Good morning Laura, I thank you for the opportunity to offer comments regarding the redline draft of the 2019 SC QAP and TC Manual:

1. On Page 14 of the QAP, under the Large Population Urban Set-Aside points: item 4 states that points will be awarded to cities not funded in the 2018 tax credit funding cycle.
   a. Clarify language to indicate whether this is meant to apply only to 2018 new construction awards, or is it intended to exclude Summerville, which received a rehab award.
   b. Clarify language to indicate whether this is meant to apply only to 2018 awards in the Large Population Urban set-aside (ex: Columbia), or is it intended to cities which received any 2018 new construction awards within city limits, regardless of previous set-aside award (ex: Greenville, Rock Hill).

2. On page 15 of the TC Manual, under Appraisals: item L states that land costs will be limited to 8% and 10% of TDC. We would like submit the comment that these land cost caps should be removed. We would like to make several points:
   a. SC Housing already has several cost limitations in place: a tiered credit per unit, TDC cost caps per unit, standards for appraisals, etc., all of which already ensure land costs are reasonable to the development.
   b. Land prices typically reflect the ease of development and zoning. A less expensive parcel of land is likely to require more expensive site work (retaining walls, fill dirt, stormwater issues, flooding, grading, sewer & water extensions), which end up adding to development cost anyway. Parcels of land that are easy to develop topographically are typically priced accordingly. The focus of the underwriting criteria should be on Total Development Cost and overall credits per unit, which allows cost savings from site work to move to land costs and vice versa.
   c. The areas of the state which need affordable housing the most such as Hilton Head, Charleston, etc. have the highest land costs. If a developer can make a project work from an underwriting perspective, it is not in keeping with SC Housing's goals to further restrict development in these areas.

3. Regarding Annual Operating Expenses on page 23 of the TC Manual: We believe the range should be at $3,800 to $4,800 per unit per year.
   a. We recently analyzed the annual operating expenses for 10 LIHTC properties managed by NHE, all built within the last 10 years, and we show a range of AOE between $4,500 and $5,000 per unit.
   b. Novogradac's 2018 AOE report shows that properties with less than 50 units have significantly higher AOE per unit, averaging $5,000 per unit. And properties with 50 to 100 units average $4,778 AOE per unit. The lower national averages are based on properties with 100-200 units, which is far above the 88 unit cap for the SC 9% program.
   c. The 2017 SC TC Manual had a max expense range at $4,400. Following a 3% annual increase trend in expenses since 2017, the current 2019 annual expense range max would be at least $4,668.

4. Please add a tab to 2019 SC LIHTC Application excel form that shows the projected proforma over 20 years.

5. Regarding the Total Development Cost caps on page 13 of the QAP: We support a TDC per unit cap of $190,000 per unit for garden style multi-story.
   a. The economy remains very strong, and the construction and multifamily industry are particularly strong; competition for subcontractors, labor and material is intense.
   b. Year over year construction costs have increased dramatically for the last couple of years. Per the 2017 QAP, the cost limit was $180,000 for garden style multi-story; a minimum 3% per year inflation rate would yield a TDC cost cap of $190,962 for 2019 instead of the proposed $185,500.

6. In-state experience point on page 9 of the QAP: we request that the point be maintained.  It is vital to maintain the reputation of the program.  Developing affordable housing in SC requires maintaining positive relationships with local residents, navigating the politics and zoning of local municipalities, occasionally managing media, meeting strict construction timelines, developing relationships with local subcontractors, and finding in-state property management companies that have a track record of compliance with SC Housing.  Local municipalities as well as out of state developers are best served by partnerships between developers new to the SC QAP with developers that have already successfully developed within the state.  The QAP scoring system should encourage partnerships with experienced developers that have proven a positive track record of being good stewards of the program.

7. Developer Fee: page 21 under Underwriting standards: we urge SC Housing to maintain the 2018 QAP developer fee language.
   a. Developer fee is basis eligible and helps generate equity for the development. In an era of rising construction costs and lower credit pricing more equity and basis is needed.
   b. Under 2018 language, the size of fee is proportional to the development based on 15% of adjusted development costs (which excludes land) so that smaller developments generate a smaller fee than larger developments.

Thank you for your consideration,

Taylor Davis
President

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