

May 15, 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 2026 Qualified Allocation Plan

Dear Ms. Wilbourne:

We are writing regarding the 2026 Qualified Allocation Plan comment period.

After reviewing the most recent draft of the 2026 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 \$4,000 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. The financial underwriting requirement set forth in Section IV, requiring that the maximum Developer Fee be the lesser of fifteen percent (15%) of Total Development Costs or a cumulative amount of \$30,000 per unit for the first 50 units, \$25,000 per unit for units 51-100, or \$20,000 per unit for any units more than 100.

RECOMMENDATION: The maximum Developer Fee be fifteen percent (15%) of the Total Development costs regardless of the number of units. The work for a development is the same whether it is a 40 unit development or a 200 unit development. No steps in the process are left out regardless of the number of units.

4. 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 \$4,000 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 increased expenses from \$3,500 and \$5,000 to \$4,000 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**

Section IV of the QAP provides that the maximum Developer Fee be the lesser of fifteen percent (15%) of Total Development Costs or a cumulative amount of \$30,000 per unit for the first 50 units, \$25,000 per unit for units 51-100, or \$20,000 per unit for any units more than 100.

We noticed in the most recent draft of the QAP that the Developer Fee cumulative amount increased from \$25,000 per unit for the first 50 units, \$20,000 per unit for units 51-100, or \$15,000 per unit for any units more than 100 to a cumulative amount of \$30,000 per unit for the first 50 units, \$25,000 per unit for units 51-100, or \$20,000 per unit for any units more than 100. While this increase is helpful, we propose that the per-unit Developer Fee limitation be removed and that the maximum Developer Fee be based solely on fifteen percent (15%) of Total Development Costs.

It is equally, if not more difficult, to develop properties that have fewer units, especially when it is an acquisition rehabilitation. No matter the size of the project, they require the same amount of planning and coordination with architects, general contractors, third party reports, consultants, attorneys, accountants, city officials, lenders, and investors. The developer fee will already be lower on smaller projects because the total development costs are lower.

Additionally, year after year expenses have continued to rise and total development costs have continued to increase. All parties involved in the development team have been able to increase their fees, and general contractors continue to receive their general conditions, overhead, and profit percentages as hard costs increase. The current per-unit limitation disproportionately impacts smaller, rural, and acquisition rehabilitation developments that already operate with tighter margins. By continuing to cap developers at a per-unit developer fee, it limits the ability of developers to adequately account for increasing employee salaries, overhead, and pre-development expenses, particularly on smaller and acquisition rehabilitation developments that require the same level of coordination and effort as larger projects.

### **Item 4**

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 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, futhering 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 and we appreciate the opportunity to discuss by phone with you recently. 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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