CAHEC
Strengthening Communities

October 26, 2018

Laura Nicholson
Development Director
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Boulevard
Columbia, SC 29210

RE: Comments to South Carolina State Housing Finance and Development Authority 2019-2020 Qualified Allocation Plan

Dear Ms. Nicholson,

As an active LIHTC investor in South Carolina, we would like to take this opportunity to express our concern with the following items contained in the draft 2019-2020 QAP.

1. *Removal of "Development with the highest site scores" as first tie breaker*

All else equal, a project with the most desirable real estate relative to the competition should be given preference. The location of the projects we invest in is of tremendous importance not only to our investors but also to the residents we serve. By not using the site score to break a tie, there is little incentive to secure the best real estate if points can be made up elsewhere.

2. *Applying cost standards as effectively the first tie breaker*

As in the prior QAP, the second tie breaker relates to applying cost standards to development. In previous years, that was not a significant problem as ties were always broken via site scores. However, as currently written, the cost standard method is effectively the first tie breaker. Encouraging developers to fall within one standard deviation of the group average could result in a race to the bottom. With rising costs, we want our developer partners to be honest with the costs they are facing rather than attempt to guess the number used by the majority. Applying cost standards thus has the potential to encourage inferior products which significantly reduces the attractiveness and long-term sustainability of the asset.

CAHEC
Strengthening Communities

3. *Reducing the amount of the operating reserve*

Almost all syndicators and direct investors adhere to the underwriting standards of the Affordable Housing Investors Council (AHIC). These guidelines call for a minimum operating reserve equal to six month's debt service, expenses, and replacement reserves. By reducing the required amount to four months, properties will be undercapitalized in an event that required drawing on the operating reserve. Additionally, as the majority of investors require an operating reserve equal to six month's debt service, expenses, and replacement reserves, this cost should be budgeted for at the beginning.

Thank you for your consideration and the opportunity to comment.

Sincerely,

Robert C. Landis

Robert C. Landis
Senior Vice President