

From: Thomas Faulkner [REDACTED]
Sent: Monday, December 17, 2018 2:17 PM
To: Nicholson, Laura 6-9190
Cc: Shropshire, Bonita 6-9005
Subject: Comment on Experience Point Reduction

Attached is a letter expressing support for the reduction in experience points.

I also would like to repeat my comment made at the public hearing. I believe that if SC Housing finds that it must award tax credits to a developer due to the developer's submission of a Community Revitalization Plan (CRP) in the tie breaker category, I recommend that SC Housing hire a certified planner to critique the CRP and to ensure that whatever is submitted came from the sources claimed in the application. Such detailed critique of other CRPs submitted which do not affect an actual award would not be required. Any such contract with the same planner should not exceed three consecutive years.

Similarly, I recommend that SC Housing decide to limit a contract with the same tax credit site evaluator to no more than three years to reduce potential conflicts of interest.

Finally, I request that SC Housing with the assistance of SCACED and the Affordable Housing Coalition of South Carolina examine carefully why South Carolina is not successfully awarding tax credits to South Carolina non-profits. In North Carolina, 17% of the tax credits allocated on average are allocated to North Carolina based non-profits.

Thank you for your consideration.

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December 17, 2018

Ms. Laura Nicholson
S.C. Housing
300-C Outlet Pointe Blvd.
Columbia, South Carolina 29210

Dear Ms. Nicholson:

As a member of the QAP Subcommittee of the Affordable Housing Coalition of South Carolina, I respect the opinions of the majority of our committee. Their position is that reducing the experience points required to compete for Section 42 tax credits should not decrease from seven to one successfully completed tax credit development of 72 units. If such a change were to remain in the QAP, I suggest that the language on page 9 be revised to the following: "Experience in LIHTC development (to include 4% and 9% Tax Credits, TCAP and Exchange funded developments) means, coordinating the development team from the planning, financing and construction of **tax credit development(s) totaling** at least 72 units through the receipt of Certificates of Occupancy and issuance of 8609s." Since 72 units has been the maximum number of units recently allowed to compete for tax credits, it is unreasonable to expect a developer to reach the 72 unit minimum with only one development.

Given that non-profits in South Carolina have had almost no opportunity to participate in the Section 42 Tax Credit Program over the last several years due to the experience requirement, I support the reduction in experience points to a combination of completed developments totaling at least 72 tax credit units. There is no question that the Section 42 Tax Credit Program is a complex program requiring experienced developers who have the financial capacity to complete such developments. I believe that an experienced partnership with the minimal 72 completed units can be considered a viable applicant for tax credit projects with one obvious caveat. To be able to submit an application in the first place, such a developer must be vetted by not only a syndicator, but also a financial institution that gives preliminary approval of both the required construction and permanent financing to complete the development.

Enclosed is the language in the recently finalized NCFDA and VHDA QAPs relating to the tax credit experience requirement. In North Carolina, a developer who has completed one NC tax credit development successfully is eligible to apply for tax credits. In Virginia, a developer who has completed three tax credit developments who has at least \$500,000 in liquid assets can compete for tax credits.

Thank you for giving this additional time to comment on what must be considered a major change to the draft QAP since the Board of Commissioners met in Charleston.

Sincerely,



Thomas G. Faulkner, III

North Carolina Development Experience Requirements

1. DEVELOPMENT EXPERIENCE (a) To be eligible for an award of 9% Tax Credits, at least one Principal must have successfully developed, operated and maintained in compliance either one (1) 9% Tax Credit project in North Carolina or six (6) separate 9% Tax Credit projects totaling in excess of 200 units. The project(s) must have been placed in service between January 1, 2012 and January 1, 2018. Such Principal must: (i) be identified in the preliminary application as the Applicant under Section III(C)(6), (ii) become a general partner or managing member of the ownership entity, and (iii) remain responsible for overseeing the project and operation of the project for a period of two (2) years after placed in service. The Agency will determine what qualifies as successful and who can be considered as involved in a particular project. (b) All owners and Principals must disclose all previous participation in the low-income housing tax credit program. Additionally, owners and Principals that have participated in an out of state tax credit allocation may be required to complete an Authorization for Release of Information form. (c) The Agency reserves the right to determine that a particular development team does not meet the threshold requirement of subsection (D)(1)(a) due to differences between its prior work and the proposed project. Particularly important in this evaluation is the type of subsidy program used in the previous experience (such as tax-exempt bonds, RD).

Virginia Development Experience Requirements

4. Sponsor characteristics:

(a). Evidence that the controlling general partner or managing member of the controlling general partner or managing member for the proposed development have developed:

- (1) as controlling general partner or managing member, (i) at least three tax credit developments that contain at least three times the number of housing units in the proposed development or (ii) at least six tax credit developments. (50 points); or
- (2) at least three deals as a principal and have at least \$500,000 in liquid assets. "Liquid assets" means cash, cash equivalents, and investments held in the name of the entity(s) and or person(s), including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including but not limited to: 1) stock held in the applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts, including reserves. The Authority will assess the financial capacity of the applicant based on their financial statements. The Authority will accept financial statements audited, reviewed, or compiled by an independent certified public accountant. Only a balance sheet dated on or after December 31 of the year prior to the application deadline is required. The Authority will accept a compilation report with or without full note disclosures. Supplementary schedules for all significant assets and liabilities may be required. Financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) are preferred. Statements prepared in the income tax basis or cash basis must disclose that basis in the report. The

Authority reserves the right to verify information in the financial statements. (50 points);
or

(3) as controlling general partner or managing member, at least one tax credit development that contains at least the number of housing units in the proposed development. (10 points)