance. Project-based rental assistance is a fundamentally different factor in that it is responsible for hundreds of millions of annual federal rental subsidy for the lowest-income households in South Carolina. Families living at these properties often have no other meaningful choices for safe decent and affordable housing. Rent subsidy projects regularly serve households well below the 60% AMI threshold, often with the majority making less than 30% AMI. Preservation of the quality and viability of properties with these vital federal resources should be a major priority of the rehab set-aside and we propose that either, a) the points for these subsidies be separated from the QC-eligibility points into a new section, or b) the maximum for this section be increased. Either solution would to allow for properties with federal rent subsidies to compete based on the value they represent to the state.

RECOMMENDATAION:

REVISE SECTION (B) OF 9% REHABILITATION SCORING

We recommend removal of Section B of the competitive criteria for rehabilitation applications. This section currently only assesses an applicant's commitment to replacing the 9 required systems stated. It does not assess whether those 9 systems need to be replaced, how deteriorated those given systems are, or whether a rehabilitation involving those elements is actually appropriate for the physical conditions of the property. In some cases, this criteria results

in developers replacing systems which may not actually need it and struggling to address other high-cost line items. Rehabilitations are not a one-size-fits all landscape and while one project needs new shingles, another might need to fully replace the galvanized pipes or aluminum branch wiring. It's very difficult to properly capture these needs in a reliable, objective scoring system.

The basic purpose of scoring criteria is to differentiate between deals. Review of the preliminary scoring for the 2026 funding round shows that nearly all rehabilitation applications took 9 points under this criteria. This suggests it is not fulfilling its purpose to help differentiate the worthiness of projects. We suggest removal.

RECOMMENDATION:

REVISE OR REMOVE THE POLICY EXCLUDING ACQUISITION COSTS ABOVE APPRAISED VALUE FROM TOTAL DEVELOPMENT COSTS

We recommend that South Carolina Housing revise or eliminate the policy of excluding acquisition prices in excess of appraisal value from total development costs in the 2026 QAP. We also recommend SC Housing consider applying it retroactively for prior QAPs. This policy creates unintended barriers to developing affordable housing properties, especially those which best align with the authority's priorities expressed in the scoring criteria. Below we outline some key reasons for this recommendation:

- This policy disincentivizes properties which best meet agency priorities. Properties that align closely with the QAP's scoring criteria—such as those in high-demand locations or meeting critical community needs—often command purchase prices above their appraised value due to their strategic importance. Standard appraisal methodologies may not fully capture this real-world value creating a gap between market price and appraisal value. This gap creates an impasse—sellers will not sell at a price below the real-world value, and tax credit developers cannot pay the higher price because the project would become financially infeasible due to this policy. This misalignment discourages development of properties that best advance the agency's goals.
- This policy creates financially infeasible scenarios for any property with a real-world value exceeding the appraisal value. This is especially applicable for acquisition/rehabilitation projects. Marking down the acquisition costs for the purposes of the equity gap calculation disregards the actual acquisition price which developers are legally obligated to pay potential sellers. These purchase prices are determined through normal market forces, and the practice of disallowing any costs above the appraisal value puts the authority in the position of funding and moving forward with deals that may not be financially feasible at all. It's important to understand that any purchase price removed from TDC still must be paid to the seller. Disallowing those costs and reducing the credit allocation accordingly forces developers to “eat” the difference in additional deferred developer fees. This is often untenable and exposes otherwise good projects to potential failure.

Revising this policy to recognize market-determined acquisition costs in TDC calculations would ensure project feasibility, align funding amounts with real-world economics, and support the development of high-priority affordable housing projects which align with the agency's development priorities.

RECOMMENDATION:

ADOPT A 2-YEAR QAP CYCLE

We recommend SC Housing consider adopting a 2-year QAP cycle to promote stability in the development community and enable the authority to focus on refining policy implementation. A 2-year cycle would create a more predictable environment, reduce volatility, and better support the state's affordable housing goals. This would provide a consistent framework for developers to plan and execute projects, reducing uncertainty caused by annual policy changes. This predictability fosters confidence in the development process, enabling more efficient allocation of resources and alignment with South Carolina Housing's long-term objectives.

RECOMMENDATION:

ALLOW SMALLER REHAB PROJECTS TO APPLY FOR TAX-EXEMPT BONDS

Rehabilitation projects with fewer than 70 units should be permitted to apply for tax-exempt bond allocations. If a project with less than 70 units does not score well under the 9% evaluation criteria or have another project to join with for a portfolio transaction, it currently has no viable pathway to recapitalization regardless of its physical condition or efficiency using state funds. Transaction costs may be higher on a per-unit basis, but if a project can support these costs given its specific profile they should not be precluded from applying.