

From: David Bennett [REDACTED]

Sent: Sunday, December 16, 2018 8:41 AM

To: Nicholson, Laura 6-9190

Cc: [REDACTED]

[REDACTED]

[REDACTED]

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Subject: 2019 SCSHFDA QAP Comments - Centrant Community Capital

Dear Ms. Nicholson -

Thank you for opportunity to submit these comments regarding the 2019 SCSHFDA QAP. Centrant Community Capital is a perm debt lender based in Raleigh, NC that has financed over 22,000 units at more than 400 properties across six Southeastern states. Our financial commitment to date in South Carolina alone exceeds \$62 million in loans, financing over 3,100 units at 60 properties statewide.

As noted in my previous correspondence dated December 3, 2018, Centrant Community Capital is concerned by SC Housing's decision to substantially reduce the points category associated with developer experience in the 2019 QAP. As a lender, understanding the past experience and success of our developers/borrowers is a significant factor in our underwriting process. While this change was no doubt intended to have a positive impact upon the LIHTC program in South Carolina, we believe that the change will be detrimental for several reasons:

- As you are aware, the LIHTC program is an established but inherently complex program. Every aspect of the development process - from application, to construction, to leasing, to on-going compliance and management – requires a degree of knowledge, judgment and attention to detail that is best obtained over time and with experience. Any mis-step along the way has the potential to negatively affect the affordable housing communities – and ultimately the residents – that the LIHTC program was designed to create and serve.
- It is our understanding that a motivating factor behind this change is the desire to reduce the cost of development for LIHTC properties in South Carolina. We can attest that all LIHTC developers are facing dramatic increases in development costs as a result of national economic policies, natural disasters, and additional cost burdens imposed by local governments. Less experienced developers will not have as deep an understanding of realistic development costs, or the ability to tap into a broad network of suppliers, subcontractors and other vendors, which means that they may overlook or be unaware of ways to project, reduce or limit the impact of these cost increases.
- On a related note, it is our observation that the ultimate operational success of a property depends upon realistic underwriting assumptions and projections – decisions that are made well before a shovel is placed into the ground. Working with an inexperienced developer increases the likelihood that the project may not be delivered on time or in accordance with the understood budget, jeopardizing tax credit delivery, investor equity and operating cash flow. In a worst-case scenario, we have seen many instances where poor assumptions have resulted in a property where the financing needs may exceed the property's capacity to

service the required debt, thereby increasing the possibility of loan default and foreclosure.

- Using developer experience as a factor in application scoring is not unique to South Carolina. Almost all states include some type of scoring factor that is based upon years of LIHTC experience and/or projects completed. We maintain that effectively eliminating this scoring factor in South Carolina goes against “best practices” that have been developed and implemented by HFAs nationwide.
- Having a scoring category related to experience in no way prohibits new developers from participating in the South Carolina LIHTC program. Inexperienced developers are able to partner with – and learn from – more experienced developers in order to gain the expertise necessary to become successful developers.
- Finally, because this revision was proposed so late in the drafting process for the 2019 QAP, we believe that that stakeholders were not provided sufficient opportunities to comment during the standard open forums such as the Tax Credit Roundtable and the Public Hearing. We ask that this revision be tabled until the 2020 QAP discussion in order to fully vet the change and gather feedback from all stakeholders.

South Carolina is a critically important state within our lending footprint, and we are fully committed to supporting the ongoing success of the LIHTC program and its developments. I hope that these comments are received in the spirit in which they are intended – as a sincere effort to ensure nothing less than the highest quality properties for the citizens of South Carolina.

Again, thank you for the opportunity to provide this feedback, and please do not hesitate to contact me if you have any questions.



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