

TOWN OF HILTON HEAD ISLAND

One Town Center Court, Hilton Head Island, S.C. 29928

(843) 341-4600 Fax (843) 842-7728

www.hiltonheadislandsc.gov

David Bennett
Mayor

October 26, 2018

Kim W. Likins
Mayor ProTem

South Carolina State Housing Finance & Development Authority

Ms. Laura Nicolson

300-C Outlet Pointe Blvd.

Columbia, SC 29210

Council Members

David Ames
Marc A. Grant
William D. Harkins
Thomas W. Lennox
John J. McCann

Dear Ms. Nicolson,

On behalf of the Town of Hilton Head Island Town Council the following comments are submitted regarding the South Carolina State Housing Finance and Development Authority's proposed 2019 and 2020 Tax Credit Manual:

Stephen G. Riley
Town Manager

1. Please make HOME Funds available to all projects regardless of set-aside. HOME Funds are an effective tool to offset the effect of rising interest rates and construction costs and decreasing tax credit pricing.
2. Either increase the maximum amount of tax credit available to projects in the LPU set-aside to \$1,040,000, which would make the per unit amount equivalent to projects competing in the General set-aside or decrease the minimum project size to 45, allowing a broader variety of projects to be considered and funded. The target should be \$20,000 in tax credits per unit.
3. Given high land costs associated with being a barrier island, we request the removal of the cost cap as a percent of Total Development Costs or to increase it substantially. Note: A professional appraisal should be the tool to determine an appropriate land value. Areas of high land cost should not be precluded from developing affordable housing. And, since tax credits are not allocated for land costs, so long as a proposed development's sources and uses of funds balance, it should not be removed from consideration solely because it is located in an area of high land cost, which is typically a causal factor of lack of affordable housing.

The following comments are submitted regarding the Authority's proposed 2019 and 2020 Qualified Allocation Plan (QAP):

1. Please delete the 2 points possible for sites located less than 1.5 miles of a public school (page 5). This will permit sites located within Hilton Head Island's Qualified Opportunity Zone to compete for tax credit allocations without being penalized because of the distance from the Zone to the public school campus.
2. Market Study Criteria (page 8). Add another level of scoring for markets that are exceptionally tight (3% vacancy or less). Recommend the following:

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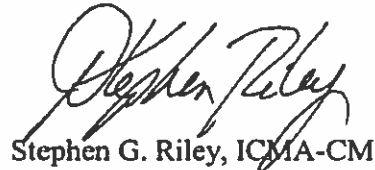
- Overall vacancy rate of less than 3% - 3 points
- Overall vacancy rate of 3% but less than 5% - 2 points
- Overall vacancy rate of 5% but less than 7% - 1 point

Markets with these levels of vacancy are in greatest demand for housing so adequate consideration should be given to them.

3. Given the high land and construction costs associated with development on a barrier island, either eliminate Total Development Cost caps (page 13) or increase them substantially (not less than 20% for projects located in coastal communities).
4. Mixed-use and mixed-income developments help produce healthy communities with a high quality of life and augment ways to create affordable housing. Please include an incentive mechanism for developing this type of community using tax credits as an equity source for the affordable units within a larger development.
5. If SC Housing discontinues the Small Development Rental Program, the Town of Hilton Head Island would request that SC Housing allow for scattered site development in the QAP and TC Manual.

Thank you for the opportunity to submit the above written comments. Please accept our comments and do not hesitate to contact my office if you have any questions or need additional information.

Sincerely,



Stephen G. Riley, ICMA-CM
Town Manager